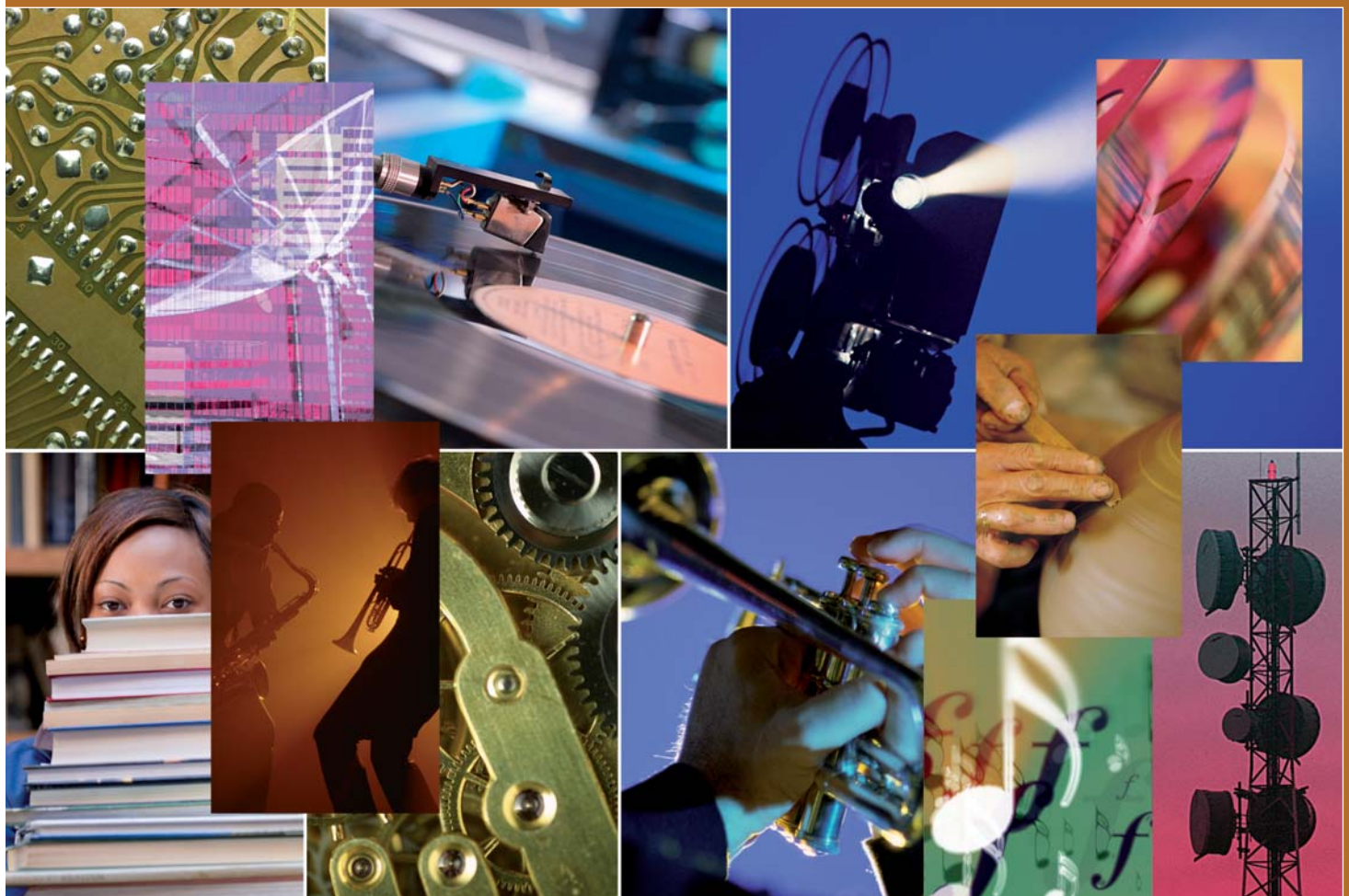


# National Studies on Assessing the Economic Contribution of the Copyright-Based Industries



Creative Industries Series No. 3



WORLD  
INTELLECTUAL  
PROPERTY  
ORGANIZATION

# The Economic Contribution of Copyright-Based Industries in Ukraine



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## Summary

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The economic importance of the copyright-based industries (CIs)<sup>1</sup> attracts the attention of researchers from all over the world. Research on their contribution to the Ukrainian economy has been carried out for the first time.

According to the WIPO Guide,<sup>2</sup> the copyright-based industries are:

- **The Core Copyright Industries** – which are wholly engaged in creation, production and manufacture, performance, broadcasting, communication and exhibition, or distribution and sale of works and other protected subject matter (press and literature; music, theatrical productions, opera; motion picture and video; radio and television; photography; software and databases; visual and graphic arts; advertising services; copyright collective management societies).
- **The Interdependent Copyright Industries** – which are the industries that are engaged in production, manufacture and sale of equipment whose function is wholly and primarily to facilitate the creation, production or use of works and other protected subject matter (television and radio receivers, VCRs, CD players, DVD players, cassette players, electronic game equipment and other similar equipment; computers and software, musical instruments; photographic and cinematographic instruments; blank recording material; paper).
- **The Partial Copyright Industries** – which are the industries where a portion of their activity is related to works and other protected subject matter and may involve creation, production and manufacture, performance, broadcasting, communication or exhibition, distribution and sale (apparel, textiles and footwear; jewelry and coins; other crafts; furniture; household goods, china and glass; wall coverings and carpets; toys and games; architecture, engineering and surveying; museums).
- **The Non-Dedicated Support Industries** – in which a portion of the activity is related to facilitating broadcasting, communication, distribution or sale of works and other protected subject matter, and whose activities have not been included in the core copyright industries (general wholesale and retailing; general transportation; telephony and Internet).

The study<sup>3</sup> showed that, in 2005, the contribution of the CIs to the gross domestic product (GDP) of Ukraine amounted to 2.85 per cent or 12,583.54 million UAH. At the same time the total contribution of the core CIs constituted 1.54 per cent or 6,815.61 million UAH. The contribution of CIs to gross national production in 2005 amounted to 3.47 per cent, or 36,336.71 million UAH. The contribution of the core CIs to gross production constituted 2.07 per cent, or 21,714.34 million UAH. The total number of employees in the CIs in 2005 amounted to 360,412 persons or 1.91 per cent of the total working population of Ukraine.

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<sup>1</sup> In this study term “copyright-based industries” also covers industries based on related rights.

<sup>2</sup> *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*, WIPO, [http://www.wipo.int/copyright/en/publications/pdf/copyright\\_pub\\_893.pdf](http://www.wipo.int/copyright/en/publications/pdf/copyright_pub_893.pdf).

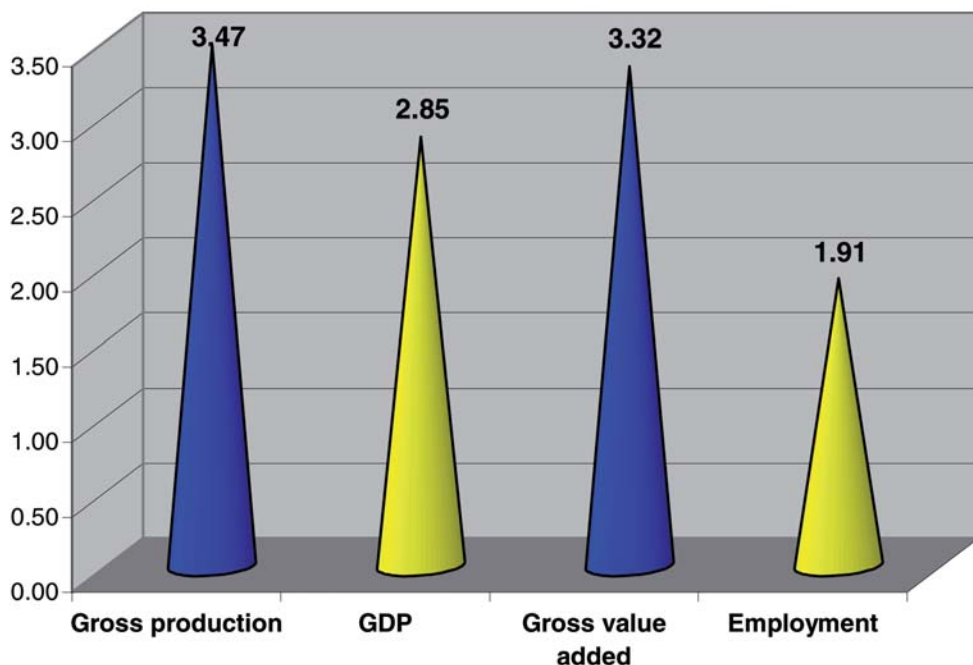
<sup>3</sup> This study was conducted on the initiative of the State Department of Intellectual Property with the financial and expert support of the World Intellectual Property Organization (WIPO). It was carried out by a research team lead by Olena Saverchenko, Ph.D., Head of Division of Industrial Property Economic Regulation, State Enterprise Ukrainian Institute of Industrial Property (UKRPATENT). The members of the team were Valentin Chebotaryov, Ph.D., Deputy Chairman of the State Department of Intellectual Property, Tamara Davydenko, Head of the Copyright and Related Rights Division, State Department of Intellectual Property, Olena Shcherbakova, Head of the Division of European Integration and International Cooperation, State Department of Intellectual Property, Oleksiy Stolyarenko, Senior Specialist in the Copyright and Related Rights Division, State Department of Intellectual Property, Prof. Volodimir Mihailov, Director of the Research Institute of Statistics, State Statistics Committee of Ukraine, and Igor Bulkin, Ph.D., the H.M. Dobrov Center for Scientific and Technological Potential and Science History Studies.

WIPO consultants were international experts Stephen E. Siwek and Dr. Dimiter Gantchev, Director, Creative Industries Division of WIPO. The study was carried out in close cooperation with the State Statistics Committee of Ukraine, the State Tax Administration of Ukraine, the National Bank of Ukraine, and the Ministry of Culture and Tourism of Ukraine.

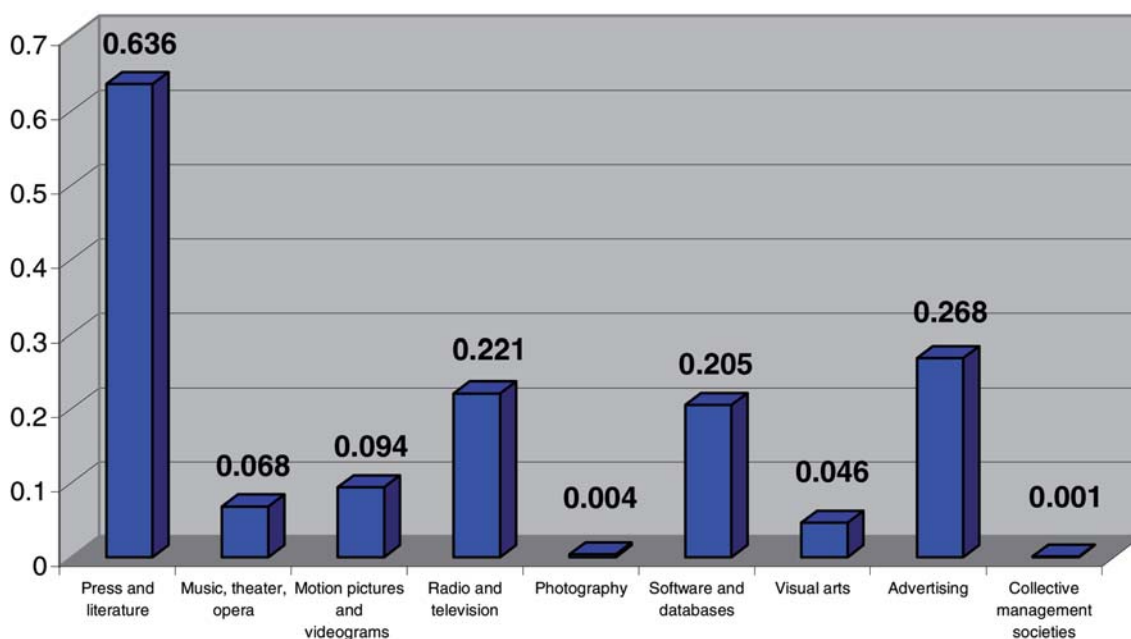


The total number of employees in CIs in 2005 was equal to 219,495 persons, or 1.16 per cent of the total working population in Ukraine.

**Economic Indicators of the Copyright-Based Industries in 2005 (%)**

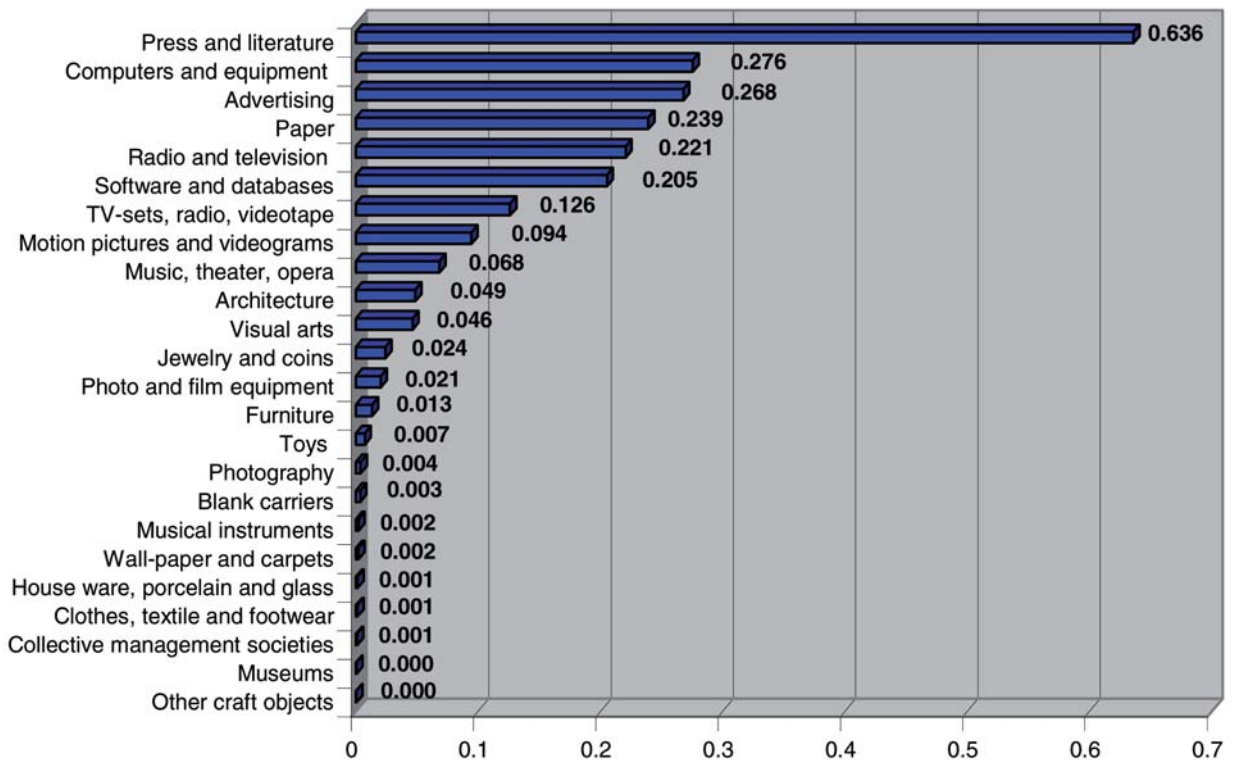


**Contribution of the Core Industries to Ukrainian GDP in 2005 (%)**



Considering the contribution of the core industries to Ukrainian GDP, it should be noted that the leading sector was press and literature, the value added of which comprised 0.6 per cent of Ukrainian GDP, *i.e.* 2,807.57 million UAH, or 41.2 per cent of the aggregate value added of the core industries.

### Contribution of the Copyright-Based Industries to GDP in 2005 (%)

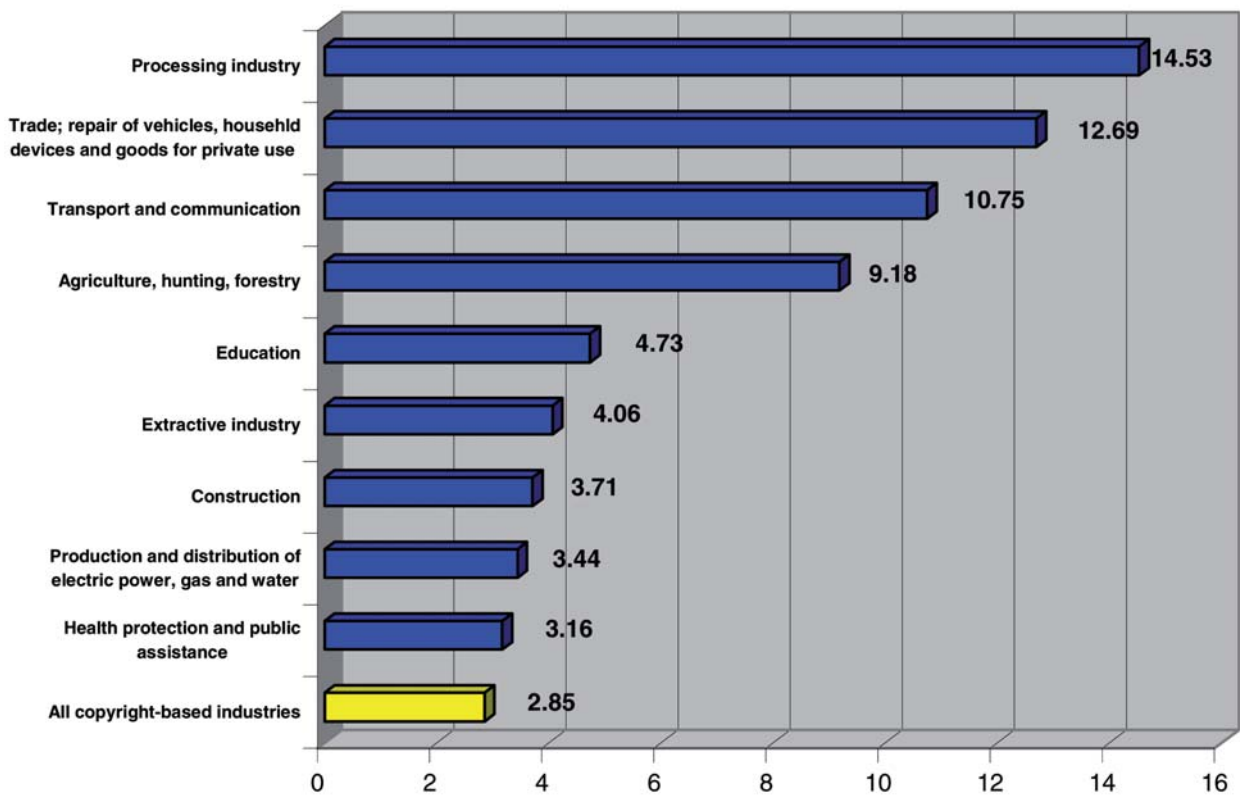


The CI sectors making the highest contribution to GDP were press and literature (0.636 per cent), computers and equipment (0.276 per cent) and advertising (0.268 per cent). By analyzing and combining the economic contribution of CIs in accordance with their dependence on copyright and related rights, we obtained the following data: press and literature and paper—0.88 per cent of GDP; radio and television with motion picture and video, music, theater, opera, TV and radio receivers and videotape recorders—0.51 per cent of GDP; software and database with computers and equipment—0.48 per cent of GDP.

### Comparison with Other Sectors of the Ukrainian Economy

Although the CIs are not the main industries in Ukraine they are important for the country's economy. In 2005, their contribution was equal to 2.85 per cent and thus they may be compared with such important sectors as construction (3.71 per cent), production and distribution of electric power, gas and water (3.44 per cent), health protection and public assistance (3.14 per cent). The CIs constitute nearly 31 per cent of the contribution of the agriculture, hunting, and forestry sector; 77 per cent of the contribution of the construction sector; 70 per cent of the contribution of the extractive industry sector.

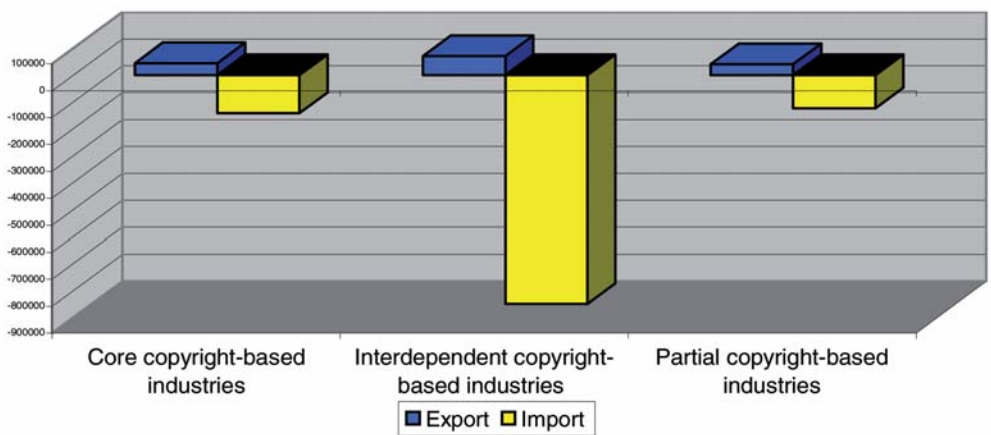
**Contribution of the Copyright-Based Industries to GDP in Comparison with Other Sectors of the Economy (%)**



**Foreign Trade**

The export value of goods related to CIs amounted to 157,269.41 thousand US dollars<sup>4</sup> in 2005 or 0.46 per cent of the total exports. The import value of goods related to copyright-based industries was equal to 1,112,690.1 thousand US dollars in 2005 or 3.08 per cent of the total volume of imports. The foreign trade deficit for the CIs amounted to 955,420.69 thousand US dollars or 51.5 per cent of the total trade deficit. Thus, it can be concluded that imports of these goods are around seven times greater than their exports.

**Foreign Trade in Goods of the Copyright-Based Industries in 2005 (%)**



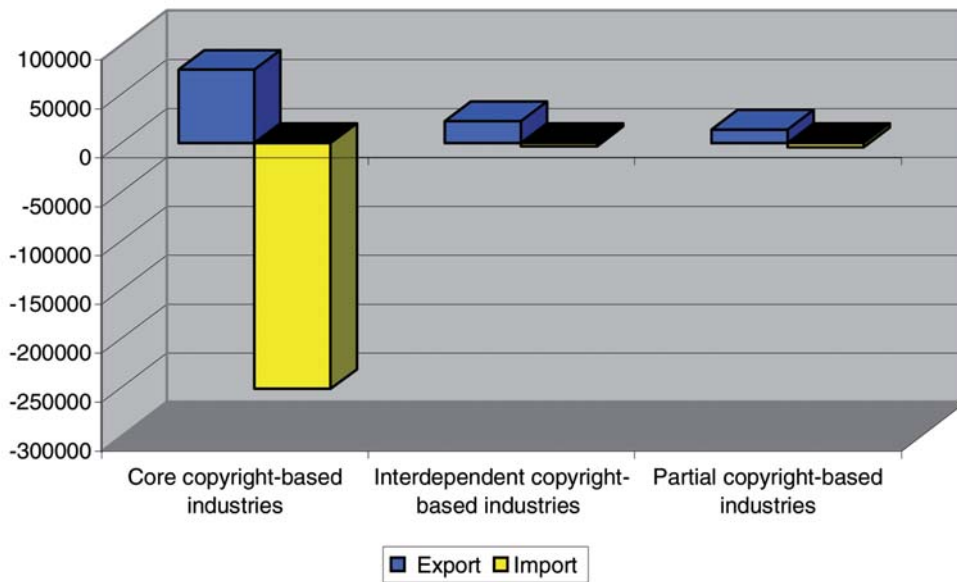
Exports of the CIs amounted to 110,612.67 thousand US dollars in 2005 or 1.80 per cent of total service exports. The total share constituted 259,176.41 thousand US dollars or 8.90 per cent of the total volume of service imports.

<sup>4</sup>The value of goods and services in the Ukrainian system of statistics for foreign trade is given in US dollars.



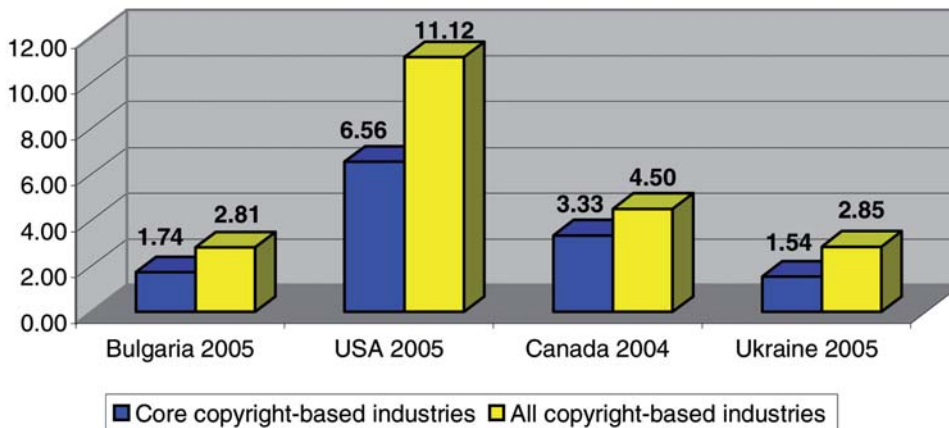
When considering the core copyright-based industries in the sphere of foreign economic activities, it is important to note that they are responsible for 74,909.21 thousand US dollars of service exports from Ukraine or 1.22 per cent of the total volume of service exports. At the same time, the section relating to the creation of software leads in the export of services and is valued at 28,603.68 thousand US dollars or 0.47 per cent of the total volume of service exports. It must be noted that the industries related to software creation are developing fast, which is why the sections relating to consultation services for informatization issues, creation of software, databases and data processing constitute almost 50 per cent of the exports of all core copyright-based industries, or 0.55 per cent, and amount to 33,620.05 thousand US dollars. The import share of these industries is equal to 124 175.17 thousand US dollars or almost half the imports of CIs and 4.27 per cent of the total volume of service imports.

**Services of the Copyright-Based Industries in 2005 ('000 US dollars)**



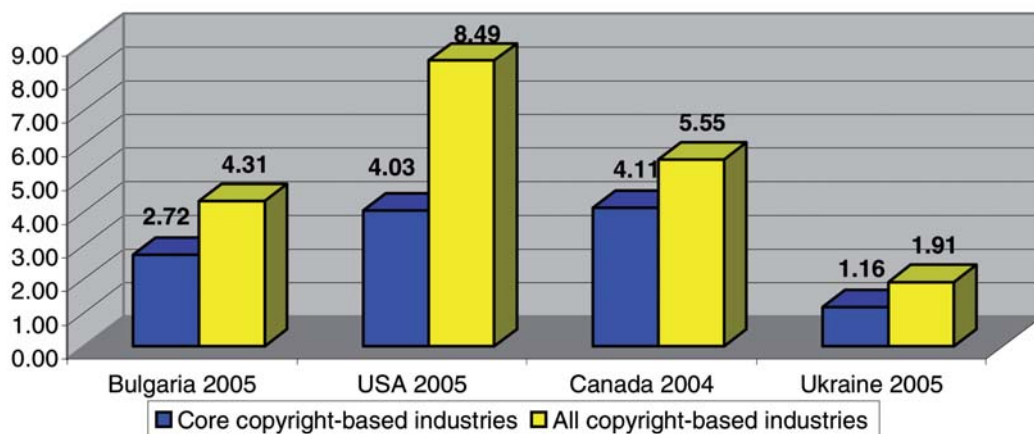
**International Comparisons**

**Contribution of the Copyright-Based Industries to GDP in Several Countries (%)**



If we compare the contribution of the total CIs to GDP in Ukraine and the US for 2005, it can be seen that the indicator for the US is four times higher than in Ukraine. If we make the same comparison between Canada and Ukraine, the difference is about 1.5 times. The contribution of CIs to GDP in Ukraine and Bulgaria is almost the same, the differences being insignificant.

### Contribution of the Copyright-Based Industries to Employment in Several Countries (%)



The number of employees in all CIs is around twice as low as in Bulgaria, about three times lower than Canada and about 4.5 times lower than the US.

### To sum up our research we found that:

- 1) The CIs are a very important sector of the Ukrainian economy, which is presently thriving and needs relevant state regulation and support.
- 2) A fast-growing information society deserves continuous development in legislation and ways to implement it. Inconsistency between legislation and modern conditions could be a serious obstacle to the rapid development of the CIs.
- 3) The amount of financing for art and culture constituted just 0.12 per cent of the budget in 2005, which is much lower than the contribution of 1.34 per cent the cultural industries made to GDP. An increase in state funding for these industries, together with an improvement in financing mechanisms, are necessary measures for their development and growing influence on the economy.
- 4) The national system of verification of the CIs needs improvement. We need to apply the approach of the WIPO methodology to Ukraine, to include the necessary changes to the Ukrainian system and to provide for annual research into their economic influence in the national statistical research plan.

It is also necessary to elaborate the method of evaluation of the economic influence of industries which provide distance and online services.

- 5) Infringements of copyright and related rights are also among the main factors preventing the development of CIs and formation of a national culture. More effective measures to combat piracy in the field of copyright and related rights would assist the development of these industries and the creation of additional national cultural products.

- 6) Effective enforcement is necessary in copyright and related rights to continue carrying out:
  - professional training of the representatives of the law-enforcement agencies, the judiciary, prosecutors' institutions and specialized professional lawyers;
  - campaigns to increase public awareness of copyright and related rights.
- 7) The CIs in Ukraine do not use the new digital opportunities for the development and distribution of their products effectively. Suitable conditions must be created and the representatives of these industries encouraged to use the new technologies. This will enable a wider audience to access copyright products and lower the level of piracy.

We emphasized the positive trend in the development of the CIs and their significance for the Ukrainian economy and we consider that further research should be carried out, the main purpose of which should be the elaboration and effective implementation of state policy in the sphere of copyright and related rights.

# Chapter 1. Introduction

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## 1.1. The Importance of Assessing Copyright

Georg Wilhelm Friedrich Hegel said: "It is impossible to force a man to create but it is possible to create the conditions for his creative work." In the creation of conditions for the development of such work, the attitude of society plays a significant role.

The history of copyright is very interesting; it reflects the evolution of society in its interpretation and understanding of the author who is the creator of societal development. History provides examples of outstanding creative achievements as well as tragic stories of authors who were misunderstood and unappreciated by their contemporaries. This is why the field of copyright requires in-depth study.

The rapid development of technology and the global transition from an industrial society to an information society makes it very important to understand the role of industries which are based on the use of copyright and related rights. Widespread digital technologies, making possible reliable, fast and cost-effective transfer of these products anywhere in the world, turns these industries into an extremely powerful tool for economic growth and national enrichment. In particular, the *Study on the Economic Contribution of Copyright and Related Rights to the European Economy* indicates: "The shift from industrial society to information society that is dependent upon knowledge creation and the development, processing, and use of information places copyright at the centre of economic development in the twenty-first century. The copyright industries provide the central information that is used in other economic sectors of the information society."<sup>5</sup>

The main task of copyright and related rights is to remunerate creators for their creations, by introducing a number of exclusive rights for the use of such creations. Thus, the state must legislate to prevent the unauthorized use of these creations, by preserving their creator's right to permit the use and the right to receive remuneration. The coming into being of a copyright and related rights system is a State reaction to the failure of the market economy which makes it cheaper to copy and distribute a work than to create it.

The maintenance of a system for copyright and related rights is based on State legislation; the efficacy of a system is proportionate to the amount of resources spent on its operation. In other words, "the gross value created by copyright industries increases in accordance with the growth of the level of protection from level zero."<sup>6</sup> At the same time, it is necessary to understand that limits exist when the funds spent for ensuring the protection of copyright and related rights start to exceed the contribution of the CIs to the economy, making such a system unprofitable for the State.

Conducting studies based on the economic contribution of CIs helps to understand how these mechanisms function and to raise public awareness for the creation of a favorable regime for the development of these industries as well as to increase their contribution to the national economy.

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<sup>5</sup> Robert G. Picard, Timo E. Toivonen, Mikko Grönlund, *The Contribution of Copyright and Related Rights to the European Economy Based on Data from the Year 2000*, Final Report, 20 October 2003 [http://ec.europa.eu/internal\\_market/publications/docs/report-copyright-contribution\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/report-copyright-contribution_en.pdf).

<sup>6</sup> *Issues in Assessment of the Economic Impact of Copyright*, Robert G. Picard, Timo E. Toivonen, Review of Economic Research on Copyright Issues, 2004, vol. 1(1), pp 27-40.

Studies have already been conducted in several countries such as Australia, Austria, Bulgaria, Canada, Finland, Germany, Hungary, Japan, the Netherlands, New Zealand, Norway, Singapore, Sweden, the UK and the US. In other countries such research is at various stages of planning and realization. Approaches varied; several countries provided only one report while others, for example Canada, the UK and the US conduct such studies on a regular basis, making it possible to draw conclusions on economic development trends in a specified industry and to define the aspects of economic policy more effectively. In several cases the researchers used different methodological approaches which, although they made international comparison of the results impossible, did create a rich methodological basis for further research.

In spite of the fact that researchers in many countries used different methodologies and obtained different results, in the majority of cases they concluded that at present the economic importance of the CIs is underestimated in national policy-making. In particular, the Hungarian study indicates: "It is generally true that in countries where economic policy-makers are aware of the economic importance of copyright industries, the development of copyright-based industries is considered a key issue among the development policies of the given country."<sup>7</sup>

For instance, the US research indicates: "the 2006 Report again shows that the U.S. copyright-based industries continue to be one of America's largest and fastest-growing economic sectors."<sup>8</sup>

Economic research, carried out under the aegis of the European Union (EU), responded to the question: "What is the aim of the assessment of the copyright contribution to the economy of EU countries?" as follows: "When the economic value of copyright is established and understood, policy makers and those producing materials subject to copyright can effectively create legal and industrial development policies that promote the development of copyright industries, protect the value of copyright subject matter after its creation, and continue to support the transition from the industrial to the information society."<sup>9</sup>

These conclusions were proven by the results of research in Singapore, for example, where the contribution<sup>10</sup> of the CIs to the economy constituted 5.7 per cent<sup>11</sup> of gross domestic income (GDI); in Hungary, 6.67 per cent<sup>12</sup> of GDI; in the US, 11.12 per cent of GDI.

## 1.2. The WIPO Guide on Surveying the Economic Contribution of the Copyright-Based Industries<sup>13</sup>

In recent years, much experience on conducting studies on the economic contribution of CIs has been gained but, as mentioned above, the use of different methodologies by different groups of researchers has made it impossible to compare the results obtained in various countries.

<sup>7</sup> Krisztina Penyigey, Peter Munkácsi, The Economic Contribution of Copyright-Based Industries in Hungary [http://www.wipo.int/ip-development/en/creative\\_industry/pdf/hu.pdf](http://www.wipo.int/ip-development/en/creative_industry/pdf/hu.pdf)

<sup>8</sup> Stephen E. Siwek, The Economic Contribution of Copyright-Based Industries in USA, The 2006 Report, [http://www.iipa.com/pdf/2006\\_siwek\\_full.pdf](http://www.iipa.com/pdf/2006_siwek_full.pdf)

<sup>9</sup> Robert G. Picard, Timo E. Toivonen, Mikko Grönlund, The Contribution of Copyright and Related Rights to the European Economy Based on Data from the Year 2000, Final Report, 20 October 2003 [http://ec.europa.eu/internal\\_market/publications/docs/report-copyright-contribution\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/report-copyright-contribution_en.pdf)

<sup>10</sup> The Economic Contribution of Copyright-Based Industries in Singapore: An Update [www.ipacademy.edu.sg/site/ipa\\_cws/resource/executive%20summaries/Exec\\_Sum\\_Economic\\_Upd.pdf](http://www.ipacademy.edu.sg/site/ipa_cws/resource/executive%20summaries/Exec_Sum_Economic_Upd.pdf)

<sup>11</sup> Krisztina Penyigey, Peter Munkácsi, The Economic Contribution of Copyright-Based Industries in Hungary, [http://www.wipo.int/ip-development/en/creative\\_industry/pdf/hu.pdf](http://www.wipo.int/ip-development/en/creative_industry/pdf/hu.pdf)

<sup>12</sup> Stephen E. Siwek, The Economic Contribution of Copyright-Based Industries in USA, The 2006 Report, [http://www.iipa.com/pdf/2006\\_siwek\\_full.pdf](http://www.iipa.com/pdf/2006_siwek_full.pdf)

<sup>13</sup> *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*, WIPO, [http://www.wipo.int/copyright/en/publications/pdf/copyright\\_pub\\_893.pdf](http://www.wipo.int/copyright/en/publications/pdf/copyright_pub_893.pdf)



With the aim of developing a single methodology for conducting such research, an expert working group was established, which included a number of well-known experts in the field of economy and copyright law. The results of the work of this group were published as the *WIPO Guide on Surveying the Economic Contribution of the Copyright-Based Industries*.

The Guide contains generalized methodology, approved by WIPO, and makes recommendations based on the experience of previous studies. This methodological textbook will be very useful for future research.

The present study on the economic contribution of the CIs in Ukraine was conducted in accordance with the WIPO methodology.

### 1.3. Tasks, Objectives and General Information

In 2006, the State Department of Intellectual Property initiated a study on the economic contribution of the CIs in Ukraine, using the methodology set out in the WIPO Guide.

During a joint meeting between WIPO and the State Department of Intellectual Property in September 2006, WIPO supported the latter's initiative and signed a contract with the State Department, approving the schedule for conducting scientific research on the contribution of the CIs to the Ukrainian economy.

The main objectives of the study included:

- a brief description of the copyright and related rights system in Ukraine;
- a definition of the economic contribution of the copyright-based industries in 2005 in the context of gross income, value added and the number of employees;
- a definition of the share of copyright-based goods and materials as well as copyright-based services in foreign trade;
- comparing the contribution to the economy of the CIs with other sectors;
- comparing the results of the study with the outcome of research carried out in other countries;
- a review of the basic development trends of some core copyright-based industries;
- an evaluation of the main problems and the specific needs of the CIs in Ukraine;
- raising awareness about the importance of the contribution of the CIs in Ukraine.

While conducting this research we took into account the experience gained in Hungary—the first country in Central-Eastern Europe that used the WIPO methodology for this type of research. The Ukrainian research also includes a section with a detailed analysis of certain CIs, as well as relevant statistical data, structural characteristics and development trends. This additional section of the study lies outside the list of obligatory chapters defined by the WIPO methodology but gives a general picture of certain industries in Ukraine over a given time period.

WIPO consulted Mr. Stephen E. Siwek, an expert on the methodology, who has carried out many similar studies on the economic contribution of the CIs in the US and has provided consultative assistance in other countries. His wide experience was of great value to us.

On May 7 and 8, 2007, we held working consultations at the State Department of Intellectual Property with Mr. Stephen Siwek and Dr. Dimiter Gantchev, Director, Creative Industries Division of WIPO. The main objective of this meeting was the adaptation of the WIPO methodology to the Ukrainian system of statistics gathering.

The project was carried out by experts of the State Department of Intellectual Property in close cooperation with representatives of the State Committee of Ukraine on Statistics, the State Tax Administration of Ukraine, the Ministry of Culture and Tourism of Ukraine and the National Bank of Ukraine.

#### 1.4. Development of Ukrainian Legislation in the Field of Copyright

Ukrainian legislation in this field is relatively new and it is developing at the same time as the formation of a constitutional state. The legislation in this field is a component of Ukrainian civil legislation.

