

The Economic Contribution of Copyright-Based Industries in Peru

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Executive Summary

As many studies show, the importance of creative and content-creation industries in the performance of modern economies is growing. With the Peruvian economy growing at an average rate of 6.5% in the period 2002-2007, it is essential to know the place and role that copyright industries have in the creation of value added, employment and trade flows. In this document, the economic contribution to these economic aggregates in the Peruvian case is estimated.

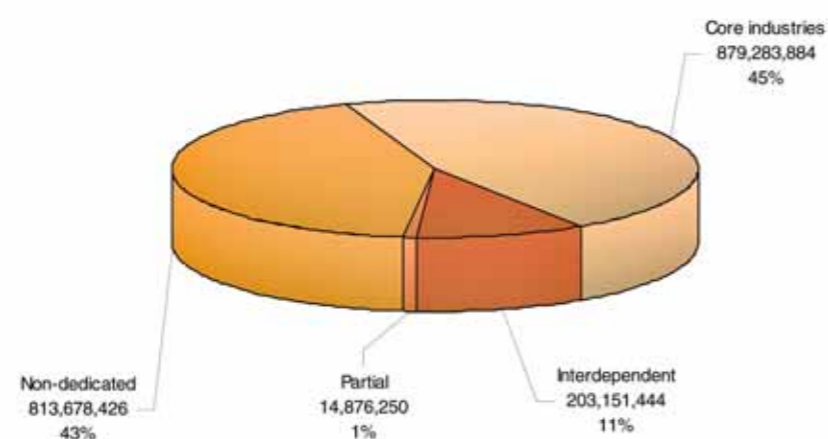
The results show that in 2005 Peruvian copyright-based industries contributed US\$ 1,911 million of value added – 2.7% of the national total – and 596,000 jobs, which represented 4.5% of the total employment. Core (45% for value added and 46% for employment) and non-dedicated copyright industries (43% for value added and 50% for employment) are the most important in terms of their contribution to these variables.

Table ES.1. Copyright-Based Industries' Contribution to National Economy, 2005

Copyright-based industries	Value Added (US\$)	As a percentage of National V.A.	Employment (number)	As a percentage of National employment
Core industries	879,283,884	1.23%	276,625	2.09%
Interdependent	203,151,444	0.28%	18,950	0.14%
Partial	14,876,250	0.02%	8,743	0.07%
Non-dedicated	813,678,426	1.14%	291,632	2.20%
Total	1,910,990,004	2.67%	595,950	4.50%

Source: Chapter 4 tables.
Prepared by the authors

Figure ES.1. Copyright-Based Industries' Share of Value Added, 2005



Source: Chapter 4 tables.
Prepared by the authors

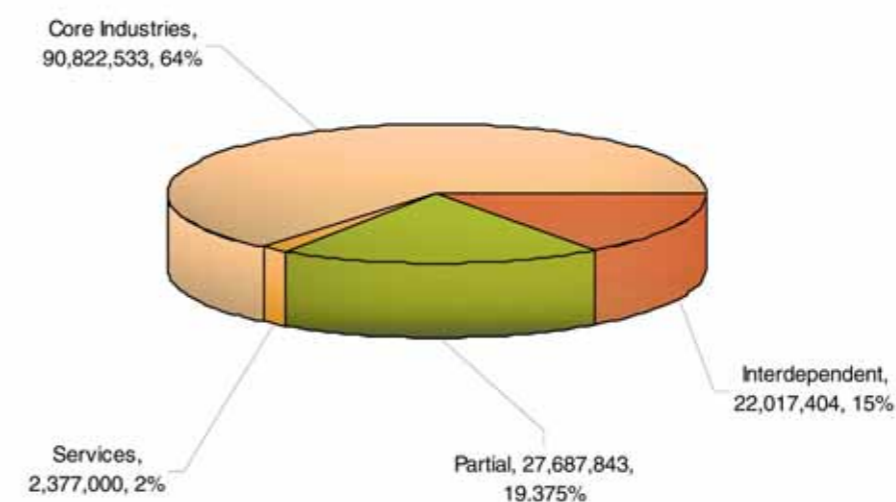
Copyright-based industries' contribution to national exports is still minor, with US\$ 143 million, including services exports, an amount equivalent to 0.8% of the country's total goods and services exports. Core industries represent the main exporting activities based on copyright; on the other hand, CBIs' imports reached US\$ 652 million in 2005, an amount equivalent to 5.4% of the total national goods imports. In this case, the main importing activities are the interdependent industries.

Table ES.2. Copyright-Based Industries' Trade Statistics, 2005

Copyright-based industries	Exports (US\$)	As a percentage of National exports	Imports (US\$)	As a percentage of National imports
Core Industries	90,822,533	0.52%	21,850,948	0.18%
Non-Core Industries				
Interdependent	22,017,404	0.13%	520,264,468	4.31%
Partial	27,687,843	0.16%	11,732,856	0.10%
Services	2,377,000	0.01%	97,898,640	0.81%
Total	142,904,780	0.823%	651,746,912	5.395%

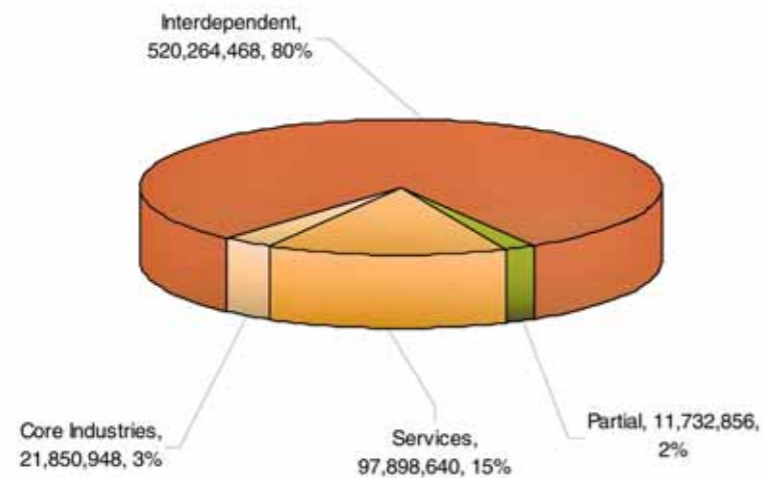
Source: Chapter 4 tables.
Prepared by the authors

Figure ES.2. Copyright-Based Industries' Share of Exports, 2005



Source: WIPO
Note: Canadian and Singaporean estimates are understated

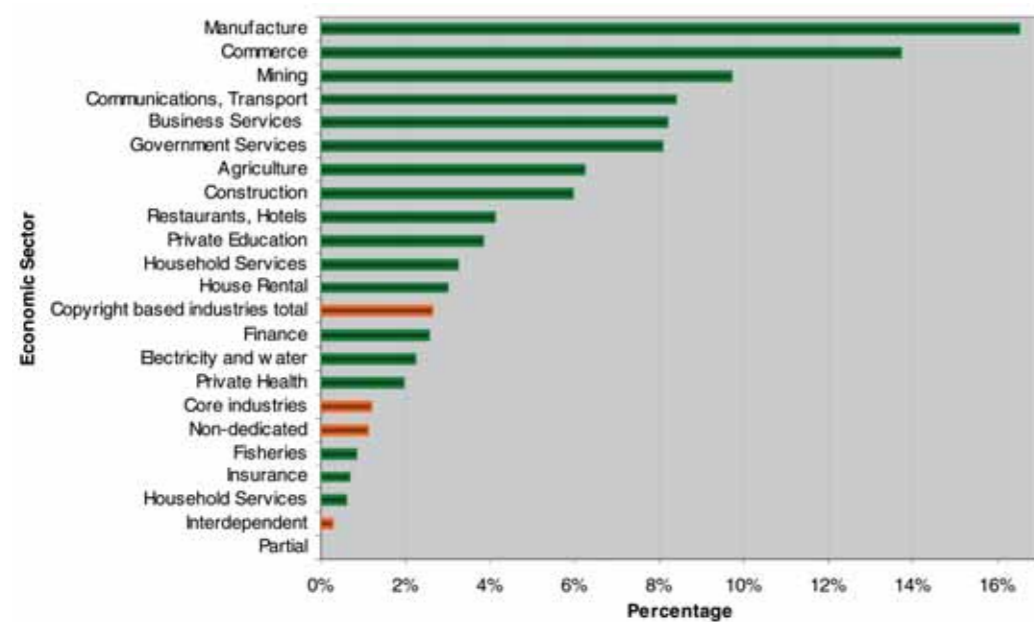
Figure ES.3. Copyright-Based Industries' Share of Imports, 2005



Source: Chapter 4 tables.
Prepared by the authors

The total contribution of copyright-based industries to the value added (2.6%) is similar to house rental (2.98%), finance (2.56%), and water and electricity supply (2.25%). Core industries contribute 1.22% to total value added (US\$ 997,045,973) while non-core industries' contributions are slightly higher, at 1.59% (US\$ 218,841,372). Economic sectors with similar importance in value added are communications (2.00%), private health (1.98%) and fisheries (0.86%).

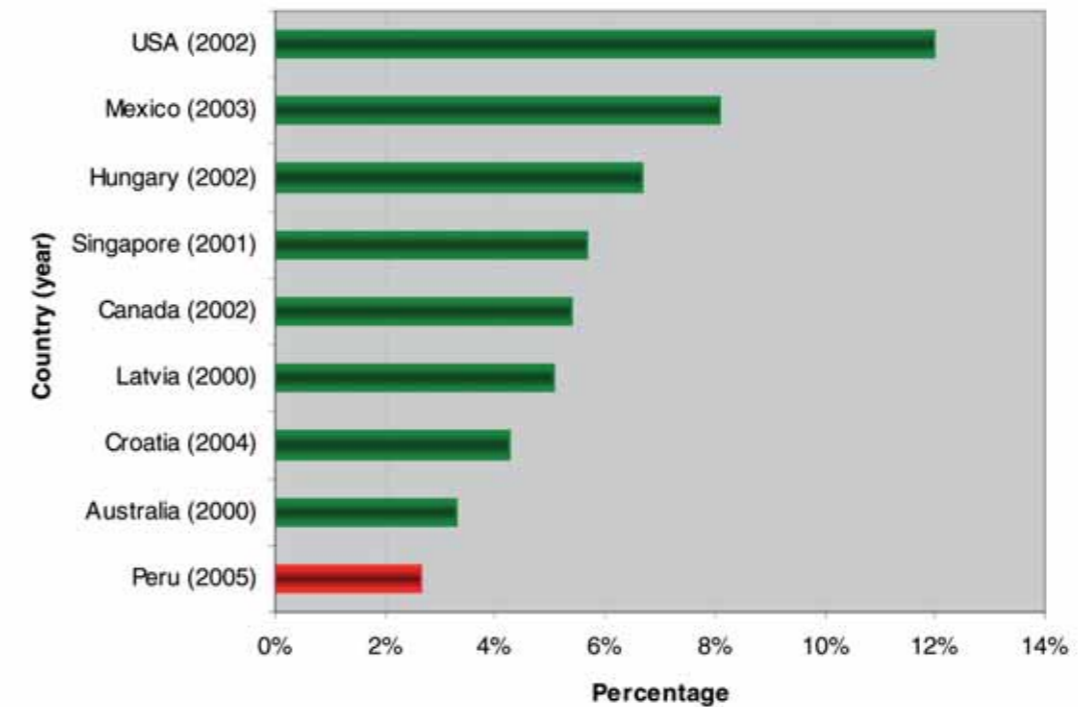
Figure ES.4. Percentage of Total Value Added by Economic Sector, 2005



Source: BCRP and tables in chapters 4 and 5.
Prepared by the authors

Overall, the Peruvian copyright-based industry is smaller than the copyright-based industries of other countries in the world. The total value added of copyright industries in 2005 was US\$ 1,911 million, which represented 2.6% of the total value added of the Peruvian economy. This is lower than the results of other Latin American countries, such as Mexico (8.1%), and of other countries around the world, including Singapore (5.7%), Hungary (6.7%) and the USA (12%).

Figure ES.5. International Comparison of Copyright-Based Industries' Contribution to Value Added (percentage)

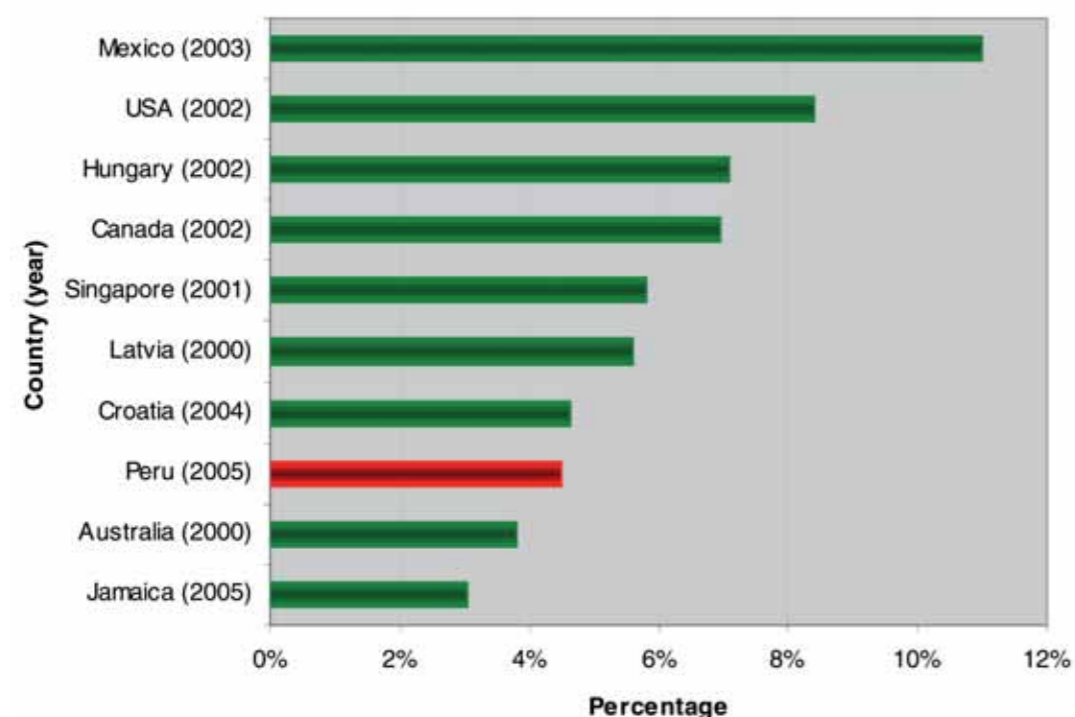


Source: WIPO and UNICAMP, Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4.
Prepared by the authors

In the Peruvian economy most of the value added of copyright industries is attributed by core industries, with US\$ 879 million representing 1.22% of the national value added in 2005 (and 46% of the value added of copyright industries). This contribution is similar to the results observed in the cases of Mexico, Singapore and USA (in which core industries represent roughly 50% of the total contribution of copyright-based industries).

The contribution of Peruvian copyright industries to employment is higher than its contribution to output, with 4.5% of the national employment (595,950 jobs). This is lower than the result for Mexico (11%) as well as countries from other regions, but higher than Jamaica (3%). Since core industries only account for 276,625 jobs (2.09% of national employment), which represent 46.4% of the total of copyright industries, their contribution to total employment is higher than the one observed for some countries, such as Mexico (31% of the employment on copyright-based industries), but lower than results for other countries, such as USA (48%), Hungary (59%), Jamaica (59%), Singapore (63%) and Philippines (79%).

Figure ES.6. International Comparison of Copyright-Based Industries' Contribution to Employment (percentage)



Source: WIPO and UNICAMP, Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4. Prepared by the authors

It is important to point out that the estimations presented in this study are the result of what we considered the most conservative measurement of the economic contribution of CBIs to the economy. Whenever some assumptions were made the decision was to remain conservative. Another rationale to consider is the fact that some activities are underestimated, and others are not estimated at all due to lack of data. Indeed, there are some specific activities for which there is no information available at all; for example, there is no available data on micro enterprises, informal activities, or self-employment and outsourcing employment. This is a future task for public agencies, private agents and other private organizations: to deepen the systematization and collection of data for those activities for which at the moment there is no complete information and for those for which there is no information at all.

1. Introduction

The culture, information and content-production industries, i.e. the creative industries, have a growing importance in countries' economies. Since the early seventies, many efforts have been made to measure the contribution of these industries to the national economy, mainly in developed countries¹.

Peru's economy has been growing at an average rate of 6.5% in the period 2002-2007; in such an environment, it is essential to know what has been the role that specific industries have in the performance of the country. An emerging economy needs the inputs that information and content production provide, making copyright-based industries particularly critical. In a world in which not only physical capital, natural capital and labor, but also knowledge and culture are main factors of production, it is not possible to have sustainable growth without the contribution of copyright-based industries.

The objective of the study is to estimate the economic contribution that Copyright-Based Industries (CBIs) make to the national economy, by generating value added, employment and trade flows. Some copyright-based industries, mainly cultural and information industries, are very well known by their economic impact on the economy; nevertheless, some of the copyright components of many activities are not taken into account. This study aims to give a complete assessment by not only including the core copyright industries but also the other copyright-related activities (non core).

In 2003, the World Intellectual Property Organization (WIPO) issued a methodological guide with the aim of helping to reveal the place that CBIs have in the economy, entitled "Guide on Surveying the Economic Contribution of the Copyright-Based Industries". This methodological document has been used in a series of countries and their results have been published; other countries have recently finished their studies, and others are in the process of doing so.

In 2006, the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI)² requested support from WIPO to carry out the study in Peru, with the purpose of increasing public awareness of the economic contribution of the CBIs. The knowledge generated by the study will provide policy-makers with useful information that will help design national development strategies.

As mentioned, the methodology used in this study is based on the WIPO Guide, with adaptations due to the scarcity of available data on public statistics, as well as limited dissemination by private agents of their financial information. This adaptation is mainly made for the calculation of value added and is explained in detail in chapter four. In the case of the core CBIs. The approach followed relies on private financial information available for the main companies in each sector. For the interdependent and partial industries, the information came from the database provided by the Ministry of Production (PRODUCE), complemented by the copyright factors found in the literature. For the non-dedicated support industries, the aggregate statistics of the Statistics and Informatics National Institute (INEI) in Peru allow these to be grouped into General Wholesale and Retailing, and Transport and Communications, complemented with the copyright factors.

¹For a detailed account of the studies and the countries that have developed such studies see the Introduction of the Hungarian Report in WIPO (2006).

²Public agency created by Law Decree N° 25868 in November 1992. It is ascribed to the Presidency of the Council of Ministers by order of Law N° 27789, with technical, economic, budgetary and administrative autonomy.

In the case of employment, the estimations rely mainly on the Annual Economic Survey (EEA) 2005 provided by INEI and the data collected in the interviews. A comprehensive explanation of the methodology can be found in chapter 2. Although almost all the estimations on employment are based on this source of information, for some activities of the interdependent CBIs the source used is the National Household Survey (ENAHO 2005).

Finally, the estimation of trade flows – that is, exports and imports – has been calculated using the equivalence for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA) obtained from PRODUCE³, which indicates which custom code corresponds to which ISIC code. The information on exports and imports for the different custom codes has been obtained from the National Customs Administration Superintendence Statistical Yearbook (SUNAD, 2005a and 2005b).

We would like to thank all the experts, managers, officers, presidents of unions, presidents of Copyright Collecting Societies, professionals of the creative industries, and other CBIs-related people we interviewed for providing us with the information we needed; their wise advice and time are priceless⁴. Special acknowledgments to Dimiter Gantchev, Acting Director of the Creative Industries Division in the World Intellectual Property Organization, for his patience and invaluable comments on the drafts of the document; to José Luis Zofio, Associate Professor of the Department of Economic Analysis at the Universidad Autónoma de Madrid, for his wise expert advice, always instructive and constructive, on the methodology and all technical matters concerning the estimation, as well as for his continuous support as advisor of the study; to Martín Moscoso, Head of the Copyright Office of the National Institute for the Defense of Competition and the Protection of Intellectual Property, for his sustained support in establishing the contacts with the experts, managers, presidents of unions, presidents of the Copyright Collecting Societies, and other people related to the CBIs that we interviewed, and to José Tavera, Economic Studies Manager of the National Institute for the Defense of Competition and the Protection of Intellectual Property, for his timely help and persistence in asking for the information from the public institutions and for from the invaluable assistance provided in general by him and his team.

We would also like to offer our grateful thanks to the research assistants for their participation in the different steps of the process to make this report a reality. To Ricardo Álvarez, for his perseverant search of information in the initial stages of the work; to Efraín Rodríguez, for his competent work on the organization of the first sets of information; to Luis Miguel Espinoza and Juan Manuel del Pozo, for their dedicated and efficient assistance on the estimations of the economic variables of the study and search of more information; and to Roberto Piselli, for his efficient management of the databases, and proficient assistance with the final document. Any errors that this study may have are entirely the responsibility of the authors.

The document has five sections including the introduction. Chapter 2 explains in detail the methodology followed; chapter 3 presents the legal background of copyright protection in Peru, as well as an international comparison; chapter 4 shows the results of the estimation of the economic contribution of CBIs to the economy for core, interdependent, partial and non-dedicated copyright-based industries; and in chapter 5 the conclusions and recommendations are offered.

³ Correlacionador Código CIIU Rev. 3 – Partida arancelaria NANDINA.

⁴ The list of interviews can be found in Annex A.

2. Study Methodology and Sources of Information

The methodology of the study is based on the guidelines presented in the WIPO Guide (2003). Many sources have been used and some difficulties regarding the collection of data have been faced. In view of the lack of official and systematic collection of data on the CBIs, some adaptation had to be done for the estimation of the value added; the details are explained in this chapter. For employment, the main source was the Annual Economic Survey 2005 provided by the Statistics and Informatics National Institute (INEI), for which it was necessary to apply the methodology given by the INEI in order to obtain the nationwide figures. The estimation of exports and imports had as the main source the National Customs Administration Superintendence (SUNAD) Statistical Yearbook; nevertheless, it has been necessary to apply the equivalence for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA), which indicates which custom code corresponds to which ISIC code.

The selected year for estimation is 2005, based on two considerations. First, the collection of information started at the end of 2006 and finished in May 2008, making 2005 the most recent year for which official information was available. Second, since the adopted methodology is also partially based on the firms' private information, 2005 was not too recent, meaning that the requested information would not be too sensitive from a company perspective.

2.1. Value Added Estimation Methodology

The first option in terms of estimating the contribution to value added of the CBIs was to use the input-output table and apply the output approach. Nonetheless, the last available input-output table made by INEI dates back to 1994, and is thus inappropriate for making a calculation for the year 2005, since the table has been made obsolete by the changes in Peru's productive structure in the last 14 years, and thus does not represent the dynamics and growth of copyright industries today.

The other main option is the income approach; however, information on compensation of employees, operating surplus/mixed income, consumption of fixed capital, other taxes on production, and other subsidies on production are not available for the CBIs for the year 2005. The Ministry of Production (PRODUCE) has estimates for some ISIC codes' activities for the press and literature sector, the music sector, and interdependent and partial CBIs; however, the last year available was 2000, thus making it necessary to make predictions for the year 2005. Annex B presents the detailed methodology used. For non-dedicated CBIs, the information on value added is available in the official statistics for the year 2005.

To complete the estimation of the other activities, we used a supplementary approach mentioned in the WIPO Guide (2003): calculation of value added on the basis of the financial statement reports. One suggestion of the Guide is to conduct a survey on the firms to obtain the information. In our case, it was not possible to survey a representative sample of sector companies, for two reasons. The first reason was that there are no records or lists of all companies dedicated to either copyright-protected or copyright-related activities to design the sample. The second reason was that even if it had been possible to draw a sample, to the extent that companies are not mandated to file data on their economic and financial performance, the response rate would have been low. The strategy followed to collect the companies' data included requests for interviews with members of industry associations, collective management societies, and qualified management and officials from private companies. There were different levels of success in the collection of data, making it necessary to make educated assumptions to calculate the estimates; these assumptions are explained in chapters 4 and 5.

In this way, the methodology that will be used in this study to estimate the value added of those activities for which no value added data was directly available takes the private Financial Statements of companies, mainly their Profit and Loss Statements, to estimate the Value Added. The base document used is the Handbook of National Accounting No. 76 (UN, 2000)⁵.

According to the WIPO Guide, Value Added is measured using the following equation:

$$VA = \Pi + W + \delta + T - S$$

Where:

Π = Operating surplus
 W = Compensation of Employees
 δ = Consumption of Fixed Capital
 T = Other Taxes on Production
 S = Other Subsidies on Production

For the previously mentioned reasons, this report is based on financial information on a company-based level, not on an aggregate level. To make this feasible, a correspondence was established between the individual financial information and the national/sector aggregate statistics. This correspondence is based on the Handbook of National Accounting No. 76, entitled "Links Between Business Accounting and National Accounting".

There are two steps needed to adjust the Financial Statements (FS) format to the National Accounts (NA) format. First, the information from the FS is reorganized into the NA format, to establish the so-called "intermediate accounts". The next step consists of adjusting this information with complementary information, given that some apparently similar concepts are in fact not equivalent. Therefore, the elements that make the VA are reviewed, emphasizing the "equivalents" in the Profit and Loss Statement and making the necessary adjustments.

Operating Surplus is defined as "the surplus or deficit accruing from production before taking account of any interest, rent or similar charges payable on financial or tangible non-produced assets borrowed or rented by the enterprise, or any interest, rent or similar receipts receivable on financial or tangible non-produced assets owned by the enterprise"⁶. In this study the Operating Income (OI) is established as the latter's equivalent at the individual level, defined as "the net sales income minus the costs of sales and operational expenses". This information can be found in the Profit and Loss Statement of each company. According to the Handbook, this concept is not exactly equivalent to the Operating Surplus, because one takes into account certain elements that the other doesn't (i.e. the Operating Income concept overestimates the Operating Surplus). Nevertheless, the differences are relatively unimportant and refer to elements of little value or probability"⁷, with the exception of the dividends payable and Taxes on Income, which could create an upward slant.

Compensation of Employees is defined as "total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period."⁸ This definition

⁵ According to this document, there are three ways to obtain this information. The first is by using censuses or surveys, but this only works in countries where the companies involved are either willing or mandated to provide this information. In Peru, this information is considered private unless the companies are listed in the stock market. The other option is to use all of the public information provided by companies listed in the stock market, public and regulated companies, and also to ask for the cooperation of the tax agency (the National Superintendency of Tax Administration (SUNAT)). Although public information was used in the study in some cases (i.e. from El Comercio, which is listed in the stock market, or Telefónica, which is a regulated company), the National Superintendency of Tax Administration does not provide this information for private companies and has not been used as a source for obtaining this information. A third option is to adopt French and OCAM standards which, however, are not relevant for this report.

⁶ Definitions obtained from the OECD's Glossary of Statistical Terms, found at: <http://stats.oecd.org/glossary/index.htm>.

⁷ For instance, extraordinary earnings or losses (e.g. due to natural disasters, expropriations, etc.), the cumulative effect of changes in accounting principles, or the discontinued operation of segment and capital transfers (e.g. irregular taxes).

⁸ Ibidem.

is a synonym of total payroll costs (TPC). It includes not only wage and salary costs but also other compensations related to the work. This information is only obtained by disaggregating the companies' costs.

Consumption of Fixed Capital is defined as "the reduction in the value of the fixed assets used in production during the accounting period resulting from physical deterioration, normal obsolescence or normal accidental damage". This concept is related to depreciation and amortization (D+A), which are related to the temporal deterioration of tangible and intangible assets, respectively. This information can be found disseminated in different areas of the Profit and Loss Statement of each company. On one side, we have the depreciation of the equipment "directly" used in production (i.e. the production plant), which is found within the cost of manufactured goods (part of cost of goods sold). On the other side, we have the depreciation of the equipment used in administration and sales, both of which are included in operating expenses. Because of this, the depreciation total can only be correctly estimated if itemized information is available for operating expenses and the cost of manufactured goods. Unfortunately, according to the Handbook, even if the itemized information is available, this concept will not be equivalent to Consumption of Fixed Capital for two reasons. The first reason is that companies use calculation methods of depreciation based on a tax rationale, which can bias the results. This is why it is necessary to use Financial Statements created for analytic use, and not those created for tax purposes. Second, the primary difference consists of the assessment of depreciated assets. In company accounting, the cost in books is used as asset value, whereas in national accounting the current prices should be used.

However, the Handbook mentions that many developing countries, due to the lack of information, use the depreciation as proxy for the Consumption of Fixed Capital. Likewise, it is also said that many of the differences between the National Accounting and the Financial Statements concern low-value transactions. If the assets may not be revalued, the gap between the two variables will not be significant.

Other Taxes on Production is defined as "taxes other than those incurred directly as a result of engaging in production; they mainly consist of current taxes on the labor or capital employed in the enterprise". This concept refers to special expenses that the State can impose on the companies: for example, property taxes, business licenses, stamp taxes, levies on use on vehicles, taxes on pollution, or taxes on employment. In the Profit and Loss Statement it appears under operating expenses.

Other Subsidies on Production were not taken into account during the calculation, due to the fact that the Peruvian State did not subsidize any private companies during 2005.

Thus, added value of the analyzed sectors has been calculated in the following way:¹⁰

$$VA = OI + W + (D + A)$$

Where:

VA = Value Added
 OI = Operating Income
 W = Total Payroll Costs
 D = Depreciation
 A = Amortization

⁹ Ibidem.

