

China, India winning the piracy war

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Although software piracy refuses to go down globally and even continues to thrive in the rest of Asia, efforts by China and India to fight their computer users' desire for using stolen software are yielding positive results in terms of marginal but significant decline.

The just-released study by the Business Software Alliance, the international association of the world's leading software developers, said that education, enforcement and policy efforts are beginning to pay off in emerging economies such as China and India as well as in Russia, Central/Eastern Europe and the Middle East & Africa as the software-piracy rate decreased moderately in 2005 from 2004.

However, the decline in China and India is significant because for one, while the average Asia piracy rate increased by 1 point to 54 percent this year, the piracy rates in these two Asian giants declined despite the fact that personal-computer shipments in these two went up, from a combined 27 percent of the Asia-Pacific market in 2004 to 29 percent in 2005. And the year's decrease in China is the second year in a row.

China led the way with a 4 point drop from 90 percent in 2004 to 86 percent in 2005, followed by India, where the reduction was more moderate at 2 points to 72 percent during the period.

Besides India, the other Asian countries that saw a similar decline were Singapore and Vietnam.

"Even as some may prefer to look at moderate reductions achieved by

the two countries as a glass half empty, the key thing to keep in mind is that we have seen quite a lot of improvement in larger cities and amongst the larger companies," said Singapore-based Ajay Advani, the co-chairman of the Indian chapter of the BSA.

According to Advani, while the government in China was instrumental in the country's success in the fight against piracy, the Indian government on the other hand contributed little to curb piracy, and it was the industry that fought the battle.

"It seems that curbing piracy is not a priority of the Indian government," said Advani. "The government is more concerned about developing information technology and its related industries."

On the other hand, "the Chinese government is determined on reducing piracy," said Lily Wang from the Beijing office of the BSA.

Indeed, according to the industry the Chinese government's efforts in its fight to curb piracy as a part of its strategy to emerge as an economic superpower, as Advani calls it "prestigiously," is commendable.

For instance, recently the Chinese government mandated that all new computers be shipped with legitimate operating systems, resulting in a windfall for Microsoft Corp. as it managed to bag a \$1 billion order from the Chinese PC maker Lenovo (which took over IBM).

BSA-China says that with the support of the government it has also launched various education programs nationwide to help educate corporate and retail users on how to manage their legal software for maximizing productivity.

"Whereas the Indian government imposed an excise duty in its latest budget that goes against the country's will to fight piracy," said Advani.

According to Advani, even as India managed to reduce piracy this year, after years of efforts, the success it has achieved may get reversed as the smaller and medium-sized businesses as well as computer users in smaller Indian cities increasingly start taking to computers.

"What is quite telling in India's achievement is that improvements have been noticed only in larger cities and larger companies, whereas forcing compliance among smaller and medium-sized business users, and PC users in smaller cities, still remains a challenge," says Advani. "We fear that with the increase in PC penetration in these two user segments, the success that India achieved so far may get reversed soon."

However, according to both Advani and Wang, although a lot still needs to be done to raise the public awareness of using legitimate software, increasingly PC users of the two most populated nations are beginning to realize the importance of using legal software. But Advani added that the change in the mindset in India "is apparent amongst users in larger Indian cities and not so much across the entire country."

According to the BSA, 35 percent of the packaged software installed on PCs worldwide in 2005 was illegal, amounting to \$34 billion in global losses due to software piracy.

The independent study was conducted by IDC, the information-technology industry's leading global market research and forecasting firm.

"The progress made in reducing PC software piracy in several emerging markets provides some encouragement; however, much more needs to be done," said BSA President and Chief Executive Officer Robert Holleyman. "With more than one out of every three copies of PC software obtained illegally, piracy continues to threaten the future of software innovation, resulting in lost jobs and tax revenues."

IDC and the BSA reckon that if the world manages to drop the piracy rate by 10 points to 25 percent, it would create as many as 2.4 million new jobs, \$400 billion in economic growth and \$67 billion in tax revenues worldwide.

The global piracy rate was unchanged from 2004 to 2005 as large developed markets like the United States, Western Europe, Japan and a handful of Asian countries continue to dominate the software market while their combined piracy rate hardly moved.

The study said that the countries with the highest piracy rates were Vietnam (90 percent), Zimbabwe (90 percent), Indonesia (87 percent), China (86 percent) and Pakistan (86 percent). The countries with the lowest piracy rates were the United States (21 percent), New Zealand (23 percent), Austria (26 percent) and Finland (26 percent).

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