The foundation for the legislation was laid down in Russia at the beginning of the 19th century. The Censorial Statute dated April 22, 1828 provided the exclusive right for an author to print his/her works. The law of January 8, 1830 provided a right to the author that the work created by him/her be recognized as a right of property that may be sold. The work was considered an “acquired property” and its author (or translator) was able to publish and sell the work for the term of his/her life. These rights were then handed down to his/her successors for a term of 25 years. In 1857 this term was extended to 50 years. During the regular re-editions of the 10th volume of the Code of Laws of the Russian Empire, the legislative provisions on copyright appeared in this volume for the first time. On March 20, 1911, the Law on Copyright was adopted, which included detailed provisions regulating relations in the field of copyright.

The October Revolution in 1917 closed private publishing houses and the State publishing system enjoyed a monopoly. The works of the authors of a socialist and proletarian tendency were supported; they received significant remuneration and their works were published in large quantities.

Several legislative acts regulating relations in the field of copyright were adopted in the first years of the Soviet regime and only on January 30, 1925 was the first legislative copyright act of the new state adopted, namely the Decree of the Central Executive Committee and the Council of the People’s Commissars of the Union of Soviet Socialist Republics on the Fundamentals of Copyright. In May 1928 the Fundamentals of Copyright was adopted, which included fixed rates of remuneration for authors. After that, the Soviet Republics began to adopt their own laws on copyright.

In Ukraine at that time, the legislative acts covering various issues in the sphere of copyright had been adopted, in particular the Decree of the Council of the People’s Commissars of the Ukrainian Soviet Socialist Republic on an Author’s Honorarium for the Public Performance of Dramatic and Musical Works, dated December 8, 1925.

Later, many of the provisions of the Fundamentals of Copyright were written into Ukrainian legislation. The ownership of copyright after the death of the author was reduced to 25 years.

In 1929 in Ukraine, the respective Law on Copyright was adopted and was in force until 1961, when the Fundamentals of Civil Legislation of the Union of Soviet Socialist Republics were adopted, the fourth chapter of which related to copyright issues. In accordance with these “Fundamentals” every Soviet Republic, including Ukraine, adopted its own civil code, the fourth chapter of which concerned copyright.

Authors’ rights in the USSR were essentially reduced and did not correspond to international standards. That is why the Soviet Union could not join international conventions, including the *Berne Convention for the Protection of Literary and Artistic Works* (Berne Convention). Adhesion to the Universal Copyright Convention, which is more flexible, was only ratified in 1973.

Later, the leadership of the USSR repeatedly announced its intention to sign the Berne Convention and the Paris Convention. This was based on the desire of the majority of scientists—experts in the field of copyright—to bring Soviet legislation on copyright into conformity with the standards in other European countries. First of all, it was necessary to bring Soviet legislation into compliance with the main international copyright conventions. The Fundamentals of Civil Legislation of the Union of Soviet Socialist Republics that were adopted by the *Verkhovniy Soviet* of the USSR in May 1991 included the chapter on copyright. It was planned that the Soviet Republics would use the main provisions of the Fundamentals in developing their own civil legislation.

After proclaiming its independence, Ukraine began to develop a modern copyright system based on the principles of international instruments and the highest standards of copyright enforcement. In December 1993 the *Verkhovna Rada* of Ukraine adopted the Law of Ukraine on Copyright and Related Rights, which was greatly appreciated by European experts and WIPO. This Law was the first legislative act regulating relations in the sphere of related rights in Ukraine.

In furtherance of the Law of Ukraine on Copyright and Related Rights, several normative acts were adopted, which regulated separate issues for the enforcement of copyright and related rights. In November 1994 the Cabinet of Ministers of Ukraine adopted the Decree on Minimal Rates of Authors' Remuneration for the Use of Literary and Artistic Works; in July 1995 the Decree on the State Registration of Author's Rights to Scientific, Literary and Artistic Works was adopted.

With the adoption of this Law and other pieces of legislation, Ukraine established a legal basis in the field of copyright that generally corresponded to international standards. At the same time, Ukraine demonstrated its intention and readiness to integrate into the international system of copyright and related rights. In 1993, as a successor to the USSR, Ukraine confirmed its participation in the Universal Copyright Convention, agreeing to provide protection in Ukraine for the works of foreign authors created since 1973—the date of Ukraine's accession to this Convention. In May 1995 the *Verkhovna Rada* of Ukraine adopted the Law of Ukraine on the Accession to the *Berne Convention for the Protection of Literary and Artistic Works*, and in October 1995, Ukraine became a party to this Convention.

Finally, the main legislative norms on the right to creative work and to the enjoyment of the results of this work; on intellectual property protection; on the protection of an author's moral and economic rights, became part of the Ukrainian Constitution in June 1996.

The following modification to Ukrainian legislation in the field of copyright and related rights was aimed at harmonizing the national legislative base with international law. In 1999, Ukraine became a party to the *Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms*. In 2001 Ukraine adopted the following laws: the Accession of Ukraine to the *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations* (the Rome Convention); the Accession of Ukraine to the *WIPO Copyright Treaty (WCT)* and the Accession of Ukraine to the *WIPO Performances and Phonograms Treaty (WPPT)*.

The accession of Ukraine to international copyright treaties promoted the development of an effective copyright and related rights protection system and an increase in its authority throughout the world.

The final step to harmonization of the national legislation of Ukraine was the adoption of a new version of the Law of Ukraine on Copyright and Related Rights in 2001. In 2003, amendments for harmonization of the above-mentioned law with World Trade Organization (WTO) standards were adopted.

Nowadays, Ukraine has a legal system for copyright protection corresponding to the rest of the world, providing full development opportunities to the CIs. From May 16, 2008 Ukraine will be a WTO member and this will only enhance these standards of legal protection.

### 1.5. Implementation of a State Policy for Copyright and Related Rights

After the reorganization of the central executive bodies in Ukraine in 2000, the President by Decree designated the Ministry of Education and Science as the central body responsible for the realization of State policy in the field of intellectual property. Thus, the State Department of Intellectual Property was created under its auspices.

The tasks of the State Department of Intellectual Property are as follows:

- development of proposals on amendments to the legislation for copyright and related rights;
- ensuring the observance of legislation;
- monitoring the observance of national legislation and international treaties for copyright and related rights;
- ensuring the functioning of collective management societies;
- carrying out activities on curbing infringement of intellectual property;
- overseeing the actions of the State inspectors on IP issues;
- organizing interaction and cooperation between State law enforcement and judicial bodies in curbing infringement of intellectual property.

In June 2000, the State Agency of Copyright and Related Rights under the Cabinet of Ministers of Ukraine was reorganized as the State Enterprise Ukrainian Agency of Copyright and Related Rights. This is the successor to the State Agency of Copyright and Related Rights under the Cabinet of Ministers of Ukraine and operates under the State Department of Intellectual Property, the Ministry of Education and Science of Ukraine. Its main task is the collective management of the economic rights of copyright holders.

After the creation of the State Department of Intellectual Property, a new chapter of legislative activity for copyright and related rights began.

From 2000 to 2007 three laws were adopted, introducing changes and additions to copyright and related rights legislation.

The main piece of legislation in this sphere is the Law of Ukraine on Copyright and Related Rights, adopted in 1993 and amended in 2001 and 2003.

Ukrainian legislation on copyright and related rights complies with the standards of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the signing of which is the main requirement for joining the WTO. In 2003 the Law of Ukraine on the Amendments to Several Legislative Acts of Ukraine Related to Legal Protection of Intellectual Property came into force. By its adoption, legislation in the sphere of intellectual property, in particular copyright and related rights, was brought into compliance with the TRIPS Agreement. This Law introduced the provisions to the Ukrainian Civil and Economic Codes, providing for the court to apply preventive measures through its decision even before a relevant claim was entered. The Ukrainian Criminal Code was also amended and extra sanctions against infringers were introduced. Moreover, this Law clarified the issues on the creation and use of copyright and

related rights as well as on monitoring the observance of national legislation and international treaties. It provides for the enforcement of copyright and related rights law according to civil, administrative and criminal legislation as well as the measures for securing the claims.

In order to protect the interests of copyright and related rights owners as well as upholding consumer rights, the Law of Ukraine on Distribution of Copies of Audiovisual Works and Phonograms was adopted in March 2000. This Law established a system of marking audiovisual works and phonograms to protect the rights of owners, the distributors of audiovisual works and phonograms as well as consumers.

Under this Law the State Department of Intellectual Property grants control stamps (holographic stickers) to mark legal audiovisual works and phonograms.

In 2003 this Law was amended with the aim of increasing state control over the circulation of copyright and related rights materials. These changes led to the stamping of laser-readable discs containing computer programs, databases and videos.

The control stamp confirming the legality of a product was also changed. Each control stamp contains information identifying it with the relevant audiovisual work, phonogram, video, computer program or database. These control stamps cannot be used for marking pirated discs. This is therefore an important step in the fight against piracy.

In pursuance of the Ukrainian-American Joint Actions Program on Fighting Against Piracy in the Sphere of Optical Information Carriers, signed by the Presidents of Ukraine and the US in June 2000, which aimed to prevent illegal production, export or import of laser-readable discs and to enforce copyright and related rights in Ukraine, the State Department of Intellectual Property developed the Draft Law of Ukraine on Peculiarities of the State Regulation of Management Subjects Activities Related to Production, Export and Import of Discs for Laser-Reading Systems. This Law was adopted by the Verkhovna Rada of Ukraine in January 2002.

The Law provided for:

- licensing of production, export and import of discs and moulds, which can only be manufactured with the use of licensed equipment and on licensed premises;
- strengthening of copyright and related rights protection, in particular the verification of rights to copyrighted articles. Discs containing such articles may be manufactured only with the consent of the rights owners. The customer and the producer of these discs are jointly liable for their legality;
- a need for special identification codes on all discs. The producer is identified by the application of a special identifying code on the discs. The manufacturer who holds the license for their production is obliged to stamp special codes on them with equipment licensed for this purpose;
- carrying out inspections of production plants by law-enforcement bodies on behalf of copyright and related rights owners or their representatives;
- strengthening of criminal responsibility;
- seizure of discs, equipment and raw materials for their production in cases of violation;
- applying special measures to the production of discs for laser-reading systems, in particular:
  - restriction and temporary prohibition of activities, provided that such activities are illegal;
  - revocation of licenses for production, export and import of discs in case of repeated violations of license conditions. In this case a new license will only be granted three years from the date



- of a decision to revoke by the licensing body;
- theft and/or seizure of discs produced, exported or imported which violate the requirements of the Law.

Ukrainian legislation in copyright and related rights consists of three special laws and nine general laws protecting rights holders. The country is party to six international treaties and conventions as well as to two bilateral agreements (with Azerbaijan and Bulgaria). More than 30 subordinate legislative acts regulate copyright and related rights.

Ukrainian legislation protects the moral and economic rights of authors, performers, producers of phonograms and videos and broadcasting organizations according to international norms and standards.

## 1.6. Bringing Ukrainian Legislation into Compliance with European Union Legislation

At the moment, in pursuance of the Law of Ukraine on the National Program of Adaptation of the legislation of Ukraine to the legislation of the EU and in consideration of the provisions of the Civil Code, the State Department of Intellectual Property is developing a draft law on Amendments to Several Legislative Acts on Copyright and Related Rights Issues, in order to bring the national legislation for copyright and related rights in line with the EU.

The draft law regulates the creation and use of copyright and related rights and harmonizes the distinctions between several different laws.

It also offers a new approach to the regulation of issues on resale rights, introduces relevant terms of protection for certain types of copyright and related rights (photographic works, phonograms), establishes mandatory collective management for rights in certain fields (re-transmission by cable, reprography, collection of remuneration for blank carriers and recording equipment).

The adoption of the draft law will bring the existing legislation into line with EU legislation, harmonize national laws that promote the improvement of relations in copyright and related rights and strengthen protection of the rights of authors, artists, directors and other creators.

## 1.7. Collective Management Societies

The Law of Ukraine on Copyright and Related Rights currently in force sets out the main provisions necessary for the creation and operation of a collective management system in Ukraine.

The establishment and development of such a system and State support for collective management societies is one of the most important tasks at present.

Twelve collective management societies are now registered by the State Department of Intellectual Property:<sup>14</sup>

1. The State-run Ukrainian Agency for Copyright and Related Rights.  
Main scope of activity: management on a collective basis of economic rights of copyright and related rights (mainly manages economic rights relating to copyright).

<sup>14</sup> <http://www.sdip.gov.ua/eng/help/collectupr/collorg/>

2. All-Ukrainian Society of Subjects of Copyright and Related Rights—Oberih.

Main scope of activity: collective management of economic rights relating to copyright, performers, phonogram and video manufacturers.

3. The Association of the Owners of Rights in the Sphere of Fine Arts and Architectural Activity, which is a social organization.

Main scope of activity: collective management of economic rights relating to copyright in fine arts and architectural activities.

4. The Ukrainian Music Alliance, which is an association of enterprises.

Main scope of activity: collective management of economic rights relating to copyright and related rights (mainly deals with the economic rights of performers, phonogram and video manufacturers).

An authorized collective management organization collecting and distributing remuneration (royalties) for the use of phonograms and video and performances related to them, published for commercial gain, mainly used in public broadcasting (land lines or through cable).

An authorized collective management organization collecting and distributing fees paid to producers and importers of equipment and media used for reproducing works and performances in private homes, fixed in phonograms or videos.

5. The Ukrainian League of Musical Rights, which is an association of enterprises.

Main scope of activity: collective management of economic rights relating to copyright and related rights (mainly economic rights of performers, phonogram and video manufacturers).

An authorized collective management society handling the collection and distribution of royalties for the use of phonograms and videos and the performances they contain, published for commercial gain (mainly the public performance of phonograms and videos).

6. The Agency for Protection of Performer's Rights, which is a social organization.

Main scope of activity: collective management of economic rights of performers.

7. The All-Ukrainian Social Organization Film Directors' Guild "24/1".

Main scope of activity: collective management of economic rights in the audiovisual sphere.

8. The House of the Authors of Music in Ukraine.

Main scope of activity: collective management of economic rights relating to copyright.

9. The All-Ukrainian Social Organization "Author".

Main scope of activity: collective management of economic rights relating to copyright.

10. The Guild of Videogram and Phonogram Manufacturers.

Main scope of activity: collective management of economic rights of video and phonogram manufacturers.

11. The All-Ukrainian Social Organization "Ukrainian Authors' Union".

Main scope of activity: collective management of economic rights for performers, video and phonogram manufacturers.

12. The All-Ukrainian Agency for Copyright and Related Rights.

Main scope of activity: collective management of economic rights for performers, video and phonogram manufacturers. Authorized collective management organization handling collection and distribution of royalties for the use of phonograms and videos and performances through them, published for commercial gain.

It should be noted that there is one State-based society—the Ukrainian Agency for Copyright and Related Rights.

Considering that, after the disintegration of the Soviet Union, the system of collective management fell into decay, the banding together of Ukrainian creators under the aegis of the state enterprise was the best method at that time. This was proved by the accession of the Ukrainian Agency for Copyright and Related Rights (the largest collective management society in Ukraine) to the International Confederation of Authors and Composers (CISAC).

Today, taking account of international experience, the State Department of Intellectual Property has started the process of bringing the Ukrainian Agency for Copyright and Related Rights from the State into the public sector. The State Department is taking the necessary measures geared to the legal and organizational re-regulation of the activities of the Ukrainian Agency for Copyright and Related Rights.

In 2003, the State Department of Intellectual Property took measures directed at revitalizing the activities of the collective management societies.

The new direction in the operation of these societies led, in 2003, to the introduction of a system of collection and distribution of royalties for the use of phonograms and videos published for commercial gain, as well as the performances fixed in them. The amount of royalties for the use of phonograms and videos published for commercial gain and the procedure for payment are defined by the relevant Decree of the Cabinet of Ministers of Ukraine.

According to Ukrainian legislation, the main task of collective management societies is the collection, distribution and payment of authors' remuneration. Ukrainian legislation permits remuneration to be collected both for the copyright and related rights holders who authorize them to collect such remuneration, and for those who have not given authority to collect their remuneration and manage their rights. Since legislation does not provide for the number of collective management societies, these organizations are able to compete. In certain cases they can also use unfair methods of competition and these issues are of the highest priority when making amendments to Ukrainian legislation.

The collection and distribution of royalties for the use of phonograms and videos, published for commercial gain, as well as the performances fixed in these phonograms and videos, are carried out by two societies authorized by the State Department of Intellectual Property.

Moreover, in 2004, the system of collection and distribution of remuneration for home reproduction of works and performances by means of these phonograms and videos, was introduced according to the Decree of the Cabinet of Ministers of Ukraine 992 on the Amount of Remuneration Paid by the Producers and Importers of Equipment and Carriers, With the Use of Which the Works and Performances, Fixed in the Phonograms and Videograms, May be Reproduced in Home Conditions, dated June 27, 2003. The remuneration mentioned is collected from the producers and importers of the equipment (tape-recorders, equipment for video recording, video cameras, radio receivers, television receivers) as well as other types of

carrier (audio- and video-cassettes, discs for laser-reading systems). The function of collection and distribution of royalties from the producers and importers of equipment and the carriers is carried out by the collective management society authorized for this purpose.

According to Ukrainian legislation, the State Department of Intellectual Property supervises collective management societies by way of analyzing information on the management of the economic rights and on concluding agreements as well as the collection, distribution and payment of royalties.

It should be noted that in addition to supervising the activities of collective management societies the State Department of Intellectual Property acts as mediator in the resolution of any disputes arising between collective management societies and users.

With the aim of consolidating collective management societies, issues of regulation, further improvements to legislation and its adaptation to international norms, the Coordination Council on Copyright and Related Rights issues was created in 2003 under the State Department of Intellectual Property. The Council consists of the representatives of all the collective management societies. Everyone has the right to express his/her opinion and to make suggestions and proposals for problem-solving. The decision of the Coordination Council is arrived at by the votes of the members.

Acting as mediator, the State Department of Intellectual Property holds regular meetings with all sides to any dispute. In cases where it is impossible to resolve a dispute, the State Department of Intellectual Property suggests putting the issue forward at the next session of the Coordination Council, thus ensuring resolution of the dispute before the court.

Aware of the complexity in the formation of the collective management system in Ukraine, the State Department of Intellectual Property pays special attention to problems involving copyright and related rights and takes any necessary measure to develop relevant legislation.

## 1.8. Fighting Piracy

Since 2000, one of the priorities of the State Department of Intellectual Property has been the fight against piracy.

Since June 2000, the date of the signing of the Ukrainian-American Joint Actions Program on Fighting Against Piracy in the Sphere of Optical Information Carriers, effective measures on the development of a copyright and related rights protection system in Ukraine and on the introduction of mechanisms for its effective operation have been taken.

The basis for such activity was settled by adoption of the decrees of the President of Ukraine on the Measures on Intellectual Property Protection in Ukraine and on Urgent Measures on Strengthening of Intellectual Property Rights Protection in the Process of Production, Export, Import and Distribution of Discs for Laser-Reading Systems.

In pursuance of these Decrees, the implementation of the Ukrainian-American Joint Actions Program was launched in two stages:

Stage I: The establishment of control over the problem (Termination and Prevention of the Production of Counterfeits by Producers of Optical Information Carriers).

Since the end of 2000, inspections of the premises of producers of discs for laser-reading systems have been regularly carried out in order to ensure compliance with copyright and related rights legislation.

Stage II: The Renewal of Lawful Production of Optical Information Carriers. With the aim of preventing illegal production, export and import of discs for laser-reading systems and to enforce copyright and related rights in Ukraine as well as in pursuance of the Ukrainian-American Joint Actions Program, the *Verkhovna Rada* of Ukraine adopted the Law of Ukraine on Peculiarities of the State Regulation of Management Subjects Activity Related to Production, Export, Import of Discs for Laser-Reading Systems in January 2002.

In March 2001, the US designated Ukraine as a Priority Foreign Country under Special 301 provisions.

Adoption of this Law was an important step for Ukraine in the process of being excluded from the Special 301 list.

For the effective implementation of the provisions of this Law, the State Department of Intellectual Property, the International Federation of the Phonographic Industry (IFPI) and the company Koninklijke Philips Electronics N.V. concluded an Agreement on Cooperation in the Sphere of SID Code Allocation. In accordance with this Agreement, the State Department of Intellectual Property receives the SID codes for distribution to the Ukrainian manufacturers of laser-readable discs when licenses are granted.

At present, eight manufacturers have been granted licenses and allocated the corresponding SID codes for the production of laser-readable discs and matrices.

The Laws of Ukraine on Distribution of the Copies of Audiovisual Works, Phonograms, Videograms, Computer Programs and Databases and on Peculiarities of the State Regulation of Management Subjects Activity Related to Production, Export and Import of Discs for Laser-Reading Systems have provided control mechanisms for the production, export, import and distribution of audiovisual products (in particular the discs for laser-reading systems), and defined the functions and responsibility of the state inspectors on IP issues. These inspectors have been working within the State Department of Intellectual Property since the end of 2002 and their activity is regulated by government legislation.

The inspectors are charged with ensuring the observance of legislation in the field of intellectual property, in particular: writing reports of inspections and orders on elimination of any detected deficiencies; drawing up protocols on administrative infringements according to Articles 51-2, 164-9, 164-13 of the Ukrainian Code on Administrative Infringements and transferring them to the courts; seizing counterfeit products; taking measures against the producers of pirated products; cooperating with the law-enforcement bodies in cases of criminal infringement.

The State Department of Intellectual Property has made an impact on the development of the state system of intellectual property rights enforcement, in particular through its specialized divisions on fighting IP infringements which have been created within the Ministry for Internal Affairs of Ukraine, the Security Service of Ukraine and the State Customs Service of Ukraine.

In pursuance of the Program on Preventive Measures Directed to Fighting against Illegal Production, Distribution and Selling of Audio and Video Products and Compact-Discs, in May 2003, the State



Department of Intellectual Property set up the Coordination Council for fighting infringement of intellectual property.

The activities of this Coordination Council were directed at implementing the Program of Coordinated Activities of Law Machinery and Other Supervisory Bodies on Fighting against Illegal Output and Turnover of Audio, Video Materials that was approved by the combined Order of the Ministry of Education and Science of Ukraine, the Ministry of Internal Affairs of Ukraine, the State Security Service of Ukraine, the State Tax Administration of Ukraine, the General Prosecutor's Office of Ukraine, the Ministry of Culture and Arts of Ukraine, the State Committee of Ukraine on Regulatory Policy and Entrepreneurship and the State Custom Service of Ukraine. This Program is coordinated by the State Department of Intellectual Property.

In 2003, in order to implement the Program, working groups were created in every region. In particular such working groups operate under the Council of Ministers of the Autonomous Republic of Crimea, 'Oblast', the state administrations, municipal state administrations and the state administrations of Kyiv and Sevastopol. The working groups include representatives of all state bodies approved by the program and the state inspectorate on IP issues.

The state inspectors regularly hold inspections of enterprises producing laser-readable discs. Posts were created in all enterprises to provide constant control of the observance of the legislation relating to the manufacture of laser-readable discs. The state inspectors have the right to access these plants at any time.

On August 31, 2005, as a result of effective measures adopted by the Ukrainian Government, the US terminated trade sanctions, and in January 2006, it transferred Ukraine from the Priority Foreign Country list to the Priority Watch List and reinstated its benefits under the GSP program, based on Ukraine's improved enforcement efforts. On April 25, 2008 the US embassy informed the State Department of Intellectual Property that the Office of the US Trade Representative had taken this action as a sign of Ukraine's recent progress in IPR enforcement.

Thus, Ukraine adopted legislation ensuring effective measures against piracy and strengthening control over the production and distribution of audio and video production containing copyright and related rights. Although Ukraine has created favorable conditions for IPR enforcement according to international standards, there are still many problems and the State Department of Intellectual Property considers combating piracy as an ongoing task as it continues its work on strengthening IP protection.

## 1.9. General Aspects of Copyright and Related Rights

The Ukrainian legal system conforms to the continental model. The copyright legislation of Ukraine is thus considered as civil legislation providing for moral and economic rights.

The Law of Ukraine on Copyright and Related Rights provides protection for authors of works, their successors and other persons to whom the authors and their successors may have transferred their economic rights. An author in Ukraine is considered to be a natural person who created a work as the result of his/her creative activity. In cases where a work was created by several authors, they are considered to be co-authors and joint owners of the rights in the work, using it by agreement among themselves. If a work is produced by an employee, the rights belong jointly to the author and the employer unless otherwise provided for in the contract concluded between them.

Copyright protection is granted to scientific, literary and artistic works and although the law describes 16 objects entitled to copyright protection it is not exhaustive. It must be noted that any part of a work used separately and which includes its original name, is considered as a complete work and shall be legally protected.

The law contains a list of objects that are not subject to copyright protection, in particular, news and announcements on current events, folklore, official documents adopted by state bodies, the state symbols of Ukraine, banknotes, etc. Copyright protection is not granted for ideas, methods, conceptions or discoveries even if they are expressed, described, explained and illustrated in a work.

Copyright in a work shall exist and become effective on the day of its creation.

Copyright will remain in effect throughout the author's lifetime and for 70 years after his/her death, except in cases stipulated in the legislation. With respect to works published anonymously or under a pseudonym, the period of validity of copyright will terminate 70 years after publication of the work. If a pseudonym assumed by an author leaves no doubt as to the author's identity, or if the authorship of a work published anonymously or under a pseudonym is disclosed not later than 70 years after its publication, the common period will apply.

Copyright in works created in co-authorship will be effective throughout the co-authors' lifetime and for 70 years after the death of the last co-author.

If an entire work is published in consecutive volumes, parts, issues, series, etc. at different times, the period of validity of copyright shall be established separately with respect to each published portion of the work.

Copyright in works of posthumously rehabilitated authors will remain valid for 70 years after their rehabilitation.

Copyright in a work that was first published within 30 years after the author's death shall remain in effect for 70 years after the date of its publication.

Any person who published a work for the first time after the expiry of the period of validity of copyright shall enjoy protection equal to that of the author's proprietary rights. The period of validity of these rights shall be 25 years from the time when the work was first published.

According to the law, the protection of related rights is granted without any formalities and regardless of destination, content or value, as well as of the method or form of expression. Protected objects are:

- 1) The performances of literary works, drama, music, musico-dramatic works, choreography, folklore and other works;
- 2) Phonograms and videograms;
- 3) Broadcasts;

Primary related rights holders are performers, phonogram manufacturers, video manufacturers or broadcasting organizations. Their heirs (legal successors), as well as any other person who holds proprietary rights to performances, phonograms, videograms and broadcast programs by virtue of an assignment contract, or by law, are also considered right holders.

The period of validity for proprietary rights with respect to a performance shall expire 50 years after January 1 of the year following the year of the first recording of the performance, and in the absence of such a recording, from January 1 of the year following the year of the performance.

The period of validity for proprietary rights with respect to a phonogram or a video shall expire 50 years after January 1 of the year following the year of the publication of the phonogram or video, and in the absence of such publication, within a period of 50 years from the date of its production, from January 1 of the year following such production.

The period of validity for proprietary rights in respect of a broadcast program shall expire 50 years after January 1 of the year following its first transmission.

## Chapter 2. Methodology

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### 2.1. Classification of the Industries in Accordance with the WIPO Methodology<sup>15</sup>

Studies in different countries on the economic contribution of the CIs have sometimes employed different approaches in drawing up a coherent list of the role of these industries in the economic life of the country. Different approaches have enabled certain industries to be highlighted in various ways, resulting in differing evaluations of their contribution, taking account of the particular conditions prevailing in the country. However, it has hindered the implementation of international comparisons.

In 2003 and to assist in the development of an international copyright system, implementation of international comparative analyses and raising awareness of the important role of the CIs in the economy of its Member States, WIPO published a Guide on surveying the economic contribution of the copyright industries. The Guide summarizes the experience of different countries in studying these industries and sets out the following categories:

- a. Core Copyright Industries
- b. Interdependent Copyright Industries
- c. Partial Copyright Industries
- d. Non-Dedicated Support Industries

The above-mentioned categories are characterized by their differing dependence on copyright and related rights. The methodology presented in the WIPO Guide aims to cover the contribution of all the CIs.

The core copyright industries are defined in the WIPO Guide as “the industries that are wholly engaged in creation, production and manufacturing, performance, broadcast, communication and exhibition, or distribution and sales of works and other protected subject matter.”

These industries are at the core and the starting point of all CIs. Compared with other copyright industries, their leading role is demonstrated by their important contribution to the economy. Streamlined state policy in the sphere of intellectual property must ensure that the core copyright industries receive special attention.

The following core industries correspond to these criteria:

- (a) Press and literature
- (b) Music, theatrical production, opera
- (c) Motion picture and video
- (d) Radio and television
- (e) Photography
- (f) Software and databases
- (g) Visual and graphic arts
- (h) Advertising services
- (i) Collective management societies

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<sup>15</sup> *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*, WIPO, [http://www.wipo.int/copyright/en/publications/pdf/copyright\\_pub\\_893.pdf](http://www.wipo.int/copyright/en/publications/pdf/copyright_pub_893.pdf)

The interdependent copyright industries are defined in the WIPO Guide as “the industries that are engaged in production, manufacture and sale of equipment whose function is wholly and primarily to facilitate the creation, production or use of works and other protected subject matter.”

The basic criteria for the industries in this category are their dependence on the other copyright industries and the impossibility of functioning independently of them.

This category includes manufacture, wholesale and retail (sales and rental) of:

- Television receivers, radios, VCRs, CD players, DVD players, cassette players
- Electronic game equipment and other similar equipment
- Computers and equipment
- Musical instruments
- Photographic and cinematographic instruments
- Photocopiers
- Blank recording material
- Paper

The partial copyright industries are “the industries in which a portion of the activities is related to works and other protected subject matter and may involve creation, production and manufacturing, performance, broadcast, communication or exhibition or distribution and sales.”

Partial copyright industries use copyright and related rights mainly with the aim of increasing the cost of manufactured products as well as creating individual identification features for them.

The partial industries include:

- Apparel, textiles and footwear
- Jewelry and coins
- Other crafts
- Furniture
- Household goods, china and glass
- Wall coverings and carpets
- Toys and games
- Architecture, engineering, surveying
- Interior design
- Museums

Non-dedicated support industries are “the industries in which a portion of the activities is related to facilitating broadcast, communication, distribution or sales of works and other protected subject matter, and whose activities have not been included in the core copyright industries.”

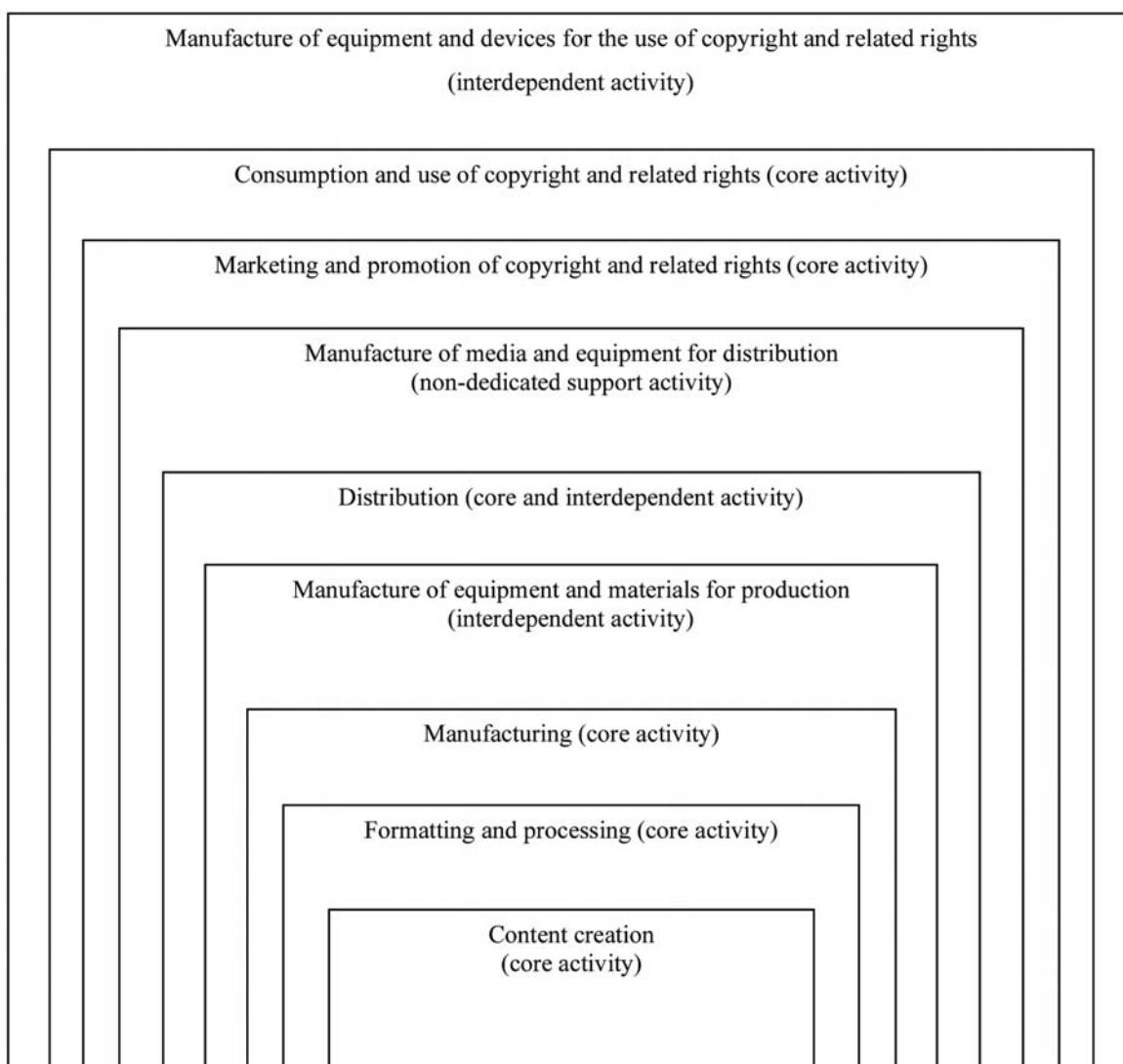
The non-dedicated industries include business services and delivery modes not directly related to the economic circulation of copyright, but which create conditions for such circulation and render corresponding services with goods and services for other industries.

These industries include:

- General wholesale and retail
- General transportation
- Telephony and the Internet



## Economic Activities related to Production, Creation and Distribution of the Copyright and Related Rights Factors



### 2.2. Identification of Codes and Sources of Information According to the Statistical System in Ukraine

The statistical system in Ukraine, as in many other countries, only provides economic information on legal and physical entities (entrepreneurs) in accordance with basic types of activity, independently defined by them. The system also allows for modification of these types of activity.

#### ***Economic Activity Classification***

While working on this study, we used the Classification of Economic Activities (KWED) that entered into force on July 1, 1997. On the upper level of aggregation it corresponds with the International Standard Industrial Classification (ISIC), the UN international classification. Since 2006, economic information in Ukraine has been collected in accordance with the Classification of Economic Activities of 2005. The aim of the second KWED edition was to bring it into conformity with the new edition of the General Industrial Classification of Economic Activities (NACE, Rev. 1.1-2002) and review certain ratings at the national level of classification. We believe that the economic indicators, collected under the second KWED, will more precisely reflect the influence of the copyright and related rights industries.

Analyzing the main groups of CIs and corresponding economic activities under the WIPO methodology, we decided that some industries cannot be divided up in the national statistical system because the relevant data are sometimes combined with other economic activities.<sup>16</sup>

As in other country studies, we encountered the problem of definition in the national statistical system of the codes, which corresponded with the economic categories related to the WIPO methodology, and also with the problem of forming so-called “transitional keys.” The second major problem was the presence of the “mixed codes.” These codes, as well as the economic activities of the CIs, also include other industries, which are not the subject of the study. It should be mentioned that the WIPO methodology was carefully applied to every code of economic activity at each stage of calculation. Moreover, our team took advantage of the experience of other countries in the application of this methodology.

In conducting the study, we considered the 4-digit format of the information selection as sufficient (for example, code 22.12—newspaper publishing). However, in some cases, the 3-digit format was also considered to be satisfactory (for example, code 74.4—advertising). In relation with the non-dedicated support industries, it was decided to apply section formats (e.g. section 1—transport).

Solving the problem of mixed codes, we decided on a case-by-case basis of application of different methods of selection of the economic indicators of the CIs from these mixed codes, or on a more detailed selection up to the 5-digit format (e.g. code 51.47.2—wholesale of paper products, books, newspapers and other periodicals). In some cases, it was decided to apply a combination of two codes (e.g. code 52.48.1—retail trade of computers and software). During the study, 13 mixed codes were found, and these required further division.

It should also be noted that several macroeconomic indicators used in Ukraine in 2005 differed from the indicators accepted at the international level. We found that the indicator “production” was used in Ukraine instead of “sales of goods and services.” Production included the value of goods and services resulting from production activities in the accounting period.

After consideration of all possible variants, we defined the financial forms of accounting as the most convenient source for the research. There are two types used in Ukraine; a detailed form for large-scale enterprises and a shorter form for small enterprises. On the basis of the financial forms of accounting, we calculated gross production and gross value added separately for each economic activity code, with the use of automated systems.

Information on incomes of self-employed persons was provided by the State Tax Administration of Ukraine. This information was added to the economic results after adjustment. The copyright factor was also used where necessary.

The number of employees in the CIs in Ukraine was calculated through a statistical form of accounting in accordance with the type of economic activity. The State Tax Administration of Ukraine provided information on the number of entrepreneurs and their employees. These groups were added to the relevant employment indicators after adjustment. The copyright factor was also used where necessary.

Considering that in their report the Bulgarians stressed the importance of calculating the contributions of CIs in accordance with the gross value added, we also decided to include this indicator in the Ukrainian report.

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<sup>16</sup> Information on discrepancies is presented in the List of Industries in the WIPO *Guide* and the Ukrainian study.

### **Foreign Trade Statistics**

While researching foreign trade, we used the Ukrainian classification for goods related to foreign economic activity and the classification for services under such activities which reflect this. The classification of services in this category corresponds to the classification at a high level of aggregation. That is why most problems arose from “transition keys” for the Ukrainian classification of such goods, which have their own structure and levels of detailed elaboration. In order to provide additional data we used information from the National Bank of Ukraine on bank transfers of license fees and royalty payments.

### **Alternative Sources of Information**

According to the WIPO methodology, not only official statistical sources of information were used while conducting the survey. It was considered appropriate to obtain information through questionnaires sent to the target groups, individual interviews with representatives of the CIs and other reliable sources. Our experience was that sending questionnaires to targeted companies is not effective. Only 10 questionnaires of the 1000 sent out were returned completed. Such a low level of response (around 1 per cent) made additional analysis of the CIs impossible.

Personal interviews were considered much more effective for obtaining information from the industry representatives. We noted that they were very willing to provide us with information. However in many cases, even for them, detailed information was unavailable. A good example of such information is the employment of and remuneration paid to employees.

Market surveys conducted by the industries themselves were the subject of some interest. However, such surveys are not conducted systematically and the methodology is unclear. Therefore, in many cases the compatibility of such studies with the survey conducted according to the WIPO methodology is questionable. In this survey such studies were used in order to allocate mixed codes. For example, it was possible to allocate mixed code 52.48.1—retail of computers and software— using the ratio of 9:1 discovered from a study carried out by Microsoft Ukraine (*The Economic Impact of IT, the Software Industry and Microsoft*, IDC Report, December 2006).

We would also like to mention that among the most appropriate sources of information were various state bodies responsible for the collection of information regarding CIs in the different areas. Such information is contained in a variety of formats and in many cases proved incompatible. However there were opportunities to use such information in the distribution of mixed codes. For example, information from the additional survey of the State Statistical Committee was used for distribution of code 74.4—telecommunications and the allocation of its share of copyright. The shares for the economic activity of cable broadcasting and transmission and receiving television and radio programs and radio communications defined by the above-mentioned study were taken into account.