¹⁰ There is a financial indicator that adds up the operating income (net sales less production expenses), depreciation and amortization. This indicator of gross earnings is the EBITDA or earnings before interest, taxes, depreciation and amortization. EBITDA is generally calculated by deducting production expenses from net sales and adding depreciation and amortization costs.

Data for the four variables has been obtained, when possible, from the interviews with experts. Among these are CEOs, managers, high-ranking officials, association presidents, presidents of collective management societies, analysts, and others.

2.2. Employment Estimation Methodology

The Statistics and Informatics National Institute (INEI) provided the information on employment¹¹ contained in the Annual Economic Survey (EEA 2005)¹². The sampling frame of this survey considered a stratified sampling method, using the businesses' net sales. The strata considered were the forced stratum (which includes big business, along with all the hydrocarbon and electricity businesses and universities)¹³, the middle stratum (middle-sized business) and the small stratum (small business). The economic sectors¹⁴ included in the survey are:

- Agribusiness
- Communications and transport
- Construction
- Education
- Electricity
- Fisheries
- Hydrocarbon
- Housing
- Manufacturing
- Public companies
- Restaurants
- Services
- Trade
- Travel agencies
- Universities

According to the INEI, the coverage of the survey is nationwide and it is representative at a sectoral level, so that with the adequate expansion factors we can estimate the figures for the whole economy. Given that the expansion factors were not provided, it was necessary to calculate them according to the methodology given by the INEI.

As known, the expansion factors allow the calculation, from a representative sample, of population estimates (in this case the total population of businesses in the economy). The expansion factor for each business included in the sample is the inverse of its selection probability. The expansion factor methodology for the EEA 2005 of the INEI establishes that the selection probabilities can be expressed as:

$$P_h = \frac{n_h}{N_h}$$

Where:

- n_h : Number of selected businesses in economic sector h.
- N_h : Total number of businesses in economic sector h.
- P_h : Selection probability for economic sector h.

The expansion factor is calculated as the selection probability inverse:

¹¹In the sample it is possible to identify the economic activities at a four-digit level.

¹²Includes the outsourcing of employment.

¹³For middle and small strata, a sample is taken, and for the forced stratum, the sample is the universe. Nevertheless, the rate of response is not 100%.

¹⁴The request for information made by the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOP) detailed all the economic activities that the scope of the study includes (based on the WIPO Guide, WIPO, 2003). Thus, even when the whole database of the EEA is not available publicly, we are sure that for the CBIs the information is complete.

$$W_h = \frac{1}{P_h}$$

Where:

- W_h : Expansion factor for economic sector h.

However, since not all the businesses selected in the sample answered the survey, the expansion factors have to be adjusted using a "non answer" correction coefficient. The formula for this coefficient is:

$$\frac{n_h}{n'_h}$$

Where:

- n_h : Number of selected businesses in economic sector h.
- n'_h : Number of businesses that answered the survey in economic sector h.

The adjusted expansion factor is:

$$W'_h = W_h * \frac{n_h}{n'_h}$$

$$W'_h = \frac{1}{\frac{n_h}{N_h}} * \frac{n_h}{n'_h}$$

$$W'_h = \frac{N_h}{n'_h}$$

Hence, by exploring the data of the EEA, we can calculate the number of businesses that answered the survey in each economic sector, and the EEA 2005 sampling frame includes the total number of businesses in each economic sector (as seen on table 2.2.1), we can then calculate the adjusted expansion factor for each sector.

The procedure to calculate the expansion factors started with the association of the economic sectors with all their related ISIC codes at the four-digit level. This process was done using the description of the ISIC codes¹⁵. Then the expansion factors at the two-digit level were calculated following the INEI methodology presented above. In table 2.2.2 the expansion factors are shown.

Although almost all the estimations on employment are based on this source of information, some activities of the interdependent CBIs took as a source the National Household Survey (ENAHO 2005). In table 4.3.2 in chapter four these activities are detailed.

Table 2.2.1. Total Number of Businesses in Each Economic Sector

Economic Sector	Total number of businesses
Travel agencies	3,095

¹⁵The economic sectors included in the EEA 2005 were associated with all their related ISIC codes, assigning an ISIC code only to one economic sector. Then, using the ISIC codes identified for each economic activity, a match was made with the economic sectors

Table 2.2.1. Total Number of Businesses in Each Economic Sector

Economic Sector	Total number of businesses
Travel agencies	3,095
Agribusiness	3,767
Education	11,709
Trade	125,253
Construction	12,169
Public companies	221
Housing	5,432
Hydrocarbon	34
Fisheries	2,411
Manufacturing	40,031
Electricity	54
Communications and transport	25,079
Universities	48
Restaurants	10,524
Services	112,624
Total	352,451

Source: INEI. Dirección Nacional de Censos y Encuestas – Dirección Ejecutiva de Censos y Encuestas de Empresas y Establecimientos. (s/f) Encuesta Económica Anual 2005. Diseño Muestral.
Prepared by the authors

Table 2.2.2. Expansion Factors

Economic Sector	Expansion factor
Travel agencies	10.02
Education	36.71
Trade	50.69
Construction	21.61
Housing	8.05
Hydrocarbon	1.79
Fisheries	12.06
Manufacturing	21.28
Electricity	1.26
Communications and transport	28.76
Universities	0.15
Restaurants	15.59
Services	96.92

Note: The Agribusiness and the Public Companies expansion factors were not calculated.

Source: INEI. Dirección Nacional de Censos y Encuestas – Dirección Ejecutiva de Censos y Encuestas de Empresas y Establecimientos. (s/f) Encuesta Económica Anual 2005. Diseño Muestral.
Prepared by the authors

In order to calculate the employment for each of the CBIs at the country level, it was necessary to assume that the four-digit activities have the same behavior as the corresponding two-digit-level activity (sector). Thus the expansion factor of sector *i* (at a two-digit level) was assigned to activity *j* (at a four-digit level). This assumption may have introduced some bias in the estimation. As mentioned before, the EEA 2005 sampling frame considered three strata according to the size, so expansion factors in each economic sector should be calculated for each stratum. However, the available data did not include information to make this distinction. Thus, the bias comes from the fact that implicitly we are assuming the same behavior among the three strata.

While the process of estimation was developed, some results on the estimations on employment for some activities were not consistent with the common perception captured in the interviews and with other relevant statistical evidence, mainly getting what would be qualified as overestimations. Thus it was necessary to make some adjustments to have more conservative estimations for employment. Specifically, the expansion factor of Services, 96.92, was assigned to its corresponding four-digit level CBIs' activities in the first place. To correct the overestimation, this factor was changed by the smallest possible reasonable (in the sense of the nearest behavior to that activity) factor which is 21.28 (Manufacture). These changes are indicated in the table that presents the factors assigned to the CBIs' activities (table 2.2.3).

Table 2.2.3. Expansion Factors Assigned to Each CBI Activity at the ISIC Four-digit Level

ISIC Code	Expansion factor
1. Core Copyright Industries	
Press and Literature	
Class: 9214 - Dramatic arts, music and other arts activities*	21.28
Class: 2212 - Publishing of newspapers, journals and periodicals	21.28
Class: 2212 - Publishing of newspapers, journals and periodicals	21.28
Class: 2211 - Publishing of books, brochures and other publications	21.28
Class: 2219 - Other publishing	21.28
Class: 2221 - Printing	21.28
Class: 2222 - Service activities related to printing	21.28
Class: 5239 - Other retail sale in specialized stores	50.69
Music	
Class: 9214 - Dramatic arts, music and other arts activities*	21.28
Class: 9219 - Other entertainment activities n.e.c.*	21.28
Class: 2213 - Publishing of music**	1
Class: 2230 - Reproduction of recorded media*	21.28
Class: 7130 - Renting of personal and household goods n.e.c.*	21.28
Motion Picture and Video	
Class: 9211 - Motion picture and video production and distribution*	21.28
Class: 9212 - Motion picture projection*	21.28
Radio and Television	
Class: 9213 - Radio and television activities*	21.28
Class: 6420 - Telecommunications	28.76
Software and Databases	
Class: 7221 - Software publishing	96.92

Table 2.2.3. Expansion Factors Assigned to Each CBI Activity at the ISIC Four-digit Level (cont.)

ISIC Code	Expansion factor
Advertising Services	
Class: 7430 - Advertising	21.28
Photography, Visual and Graphic Arts	
Class: 7494 - Photographic activities	21.28
Copyright Collecting Societies	
Class: 9112 - Activities of professional organizations	96.92
2. Interdependent Copyright Industries	
Class: 3230 - Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods	21.28
Class: 3000 - Manufacture of office, accounting and computing machinery	21.28
Class: 3692 - Manufacture of musical instruments	21.28
Class: 3320 - Manufacture of optical instruments and photographic equipment	21.28
Class: 2429 - Manufacture of other chemical products n.e.c.	21.28
Class: 2101 - Manufacture of pulp, paper and paperboard	21.28
3. Partial Copyright Industries	
Class: 1810 - Manufacture of wearing apparel	21.28
Class: 1721 - Manufacture of made-up textile articles	21.28
Class: 1920 - Manufacture of footwear	21.28
Class: 3691 - Manufacture of jewelry and related articles	21.28
Class: 3610 - Manufacture of furniture	21.28
Class: 2610 - Manufacture of glass and glass products	21.28
Class: 173 - Manufacture of knitted and crocheted fabrics and articles	21.28
Class: 2029 - Manufacture of other products of wood	21.28
Class: 2899 - Manufacture of other fabricated metal products n.e.c.	21.28
Class: 1722 - Manufacture of carpets and rugs	21.28
Class: 2109 - Manufacture of other articles of paper and paperboard	21.28
Class: 3694 - Manufacture of games and toys	21.28
Class: 7421 - Architectural and engineering activities and related technical consultancy	96.92
4. Non-Dedicated Support Industries	
Division: 51 - Wholesale trade and commission trade, except of motor vehicles and motorcycles	50.69
Division: 52 - Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	50.69
Division: 60 - Land transport; transport via pipelines	28.76
Division: 61 - Water transport	28.76
Division: 62 - Air transport	28.76
Class: 630 - Supporting and auxiliary transport activities	10.02
Class: 6420 - Telecommunications	28.76
Class: 7240 - Database activities and on-line distribution of electronic content	96.92

Source: INEI-PRODUCE, EEA 2005.

2.3. Trade-flows Estimation Methodology

The estimation of trade flows – that is, exports and imports – is based on the selection of the custom codes corresponding to the ISIC codes of the CBIs' activities. The equivalence for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA) obtained from PRODUCE¹⁶, indicating which custom code corresponds to which ISIC code, has been used for this purpose. The information on exports and imports for the different custom codes has been obtained from the National Customs Administration Superintendence Statistical Yearbook (SUNAD 2005a and 2005b).

¹⁶ Correlacionador Código CIU Rev. 3 – Partida arancelaria NANDINA.

3. The Legal Framework for Copyright and Related Rights in Peru

3.1. Overview

Peru has signed the main international agreements on Copyright and Related Rights. Among these are the Berne Convention for the Protection of Literary and Artistic Works, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

Also, as a country member of the Andean Community, in 1993 Peru adopted Decision 351 (Common Regime on Copyright and Related Rights). Legislative Decree No. 822 (Copyright Law) was subsequently promulgated in 1996, followed in 2003 by Law No. 28131 (Law of Interpretive Artists and Performers).

An important Trade Promotion Agreement (TPA) was signed between Peru and the United States of America on April 12, 2006. After the corresponding implementation process, which will be further explained, the TPA entered into force on February 1, 2009.

With respect to the Copyright Law, Article 2.17 states that a work is any personal and original intellectual creation capable of being disclosed or reproduced in any form that is or may yet become known. With regard to the requisite of originality, the Intellectual Property Chamber of the Tribunal of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOP) issued Resolution No. 286-1998-TPI-INDECOP on March 23, 1998, establishing the following as mandatory premises:

"Originality of the work must be understood as a creative and individualized expression (or representative form) of the work, and as a minimum it should be a creation with individuality. The work must express the author's own work, bearing the stamp of his personality.

Anything forming part of cultural (artistic, scientific or literary) heritage will not be considered as individual, nor a form of expression that is derived from the nature of things or a mere mechanical application of the provisions in some legal norms, nor a form of expression that is a simple technique or simple instructions that require only manual ability for their performance.

Consequently, not all material produced by the efforts of its creator deserves copyright protection. Likewise, even though a creation is certainly devoid of individuality that has been copied very textually, such circumstance does not convert this into a work."¹⁷

With regard to copyright and related rights, the Copyright Law and the Law of Interpretive Artists and Performers recognize the following moral and economic rights, also indicating the duration of such protection:

¹⁷ Non-official translation.

Table 3.1.1. Copyrights, Acknowledged by the Copyright Law and the Law of Interpretive Artists and Performers

Category (copyright)	Description	Protected rights	Duration of protection
Literary works	Expressed in written form: - Books - Magazines - Pamphlets or other writings - Journalistic articles, editorials and commentaries. - Slogans and phrases - Computer programs (software) Expressed orally: - Lectures - Addresses - Sermons - Educational presentations	Moral Rights: - Disclosure - Authorship - Integrity - Alteration or amendments - Withdraw the work from the market - Access Economic Rights: Exclusive right to carry out, authorize or prohibit - Reproduction - Public communication - Distribution - Translation, adaptation, arrangement or any other transformation. - Import to national market. - Any other use of the work that is not provided for in the law as an exception to the economic rights.	- The term of economic rights shall be the lifetime of the author and 70 years following his death, regardless of the country of origin of the work. - In the case of collective works, computer programs and audiovisual works, economic rights shall lapse after 70 years following first publication or, in the absence of publication, following completion. - The above-mentioned periods shall be calculated from the first of January of the year following that of the author's death or where appropriate that of the disclosure, publication or completion of the work.
Musical works Stage works	- Musical compositions (melodies) - Dramatic works - Dramatic-musical works - Choreographic works - Mimed works		
Audiovisual works	- Cinematographic works - Audiovisual works for television - Advertising announcements		

Prepared by the authors

Table 3.1.1. Copyrights, Acknowledged by the Copyright Law and the Law of Interpretive Artists and Performers (Cont.)

Category (copyright)	Description	Protected rights	Duration of protection
Plastic works of art	<ul style="list-style-type: none"> - Sketches - Drawings - Paintings - Sculptures - Engravings - Lithographs 		
Works of applied art	An artistic creation with utilitarian functions or incorporated in a useful article, whether a work of hand-craft or produced on an industrial scale.		
Works of architecture			
Photographic works			
Maps, illustrations, outlines, plans, diagrams and three-dimensional works related to geography, topography, architecture or science			
Anthologies or compilations of several works or expressions of folklore, and databases (only if the collections are original in the selection, coordination or arrangement of their contents)			
Any other creation of the intellect that has original character and is capable of being disclosed or reproduced in any form that is or may yet become known.			

Prepared by the authors

Table 3.1.2. Neighboring Rights, Acknowledged by the Copyright Law and the Law of Interpretive Artists and Performers

Category (related rights)	Description	Rights protected	Duration of protection
Interpretive Artists and Performers	Individual who represents or performs an artistic work, with or without text, using his body or abilities, with or without instruments, that is exhibited or shown in public, being an interpretation and/or performance that may be spread by any medium of communication or be set to adequate support, created or to be created.	<p>Moral Rights:</p> <ul style="list-style-type: none"> - Right of authorship: To demand the recognition of his name, stage name and/or pseudonym, and vindicate its interpretation and performances. - Right of Integrity: To be against any deformation, mutilation or modification of its interpretation. - Right of Access: To have access to the sole copy of the support that contains his artistic creation, in order to exercise his other moral or economic rights. Access need not allege damage to the holder of the support nor an attempt at copyright violation. <p>Economic Rights:</p> <ul style="list-style-type: none"> - Economic Rights of Interpretive Artists and Performers to their non fixed interpretations or performances: exclusive right to authorize broadcasting and public communication, fixation. - Exclusive Right to authorize, carry out or prohibit reproduction - Exclusive Right to authorize distribution - Exclusive Right to make available to the public said interpretations or performances - Right to equitable remuneration for broadcasting, public communication, rent and transfer to a different format. - Exclusive Right to authorize dubbing - Compensation for private copy (in favor of the artist, the author and the producer of videogram and/or phonogram) 	The lifetime of the performer and 70 years thereafter, counted from the first of January of the year following his death.
Producers of phonograms	The person, whether natural person or legal entity, on whose initiative and responsibility and at whose direction the sounds of a performance or other sounds, or digitized representations thereof, are fixed for the first time.	<p>They have the exclusive right to carry out, authorize or prohibit any of the following acts:</p> <ul style="list-style-type: none"> - reproduction of their phonograms, either direct or indirect - distribution, rental or lending of copies of their phonograms to the public, or any other transfer possession thereof, for consideration - make the phonograms available to the public - inclusion of their phonograms in audiovisual works - alteration of their phonograms by technical means <p>Also, they have the right to receive remuneration for the communication of the phonograms to the public by any means or process. Such remuneration shall be shared equally among the performers.</p>	70 years, counted from the first of January of the year following that of the first publication of the phonogram.

Prepared by the authors

Table 3.1.2. Neighboring Rights, Acknowledged by the Copyright Law and the Law of Interpretive Artists and Performers (Cont.)

Category (related rights)	Description	Rights protected	Duration of protection
Broadcasting organizations	The person, whether natural person or legal entity, who decides on the material broadcast, has control over programming and the date and time of broadcasts.	They have the exclusive right to carry out, authorize or prohibit the following: - retransmission of their broadcasts by any means or process that is or may yet become known - recording of their broadcasts on any sound or audiovisual medium, including that of any isolated image included in the broadcast or transmission concerned - reproduction of their broadcasts They shall likewise have the right to receive equitable remuneration for the communication of their broadcasts or transmissions to the public where it takes place in places open to the public on payment of an admission charge or purchase of a ticket.	70 years, counted from the first of January of the year following that of the broadcast or transmission.
Recordings of moving images	The Law recognizes a right of exploitation in relation to recordings of moving images, with or without sound, that are not creations capable of qualifying as audiovisual works.	The producer enjoys, in relation to his audiovisual recordings, the exclusive right to authorize or not to authorize reproduction, distribution and communication to the public, including that of photographs taken in the course of production of the audiovisual recording.	70 years, counted from the first of January of the year following that of the disclosure of the recording, or that of its making if it has not been disclosed.
Photographs	Photographs or another form of fixation by means of a comparable process that does not qualify as a work according to the definition of the Copyright Law.	Exclusive right for photographer to authorize the reproduction, distribution and communication to the public thereof on the same conditions as are accorded to the authors of photographs.	70 years counted from the first of January of the year following that of the taking of the photograph.
Unpublished works in the public domain	Publication for the first time of a work that is in the public domain.	The same exploitation rights for the publisher in relation to the unpublished work in the public domain as would have accrued to its author.	10 years, counted from the first of January of the year following that of publication.

Prepared by the authors

INDECOPi's Copyright Office¹⁸, as indicated in the Copyright Law, is the competent national authority responsible for administratively assuring and protecting copyright and neighboring rights.

According to the Copyright Law, Collecting Societies are legally constituted, non-profit-making associations under civil law devoted to the management, in their own or by delegation of third parties, of copyright or neighboring rights of economic character on behalf and in the interest of a number of authors or owners of such rights. They must obtain authorization for functioning as such from INDECOPi's Copyright Office, as regulated in the Law. The status of the management society is acquired by virtue of this authorization. Currently there are the following Collective Management Societies in Peru:

1. Peruvian Association of Authors and Composers (APDAYC)
2. Peruvian Association of Visual Artists (APSAV)
3. National Association of Interpretive Artists and Performers (ANAIIE)
4. Peruvian Union of Phonographic Producers (UNIMPRO)
5. Audiovisual Producers' Rights Management Association (EGEDA)

It should also be indicated that Legislative Decree No. 635, the Penal Code in force since April 1991, has undergone a series of modifications as concerns crimes against intellectual rights. The tendency has been to increase the penalties, thus seeking to continually reduce the violation of the exclusive rights granted for intellectual property.

Law No. 28289, the Law to Fight against Piracy, published in July 2004, modified Law No. 27595 of December of 2001, that had created the Commission to Fight Against Smuggling and Customs Fraud, providing for a change in its name, resulting now in the Commission to Fight against Customs Crimes and Piracy, also extending its functional competence to crimes against intellectual property. The Commission is composed of a multi-sectorial group of both State and private-sector entities, and is headed by the Minister of Production, exercising its functions through its Technical Secretariat. Law No. 29013 of May of 2007 modified the composition of members of the Commission as follows:

- a) Minister of Production
- b) A representative of the Ministry of Economy and Finance
- c) A representative of the Ministry of Foreign Commerce and Tourism
- d) A representative of the Ministry of the Interior
- e) A representative of the Ministry of Defense
- f) The Chief of the Peruvian Tax and Customs Administration (SUNAT)
- g) A representative of the Public Ministry
- h) The President of INDECOPi
- i) The President of the National Confederation of Private Business Associations (CONFIEP)
- j) The President of the National Society of Industries
- k) The President of Lima Chamber of Commerce
- l) A representative of the Micro and Small Enterprises Group
- m) A representative of the Regional Government of Tumbes
- n) A representative of the Regional Government of Loreto
- o) A representative of the Regional Government of Puno
- p) A representative of the Regional Government of Tacna

¹⁸In accordance with the amendment introduced by Legislative Decree No. 1033 (published on June 25, 2008; effective 60 days after its publication), the Copyright Office (ODA) is now named the Copyright Direction.

In 2003, the country's leading movie and video exhibition and rental companies, in cooperation with INDECOPI, joined efforts to implement what is being called the "Antipiracy Crusade Initiative" and, in this way, alert the population and the competent authorities to the increasing significance of piracy in Peru, as well as to suggest means for fighting this problem. The Phonographic Copyright Protecting Association (APDIF Peru) has a similar role for music phonograms.

Another provision in the fight against piracy is Ordinance No. 717, published in October 2004 by the Lima Metropolitan Council. This established a metropolitan policy of contributing to the prevention of trading products violating intellectual property rights, by means of the closing of those establishments that market or produce these types of products, as well as the seizure of such products. To do so, the municipal boroughs will have to disseminate the scope of this Ordinance and, provided that it is within the jurisdiction of the Lima Metropolitan Council, will have to adapt their norms to comply with the provisions of the Ordinance.

Administrative Resolution No. 122-2006-CE-PJ was published in November 2006. This established that the National Criminal Court and the 1st, 2nd, 3rd and 4th Supra-provincial Courts sitting in Lima also have competence for hearing cases involving tax and customs crimes and crimes against intellectual property, thus expanding their powers. It is thus possible to attack the large criminal organizations dedicated to smuggling, tax evasion and piracy. This mission must be reinforced with intense training for the magistrates.

Administrative Resolution No. 223-2007-CE-PJ of September 2007 specified the scope of Administrative Resolution No. 122-2006-CE-PJ, indicating that the competence of the National Criminal Court and the Supra-provincial Courts is reserved for massive and complex cases with national repercussions that involve criminal organizations¹⁹.

By Legislative Resolution No. 28766, published on June 29, 2006, the Trade Promotion Agreement between Peru and the United States of America was approved. In Chapter XVI of this agreement, provisions to observe and safeguard the Intellectual Property Rights were established, which have been incorporated into our legislation as follows, for the entry into force of the Agreement (February 1, 2009):

- I. Legislative Decree No. 1033 published on June 25, 2008
It aims to institutionally strengthen INDECOPI and consolidate its autonomy. With regard to the Copyright Office, a four-member Commission has been created inside, which resolves, in the first administrative instance, the annulment and cancellation of registration certificates and complaints of copyright infringement.
- II. Legislative Decree No. 1076 published on June 28, 2008. It has amended the Copyright Law in the following terms:
 - II.1. Incorporates two new definitions: rights management information and technological protection measures.
 - II.2. Establishes that producers of phonograms have the exclusive right to perform, authorize or prohibit: the making available to the public of phonograms in a manner that members of the public may access them from a place and a time that they choose.
 - II.3. Establishes that the rights holders recognized in the Law, its representatives or the Collecting Societies and their exclusive licensees or other authorized licensees, without prejudice to other actions that correspond to them, may require the cessation of the illegal activity of the offender and demand compensation for material and moral damages caused by the violation and the

¹⁹It is important to mention that after the publication date of the Administrative Resolution No. 094-2009-CE-PJ (April 7, 2009), Administrative Resolutions No. 122-2006-CE-PJ and No. 223-2007-CE-PJ are no longer applicable to new cases.

profits obtained by the infringer attributable to the infringement and which were not taken into account when calculating the amount of damages, or by choice of the right holder, the pre-established compensation, and the payment of costs and expenses.

- II.4. Establishes the cases of circumvention of technological protection measures, as well as a list of exceptions.
 - II.5. Incorporates the cases of infringements related to the removal or alteration of rights management information.
 - II.6. Specifies that the court authorities will destroy the infringing goods, at the request of the right holder, unless there are exceptional circumstances. It has also given these authorities the power to order the infringers to provide any information they have about those involved in any aspect of the infringement.
- III. Legislative Decree No. 1092 published on June 28, 2008
Through this legislative decree the legal framework for the implementation of border measures for the protection of copyright, neighboring rights and trademark rights is established. It mentions that the right holder may submit an application to the Customs Administration to suspend the release of infringing goods. Similarly, the Customs Administration may initiate ex officio border measures for the suspension of the release of goods for the regime of import, export or transit, when there is reasonable suspicion to believe that they are infringing goods. As complementary provisions, it establishes that the Customs Administration and INDECOPI will implement an electronic system of information exchange of rights holders, and that the Customs Administration can implement a voluntary registration of rights holders and their representatives. Finally, it is noteworthy that the corresponding Implementing Regulation (Supreme Decree No. 003-2009-EF) was published on January 13, 2009.
 - IV. Law No. 29263, published on October 2, 2008, and Law No. 29316²⁰, published on January 14, 2009
Both laws incorporate significant changes to the Criminal Code of 1991. Consequently, taking into consideration the changes that were made in the Criminal Code with Law No. 27729 (2002) and Law No. 28289 (2004), now the criminal laws have the following wording:
 - IV.1. Copy or unauthorized reproduction – is punishable with imprisonment for not less than two nor more than four years and a ten- to sixty-day fine, when the person that is authorized to publish a work does so in one of the following ways:
 - a) No mention in the copies of the name of the author, translator, adapter, compiler or arranger.
 - b) Stamping the name with additions or deletions affecting the reputation of the author as such, or in its case, the translator, adapter, compiler or arranger.
 - c) Publishing the work with abbreviations, additions, deletions, or any other amendment, without the consent of the right holder.
 - d) Publishing several products separately, when authorization has been given for publication in whole, or publishing them together, when only has authorization for the publication of them separately.
 - IV.2. Reproduction, dissemination, distribution and circulation of the work without the permission of the author – is punishable with imprisonment for not less than two nor more than six years and a thirty- to ninety-day fine, when the person, with respect to a work, an artistic performance, a phonogram or a broadcast or broadcasting transmission, or an audiovisual recording or

²⁰It is noteworthy that Law No. 29316 also amends the Copyright Law, ensuring that no hierarchy is established between authors and neighboring rights.

photographic image expressed in any form, does any of the following acts without the prior written authorization of the author or right holder:

- a) It is modified in whole or in part.
- b) It is distributed by sale, rental or public lending.
- c) It is publicly communicated or broadcasted, transmitted or retransmitted by any media or process reserved for the respective right holder.
- d) It is played, distributed or communicated in greater numbers than authorized in writing. The penalty is not less than four nor more than eight years and a sixty- to one-hundred-and-twenty-day fine, when the agent reproduces in whole or in part, by any media or process, and if the distribution is made by sale, rental or public lending or other way of transfer the possession of the medium that contains the work or production that exceeds the two (2) Tax Units²¹, in a single act or different acts of a lower amount each.

IV.3. Aggravated penalties. The penalty is imprisonment for no less than four nor more than eight years and a ninety- to one-hundred-and-eighty-day fine when:

- a) Making available to the public an undisclosed or unpublished work, that was received in confidence from the copyright holder or someone on his behalf, without the consent of the right holder.
- b) The reproduction, distribution or public communication is made for commercial or other economic advantage, or by altering or deleting the name or pseudonym of the author, producer or right holder.
- c) Knowing the illicit origin of the copy or reproduction, it is distributed to the public, by any media, it is stored, hidden, or it is introduced or taken out of the country.
- d) Manufacture, assembly, import, export, modify, sell, rent, offer for sale or rent, or make up any other way to put in circulation devices, tangible or intangible systems, schemes or equipment that could transgress another device intended to prevent or restrict the making of copies of works, or impair the quality of copies, or capable of allowing or encouraging the receipt of an encrypted program, broadcasted or communicated in other ways to the public, by those who are not authorized to do so.
- e) Register in the Copyright Registry the work, interpretation, production or emission of others, or any other intellectual property, as own or as that of a person other than the true right owner.

IV.4. Plagiarism – is punishable with imprisonment for not less than four nor more than eight years and a ninety- to one-hundred-and-eighty-day fine, to whom with respect to a work, disseminate it as own, in whole or in part, copying or reproducing it literally, or trying to disguise the copying by certain alterations, assuming as own or to another, the authorship or ownership of others.

IV.5. Aggravated forms – is punishable with imprisonment for not less than four nor more than eight years and a ninety- to three-hundred-and-sixty-five-day fine:

- a) Who assumes falsely the quality of primary or derivative right holder of any rights protected by the copyright law and neighboring rights, and with that improper assumption, obtains the competent authority to suspend the act of communication, reproduction or distribution of the work, interpretation, production, broadcasting or any other protected intellectual property.
- b) Who carries out activities of a Collecting Society of copyright law or neighboring rights without the due authorization of the competent administrative authority.
- c) Who submits false statements in certificates of income; public assistance; used repertoire; identity of authors; allegedly obtained permission; number of copies produced, sold or distributed free of charge or any other adulteration of data likely to cause injury to any of the copyright or neighboring rights holders.

d) If the agent that commits the crime integrates an organization intended to perpetrate illegal acts.

e) If the agent that commits any of the mentioned crimes is an official or public servant.

IV.6. Circumvention of technological protection measures. A person who, for commercialization or other economic advantage, without authorization, circumvents any technological protection measure that is utilized by the producers of phonograms, artists or performers and authors of any work protected by intellectual property rights, shall be punished with imprisonment no more than two years and a ten- to sixty-day fine.

IV.7. Products intended for the circumvention of technological protection measures. A person who, for commercialization or other economic advantage, manufactures, imports, distributes, offers to the public, provides or otherwise commercializes devices, products or components intended primarily for the circumvention of technological protection measures used by producers of phonograms, artists, performers and authors of any work protected by intellectual property rights, shall be punished with imprisonment no more than two years and a ten- to sixty-day fine.

IV.8. Services intended for the circumvention of technological protection measures. A person who, for commercialization or other economic advantage, provides or offers services to the public primarily intended for the circumvention of technological protection measures that are utilized by the producers of phonograms, artists, performers and authors of any work protected by intellectual property rights, shall be punished with imprisonment no more than two years and a ten- to sixty-day fine.

IV.9. Crimes against rights management information. Any person who, without authorization and for commercialization or other economic advantage, removes or alters, either by itself or through another, any information about rights management, will be punished with imprisonment no more than two years and a ten- to sixty-day fine. The same penalty will be imposed on the person who distributes or imports for distribution rights management information, knowing that this has been removed or altered without authorization; or distributes, imports for distribution, broadcasts, communicates or makes available to the public copies of works, interpretations or executions or phonograms, knowing that the rights management information has been removed or altered without authorization.

IV.10. Labels, covers or packaging. The person who manufactures, commercializes, distributes, stores, transports, transfers or otherwise arranges for commercial or other economic advantage fake labels or covers attached or designed to be attached to a phonogram, a copy of computer software, documentation or packaging of computer software or a copy of a cinematographic or other audiovisual work, will be punished with imprisonment for no less than three nor more than six years and a sixty- to one-hundred-and-twenty-day fine.

IV.11. Manuals, licenses or other documentation, or fake packaging related to computer software. The person that develops, commercializes, distributes, stores, transports, transfers or arranges for commercial or other economic advantage manuals, licenses or other documentation, or fake packaging for computer software, will be punished with imprisonment for no less than four nor more than six years and a sixty- to one-hundred-and-twenty-day fine.

IV.12. Preventive seizure and definitive confiscation. In the crimes mentioned above it will proceed the preventive seizure of the copies and materials, equipment or media used to commit the illegal act and, if so, of the assets and any documentary evidence related to the crime. If necessary, the Public Prosecutor will ask the Judge for permission to read the documentation that is in the place of the intervention, and in the execution of that authorization the documentation related to the field of investigation will be seized. For the seizure is not required to identify individually all the materials, only if the necessary measures are taken so that during the judicial process all of them are identified. In this event the representative of the Public Ministry participates. Also, the Judge,

²¹In 2009, the Tax Unit is equivalent to S/. 3,550.00 (approximately US\$ 1,109.00 at the average exchange rate of February 2009)

at the request of the Public Ministry, will order to search or to unlock the premises where the crime is being committed. In case of criminal conviction, the copies, illegal material, equipment and media used to commit the illegal action will be confiscated and destroyed, unless in exceptional cases evaluated by the judicial authority. In no case will the illegal copies be returned to the defendant.

- IV.13. Devices to assist the decoding of satellite signals carrying programs. A person who manufactures, assembles, modifies, imports, exports, sells, rents or distributes by any media a tangible or intangible device, whose primary function is to assist in decoding an encrypted satellite signal that carries programs without authorization from the legal distributor of that signal, will be punished with imprisonment for no less than four nor more than eight years and a ninety- to one-hundred-and-eighty-day fine.
- IV.14. Distribution of satellite signals carrying programs. The person who distributes a satellite signal carrying a program, originally encoded, in the knowledge that it was decoded without the authorization of the legal distributor of that signal, will be punished with imprisonment for no less than two nor more than six years and a thirty- to ninety-day fine.
- IV.15. Protection of encrypted satellite signals. Whoever receives a satellite signal that carries a program originally encrypted, knowing that it was decoded without the authorization of the legal distributor of the signal, will be punished with forty to eighty hours of community service or a ten- to sixty-day fine.

We believe that the recent legislative changes will be useful for advancing the goal of achieving adequate copyright and related rights protection in our country. Not only have penalties for cases of circumvention of technological protection measures and infringements related to the alteration of rights management information been established, but changes to the Criminal Code have been incorporated and provisions for the implementation of border measures have been issued. Similarly, INDECOPI has been institutionally strengthened and additional faculties have been granted to the judicial authorities.

Finally, to obtain better results in combating piracy, the administrative and judicial authorities should have more resources and people should be educated about respecting intellectual property.

4. The Economic Contribution of Copyright-Based Industries in Peru

4.1. Background and Basics of CBI Performance

The recent economic performance of the Peruvian economy is presented to provide context to the estimated figures for copyright-based industries. Of particular importance is the performance of the economy in 2005, which is the year used for the estimation of the CBIs. Since 2002, the Peruvian economy has been growing at rates above 4%; indeed, in the period 2002-2007, the real Gross Domestic Product (GDP) grew on average by 6.5%. Specifically, in the year 2005, the growth rate was 6.7%, and the value added reached US\$ 71.5 billion. Furthermore, according to INEI, in 2005 Peru reached fifth position in terms of growth rates in Latin America.

According to the National Household Survey (ENAH0) of 2005, applied by the INEI, the total working-age population was around 20 million. Of that number, 699,000 people are in the category of open unemployment, 631,000 are in hidden unemployment, and 5.5 million are inactive, leaving the employed population at 13.2 million.

The current account balance in 2005, according to the BCRP, showed a surplus equal to 1.4% of GDP in that year. In nominal terms, it was US\$ 1,148 million, a great improvement on the average of US\$ -2,124 million found in the 1991-2004 period. This surplus is explained by the positive trade balance, which was 6.7% of the GDP, that is to say, US\$ 5,286 million. Exports amounted to US\$ 17,368 million (21.9% of GDP) and imports were US\$ 12,082 million (15.2% of GDP). The main export products were traditional exports (mainly natural resource extraction), which accounted for US\$ 12,950 million, with mining representing 75% of this total. Non-traditional exports accounted for US\$ 4,277 million, and consisted mainly of agricultural and textile exports (US\$ 1,008 million and US\$ 1,275 million, respectively).

Table 4.1.1. Macroeconomic Indicators of the Peruvian Economy

Variable	Amount
Value Added (nominal US\$) ^{1/}	71,501,003,834
National Employment (units) ^{2/}	13,243,977
FOB Exports (US\$) ^{3/}	17,367,684,267
CIF Imports (US\$) ^{3/}	12,081,608,791
Trade Balance (US\$) ^{3/}	5,286,075,476

1/ Statistics and Informatics National Institute.

2/ Statistics and Informatics National Institute, National Household Survey (ENAH0) 2005.

3/ Central Reserve Bank of Peru.

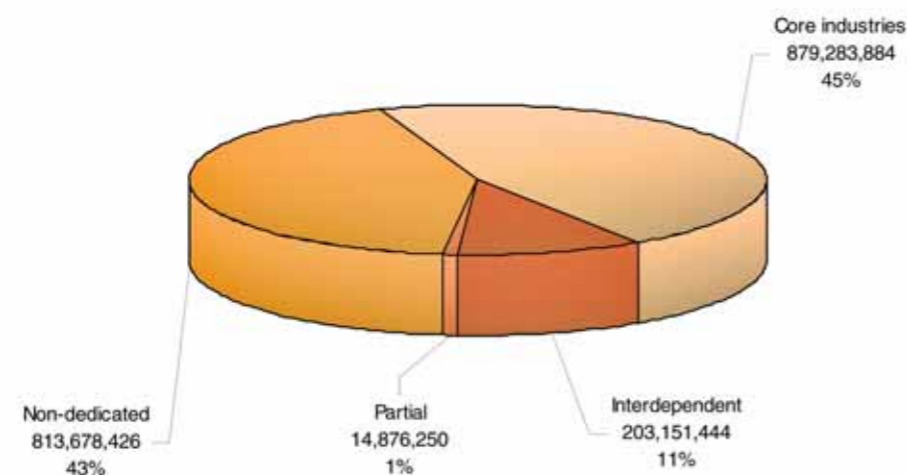
On aggregate, copyright-based industries' contribution to Peruvian value added represents 2.7% of its total, reaching US\$ 1,911 million in 2005. Their importance to employment is larger, with 596,000 jobs that represent 4.5% of the national employment. In both cases (see figures 4.1.1 and 4.1.2), the main contributors are core (45% for value added and 46% for employment) and non-dedicated CBIs (43% for value added and 50% for employment).

Table 4.1.2. Copyright-Based Industries' Contribution to National Economy, 2005

Copyright-based industries	Value Added (US\$)	As a percentage of National V.A.	Employment (persons)	As a percentage of National employment
Core Industries	879,283,884	1.23%	276,625	2.09%
Interdependent	203,151,444	0.28%	18,950	0.14%
Partial	14,876,250	0.02%	8,743	0.07%
Non-Dedicated	813,678,426	1.14%	291,632	2.20%
Total	1,910,990,004	2.67%	595,950	4.50%

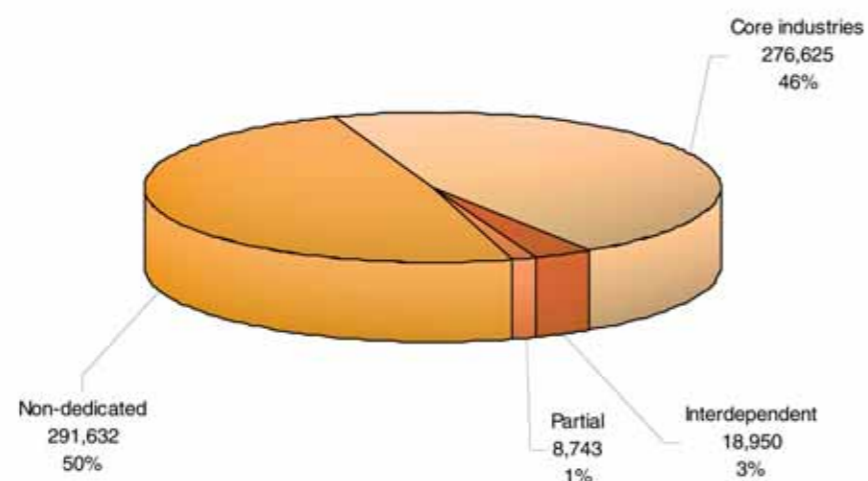
Source: Tables in chapters 4 and 5.
Prepared by the authors

Figure 4.1.1. Copyright-Based Industries' Share of Value Added, 2005



Source: Tables in chapters 4 and 5.
Prepared by the authors

Figure 4.1.2. Copyright-Based Industries' Share of Employment, 2005



Source: Tables in chapters 4 and 5.
Prepared by the authors

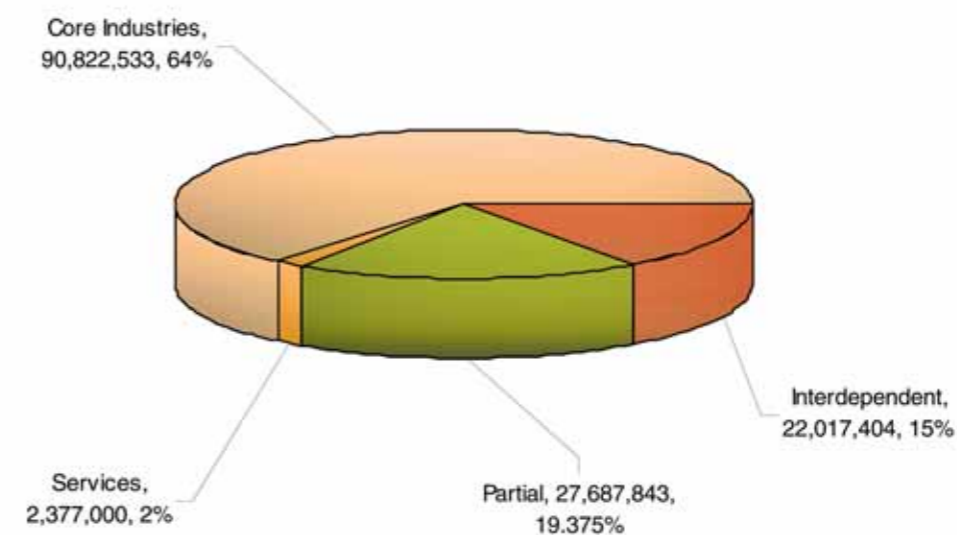
Core CBIs have an important role in total copyright-based industries' exports (as in the case of value added and employment). However, on aggregate, copyright-based industries' exports (US\$ 143 million) represent less than 1% of total national exports. Imports amount to US\$ 652 million (5.4% of national imports), with interdependent industries as the main importers, followed by services exports. Copyright-based industries' trade balance in 2005 was negative, representing almost 10% of the national trade balance.

Table 4.1.3. Copyright-Based Industries' Trade Statistics, 2005

Copyright-based industries	Exports (US\$)	As a percentage of National exports	Imports (US\$)	As a percentage of National imports	Trade Balance (US\$)	As a percentage of National Trade Balance
Core Industries	90,822,533	0.52%	21,850,948	0.18%	68,971,585	1.30%
Non-Core Industries						
Interdependent	22,017,404	0.13%	520,264,468	4.31%	-498,247,064	-9.43%
Partial	27,687,843	0.16%	11,732,856	0.10%	15,954,987	0.30%
Services	2,377,000	0.01%	97,898,640	0.81%	-95,521,640	-1.81%
Total	142,904,780	0.82%	651,746,912	5.40%	-508,842,132	-9.63%

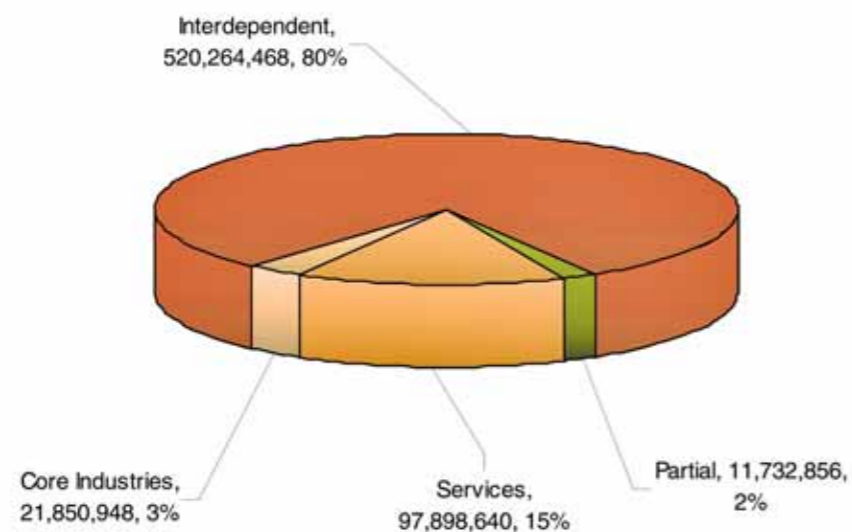
Source: Tables in chapters 4 and 5.
Prepared by the authors

Figure 4.1.3. Copyright-Based Industries' Share of Exports, 2005



Source: Tables in chapters 4 and 5.
Prepared by the authors

Figure 4.1.4. Copyright-Based Industries' Share of Imports, 2005

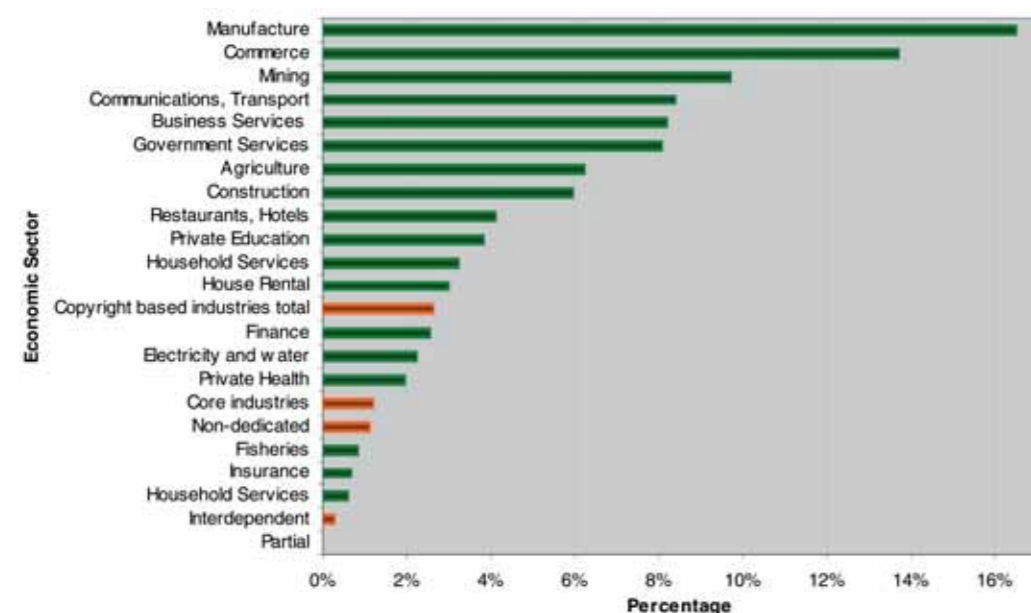


Source: Tables in chapters 4 and 5.
Prepared by the authors

Comparison with Other Economic Sectors

The total contribution of copyright-based industries to the value added (2.6%) is similar to the contributions of house rental (2.98%), finance (2.56%), and water and electricity supply (2.25%). Core industries contribute 1.22% to total value added (US\$ 997,045,973) while non-core industries' contribution is slightly higher, with 1.59% (US\$ 218,841,372). Economic sectors with similar importance to value added are communications (2.00%), private health (1.98%) and fisheries (0.86%).

Figure 4.1.5. Percentage of Total Value Added by Economic Sector, 2005



Source: BCRP and tables in chapters 4 and 5.
Prepared by the authors

4.2. Core Copyright Industries

According to the WIPO Guide (2003): "The core copyright industries are industries that are wholly engaged in creation, production and manufacturing, performance, broadcast, communication and exhibition, distribution and sales of works and other protected subject matter". Thus all creation of value added, employment and trade flows are assigned to these industries as their contribution to the economy. In chapter 5, the specific methodology and assumptions to make the estimations are explained in detail. Since it was not possible to obtain reliable data on value added for photography, visual and graphic arts, its contribution to the national value added was estimated, assuming the same value-added-to-employment ratio as the motion picture industry and adding up the royalties distributed by APSAV (US\$ 4,000).

Contribution to Value Added

In 2005, core copyright industries' contribution to value added was the most important among copyright-based industries, with 1.2% of the total value added generated in Peru. The total value added contribution is US\$ 879 million. However, core industries have great differences in their stages of development and contribution, as table 4.2.1 shows.

Table 4.2.1. Core Industries' Contribution to Value Added, 2005

Core copyright industries	Value Added (US\$)	As a percentage of National V.A.
Press and literature	629,782,639	0.8808%
Music	12,665,521	0.0177%
Motion picture	11,042,989	0.0154%
Software	78,798,096	0.1102%
Radio and TV	100,772,357	0.1409%
Advertising	42,900,000	0.0600%
Photography, visual and graphic arts	2,381,365	0.0033%
Copyright Collecting Societies	940,918	0.0013%
Total	879,283,884	1.2298%

1/ Assuming the same value-added-to-employment ratio as the motion picture industry and adding up the royalties distributed by APSAV (US\$ 4,000).

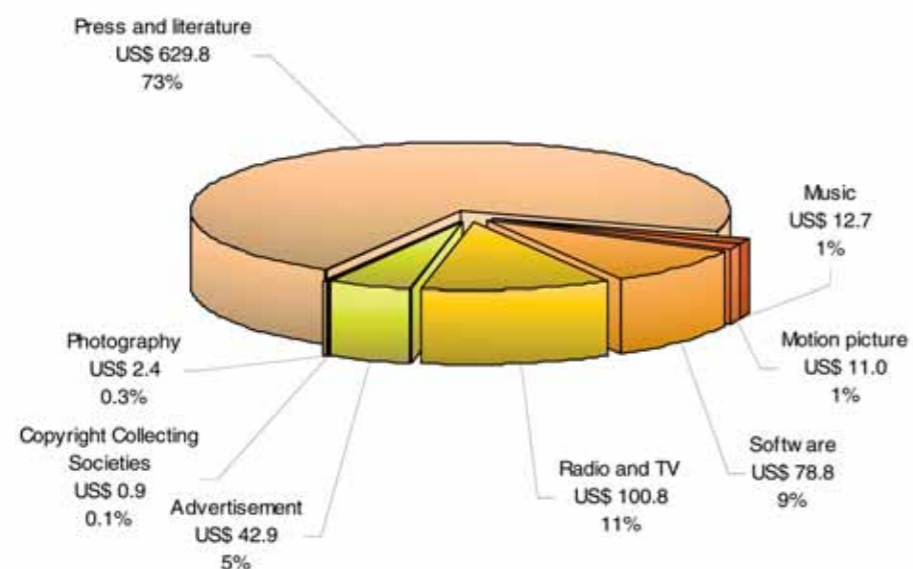
Source: INEI.

Source: Tables in chapter 5.

Prepared by the authors

Among the different core industries, the largest contribution to value added is made by press and literature, which accounts for 73% of the core industries' contribution. Other industries of importance are radio and TV (11%) and software (9%). The contribution of each core copyright industry can be found in table 4.2.1, while their relative importance can be observed in figure 4.2.1.

Figure 4.2.1. Core Industries' Contribution to Value Added, 2005 (millions of US\$)



Source: Tables in chapter 5.
Prepared by the authors

Contribution to Employment

Core copyright industries' contribution to total employment in Peru is the second highest for copyright-based industries, with 2.09%. As in the case of value added, the magnitude of the contribution to employment varies considerably between the different industries. For example, while 148,578 jobs can be attributed to press and literature, only 149 can be credited to copyright collecting societies. The detailed data can be found in table 4.2.2.

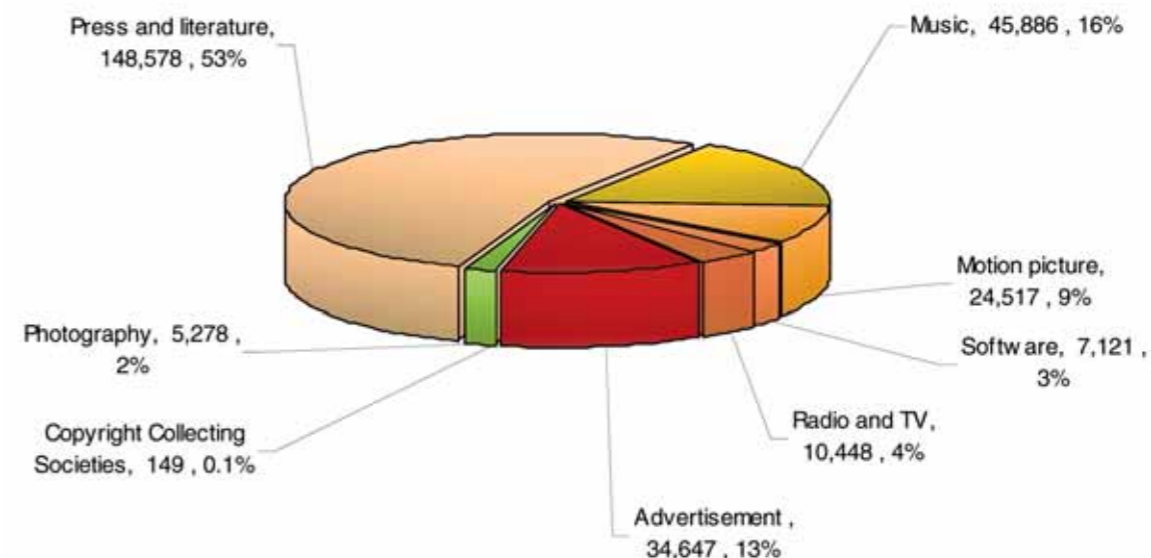
Table 4.2.2. Core Industries' Contribution to Employment, 2005

Core copyright industries	Employment (number)	As a percentage of National Employment
Press and literature	148,578	1.1219%
Music	45,886	0.3465%
Motion picture	24,517	0.1851%
Software	7,121	0.0538%
Radio and TV	10,448	0.0789%
Advertising	34,647	0.2616%
Photography, visual and graphic arts ^{1/}	5,278	0.0399%
Copyright Collecting Societies	149	0.0011%
Total	276,625	2.0887%

^{1/} EEA, 2005 (see chapter 2 for the methodology of estimation).
Source: Tables in chapter 5.
Prepared by the authors

The largest contributor to employment among the core industries is – as in the case of value added – press and literature (53% of the core industries' employment), followed by the music and advertising industries (16% and 13%, respectively). The relative importance of core industries to employment is shown in figure 4.2.2.

Figure 4.2.2. Core Industries' Contribution to Employment, 2005



Source: Tables in chapter 5.
Prepared by the authors

Contribution to Trade

Core copyright industries in Peru are the most important in terms of foreign trade, as they are the only group with a positive trade balance, which in 2005 reached US\$ 69 million and represented 1.3% of the national trade balance. This result is explained by the fact that core industries are the copyright industries group with the largest number of exports (US\$ 90 million, which amounted to 0.5% of total Peruvian exports). At the same time, core industries' imports in 2005 reached US\$ 22 million (0.2% of the national imports). However, it should be noted in relation to this result that no import statistics for software were available.

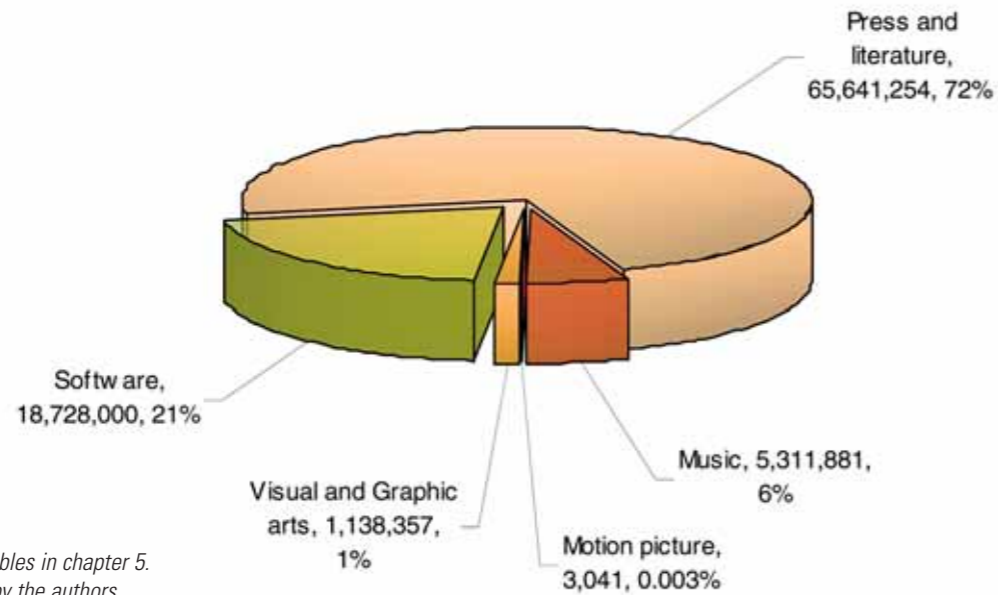
Titre tableau

Core Industries	Exports (US\$)	As a percentage of National exports	Imports (US\$)	As a percentage of National imports	Trade Balance (US\$)	As a percentage of National Trade Balance
Press and literature	65,641,254	0.378%	3,279,853	0.027%	62,361,401	1.180%
Music	5,311,881	0.031%	18,287,413	0.151%	-12,975,532	-0.245%
Motion picture	3,041	0.000%	213,372	0.002%	-210,331	-0.004%
Software	18,728,000	0.108%	n.a.	n.a.	n.a.	n.a.
Visual and graphic arts	1,138,357	0.007%	70,310	0.001%	1,068,047	0.020%
Total	90,822,533	0.523%	21,850,948	0.181%	68,971,585	1.305%

Source: Tables in chapter 5.
Prepared by the authors

The most important economic activity among the core industries' exports is press and literature, with US\$ 66 million, which represents 72% of the core industries' exports. Software and music exports are located in second and third place, with 21% and 6%, respectively.