## List of Industries in the WIPO Guide and the Ukrainian Study

Category	Group	
	WIPO	Ukraine
Core Copyright Industries	Press and literature Music, theater, opera Motion picture and video Radio and television Photography Software and databases Visual and graphic arts Advertising Collective management societies	Press and literature Music, theater, opera Motion picture and video Radio and television Photography Software and databases Visual and graphic arts Advertising Collective management societies
Interdependent Copyright Industries	TV sets, radio, videotape recorders, CD players, DVD players Computers and equipment  Musical instruments Photographic and cinematographic instruments Photocopiers  Blank recording material Paper	TV sets, radio, videotape recorders, CD players, DVD players Computers and equipment (including photocopiers) Musical instruments Photographic and cinematographic instruments  Blank recording material Paper
Partial Copyright Industries	Apparel, textiles and footwear Jewelry and coins Other crafts Furniture Household goods, china and glass Wall coverings and carpets Toys and games Architecture, engineering, surveying Interior design Museums	Apparel, textiles and footwear Jewelry and coins Other crafts Furniture Household goods, china and glass Wall coverings and carpets Toys and games Architecture  Museums
Non-Dedicated Copyright Industries	General wholesale and retail General transportation Telephony and Internet	General wholesale and retail General transportation Telephony and Internet

### 2.3. The Copyright Factor

In accordance with the WIPO methodology, four types of CIs may be distinguished; the criteria for the differentiation of these industries being their level of dependence on copyright and related rights. Thus, each research group must define the level of dependence of each specific industry on copyright and related rights in accordance with the legislation and particular situation of each country.

The level of dependence of an industry on copyright and related rights is called “the copyright factor.” The WIPO Guide provides for this factor to be defined “with respect to all industries except the core copyright-based industries where the factor of copyright constitutes 100%” (WIPO *Guide*, page 57).

Thus, the copyright factor is the value from 0 to 1, the use of which makes it possible to define the level of dependence of an industry on copyright. It is also possible to define what share of an industry’s contribution should be considered in the research. The copyright factor will be multiplied by not only the share of GDP but also the share of gross production and the share of employment.

When defining the factor, we carried out different estimations of the dependence of industries on copyright, taking account of previous research in other countries. On the basis of our own expert knowledge and estimates as well as international experience (research in Bulgaria, Hungary and the US) we decided to define the copyright factor for interdependent industries as 1 in view of the close relationship of these industries with the creation, distribution and use of copyright and related rights.

With respect to the partial copyright-based industries, we applied the copyright factor that was developed by means of international comparisons and the analysis of the copyright factors in the countries of the region.

The copyright factor for the non-dedicated copyright-based industries was defined using the approach provided by the US research.<sup>17</sup> According to this approach the copyright factor for non-dedicated industries is equal to the total of the correlation of the contribution of the core, interdependent and partial industries to GDP. The same correlation will also be estimated with respect to the shares of value added, production and employment. In our research this factor amounted to 0,023 when calculating the share of GDP of the non-dedicated industries.

<sup>17</sup> Stephen E. Siwek and Harold W. Furchtgott-Roth, *Copyright Industries in the U.S. Economy*, 1990, Appendix B-6



### The Copyright Factor used in the Ukrainian Study.

<b>I. Core Copyright Industries</b>	<b>Copyright Factor</b>
Press and literature	1.000
Music, theater, opera	1.000
Motion picture and video	1.000
Radio and television	1.000
Photography	1.000
Software and databases	1.000
Visual and graphic arts	1.000
Advertising	1.000
Collective management societies	1.000
<b>II. Interdependent Copyright Industries</b>	
TV sets, radio, videotape recorders, CD players, DVD players	1.000
Computers and equipment (including photocopying equipment)	1.000
Musical instruments	1.000
Photographic and cinematographic instruments	1.000
Blank recording material	1.000
Paper	1.000
<b>III. Partial Copyright Industries</b>	
Apparel, textiles and footwear	0.005
Jewelry and coins	0.250
Other crafts	0.400
Furniture	0.050
Household goods, china and glass	0.005
Wall coverings and carpets	0.020
Toys and games	0.500
Architecture	0.100
Museums	0.500
<b>IV. Non-Dedicated Copyright Industries</b>	
Wholesale and retail trade	0.023
Transportation	0.023
Telephony and Internet	0.023

## Chapter 3. The Contribution of the Copyright-Based Industries to the Ukrainian Economy

### 3.1. The Contribution of the Copyright-Based Industries to the Ukrainian Economy in 2005

The CIs are characterized by their contribution of 2.85 per cent to GDP in 2005 or 12,583.54 million UAH. The contribution of the core copyright industries amounted to 1.54 per cent, or 6,815.61 million UAH.

Contribution of the CIs to gross production comprised 3.47 per cent of the aggregate gross production in 2005 or 36,336.71 million UAH. The contribution of the core industries to gross production comprised 2.07 per cent, or 21,714.34 million UAH.

In 2005, 360,412 persons were employed in economic activities related to copyright and related rights in Ukraine, or about 1.91 per cent of the total working population. The total share of employment in the core industries comprised 219,495 persons or 1.16 per cent of the total working population.

Taking the economic indicators into account, it can be concluded that the core industries form the largest economic sector among the total CIs in their share of GDP, gross production and employment.

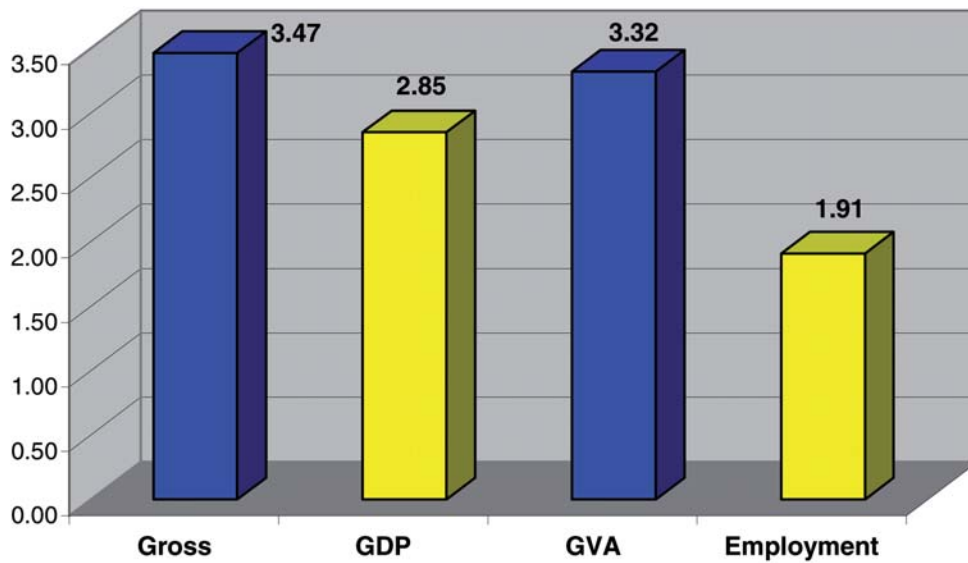
In general, the contribution of the core industries to the CIs comprised 54.2 per cent of GDP: *i.e.*, 60.9 per cent of employment and 59.8 per cent of gross production.

#### The Contribution of the Copyright-Based Industries to the Ukrainian Economy in 2005

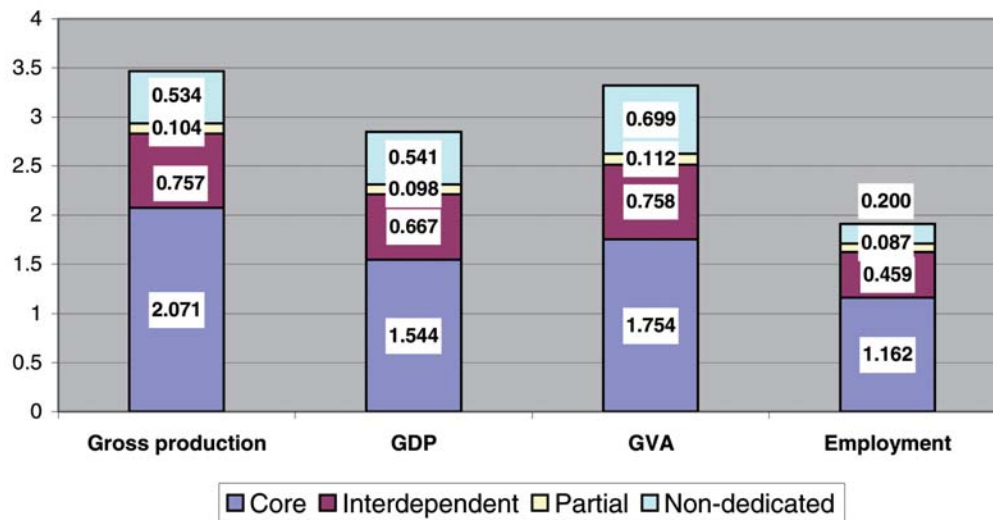
All Copyright-Based Industries	Gross Production		Value Added			Number Employed	
	UAH ('000'000)	%	UAH ('000'000)	% of GDP	% of GVA	Employees ('000)	%
Core copyright industries	21,714,340	2.071	6,815,605	1.544	1.754	219,495	1.162
Interdependent copyright industries	7,932,422	0.757	2,944,039	0.667	0.758	86,695	0.459
Partial copyright industries	1,093,533	0.104	434,412	0.098	0.112	16,480	0.087
Non-dedicated copyright industries	5,596,418	0.534	2,389,479	0.541	0.699	37,741	0.200
<b>Total</b>	<b>36,336,714</b>	<b>3.466</b>	<b>12,583,535</b>	<b>2.850</b>	<b>3.322</b>	<b>360,412</b>	<b>1.908</b>
Economy of Ukraine	1048481	100	441,452	100		18886.5	100

<sup>18</sup> Annual average US\$ rate comprised 5,12 UAH for US\$1 in 2005, in accordance with information provided by the National Bank of Ukraine [http://www.bank.gov.ua/Fin\\_ryn/KURS\\_MID/kurs\\_96\\_last.htm](http://www.bank.gov.ua/Fin_ryn/KURS_MID/kurs_96_last.htm).

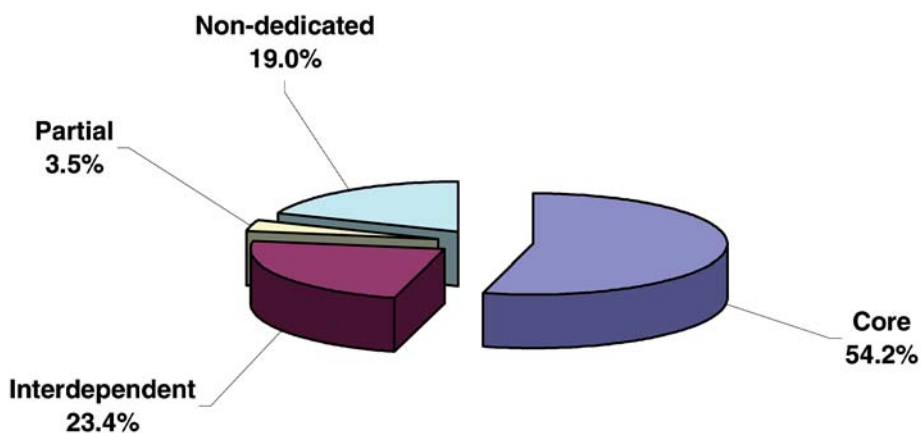
**Economic Indicators of the Copyright-Based Industries in 2005 (%)**



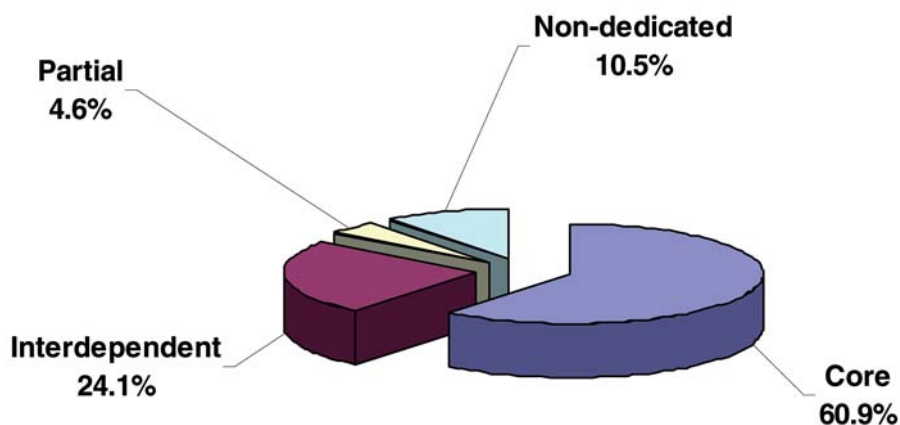
**Economic Indicators of the Copyright-Based Industries in 2005 (%)**



**Share of Copyright and Related Rights-Based Industry Contribution in Terms of GDP in 2005 (%)**



**Share of Copyright and Related Rights-Based Industry Contributions in Terms of Employment in 2005 (%)**

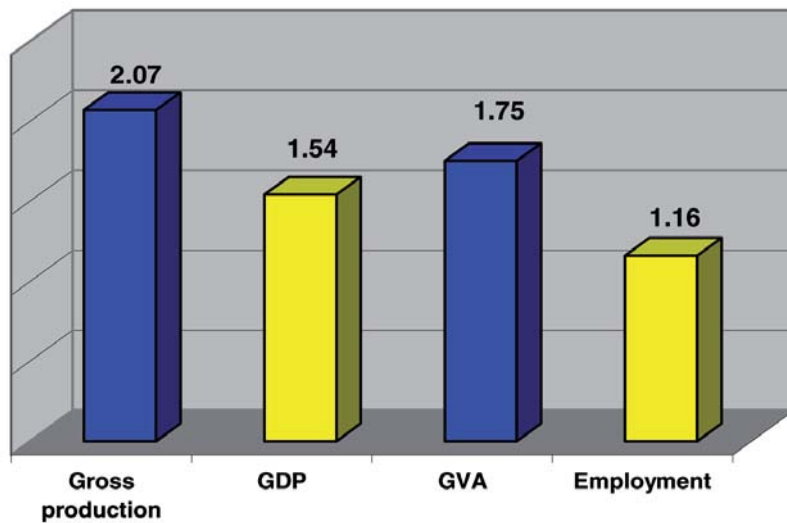


### 3.2. The Contribution of the Core Copyright Industries to the Ukrainian Economy in 2005

The core copyright-based industries consist mainly of the cultural industries (press, literature, music, opera, visual art, etc.) as well as the industries related to the development of software and databases.

The importance of copyright and related rights in these industries is beyond question, as its main assignment involves creation, manufacture, distribution and use of copyright and related rights.

### Economic Indicators of the Core Industries in 2005 (%)



In 2005, the core industries were characterized by their economic contribution of 2.07 per cent of the gross production of Ukraine or 21,714.34 million UAH. The economic contribution of the core industries to GDP comprised 1.54 per cent or 6,815.61 million UAH.

The contribution of the core industries to the total number employed therefore amounted to 219,495 or 1.16 per cent.

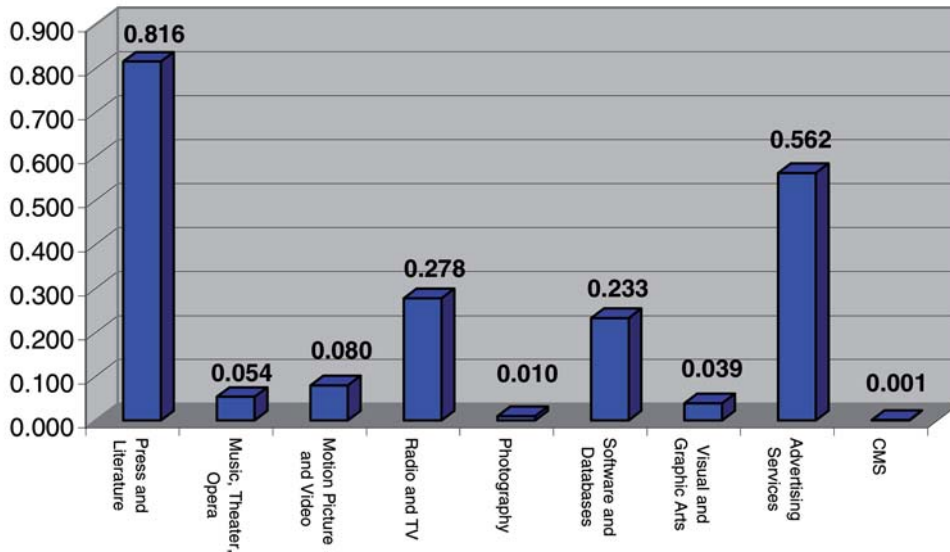
### The Contribution of the Copyright-Based Industries to the Ukrainian Economy in 2005

Core Copyright Industries	Gross Production		Value Added			Number Employed	
	UAH ('000'000)	%	UAH ('000'000)	% of GDP	% of GVA	Employees ('000)	%
Press and literature	8,554,574	0.816	2,807,573	0.636	0.722	113,417	0.601
Music, theater, opera	562,535	0.054	301,527	0.068	0.078	14,518	0.077
Motion pictures and videograms	838,881	0.080	416,410	0.094	0.107	13,432	0.071
Radio and television	2,910,884	0.278	973,771	0.221	0.251	19,956	0.106
Photography	105,362	0.010	17,209	0.004	0.004	3,912	0.021
Software and databases	2,439,581	0.233	906,560	0.205	0.233	28,634	0.152
Visual and graphic arts	406,431	0.039	205,129	0.046	0.053	3,405	0.018
Advertising	5,896,091	0.562	1,182,689	0.268	0.304	22,084	0.117
Collective management societies*	13,535	0.001	4,737	0.001	0.001	138	0.001
<b>Total</b>	<b>21,714,340</b>	<b>2.071</b>	<b>6,815,605</b>	<b>1.544</b>	<b>1.754</b>	<b>219,495</b>	<b>1.162</b>
<b>Economy of Ukraine</b>	<b>1048481</b>	<b>100</b>	<b>441,452</b>	<b>100</b>		<b>18886.5</b>	<b>100</b>

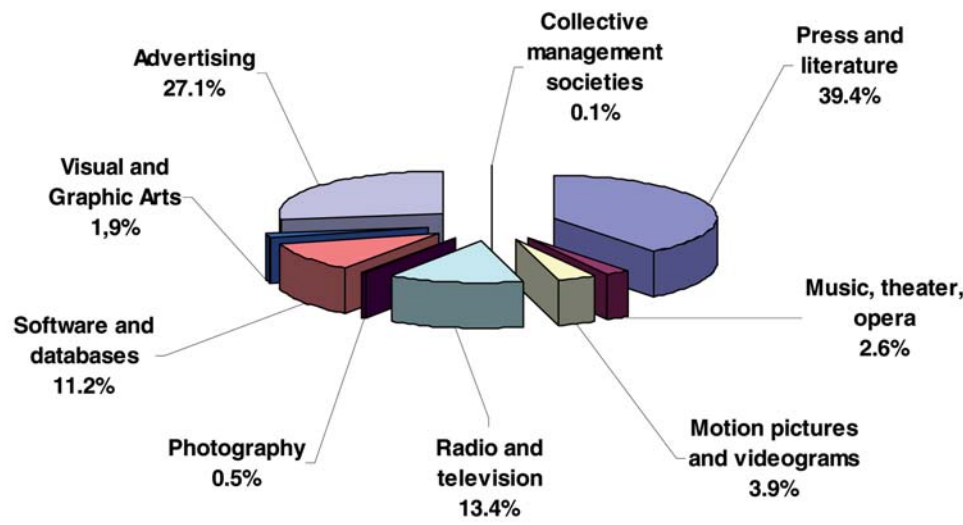
\* The information on the total volume of fees and the number employed in collective management societies in 2005 was calculated on the basis of official reports made to the State Department of Intellectual Property of Ukraine. Information on the volume of remuneration was based on the assumption that it comprised 35 per cent of the aggregate amount of fees.



**Contribution of the Core Industries to Ukrainian GDP in 2005 (%)**



**Share of the Copyright and Related Rights-Based Industry Contribution in Terms of GDP in 2005 (%)**

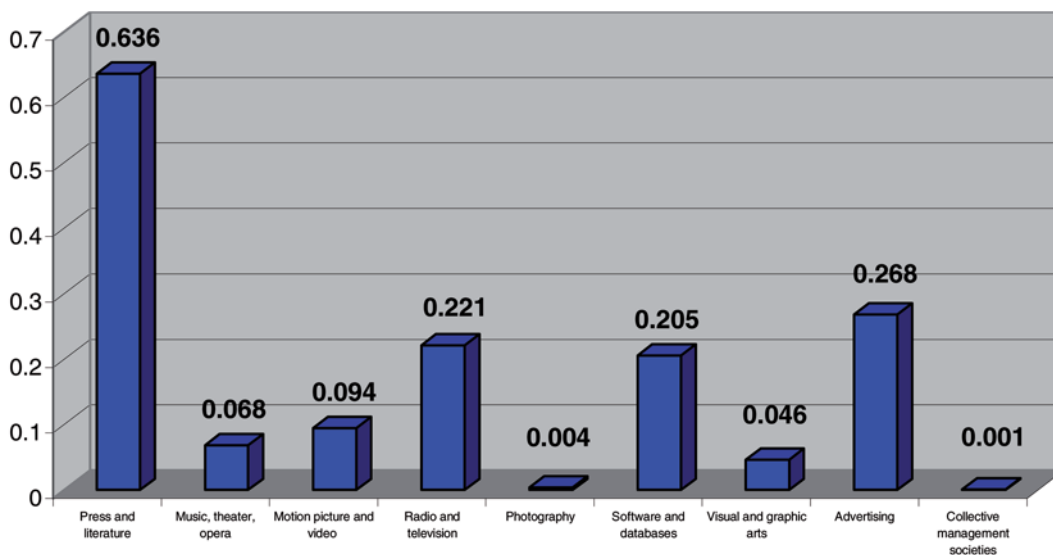


Considering the core industries from the point of view of GDP, the major players were press and literature and advertising, together comprising 66.5 per cent of the aggregate gross production volume of the core industries or 1.38 per cent of gross national production. Adding the radio and television and software and database sectors to the foregoing, the group of four leading industries in this domain comprised 90.1 per cent of the gross production of the core industries or 1.89 per cent of gross national production. In comparison with the total for the CIs, the output of these four industries comprised 54 per cent of the aggregate volume.

Thus, music, opera, theater, motion picture and video, photography and collective management societies comprised 9.1 per cent, or 0.18 per cent of gross national production.



### Contribution of the Core Industries to Ukrainian GDP in 2005 (%)



Considering the contribution of the core industries to national GDP, it can be seen that the leading sector was press and literature, whose value added comprised 0.6 per cent of Ukrainian GDP or 2,807.57 million UAH, *i.e.*, 41.2 per cent of the aggregate value added of the core industries.

Therefore, the contribution of the four leading sectors: radio and television, software and databases, press and literature and advertising amounted to 86.2 per cent of the value added of the core industries or 1.3 per cent of Ukrainian GDP.

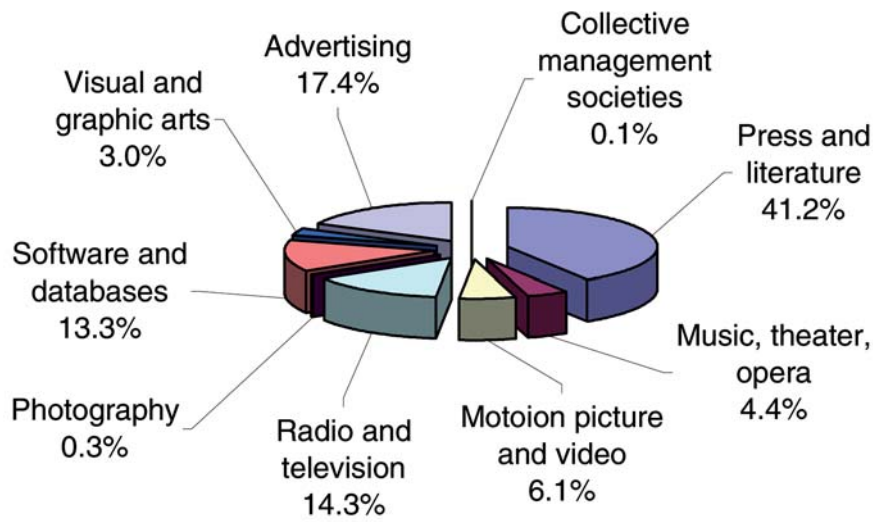
The differences in results in relation to the gross production and contribution to GDP (as mentioned in previous studies)<sup>19</sup> can be explained as follows: different industries have different needs in terms of goods and services. For example, if the advertising sector generated 0.62 per cent of the gross production, this only comprised 0.268 per cent of Ukrainian GDP. At the same time, the software and database sector generated 0.233 per cent of the gross production or 0.205 per cent of national GDP.

We therefore concluded that the share of the value added in the advertising sector may more properly be a part of the radio and television sector.

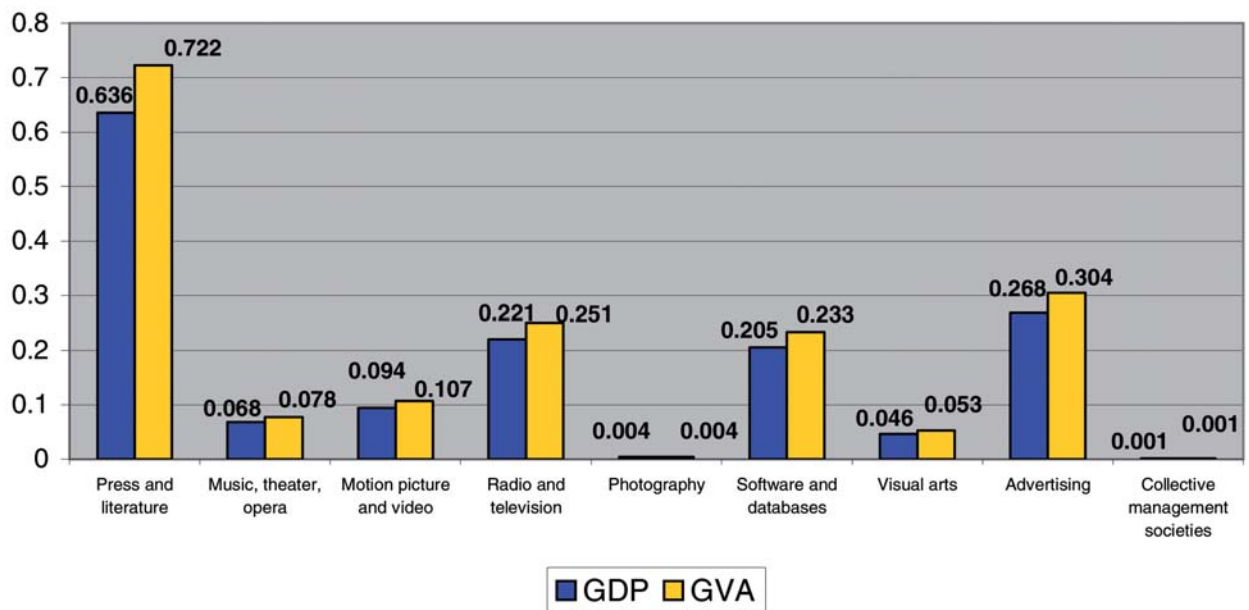
We also found that the software and database sector has been one of the most rapidly developing sectors in the Ukrainian economy in recent years. However, in view of insufficiently detailed studies as well as the difficulties in statistic gathering, the determination of its volume and structure appear impossible in the framework of this study.

<sup>19</sup> *National Studies on Assessing the Economic Contribution of Copyright-Based Industries*, WIPO, 2006, p. 320

Share of the Core Industry Contributions to Ukrainian GDP in 2005 (%)

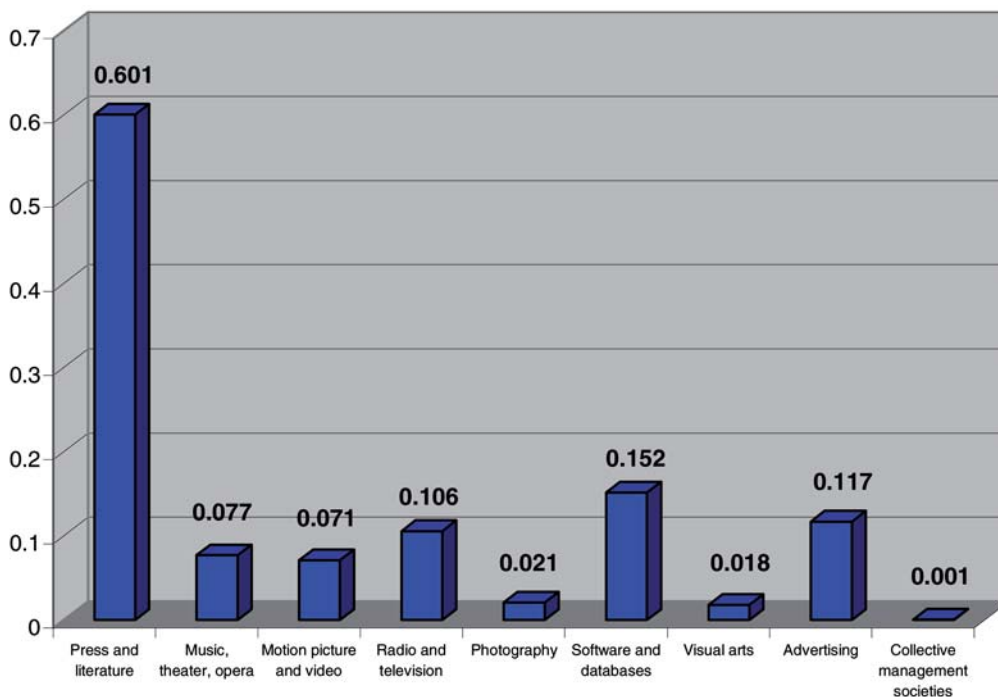


Share of the Core Industries in Relation to Ukrainian GDP and GVA in 2005 (%)

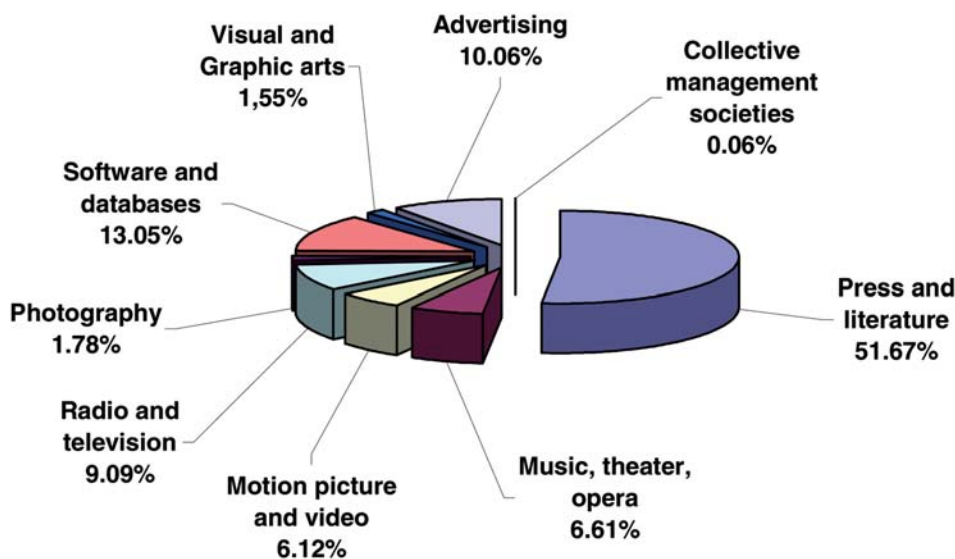


The value added of the core industries in 2005 comprised 1.75 per cent of national GVA.

### Contribution of the Core Industries in Relation to Employment in 2005 (%)



### Share of the Copyright and Related Rights-Based Industry Contributions in Terms of Employment in 2005 (%)

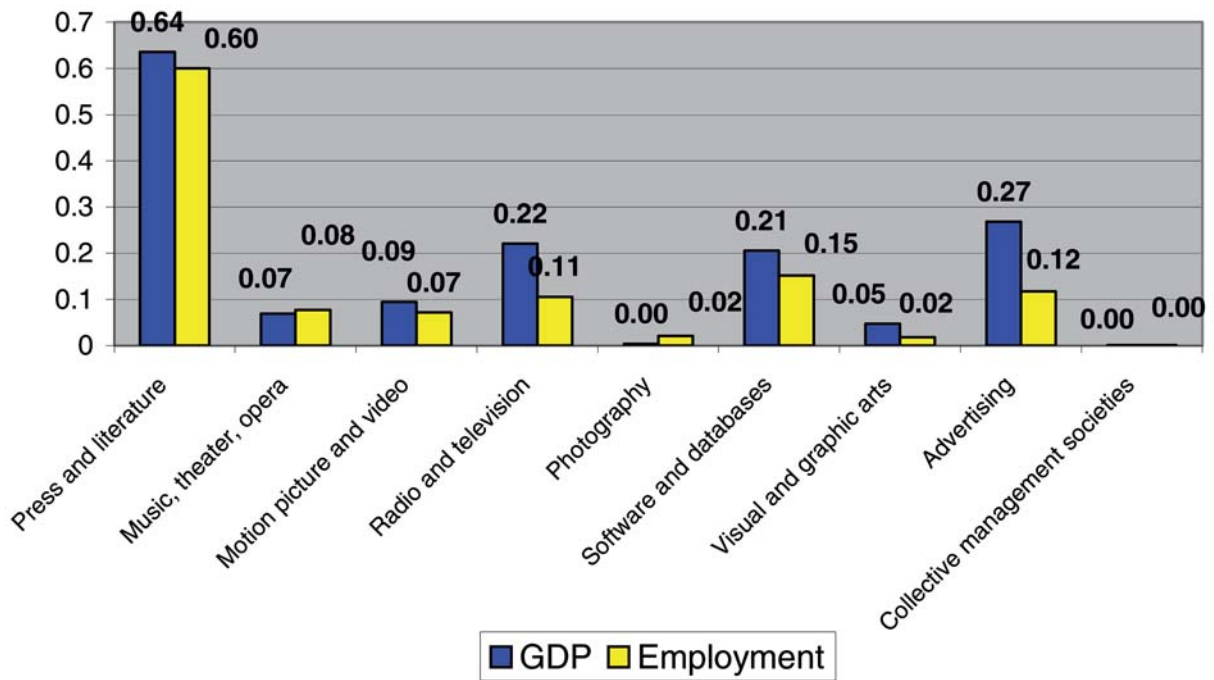


Considering the core industries from the point of view of employment, it was observed that, in terms of GDP, the leading sector was press and literature, employing 51.7 per cent of the workforce employed in the core industries or 0.6 per cent of the working population of Ukraine.

As for the main GDP contributors, the four sectors employing the most workers were radio and television, software and databases, press and literature and advertising, which together accounted for a total of 83.87 per cent of the aggregate volume of the workforce within the core industries, or 0.98 per cent of the total national working population.

The difference between the distribution of GDP and share of employment can be explained by different production organizations and services in various core industries.

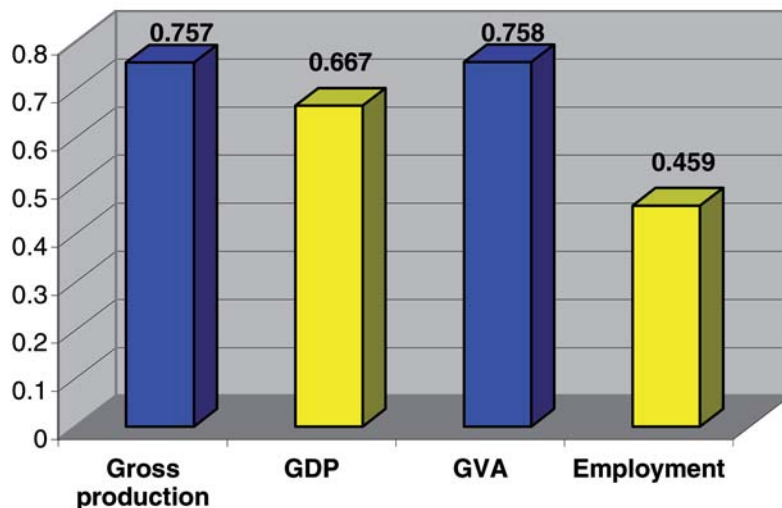
**Share of the Core Industries in Terms of GDP and Employment in 2005 (%)**



### 3.3. The Contribution of the Interdependent Copyright Industries to the Ukrainian Economy in 2005

Interdependent copyright-based industries are those concerned with production, sales, rental of equipment and materials used for creation and consumption of copyright and related rights products.

**Economic Indicators of the Interdependent Industries in 2005 (%)**



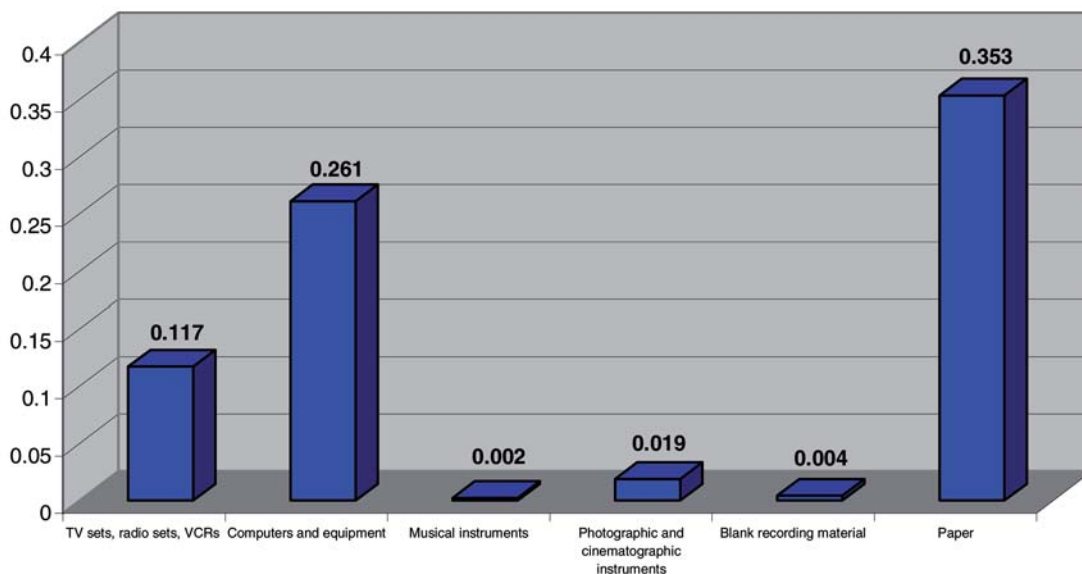


The interdependent copyright industries were characterized by their contribution of 0.76 per cent to gross production in Ukraine in 2005 and comprised 7,932.42 million UAH. The contribution of the interdependent copyright industries to Ukrainian GDP amounted to 0.67 per cent in 2005 or 2,944.04 million UAH.