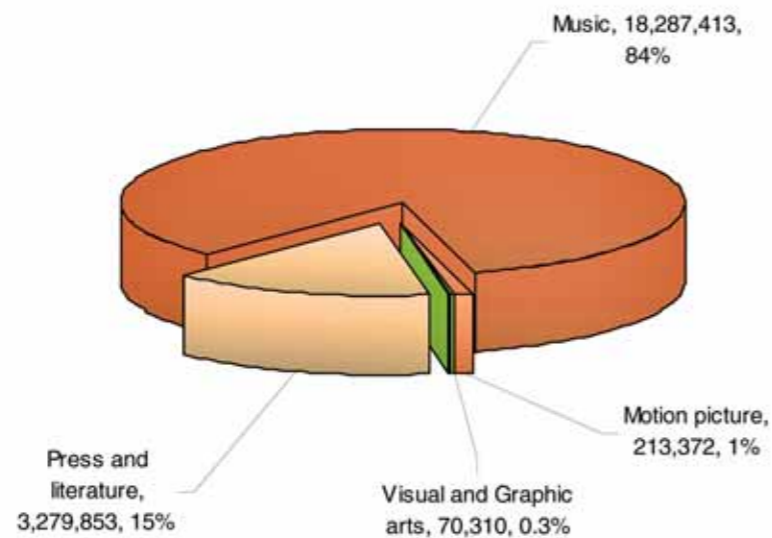
Figure 4.2.3. Economic Activities' Exports Share, Core Industries, 2005 (US\$)



Source: Tables in chapter 5.
Prepared by the authors

In the case of imports, music (84%) and press and literature (15%) account for most of the imports, although the lack of data related to software imports should be considered in this result.

Figure 4.2.4. Economic Activities' Imports Share, Core Industries, 2005 (US\$)



Source: Tables in chapter 5.
Prepared by the authors

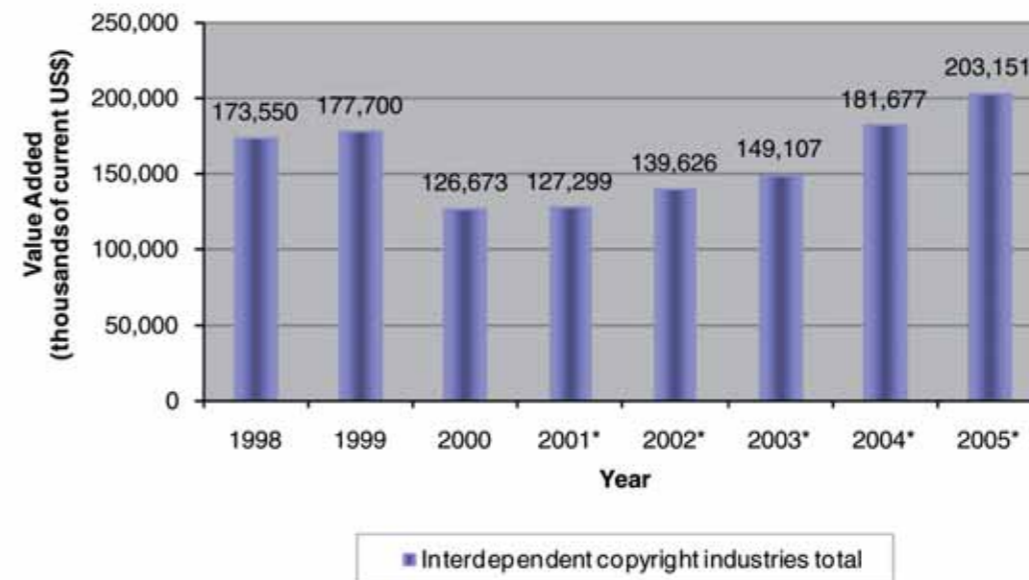
4.3. Interdependent Copyright Industries

According to the WIPO Guide (2003): "Interdependent copyright industries are industries that are engaged in production, manufacture and sale of equipment whose function is wholly or primarily to facilitate the creation, production or use of works and other protected subject matter." This means that these activities would not be developed unless there are copyrights; then they are a hundred percent CBIs.

Contribution to Value Added

Interdependent industries' contribution to the total Peruvian value added between 1998 and 2005 – after a drastic reduction in the year 2000 – has been steadily increasing, reaching more than US\$ 203 million in 2005. Figure 4.3.1 shows the evolution of these industries between 1998 and 2005.

Figure 4.3.1. Interdependent Copyright Industries' Contribution to Value Added 1998-2005 (thousands of current US\$)



*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.
Source: PRODUCE and INEI.
Prepared by the authors

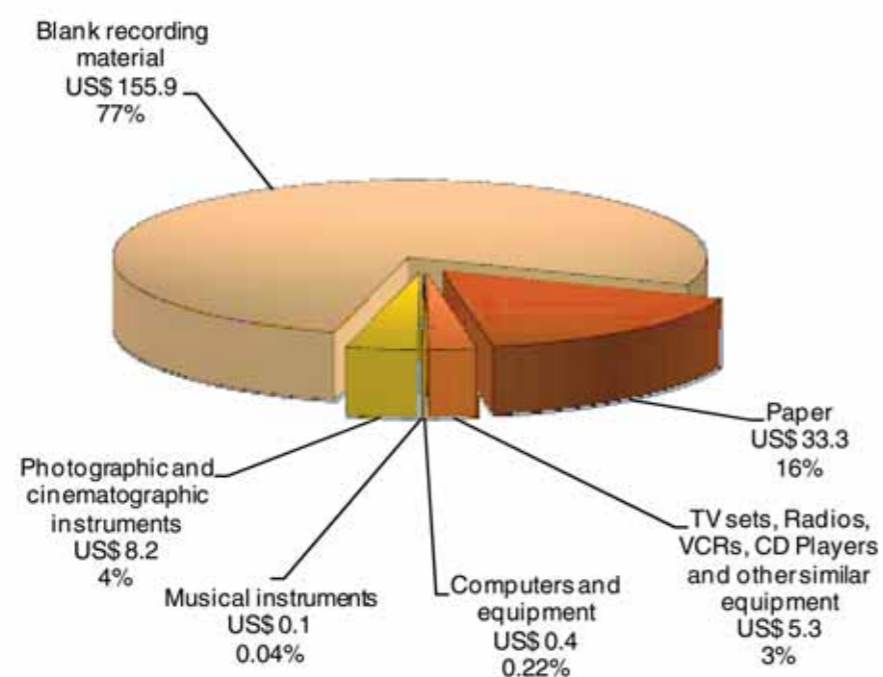
Between the copyright-based industries' main groups, interdependent industries are located in third place in terms of their contribution to national value added, with 0.284%. Blank recording material is the most important of the interdependent industries, having added US\$ 156 million to the Peruvian value added in 2005, which represents 77% of the industries' contribution. The paper industry is the second in importance, with 16% of the contribution based on the US\$ 33 million of value added that it contributed in that year. The details of the interdependent industries' contribution to national value added and their relative importance can be found in table 4.3.1 and figure 4.3.2, respectively.

Table 4.3.1. Interdependent Industries' Contribution to Value Added, 2005

Economic activity	V. A. (US\$)	As a percentage of total V.A
TV sets, radios, VCRs, CD players and other similar equipment	5,253,082	0.007%
Computers and equipment	441,595	0.001%
Musical instruments	88,776	0.000%
Photographic and cinematographic instruments	8,150,361	0.011%
Blank recording material	155,899,222	0.218%
Paper	33,318,408	0.047%
Total	203,151,444	0.284%

Source: PRODUCE.
Prepared by the authors

Figure 4.3.2. Interdependent Industries' Contribution to Value Added, 2005 (millions of US\$)



Source: PRODUCE.
Prepared by the authors

Contribution to Employment

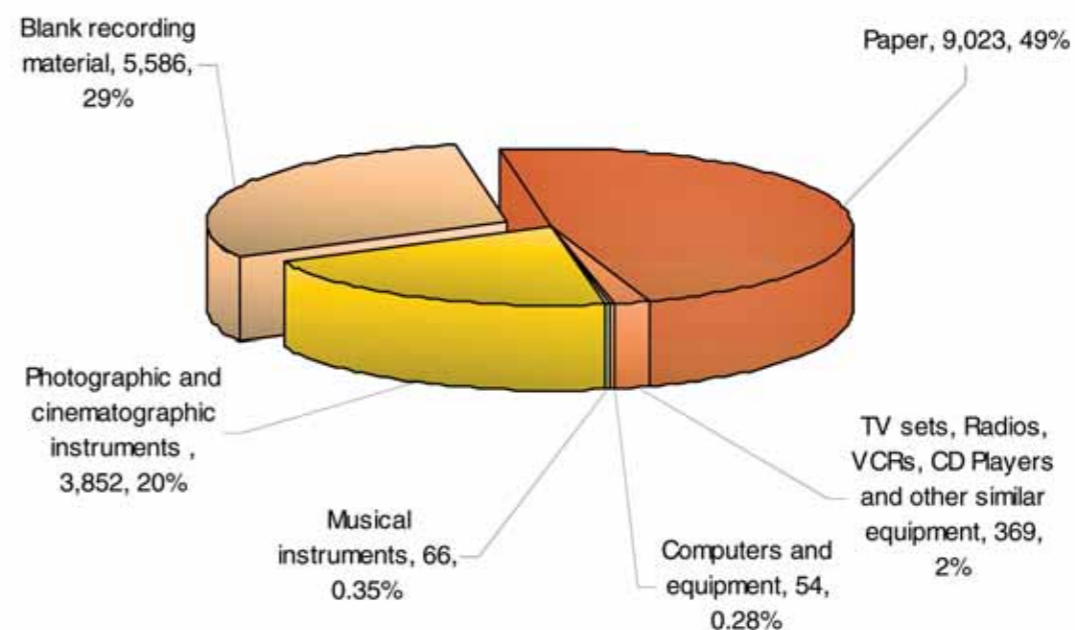
Interdependent industries contribute 18,950 jobs, which represent 0.143% of the total national employment. This makes this group of industries the third largest in terms of its contribution to national employment. The paper industry is the most important in its contribution, with 9,023 jobs, which accounts for 48% of the group total, while the blank-recording-material and photographic-and-cinematographic-instruments industries also play an important role (29% and 20% of the group employment, respectively). The details can be found in table 4.3.2 and figure 4.3.3.

Table 4.3.2. Interdependent Industries' Contribution to Employment, 2005

Economic activity	Total Employment	As a percentage of national employment
TV sets, radios, VCRs, CD players and other similar equipment ^{1/}	369	0.003%
Computers and equipment ^{1/}	54	0.0004%
Musical instruments ^{1/}	66	0.0005%
Photographic and cinematographic instruments ^{2/}	3,852	0.029%
Blank recording material ^{1/}	5,586	0.042%
Paper ^{2/}	9,023	0.068%
Total	18,950	0.143%

Source: INEI.
Prepared by the authors

Figure 4.3.3. Interdependent Industries' Contribution to Employment, 2005



Source: INEI.
Prepared by the authors

Contribution to Trade

Interdependent industries' contribution to Peruvian exports reached US\$ 22 million in 2005. While they represent the third-largest copyright industry group in terms of exports, they are also the main importers, with 4% of the CIF imports of the country (US\$ 520 million). Every activity considered in this group had a negative trade balance in 2005 (see table 4.9. for details), which resulted in a total negative trade balance of US\$ 498 million, roughly 9% of the total trade balance for Peru.

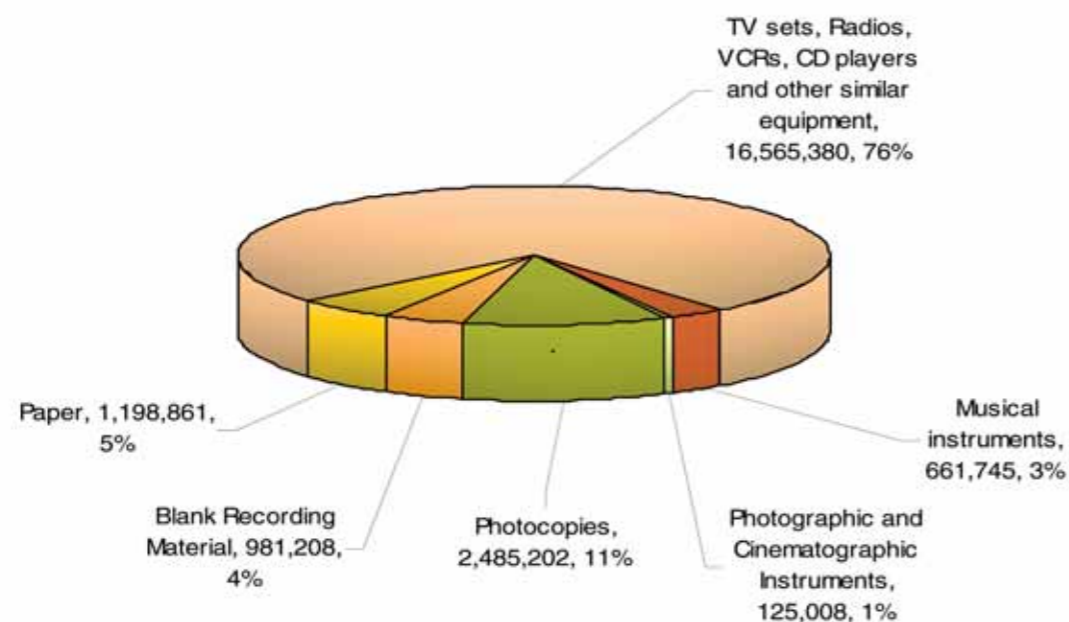
Table 4.3.3. Interdependent Industries' Trade Balance, 2005

Economic activity	FOB Exports (US\$)	As a percentage of total FOB exports	CIF Imports (US\$)	As a percentage of total CIF imports	Trade Balance (US\$)
TV sets, radios, VCRs, CD players and other similar equipment	16,565,380	0.10%	155,064,518	1.28%	-138,499,138
Musical instruments	661,745	0.00%	4,784,648	0.04%	-4,122,903
Photographic and cinematographic instruments	125,008	0.00%	17,817,719	0.15%	-17,692,711
Photocopies	2,485,202	0.01%	163,659,428	1.35%	-161,174,226
Blank recording material	981,208	0.01%	56,391,344	0.47%	-55,410,136
Paper	1,198,861	0.01%	122,546,811	1.01%	-121,347,950
Total	22,017,404	0.13%	520,264,468	4.31%	-498,247,064

Source: SUNAD and PRODUCE.
Prepared by the authors

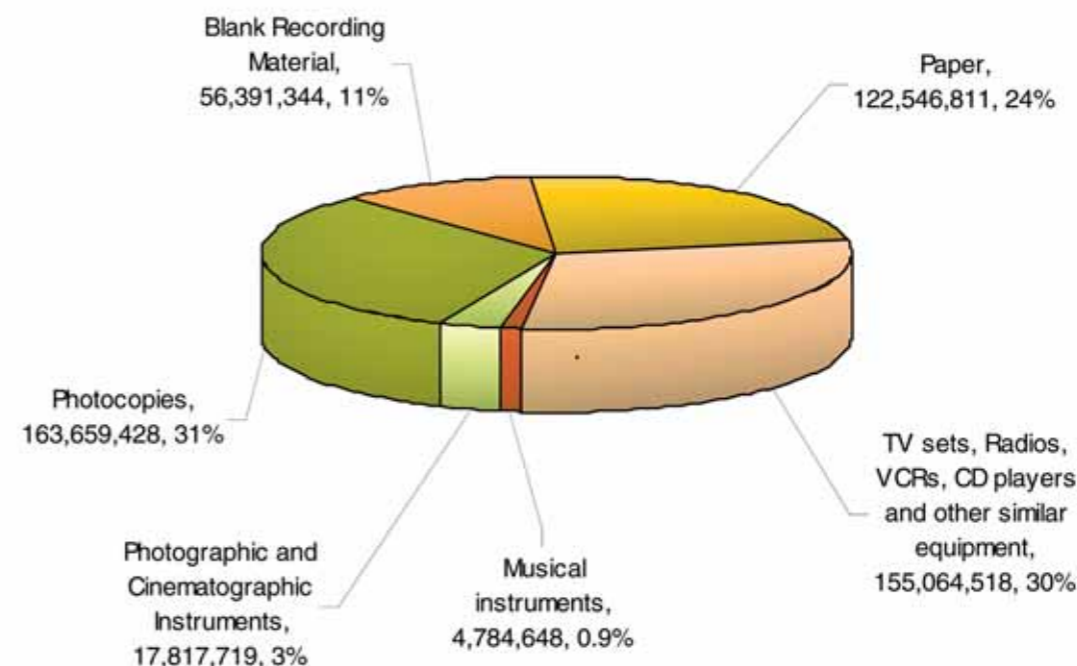
Among interdependent industries, exports are explained mainly by TV sets, radios, VCRs, CD players and other similar equipment (76%) and photocopies (11%), as shown in figure 4.8. In the case of imports, the main activities are photocopies (31%), TV sets, radios, VCRs, CD players and other similar equipment (30%), paper (24%) and blank recording material (11%).

Figure 4.3.4. Economic Activities' Exports Share, Interdependent Industries, 2005 (US\$)



Source: SUNAD and PRODUCE.
Prepared by the authors

Figure 4.3.5. Economic Activities' Imports Share, Interdependent Industries, 2005 (US\$)



Source: SUNAD and PRODUCE.
Prepared by the authors

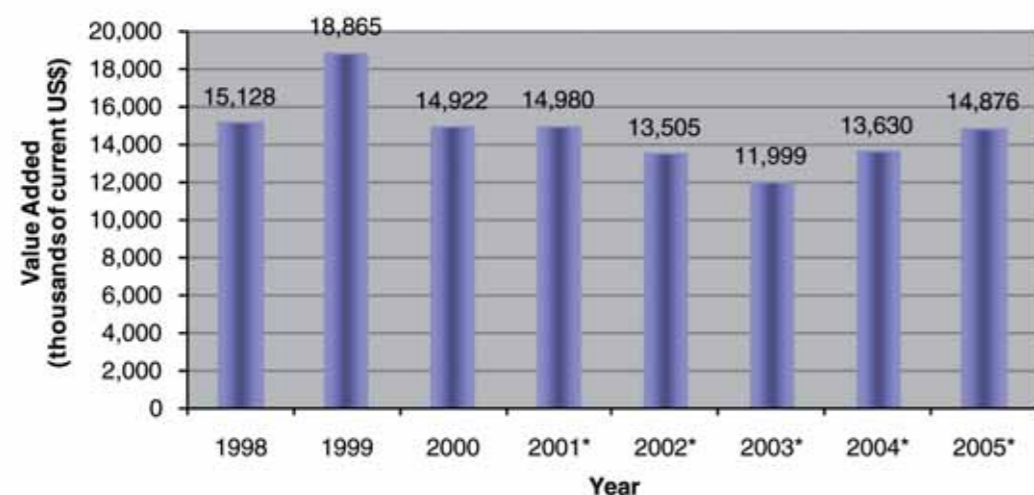
4.4. Partial Copyright Industries

According to the WIPO Guide (2003): "The partial copyright industries are 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 and exhibition or distribution and sales." In this way the measurement of the economic contribution of partial CBIs has to consider the copyright factors. They weight the contribution to the economy in such a way that the proportion of the activity attributable to copyright is obtained. The copyright factors used in this study are the Mexican ones (Márquez-Mees et al., 2006). Although Peru and Mexico do not necessarily have the same economic development and dynamics, Mexican factors were the closest available factors. Mexico is a Latin American economy and factors from developed countries would have introduced more bias to the estimates.

Contribution to Value Added

Total value added for the partial copyright industries for the 1998-2005 period shows that, while there is variability in its contribution, it is in the range between US\$ 12,000 and US\$ 19,000.

Figure 4.4.1. Partial Industries' Contribution to Value Added, 1998-2005 (thousands of current US\$)



Note: Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.

Source: PRODUCE and INEI.

Prepared by the authors

Partial copyright industries account for the smallest contribution to value added among the copyright-based industries. For the year 2005, their total contribution to Peruvian value added – related to copyright – was less than US\$ 15 million, which represented 0.021% of the national value added.

Table 4.4.1. Partial Industries' Contribution to Value Added, 2005

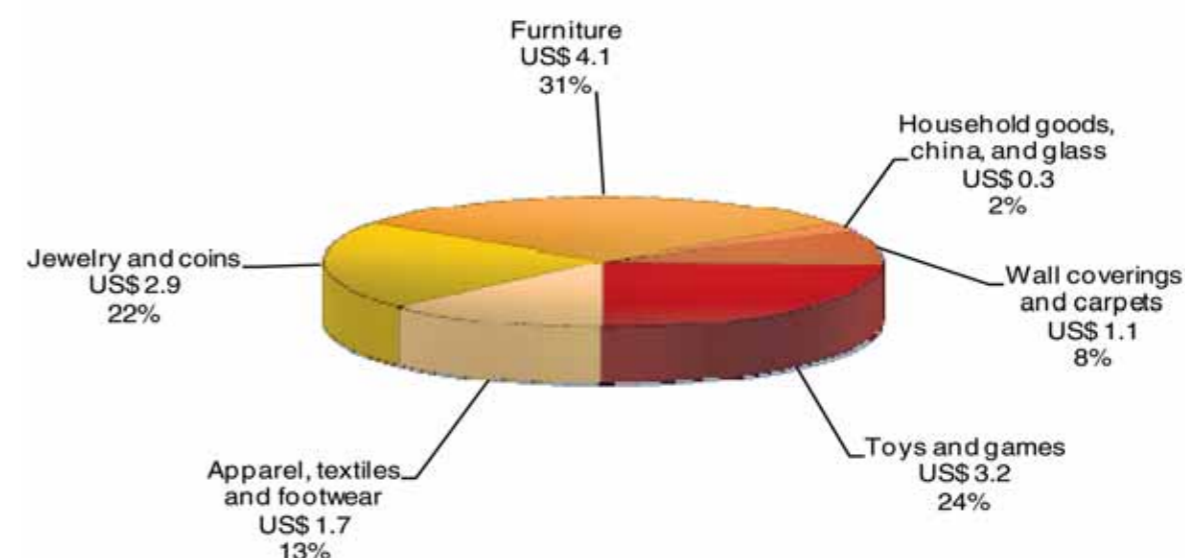
Economic activity	Copyright factor	V.A. (US\$)	As a percentage of total V.A
Apparel, textiles and footwear	0.005	1,729,743	0.002%
Jewelry and coins	0.250	2,887,713	0.004%
Furniture	0.050	4,091,847	0.006%
Household goods, china, and glass	0.005	1,365,210	0.002%
Wall coverings and carpets	0.020	3,227,922	0.005%
Toys and games	0.500	1,573,815	0.002%
Total		14,876,250	0.021%

Source: PRODUCE and INEI.

Prepared by the authors

The most important activity is the furniture industry, with 31% of the contribution to value added, followed by toys and games (24%) and jewelry and coins (22%).

Figure 4.4.2. Partial Industries' Contribution to Value Added, 2005 (millions of US\$)



Source: PRODUCE and INEI

Prepared by the authors

Contribution to Employment

As in the case of value added, the contribution to employment of this group of industries is the smallest of all copyright-based activities, with only 8,743 jobs (0.066% of national employment). The activities which account for the largest number of jobs within the partial copyright industries are apparel, textiles and footwear (30%), jewelry and coins (24%), and furniture (23%).

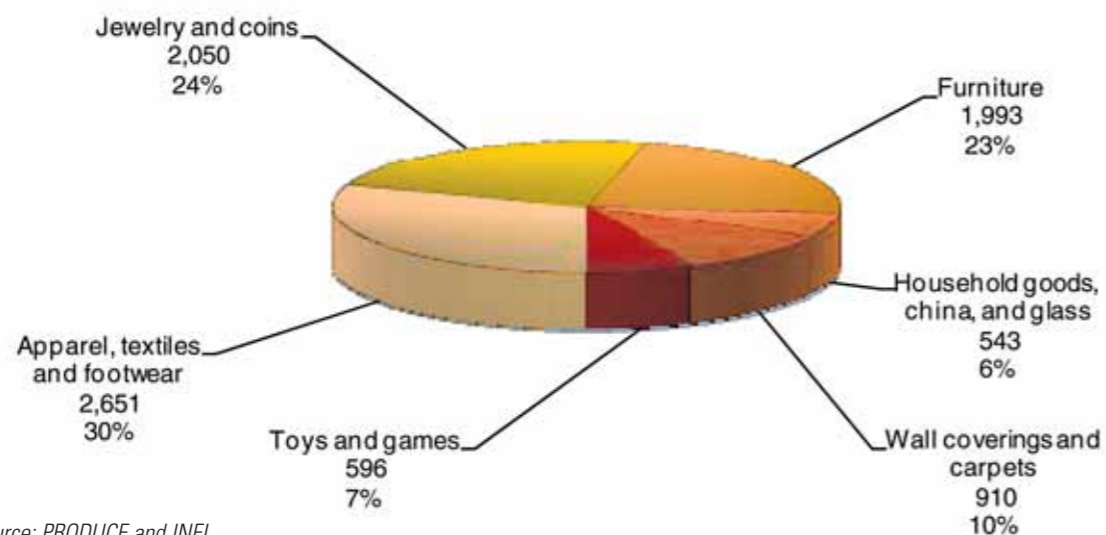
Table 4.4.2. Partial Industries' Contribution to Employment, 2005

Economic activity	Copyright factor	Total Employment	As a percentage of national employment
Apparel, textiles and footwear	0.005	2,651	0.020%
Jewelry and coins	0.250	2,050	0.015%
Furniture	0.050	1,993	0.015%
Household goods, china, and glass	0.005	543	0.004%
Wall coverings and carpets	0.020	910	0.007%
Toys and games	0.500	596	0.004%
Total		8,743	0.066%

Source: PRODUCE and INEI.

Prepared by the authors

Figure 4.4.3. Partial Industries' Contribution to Employment, 2005



Source: PRODUCE and INEI.
Prepared by the authors

Contribution to Trade

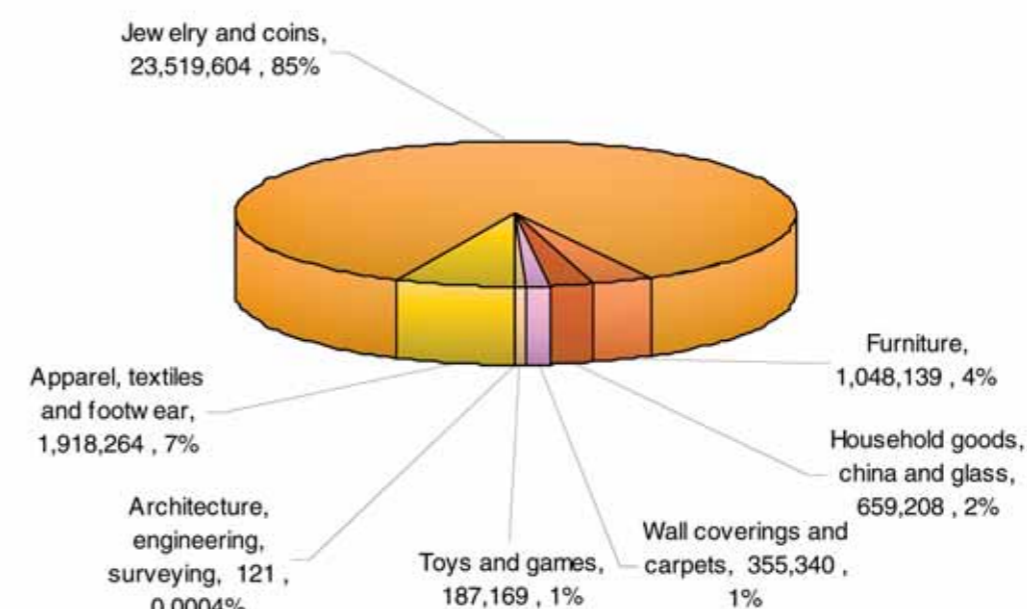
With US\$ 28 million in exports in 2005 – corresponding to copyright – partial copyright industries represented 0.2% of the total exports of goods, and were the second-largest export group among CBIs. Partial copyright industries' exports were led by jewelry and coins (85%), and apparel, textiles and footwear (7%), which coincidentally are the only activities in the group with a positive trade balance. In the case of imports, toys and games is the main import activity (57%), although the rest of the activities have shares of imports between 7% and 12% (excluding architecture, engineering, and surveying, which represents only 0.3% of partial industries' imports). Partial industries' imports amount to US\$ 12 million, resulting in a US\$ 16 million trade balance. The details are shown in table 4.4.3, as well as in figure 4.4.4 and figure 4.4.5.

Table 4.4.3. Partial Copyright Industries' Trade Balance, 2005

Economic Activity	Copyright factor	FOB Exports corresponding to copyright (US\$)	As a percentage of total FOB exports	CIF Imports corresponding to copyright (US\$)	As a percentage of total CIF imports	Trade Balance corresponding to copyright (US\$)
Apparel, textiles and footwear	0.005	1,918,264	0.01%	765,684	0.01%	1,152,580
Jewelry and coins	0.250	23,519,604	0.14%	795,912	0.01%	22,723,692
Furniture	0.050	1,048,139	0.01%	1,454,647	0.01%	-406,508
Household goods, china and glass	0.005	659,208	0.00%	965,191	0.01%	-305,983
Wall coverings and carpets	0.020	355,340	0.00%	1,022,669	0.01%	-667,329
Toys and games	0.500	187,169	0.00%	6,694,641	0.06%	-6,507,472
Architecture, engineering, surveying	0.100	121	0.00%	34,114	0.00%	-33,994
TOTAL		27,687,843	0.16%	11,732,856	0.10%	15,954,987

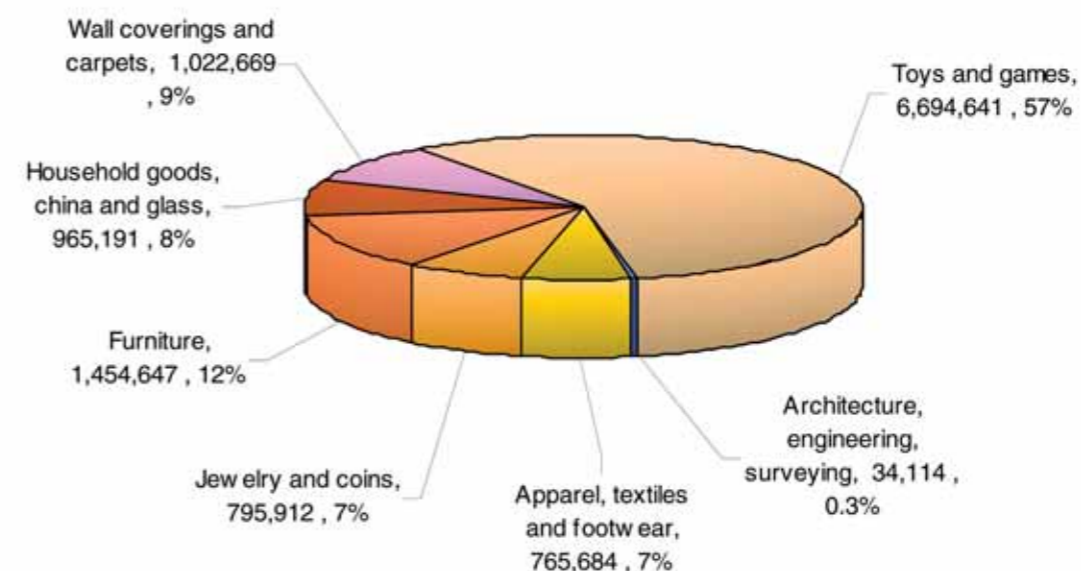
Source: SUNAD and PRODUCE.
Prepared by the authors

Figure 4.4.4. Partial Industries' Exports Share, 2005 (US\$)



Source: SUNAD and PRODUCE.
Prepared by the authors

Figure 4.4.5. Partial Industries' Imports Share, 2005 (US\$)



Source: SUNAD and PRODUCE.
Prepared by the authors

4.5. Non-Dedicated Support Industries

According to the WIPO Guide (2003): “The non-dedicated support industries are 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 industries.” As with partial CBIs, these activities contribute in part to the CBIs’ value added, employment and trade flows.

Contribution to Value Added

Non-dedicated support industries’ value added contribution corresponding to copyright is the second largest among copyright-based industries. In 2005, this amount reached US\$ 814 million, representing 1.14% of the total national value added. Details can be seen in table 4.5.1.

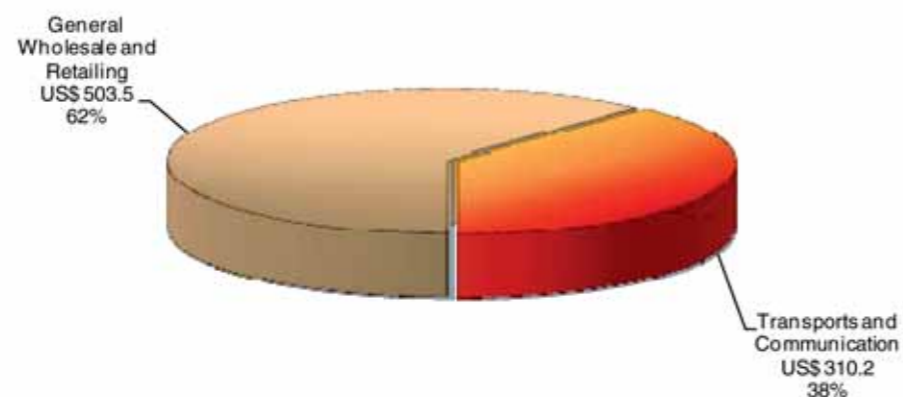
Table 4.5.1. Non-Dedicated Industries’ Contribution to Value Added, 2005

Activity	Gross Value Added in 2005	Copyright factor	Value Added corresponding to copyright	As a percentage of total V.A
General wholesale and retailing	8,833,200,829	0.057	503,492,447	0.704%
Transport and communications	5,441,859,280	0.057	310,185,979	0.434%
Total	14,275,060,109		813,678,426	1.138%

Source: INEI.
Prepared by the authors

The main activity in this group is general wholesale and retailing, with 62% of the value added contribution, while transport and communications represents the other 38%, as shown in figure 4.5.1.

Figure 4.5.1. Non-Dedicated Industries’ Contribution to Value Added, 2005 (millions of US\$)



Source: INEI.
Prepared by the authors

Contribution to Employment

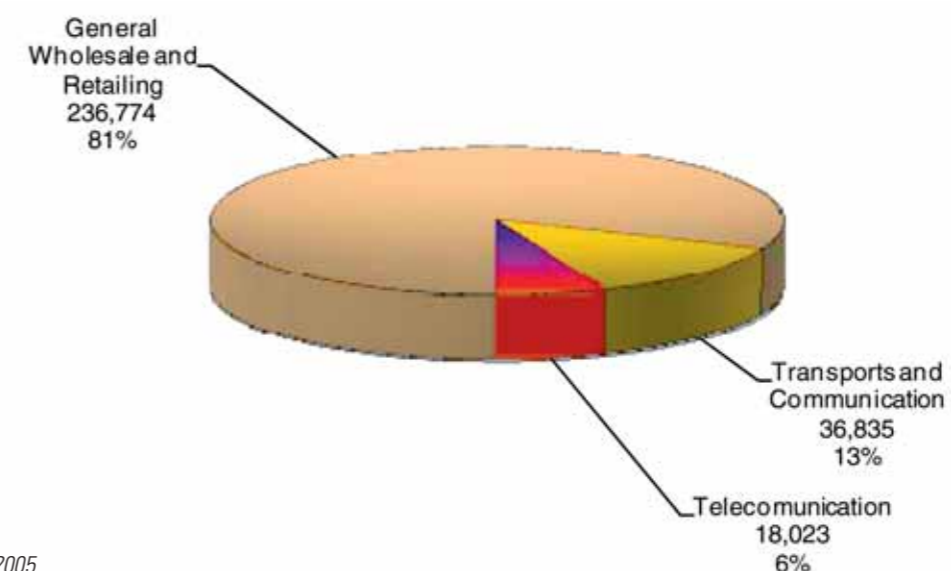
Non-dedicated industries’ contribution to national employment (corresponding to copyright) is the largest among copyright-based industries, with almost 292,000 jobs. This contribution represents 2.20% of the total national employment. The main contribution is made by general wholesale and retailing, with 81% of the total (237,000 jobs), while the rest corresponds to transport and communications (13%) and telecommunications (6%). The details can be found in table 4.5.2 and figure 4.5.2.

Table 4.5.2. Non-Dedicated Industries’ Contribution to Employment, 2005

Activity	Total Employment	Copyright factor	Employment corresponding to copyright	As a percentage of national employment
General wholesale and retailing	4,153,929	0.057	236,774	1.788%
Transport and communications	646,225	0.057	36,835	0.278%
Telecommunication	316,198	0.057	18,023	0.136%
Total	5,116,352		291,632	2.202%

Source: EEA 2005.
Prepared by the authors

Figure 4.5.2. Non-Dedicated Industries’ Contribution to Employment, 2005



Source: EEA 2005.
Prepared by the authors

4.6. Services (Trade Balance)

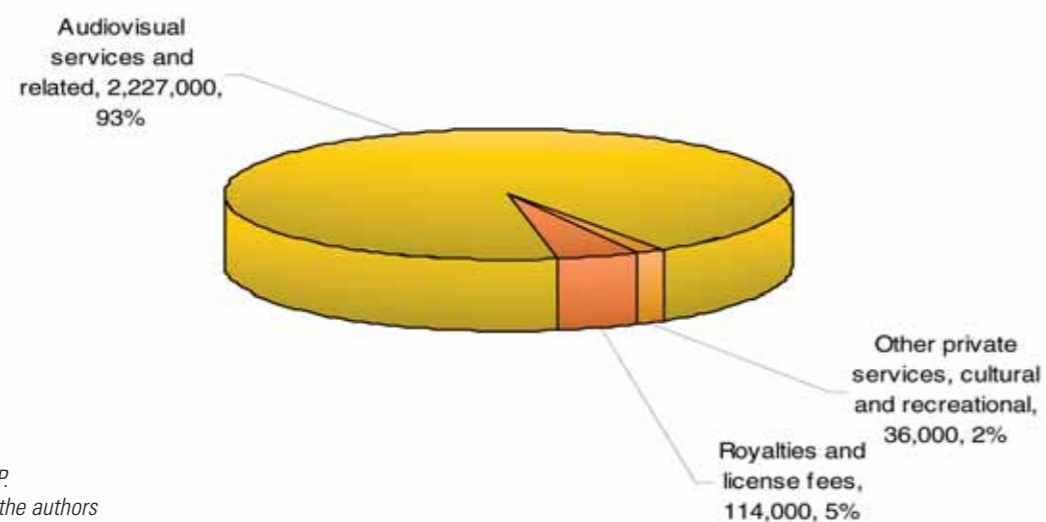
Trade data is usually based on customs information, which means that only the value of traded goods is recorded. In the case of copyright industries, the services exports –such as personal services, royalties and license fees – must be considered. The available data shows that the most important services exports are the audiovisuals and related, with more than US\$ 2.2 million, which accounts for 93% of the total. Royalties and license fees account for 5% of services exports, and the rest (2%) are attributed to other cultural and recreational services. Services imports are mainly in royalties and license fees, with US\$ 98 million accounting for 91% of total services imports. Audiovisuals and related services imports in 2005 reached US\$ 8 million, representing 5% of services imports. In comparison, services imports exceed exports, resulting in a negative trade balance of US\$ 96 million in 2005. The detailed data is shown in table 4.6.1, and the distribution of exports and imports in figures 4.6.1 and 4.6.2.

Table 4.6.1. Services Trade Balance, 2005

Services	FOB Exports (US\$)	As a percentage of total FOB exports	CIF Imports (US\$)	As a percentage of total CIF imports	Trade Balance (US\$)
Personal services, cultural and recreational	2,263,000	0.013%	8,715,300	0.072%	-6,452,300
Audiovisual services and related	2,227,000	0.013%	8,094,000	0.067%	-5,867,000
Other private services, cultural and recreational	36,000	0.000%	621,300	0.005%	-585,300
Royalties and license fees	114,000	0.001%	89,183,340	0.738%	-89,069,340
Total Services	2,377,000	0.014%	97,898,640	0.810%	-95,521,640

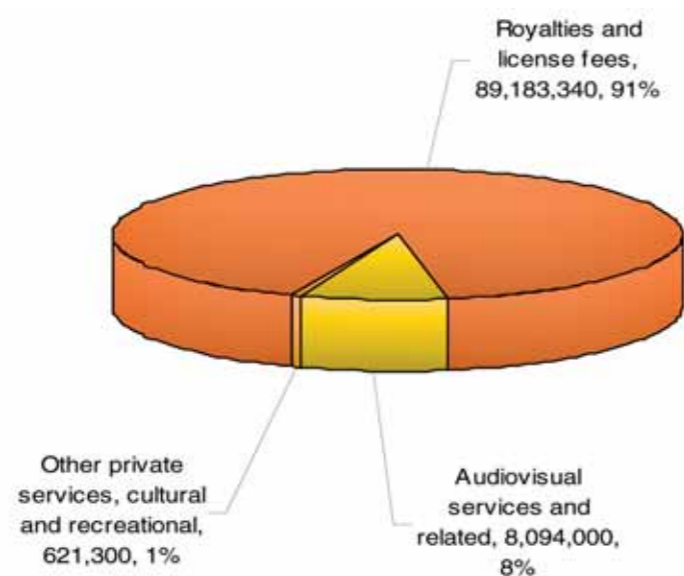
Source: BCRP.
Prepared by the authors

Figure 4.6.1. Copyright-Related Services' Exports Share, 2005 (US\$)



Source: BCRP.
Prepared by the authors

Figure 4.6.2. Copyright-Related Services' Imports Share, 2005 (US\$)



Source: BCRP.
Prepared by the authors

4.7. Classification of Copyright-Based Industries in Peru

After the collection of data from many sources of information, we have arrived at the identification of the activities related to copyright industries, based on Annex II of the WIPO Guide. The list presented in this section shows all the identified activities for which information has been found; nevertheless, it's a future task for public agencies, private agents and other private organizations to deepen the systematization and collection of data for those activities for which at the moment there is not complete information and for those for which there is no information at all. In the following table, the availability of information for the three indicators (value added, employment and trade balance) is shown.

Table 4.7.1. Classification of Copyright-Based Industries in Peru

Economic Activity	ISIC Rev. 3.1 code	Value added	Employment	Trade balance	Description
1. Core Copyright Industries					
Press and Literature					
Authors, writers, translators	9214		x		Class: 9214 - Dramatic arts, music and other arts activities
Newspapers	2212	x	x	x	Class: 2212 - Publishing of newspapers, journals and periodicals
Magazines/periodicals	2212	x	x	x	Class: 2212 - Publishing of newspapers, journals and periodicals
Book publishing	2211	x	x	x	Class: 2211 - Publishing of books, brochures and other publications
Cards, maps, directories and other published material	2219	x	x	x	Class: 2219 - Other publishing
Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials	2221	x	x	x	Class: 2221 - Printing
	2222	x	x	x	Class: 2222 - Service activities related to printing
Wholesale and retail of press and literature (book stores, news-stands, etc.)	5239	x	x		Class: 5239 - Other retail sale in specialized stores

Table 4.7.1. Classification of Copyright-Based Industries in Peru (cont.)

Economic Activity	ISIC Rev. 3.1 code	Value added	Employment	Trade balance	Description
Music					
Composers, lyricists, arrangers, choreographers, writers, directors, performers and other personnel	9214	x	x		Class: 9214 - Dramatic arts, music and other arts activities
Printing and publishing of music	9219		x		Class: 9219 - Other entertainment activities n.e.c.
Production/manufacturing of recorded music	2213			x	Class: 2213 - Publishing of music
Wholesale and retail of recorded music (sale and rental)	2230	x	x		Class: 2230 - Reproduction of recorded media
Performances and allied agencies (bookings, ticket agencies, etc.)	7130	x	x		Class: 7130 - Renting of personal and household goods n.e.c.
Performances and allied agencies (bookings, ticket agencies, etc.)	9214	x	x		Class: 9214 - Dramatic arts, music and other arts activities
Motion Picture and Video					
Motion picture and video production and distribution	9211	x	x	x	Class: 9211 - Motion picture and video production and distribution
Motion picture exhibition	9212	x	x		Class: 9212 - Motion picture projection
Video rentals and sales, video on demand	9211	x	x	x	Class: 9211 - Motion picture and video production and distribution
Radio and Television					
National radio and television broadcasting companies	9213	x	x		Class: 9213 - Radio and television activities
Other radio and television Broadcasters	9213	x	x		Class: 9213 - Radio and television activities
Cable television (systems and channels)	6420	x	x		Class: 6420 - Telecommunications

Table 4.7.1. Classification of Copyright-Based Industries in Peru (cont.)

Economic Activity	ISIC Rev. 3.1 code	Value added	Employment	Trade balance	Description
Software and Databases					
Programming, development and design, manufacturing	7221	x	x		Class: 7221 - Software publishing
Advertising Services					
Agencies, buying services	7430		x		Class: 7430 - Advertising
Photography, Visual and Graphic Arts					
Picture framing and other allied services/Studios and commercial photography	7494		x		Class: 7494 - Photographic activities
Copyright Collecting Societies					
Copyright Collecting Societies	9112	x	x		Class: 9112 - Activities of professional organizations
2. Interdependent Copyright Industries					
TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment, and other similar equipment	3230	x	x	x	Class: 3230 - Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods
Computers and equipment	3000	x	x	x	Class: 3000 - Manufacture of office, accounting and computing machinery
Musical instruments	3692	x	x	x	Class: 3692 - Manufacture of musical instruments
Photographic and cinematographic instruments	3320	x	x	x	Class: 3320 - Manufacture of optical instruments and photographic equipment
Photocopiers	3000	x	x	x	Class: 3000 - Manufacture of office, accounting and computing machinery
Blank recording material	2429	x	x	x	Class: 2429 - Manufacture of other chemical products n.e.c.
Paper	2101	x	x	x	Class: 2101 - Manufacture of pulp, paper and paperboard

Table 4.7.1. Classification of Copyright-Based Industries in Peru (cont.)

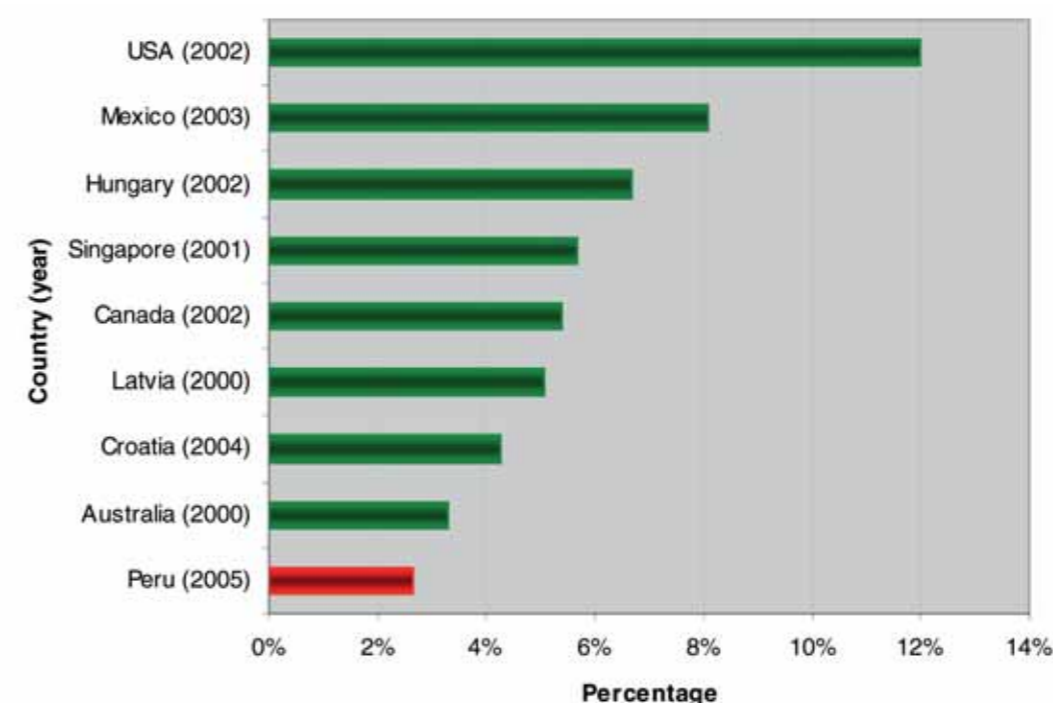
Economic Activity	ISIC Rev. 3.1 code	Value added	Employment	Trade balance	Description
3. Partial Copyright Industries					
Apparel, textiles and footwear	1810	x	x	x	Class: 1810 - Manufacture of wearing apparel
	1721			x	Class: 1721 - Manufacture of made-up textile articles
	1920	x	x	x	Class: 1920 - Manufacture of footwear
Jewelry and coins	3691	x	x	x	Class: 3691 - Manufacture of jewelry and related articles
Furniture	3610	x	x	x	Class: 3610 - Manufacture of furniture
Household goods, china and glass	2610	x	x	x	Class: 2610 - Manufacture of glass and glass products
	173	x	x	x	Class: 173 - Manufacture of knitted and crocheted fabrics and articles
	2029			x	Class: 2029 - Manufacture of other products of wood
	2899			x	Class: 2899 - Manufacture of other fabricated metal products n.e.c.
Wall coverings and carpets	1722			x	Class: 1722 - Manufacture of carpets and rugs
	2109	x	x	x	Class: 2109 - Manufacture of other articles of paper and paperboard
Toys and games	3694	x	x	x	Class: 3694 - Manufacture of games and toys
Architecture, engineering, surveying	7421			x	Class: 7421 - Architectural and engineering activities and related technical consultancy
Non-Dedicated Support Industries					
General wholesale and retailing	51	x	x	n.a.	Division: 51 - Wholesale trade and commission trade, except of motor vehicles and motorcycles
	52	x	x	n.a.	Division: 52 - Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
General transportation	60	x	x	n.a.	Division: 60 - Land transport; transport via pipelines
	61	x	x	n.a.	Division: 61 - Water transport
	62	x	x	n.a.	Division: 62 - Air transport
	630	x	x	n.a.	Class 630 - Supporting and auxiliary transport activities
Telephony and Internet	6420		x	n.a.	Class: 6420 - Telecommunications
	7240		x	n.a.	Class: 7240 - Database activities and on-line distribution of electronic content

Note: n.a. stands for not applicable
Prepared by the authors

4.8. International Comparisons

Overall, the Peruvian copyright industry is smaller than those of other countries of the region and of the rest of the world. The total value added of copyright industries in 2005 was US\$ 1,911 million, which represented 2.6% of the total value added of the Peruvian economy. This is lower than the results for other Latin American countries such as Mexico (8.1%) and for other countries around the world, including Singapore (5.7%), Hungary (6.7%) and the USA (12%).

Figure 4.8.1. International Comparison of Copyright-Based Industries' Contribution to Value Added (percentage)

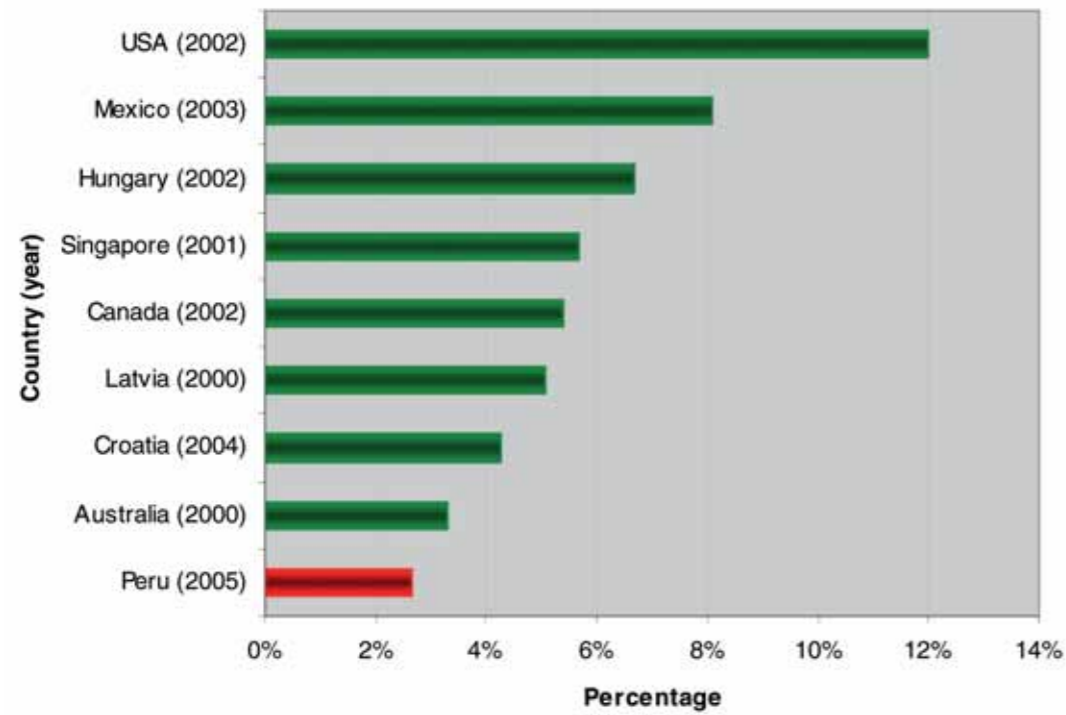


Source: WIPO and UNICAMP (no date), Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4.
Prepared by the authors

In the Peruvian economy most of the value added of copyright industries is contributed by core industries, which, with US\$ 879 million in 2005, represented 1.22% of the national value added (and 46% of the value added of copyright industries). This contribution is similar to the results observed in the cases of Mexico, Singapore and USA (in which core industries represent roughly 50% of the total impact of copyright-based industries).

The contribution of Peruvian copyright industries to employment is higher than its contribution to output, with 4.5% of national employment (595,950 jobs). This is lower than the result for Mexico (11%), as well as countries from other regions, but higher than Jamaica (3%). Since core industries only account for 276,625 jobs (2.09% of national employment), which represent 46.4% of the total of copyright industries, their contribution to total employment is higher than the contributions observed for other countries, such as Mexico (31% of the employment for copyright-based industries), but lower than results for other countries such as USA (48%), Hungary (59%), Jamaica (59%), Singapore (63%) and Philippines (79%).

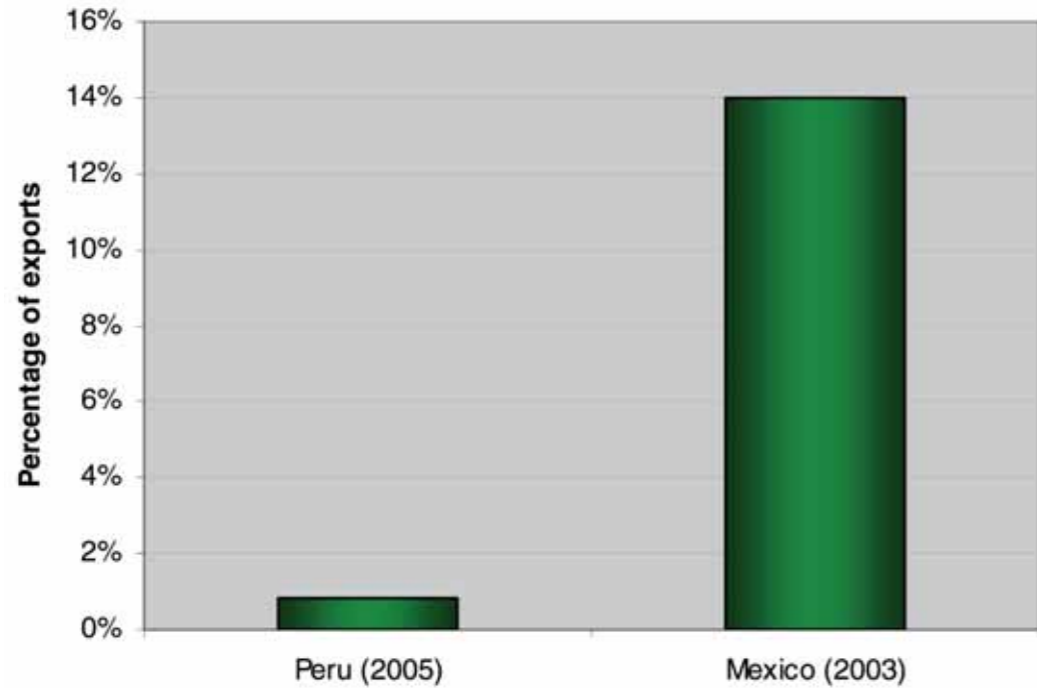
Figure 4.8.2. International Comparison of Copyright-Based Industries' Contribution to Employment (percentage)



Source: WIPO and UNICAMP (no date), Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4. Prepared by the authors

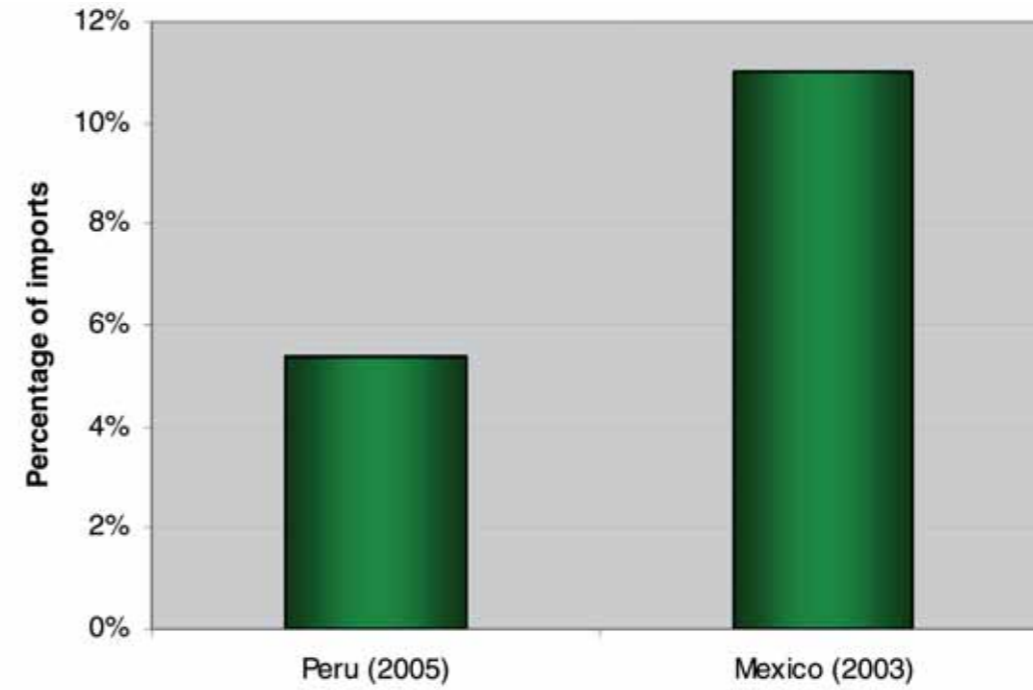
In terms of trade flows, Peru's CBIs' contribution to exports represented a lower percentage of total exports than Mexico's (figure 4.7.3).