### The Contribution of the Interdependent Copyright-Based Industries to the Ukrainian Economy in 2005

Interdependent Copyright Industries	Gross Production		Value Added			Number Employed	
	UAH ('000'000)	%	UAH ('000'000)	% of GDP	% of GVA	employees ('000)	%
TV sets, radio sets, VCR, CD players, DVD players, etc.	1,226,179	0.117	556,859	0.126	0.143	25,662	0.136
Computers and equipment (including photocopiers)	2,736,224	0.261	1,216,409	0.276	0.313	23,919	0.127
Musical instruments	22,912	0.002	9,188	0.002	0.002	1,254	0.007
Photographic and cinematographic instruments	196,976	0.019	90,676	0.021	0.023	9,384	0.050
Blank recording material	43,839	0.004	15,169	0.003	0.004	0,227	0.001
Paper	3,706,292	0.353	1,055,738	0.239	0.272	26,250	0.139
<b>Total</b>	<b>7,932,422</b>	<b>0.757</b>	<b>2,944,039</b>	<b>0.667</b>	<b>0.758</b>	<b>86,695</b>	<b>0.459</b>
<b>Economy of Ukraine</b>	<b>1048481</b>	<b>100</b>	<b>441452</b>	<b>100</b>		<b>18886,5</b>	<b>100</b>

Share of the Interdependent Industries in Terms of Gross Production in 2005 (%)



The highest contribution to gross production in 2005 among the interdependent industries was made by the sectors for paper (0.35 per cent), computers and equipment (0.26 per cent); TV sets, radio sets, VCRs (0.11 per cent) and accounts for 0.72 per cent of the gross production volumes, approximately 96.7 per cent of the gross production of the interdependent industries.

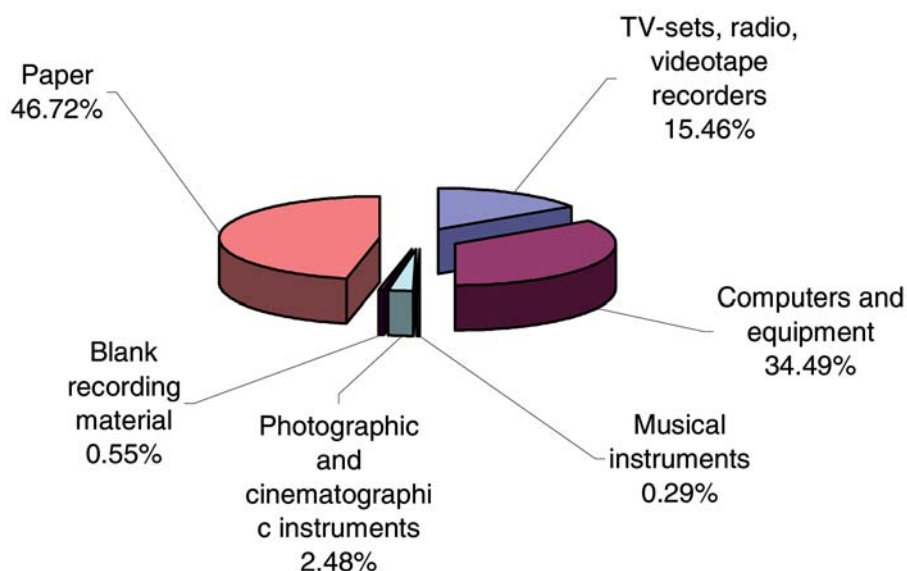
The paper sector was the leader in the interdependent industries for gross production in 2005 and comprised nearly 46.7 per cent of the total contribution of these industries. This sector is heavily dependent on imports of raw materials, which explains its share of 45.4 per cent in total imports for the interdependent industries.

Computers and equipment, TV sets, radio sets and VCRs are based on the wholesale and retail trade of imported goods and are characterized by poor production capacity. Their share of foreign trade amounts to 26.2 per cent of the total import volumes for TV sets, radio sets and VCRs and 17.5 per cent of the import volume for computers and equipment. These goods are partly for home consumption and partly exported. Thus, the sector for TV sets, radio sets and VCRs amounted to 44.9 per cent of interdependent industry exports and computers and equipment, 12.4 per cent.

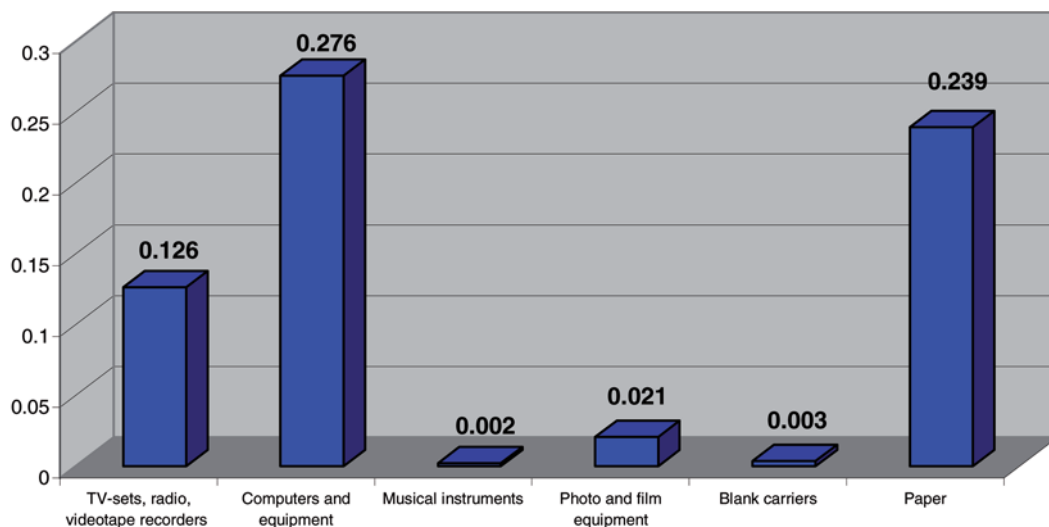
It is, however, difficult to classify the industries based on wholesale and retail trade by means of the production indicator. Among the interdependent industries, the indicator was most successfully applied to the paper sector.

For some estimates, it is also necessary to mention that a substantial part of the wholesale and retail market in the sectors for computers and equipment and TV sets, radio sets and VCRs may slip out of the official statistics, whereas the paper sector (which imposes import duties) was could be analyzed with more precision.

#### Share of the Contribution of the Interdependent Industries in Terms of Gross Production in 2005



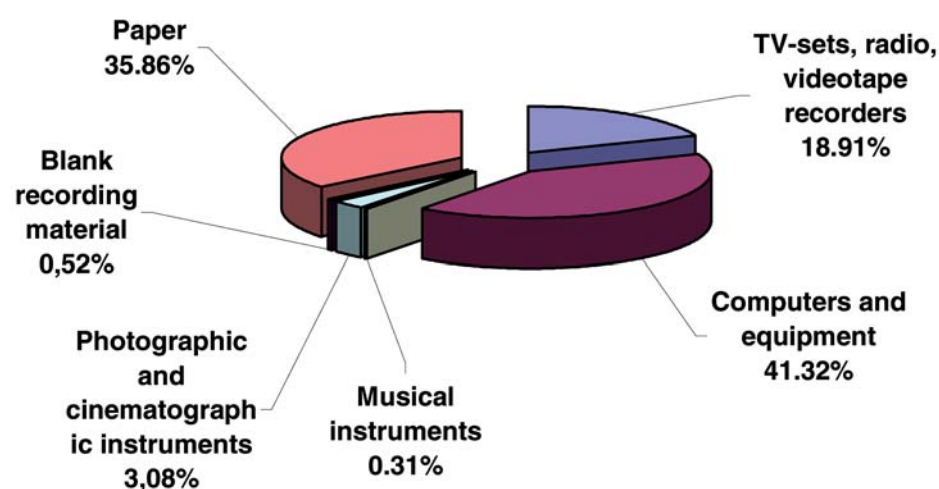
### The Contribution of the Interdependent Industries to Ukrainian GDP in 2005 (%)



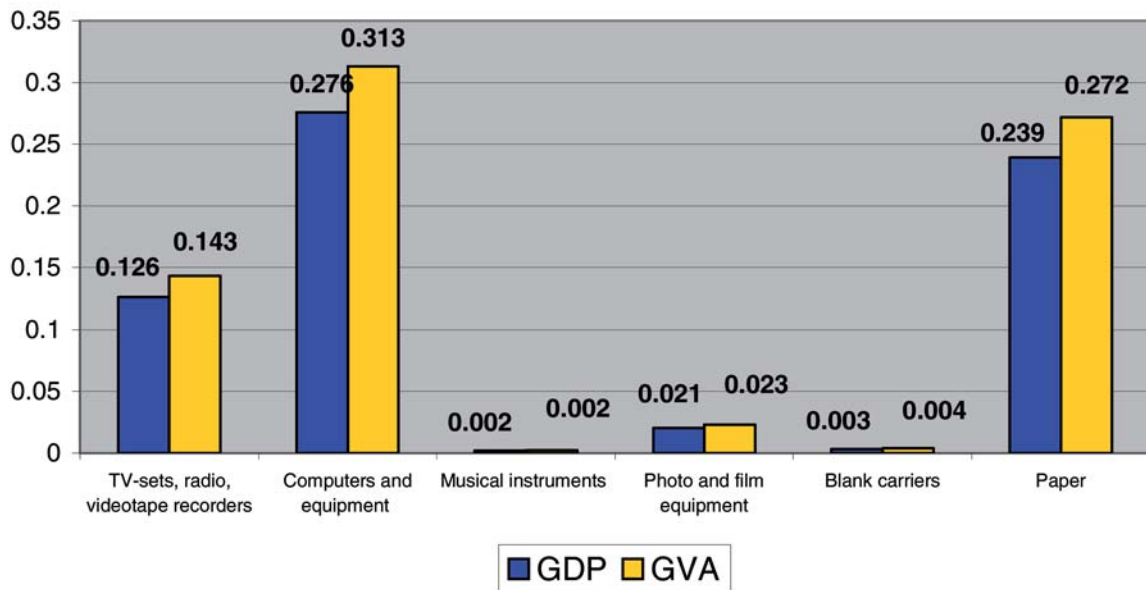
The above table indicates that the sector for computers and equipment makes the largest contribution to the economy—0.28 per cent of GDP, or 1,216.41 million UAH. The paper sector, having the lowest share of value added in the group (28.5 per cent) amounts to 0.24 per cent of GDP or 1,055.74 million UAH. The TV set, radio, videotape recorder sector totaled 0.13 per cent of GDP or 556.86 million UAH.

Two combined sectors relating to high-tech electronics accounted for around 60.23 per cent of the GDP of this group. If the paper sector is added to the sectors for computers and equipment and TV sets, radio and videotape recorders, this group accounted for 96.09 per cent of GDP.

### Share of the Contribution of the Interdependent Industries in Terms of GDP in 2005

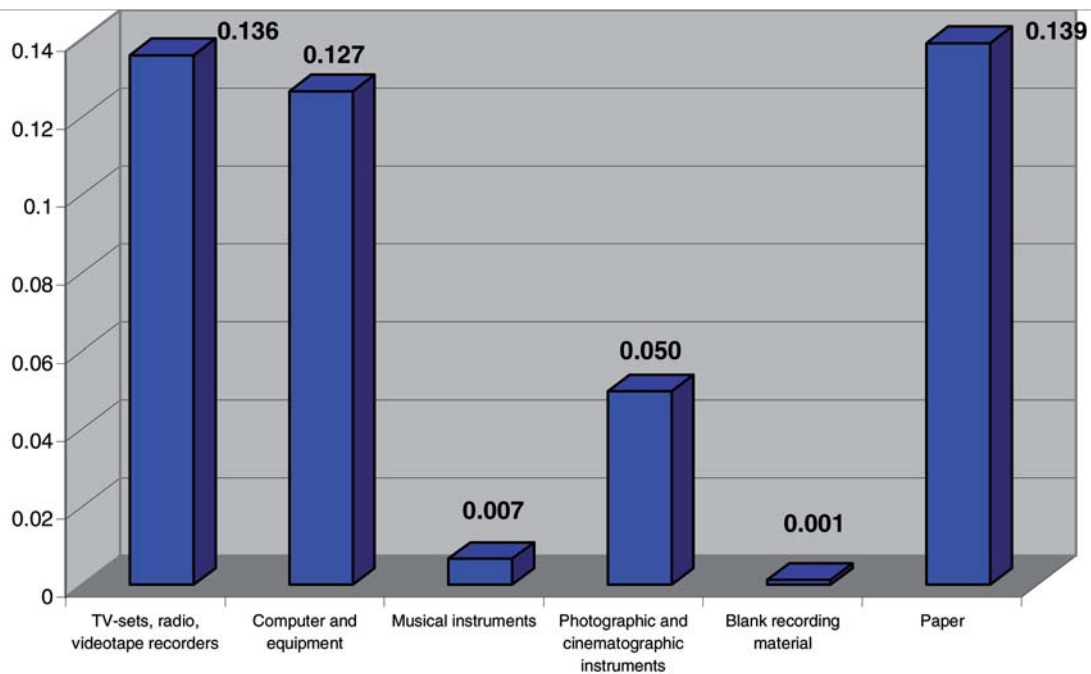


**Share of the Interdependent Industries in Terms of GDP and GVA in 2005 (%)**

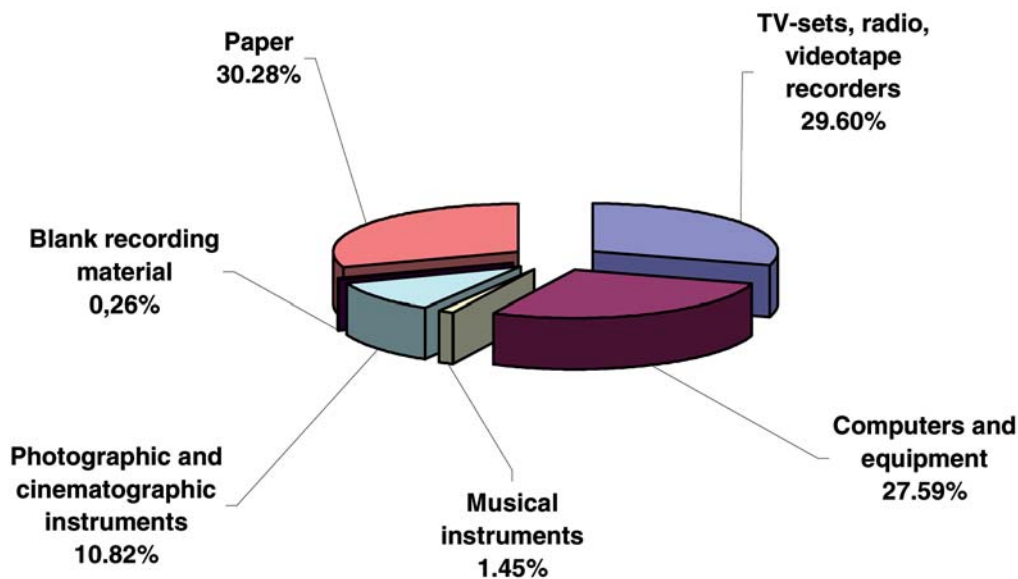


The value added of the interdependent industries in 2005 amounted to 0.76 per cent of total Ukrainian GVA.

**The Contribution of the Interdependent Industries in Terms of Employment in 2005 (%)**



### Share of the Contribution of the Interdependent Industries in Terms of Employment in 2005



The highest contributors to total employment in Ukraine in 2005 among the interdependent industries were the sectors for paper (0.137 per cent), computers and equipment (0.127 per cent) and TV sets, radio and videotape recorders (0.136 per cent), which together amounted to 0.4 per cent of total national employment or about 87.47 per cent of the total employment of the interdependent industries. In general, this corresponds to their contributions to GDP but according to the data used, the computers and equipment sector requires less manpower, clearly due to automation and the use of modern technologies.

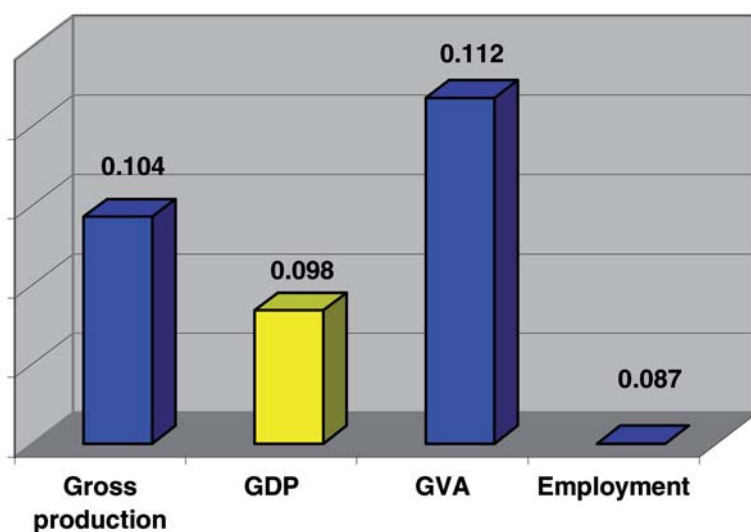
### 3.4. The Contribution of the Partial Copyright Industries to the Ukrainian Economy in 2005

The industries depending partially on copyright and related rights' protection are known as the partial copyright-based industries. They are not always involved in creation: in most cases those products are created or used in the relevant segment of the partial industries. In order to define the economic effect of copyright, the copyright factor calculated on the basis of research, international comparisons and international experience was applied to the figures for these industries. Thus, the economic results of the industries indicated below have been reduced in conformity with the copyright factor connected with each industry.

The contribution of the partial copyright-based industries to the Ukrainian economy in 2005 amounted to 0.104 per cent of gross production, constituting 1,093.53 million UAH, 0.098 per cent of Ukrainian GDP, or 434.41 million UAH and 0.112 per cent of GVA.



### Economic Figures of the Partial Copyright-Based Industries in 2005 (%)

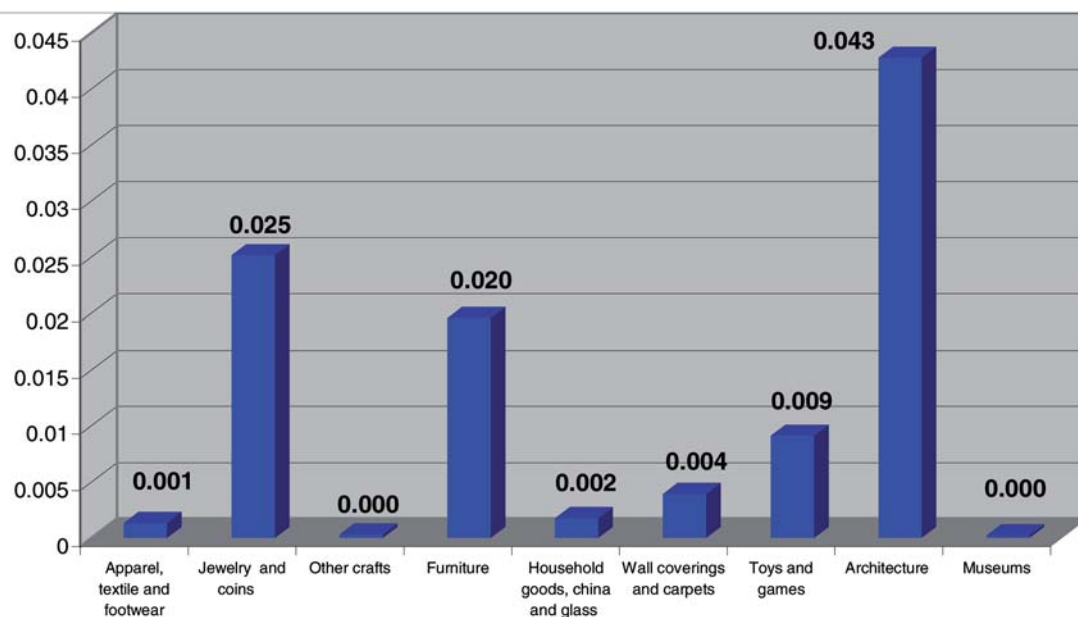


The partial copyright-based industries are in general focused on the wholesale and retail aspects rather than production. However, it is necessary to note that the situation has been improving for several years although it is still very early to speak about the predominance of Ukrainian goods in this market, as the country is primarily an importer of the goods in this category.

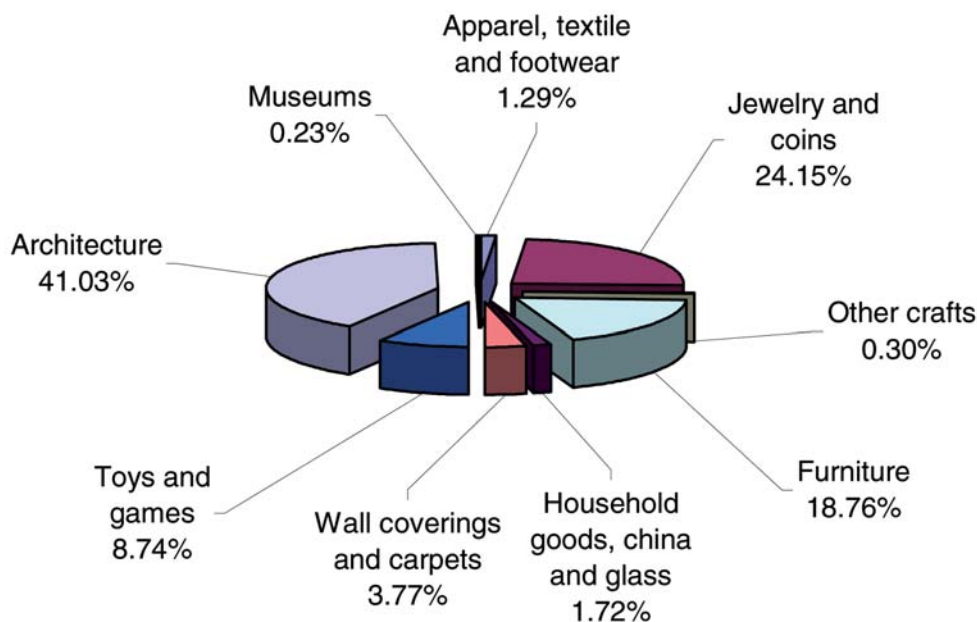
### The Contribution of the Partial Copyright-Based Industries to the Ukrainian Economy in 2005

Partial Copyright-Based Industries	Gross Production		Value Added			Number Employed	
	UAH ('000'000)	%	UAH ('000'000)	% of GDP	% of GVA	employees ('000)	%
Apparel, textiles and footwear	14,122	0.001	5,155	0.001	0.001	307	0.002
Jewelry and coins	264,141	0.025	106,259	0.024	0.027	3,659	0.019
Other craft objects	3,300	0.000	1,298	0.000	0.000	0,086	0.000
Furniture	205,174	0.020	57,650	0.013	0.015	2,995	0.016
Household goods, china and glass	18,762	0.002	6,017	0.001	0.002	247	0.001
Wall coverings and carpets	41,273	0.004	8,983	0.002	0.002	0,194	0.001
Toys and games	95,553	0.009	32,166	0.007	0.008	1,559	0.008
Architecture	448,664	0.043	214,806	0.049	0.055	7,331	0.039
Museums	2,545	0.000	2,080	0.000	0.001	102	0.001
<b>Total</b>	<b>1,093,533</b>	<b>0.104</b>	<b>434,412</b>	<b>0.098</b>	<b>0.112</b>	<b>16,480</b>	<b>0.087</b>
<b>Economy of Ukraine</b>	<b>1048481</b>	<b>100</b>	<b>441452</b>	<b>100</b>		<b>18886.5</b>	<b>100</b>

### Share of the Partial Copyright-Based Industries Based on Gross Production in 2005 (%)

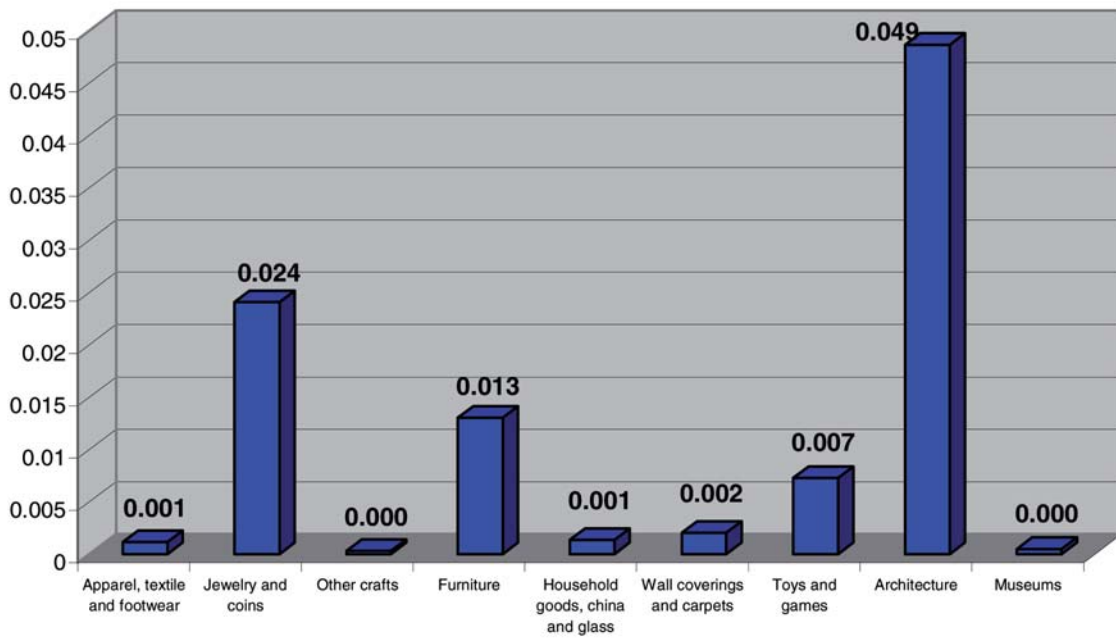


### Share of the Contribution of the Partial Copyright-Based Industries Based on Gross Production in 2005

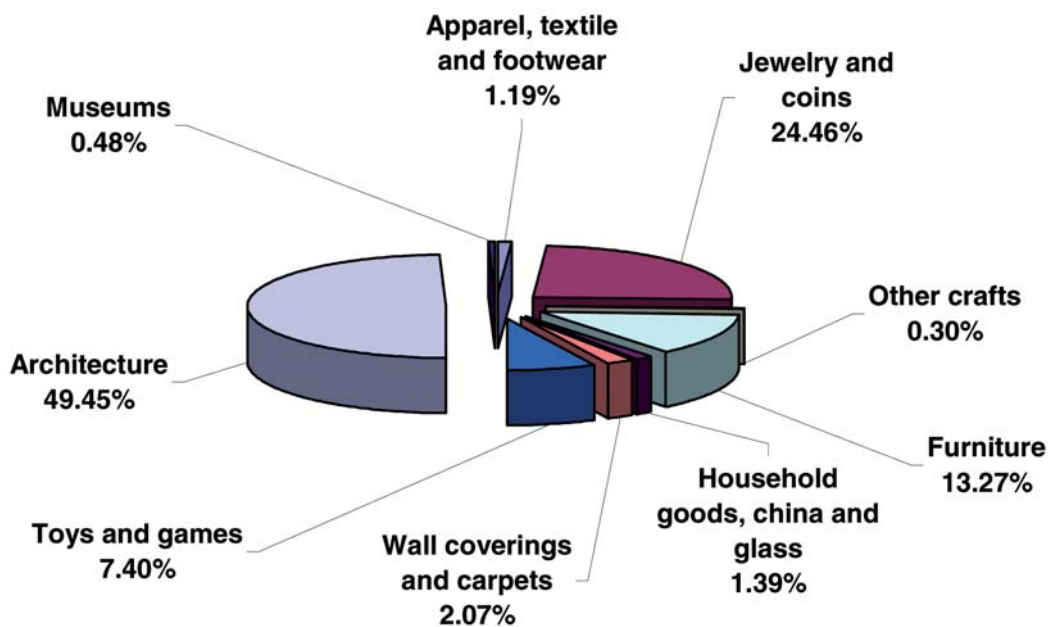


The main economic contributors in the group of partial copyright industries are the following sectors: architecture, jewelry and coins, furniture, toys and games. Together, these industries amount to 92.68 per cent of the group contribution to gross production and 94.58 per cent of the group contribution to GDP. At the same time it is necessary to remember that architecture is the largest sector within the group, accounting for 41.03 per cent of its gross production and 49.45 per cent of its contribution to GDP.

**The Contribution of the Partial Copyright-Based Industries in Terms of Employment in 2005 (%)**

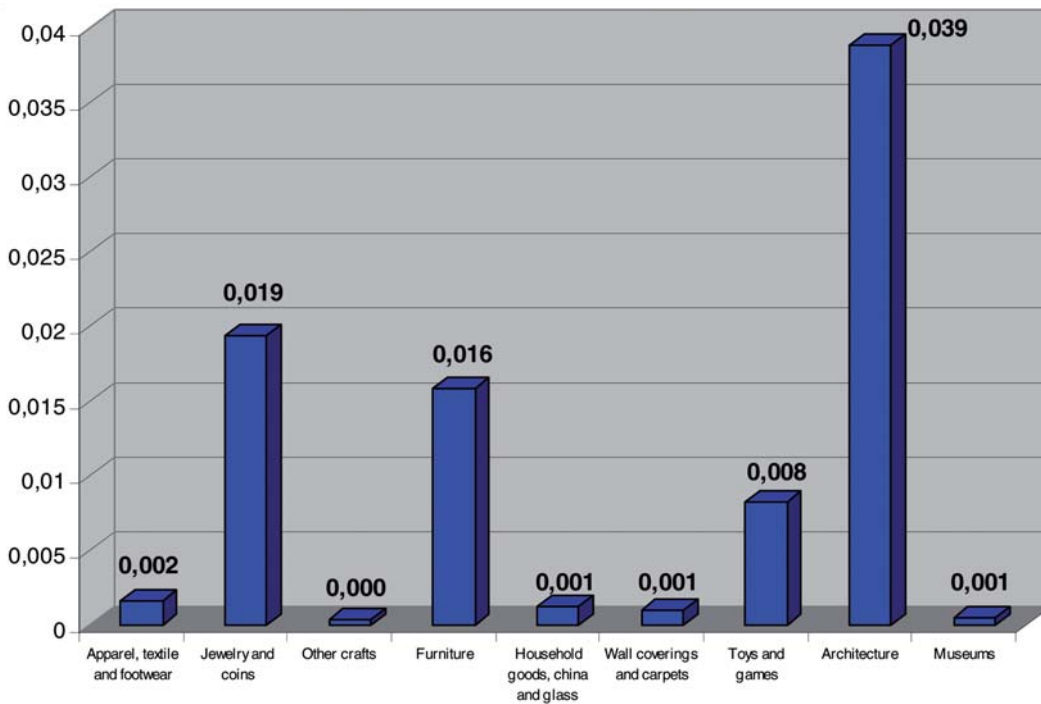


**Share of the Contribution of the Partial Copyright-Based Industries Based on GDP in 2005**



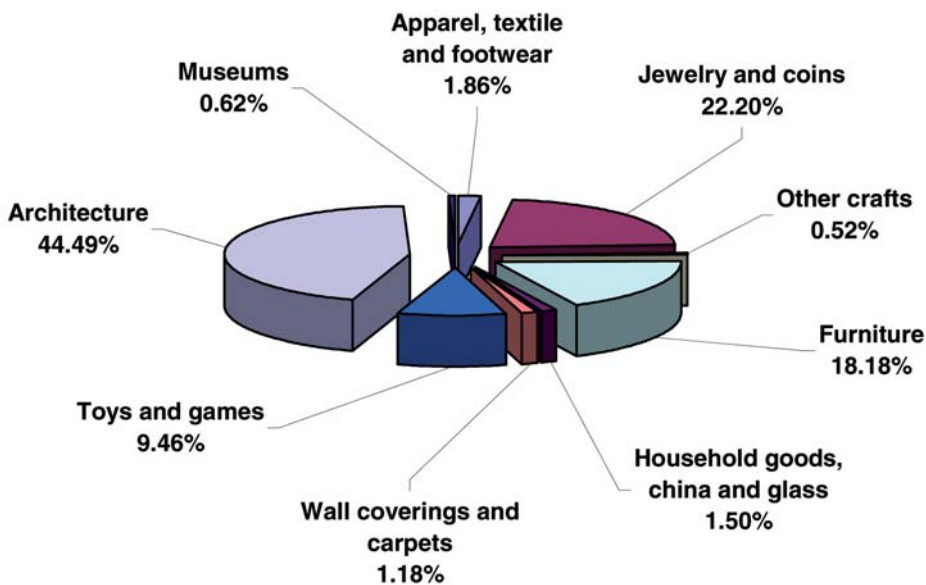


**The Contribution of the Partial Copyright-Based Industries in Terms of Employment in 2005 (%)**



As we can see from the above tables, architecture, jewelry and coins, furniture, toys and games together constitute 94.58 per cent of the group contribution to employment. At the same time it can be seen that architecture accounts for 49.45 per cent of the total.

**Share of the Contribution of the Partial Copyright-Based Industries in Terms of Employment in 2005**

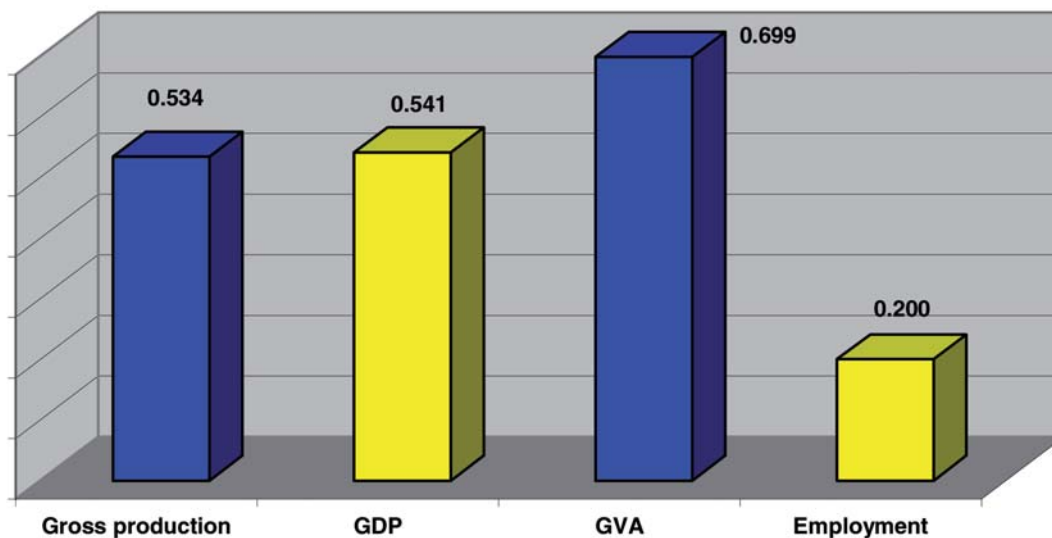


### 3.5. The Contribution of the Non-Dedicated Copyright Industries to the Ukrainian Economy in 2005

The non-dedicated copyright-based industries are not directly related to the creation of materials and products relating to copyright and related rights and protected by law. These industries are involved in the sale, distribution, transportation, broadcasting and making available to the public of materials and products created by the three other copyright-based industries. The economic contribution of the non-dedicated copyright-based industries was calculated through the use of a generally accepted international approach,<sup>20</sup> presuming that it is equal to the total contribution of all copyright-based industries to GDP. We found this ratio to be equal to 0.023.

Thus, the contribution of the non-dedicated copyright-based industries to the economy amounted to 0.54 per cent of GDP or 2,389.5 million UAH, and 0.53 per cent of gross production or 5,596.4 million UAH in 2005. The contribution of the non-dedicated copyright-based industries to employment in Ukraine constituted 0.2 per cent of the total number of people employed, *i.e.*, 37,741 thousand workers.

**The Economic Figures for the Non-Dedicated Copyright-Based Industries in 2005 (%)**



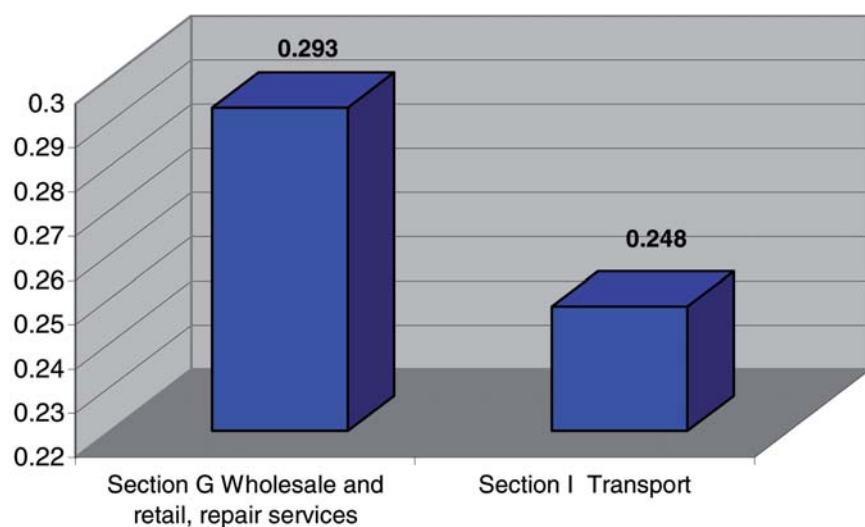
<sup>20</sup> Stephen E. Siwek and Harold W. Furchtgott-Roth, *Copyright Industries in the U.S. Economy*, 1990, Appendix B-6



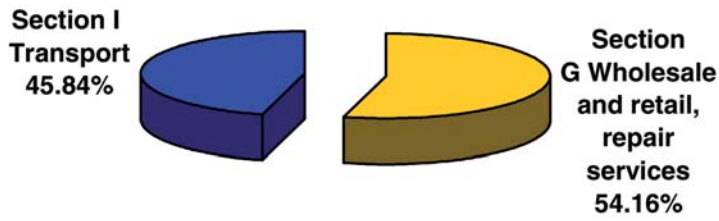
### The Contribution of the Non-Dedicated Copyright Industries to the Ukrainian Economy in 2005

Non-Dedicated Copyright Industries	Gross Production		Value Added			Number Employed	
	UAH ('000'000)	%	UAH ('000'000)	% of GDP	% of GVA	employees ('000)	%
Section G: Wholesale and retail; trade in motor vehicles; repair services	2,921,979	0.279	1,294,105	0.293	0.378	19,115	0.101
Section I: Transport	2,674,439	0.255	1,095,374	0.248	0.320	18,626	0.099
<b>Total</b>	<b>5,596,418</b>	<b>0.534</b>	<b>2,389,479</b>	<b>0.541</b>	<b>0.699</b>	<b>37,741</b>	<b>0.200</b>
<b>Economy of Ukraine</b>	<b>1048481</b>	<b>100</b>	<b>441452</b>	<b>100</b>		<b>18886.5</b>	<b>100</b>

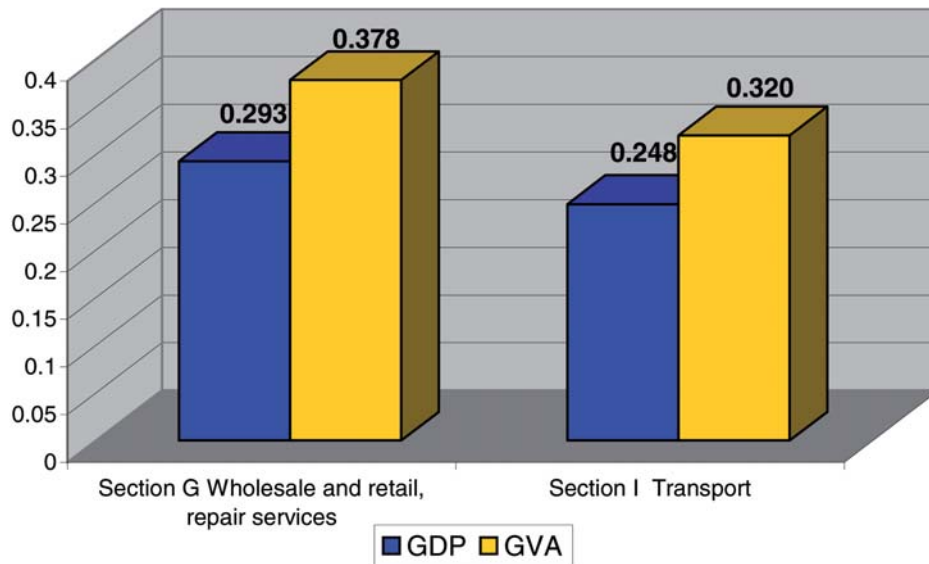
### The Contribution of the Non-Dedicated Copyright Industries to Ukrainian GDP in 2005 (%)



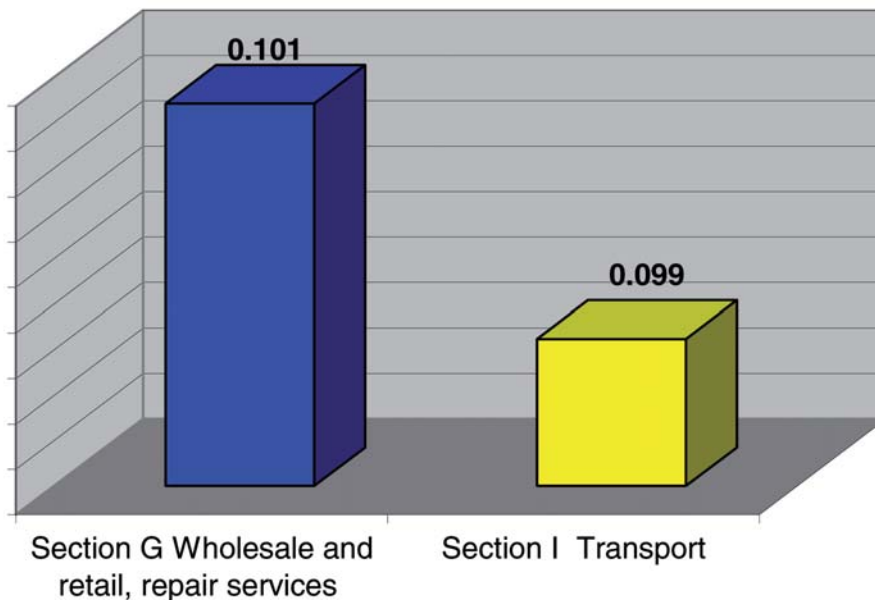
**Share of the Contribution of the Non-Dedicated Copyright Industries in Terms of GDP in 2005**



**Share of the Non-dedicated Copyright-Based Industries in Terms of GDP and GVA in 2005 (%)**

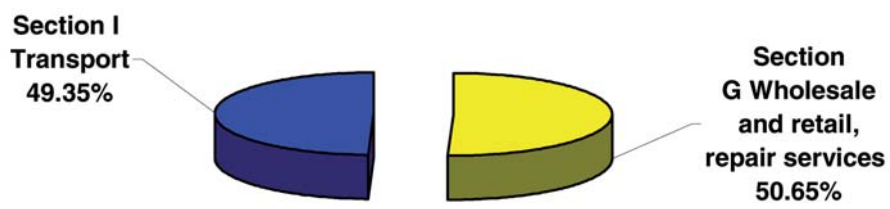


**The Contribution of the Non-Dedicated Copyright-Based Industries in Terms of Employment in 2005 (%)**





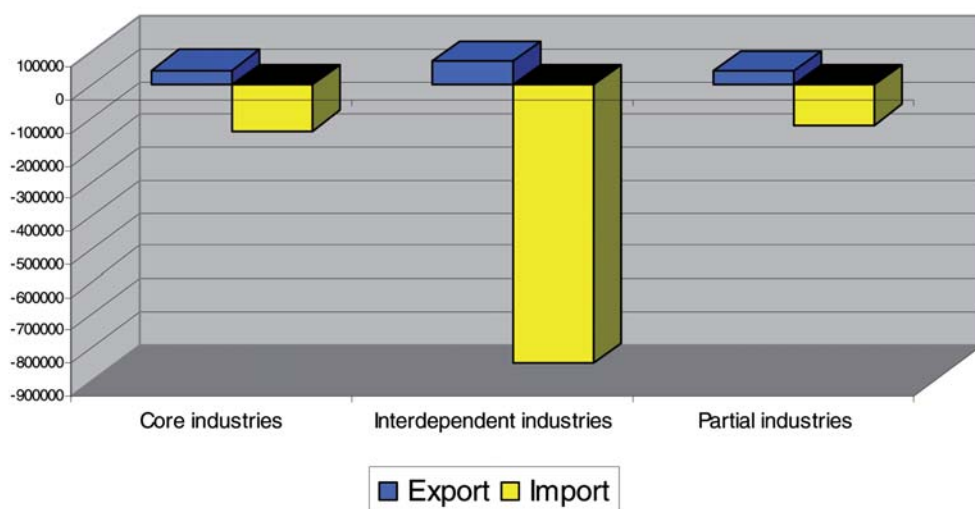
### Share of the Contribution of the Non-Dedicated Copyright-Based Industries in Terms of Employment in 2005



### 3.6. The Contribution of the Copyright-Based Industries to Foreign Trade

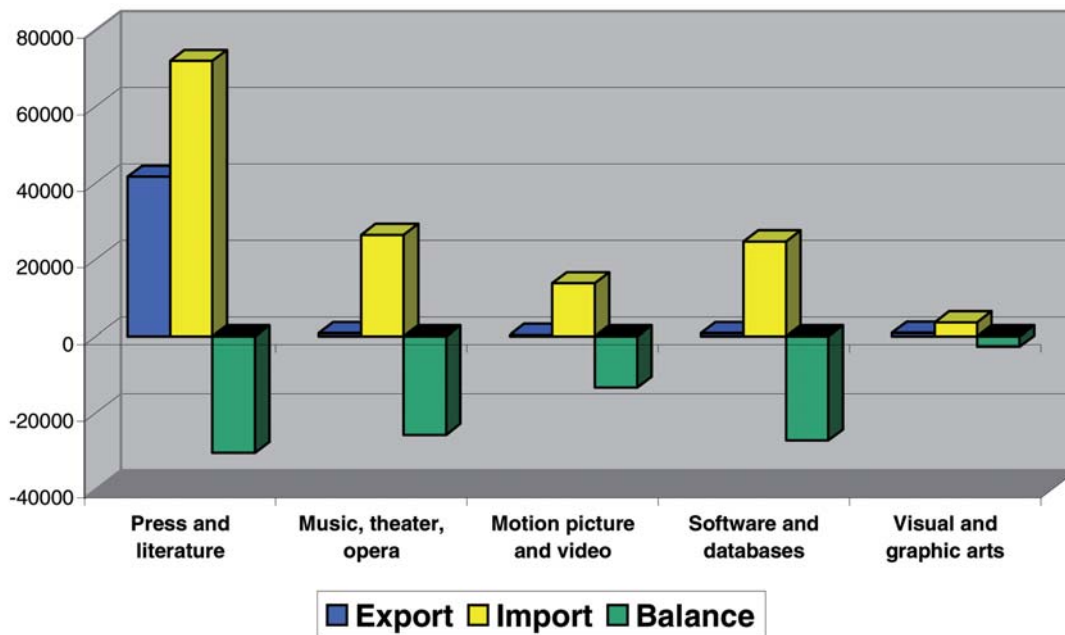
In carrying out an analysis of foreign trade, it is possible to distinguish between the sectors of the economy, which are important in terms of development and which require more careful consideration by those responsible for state policy. It should be noted that the value of copyright and related rights to Ukrainian foreign trade, as in many other countries, is very difficult to define. This is due to the fact that when movies, music and computer programs cross borders, only the physical value of the carrier is indicated. However, in the case of art works, such value will correspond to the real value of the carrier and copyright. In view of this, the study on the contribution of the copyright and related rights industries to the foreign trade of Ukraine was based on several sources. The primary sources of information were: the Ukrainian Classification of Foreign Economic Activities and the Classification of Foreign Trade Services. Since these two sources do not reflect financial transactions of license payments and royalties, the information from the National Bank of Ukraine was used as an additional source, containing the data from the Classification of Foreign Trade Services and the data on bank transactions of license payments and royalties in the most aggregated form. The value of the export of goods related to copyright and related rights in 2005 year accounted for 157,269.41 thousand US dollars,<sup>21</sup> or 0.46 per cent of all exports for that year. The value of the import of goods related to copyright and related rights in 2005 accounted for 955,429.69 thousand US dollars or 51.5 per cent of the general trade deficit. Thus, the cost of importing these goods is approximately seven times greater than earnings from exports.

#### Foreign Trade in Copyright and Related Rights Goods (%)



<sup>21</sup> Value of goods and services in the foreign trade statistics is reflected in US dollars (US\$).

Foreign Trade in the Core Copyright-Based Industries products in 2005 (Thousands USD)



**The core copyright industries**, due to the reasons discussed below, are not fully reflected in the Ukrainian Classification of Foreign Economic Activities. Among them is reflected the physical value of the carrier when crossing borders, as well as the importance of the core industries to the service sector. Thus, in 2005, the value of exports related to the core industries comprised 44,564.67 thousand US dollars or 0.13 per cent of the total volume of exports. Imports for the core industries amounted to 140,607.82 thousand US dollars or 0.39 per cent of the total volume of imports. Detailed examination of the following table confirms that a negative trade balance is characteristic for all the core industries and testifies to insufficient development of this segment in the Ukrainian economy. Only in relation to the press and literature sector can high export volumes be seen, with the volume of imports considerably exceeding that of exports from the other sectors.<sup>22</sup>

<sup>21</sup> The sectors for music, theater, opera (partially), films and video games (entirely), software and databases (entirely) are indicated in the Foreign Trade Goods Statistics under code 8524000000: "Records, films and other carriers for recording sound or similar record, recorded, including matrices and forms for records production." In view of this, an additional study was made. The basis for such a study was an assumption that certain groups of goods are exported and imported in accordance with demand. By processing the data from the State Department of Intellectual Property of the Ukraine on the control marks for distribution of copies of audiovisual works, phonograms, videos, software and databases, we identified corresponding rates for fund allocation of the mentioned statistical code. The results of the study are presented in the chapter entitled Basic Development Trends of Some Core Copyright-Based Industries.

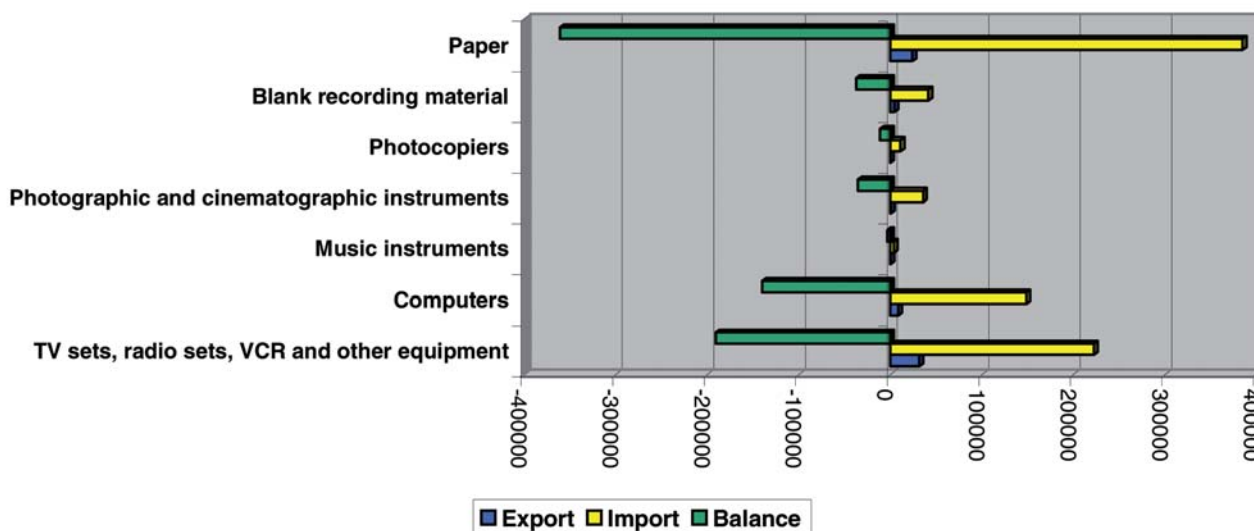


### The Contribution of the Core Copyright-Based Industries to Foreign Trade in 2005

Core Industries	Exports ('000 US\$)	%	Imports ('000 US\$)	%
Press and literature	41,655.73	0.121	72,029.14	0.199
Music, theater, opera	801.74	0.002	26,518.80	0.073
Motion picture and video	416.98	0.001	13,768.22	0.038
Software and databases	748.20	0.002	24,704.86	0.068
Visual and graphic arts	942.02	0.003	3,586.82	0.010
<b>Total</b>	<b>44,564.67</b>	<b>0.130</b>	<b>140,607.82</b>	<b>0.389</b>
Total volume of foreign trade	34,286,748.26	100	36,141,094.96	100

The interdependent copyright-based industries are more easily defined by means of the Ukrainian Classification of Foreign Economic Activities than the core industries, as the majority of the industries in this segment are engaged in the production of certain material values—goods for consumption of copyright and related rights objects, their transfer and production. Interdependent industries have the largest share in foreign trade in accordance with this classification. The contribution of the interdependent industries comprised 71,226.87 thousand US dollars in 2005 or 0.21 per cent from aggregated exports. The import share of the interdependent industries was more substantial and comprised 848,853.49 thousand US dollars or 2.35 per cent of the total volume of imports.

### Foreign Trade of the Interdependent Copyright and Related Rights Industries



The goods with the largest share of foreign trade among the interdependent industries are those which cover items such as television sets, radios, and video cassette recorders (VCRs).



### Foreign Trade of the Interdependent Copyright Industries in 2005

Interdependent Industries	Exports (‘000 US\$)	%	Imports (‘000 US\$)	%
TV sets, radio sets and others	31,948,218	0.0932	222,464,997	0.62
Computers	8,862,359	0.0258	148,550,781	0.41
Musical instruments	381,170	0.0011	3,807,250	0.01
Photographic and cinematographic instruments	895,115	0.0026	35,936,605	0.10
Photocopiers	153,251	0.0004	11,351,707	0.03
Blank recording material	4,691,957	0.0137	41,757,624	0.12
Paper	24 294.80	0.0709	384,984.53	1.07
<b>Total</b>	<b>71,226,871</b>	<b>0.2077</b>	<b>848,853,490</b>	<b>2.35</b>
Total volume of goods in foreign trade of Ukraine	34,286,748.26	100	36,141,094.96	100

High import figures for television sets, radios and VCRs can be explained by several factors. On the one hand, few high-technology products in this sector are produced in Ukraine and, on the other, the rapid development of television, radio and digital media has created a considerable domestic demand, which comprised 0.62 per cent of the aggregate imports.

Computers were responsible for 0.41 per cent of imports, resulting from slow development of the high-tech industry in Ukraine.

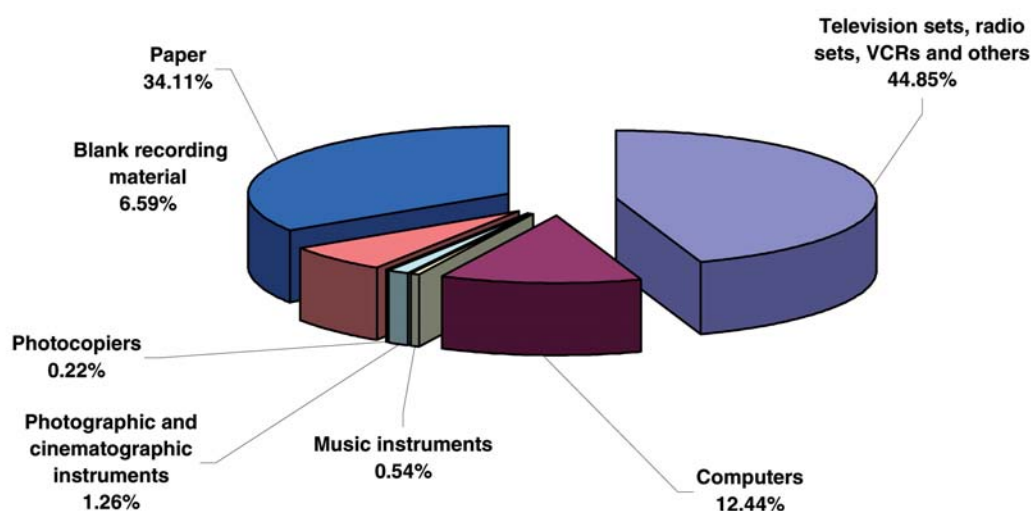
Low export volumes in the sectors mentioned can be explained by the re-export of certain products.

The highest level of imports in Ukraine concerned the paper sector, which is of great importance to the core copyright industries such as press and literature, advertising, etc. The significant contribution of this sector to the national economy was not only found in Ukraine, but was also observed in Bulgaria.<sup>23</sup> In Ukraine, it can be explained by protectionism surrounding the publishing business and the wide range of tax concessions for the import of some materials.<sup>24</sup>

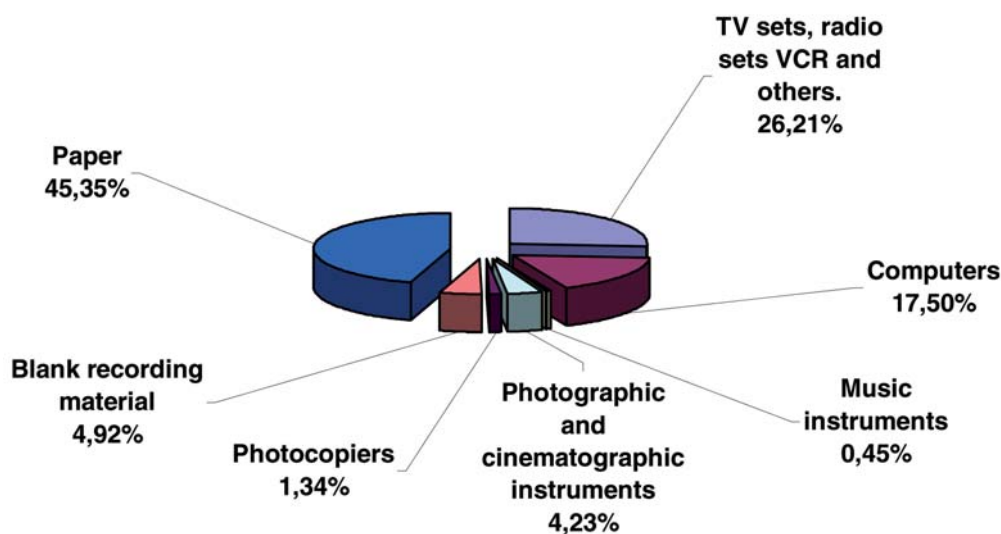
<sup>23</sup> Ivan Tchalakov, Vladya Borisova, Donka Keskinova, Georgi Damyanov, Rossitza Arkova, Tsveta Andreeva, Jordan Kalchev, Todor Todorov, *The Economic Contribution of Copyright-Based Industries in Bulgaria, 2007*.

<sup>24</sup> Details are in the chapter on "Basic Development Trends of Some Core Copyright Industries."

### Export Figures for the Interdependent Copyright Industries in 2005



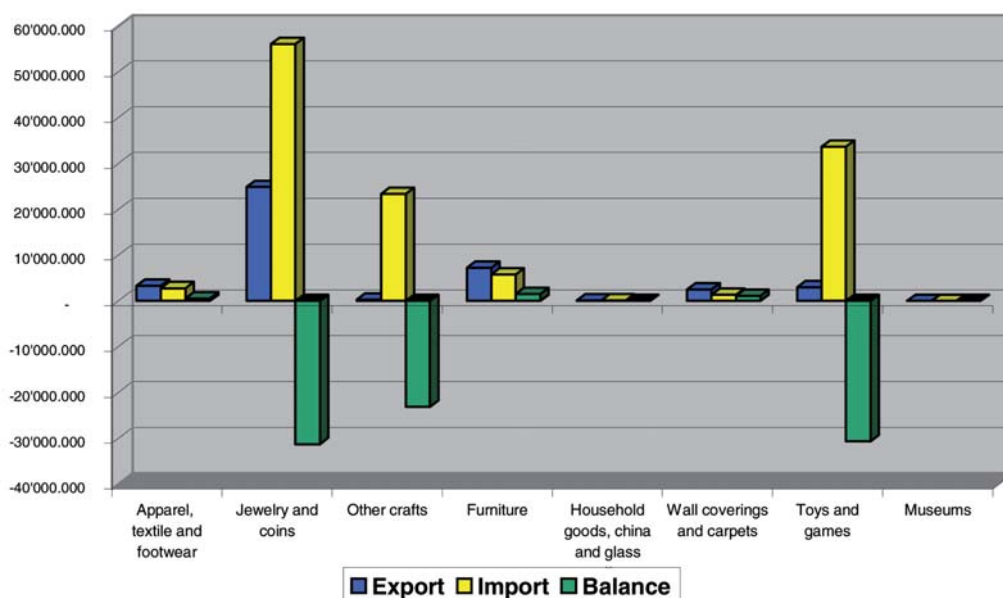
### Import Figures for the Interdependent Copyright Industries in 2005



When summarizing the export-import of goods of interdependent industries in Ukraine, it should be noted that in spite of considerable volumes in the paper sector, the share of scientific and high-technology goods is larger and testifies to the necessity of taking certain steps and generating a corresponding state policy aimed at the development of high-tech industries, including attracting foreign investment and technologies.

**The partial copyright industries** are also well represented in the statistics for foreign economic activity, as they mainly concern the manufacture of objects such as apparel, houseware, furniture, jewelry, toys, etc. The total export share of the partial industries amounts to 41,477.87 thousand US dollars or 0.121 per cent, whereas imports amounted to 123,228.79 thousand US dollars or 0.34 per cent of the aggregate amount of imports. It should be noted that the sectors with the highest level of imports were: jewelry and coins, other crafts, toys and games. However there was a small but positive balance for apparel, textiles and footwear, furniture, wall coverings and carpets.

**Foreign Trade in the Partial Copyright Industries in 2005 ('000 US\$)**



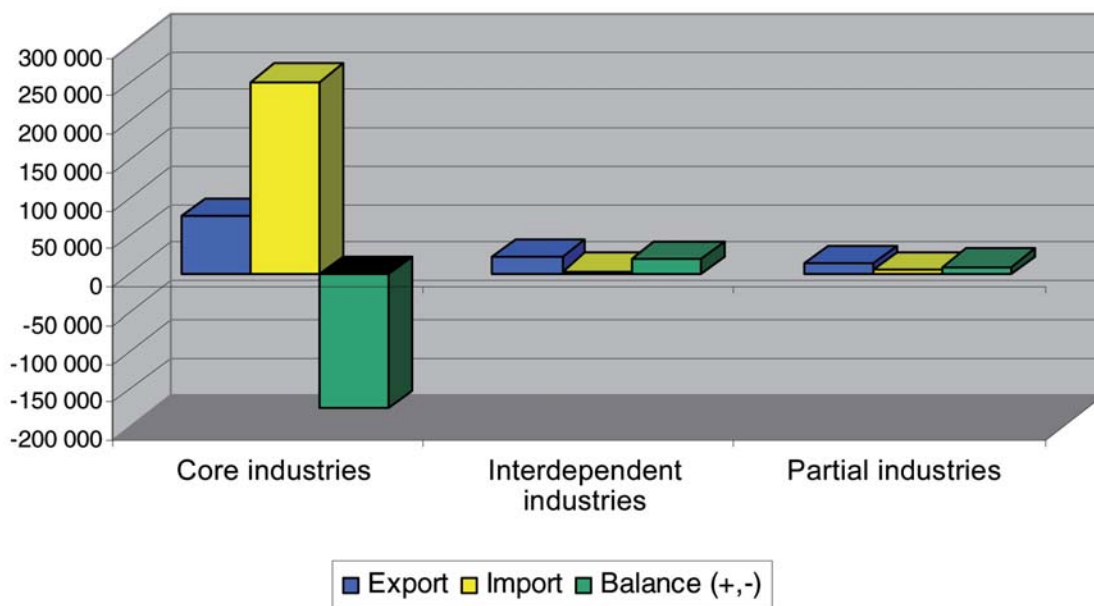
**Foreign Trade in the Partial Copyright Industries in 2005 ('000 US\$)**

Partial Industries	Exports ('000 US\$)	%	Imports ('000 US\$)	%
Apparel, textiles and footwear	3,342.02	0.010	2,807.44	0.008
Jewelry and coins	24,860.03	0.073	56,085.01	0.155
Other crafts	264.38	0.001	23,374.25	0.065
Furniture	7,297.45	0.021	5,769.07	0.016
Household goods, china and glass	145.89	0.000	155.03	0.000
Wall coverings and carpets	2,508.06	0.007	1,377.42	0.004
Toys and games	3,045.84	0.009	33,640.52	0.093
Museums	14.21	0.000	20.05	0.000
<b>Total</b>	<b>41,477.87</b>	<b>0.121</b>	<b>123,228.79</b>	<b>0.341</b>
Total volume of goods	34,286,748.26	100	36,141,094.96	100

Classification under foreign economic activity allows the services provided by the copyright and related rights industries to be reflected. This classification closely corresponds with the Classification of Economic Activity in Ukraine; however, it contains a somewhat lower level of detail. On the basis of high aggregation of the apparent data in this classification, it was only possible to divide data into the core, interdependent and partial industries. In the majority of cases one code included several different activities, thus greater detail became inappropriate. For example, code 22: services in publishing, the printing industry and copying of printed materials also includes: copying of software; copying of motion pictures and video films from originals; printing of promotional materials.

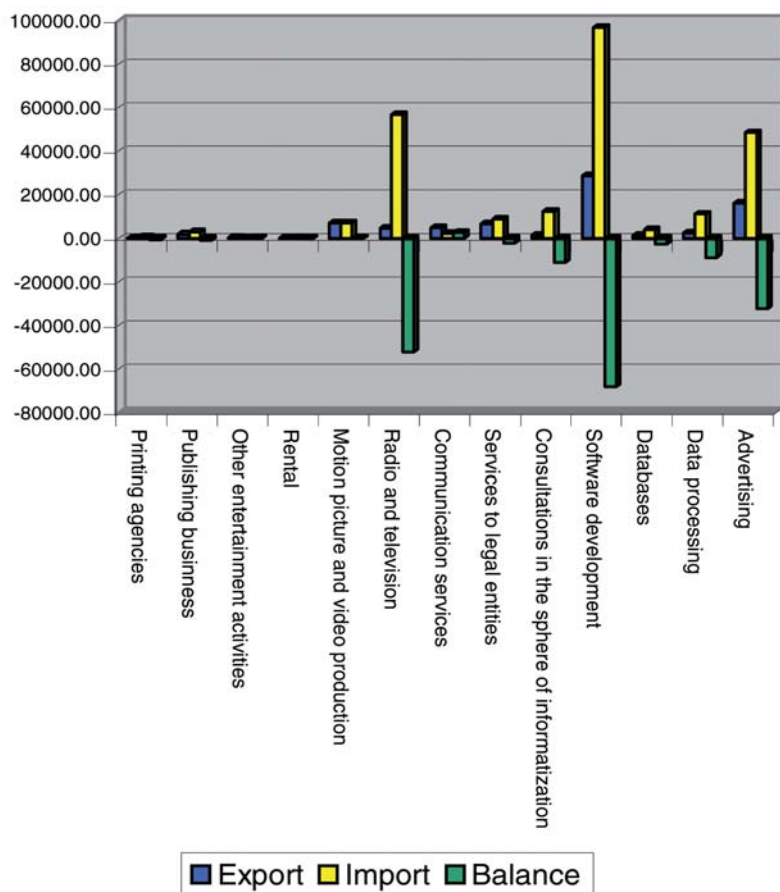


### Foreign Trade of the Copyright-Based Industries in 2005



Export volumes for the CIs in 2005 amounted to 110,612.67 thousand US dollars or 1.80 per cent of the aggregate export volume. The total share of imports amounted to 259,176.41 thousand US dollars or 8.90 per cent of the total volume of imports.

### Foreign Trade in the Core Copyright Industries in 2005 ('000 US\$)





Regarding the core copyright industries in terms of foreign trade, it represents 74,909.21 thousand US dollars in the export of services or 1.22 per cent of the total volume of service exports. At the same time, the major share of exports was occupied by the software development sector, which is estimated at 2.8603.68 thousand US dollars or 0.47 per cent of total exports. It should be emphasized that the industries related to software development are developing rapidly. That is why the services related to consultations in informatization, software development, databases and data processing made up nearly one half or 0.55 per cent of the core industry sector and represented 33,620.05 thousand US dollars. The share of these industries was impressive and constituted 124,175.17 thousand US dollars or approximately one half of the share of all CIs and 4.27 per cent of the total volume of imports.

Moreover, attention should be paid to the radio and television sector, the second highest for imports (1.95 per cent) and only the fifth highest for exports (0.075 per cent) among the core copyright industries. Advertising is also of considerable importance to foreign trade, and it is developing steadily. Its share of exports was the second highest (0.26 per cent) and its share of imports was the third highest (1.66 per cent). In foreign trade, the cinematography and video production sector showed a balance: imports constituted 6,976.70 thousand US dollars and exports accounted for 7,133.36 thousand US dollars.

#### Foreign Trade in the Core Copyright Industries in 2005 ('000 US\$)

Core Industries	Exports	%	Imports	%	Balance
Printing agencies	64.66	0.001	682.63	0.023	-617.97
Publishing	1,870.98	0.030	2951.84	0.101	-1,080.86
Other entertainment activities	279.02	0.005	67.20	0.002	211.82
Rentals <sup>25</sup>	0.12	0.000	250.40	0.009	-250.28
Motion picture and video production	6,976.70	0.114	7133.36	0.245	-156.66
Radio and television	4,596.85	0.075	56703.96	1.948	-52,107.11
Communication services	4,844.35	0.079	2174.63	0.075	2,669.72
Services to legal entities	6,531.53	0.106	8819.48	0.303	-2,287.95
Consultations in informatization	1,249.77	0.020	12302.11	0.423	-11,052.34
Software development	28,603.68	0.466	96771.85	3.324	-68,168.17
Databases	1,351.56	0.022	3963.96	0.136	-2,612.40
Data processing	2,415.04	0.039	11137.25	0.383	-8,722.21
Advertising	16,124.95	0.263	48447.56	1.664	-32,322.61
<b>Total</b>	<b>74,909.21</b>	<b>1.221</b>	<b>251406.23</b>	<b>8.637</b>	<b>-176,497.02</b>
Total for services in the foreign trade sector	6134700	100	2910900	100	3223800

It should be mentioned that the core CIs have considerable influence over foreign trade in the service sectors.

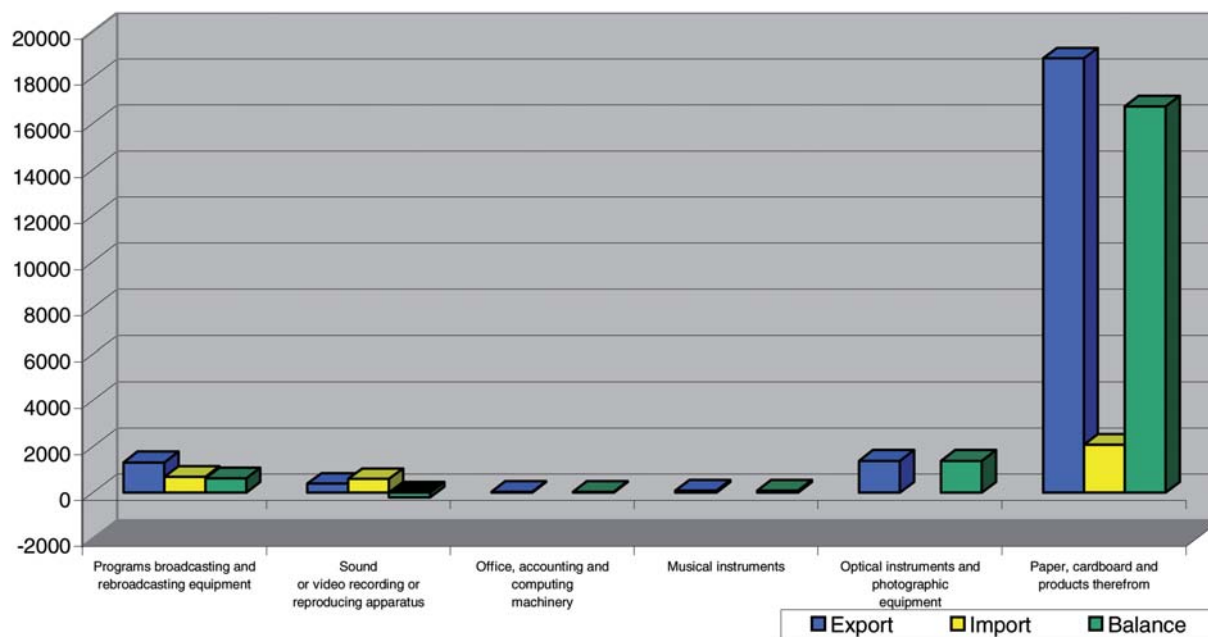
The above-mentioned industries have the highest export-import rates among all copyright and related rights industries and show promise for potential export growth.

The interdependent industries are characterized by their contribution to total exports: 22,014.04 thousand US dollars or 0.36 per cent of the aggregate export volume. The contribution of the interdependent industries to imports amounted to 3,361.06 thousand US dollars or 0.12 per cent.

<sup>25</sup> On conducting the analysis of statistical indicators, it was discovered that the sectors concerning rental, communication services and services to legal entities also included, besides the core copyright industries, the economic influence of other industries. In view of this and to define the share of copyright, it was decided to use the factor 0.025 in export-import indicators for these industries.



### Foreign Trade in Services Related to the Interdependent Copyright Industries in 2005 ('000s US\$)



### Foreign Trade in Services Related to the Interdependent Copyright Industries in 2005 ('000 US\$)

Interdependent Industries	Exports	Imports	Balance
Broadcasting and rebroadcasting equipment	1,310.52	688.06	622.46
Sound/video recording or reproduction apparatus	384.06	591.88	-207.82
Office accounting and computing machinery	38.10		38.10
Musical instruments	80.38		80.38
Optical instruments and photographic equipment	1,378.80		1,378.80
Paper, cardboard and products therefrom	18,822.18	2,081.12	16,741.06

Analyzing the services in the interdependent copyright and related rights industries, the most active sector is paper, cardboard and products derived therefrom, with a trade surplus of 16,741.06 thousand US dollars, based on the imports of raw materials for the sector, estimated at 384,984.53 thousand US dollars. It can be assumed that part of the input is consumed in the domestic market, whereas part is exported, making this sector attractive for further development and growth in the volume of export services. The services in the other sectors are not highly significant and do not apply to every country surveyed. For example, services from the office accounting and computing machinery sector were imported only by the US; services from the musical instrument sector were imported only by the Netherlands; services from optical instruments and photographic equipment sector only by the Russian Federation.

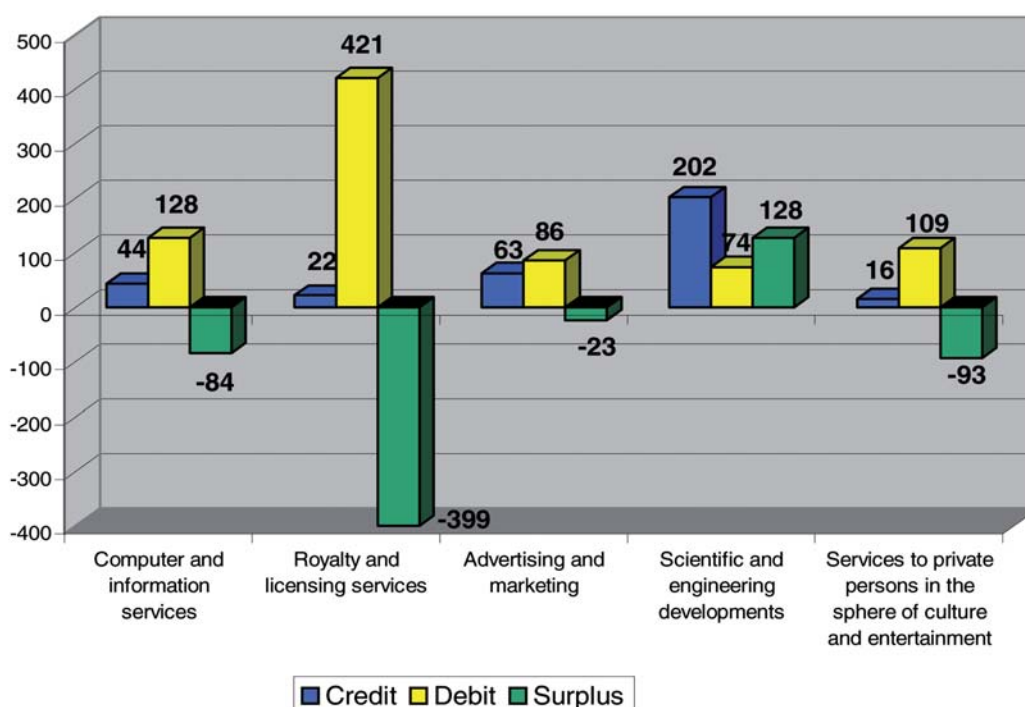
After taking account of the copyright factor, the partial industries were estimated at 13,689.42 thousand US dollars or 0.22 per cent of export services, and 4,409.12 thousand US dollars (0.15 per cent) of imports, giving a positive surplus of 9,280.30 thousand US dollars. The architecture and building sector made up 91 per cent of service exports and 99 per cent of service imports.

**Foreign Trade in Services Related to the Partial Copyright Industries in 2005 ('000 US\$)**

Partial Industries	Exports	Imports	Net
Made-up apparel and fur	139.20	1.33	137.87
Textile industry	3.18		3.18
Leather and leather footwear	27.54	4.12	23.42
Jewelry and other adornments	200.56		200.56
Furniture	817.82	6.81	811.01
Non-metal mineral products	2.32	1.55	0.77
Wood working and production of wooden goods	34.15	0.82	33.33
Metal working	30.20	9.32	20.88
Architecture and building	12,310.38	4,326.00	7,984.38
Wall coverings and carpets	6.50	8.09	-1.59
Other building implementation activities	89.51	33.12	56.39
Other activities in the sphere of culture	28.07	17.96	10.11

A supplementary source of information on the contribution of the CIs to foreign trade was the balance of payments of the National Bank of Ukraine. It reflects the Classification of the Foreign Trade Service Activities and information regarding bank transfers in a much aggregated form. However, the balance of payments provides an opportunity to outline the general trends for foreign economic services.

**Trade Balance of the Copyright-Based Industries in 2005 ('000'000 US\$)**



In 2005 and in accordance with the above information, exports of services comprised 347 million US dollars and imports 818 million US dollars giving a negative balance of 471 million US dollars. Hence it should be mentioned that the royalty and licensing sector also included services related to industrial property and the scientific and engineering development sector was not fully dependent on copyright, though it was the only sector with a positive foreign trade balance. Services to private individuals in the sector relating to culture and entertainment included information on payments, connected with filmmaking, radio and television programs, and payment for use of airtime, broadcasting of radio and television programs, screening of television and feature films, services related to museums, libraries, sporting events and culture.