Figure 4.8.3. International Comparison of Copyright-Based Industries' Contribution to Exports (percentage)



Source: WIPO and UNICAMP (no date), Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4. Prepared by the authors

Figure 4.8.4. International Comparison of Copyright-Based Industries' Contribution to Imports (percentage)



Source: WIPO and UNICAMP (no date), Márquez-Mees et al. (2006), WIPO (2006), WIPO (2007) and tables in chapter 4. Prepared by the authors

5. Description and Estimation of the Economic Contribution of the Main Core Copyright-Based Industries

5.1. Press and Literature

The areas within the publishing sector in Peru are: newspapers, books and magazines, among others. As in other countries, these activities are not only related, but performed by the same firms. One of the important characteristics of the Peruvian press and literature sectors is the important role that the main newspapers play in the publishing industries.

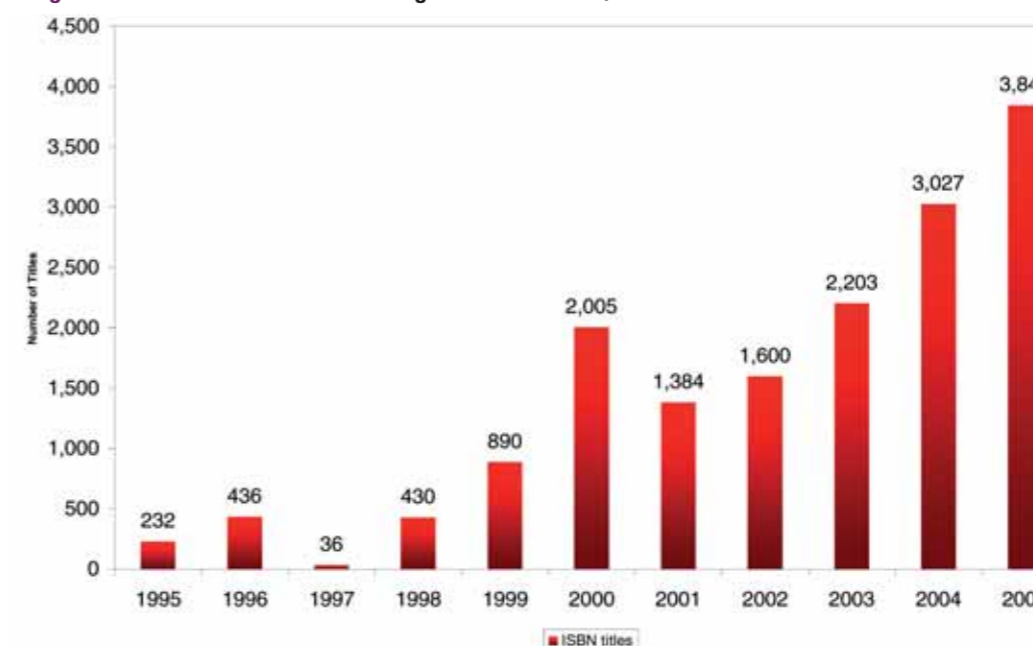
Publishers are grouped in the Peruvian Book Chamber (CPL), which by December 2006 had registered as associates 110 companies (CPL, 2006). Some of the most important publishers in the last five years, in terms of titles (not number of copies printed), according to the International Standard Book Number (ISBN) registry, are shown in table 5.1.1. The number of titles published in Peru has grown in the last 10 years from 232 titles to more than 3,800 (Antonioli, 2006, see figure 5.1.1).

Table 5.1.1. Top 40 Publishers, According to ISBN 2000-2005 (Titles)

Publisher	Total	2000	2001	2002	2003	2004	2005
Pontificia Universidad Católica del Perú	668	241	77	70	96	61	123
Editorial San Marcos	637	0	1	12	11	225	388
Santillana	532	63	29	74	131	112	123
Corporación Gráfica Navarrete	323	90	31	63	62	32	45
UNMSM	308	30	17	57	64	57	83
Empresa Editora El Comercio	295	40	54	74	107	11	9
Asociación Editorial Bruño	293	27	24	15	44	77	106
Ediciones COREFO	232	0	0	0	86	104	42
Q W Editores	231	0	0	0	41	41	149
Ediciones PEISA	221	15	57	38	49	40	22
Grupo Editorial Norma (y Carvajal)	212	38	10	21	25	37	81
Orbis Ventures	205	0	0	0	0	54	151
Fondo Editorial del Congreso	188	54	35	25	17	27	30
Briceño Editores	182	0	100	12	31	39	0
Universidad del Pacífico	181	35	26	38	35	24	23
Editorial Hozlo	177	63	29	20	25	20	20
Universidad San Martín de Porres	177	63	21	13	17	26	37
Asociación Editorial Hemisferio	175	0	14	8	0	36	117
Ministerio de Educación	175	19	21	14	11	53	57
Universidad Peruana de Ciencias Aplicadas	167	29	13	6	20	18	81
Editora y Distribuidora Palomino	141	0	0	0	17	54	70
Asociación Hijos de San Pablo	135	22	11	23	41	22	16
Empresa Editora Macro	129	0	0	0	38	35	56
Ministerio de Salud	128	26	43	10	6	11	32
Biblioteca Nacional del Perú	119	67	27	3	6	10	6
Instituto de Estudios Peruanos	113	24	14	15	15	22	23
Organización Panamericana de la Salud	106	22	24	25	16	9	7
Universidad de Lima	106	34	18	17	20	10	7
Universidad Ricardo Palma	106	0	14	23	25	25	19

Source: Agencia Peruana del ISBN; CERLALC: Repertorio Integrado de Libros en Venta en Iberoamérica (Rilvi), National Library of Peru - BNP (2005). Prepared by Antonioli (2006).

Figure 5.1.1. Number of Titles Registered at ISBN, 1995-2005



Source: Antonioli (2006).

With regard to the number of copies sold, the document prepared by Fernández-Baca et al. (2004a), whose research extends until the year 2003, gives an account of a progressive increase in the total number of books sold nationally since 1997 – interrupted only in 1998 – as shown by the following table.

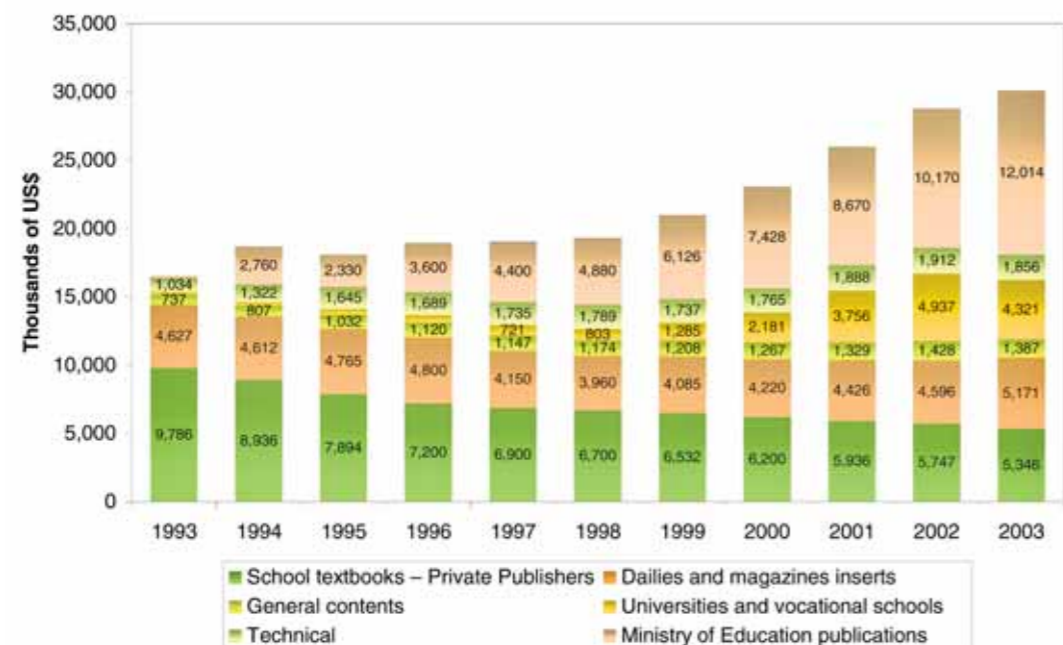
Table 5.1.2. Total of Books Sold, Not Including Books from the Ministry of Education (by number of copies), 1993-2003

Year	Total national books	Total imported books	Total
1993	14,516,981	1,874,019	16,391,000
1994	11,860,193	4,062,807	15,923,000
1995	8,892,714	6,852,286	15,745,000
1996	12,789,050	2,557,950	15,347,000
1997	9,833,163	4,819,837	14,653,000
1998	7,384,747	7,041,253	14,426,000
1999	9,087,571	5,759,429	14,847,000
2000	10,619,027	5,013,973	15,633,000
2001	10,824,859	6,510,141	17,335,000
2002	11,023,925	7,596,075	18,620,000
2003	11,610,117	6,470,994	18,081,111

Source: Fernández-Baca et al. (2004a), with data from the Peruvian Publishing Industry Chamber (CAPERIAL) and the Customs Administration (Superintendencia Nacional de Administración Aduanera - SUNAD), for headings 4901100000 and 4901990000, less imports of manuals and catalogs by companies, and not-for-profit imports of bibles and religious books by church organizations.

According to the same source, the book sales for the period 1993-2003 show an increasing trend, reaching approximately US\$ 30 million (see figure 5.1.2). If we analyze the sales by category, it is possible to appreciate how educational texts published by the Ministry of Education have progressively replaced private industry publication of school texts.

Figure 5.1.2. Book Sales by Categories, Including Books from the Ministry of Education (in thousands of dollars), 1993-2003

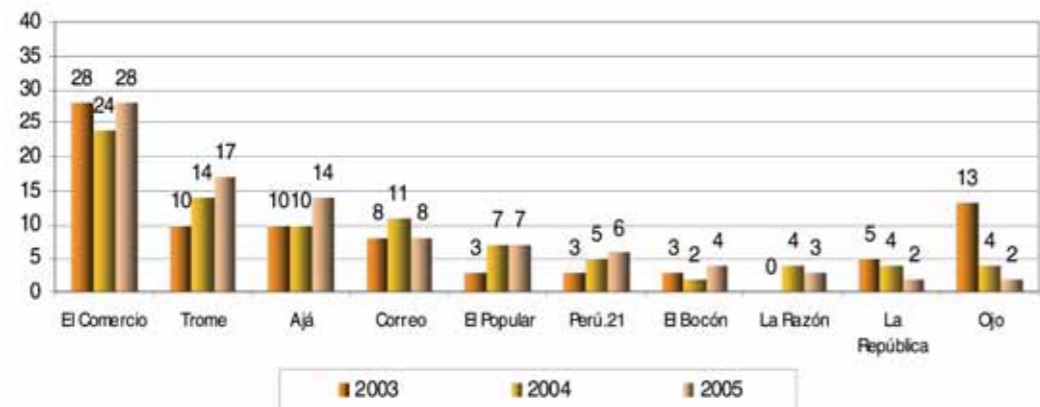


Source: Fernández-Baca et al. (2004a)

On the other hand, the newspaper industry is composed of 88 newspapers published in Peru in 2005 as shown in Annex D. Most of these newspapers are published in Lima, 34 in all, accounting for 38.63% of the total, followed by other important cities such as Trujillo, Arequipa and Chiclayo, with 3.50%.

According to Apoyo Opinión y Mercado (2005), El Comercio is the top recalled newspaper. It is also the most frequently read newspaper (see figure 5.1.3).

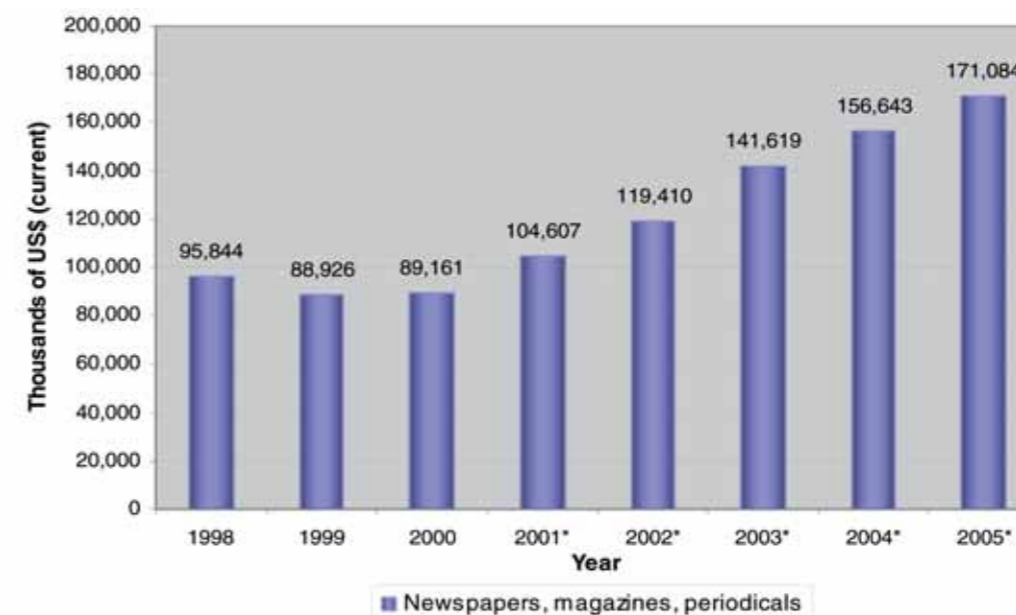
Figure 5.1.3. Most Frequently Read Newspaper (in percentages), 2003-2005



Note: Based on total number of interviewed regular newspaper readers (600).
Source: Apoyo Opinión y Mercado (2001)

Using the information of the Ministry of Production (PRODUCE) for the period 1998-2000, we estimated the evolution of the value added for newspapers, magazines, and periodicals (ISIC code 2212, see chapter Annex B for the estimation methodology) for the years 2002-2005. In figure 5.1.4, we observe an increasing trend which reaches a peak in 2005 with US\$ 171 million.

Figure 5.1.4. Newspapers, Magazines, Periodicals Value Added (thousands US\$), 1998-2005



*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.
Source: PRODUCE and INEI.
Prepared by the authors

It is important to point out that, in Peru, the newspaper sellers are grouped in the Federation of Newspaper, Magazines and Lotteries Salespersons of Peru (FENVENDRELPE). This federation operates at the national level and groups together 62 unions in Lima and 48 in the rest of the country, affiliating approximately 18,600 members nationally, grouped into vendors, deliverers and news-stand salespersons²². These, according to an interview²³, receive between 25% and 30% commission (on sale price) for each sale from Monday to Saturday, and between 30% and 35% on Sundays, depending on the front page or cover sale price. The same source estimates that the daily net income of each one of its affiliates, on average, is around US\$ 9.01 in 2005, for newspaper sales, making a total net income of around US\$ 61.7 million dollars.

Table 5.1.3. Evolution of Net Income Newspaper Sales, 1999-2001 and 2004-2005

Year	Sales (US\$)
1999	51,184,657.14
2000	69,296,151.21
2001	47,247,375.82
2004	61,421,588.57
2005 ^{1/}	61,718,181.82

^{1/} Based on an interview with FENVENDRELPE.
Source: FENVENDRELPE, IDI-EPTH-USMP (2005).
Prepared by the authors

²² Its members are 8,000 street sellers and 2,200 news-stands in Lima and Callao, and 7,500 street sellers and 900 news-stands in the rest of the country, approximately.

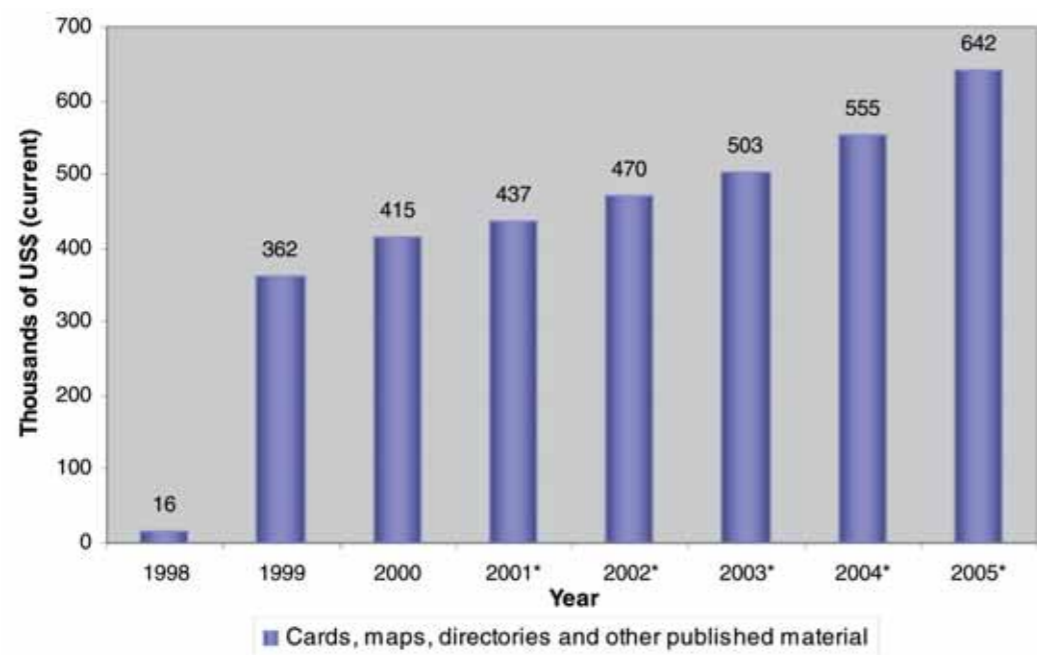
²³ Interview with the General Sub-Secretary, Rufino Quilca.

Other activities that also enter this sector are:

- Cards, maps, directories and other published material (ISIC code 2219)
- Pre-press and printing activities (ISIC code 2221)
- Post-press of books, magazines, newspapers, advertising materials (ISIC code 2222)

Based on the information of PRODUCE (1998-2000), we have estimated the evolution of these activities for the years 2001-2005, using the evolution of the rate of growth of the production volume index (ISIC code 2212, present before and 2221), when available, and the rate of growth of the manufacturing sector (ISIC code 2219 and 2222)²⁴. In the three cases, the increasing trend is clear. Cards, maps, directories and other published material grew from US\$ 16,000 to US\$ 642,000 (figure 5.1.5). Pre-press and printing activities presented the most important growth, rising from US\$ 117 million to US\$ 339 million²⁵ (figure 5.1.6). Finally, post-press of books, magazines, newspapers, and advertising materials had US\$ 9.7 million in 1998 and US\$ 17 million in 2005 (figure 5.1.7).

Figure 5.1.5. Cards, Maps, Directories and Other Published Material Value Added (thousands US\$), 1998-2005

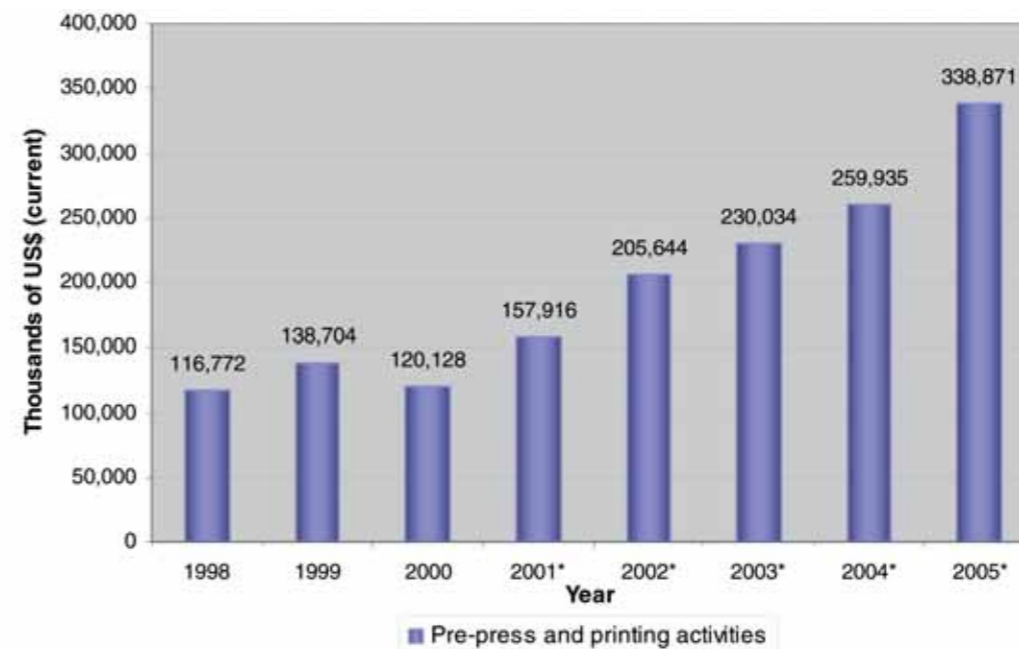


*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.
Source: PRODUCE and INEI.
Prepared by the authors

²⁴ For more details, see Annex B for the methodology.

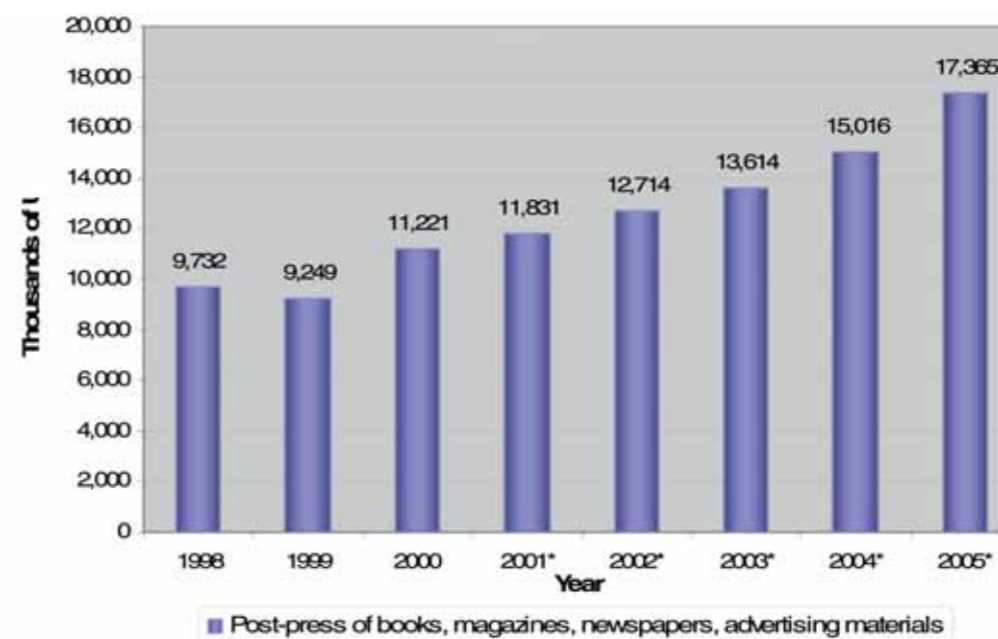
²⁵ It is worth noting that the estimation of this activity is based on the growth of the production volume index of the activity itself, which is more accurate than assigning the growth of the manufacturing sector, which is more conservative.

Figure 5.1.6. Pre-press and Printing Activities Value Added (thousands US\$), 1998-2005



*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.
Source: PRODUCE and INEI.
Prepared by the authors

Figure 5.1.7. Post-press of Books, Magazines, Newspapers, Advertising Materials Value Added (thousands US\$), 1998-2005



*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.
Source: PRODUCE and INEI.
Prepared by the authors

Value Added Estimation

The calculation of value added for the press and literature industries is based on three main sources:

- Ministry of Production (PRODUCE), 2000
- Individual Financial Statements from the El Comercio Publishing Company for the year 2005
- Federation of Newspaper, Magazines and Lotteries Salespersons of Peru (FENVENDRELPE), 2005

From the information of PRODUCE it was possible to estimate the value added of four activities, under the ISIC code review 3.1. These activities are (see table 5.1.4):

- Newspapers, magazines, periodicals: ISIC 2212, Publishing of newspapers, journals and periodicals
- Cards, maps, directories and other published material: ISIC 2219, Other publishing
- Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials: ISIC 2221, Printing and ISIC 2222, Service activities related to printing

Table 5.1.4. Value Added for Available Press and Literature ISIC, 2005

Economic activity	ISIC Rev.3.1. code	Description	Value added (US\$) ^{1/}
Newspapers, magazines, periodicals	2212	Publishing of newspapers, journals and periodicals	171,083,521.8
Cards, maps, directories and other published material	2219	Other publishing	641,675.5
Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials	2221	Printing	338,870,972.6
	2222	Service activities related to printing	17,364,796.6
Total			527,960,966.5

1/ Estimation based on the rate of growth of the manufacturing sector (ISIC 2219 and 2222) and on the rate of growth of the production volume index of the ISIC (2212 and 2221). For more details on this methodology, see Annex B.

One important firm that operates in both the press and the newspaper industry is El Comercio. Due to the fact that this firm is listed in the stock market, its financial statements²⁶ are public information, making it the only company for which it was possible to obtain this kind of data²⁷. We will work under the assumption that this is the main company for the newspaper sector. We based this assumption on some empirical facts. In the newspaper industry, El Comercio accounts for 51.1% of the advertising investment; this means that it receives nearly US\$ 34.5 million on this kind of investment, more than the sum of all the other companies (see table 5.1.5). Linked to the production of newspapers, the company is also involved in the book publishing business. In terms of titles, it accounts for 3.89% of the industry²⁸. Unfortunately, press and publishing do not appear separately in the financial statement of El Comercio, which has made it impossible to calculate them individually.

²⁶ We are particularly interested in its Profit and Loss Statement.

²⁷ It was not possible to obtain the information for the second newspaper of Peru, La República (see Annex A for the dates of the interviews with the Commercial Projects Head and the Corporate Services Manager).

²⁸ The La República interviewed executives said that this firm was more important than El Comercio in the publishing sector in the year 2005; nevertheless, they do not present data on the issue.

Table 5.1.5. Advertising Investments in Newspapers

Newspaper	Amount in US\$	Share (%)
El Comercio	34,500,000	51.1
El Peruano	9,400,000	13.9
Trome	4,700,000	7.0
Expreso	4,500,000	6.7
La República	2,800,000	4.2
Correo	2,400,000	3.6
Perú 21	2,000,000	3.0
Gestión	1,800,000	2.7
Guía de clasificados	900,000	1.3
La Razón	800,000	1.2
Ajá	790,000	1.2
Ojo	700,000	1.0
El Bocón	550,000	0.8
El Popular	370,000	0.5
El Chino	300,000	0.4
Extra	300,000	0.4
Todo Sport	290,000	0.4
Líbero	200,000	0.3
El Men	90,000	0.1
La Primera	70,000	0.1
Total	67,460,000	100

Source: 17.65% rate book data.

Note: It was based on information on broadcasted seconds (in television and radio) and in published announcements (newspapers and magazines) monitored by Media Check during 2005. Investment amounts were calculated based on real tariffs or those agreed by a bargain (between the contracting parts). The general investment analysis has eliminated the free announcements, or those considered as contributions of media to public goods entities.

Given this level of concentration, and under the assumption²⁹ that the rest of the companies operate with the same structure of costs and earnings, it is valid to consider El Comercio as the relevant company when it comes to analyzing the Added Value on newspapers, since it represents a considerable proportion of the industry analyzed.

Total sales and costs are taken from the Profits and Losses Statement of El Comercio for the year 2005 (see table 5.1.6). The operating income is US\$ 47.6 million and its value added is around US\$ 73.9 million. The assumption is that El Comercio has a market share of 35%³⁰ of the press and literature (newspaper and publishing) industries. Thus, the value added of these two industries is US\$ 246.4 million for the whole market.

²⁹ This is a working assumption that may be changed when more accurate information is available.

³⁰ Interview with the General Director of the Fondo Editorial de la Pontificia Universidad Católica del Perú Publisher, and the former executive of Santillana Publisher, the first and third publishing companies in Peru respectively in terms of ISBN registered titles.

Table 5.1.6. Newspaper and Publishing (Press and Literature) Industries' Estimated Value Added (thousands of US\$), 2005

Heading (in thousands of US\$):	EI Comercio	Industry total
A: Total sales ^{1/}	101,282.12	289,377.49
B: Total costs ^{1/}	53,669.70	153,341.99
C: Operating income (A+B)	47,612.42	136,035.50
D: Depreciation ^{2/}	7,920.00	22,628.57
E: Amortization ^{2/}	238.48	681.39
F: Payroll ^{2/}	18,144.55	51,841.56
G: EBITDA (C+D+E)	55,770.91	159,345.45
H: Value added (G+F)	73,915.45	211,187.01
Assumptions		
Exchange rate 2005 (soles to the USD) ^{3/}		3.30
EI Comercio Publishing Company market share		35%

1/ Profit and Loss Statement, Empresa Editora El Comercio, obtained from CONASEV (National Commission for the Supervision of Companies and Securities), www.conasev.gob.pe

2/ Notes to the Financial Statements, Empresa Editora El Comercio, 2005. Obtained from CONASEV, www.conasev.gob.pe

3/ BCRP, www.bcrp.gob.pe

Prepared by the authors

Thus, since from the PRODUCE we had that the newspaper industries had a value added of US\$ 171 million, and from the financial statements of EI Comercio we estimated US\$ 211.2 million of value added for both the newspaper and literature industries, we end up with US\$ 40.1 million for the book publishing industry (see table 5.1.10).