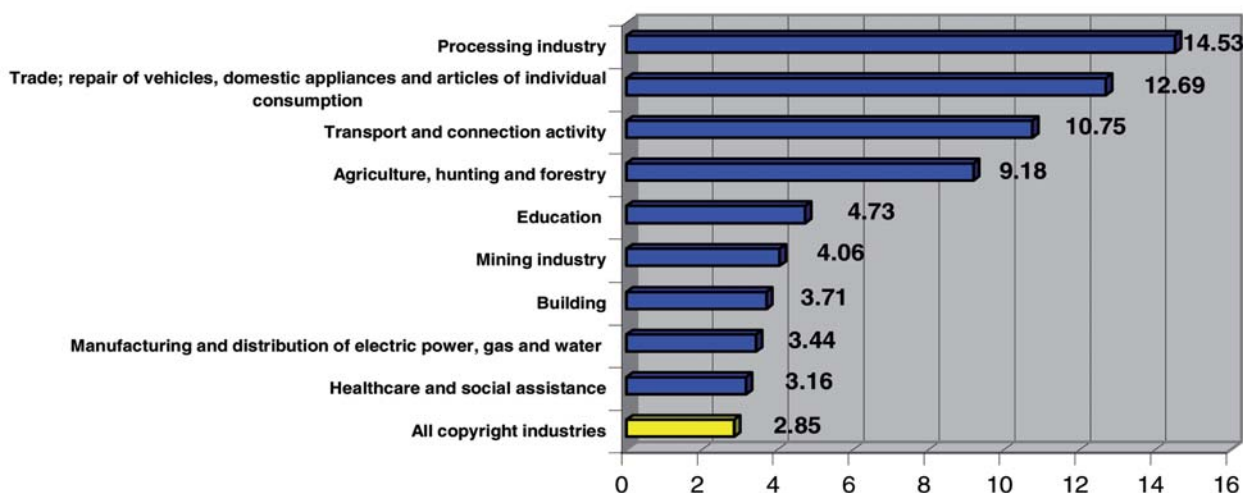
### 3.7. Comparison of the Copyright-Based Industries with Other Sectors of the Economy

The dominant share in GDP came from the following sectors: the processing industry (14.53 per cent), trade (12.69 per cent) and transport and related activities (10.75 per cent). CIs are not the leaders but play an important role in the economy of the country. Therefore, the above-mentioned industries which contribute 2.85 per cent to GDP, can be compared with such important sectors as building (3.71 per cent), manufacture and distribution of electric power, gas and water (3.44 per cent), healthcare and social assistance (3.14 per cent), which comprise 31 per cent of agriculture, hunting and forestry, 77 per cent of the building sector and 70 per cent of the mining sector.

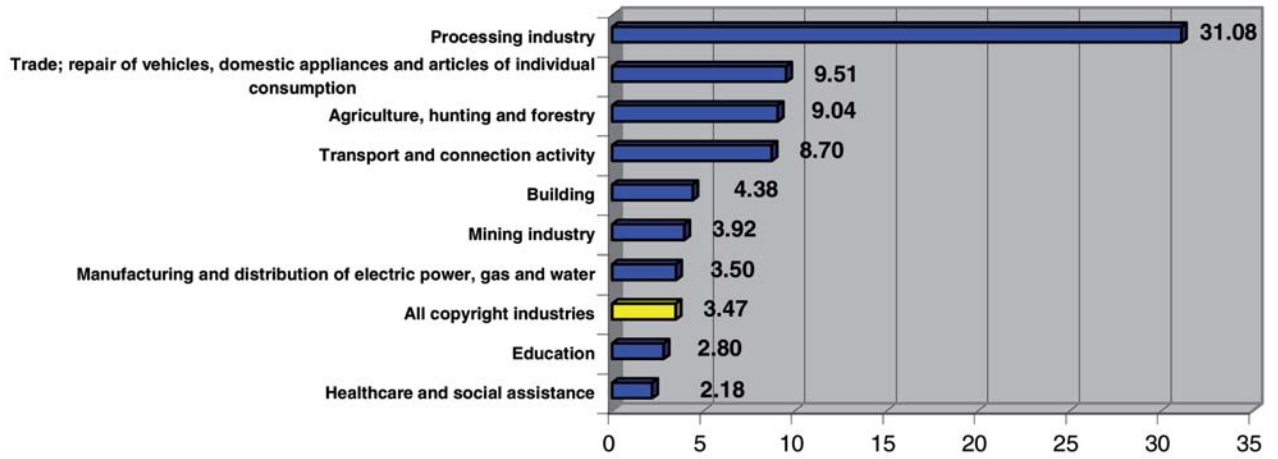
In comparing the CIs in terms of their contribution to gross production in Ukraine, it can be seen that these industries out-perform such important sectors as education (2.80 per cent) and healthcare and social assistance (3.14 per cent). Those industries almost equaled the manufacture and distribution of electric power, gas and water (3.50 per cent), and made up 40 per cent of the contribution of the transport and related activity sector; nearly 38 per cent of the contribution of the agriculture, hunting and forestry sector.

The employment contribution of the CIs amounted to 1.91 per cent of the total working population and comprised 360,412 persons. It exceeded the employment contribution of such an important sector as financial activity (1.2 per cent), and also equaled the figure of almost 28 per cent of those employed in the transport and related activity sector; just below 38 per cent of those employed in the state administrative sector or 42 per cent of those employed in the building sector.

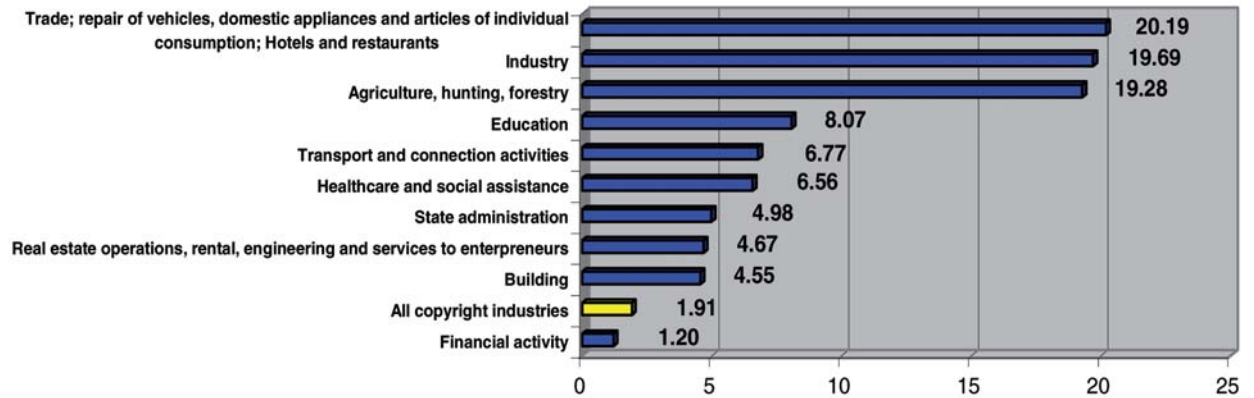
**Contribution of the Copyright-Based Industries to GDP in Comparison with Other Sectors of the Ukrainian Economy in 2005 (%)**



**Contribution of the Copyright-Based Industries to Gross Production in Comparison with Other Sectors of the Ukrainian Economy in 2005 (%)**

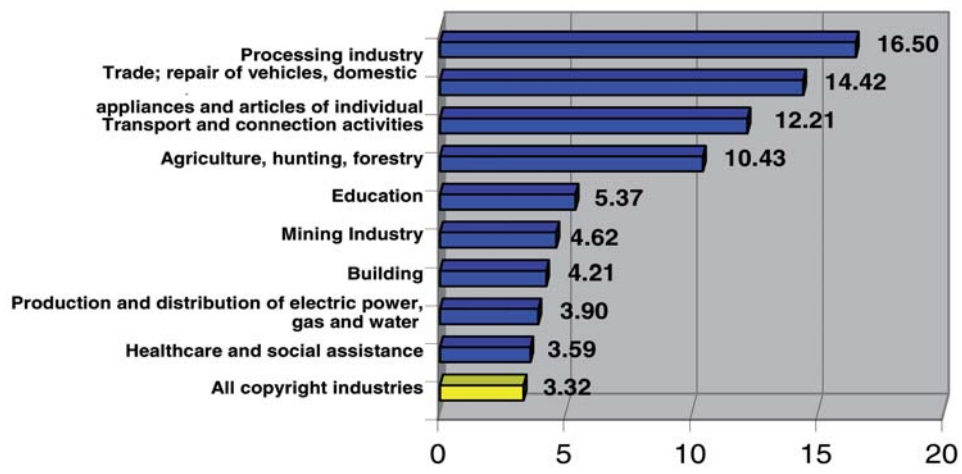


**Contribution of the Copyright-Based Industries to Employment in Comparison with Other Sectors of the Ukrainian Economy in 2005 (%)**





### Contribution of the Copyright-Based Industries to GVA in Comparison with Other Sectors of the Ukrainian Economy (%)



### 3.8. International Comparisons

Comparison of the economic indicators of the CIs in Ukraine with the economic indicators of corresponding industries in other countries helps to understand that effective support for and development of these industries is an urgent necessity. The background for international comparisons is a number of studies conducted worldwide.<sup>26</sup> In view of certain divergences in relation to the methodologies of these studies, the international comparison of the economic indicators of certain countries is only possible at the level of the core industries.

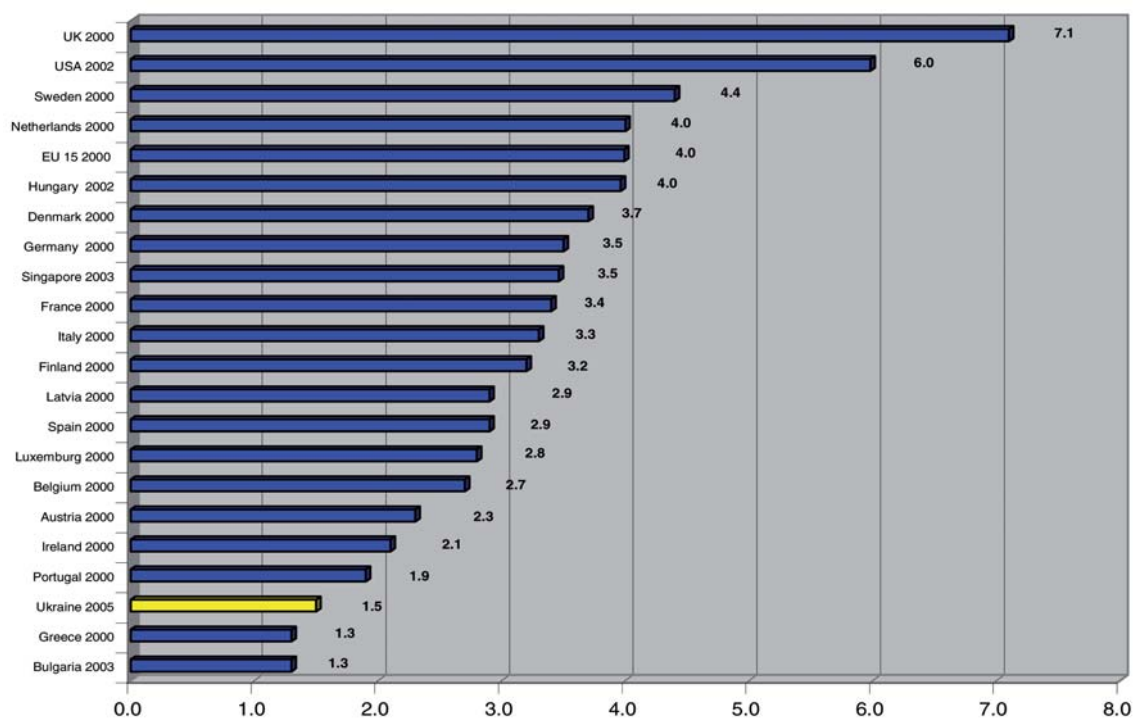
Thus, considering the contribution of the core copyright industries to the GDP of various countries, we can see that Ukraine occupies the penultimate place.<sup>27</sup> The Ukrainian indicators for the core industries are five times lower than for the UK or 2.6 times lower than for Hungary. The contribution of the core copyright industries to Ukrainian GDP represented 0.375 of the Hungarian indicator.

<sup>26</sup> Robert G. Picard, Timo E. Toivonen, Mikko Grönlund, *The Contribution of Copyright and Related Rights to the European Economy Based on Data from the Year 2000, Final Report*, 20 October 2003; *The Economic Contribution of Copyright-Based Industries in Singapore: An Update* [www.ipacademy.edu.sg/site/ipa\\_cws/resource/executive%20summaries/Exec\\_Sum\\_Economic\\_Upd.pf](http://www.ipacademy.edu.sg/site/ipa_cws/resource/executive%20summaries/Exec_Sum_Economic_Upd.pf); Krisztina Penyigey, Peter Munkácsi, *The Economic Contribution of Copyright-Based Industries in Hungary*, The 2005 Report; Robert G. Picard, Timo E. Toivonen, *The Economic Contribution of Copyright-Based Industries in Latvia*, The 2000 Report; Stephen E. Siwek, *The Economic Contribution of Copyright-Based Industries in the USA*, The 2004 Report.

<sup>27</sup> It should be noted that the diagram represents the economic contribution of the core industries in Bulgaria in 2003 and in the US in 2002. The contribution of the industries in Bulgaria in 2005 and the US in 2005 will be considered further in this chapter.

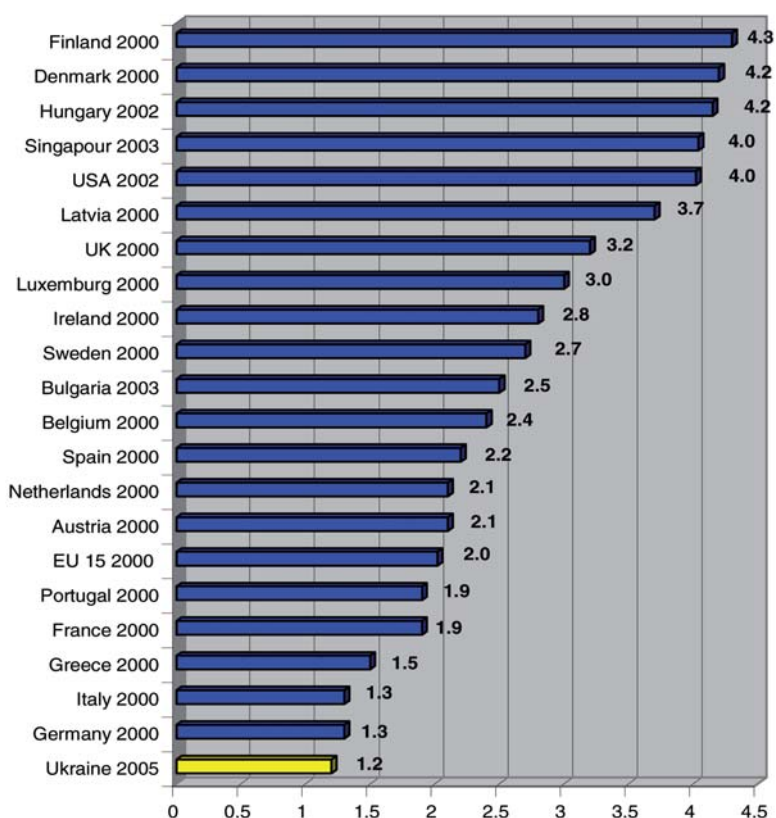


### Contribution of the Core industries to GDP in Various Countries (%)



Making international comparisons with reference to the numbers employed in the core copyright industries left Ukraine in last place, 3.5 times lower than the leader, Finland; twice as low as Bulgaria in 2003, and accounted for approximately 0.28 of the share of employment in the core copyright industries in Hungary.

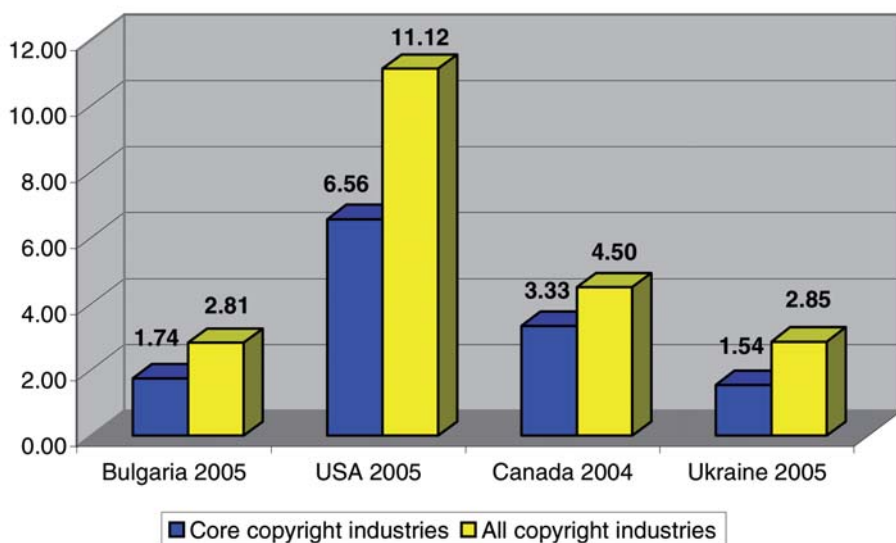
### Contribution of the Core Industries to Employment in Various Countries (%)



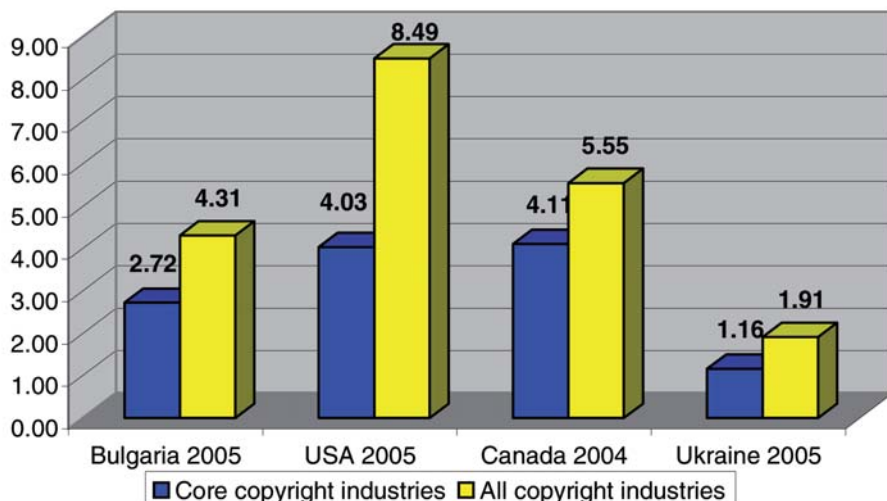
The studies conducted in some countries allowed for international comparisons including the aggregate economic contribution of all CIs as well as the contribution the industries made to employment,<sup>28</sup> particularly international comparisons based on information for the same year or related to the year of the study.

For example, from comparing the contributions of all CIs to GDP in Ukraine and the US in 2005, it may be concluded that the Ukrainian indicator was four times lower than the US indicator and 1.5 times lower than Canada. The contribution of the Bulgarian copyright and related rights industries to GDP was almost equal to that of Ukraine.

### Contribution of the Copyright-Based Industries to GDP in Certain Countries (%)



### Contribution of the Copyright-Based Industries to Employment in Certain Countries (%)



The share of employment in the CIs in Ukraine was twice as low as Bulgaria, approximately three times lower than Canada and 4.5 times lower than the US.

<sup>28</sup> Stephen E. Siwek, *Copyright Industries in the U.S. Economy*, The 2006 Report; CONNECTUS Consulting Inc., *The Economic Impact of Canadian Copyright Industries - Sectoral Analysis*, Final Report, 31 March 2006; Ivan Tchalakov, Vladya Borisova, Donka Keskinova, Georgi Damyanov, Rossitza Arkova, Tsveta Andreeva, Jordan Kalchev, Todor Todorov, *The Economic Contribution of Copyright-Based Industries in Bulgaria*, 2007.

## Chapter 4. Basic Development Trends of Some Core Copyright-Based Industries

The aim of this chapter is to expand the possibilities of analyzing some core copyright-based industries by presenting certain statistical data as well as outlining the trends over a longer period of time.

### 4.1. Some Aspects of State Regulation

#### *Financing of the Cultural Industries*

The core copyright industries deal mainly with culture. Culture is a social product and is of considerable importance for forming public opinion and social development. Through its role as a public good, culture requires financing and assistance for its existence and development. In the days of the Soviet Union, it served chiefly as a means of consolidation of the ruling party's will to fashion the ideals of Soviet citizens. Thus, because of its political implications, official culture gained full financial support and was characterized by the way it was "planned" through setting minimal prices for services.

After the declaration of independence on August 24, 1991, Ukraine inherited the large and diverse base of cultural institutions from the USSR. Over the next few years (1993-98) of economic crisis the whole infrastructure of the cultural industries was striving to adapt to new economic realities and a low level of budget support.

From 2003, the economic situation in Ukraine gradually improved and expenditure on culture is now growing, although it has been affected by inflation. Added to this, increasing expenditure on culture has been lower than GDP and growth, making the percentage of expenditures almost static.

It should be noted that the majority of institutions, organizations and even cultural enterprises belonging to public and government entities have budget resources as their main source of income.

The analysis of trends in the development of the cultural industries should start from analysis of state budget expenditure on culture.

#### **Actual State Expenditure on Culture and the Arts in 2001-2006 ('000'000 UAH)**

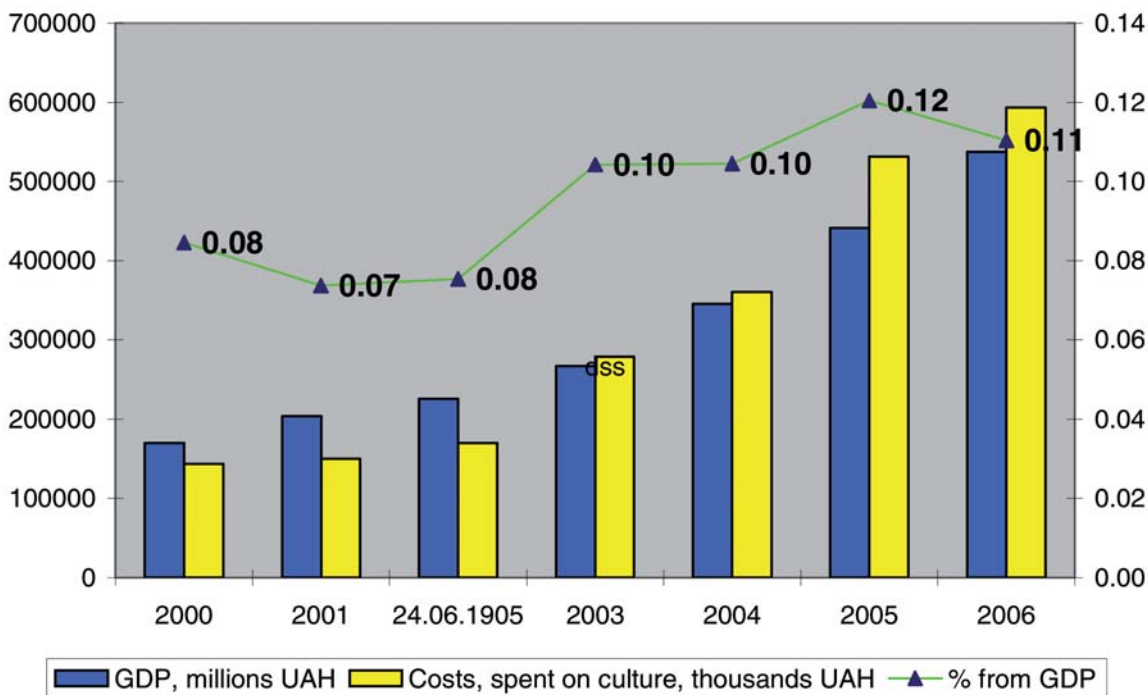
Expenditure on culture and the arts	2001	2002	2003	2004	2005	2006
Actual state finance	150.43	170.1	278.6	360.55	549.2	593.5
Percentage of GDP	0.07	0.08	0.10	0.10	0.12	0.11

Expenditure on culture in the state budgets of 2001-2006 did not exceed 0.12 per cent of GDP. In 2004, expenditure on culture amounted to 28 UAH (5.5 US dollars) per head of the population. In comparison with 2000 it increased threefold and, in 2005, by more than 30 per cent, amounting to 43 UAH (8.5 US dollars).<sup>29</sup>

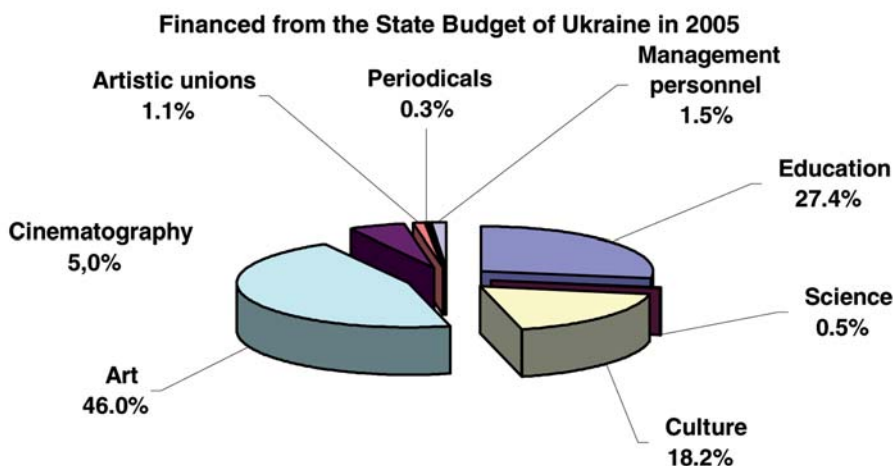
<sup>29</sup> National report on cultural policy in Ukraine, [http://www.mincult.gov.ua/nac\\_zvit\\_cult1.rar](http://www.mincult.gov.ua/nac_zvit_cult1.rar)



### State Expenditure on Culture and the Arts in 2001-2006



### Financed from the State Budget of Ukraine in 2005



After detailed examination of the tables, it can be seen that within the period 2001-2006 the financing of culture in Ukraine increased almost fourfold. However, regarding the growth of financing in terms of GDP, the picture is less bright. This shifted from 0.07 per cent of GDP in 2001 to 0.12 per cent in 2005 and even reduced to 0.11 per cent in 2006. The most abundantly financed sphere related to artistic activities: in 2005 a total of 46 per cent of the budget for culture was invested in this sector.

In view of this priority in financing theater and the performing arts, museums, exhibitions, cultural memorials and libraries suffered greatly and today require enhanced attention from the state and society in general.

To conclude, it should be noted that state financing for culture and the arts in 2005 was of only 0.12 per cent, which is considerably lower than the contribution of the cultural industries to Ukrainian GDP (1.34 per cent) (*i.e.*, the core copyright industries except software and museums, which are included in the partial industries).

Enhanced financing for this sector is essential for its improvement and for raising its influence on the Ukrainian economy.

Problems of state regulation lie not only in insufficient financing but also in mechanisms of financial assistance. These mechanisms are characterized by opaque state financing priorities and an insufficient number of competitive financing mechanisms. We also considered that besides improving financing, the state system required a thorough overhaul, including the introduction of new and more flexible mechanisms directed at the promotion of cultural development and attraction of additional private funds. Other possible measures to resolve this issue could be by reviewing priorities in financing in several cultural domains, with the aim of creating an adequate and transparent system of state financing.

### ***Distribution of Copyright and Related Rights Objects through Material Carriers***

New technologies that allow for cheap reproduction of objects of copyright and related rights by means of various carriers have resulted in mass piracy in Ukraine. To combat this and to protect the interests of copyright and related rights and consumers' rights, a law on the distribution of copies of audiovisual works, phonograms, videos, software and databases was adopted. This law sets out regulations for the circulation of copies through its system of control marks. The control mark is a self-adhesive mark with holographic protection.

According to this law, the internal distribution and rental of copies of audiovisual works, phonograms, videos, software and databases is allowed only if they bear a label with "nominal" control marks. Introduction of the "nominal" control mark has facilitated the work of the control units and has given consumers an opportunity to see that they are purchasing a licensed product.

Analysis of the control marks issued in Ukraine reveals the volume of the legal market, as well as showing certain trends related to the use of various carriers for the distribution of copyright and related rights.

Processing the issue of control marks from 2000 to 2006, it can be deduced that this is closely related to technological development, namely development of digital data transmission technologies. For example, issue of the "A" series (audio cassettes) was gradually increasing up to 2003—at the beginning of 2000, 1,848,518 marks were issued; in 2001, 12,704,352 marks; in 2002, 17,989,419 marks. In 2003 the issue of the "A" series of marks was at its highest point and comprised 22,118,063 marks. From 2004, a decrease was observed: in 2004, 14,418,698 marks were issued; in 2005, 13,453,156 marks. In 2006 there was a sharp fall, to 7,638,515 marks.

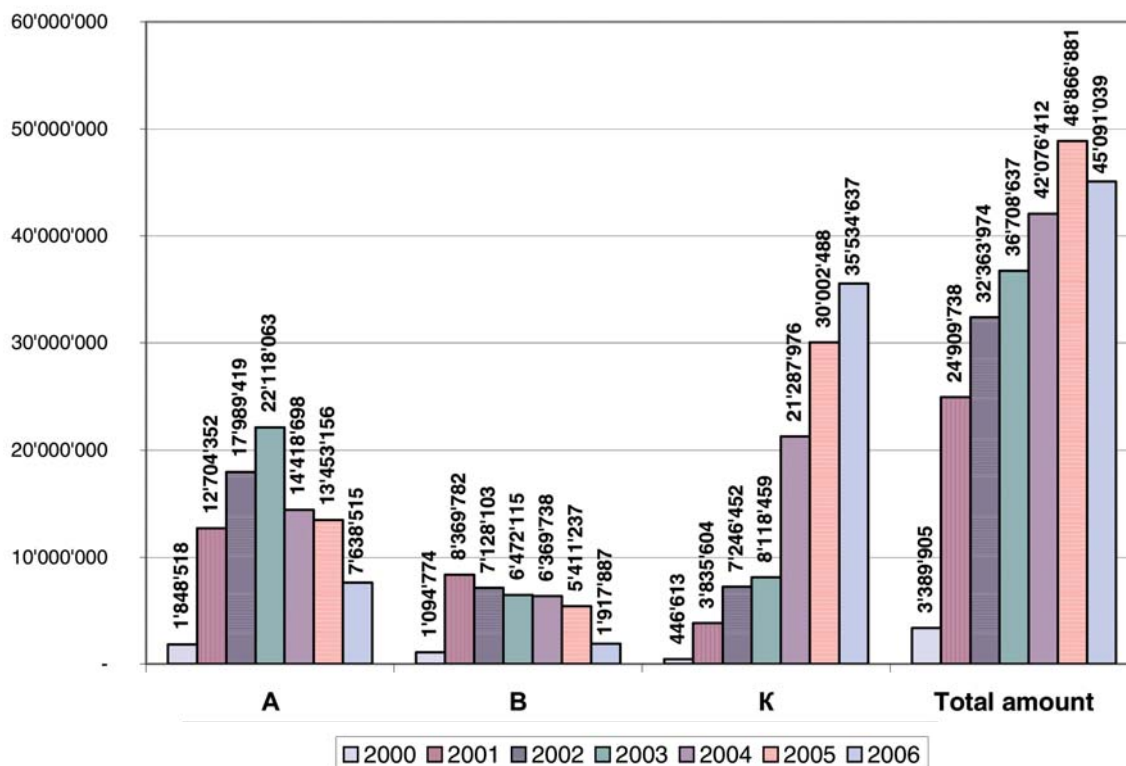
The situation for the "B" series (video cassettes) is similar. At the launch of the system in 2000, only 1,094,774 marks were issued. There followed a rapid increase in the number of marks issued: in 2001, 8,369,782 marks, with a gradual decrease to 7,128,103 marks in 2002; 6,472,115 marks in 2003; 6,369,738 marks in 2004 and 5,411,237 marks in 2005. In 2006 the issue of control marks fell sharply to 1,917,887 marks.

A positive trend in the issue of control marks was only seen in the "K" series (CDs). From a low level in 2000 to 2003, it took the lead in 2004 and progressively became the most issued series. Thus, in 2000, 446,613 control marks were issued; 3,835,604 marks in 2001; 7,246,452 marks in 2002; 8,118,459 marks in 2003; 21,287,976 marks in 2004; 30,002,488 marks in 2005; 35,534,637 marks in 2006.

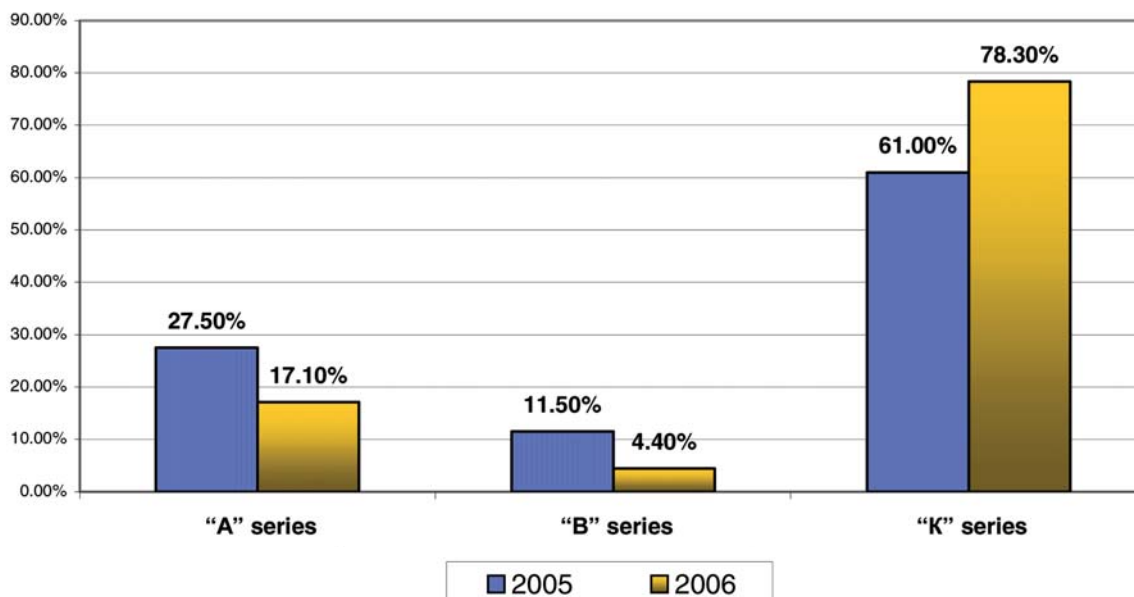


Summarizing these tendencies, it is possible to conclude that analog carriers such as audio and video cassettes are being abandoned by consumers and priority given to digital carriers. The year 2005 was the high point in popularity of both analog and digital carriers. The rapid decrease in issuing the control marks for analog carriers in 2006 testifies to the preference for digital carriers. The high quality and effective life of such carriers, for example DVDs, which store five times more information, explains the general decrease in the number of control marks issued.

### Number of Control Marks Issued in 2000-2006



### Percentage of Control Marks Issued in 2005-2006

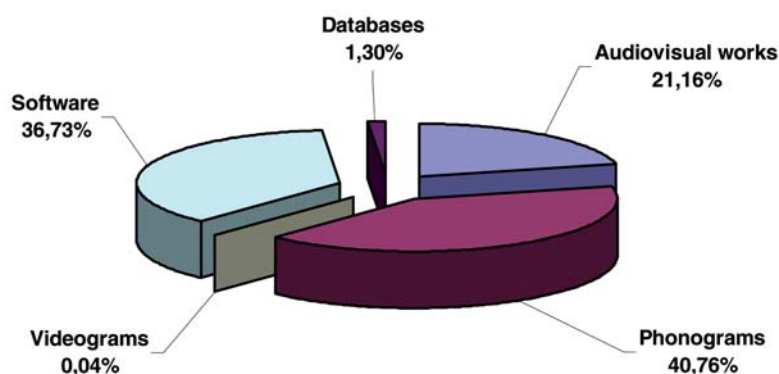


The data in these tables shows the growth of the share of licensed audio and video production, software and databases in the Ukrainian market.

### **Analysis of the Issue of "K" Series Marks (CDs)**

The division of control marks into three categories in accordance with the type of carrier ("A" – audio cassettes, "B" – video cassettes, "K" – CDs) raises a few questions. If categories "A" and "B" involve audio and video cassettes, there is no doubt as to the contents of these carriers. However, the latest tendencies confirm the growing role and popularity of CDs for laser-readable systems. The use of CDs accounted for nearly 50 per cent of all control marks issued in 2005, comprising 50.6 per cent, whereas in 2006 the figure was 61 per cent and in 2006 it was 78.30 per cent. Since various objects of copyright and related rights are distributed on CDs for laser-readable systems, it was decided to define the number of "K" control marks issued in 2005, according to the following categories: audiovisual works, phonograms, videos, software and databases. Processing more than 7,200 applications for the issue of control marks gave us the opportunity to divide code 8524000000 relating to records, films and other carriers for sound or similar recording, including matrices and forms for production of records while calculating foreign trade with commodities related to the core copyright industry. The results of the study demonstrated that the highest number of control marks (12,229,932) concerned phonograms, comprising 40.76 per cent of the total. This sector is followed by computer programs (11,020,571) or 36.73 per cent; audiovisual works (6,349,328) or 21.16 per cent; databases (391,257) or 1.31 per cent and videos (11,400) or 0.04 per cent. In 2005, the total number of control marks issued in category "K" was 30,002,488 or 61 per cent of the total.

#### **Share of Control Marks Issued in the "K" Series in 2005**



## **4.2. Press and Literature**

### **Book Publishing**

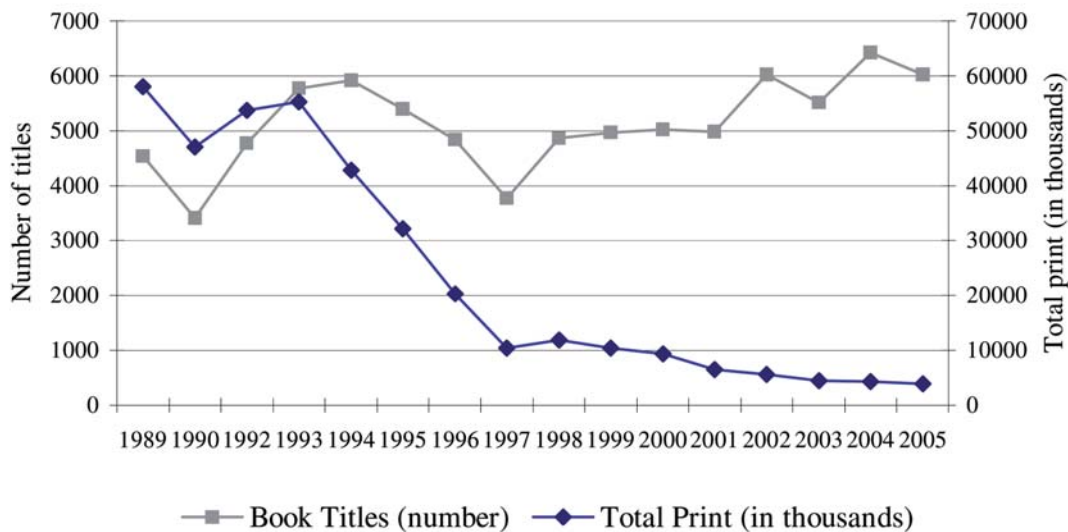
The trends shown in the book market are similar to those outlined by other countries of the region which were included in an additional chapter in the *Study on the Economic Contribution of Copyright-Based Industries* (Bulgaria, Hungary). However, the Ukrainian book market has certain distinctive features.

At the beginning of the 1990s one could issue large numbers of editions with a relatively small number of titles. Later, the number of titles grew while volume output was falling. The crisis in the publishing business corresponded to the general economic decline from 1991 to 1999.