The estimation of retail sales of newspapers is based on the information provided by the Federation of Newspaper, Magazines and Lotteries Salespersons of Peru (FENVENDRELPE). This federation operates at the national level and groups together 62 unions in Lima and 48 in the rest of the country, affiliating approximately 18,600 members nationally, grouped into vendors, deliverers and news-stand salespersons³¹. These, according to an interview with the General Sub-Secretary of the Federation³², receive between 25% and 30% commission (on sale price) for each sale from Monday to Saturday, and between 30% and 35% on Sundays, depending on the front page or cover sale price. On average, the same source estimates that the daily net income of each one of its affiliates was approximately US\$ 9.01 in 2005³³, for newspaper sales, making a total net income of around US\$ 61.7 million dollars.

³¹ Its members are 8,000 street sellers and 2,200 news-stands in Lima and Callao, and 7,500 street sellers and 900 news-stands in the rest of the country, approximately.

³² Interview with the General Sub-Secretary, Rufino Quilca.

³³ From Monday to Saturday. Prices are higher on Sundays.

Table 5.1.7. Press and Literature Value Added, 2005

Economic activity	Value added ^{1/} (US\$)
Newspapers, magazines, periodicals ^{1/}	171,083,521.8
Book publishing	40,103,491
Cards, maps, directories and other published material ^{1/}	641,675.5
Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials ^{1/}	356,235,769.2
Retail of newspapers ^{2/}	61,718,181.8
Total	674,136,024.7

Source: PRODUCE, FENVENDRELPE, El Comercio.

1/ Estimation based on the rate of growth of the manufacturing sector (ISIC 2219 and 2222) and on the rate of growth of the production volume index of the ISIC (2212 and 2221).

2/ Based on the information of FENVENDRELPE

Prepared by the authors

Employment Estimation

The estimation of employment for this core industry is mainly based on the information of the Annual Economic Survey (EEA) 2005, and also uses the information provided by FENVENDRELPE for the retail of newspapers. The methodological steps to make the estimation are detailed in chapter 2.

Table 5.1.8. Press and Literature Employment, 2005

Economic activity	ISIC	Employment	As a percentage of national employment
Newspapers, magazines, periodicals	2212	38,350	0.290%
Book publishing	2211	15,642	0.118%
Cards, maps, directories and other published material	2219	1,128	0.009%
Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials	2221	66,048	0.499%
	2222	8,130	0.061%
Authors, writers, translators	9214 ^{1/}	681	0.005%
Retail of newspapers	5239	18,600	0.140%
Total		148,578	1.122%

1/ ISIC Code 9214, Dramatic arts, music and other arts activities is an activity present not only in the industry of press and literature, but also in the music industry. Thus, it was necessary to discern a criterion to assign the level of employment for both industries. The criterion was to assign employment to the activity proportional to the contribution to value added of the activity.

n.a.: not applicable

Source: EEA, 2005 and FENVENDRELPE.

Prepared by the authors

Trade Balance Estimation

Using the correlator for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA – Correlacionador Código CIU Rev. 3 – Partida arancelaria NANDINA), which indicates which custom code corresponds to which ISIC code, we have estimated the exports and imports for the press and literature sector, as presented in the next table. The information has been taken from the National Customs Administration Superintendence – SUNAD (see table 5.1.9).

Table 5.1.9. Press and Literature Trade Balance, 2005

Economic Activity	ISIC Code / Nandina code	Description	FOB Exports (US\$)	CIF Imports (US\$)	Trade Balance (US\$)
	2212	Publishing of newspapers, journals and periodicals			
Magazines / periodicals // periodicals	4902100000	Newspapers and periodic publications, printed, published four times a week	8,963	21,734	-12,771
	4902900000	Newspapers and periodic publications, printed, except the ones published four times a week	1,127,851	3,258,119	-2,130,268
	Subtotal		1,136,814	3,279,853	-2,143,039
	2211	Publishing of books, brochures and other publications			
Book publishing	4901100000	Books, pamphlets and similar prints, in loose pages, even folded	981,845	696,738	285,107
	4901910000	Dictionaries and encyclopedias, even in volumes	5,225,000	3,327,730	1,897,270
	4901990000	Books, pamphlets and similar prints, except dictionaries or encyclopedias.	17,798,578	32,365,062	-14,566,484
	4903000000	Albums or stamp books for children and kids' notebooks to draw or to color	255,096	233,032	22,064
	4904000000	Hand-written or printed music, even with illustrations or bound.	5	26,320	-26,315
	4905100000	Terrestrial, lunar or celestial spheres, printed.	0	2,619	-2,619
	4905910000	Cartographic manufactures, in the form of books or brochures	876,324	20,080	856,244
	4905990000	The other printed cartographic manufactures (f.e. mural maps)	20,620	10,690	9,930
		Subtotal		25,157,468	36,682,271

Table 5.1.9. Press and Literature Trade Balance, 2005 (cont.)

Economic Activity	ISIC Code / Nandina code	Description	FOB Exports (US\$)	CIF Imports (US\$)	Trade Balance (US\$)	
	2219	Other publishing				
	4907001000	Post office stamps; fiscal and similar seals, stamped paper	0	35,922	-35,922	
	4908100000	Glass transfers.	3,220	64,367	-61,147	
	4908900010	Transfers (except glass)	127,230	354,734	-227,504	
	4909000000	Printed or illustrated postcards	320,940	372,263	-51,323	
Cards, maps, directories and other published material	4910000000	Printed calendars of any class, including calendar blocks.	98,420	164,639	-66,219	
	4911911000	Stamps, engravings and photographs for education.	1,202,158	569,986	632,172	
	4911990000	Other prints (f.e.: transport tickets)	2,766,585	9,388,329	-6,621,744	
	Subtotal		4,518,553	10,950,240	-6,431,687	
	2221	Printing				
Pre-press, printing, and post-press of books, magazines, newspapers, advertising materials	4820100000	Registry and accounting books, checkbooks (of notes, orders or receipts)	1,005,522	2,133,203	-1,127,681	
	4820200000	Notebooks	7,429,471	4,033,893	3,395,578	
	4820300000	Filing cabinets, bindings, folders and covers for documents	1,285,980	272,383	1,013,597	
	4820400000	Prints in packages or folds, even with carbon paper.	25,118	132,349	-107,231	
	4820500000	Samples or collections albums, of paper or cardboard.	620	486,048	-485,428	
	4820900000	Covers for school books and other school, office or stationery articles	206,810	12,858	193,952	
	4911100000	Advertising printings, merchandising catalogs and similar	24,832,477	2,439,889	22,392,588	
	Subtotal		34,785,998	9,510,623	25,275,375	
		2222	Service activities related to printing			
	8442501000	Printing typesets		18,745	-18,745	
8442509000	printing plates, cylinders and other printing elements	42,421	705,063	-662,642		
Subtotal		42,421	705,063	-662,642		
Total			65,641,254	61,128,050	4,513,204	

Source: SUNAD and information obtained through Código CIU Rev. 3 – Partida arancelaria correlation from PRODUCE.
Prepared by the authors

5.2. The Music Industry

Value Added Estimation

The music industry generates value added through the distribution of copyrights and related rights, the production and manufacturing of recorded music, the wholesale and retail of recorded music, and performances.

The distribution of copyright and related rights is as follows. The music industry, authors and composers have the moral rights³⁴ and the economic rights³⁵ over their works. The authors and composers receive compensation for three kinds of economic rights: public performance³⁶, royalties³⁷, and synchronization³⁸. Usually, the authors and composers become members of the relevant Copyright Collecting Society (CCS) which is entrusted with the collection of the public performance right. In Peru, the CCS is the Peruvian Association of Authors and Composers (APDAYC). The other two rights are collected by the author's respective music editors³⁹ (which, besides, have to ensure the publication and broadcasting of the work). In table 5.2.1, we can see that copyrights generated around US\$ 2.6 million in 2005.

Table 5.2.1. Distribution of Royalties APDAYC, 2005 (US\$)

	Amount (US\$)
Collection APDAYC	4,581,818
Overheads	1,430,159
Royalty distribution margin	2,390,341
Distributed royalties 2005	2,558,408

Source: APDAYC
Prepared by the authors

Related rights belong to the producers and artists. In Peru, artists can join the National Association of Interpretive Artists and Performers (ANAIE), whereas producers become members of the Peruvian Union of Phonographic Producers (UNIMPRO). The artists (singers and performers) receive revenues for public performances (e.g. broadcast), royalties and synchronization. These rights are collected by their CCS, the ANAIE. Moreover, the artists get additional revenues from the bookings of their public performances (e.g. concerts).

The record producers or labels, which are in charge of financing the production of the record, receive revenues for the public performance (e.g. broadcasts) and synchronization of the records. In addition, they can sell any copy of the master tape and receive additional earnings⁴⁰ (deducting the royalties of the author, composers and artists). Their revenues for public performance are collected by their CCS, UNIMPRO. This institution collects both Copyright Collecting Societies' rights. The following table is based on information provided by UNIMPRO (table 5.2.2), and shows that the royalties to be paid in the year 2005 are US\$ 274,000.

³⁴ Moral rights relate to the individual nature of the work, which cannot be altered or waived. These rights recognize the creators' authorship and certain non-monetary rights. See INDECOPI (2004).

³⁵ Economic rights allow their holders to derive an economic benefit from the work. Contrary to moral rights, these rights (as with any other property right) may be ceded to a third party.

³⁶ Income received due to the public performance or reproduction for profits (e.g. radio broadcasts or concerts).

³⁷ Income received due to the sale of records.

³⁸ Income received due to the use of their work for a different purpose than that for which it was created (e.g. advertisement).

³⁹ Musical editors are represented by the Peruvian Chamber of Musical Editors (CAPEM).

⁴⁰ Once the record has been recorded, the producer has exclusive rights to copy, distribute, rent and disseminate it in digital format (producer related rights). See INDECOPI (2005).

Table 5.2.2. Public Dissemination, 2005 (US\$)

	TOTAL	UNIMPRO	ANAIE
Royalties from public dissemination 2005	537,364.27	268,682.14	268,682.14
Distributed royalties 2005	299,536.43	150,562.09	148,974.34
Total to be paid 2005	274,205.75	137,896.75	136,309.00

Source: UNIMPRO
Prepared by the authors

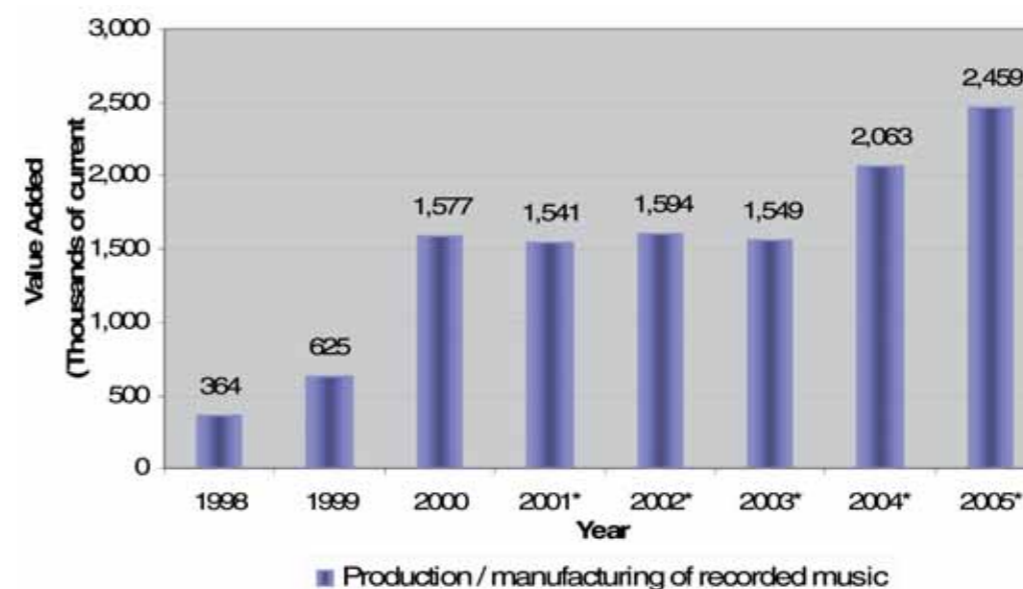
The production and manufacturing of recorded music is another important activity that generates value added within the music industry. The Ministry of Production (PRODUCE) has the information on value added for this activity for the years 1998 to 2000. Following the methodology described in Annex B, we estimated the value added for the period 2001-2005. In table 5.2.3 and figure 5.2.1 we can see that the value added in 2005 is almost US\$ 2.5 million, and that the trend is a growing one.

Table 5.2.3. Production/Manufacturing of Recorded Music, 2005

Economic activity	ISIC Rev. 3.1. code	Description	Value added (US\$)
Production/manufacturing of recorded music	2230	Reproduction of recorded music	2,458,584.35

Source: PRODUCE.
Prepared by the authors

Figure 5.2.1. Production/Manufacturing of Recorded Music, 2005



*Data for the years 2001-2005 was estimated by the authors. See Annex B for the methodology.

Source: PRODUCE and INEI.
Prepared by the authors

The value added generated by the wholesale distribution of recorded material has been estimated based on the sales of CDs and DVDs (in units) made in 2005, as reported by UNIMPRO (see table 5.2.4), and on the cost structure of a major distribution company (see table 5.2.5), assuming that all the distribution companies have the same cost structure.

Table 5.2.4. CD, DVD and Cassette Sales (units), 2005

Month	CD	DVD	Cassettes	Singles/Videos	Total
January	16,623	926	572	0	18,121
February	20,021	1,952	225	0	22,198
March	50,144	1,627	628	0	52,399
April	19,349	1,284	380	0	21,013
May	19,668	1,915	192	0	21,775
June	43,033	1,188	1,000	0	45,221
July	31,850	1,337	583	0	33,770
August	24,319	2,149	946	0	27,414
September	25,220	1,167	2,882	0	29,269
October	25,403	965	407	0	26,775
November	26,138	1,932	740	0	28,810
December	50,468	2,343	985	28	53,824
Total 2005	352,236	18,785	9,540	28	380,589

Source: UNIMPRO.

In the following table, we have the gross sales of a wholesale distribution company and its cost structure. Using this structure and the former information on sales for CDs and DVDs, we have estimated the value added for the distribution activity (see table 5.2.6)⁴¹.

On the other side, there has been a recurring finding in the interviews that indicates that live performances

Table 5.2.5. Cost Structure of Wholesale Distribution Company

Concept	US\$
Sales ^{1/}	476,360
Cost of plastic ^{2/}	182,100
Artistic royalties (20%)	95,272
Author royalties (7.5%)	35,727
Cost of payroll ^{3/}	52,500
Other management costs ^{4/}	6,000
Marketing (10%)	47,636
Net earnings	57,125
Value added^{5/}	109,625

1/ IGV discounted.

2/ US\$ 2.5 per unit.

3/ 5 employees, \$750 per month for 14 months.

4/ Rent 12 months US\$ 3,600, and services 12 months US\$ 2,400.

5/ Net earnings plus payroll.

Source: Ana María Carbonell, General Manager QC Entertainment SAC. (see annex I).

⁴¹ This is a conservative estimation for two main reasons: first, it assumes the same price for DVDs as CDs; and, second, it does not include cassettes and singles.

Table 5.2.6. Value Added of Distribution Companies Due to CDs and DVDs (units), 2005

Month	CD Value Added (US\$)	DVD Value Added (US\$)	CD and DVD Value Added (US\$)
January	25,018	1,394	26,411
February	30,132	2,938	33,070
March	75,467	2,449	77,916
April	29,120	1,932	31,053
May	29,601	2,882	32,483
June	64,765	1,788	66,553
July	47,935	2,012	49,947
August	36,600	3,234	39,835
September	37,956	1,756	39,713
October	38,232	1,452	39,684
November	39,338	2,908	42,246
December	75,955	3,526	79,481
Total	530,119	28,272	558,391

Prepared by the authors

(dance halls and live shows) represent an important source of revenue for the authors, composers, artists and executors. According to APDAYC, the collection of copyright coming from dance halls is approximately US\$ 402,000, while the collection of royalties due to live shows is around US\$ 389,000 (table 5.2.7). Based on this information, and knowing that show business entrepreneurs have to pay 19% of the value added tax (IGV) and 15% of the municipal live performance/show tax, and that in addition the payment to

Table 5.2.7. Dances and Shows: Royalties Collected by APDAYC, 2005 (US\$)

Category	Lima		Rest of the country		Total	
	Nº	Collection	Nº	Collection	Nº Total	Collection
Dances	3,286	266,014	3,174	135,791	6,460	401,805
Shows	1,292	254,114	997	134,442	2,289	388,556
Total	4,578	520,128	4,171	270,233	8,749	790,361

Source: APDAYC database.

Prepared by the authors

APDAYC is 8% (although APDAYC's rate is 10%, there is a discount of 25% when the payment is made in advance, with 80% of the payments made in advance due to this discount opportunity), we estimated the gross income of dances and shows. In table 5.2.8, the total gross income is around US\$ 14 million. Finally, making some reasonable (interview-based) assumptions about the profitability and payroll percentages of the gross income, net income is calculated. Knowing that value added may be approached by the summation of net income and payroll⁴², we end up with a total value added of US\$ 6.8 million.

⁴² Given that there is no depreciation and amortization. See chapter 2 for the details of this methodology to approach the value added.

Table 5.2.8. Value Added and Employment in the Music Industry, 2005 (US\$)

Category	APDAYC Collection	Gross Income ^{1/}	Net Income ^{2/}	Payroll ^{3/}	Value added (Net Income and Payroll)
Dances	401,805	7,294,938	2,188,481	1,276,614	3,465,095
Shows	388,556	7,054,392	2,116,318	1,234,519	3,350,836
Total	790,361	14,349,330	4,304,799	2,511,133	6,815,932

1/ Calculated considering that the payment of IGTV is 19%, the municipal tax to shows is 15% and the payment to APDAYC is 8% (although APDAYC's rate is 10% there is a discount of 25% when the payment is made in advance; 80% of the payments are made in advance due to this discount opportunity (Based on the interview with the President of APDAYC, Dr. Massé)).

2/ 30% profitability is assumed (based on the interviews with the officials of firms in the music sector).

3/ 25% labor costs on gross income is assumed (based on the interviews with the officials of firms in the music sector).

Prepared by the authors

Thus the result for the estimation of the contribution to value added by the music industry is the summation of four components, which can be seen in table 5.2.9. The first one accounts for the royalties paid to authors, composers, producers and artists. The second one stands for the production and manufacturing of recorded music. Next is the wholesale of music, and finally we have the value added generated by live performances. The estimation of all four components has been explained above.

Table 5.2.9. Value Added in the Music Industry, 2005 (US\$)

Economic Activity	ISIC	Value Added (US\$)	As a percentage of total V.A
Composers, lyricists, arrangers, choreographers, writers, directors, performers and other personnel; Artistic and literary creation and interpretation ^{1/}	9214	2,832,614	0.0040%
Production and manufacturing of recorded music ^{2/}	2230	2,458,584	0.0034%
Wholesale of recorded music (sale and rental) ^{3/}	7130	558,391	0.0008%
Performances and allied agencies (bookings, ticket agencies, etc.)	9214	6,815,932	0.0095%
Total		12,665,521	0.0177%

1/ Includes the copyrights (distributed royalties by APDAYC, US\$ 2,558,408), related rights (UNIMPRO and ANAIE, US\$ 274,206).

2/ ISIC 2230. Source: PRODUCE.

3/ Does not include retail.

Prepared by the authors

Employment Estimation

The main source for the estimation of employment is the Annual Economic Survey (EEA) 2005 obtained from INEI (see chapter 2 for the methodological details). The ISIC codes estimated with this survey are:

- Dramatic arts, music and other arts activities, ISIC code 9214
- Other entertainment activities n.e.c., ISIC code 9219
- Reproduction of recorded media, ISIC code 2230
- Renting of personal and household goods n.e.c., ISIC code 7130

Table 5.2.10. Employment in the Music Industry, 2005 (US\$)

Economic Activity	ISIC	Value Added (US\$)	As a percentage of national employment
Composers, lyricists, arrangers, choreographers, writers, directors, performers and other personnel; Artistic and literary creation and interpretation	9214 ^{1/}	200	0.00151%
Production and manufacturing of recorded music ^{2/}	2230	40,435	0.305%
Wholesale of recorded music (sale and rental)	7130	174	0.001%
Performances and allied agencies (bookings, ticket agencies, etc.)	9214 ^{1/}	4,597	0.035%
Total		45,886	0.3465%

1/ ISIC Code 9214, Dramatic arts, music and other arts activities is an activity present not only in the industry of music, but also in the press and literature industry. Thus, it was necessary to establish a criterion to assign the level of employment for both industries. The criterion was to assign employment to the activity proportional to the contribution to value added of the activity.

2/ Assuming the same value-added-to-employment ratio as Composers, lyricists, arrangers, choreographers, writers, directors, performers and other personnel; Artistic and literary creation and interpretation.

Source: PRODUCE.

Prepared by the authors

Trade Balance Estimation

The imports and exports of records are detailed in the following table, which was obtained from information that was published on the Internet by the SUNAD, using the correlator for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA – Correlacionador Código CIU Rev. 3 – Partida arancelaria NANDINA), which indicates which custom code corresponds to which ISIC code (see table Customs Administration Superintendencia – SUNAD (see table 5.2.11).

Table 5.2.11. Exportations and Importations of Music Industry in US\$, 2005

Economic Activity	ISIC Code / Nandina code	Description	FOB Exports (US\$)	CIF Imports (US\$)	Trade Balance (US\$)
	2213	Publishing of music			
	8524101000	Discs for disc players, for teaching	0	18,689	-18,689
	8524310000	Read-only no sound or image laser disks	235,948	13,159,746	-12,923,798
	8524320000	Read-only sound-only laser disks	67,300	1,525,397	-1,458,097
	8524390000	Other read-only laser disks	271,159	2,732,117	-2,460,958
	8524400000	No sound or image magnetic tapes	1,151	316,268	-315,117
	8524511000	Sound or similar to sound recording tape equal or narrower than 4mm width for teaching	15	41,737	-41,722
	8524519000	All other sound or similar to sound recording tape 4mm or narrower width	461	34,428	-33,967
	8524521000	Sound or similar to sound recording tape broader than 4mm and narrower than 6.5mm width for teaching	872	17,433	-16,561
Printing and publishing of music	8524529000	All other sound or similar to sound 6.5mm width recording tape or narrower	434	1,662	-1,228
	8524531000	Sound or similar to sound 4mm recording tape or narrower than 6.5mm for teaching	16	39,128	-39,112
	8524539000	All other 6.5mm or narrower magnetic tape for sound or image recording	4,601,662	73,912	4,527,750
	8524600000	Magnetic band cards for sound or similar recording	132,478	29,938	102,540
	8524910000	All other read-only no sound or image disks or tapes	35	90,472	-90,437
	8524991000	Disks ("wax" and "flan"), tapes, films and other molds and matrices	0	3,278	-3,278
	8524999000	All other disks ("wax" and "flan"), tapes, films and other molds and matrices	350	203,208	-202,858
Total			5,311,881	18,287,413	-12,975,532

Source: SUNAD and information obtained through Código CIIU Rev. 3 – Partida arancelaria correlation from PRODUCE.

Prepared by the authors

5.3. The Motion Picture Industry

The Motion Picture industry is characterized by three main agents: the producers, the distributors⁴³ and the exhibitors. Thus we will measure the economic contribution of this industry to the whole economy through them. At present, the first activity, that of production, is small, with exhibition of foreign films predominant (mostly American films that make up 70% of total films) compared to the small number of national productions (around three or four a year). In the distribution and exhibition sectors we find a high level of concentration that will allow us to make some reasonable assumptions for the estimation.

Value Added Estimation

Since the first Peruvian feature film was released in 1913⁴⁴, the motion picture industry in Peru has been characterized by its small size and slow growth, due in part to small state budgets assigned to the industry. The National Movie Council (CONACINE)⁴⁵, a governmental agency, is supposed to have an annual budget of approximately US\$ 2.2 million to support national film making⁴⁶; nevertheless, it only gets roughly speaking 10% of this amount. Thus the financing of film-making is also done with foreign entrepreneurs who foster co-production, and with international funds.

According to information provided by the Chairman of CONACINE⁴⁷, there are about 200 registered production companies, and only 10 or 15 are actually operating. Hendrickx⁴⁸ indicates that since the period of time between the production of two different films can be significant, companies in Peru diversify their activities, so that not one of them is solely a movie production company⁴⁹. The most important are Inka, Aguadulce, Alpamayo, Argos and Lunallena.

Two other important features of film production activity in Peru are related to the short-lived nature of production companies, and the activity in areas outside of Lima. According to the President of the Peruvian Society of the Audiovisual Industry (SPIA), production activity is undertaken by small production companies, the majority of which are created to apply for funding, and tend to disappear once the competitions are over⁵⁰, thus creating a sector full of predominantly temporary companies. On the other hand, there is also activity in the provinces outside of Lima, characterized by the use of low-quality equipment. These activities have not been included in the estimation of the value added of production due to the lack of information.

The total number of national films produced by year is shown in table 5.3.1. Out of the total openings, Peruvian films represent 2.5% of pictures in the period 1999-2005. In 2003 the maximum number of national productions was reached, with the making of seven movies. This is also reflected in the attendance to Peruvian films.

⁴³ Another branch is the presentation of movies on television, first on premium cable channels, then on other cable channels and finally on free TV channels (Fernández-Baca et al., 2004c). In this survey this branch will not be covered because of the lack of information and its relatively small importance.

⁴⁴ Taken from <http://www.tvnovelasperu.com/cine/historia.htm>.

⁴⁵ Agency that belongs to the Ministry of Education. Its main role is to enforce the Peruvian Movie Industry Law (Law N° 26370) and represent Peruvian cinematography officially in Peru and abroad.

⁴⁶ The first film law was Law 19327, passed in 1972 during the military regime of Juan Velasco Alvarado. In 1992, however, during the period of Alberto Fujimori, certain articles of the law were removed, leading to a group splitting from the Peruvian Society of Film Directors (ACDP) and later forming the Peruvian Society of Film Directors and Producers (SOCINE). The second law (Law 26370) was passed in October of 1994 and was regulated in May of 1995. This law was created as a substitute for the law modified 2 years before, and recognized the cultural nature of the movie industry. It introduced a competitive awards system for the financing of short features, held every 3 months, and full features, held every 6 months, to be organized by the CONACINE. Nevertheless, since only around 10% of the overall budget was actually being given to CONACINE, the awards system could not be held and the award ceremonies always faced setbacks and difficulties. According to the Law, approximately 6 movies (no more than 3 per competition) and 48 short films (no more than 12 per competition) should be financed annually. Nevertheless, between 1996 and 2000, there were only 3 competitions on movies and 4 competitions on short films (Weber, 2000).

⁴⁷ Interview with Emilio Moscoso, CONACINE Chairman (see Annex A).

⁴⁸ Interview with Nathalie Hendrickx, Executive Producer of Argos Productions, member of the Peruvian Association of Cinematographic Producers (APCP), and Executive Board Member of CONACINE, and Augusto Tamayo, Film Maker, CEO of Argos Producciones and President of the Peruvian Association of Cinematographic Producers (APCP), (see Annex A).

⁴⁹ For example, the production companies also work in the advertising industry and make short films.

⁵⁰ Interview with Jorge Delgado, President of the Peruvian Society of the Audiovisual Industry – SPIA.

Table 5.3.1. National and Foreign Releases, 1999-2005

Year	Total openings	Foreign Films	Peruvian films	Percent Peruvian films
1999	155	152	3	1.9%
2000	161	158	3	1.9%
2001	170	166	4	2.4%
2002	173	170	3	1.7%
2003	179	172	7	3.9%
2004	177	173	4	2.3%
2005	177	174	3	1.7%
Total	1,092	1,065	27	2.5%

Source: 1999 to 2004, IDI-EPTH-USMP, and for the year 2005, Cinedatos.

Approximately, in most cases, 60% of the total cost of a Peruvian film is subsidized (by means of the prizes that CONACINE gives, even though these are low) and the other 40% is funded by the producer, who obtains money without the help of the State and is usually associated with others, particularly Mexican producers, in order to make a co-production. For that reason, 98% of total films are made up under any kind of subvention. There are also two international funds for economic aid in the production of films (Ibermedia and South Fund of the Ministry of Foreign Affairs of France)⁵¹.

As shown in table 5.3.2, an estimation of net earnings from internal exhibition may be done. In Peru, according to Hendrickx, the total film production cost in 2005 fluctuates between US\$ 120,000 (corresponding to *Un Día sin Sexo* and *Mañana te cuento*) and US\$ 250,000 (corresponding to *Piratas en el Callao*)⁵². Given the local attendance to exhibitions in the national territory, the total tickets sold for national productions was around 730,000, which made approximately US\$ 1.6 million (see table 5.3.3 for the price of tickets). Discounting all taxes, and assuming distributors earn on average 43% of net earnings, the total net earnings for national movies is around US\$ 215,000. These earnings are complemented with sales by cable channels, sales by premium channels, sales at Latin American level, etc. Thus, the sum of all this allows the cost to be recovered.