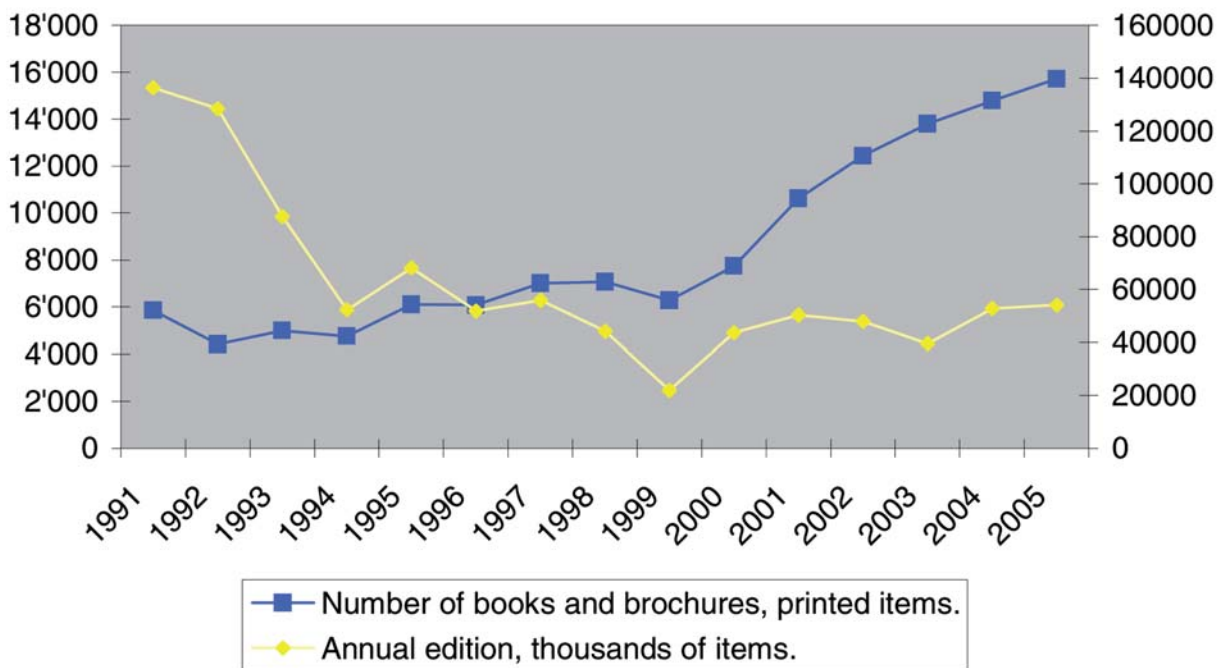
Development of the Book Market in Terms of the Volume of Books and Brochures for the Period 1989-2005 (Bulgaria)



**Development of the Book Market in Terms of the Volume of Books and Brochures for the Period 1989-2005 (Bulgaria)<sup>30</sup>**



**Development of the Book Market Including in Terms of the Volume of Books and Brochures for the Period 1991 to 2005**



The above tables show that the general trend concerning the book market in Bulgaria and Ukraine is similar. Detailed examination may throw up certain differences year-by-year. Thus, for example, the rapid decline in Ukraine took place throughout the period 1992 to 1994. In 1995, a further gradual decline in volume of editions occurred, going up to 1999, which was marked by the slow growth in volume and the rapid increase in the number and variety of titles. A similar decline took place in Bulgaria over the period 1993 to 1997, after which the market stabilized. Although, the decline in volume continued up to 2005, the overall increase in the number and variety of titles was perceptible.

<sup>30</sup> Ivan Tchalakov, Vladya Borisova, Donka Keskinova, Georgi Damyanov, Rossitza Arkova, Tsveta Andreeva, Jordan Kalchev, Todor Todorov, *The Economic Contribution of Copyright-Based Industries in Bulgaria*, 2007.

In Ukraine, the trend can be explained by several events in the development of the book market:

- Transformation-crisis period (1990 to 1995); total decline, caused by the transformation of the state publishing industry and the general economic crisis in the country.
- Period of depression (1996 to 1999); period of dramatic change, caused by attempts to establish protectionism allied with the financial crisis of 1998.
- Stabilization period (1999 to 2002); gradual stabilization in the industry, characterized by the growth of choice in the national book supply. The private sector had already become dominant during that period.
- Period of stable development (2003 to 2006); slow but stable growth in publishing, stimulated by development of the Ukrainian economy as well as by the introduction of tax rebates in the publishing industry.

#### Development of the Ukrainian Book Market in the Period 1991-2005

Year of edition	Number of books, brochures, printed items	Annual edition, ('000s)	Average edition of one publication, ('000s)	Number of books, brochures, per head
1991	5,855	136,415.90	23.3	2.6
1992	4,410	128,470.70	29.1	2.5
1993	5,002	87,567.00	17.6	1.7
1994	4,752	52,161.00	10.9	1
1995	6,109	68,156.00	11.2	1.3
1996	6,074	51,777.10	8.5	1
1997	7,004	55,841.30	7.9	1.1
1998	7,065	44,150.00	6.2	0.9
1999	6,282	21,985.60	3.5	0.4
2000	7,749	43,562.90	5.6	0.9
2001	10,614	50,324.50	4.7	1
2002	12,444	47,862.90	3.8	1
2003	13,805	39,462.90	2.9	0.8
2004	14,790	52,804.70	3.6	1.1
2005	15,720	54,059.80	3.4	1.5

Statistical collection "Print of Ukraine", the State Committee of Television and Broadcasting of Ukraine, Book Chamber of Ukraine after I. Fedoriv.

Thus, in 2005, the book market showed a stable development trend and was characterized by the slow increase in volume and the rapid increase in variety. Comparing the years 2005 and 1999, an increase in volume (240.2 per cent) and the number of book titles (235.4 per cent) can be seen. However, in comparing 2005 with 1991, volume comprised only 38.7 per cent and the number of book titles, 252.6 per cent.

With the aim of stimulating the book market, the *Verkhovna Rada* (Parliament) of Ukraine adopted the Law of Ukraine on State Support of the Publishing Industry. This Law offered the following benefits:

- Imported materials released from duty from January 1, 2004, to January 1, 2008 were paper, cardboard, cellulose as a production material, other printing materials, equipment, computers and other hardware, spare parts, expendables, which were produced abroad and imported for use in publishing.
- Import duties on the articles listed above were temporarily relaxed until January 1, 2008.
- The following activities were temporarily exempted from taxation until January 1, 2008: implementation of works and service provision in publishing, production activities and distribution by publishing



houses, publishing organizations and printers, as well as activities related to the sale of the books produced and paper and cardboard, which was manufactured in Ukraine for book production.

- The income of the publishing houses, publishing organizations and polygraphy enterprises, received from publishing as well as activities related to production and distribution.

Taking into account the statistics for 2004 to 2005, the effect of the Law of Ukraine on the State Support of the Publishing Industry appeared to be positive. Moreover, a strong impetus towards development of the Ukrainian publishing industry was given through the growth of spending on books for libraries, educational institutions, etc.

Slow rates in development of the book market can be explained by the dominant position in the market of imports from Russia.

#### Editions of Specialist Books and Brochures by Category in 2005

	Total	Scientific publications	Popular science publications for adults	Normative and production-practical publications	Official publications	Educational and methodical publications
Number of printed items	15,720	2,501	1,046	905	908	5684
Percentage	100	15.9	6.7	5.8	5.8	36.2
Edition ('000 items)	54,059.8	1,633.5	3,280.4	2,132.9	898.6	26,542.8
%	100	3.0	6.1	3.9	1.7	49.1
	Literary-artistic publications for adults	Publications for children and teenagers	Reference literature	Publications for leisure organization	Religious literature	Public and political literature
Number of printed items	2,273	787	920	123	311	77
Percentage	14.5	5.0	5.9	0.8	2.0	0.5
Edition ('000 items)	5,438.6	4,192.5	4,820.8	1,283.1	930.9	2,741
Percentage	10.1	7.8	1.7	2.4	1.7	5.1

Statistical collection "Print of Ukraine" the State Committee of Television and Broadcasting of Ukraine, Book Chamber of Ukraine after I. Fedoriv.

Regarding the specialized market for books and brochures in Ukraine in 2005, it can be seen that educational publications, namely text books and manuals, predominated with 49.1 per cent of the market. Because the main customers for this type of literature are state-financed educational institutions, we can conclude that the Ukrainian publishing industry is highly dependent on the state and state financing. On the other hand, literary-artistic publications for adults comprised only 10.1 per cent of the total volume and 14.5 per cent of all titles. This offers confirmation that the majority of arts literature is imported.

One of the major problems of the Ukrainian book industry is the number of pirate editions; including illegal extra editions, which are unlawfully imported and distributed through the retail sales network and other specialized outlets.



A possible solution to this problem is the stimulation of production in specialized legal trade centers, having access to all the necessary documentation related to the origin of goods.

Summarizing the state of the Ukrainian book market, it seemed that the industry's main problems are as follows:

- High dependence on state-financing of educational textbooks and manuals;
- Important volume of imported literature
- Insufficient state support
- Absence of a nationwide development concept for publishing
- High levels of pirated and contraband products on the market

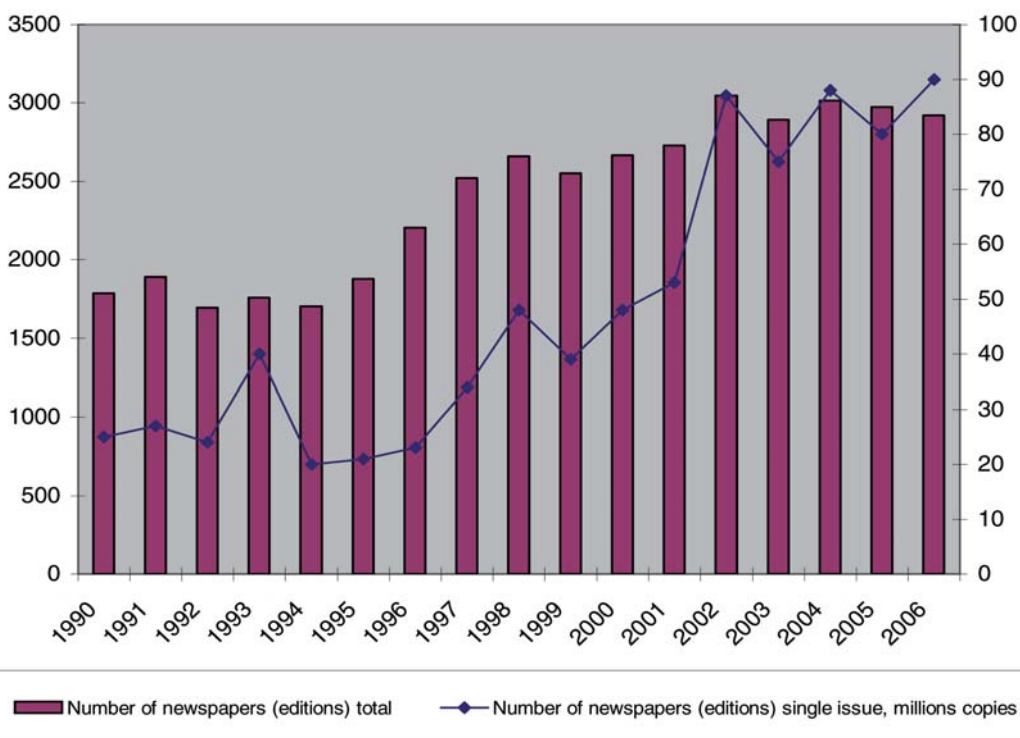
Therefore, in order to support the positive trends seen in 2004 and 2005 towards an increase in national publishing, a protectionist policy for the national publishing houses must be supported, and development and popularization of Ukrainian works of art must be stimulated. For them to break free of their dependence on state financing, a nationwide publishing development concept should be developed. An effective fight against piracy and illegal imports and distribution of books in Ukraine should also be supported.

**Press**

For the last few years, the newspaper and magazine market has been growing steadily. However, at the beginning of the 1990s and the 21st century, the trends in these two markets showed some divergence. In spite of economic difficulties and social reforms, the newspaper market preserved its stability. The number of newspapers within the period 1992 to 1995 decreased from 1,891 in 1991 to 1,695 in 1992. However, in 1995, there were 1,887 titles and that year marked the beginning of stable growth.

The situation for volumes of one-off editions is more likely to fluctuate. Taking into account the role of newspapers as an important source of information, news and analytical materials, it may be assumed that the fluctuation in issues is influenced by developments in the social and political climate in Ukraine.

**The Newspaper Market (1990-2006)**



The table below shows the influence of Ukrainian elections on newspaper sales. Therefore, an increase in volumes was linked to the parliamentary elections in 1994 and the presidential elections (June 26 and July 10, 1994), with the main period of public discussion taking place in 1993. The same trends appeared in 1998, with parliamentary and presidential elections in 1998 and 1999. These events contributed to an increase in sales. Market analyses for periodicals should not connect their development trends exclusively to socio-political events, though some general trends are evident.

### Ukrainian Elections

Parliamentary elections in Ukraine		1994	1998	2002	2006	2007
Presidential elections in Ukraine	1991	1994	1999	2004		

### Number of Newspapers (Editions)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	1,787	1,891	1,695	1,757	1,705	1,877	2,206	2,520	2,659	2,551	2,667	2,727	3,047	2,891	3,014	2,974	2,918
Single issue in '000'000s	25	27	24	40	20	21	23	34	48	39	48	53	87	75	88	80	90

Magazines and other periodicals issued by the State Statistics Committee of Ukraine, <http://www.ukrstat.gov.ua>.

It should also be noted, that since 1991 newspapers have adapted to the new social and economic conditions. This was clear at the beginning of the 1990s by the appearance of new low-quality tabloids, which satisfied a demand previously absent in the Soviet Union. These tabloids later partially disappeared because of the high level of competition and low demand, with only a few surviving. The newspaper market was also developing, trying to attract customers through the production of better quality, full-color editions with greater specialization and a higher price. Some newspapers (e.g., for the business community) later turned into magazines and some became free-of-charge (e.g., 15 *Hvyllyn*).

One of the current trends in the newspaper industry is the creation of websites with on-line publication of newspapers.

In general it should be emphasized that the number of newspaper titles has increased 1.5 times since 1991 and the single volume edition has increased 3.3 times. This is a very positive trend for the industry, although introduction of new digital technologies and the Internet take public attention away from printed media. Newspapers do, however, play an important role and this is evident from the following statistics.

### Changes in Leisure Practices in 1994-2004 (Data from Sociological Surveys)

Type of activity	1994	1996	1998	2000	2002	2004
Newspaper reading	53.6	56.2	61.9	70.3	61.2	58.3

V.Vorona, M.Shulga (edit.), *Ukrainian Society 1994–2004. Monitoring of Social Change*, Kyiv: Sociology Institute, 2004, p.639. <http://www.ukrstat.gov.ua>.

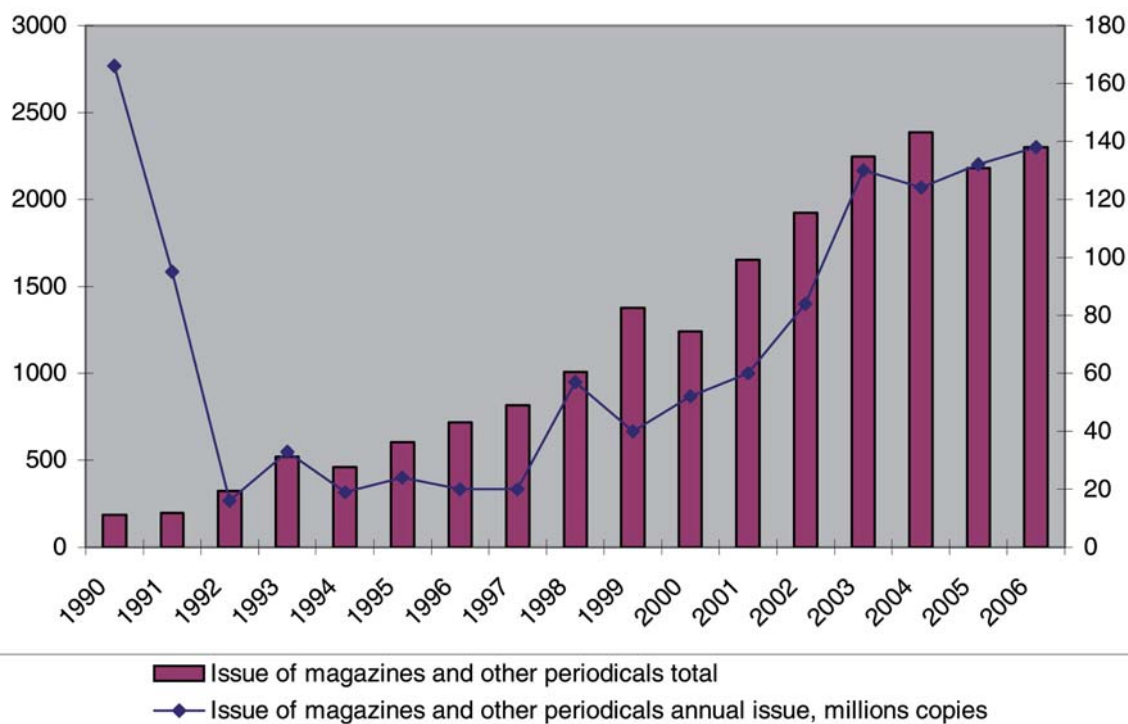
Market trends for the development of magazines and other periodicals are somewhat different from newspapers. Magazines were very popular in the era of the Soviet Union. That is why, in 1990, distribution accounted for 166 million copies. Economic problems in the 1990s had a very negative impact on this industry, which resulted in shortage of the yearly issues 10.3 times in 1992. The number of magazines issued comprised 16 million copies in 1992, irrespective of the efforts of the industry to adapt to the new conditions by means of diversifying the number of editions and increasing titles 1.7 fold.

**Issue of Magazines and Other Periodicals (1990-2006)**

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	185	194	321	522	461	604	717	817	1,009	1,374	1,242	1,653	1,923	2,246	2,385	2,182	2,301
'000'000 copies.	166	95	16	33	19	24	20	20	57	40	52	60	84	130	124	132	138

State Statistics Committee of Ukraine (<http://www.ukrstat.gov.ua>)

**Issue of Magazines and Other Periodicals (1990-2006)**



State Statistics Committee of Ukraine (<http://www.ukrstat.gov.ua>)

An analysis of the issue of magazines and periodicals in 1990–2006 shows the rapid decrease in annual volume. This decrease was caused by many factors such as high price, change in social priorities, distribution of magazines through subscription only, etc.

The industry therefore lost a section of its readership to the newspaper industry as a result of difficult economic conditions.

However, after improvement in the economic situation in Ukraine, the demand for high-quality magazines and periodicals has been recovering, showing a positive trend for development of the industry. The market is characterized by a striking variety of editions. In comparison with 1990, the number of titles has increased



12.4 times, with the annual volume reaching 83.1 per cent. From 1991, a gradual increase in annual figures can be seen. In 2006 this represented 138,000,000 copies, which is 8.3 times higher than in 1992.

Transformation of the industry resulted in permanent efforts being made by every journal to find its own niche and attract a certain readership. For example, after the formation and consolidation of an entrepreneurial class, such magazines as the *All-Ukrainian Economic Magazine Companion*, *Expert*, *Dengy* (money) etc. started conquering the market. The growth of a computer-literate population resulted in the setting-up of the magazine *Internet.ua*.

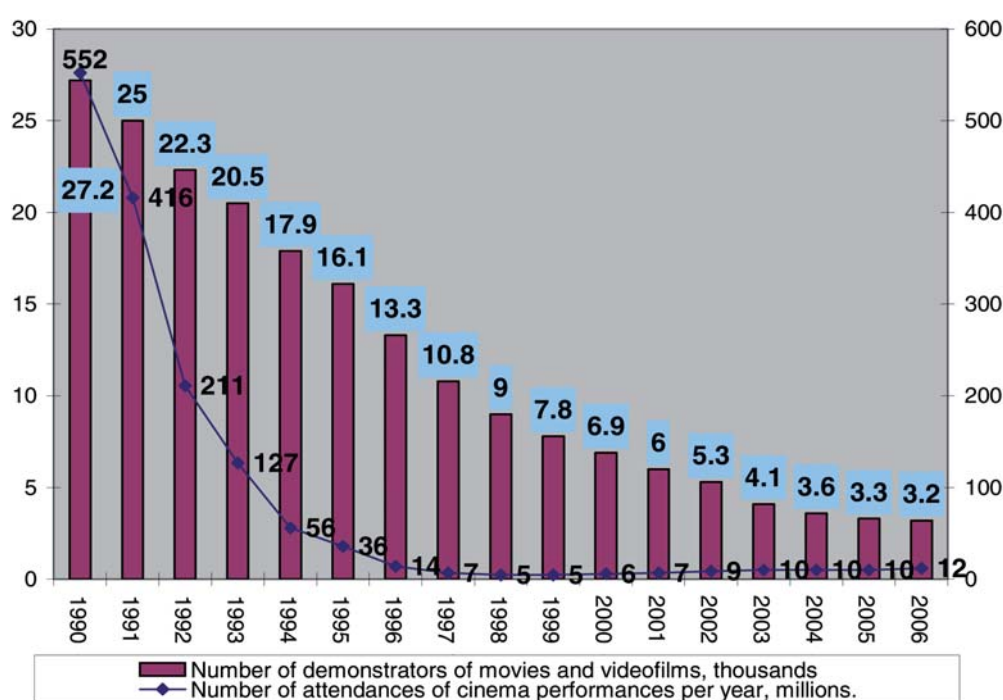
For three consecutive years, the highest media budgets were found in the women's sector. This was followed by the financial and automobile press.<sup>31</sup>

### 4.3. Motion Picture and Video

Ukrainian cinema has a rich history and a long tradition but unfortunately it can hardly be said to have flourished: it faced many difficulties because of political repression and aesthetic censorship in the days of the Soviet Union.

The severe economic situation in Ukraine in the 1990s had an effect on Ukrainian cinema. If we consider the data in the table below, a downward trend in the number of screenings of, and attendances at, cinema performances may be observed. The majority of cinemas only existed in the 1990s through renting premises; the village cinema network shrank significantly and is still shrinking. Material and technical resources became outdated and are far behind global technological levels.

**Number of Screenings and Attendances at Cinema Performances in 1990-2006**

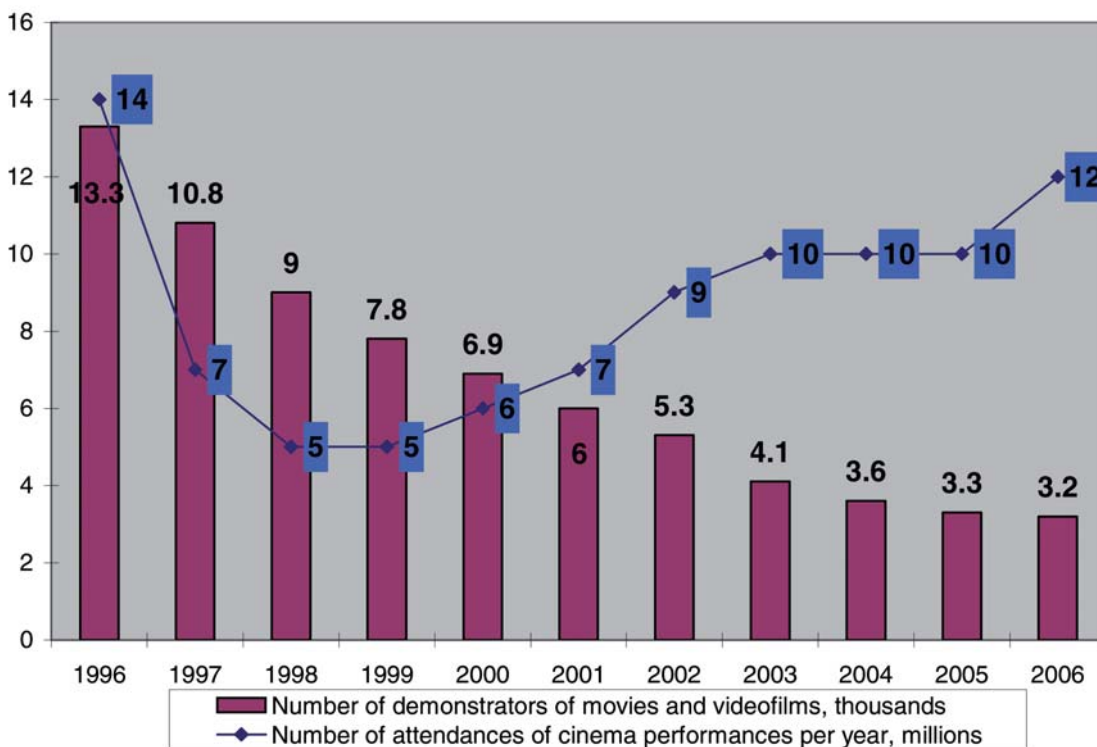


State Committee of Ukraine on Statistics <http://www.ukrstat.gov.ua>

<sup>31</sup> Survey of the media market in Ukraine: main problems and development tendencies [http://prcenter.org.ua/news\\_show.php?zap=1388](http://prcenter.org.ua/news_show.php?zap=1388).



**Number of Screenings and Attendances at Cinema Performances in 1996-2006**



If we consider the above tables there has been a clear upward trend in the number of attendances at cinema performances since 2000, while the number of screenings has been shrinking.

At present, 3,550,000 film projectors operate in Ukraine; although there are only 200 modern, renovated cinemas, distributed between 20-30 large cities. Almost 20,000 film projectors operated in Ukraine 15 years ago as well as around 800 municipal cinemas.

Six state film studios operate in Ukraine: the Oleksander Dovzhenko National Film Studio of Feature Films: a closed joint-stock company *Odesskaya* Feature Film Studio; the National Cinematic of Ukraine; the Ukrainian Film Studio of Animated Films; the Ukrainian Studio of Chronicle and Documentary Films; the Oleksander Dovzhenko National Center, with about 15 private studios also operating.<sup>32</sup>

In the 1990s national film production amounted to several full-length feature films and 20-30 documentaries, cartoons and short films (*i.e.*, 10-15 per cent down from the level at the end of the 1980s).

Foreign films, mainly those produced in the US, take the highest share of the Ukrainian market for audiovisual products. The number of films produced in the Russian Federation is now constantly increasing. The percentage of foreign films, for which distribution certificates were granted by the Ministry of Culture and Tourism, was 85 per cent in 2006 (16,922 films out of a total of 19,902) but the actual number of foreign audiovisual works distributed in Ukraine was higher.

To obtain state support for the national film industry, various measures have been taken to stimulate development. One of these was the introduction of a 30 per cent minimum for broadcasting Ukrainian films, although this requirement is not being fulfilled because of the lack of films produced in Ukraine.

<sup>32</sup> State cinematography service <http://dergkino.gov.ua>.



The adoption of the Law of Ukraine on the All-Ukrainian Program of the Development of the National Film Industry by the *Verkhovna Rada* of Ukraine in December 2002 was another effort directed towards developing the film industry in Ukraine.

It provided for the following:

- ensuring state support for the cinema according to Ukraine's international obligations;
- setting-up a modern national film industry; developing a system for film production;
- providing state support for management, regardless of the type of ownership;
- renewal of material and technical resources;
- development and implementation of regional programs on the improvement of services;
- improvement of a tax system for management, distribution and screening.

However, up to now tax benefits have not been introduced and the program itself has not been properly funded by the State.

#### State Funding of the National Film Production Industry in 1996-2006<sup>33</sup>

Year	Financing of the film industry (projected, '000 UAH)	Financing of the film industry (actual, '000 UAH)	Actual funding (%)	Full-length films produced
1996	3,500.0	2375.0	67.8	4
1997	5,500.0	2488.6	45.2	6
1998	4,995.0	1360.0	27.2	2
1999	13,000.0	1872.9	14.4	6
2000	16,500.0	15762.0	95.5	1
2001	20,000.0	13194.5	66.0	6
2002	22,568.0	7823.8	34.67	10
2003	18,807.2	17997.7	95.7	1
2004	19,500	11,641	59.7	5
2005	33,054	26,454	80.0	30
2006	49,250	20,396	41.4	35

An increase in financing for the film industry is not the only way of solving problems. Thus, in 2005, state funding was of 80 per cent of the projected budget figure. In 2006, funding was increased to almost 49 per cent but in fact only 26.5 million UAH or 41.4 per cent of this amount was spent due to deficiencies in the state ordering and funding systems. Therefore, despite an increase in finance, funding mechanisms in the industry have not improved.

There are also other problems: lack of training for young and talented personnel to shoot audiovisual works; lack of script writers, technical personnel and talented actors; low levels of professional training.

The high volume of pirated products on the market poses another serious problem for the industry. Only 11,760,565 video cassettes and laser-reading discs were legally distributed, constituting only 0.25 per cent of the annual outlay on an audiovisual work per head.

This is why it is necessary to draw up a more diversified state policy, directed not only to increasing financing but also for training personnel, the introduction of tax benefits for companies producing audiovisual products, the introduction of a benefits regime for equipment and materials imported to and exported from Ukraine, regulation of issues of sponsorship for the national industry.

It would also be useful to have recourse to new information technology to develop the industry. In order to popularize Ukrainian cinema, to promote the education of a new generation of creators and to increase familiarity with the history of the industry, storage of archive material in digital format and facilitating public access are measures that we recommend.<sup>34</sup>

#### 4.4. Radio and Television

##### **Television**<sup>35</sup>

The radio and television and broadcasting market has significantly developed since independence. At present the state, as well as private companies, operate in this market. Thus, 24 regional state television and radio broadcasting companies, the state-sponsored company "Crimea" as well as regional radio and television broadcasting companies in Kyiv and Sevastopol operate within the State Committee of Ukraine on Television and Radio Broadcasting. The Ukrainian Studio of Television Films (*Ukrtelefilm*), the State Television and Radio Broadcasting Company (Culture), the State Television and Radio Broadcasting Company, the Worldwide Service, the Ukrainian Television and Radio Broadcasting, the State Municipal Television and Radio Broadcasting Company (*Siverska*) (the city of Novgorod-Siverskiy (*chernigivska oblast*)) and the Municipal State Association on Television and Broadcasting of the City of Kriviy Rig operate under state management. At the same time the share of the private sector exceeded 96 per cent and only 4 per cent was attributable to the state broadcasting organization.<sup>36</sup>

According to the Report of the National Council of Ukraine on Television and Radio Broadcasting for 2006,<sup>37</sup> there were 217 television channels operated by State television and radio broadcasting companies and 38 on-air radio networks of the regional television and radio broadcasting organizations operating in Ukraine. The State Register of Television and Radio Broadcasting Companies of Ukraine included 1,268 television and radio broadcasting organizations; of these 647 were telecasting companies, 524 radio broadcasting companies and 97 television and radio broadcasting companies.<sup>38</sup>

<sup>33</sup> National report on cultural policy in Ukraine, [http://www.mincult.gov.ua/nac\\_zvit\\_cult1.rar](http://www.mincult.gov.ua/nac_zvit_cult1.rar)

<sup>34</sup> 59,938 documents on the cinema industry covering the period 1896 to 1996 are contained in the Central State Pshenychny CinePhotoPhono Archive of Ukraine. <http://www.archives.gov.ua/Archives/index.php?ca05#DB>.

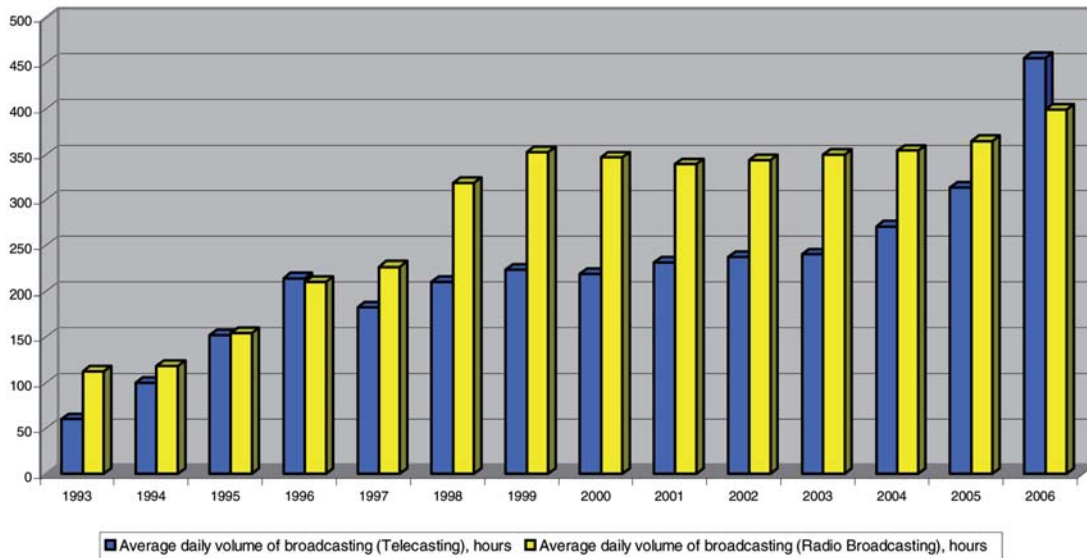
<sup>35</sup> The Industrial Television Committee provided assistance while preparing this chapter, <http://www.itk.org.ua/>.

<sup>36</sup> Information from the official website of the State Committee of Ukraine on Television and Radio Broadcasting [http://comin.kmu.gov.ua/control/publish/article/main?art\\_id=33842&cat\\_id=33841](http://comin.kmu.gov.ua/control/publish/article/main?art_id=33842&cat_id=33841)

<sup>37</sup> The report of the National Council of Ukraine on Television and Radio Broadcasting for 2006 <http://www.nrada.gov.ua/documents/ZVITHP27.01.07.doc>

<sup>38</sup> The report of the National Council of Ukraine on Television and Radio Broadcasting for 2005 <http://nrada.itera.net.ua/documents/Zvit2005.doc>

## The Development of the Average Number of Telecasting and Radio Broadcasting Hours



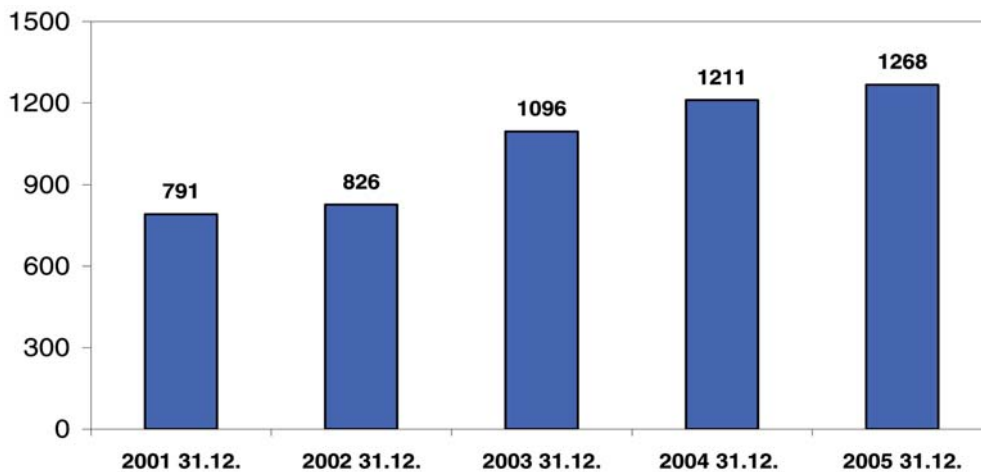
State Committee of Ukraine on Statistics <http://www.ukrstat.gov.ua>

The National Council of Ukraine on Television and Radio Broadcasting granted 360 licenses to television and radio companies in 2006, in particular:

- 1) broadcasting: 256 licenses granted, including 20 licenses to satellite broadcasters, 203 licenses to live broadcasters, 14 licenses to cable broadcasters, 15 licenses to cable broadcasting, four licenses to multi-channel broadcasters.
- 2) 104 licenses were granted to providers of program services.

According to Article 37 of the Law of Ukraine on Television and Radio Broadcasting, the National Council of Ukraine on Television and Radio Broadcasting revoked 27 licenses in 2006; 14 television and radio licenses were revoked at the companies' request and 13 licenses were revoked due to the failure to start broadcasting.

### Total Number of Television and Radio Operators in 2001-2005<sup>39</sup>



<sup>39</sup> The report of the National Council of Ukraine on Television and Radio Broadcasting for 2005, <http://nrada.itera.net.ua/documents/Zvit2005.doc>

The adoption of the new version of the Law of Ukraine on Television and Radio Broadcasting offered a single definition: "provider of program services" and made an impact on the cable television market in 2006. The licenses of cable operators operating in Ukraine were also re-registered. Thus, services were provided by 463 providers who obtained 505 licenses giving them the right to use 554 multi-channel cable TV networks. Fourteen separate licenses were also granted to cable broadcasters.

Cable television is watched by around 2 million subscribers, which constitutes around 7.5 million people.<sup>40</sup>

Watching television is a popular leisure activity; for instance, 83.3 per cent of those who took part in the surveys watch television in their free time.<sup>41</sup> According to the research: "Availability of Durables in Households"<sup>42</sup> carried out by the State Committee of Ukraine on Statistics, 83 per cent of those who took part in the survey in 2004 owned color TV sets: in 2005 and 2006 this figure was 91 per cent and 96 per cent respectively.

The market for television advertising increased to 50 per cent in 2006 and reached a total of 370,000,000 million UAH.<sup>43</sup> It accounted for almost 50 per cent of all advertising in the country.

### The Main TV Channels in Ukraine

Channel	Audience share (over 18) (%)	Characteristics
Inter	21.43	One of the largest national channels with a varied content, oriented towards family audiences with a slight bias towards older citizens (over 45)
1+1	18.20	One of the largest national channels with a varied content aimed at family audiences with a slight bias towards youth
Novyi Kanal	7.31	A general-content channel with a young target audience
ICTV	7.29	A general-content channel
STB	6.44	A general channel providing news, information and educational programs, oriented towards the educated middle aged
TRK Ukraina	4.51	A general-content channel
TET	2.69	An entertainment channel
First National	2.17	National channel with a general content. This channel lacks funding and therefore is not able to compete with other channels in terms of quality
NTN	2.14	This channel moved from a news orientation to an emphasis on entertainment
5 Channel	2.04	Politically oriented news channel, which gained national popularity for its coverage of events during the Orange Revolution
Tonis	1.41	One of the first commercial channels in Ukraine. It has recently announced plans to shift from a general content to more business-related news and programs
M1	1.21	Youth-oriented music channel, launched in 2001. At present the most successful channel in Ukraine, offering all types of music
Others	22.01	

Source: GfK Ukraine, Dragon Capital.

<sup>40</sup> Information provided by the Union of Cable Television of Ukraine, <http://sktu.info/?open=everypage&pid=23&lang>.

<sup>41</sup> Source: V.Vorona, M.Shulga (edit.), Ukrainian Society 1994–2004. Social Changes Monitoring, Kyiv Institute of Sociology, 2004. p.639

<sup>42</sup> The Availability of Durables in Households (2000-2006) <http://www.ukrstat.gov.ua/>

<sup>43</sup> Review of the Ukrainian market of telecasting, [http://www.horizoncapital.com.ua/ukr/files/sectors/UA%20TV%20Broadcasting%20Market%20Overview%20\(Ukr\).pdf](http://www.horizoncapital.com.ua/ukr/files/sectors/UA%20TV%20Broadcasting%20Market%20Overview%20(Ukr).pdf)

The Ukrainian TV market can therefore be divided into three groups. Taking into consideration audience share, the leaders are Inter and 1+1, each of them attracting around 20 per cent of the total audience. The second group consists of: Novyi Kanal, ICTV, STB, TRK Ukraina and TET. These channels have a somewhat limited geographical coverage and their audience share ranges from 3 to 7 per cent. A significant number of channels in the third group is also present in the market and includes 5 Channel, First National, NTN, Tonis, M1, and Megasport.

In recent years a tendency to specialization has become noticeable where the growth of competition has forced companies to seek a new target audience. As a result, such specialized channels as M1 (music), Megasport (sports), occupy around the 15th place in the rankings, TET (entertainment), 5 channel (news) improved their ratings and their geographical coverage.

One of the most urgent problems for these organizations is moving to digital broadcasting and phasing out analog broadcasting. Specialists point to possible problems for this process in Ukraine:

- Lack of digital tuners
- Insufficient laws covering the changeover process on the statute book
- Problems of transition when the frequencies for analog broadcasting become unavailable and the starting date for digital broadcasting has not been determined

That is why in order to ensure a smooth changeover to digital broadcasting it would be worthwhile to set up a state donation system in order to supply viewers with digital decoders, to draw up legal practices on the necessary changeover and to regulate the transition period.

### **Radio**

Listening to radio programs has always been and still remains a popular leisure among the Ukrainian population; for instance, 38 per cent of those who took part in the surveys listen to the radio in their spare time. Listeners frequently use radio programs as a background while working and traveling.

The percentage of listeners has been gradually declining since 2000, and this is reflected in the table below. The trend is most probably due to the development of other kinds of media.

#### **Listening to Radio Programs as a Leisure Activity<sup>44</sup>**

Type of activity	1994	1996	1998	2000	2002	2004
Listening to the radio (%)	47.3	45.1	50.2	58.2	43.6	38.8

Although radio audiences are gradually declining, the number and profitability of radio stations are increasing. According to data from the All-Ukrainian Advertising Coalition<sup>45</sup> the radio advertising market amounted to 20,000,000 US dollars (when?? In 2005??), and in 2007 it amounted to 34,000,000 US dollars with the forecast of an increase to 40,000,000 US dollars in 2008.

<sup>44</sup> Source: V.Vorona, M.Shulga (edit.), *Ukrainian Society 1994–2004. Social Change Monitoring*, Kyiv Institute of Sociology, 2004. p. 639  
<sup>45</sup> All-Ukrainian Advertising Coalition - [www.adcoalition.org.ua](http://www.adcoalition.org.ua)



At present many radio stations transmit popular music for young people. That is why it is important to research the target audience. Targeting and the increase in competition among the main players on the market are therefore lively.

The new version of the Law of Ukraine on Television and Radio Broadcasting has taken on great importance for the radio market. The Law provides that musical compositions by Ukrainian composers should constitute not less than 50 per cent of the total broadcasting volume.

Among the forecasts for the future of this sector are the continuing process of specialization and a narrowing of the target audience, which in general reflects the general trend worldwide.

#### 4.5. Music, Theatrical Productions, Opera

##### **Music Publishing and Recording<sup>46</sup>**

The Ukrainian sound recording market has developed strongly since independence, and this is demonstrated by the large number of companies working in the field. Over the last few years Ukrainian singers and, in particular, the victory of the popular singer Ruslana at the Eurovision song contest in 2004, have contributed much to the development of the music market and brought recognition to the industry.

The sound recording companies in Ukraine can be divided into two main groups: companies which are the members of the International Federation of the Phonographic Industry (IFPI) and independent sound recording companies.

On March 28, 2007, the members of IFPI, amalgamated and created the Ukrainian Music Industry Association (the Association) with the aim of protecting their interests. These were the following: Comp Music, Ukrainian Sound Recording, Lavina Music, Kyiv-Eurostar, Fair Music, and Madgors Music. According to the Association the market share of these companies amounted to 50 per cent.

The major independent companies in the Ukrainian market which are not members of the Association are: Odissei, Alegro (JRC), Studio Moon (Moon Records), Astra Records. According to information from the *Nashe* website<sup>47</sup> there were approximately 50 such companies.

##### **Volume of Sales of the Carriers of Music Recordings in Ukraine (According to the Association)**

Total volume of the music market	2002	2003	2004	2005	2006
'000'000 UAH	167.6	224.3	221.7	231.6	225.3

Therefore, according to the Association's data, sales of carriers of sound recordings amounted to 231.6 million UAH in 2005, constituting an outlay of 4.9 UAH per head per year.<sup>48</sup>

<sup>46</sup> Ukrainian Music Industry Association provided assistance for the preparation of this Chapter, <http://www.uami.org.ua>.

<sup>47</sup> <http://nashe.com.ua/>

<sup>48</sup> The population of Ukraine stood at 46,958,740 in December 2005 according to information provided by the State Committee of Ukraine on Statistics <http://www.ukrstat.gov.ua/>.

These are extremely low figures and can be explained by the following factors:

- The high level of piracy (according to the IFPI estimates for 2006 to 2007). The level of music piracy on the physical carriers amounted to 55 per cent of the entire music market.<sup>49</sup>
- Development of digital technologies for storing and recording, which enable copies to be made without compromising the quality.
- Gradual development of the illegal exchange of music files over the Internet. Downloading music files from the Internet and listening to them on different types of audio player such as mobile phones have proved popular.

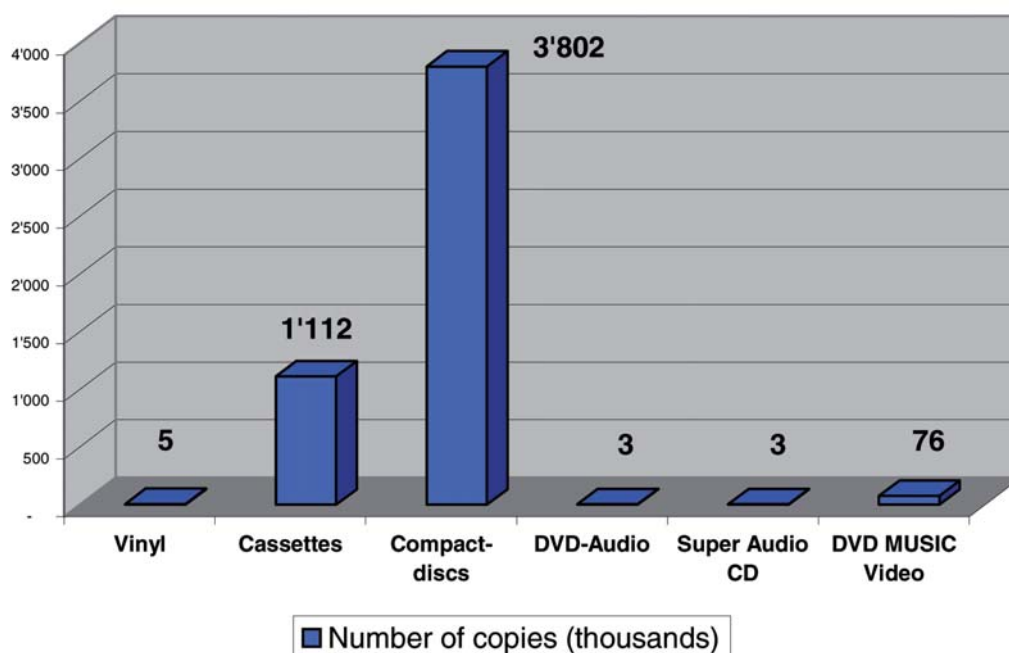
#### Leisure Activities in Ukraine in 1994-2004<sup>50</sup>

Type of activity	1994	1996	1998	2000	2002	2004
Listening to music (%)	32.4	32.4	32.9	34.5	22.2	25.6

Looking at the progress of leisure activities it was seen that the number of people listening to music gradually declined from 32.4 per cent in 1994 to 25.6 per cent in 2004. It is also worth mentioning that the number of sources for accessing music production increased. The existence of a few music channels and a large number of radio stations playing popular music provided greater choice.

The State Department of Intellectual Property issued 13,453,156 control marks for category "A" (audio cassettes) in 2005. According to research carried out, 12,229,932 control marks were issued for category "K" (CDs), and these two categories combined constituted 25,683,088 copies sold or 0.5 copies per head of the population in 2005.

#### Sales for Music Recording Carriers who were Association Members in Ukraine in 2006 (According to information provided by the Association)



<sup>49</sup> According to the information from the Ukrainian Music Industry Association website, <http://www.uami.org.ua/ua/law/piracy/7.html>

<sup>50</sup> Source: V. Vorona, M. Shulga (edit.), Ukrainian Society 1994–2004. Social Change Monitoring, Kyiv Institute of Sociology, 2004. p. 639

### Sales for Music Recording Carriers who were Association Members in Ukraine in 2006

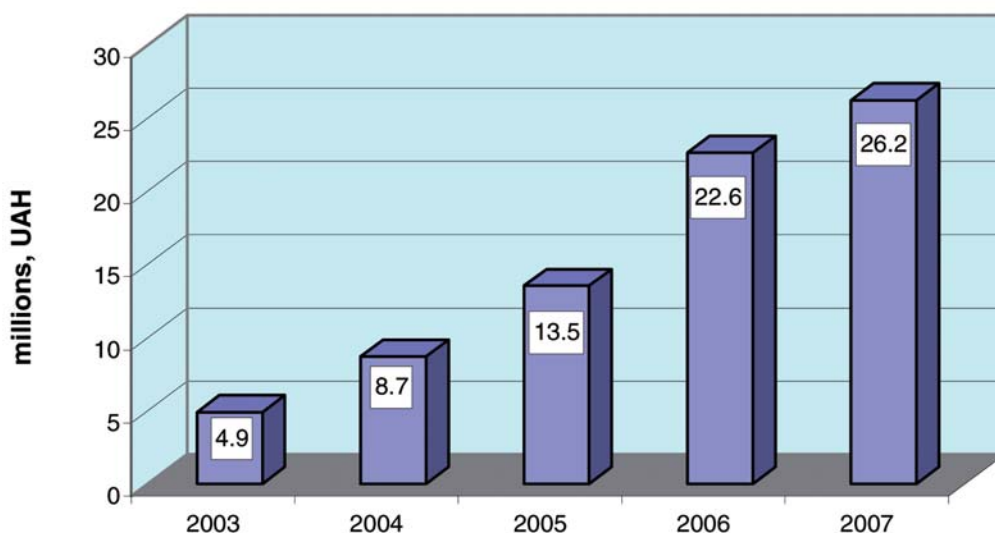
(According to information provided by the Association)

	Number of copies sold ('000)	Wholesale price ('000 UAH)	Evaluated sale price ('000 UAH)	Market volume (%)
<b>Singles</b>	16	147	231	50
<b>Albums</b>	4,925	62,805	112,674	50
Vinyl	5	82	114	
Cassettes	1,112	4,096	8,122	
CDs	3,802	58,246	103,840	
DVDs-audio	3	145	243	
Super audio CDs	3	236	355	
<b>(Music videos)</b>	76	2,045	3,698	30
DVD music videos				

The development of new technologies and the wide use of copyright and related rights in radio and television broadcasting as well as cable retransmission led to the improvement of collective management systems throughout the world.

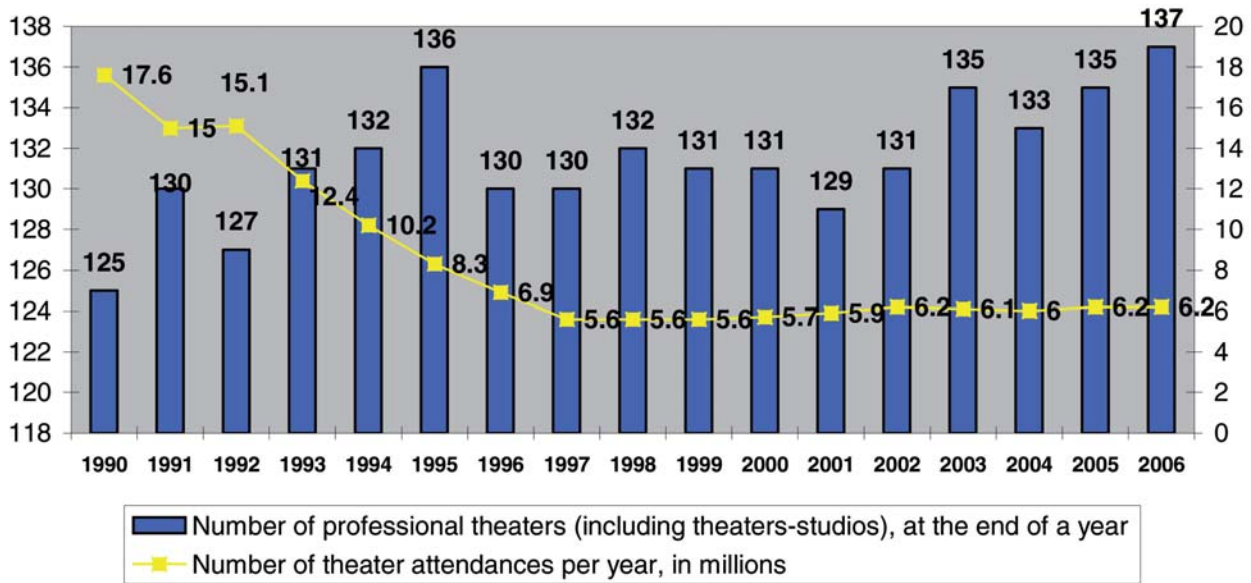
Twelve collective management societies were operating in Ukraine at the end of 2007, the majority in the music sphere. If we consider the data in the table below, a constant increase in the amounts collected can be seen. These amounts have increased 5.35 times over a period of five years. Considering the availability of a large number of legal entities who still have not concluded agreements with collective management societies,<sup>51</sup> it can be said that the amounts of remuneration for authors, performers, phonogram producers, broadcasting organizations and their successors will greatly increase in the future.

### Remuneration Collected by Collective Management Societies in 2003-2007



<sup>51</sup> The restaurant network in Ukraine which includes restaurants, cafés, bars, canteens, consists of 56,600 outlets according to research carried out by the State Committee on Statistics: *The State of the Trading and Restaurant Networks in Ukraine in 2005*. Only about 2 per cent of these entities have concluded agreements with collective management societies for the public performance of music.

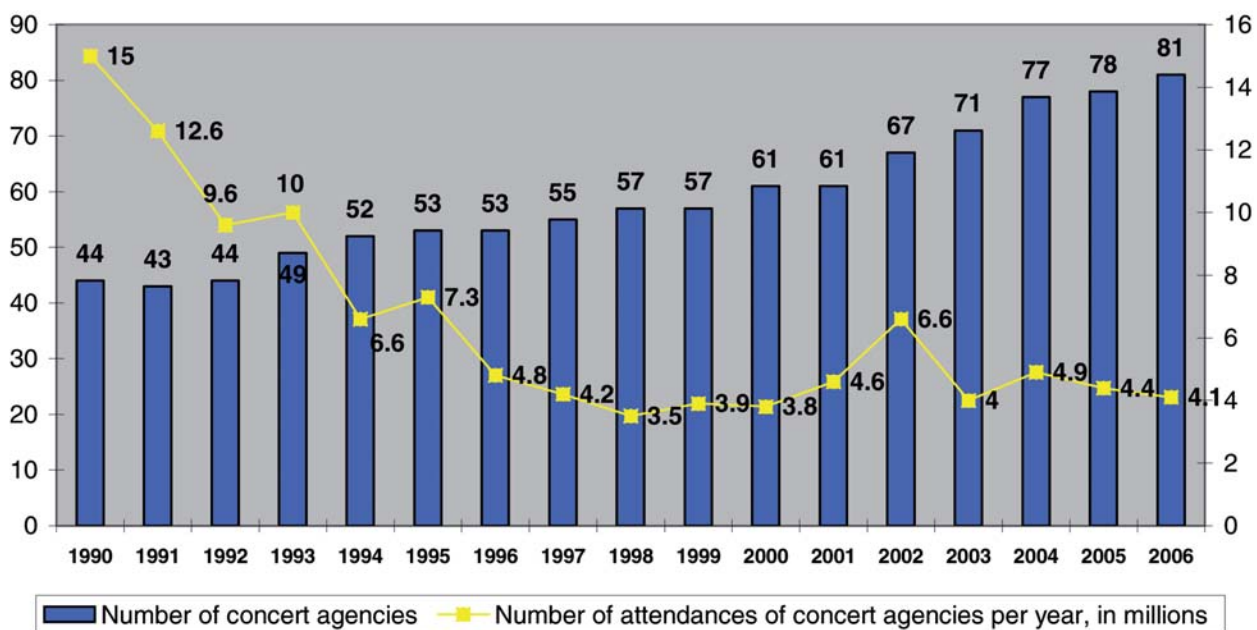
### The Number of Theaters in Ukraine and Attendances (1990-2006)



State Committee of Ukraine on Statistics <http://www.ukrstat.gov.ua>

There is a large network of theaters, art studios, concert agencies and creative entities under different forms of ownership operating in Ukraine.

### Number of Concert Agencies in Ukraine and Attendances (1990-2006)



State Committee of Ukraine on Statistics <http://www.ukrstat.gov.ua>

There were 137 theaters and 81 concert halls operating in 2006.

According to information provided by the Ukrainian Ministry of Culture and Tourism,<sup>52</sup> there were five theaters under state ownership and 125 under municipal ownership in 2006. It may therefore be concluded that there is a lack of information on the number of privately owned theaters in the state statistic-gathering system.

If we consider the two tables above, a steep decline in attendances at concerts since 1990 can be observed. In the case of theaters, a similar tendency can be seen for the period since 1992. Since 1997 a slow stabilization in the number of attendances can be seen both for theaters and concert halls. The development of new entertainment sectors and the severe economic situation in the country have led to a decrease in the number of attendances at theaters and concert halls. It can also be said that they have good potential for increasing attendances, as only 13 per cent of the population attended a theater or concert performance each year.

It is traditional for Ukrainian theaters to be heavily dependent on state support, as the major part of their budget comes from state funds. However, theaters do not usually receive sufficient state funding, which is why they are forced to seek alternatives. For example, in 1993, theater earnings were equal to 6.2 per cent of the total funding; in 1996 this figure was 16.5 per cent, and in 2001 it amounted to 28.5 per cent. We noted that the amount of theater revenue for 2001 exceeded the planned amount and constituted 194.7 per cent.

Taking account of the lack of financial support, outdated material and technical resources, the urgent need for repairs to premises, as well as the situation where theaters are forced to carry on working in order to ensure funding, it is necessary to consider the possibility of reform of the system of state funding and increasing its effectiveness. It may also be advisable to consider the possibility of funding not only state-run theaters but to introduce a system of support for privately run art studios and theaters through competitions or the allocation of grants.

<sup>52</sup> National report on the policy in the sphere of culture in Ukraine [http://www.mincult.gov.ua/nac\\_zvit\\_cult1.rar](http://www.mincult.gov.ua/nac_zvit_cult1.rar)



# Appendix 1

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## Methodological Explanations

The System of National Accounts (SNA) is a combination of indicators providing coherent descriptions of fundamental economic processes and events: production, income, consumption, capital formation and finance.

The State Statistics Committee compiles national accounts in line with the UN 1993 SNA.

As required by international SNA standards, institutional units are grouped into five sectors:

**Non-financial corporations** refer to the institutional units involved in the production of marketable goods and services at prices reflecting their production costs and showing a profit.

**Financial corporations** include institutional units operating as financial intermediaries (banks, insurance companies, etc.).

**General government** incorporates central and local government, non-profit budgetary spending units and extra-budgetary funds earmarked by the state.

**Households** relate to consumers and, in some cases, non-corporate economic agents.

**Non-profit institutions** serving households (NPISH) refer to the institutional units of individual household groups established to satisfy their political, religious or professional interests, and also rendering social and cultural services (social and cultural sectors of non-financial corporations).

The SNA reflects the growth of the economy at various stages of the reproduction process, documents the turnover of goods and services, and also GDP production and consumption.

The manufacturing stage is characterized by production, intermediate consumption and GDP

**Production** is the value of goods and services resulting from national economic activity throughout the reference period.

**Intermediate consumption** covers the value of goods and services used by the institutional units to meet their production needs.

**Gross value added (GVA)** is the difference between production and intermediate consumption. It includes the primary income generated and distributed by producers.

**National accounts** use two data levels and two assessment methods. For the economy as a whole, economic results are measured by goods and services produced and by GDP at market prices. Industries are measured with production at basic prices and GVA.

**Gross domestic product (GDP)** at the production stage is defined as the difference between production at market prices and intermediate consumption valued at consumer prices or as the total of GVA by industries and taxes after deduction of subsidies. Dating from 2001, GVA has been compiled by economic activity.

**Taxes on products** include tax whose value directly depends on the amount and value of goods and services produced, sold or imported through a national agent.

**Subsidies on products** refer to agricultural or other prices administered by means of state budget allocations to enterprises. These allocations aim to reflect operating costs and improve the financial standing of the beneficiaries. Subsidies on products may replenish working capital or offset individual costs.

**Income generation** includes compensation for employees, other production taxes and other subsidies on production or gross (net) product.

**Remuneration of employees** includes wages, actual, and conventional contributions for social insurance programs set up by employers and based on accrued sums. Wages are defined as remuneration in cash or in kind paid by employers to employees for work carried out during a reference period, regardless of whether these employees live in the country or not.

**Taxes on production and imports** include tax on products and on production, and subsidies on production and imports include subsidies on products and on production.

**Other taxes on production** include company payments to central and local budgets, the state budget and extra-budgetary funds for use of resources and the obtaining of licenses for specific activities.

**Other subsidies on production** refer to transfers under defined economic and social programs regulating the use of resources.

**Gross (net) operating surplus** shows the return over expenditure on company activities. For the household sector, this is mixed income. The net operating surplus equals the gross operating surplus less fixed capital consumption.

**GDP consumption** is the final point of consumption of goods and services, gross capital formation and net exports.

**Final consumption of goods and services** includes household expenditures on individual consumption, general government expenditures to satisfy individual and collective needs, and also final individual expenditures by non-profit institutions serving households.

**Gross capital formation** is the total of gross fixed capital formation, changes in inventories and acquisitions after disposals of valuables.

**Net exports in goods and services** show the difference between exports and imports in goods and services.

**Input-output table** for consumer prices conforms to SNA requirements. This table provides a comprehensive picture of the reproduction processes and the relationships between economic activities. The indicators and evaluation methods used are identical to the system of national accounts. The table reveals production relationships between economic activities, values of GDP components and use of GDP for final consumption and gross capital formation.

## Appendix 2

### Ukrainian Classification of Goods in Terms of Foreign Economic Activity

#### Core Copyright Industries

	<b>Press and Literature</b>
4902000000	Newspapers, journals and periodicals, whether or not illustrated or containing advertising material
4901000000	Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets
4903000000	Children's picture, drawing or coloring books
4905000000	Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed
4907000000	Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognized face value; stamp-embossed paper; banknotes; check forms, stock, share or bond certificates and similar documents of title
4909000000	Printed or illustrated postcards, printed cards bearing personal greetings, messages or announcements, whether or not illustrated, with or without envelopes or trimmings
4910000000	Calendars of any kind, printed, including calendar blocks
4911000000	Other printed matter, including printed pictures, prints and photographs

	<b>Music, Theatrical Productions, Opera</b>
4904000000	Music, printed or in manuscript, whether or not bound or illustrated
8524000000	Records, tapes and other recorded media for sound or other similarly recorded phenomena, including matrices and masters for the production of records, but excluding products under chapter 37

	<b>Motion Picture and Video</b>
8524000000	Records, tapes and other recorded media for sound or other similarly recorded phenomena, including matrices and masters for the production of records, but excluding products under chapter 37

	<b>Radio and Television</b>
8524000000	Records, tapes and other recorded media for sound or other similarly recorded phenomena, including matrices and masters for the production of records, but excluding products under chapter 37

	<b>Visual and Graphic Arts</b>
3926 40 00 00	Original sculptures and statutory in any material
9701000000	Paintings, drawings and pastels executed entirely by hand, other than drawings under heading 4906 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques
9703000000	Original sculptures and statutory, in any material
9704000000	Postage or revenue stamps, stamp-postmarks, first-day covers, postal stationery (stamped paper), and the like, used or unused, other than those under heading 4907
4908000000	Transfers (decalcomanias)
4906000000	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts, photographic reproductions on sensitized paper and carbon copies of the foregoing



## Interdependent Industries

	<b>TV Sets, Radios, VCRs, CD Players, DVD Players, Cassette Players, Electronic Game Equipment and Other Similar Equipment</b>
8519000000	Turntables (record-decks), record-players, cassette-players and other sound reproducing apparatus, not incorporating a sound recording device
8520000000	Magnetic tape recorders and other sound recording apparatus, whether or not incorporating a sound reproducing device
8521000000	Video recording or reproducing apparatus whether or not incorporating a video tuner
8527000000	Receiving apparatus for radio-telephony, radio-telegraphy or radio-broadcasting, whether or not combined in the same housing, with sound recording or reproducing apparatus or a clock
8528000000	Receiving apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus; video monitors and video projectors
8529000000	Parts suitable for use solely or principally with the apparatus under headings 8525-8528

	<b>Computers and Equipment</b>
8542000000	Electronic integrated circuits and micro-assemblies
8471000000	Automatic data processing machines and units thereof, magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included

	<b>Musical Instruments</b>
Chapter 92	Musical instruments

	<b>Photographic and Cinematographic Instruments</b>
3701000000	Photographic plates and film flat, sensitized, unexposed, of any material other than paper, paperboard or textiles; instant print film flat, sensitized, unexposed, whether or not in packs
3702000000	Photographic film in rolls, sensitized, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitized, unexposed
3703000000	Photographic paper, paperboard and textiles, sensitized, unexposed
3704000000	Photographic plates, film, paper, paperboard and textiles, exposed but not developed
3705000000	Photographic plates and film, exposed and developed, other than cinematographic film
3706000000	Cinematographic film, exposed and developed, whether or not incorporating a sound track or consisting only of sound track
3707000000	Chemical preparations for photographic use (other than varnishes, glues, adhesives and similar preparations), unmixed products for photographic use in measured portions or for retail sale in a form ready for use
9006000000	Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flashbulbs other than discharge lamps under heading 8539
9007000000	Cinematographic cameras and projectors, whether or not incorporating sound recordings or reproducing apparatus
9008000000	Image projectors, other than cinematographic, photographic (other than cinematographic) enlargers and reducers
9010000000	Apparatus and equipment for photographic (including cinematographic) laboratories (including apparatus for the projection or drawing of circuit patterns on sensitized semi-conductor materials), not specified or included elsewhere in this chapter, negatoscopes; projection screens

	<b>Photocopiers</b>
9009000000	Photocopying apparatus incorporating an optical system or of the contact type and thermocopying apparatus:
8472100000	Duplicating machines

	<b>Blank Recording Material</b>
3907400000	Polycarbonates
8477109000	Other

8480719090	Other
8523000000	Prepared unrecorded media for sound recording or similar recording of phenomena other than products under chapter 37

	<b>Paper</b>
4801000000	Newsprint, in rolls or sheets
4802000000	Uncoated paper and paperboard of a kind used for writing, printing or other graphic purposes, and non-perforated punch cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper under headings 4801 or 4803
4809000000	Carbon paper, self-copy paper and other copying or transfer papers (including coated or impregnated paper for duplicator stencils or offset plates), whether or not printed, in rolls or sheets
4810000000	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-colored, surface-decorated or printed, in rolls or rectangular
4821000000	Paper or paperboard labels of all kinds, whether or not printed

### Partial Copyright Industries

	<b>Apparel, textiles and footwear</b>
3926200000	Articles of apparel and clothing accessories (including gloves, mittens and mitts)
4202000000	Trunks, suit-cases, vanity-cases, executive cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; traveling-bags, insulated food or beverage bags, toilet bags
4203000000	Articles of apparel and clothing accessories of leather or composition leather
4204000000	Articles of leather or composition leather, of a kind used in machinery or mechanical appliances or for other technical use
4303000000	Articles of apparel and clothing accessories of leather or composition leather
4304000000	Articles of leather or composition leather
5007000000	Woven fabrics of silk or silk waste
Chapter 60	Knitted fabrics
Chapter 61	Articles of apparel and clothing accessories, knitted
6201000000	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those under heading 6203
6202000000	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those under heading 6204
6203000000	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
6204000000	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
6205000000	Men's or boys' shirts
6206000000	Women's or girls' blouses, shirts and shirt-blouses
6207000000	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles
6208000000	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes, dressing gowns and similar articles
6209000000	Babies' garments and clothing accessories
6210000000	Garments made-up from fabrics under headings 5602, 5603, 5903, 5906 or 5907
6211000000	Track suits, ski suits and swimwear other garments
6212000000	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted
6213000000	Handkerchiefs:
6214000000	Shawls, scarves, mufflers, mantillas, veils and the like
6215000000	Ties, bow ties and cravats
6216000000	Gloves, mittens and mitts
6217000000	Other made-up clothing accessories; parts of garments or of clothing accessories, other than those under heading 6212
6401000000	Waterproof footwear with outer soles and uppers of rubber or plastic, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes



6402000000	Other footwear with outer soles and uppers of rubber or plastic
6403000000	Footwear with outer soles of rubber, plastic, leather or composition leather and uppers of leather
6404000000	Footwear with outer soles of rubber, plastic, leather or composition leather and uppers of textile materials
6405000000	Other footwear
Chapter 65	Headgear and parts thereof

<b>Jewelry and Coins</b>	
7101000000	Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport
7102000000	Diamonds, whether or not worked, but not mounted or set
7103000000	Precious stones (other than diamonds) and semi-precious stones, whether or not worked or graded but not strung, mounted or set; un-graded precious stones (other than diamonds) and semi-precious stones, temporarily strung for convenience of transport
7104000000	Synthetic or reconstructed precious or semi-precious stones, whether or not worked or graded but not strung, mounted or set; un-graded synthetic or reconstructed precious or semi-precious stones, temporarily strung for convenience of transport
7105000000	Dust and powder of natural or synthetic precious or semi-precious stones
7106000000	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form
7107000000	Base metals clad with silver, not further worked than semi-manufactured
7108000000	Gold (including gold plated with platinum), unwrought or in semi-manufactured forms, or in powder form
7109000000	Base metals or silver, clad with gold, not further worked than semi-manufactured
7110000000	Platinum, unwrought or in semi-manufactured or in powder form
7112000000	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal or precious metal compounds, of a kind used principally for the recovery of precious metals
7113000000	Articles of jewelry and parts thereof, of precious metals or of metal clad with precious metals
7114000000	Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metals or of metal clad with precious metals
7115000000	Other articles of precious metals or of metal clad with precious metals
7116000000	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)
7117000000	Imitation jewelry
7118000000	Coins

<b>Other Crafts</b>	
4420000000	Wood marquetry and inlaid wood; caskets and cases for jewelry or cutlery and similar articles of wood, statuettes and other wooden ornaments, wooden articles of furniture not coming under chapter 94:
Chapter 58	Special woven fabrics, tufted textile fabrics, lace; tapestries, trimmings, embroidery
6702000000	Artificial flowers, foliage and fruit and parts thereof; articles made of artificial flowers, foliage or fruit
9601000000	Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles made from these materials (including articles obtained by molding)

<b>Furniture</b>	
9602000000	Worked vegetable or mineral carving material and articles made from these materials; molded or carved articles wax, searing, natural gums or natural resins or modeling pastes, and other molded or carved articles, not elsewhere specified or included
1401000000	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, willow, raffia, cleaned, bleached or dyed cereal straw, and lime bark)

1402000000	Vegetable materials of a kind used primarily as stuffing or padding (for example, kapok, vegetable hair and eel-grass), whether or not used as a layer with or without supporting material
9401000000	Seats (other than those under heading 9402), whether or not convertible into beds, and parts thereof
9403000000	Other furniture and parts thereof
9404000000	Mattress supports; articles of bedding and similar furnishings (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastic, whether or not covered

	<b>Household Goods, China and Glass</b>
6911000000	Tableware, kitchenware, other household articles and toilet articles of porcelain or china
6912000000	Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china
6913000000	Statuettes and other ornamental ceramic articles
6914000000	Other ceramic articles
7013000000	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than under headings 7010 or 7018)
7018000000	Glass beads, imitation pearls, imitation precious or semi-precious stones and similar glass small wares and articles thereof other than imitation jewelry; glass eyes other than prosthetic articles; statuettes and other ornaments of lamp-worked glass
7006000000	Glass under headings 7003, 7004 or 7005, bent, edge-worked, engraved, drilled, enameled or otherwise worked, but not framed or fitted with other materials
7016000000	Paving blocks, slabs, bricks, squares, tiles and other articles of pressed or molded glass, whether or not wired, of a kind used for building or construction purposes; glass cubes and other glass small wares, whether or not on a backing, for mosaics
7018000000	Glass beads, imitation pearls, imitation precious or semi-precious stones and similar glass small wares, and articles thereof other than imitation jewelry; glass eyes other than prosthetic articles; statuettes and other ornaments of lamp-worked glass

	<b>Wall Coverings and Carpets</b>
Chapter 57	Carpets and other textile floor coverings
4814000000	Wallpaper and similar wall coverings; window transparencies of paper

	<b>Toys and Games</b>
9501000000	Wheeled toys designed to be ridden by children (for example, tricycles, scooters, pedal cars); dolls' carriages
9502000000	Dolls representing only human beings
9503000000	Other toys, reduced-size (scale) models and similar recreational models, working or not; puzzles of all kinds
9504000000	Articles for funfairs, table or parlor games, including pintables, billiards, special tables for casino games and automatic bowling alley equipment

	<b>Museums</b>
9705000000	Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archeological, paleontological, ethnographic or numismatic interest
9706000000	Antiques of an age exceeding 100 years



## Appendix 3

### Classification of Services in Foreign Trade

<b>Core Copyright Industries</b>
92.4 Publishing agency services
22 Publishing services, including: software media reproduction; reproduction of recorded videos; publishing services for advertising materials
92.3 Other entertainment services connected with/including: dramatic arts, music and other arts services; booking agency services; music publishing services and other services.
92.1 Motion picture and video services, including: motion picture and video production and distribution services; motion picture projection services; creation advertisement materials for radio, TV services; video and TV tape processing
71.4 Renting of personal and household goods n.e.c.
92.2 Radio and television services
64.2 Telecommunication services
74.8 Other services to legal entities, including: photo services, packing services; secretarial services, interpreting services; other services not included in other categories.
72.1 Consultation services on the issues of informatization
72.2 Creation of software services
72.4 Database processing services
72.3 Data processing services
74.4 Advertising services
<b>Interdependent Industries</b>
32.1 Manufacture of parts for electronic devices
32.2 Manufacture of television and radio receivers
32.3 Manufacture of sound or video recording or reproducing apparatus, and associated goods
71.3 Renting of machinery and equipment
30 Manufacture of office, accounting and computing machinery
36.3 Manufacture of musical instruments
33.4 Manufacture of optical instruments and photographic equipment
21 Manufacture of pulp, paper and paperboard
<b>Partial Copyright Industries</b>
18 Manufacture of wearing apparel and furs
17 Manufacture of made-up textile articles
19 Manufacture of leather and leather footwear
36.2 Manufacture of jewelry and related articles
36.1 Manufacture of furniture
26 Manufacture of other fabricated nonmetal products n.e.c.
20 Wood processing and manufactured articles from wood
28 Metal processing
36.5 Manufacture of games and toys
74.2 Architectural and engineering services
45.43 Walls and floor coverings
45.45 Other services connected with construction activities, including decorating
92.5 Other services related to culture, including library services, museum services, other services connected with preservation of national heritage

## Appendix 4

### Classification of Services in Foreign Trade

<b>Core Copyright Industries</b>	
<b>Press and Literature</b>	22.11 Book publishing 22.12 Newspaper publishing 22.13 Publishing of journals and other periodicals 22.15 Other publishing activities 22.21 Printing newspapers 22.22 Printing activities not related to other activities 22.23 Binding printed materials 22.24 Production of forms 22.25 Other services related to publishing 51.47.2 Wholesale of paper products, books, newspapers and periodicals 52.47 Retail sale of books, newspapers and paper products 52.5 Retail of second-hand goods 71.40 Renting personal and household goods 74.83 Secretarial services, interpreting 74.84 Other services to legal entities not included in other categories 92.31 Dramatic arts and musical activities 92.40 Publishing agencies 92.51 Activities of libraries
<b>Music, Theater, Opera</b>	22.14 Printing and publishing of music 22.31 Reproduction of recorded media on magnetic media 51.43 Wholesale of radio/television goods 52.45 Retail sale of radio/television goods 71.40 Renting personal and household goods 74.84 Other services to legal entities not included in other categories 92.31 Dramatic arts and musical activities 92.32 Activities in areas of public entertainment 92.33 Attraction and amusement park activities 92.34 Various entertainment activities 92.72 Other activities in the sphere of recreation and entertainment
<b>Motion Picture and Video</b>	22.32 Reproduction of recorded videos 51.43 Wholesale of radio/television goods 71.40 Renting of personal and household goods 74.84 Other services to legal entities not included in other categories 92.11 Motion picture and video production 92.12 Motion picture and video distribution 92.13 Motion picture projection 92.31 Dramatic arts and musical activities
<b>Radio and TV</b>	92.2 Radio and television activities 64.2. Telecommunications 71.34 Rental of other machinery
<b>Photography</b>	74.81 Photographic activities
<b>Software and Databases</b>	22.33 Software media reproduction 52.48.1 Retail of computers and software 72.10. Consultation on informatization 72.20 Creation of software 72.30 Database processing

	72.40 Database processing
<b>Visual and Graphic Arts</b>	74.84 Other services to legal entities not included in other categories
	92.31 Dramatic arts and musical activities
	92.52 Activities for preservation of cultural heritage
<b>Advertising Services</b>	74.4 Advertising
<b>Copyright Collecting Societies</b>	91.12 Activities of professional organizations
<b>Interdependent Industries</b>	
<b>TV Sets, Radios, VCRs, CD Players, DVD Players, Cassette Players, Electronic Game Equipment and Other Similar Equipment</b>	32.3 Manufacturing sound and video recording or reproducing apparatus 51.43 Wholesale of radio/television goods 52.45 Retail sale of radio/television goods 71.40 Renting of personal and household goods
<b>Computers and Equipment (including photocopiers)</b>	30.02 Manufacturing of accounting and computing machinery 51.64.1 Wholesale of accounting and computing machinery, office furniture 52.48.1 Retail of computers and software 71.33 Rental of accounting and computing machinery, office machinery
<b>Musical Instruments</b>	36.3 Manufacturing of musical instruments 51.47.9 Wholesale of household goods not included in other categories 52.45 Retail sale of radio/television goods 71.40 Renting of personal and household goods
<b>Photographic and Cinematographic Instruments</b>	33.4 Manufacturing of optical instruments and photographic equipment 51.47.9 Wholesale of household goods not included in other categories 52.48.3 Specialized retail of optical instruments and photographic equipment
<b>Blank Recording Material</b>	24.65 Manufacture of blank recording material
<b>Paper</b>	21 Manufacture of paper and paperboard 29.55 Manufacture of machinery for pulp, paper, paperboard and other items 51.56 Wholesale of other intermediate products
<b>Partial Copyright Industries</b>	
<b>Apparel, Textiles and Footwear</b>	17.4 Manufacture of items from textiles 17.53 Manufacture of materials from non-woven textiles 17.54 Manufacture of textile items not included in other categories 17.6 Manufacture of knitted fabrics 17.7 Manufacture of items from textiles and woven materials 18.10 Manufacture of leather and other clothes 18.3 Manufacture of fur and items from fur 19.30 Manufacture of footwear 51.41 Wholesale of textiles 51.42 Wholesale of apparel and footwear 52.41 Retail of textiles 52.42 Retail of apparel and other clothing 52.43 Retail of footwear and leather items
<b>Jewelry and Coins</b>	36.2 Manufacture of jewelry 36.61 Manufacture of imitation jewelry 51.47.9 Wholesale of household goods not included in other categories 52.48.2 Specialized retail of watches and jewelry items 52.73 Repair of watches and jewelry items
<b>Other Crafts</b>	52.48.7 Specialized retail of souvenirs, handicrafts and religious items
	36.1 Manufacture of furniture 51.47.1 Wholesale of furniture, carpets and other floor coverings, non-electric appliances 51.64.2 Wholesale of office furniture



<b>Non-Dedicated Support Industries</b>	
	Section G: Wholesale and retail; trade in motor vehicles; repair services
	Section I: Transport

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