⁵¹ Hendrickx, Nathalie (see Annex A).

⁵² These are approximations that do not take into account the goods and services that many collaborators give in order to promote their services or goods.

Table 5.3.2. Estimated Production Profit Coming from National Exhibition, 2005

Film	Number of tickets sold ^{1/}	Gross earnings (US\$) ^{2/}	Production cost (US\$) ^{3/}	Net earnings of producers (US\$) ^{4/}
Piratas en el Callao	282,000	628,860	250,000	23,835
Mañana te cuento	288,000	642,240	120,000	159,661
Un día sin sexo	156,000	347,880	120,000	31,483
Total	730,000	1,618,980	490,000	214,980

1/ Cinedatos.

2/ Average ticket US\$ 2.23 (see table 5.3.3).

3/ Nathalie Hendrickx, Executive Producer of Argos Productions, member of the Peruvian Association of Cinematographic Producers (APCP), and Executive Board Member of CONACINE and Augusto Tamayo, Film Maker, CEO of Argos Producciones and President of the Peruvian Association of Cinematographic Producers (APCP).

4/ Discounting all taxes – 10% for municipalities and 19% of the IGV tax – (gross earnings are divided by 1.309=1.1*1.19), the earnings of distributors of 43% (the assumption is that the rest goes to producers), and subtracting production costs. It does not include the earnings of sales to cable dissemination, sales abroad, etc.

Table 5.3.3. Average Price of Tickets (in US\$) 2002-2005

Year	Average Ticket Price
2002	2.56
2003	2.42
2004	2.30
2005	2.23

Source: Infodatos Perú / Cruzada Antipiratería.

Prepared by the authors

The production process consists of five stages⁵³: development of the project, preproduction, shooting, postproduction, launching campaign. The average distribution of costs for these stages is presented in table 5.3.4. Also, of the total cost, Hendrickx estimates that between 25% and 30% of total costs are due to payroll. In table 5.3.5, estimates for labor expenses are presented (payroll). They rise to US\$ 122,500. Thus, producer earnings, plus payroll, together make the value added US\$ 337,000.

Table 5.3.4. Cost Structure of National Film-making Process

Stage	Cost Percentage
Development of the project	8%
Preproduction	27%
Shooting	30%
Postproduction	27%
Launching campaign	8%

Source: Augusto Tamayo, Film Maker, CEO of Argos Producciones and President of the Peruvian Association of Cinematographic Producers (APCP), and Nathalie Hendrickx, Executive Producer of Argos Productions, member of the Peruvian Association of Cinematographic Producers (APCP), and Executive Board Member of CONACINE.

⁵³ Hendrickx, Nathalie (see Annex A).

Table 5.3.5. Production of Motion Picture Value Added Estimation (US\$), 2005

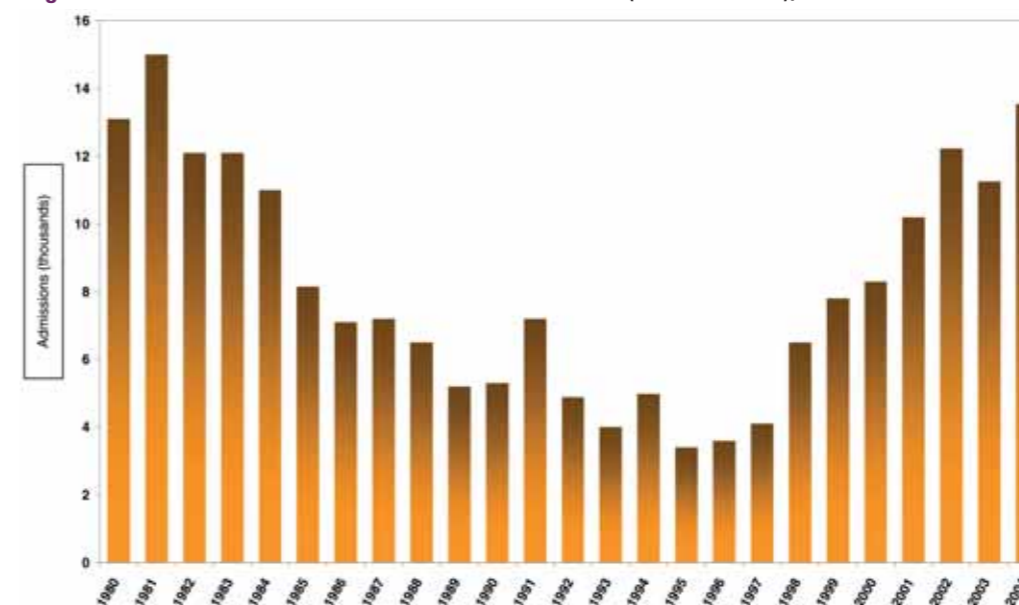
Film	Net earnings of producers ^{4/}	Payroll ^{1/}	Value Added
Piratas en el Callao	23,835	62,500	86,335
Mañana te cuento	159,661	30,000	189,661
Un día sin sexo	31,483	30,000	61,483
Total	214,980	122,500	337,480

1/ Assuming a 25% ratio between payroll and total cost, according to Augusto Tamayo, Film Maker, CEO of Argos Producciones and President of the Peruvian Association of Cinematographic Producers (APCP), and Nathalie Hendrickx, Executive Producer of Argos Productions, member of the Peruvian Association of Cinematographic Producers (APCP), and Executive Board Member of CONACINE.

Distributors' and exhibitors' value added are intimately related, and depend mainly on the attendance of the public to movie theaters. In figure 5.3.1 a decreasing tendency may be seen in the 1980s in terms of the number of people attending movie theaters, which caused the loss of alternative movie circuits called cineclubs (IDI-EPTH-USMP, 2005). This tendency started to change in the late 1990s, reaching in the period 1996-2004 an average annual growth rate of 21%. Box office estimates for the period 2002-2005 show the same trend (see figure 5.3.2).

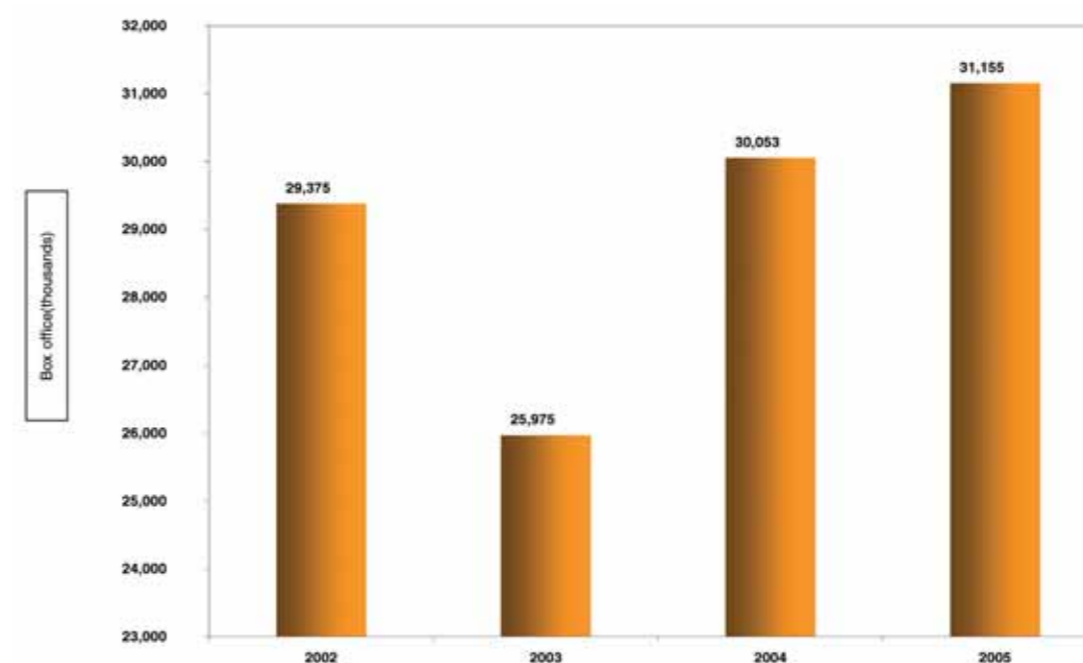
Technological and digital advances, as well as the application of marketing strategies, have enabled exhibitors to attract a larger number of consumers thanks to better-quality movie theaters. Nevertheless, the majority of these theaters are located in the city of Lima⁵⁴. Hernán Viviano, General Manager of Warner Bros – Twentieth Century Fox – Perú and Christian Alva, Marketing Manager of CinePlanet, revealed the different marketing strategies, like price sales and simultaneous premiers worldwide, among others, that are used to combat piracy; they consider piracy as another competitor and use these strategies to try to differentiate attendance to the movies as a more enjoyable and amusing experience than seeing a pirated copy of a movie at home. Nevertheless, attendance levels are still lower than in the early 1980s (when they averaged 16 million movie-goers annually), and, currently, the average per person is around five times per year, according to CinePlanet's Marketing Manager.⁵⁵ According to the data of Cinedatos (see table 5.3.6), four main companies share the majority of admissions: CinePlanet, Cinemark, UVK Multicines, and Cine Star. These four exhibitors account for 89.9% of the overall attendance in Peru.

Figure 5.3.1. Annual Admissions to Movie Theaters (in thousands), 1980-2005



Source: CinePlanet, Infodatos Perú / Antipiracy Crusade Initiative.
Prepared by the authors

Figure 5.3.2. Annual Box Office Estimations (in US\$ thousands), 2002-2005



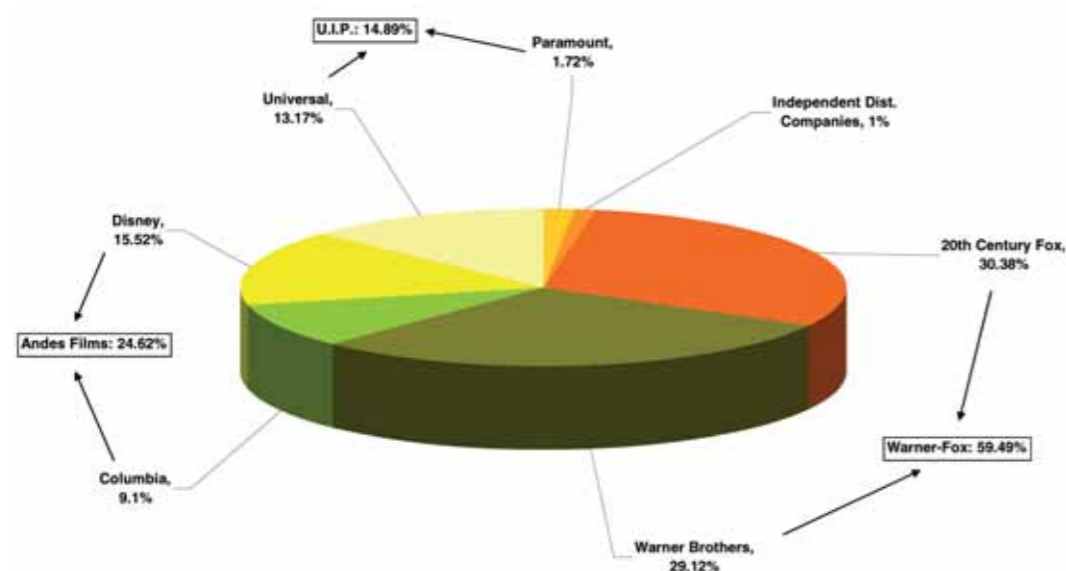
Source: Infodatos Perú / Antipiracy Crusade Initiative.
Prepared by the authors

⁵⁴ Actually, the exhibitors are increasingly expanding their operations in provinces, mainly on the coast. According to Fernández-Baca et al. (2004c), box office grew almost 180% in 2004 due to the opening of new multiplex movie theaters in other cities.

⁵⁵ Interview with Christian Alva (see Annex A).

By 2005, almost all of the distributors were multinational companies (figure 5.3.3). Among the most important we find Warner Brothers – Twentieth Century Fox – Perú, with almost 60% of the market. Andes Films has 24.62% of the market share and distributes Disney and Columbia pictures. In third place is United International Pictures (UIP), which manages Universal and Paramount films, with almost 15% of the market share. It is important to mention that market share among distributors varies considerably from one year to the next because these companies are subject to the commercial success of films distributed each year.

Figure 5.3.3. Market Share by Distributor, Peru, 2005



Source: Warner Bros – Twentieth Century Fox – Perú.

The estimated value added for the distributors is based on the net income by tickets sold per movie projection of the exhibitor, obtained once the municipalities charge their percentage (10%) per every ticket sold and the IGV is deducted (19%), from which the distributor gains a percentage. This is: After tax income for exhibitors * (1.1) * (1.19) = Gross income for exhibitors. Thus: After tax income for exhibitors = Gross income for exhibitors / 1.039.

Thus, roughly for each dollar that the exhibitor receives, he earns US\$ 0.76 after tax income. The distributors make profits from this after tax income generated by exhibitors, equal to a percentage of this total. According to Luis Dager, Sales Manager for United International Pictures Perú (UIP Perú), profits average 43% of the net earnings⁵⁶. Thus, for each dollar the exhibitor receives, the distributor has a participation in profits of US\$ 0.33.

Thus, according to the statistics from the CINEDATOS, the after income of exhibitors is around US\$ 17.6 million in 2005 and, with the calculations mentioned, gross earnings to distributors are US\$ 7.6 million. For exhibitors their gross earnings after tax and after distributors' gross earnings are approximately US\$ 10 million. The following table shows the earnings for each chain of movie theaters, as well as the results for the year 2005.

⁵⁶In other words, the earnings of distributors can be seen in this equation: Earning of distributor=0.43*After tax income

Table 5.3.6. Gross and Net Income for Exhibitors and Total Earnings for Distributors (US\$), 2005

Exhibitors	Attendance	Exhibitors' gross income (US\$)	Exhibitors' after tax income (US\$)	Distributors' gross earnings (US\$)	Exhibitors after tax and after distributors' gross earnings (US\$)
Cineplanet	5476,649	9,590,631	7,326,685	3,150,475	4,176,211
Cinemark	2,596,000	5,189,412	3,964,409	1,704,696	2,259,713
UVK	1,909,413	3,640,395	2,781,050	1,195,852	1,585,199
Star	2,600,724	2,773,518	2,118,807	911,087	1,207,720
Plaza Jesús María	561,925	848,236	648,003	278,641	369,362
El Pacifico	209,570	348,383	266,145	114,442	151,702
Primavera	396,557	486,210	371,436	159,718	211,719
Arenales	50,568	49,884	38,108	16,387	21,722
Bahía Chimbote	31,267	43,435	33,182	14,268	18,914
Colon Huacho	13,886	12,266	9,371	4,029	5,341
Junín	103,692	96,901	74,027	31,832	42,195
La Católica	14,551	26,170	19,992	8,597	11,396
Tacna	28,212	30,613	23,387	10,056	13,330
Total	13,993,013	23,136,054	17,674,602	7,600,079	10,074,523

Source: Cinedatos.
Prepared by the authors

As for the cost structure of the distribution sector, according to Luis Dager, there are three main expenses: the cost of film copies, principally imports, represents 15.35% of the total cost; the cost of advertising represents 61.11%; and the operation expense (that includes payroll of approximately 50%) represents 23.54%. The following table summarizes the expenses expressed as a percentage assuming every company has the same cost structure.

Table 5.3.7. Assignment of Distributor Income (in US\$), 2005

Heading	Percent of expense	Expense in US\$
Movie copies (imports)	15.35%	521,365.41
Advertising	61.11%	2,075,581.55
Operational expenses (wages, fixed costs, rentals)	23.54%	799,528.30
TOTAL	100.00%	3,396,475.27

Source: UIP.
Prepared by the authors

Earnings from operations, understood as the difference between total gross income (which, as mentioned before, totals US\$ 7.6 million) and total costs (which total US\$ 3.4 million), therefore equal US\$ 4.2 million. Depreciation and amortization are assumed to be zero. If the total payroll reaches 50% of the operational expenses, a percentage observed in many other industries, the total payroll amounts to US\$ 399,000. Value added therefore totals US\$ 4.6 million for the distribution sector.

Table 5.3.8. Estimated Value Added for the Distribution Sector in the Motion Picture Industry (in US\$), 2005

Heading	US\$
Total sales	7,600,079
Total costs	3,396,475
Earnings from operations	4,203,604
Depreciation ^{1/}	0.0
Amortization ^{1/}	0.0
Payroll	399,765
Value added	4,603,369

1/ Not available.

Prepared by the authors

Ideally we should use the cost structure to estimate the value added for exhibitors, but this information is not available⁵⁷. Although their cost structure is not the same as the distributors' it was the nearest cost structure available. Thus, assuming the same gross-earnings-to-value-added ratio as the one for distributors, the value added for exhibitors is US\$ 6.1 million. In table 5.3.9, we can see that on aggregate the value added contribution of the motion picture industry is US\$ 11 million.

Table 5.3.9. Estimated Value Added for the Motion Picture Industry (in US\$), 2005

Economic activity	ISIC	Value added (US\$)	As a percentage of total V.A
Motion picture production	9211	337,480	0.0005%
Motion picture distribution	9211	4,603,369	0.006%
Motion picture exhibition ^{1/}	9212	6,102,140	0.009%
Total		11,042,989	0.015%

1/ Assuming the same gross-earnings-to-value-added ratio as distribution.

Prepared by the authors

⁵⁷ None of the contacted exhibitors provided the information on cost structure.

Employment Estimation

The estimation of the employment generated by the motion picture industry is based on the information provided by the EEA (2005), specifically for the ISIC codes:

- Motion picture and video production and distribution, ISIC Code 9211
- Motion picture projection, ISIC Code 9212

The estimation methodology can be seen in chapter 2. Table 5.3.10 indicates that the employment generated by the above-mentioned activities is 1,532 and 22,984 workers, respectively, giving a total of more than 24,500 employees.

Table 5.3.10. Estimated Employment for the Motion Picture Industry (in US\$), 2005

Economic activity	ISIC	Total Employment (EEA 2005)	As a percentage of national employment
Motion picture production and distribution	9211	1,532	0.012%
Motion picture exhibition ^{1/}	9212	22,984	0.174%
Total		24,517	0.1851%

1/ Assuming the same gross-earnings-to-value-added ratio as distribution.

Prepared by the authors

Trade Balance Estimation

By means of the correlator for the ISIC code and the Common Nomenclature of the Andean Community Members (NANDINA – Correlacionador Código CIU Rev. 3 – Partida arancelaria NANDINA), and the information of the National Customs Administration Superintendence (SUNAD) of exports and imports, an estimation for the trade balance of the motion picture industry is made.

As the Executive Secretary of CONACINE mentions, the exports in this industry are very low; the figure can be seen in table 5.3.11 (US\$ 3,000). On the other hand the imports are around US\$ 213,000, giving a negative trade balance for the industry.

Table 5.3.11. Motion Picture Trade Balance, 2005

Economic Activity	ISIC Code / Nandina code	Description	FOB Exports (US\$)	CIF Imports (US\$)	Trade Balance (US\$)
	9211	Publishing of music			
Printing and publishing of music	3706100000	Cinematographic films, impressed and revealed, with or without sound registry	2,440	210,530	-208,090
	3706900000	Cinematographic films, impressed and revealed, with or without sound registry	601	2,842	-2,241
Total			3,041	213,372	-210,331

Source: SUNAD and information obtained through Código CIU Rev. 3 – Partida arancelaria correlation from PRODUCE

Prepared by the authors

5.4. Television and Radio Industry

Value Added Estimation

With the purpose of measuring the economic contribution of this industry, we will focus on public cable broadcasting services (cable TV) and private public interest broadcasting services (free-to-air radio and TV). Cable TV services are defined as “those that distribute multichannel and multipoint broadcasting signals through cables and radio waves, from one or more stations belonging to the same distribution system, inside of a concession area” (article 90 of Regulations). In Anglo-Saxon literature this service is known by the acronym CATV (Community Antenna Television). In these systems, the signals are transported using cables instead of an individual antenna receiver.

Subscribers of TV cable pay a pre-determined amount to receive the signals. Also, the companies that offer these services are subject to State regulation and supervision. For this reason, there is more information available for this industry as opposed to open air radio and TV, for which very little information is available. It is important to distinguish between the different types of signals that can be transmitted and received by cable television:

- From open channels: Signals that can be received by any conventional receiving device, in UHF and VHF frequencies.
- Via satellite: Transmissions from a satellite, using a reception satellite dish⁵⁹.
- Company-owned channels: Signals transmitted independently by each cable television company.
- Other services: Internet (OSIPTTEL, 2002).

¹⁵In this industry, the General Regulations of the Telecommunications Law establish a classification for the services of telecommunications services based on two basic criteria. The first is a technological criterion, while the second relates to the nature and use of these services.

Based on technical criteria, services are classified as:

- Carriers
- Teleservices, also called final services
- Broadcasting
- Value added services

Depending on their nature they are classified as follows:

- Public Services
- Private Services
- Private Services of Public Interest

Title IV of the regulation combines both criteria to establish the following classification of broadcasting services:

- A. Public Broadcasting Services
 - a. Distribution of radio broadcasting by cable, in the following ways:
 - i. Wire or optic cable
 - ii. Multichannel multipoint distribution system (MMDS)
 - iii. Direct satellite broadcasting
 - b. Distribution of piped-in music
 - c. Any other classified by the Ministry as such
- B. Private broadcasting services (set up by an individual or company to satisfy his or her broadcasting needs within a determined area, such as closed circuit TV)
- C. Public-interest private radio or television broadcasting services targeting the general public. Regulations also distinguish between commercial and education radio broadcasting, and according to its operational confines, local and rural radio broadcasting.

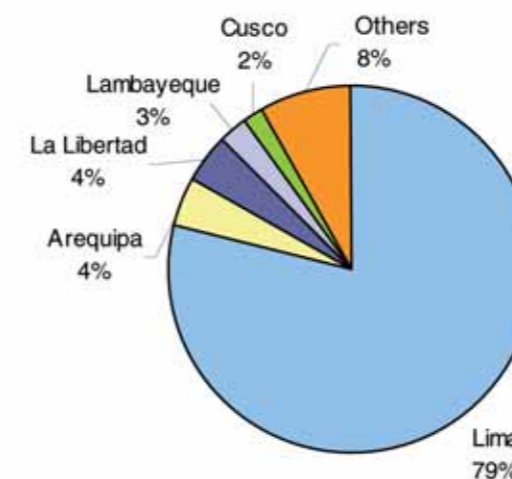
This classification embraces different criteria that take account of diverse considerations and policies, and is not consistent with the objective of distinguishing and measuring the contribution of copyright activities or industries to generating employment and creating value.

⁵⁹For satellite TV, “the signals are received directly from an orbiting satellite through small satellite dishes positioned in the subscribers’ homes” (OSIPTTEL 2002). In contrast, the free signal from radio and TV transmissions comes from a transmission tower placed on the ground, which the users receive directly through an antenna. Another significant difference in relation to this study is derived naturally from the fact that cable TV and satellite TV users must pay for the services provided, generally a fee (for example a monthly fee, based on the number of channels provided). In contrast “open” radio and TV users receive the signal for free. In this case, the source of income for these broadcasting companies is limited mostly to advertising.

Most subscribers in “the paid television market” of Peru are served by companies that distribute their signals through physical means, primarily by coaxial cable. Direct broadcasting by satellite, provided by DirecTV Peru SRL, is still in its early stages and its subscribers account for only 0.8% of the total.

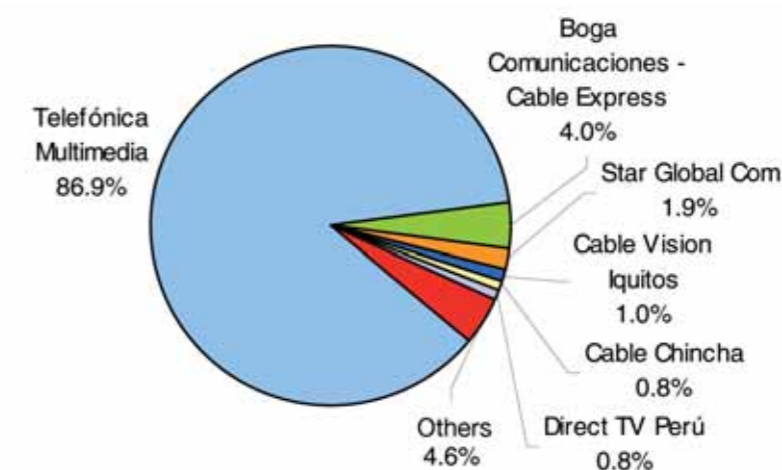
In general terms, the market has a high concentration level both in geographic terms and by the participation of operating companies. Out of the 564,000 registered subscribers in June of 2006, 79% were located in Lima, followed by Arequipa, La Libertad and Lambayeque with 4%, 4% and 3% respectively. Although the number of homes with access to these services has progressively increased during recent years, the percentage with access is still found to be around 15%.

Figure 5.4.1. Number of Cable TV Subscribers, by Department (percentages)



Source: Supervisory Agency for Private Investment in Telecommunications - OSIPTTEL (2002)
Prepared by the authors

Figure 5.4.2. Cable TV Providers (percentages based on number of subscribers per company)



Source: Supervisory Agency for Private Investment in Telecommunications OSIPTTEL (2002)
Prepared by the authors

The largest provider (Telefónica Multimedia) has 86.9% of the total number of subscribers, of which the majority (84.3%) live in Lima. The second-largest company (Boga Communications – Cable Express) operates in Lima and Chiclayo, but has a lower participation level that barely reaches 4% of the total subscribers, while the remaining companies operate primarily in local environments and provide services to a smaller number of homes.

It was possible to obtain the financial statements for the three largest companies, Telefónica Multimedia, Boga Communications and Star Global Com⁶⁰. Reflecting the high level of concentration mentioned earlier, these companies have 92.8% of the total number of subscribers (86.9%, 4% and 1.9% respectively). Based on this information, and following the methodology explained in chapter 2, a fairly accurate measurement of value added by companies is calculated⁶¹.

Given that Telefónica Multimedia represents almost 87% of the market, and knowing that its EBIDTA is US\$ 15.6 million (table 5.4.1), and that its payroll expenses are US\$ 5.5 million (see table 5.4.2)⁶², we estimate its value added to be US\$ 21.1 million. Assuming that the rest of the market has the same EBITDA-to-payroll ratio, we calculate that the value added for the whole cable TV activity is US\$ 24.2 million.

Table 5.4.1. Financial Indicators for the Top Cable TV Companies (thousands of US\$)

Account	Year 2005			Year 2004	
	Telefónica Multimedia ^{3/}	Star Global ^{4/}	Cable Express ^{4/}	Telefónica Multimedia	Star Global
Total revenues	110,315	4,094	4,035	100,877	4,126
Subscription ^{1/}	93,292	2,850	4,035	83,642	2,986
Advertising	9,188	-	-	6,769	0
Cablenet ^{2/}	5,582	-	-	8,172	0
Data transmission and circuit rental	-	1,242	-	-	-
Other services	2,254	1	-	2,294	1
Operating income	2,037	-313	-290	6,448	-321
Net income	1,836	-78	51	13,089	-106
EBITDA	15,561	150	897	13,774	12
Total assets	128,741	4,051	6,386	134,403	4,214
Net fixed assets	59,806	1,772	0	63,158	1,963
Total liabilities	42,609	1,429	3,790	42,426	1,593
Total investment for the year	8,292	183	248	2,878	179
Investment in infrastructure	8,292	0	172	2,878	n.a.
Total employment	332	60	56	n.a.	56
Employees and management	284	9	6	n.a.	7
Blue collar	0	51	28	n.a.	49
Other	48	0	22	n.a.	0

1/ Monthly subscription payment for cable television.

2/ Monthly subscription for Internet connection.

3/ Information from the 2005 and 2004 financial statements, except labor.

4/ Information from Resolution 121, published on the Supervisory Agency for Private Investment in Telecommunications - OSIPTEL website. Year 2004 not available

Source: OSIPTEL

⁶⁰The information is available because these companies are regulated by the Supervisory Agency for Private Investment in Telecommunications – OSIPTEL.

⁶¹For this industry, the data for the EBIDTA was already calculated and was used for the estimation of the value added. It should also be noted that this figure underestimates the total amount of salary received by workers in this industry. It only represents the wages and salaries of personnel directly linked to the company and not those of workers with service companies. According to the financial statements from Telefónica Multimedia, the expenses in "diverse services" make up the second most important category in operational expenses (the first being "signal rentals"). In 2005 it totaled US\$ 27 million, almost five times more than personnel expenses, which suggests that indirect employment is much larger than direct employment.

⁶²It was not possible to obtain the information on payroll of the other cable firms.

Accounts	2004	2005
Assets		
Cash and banks	12,826	7,429
Accounts receivable, commercial, net	21,075	28,660
Accounts receivable from headquarters	21,246	22,164
Other accounts receivable	1,756	1,776
Stocks	1,365	1,836
Taxes and expenses paid in advance	4,340	1,985
Total Current Assets	62,609	63,851
Plant and equipment, net	63,158	59,806
Intangibles, net	936	733
Income tax and profit sharing deferred assets	7,700	3,441
Taxes and expenses paid in advance	-	911
Total non-current assets	71,794	64,890
Total assets	134,403	128,741
Liabilities and equity		
Bank overdrafts		56
Accounts payable, commercial	11,692	11,409
Accounts payable to headquarters	12,995	8,993
Other accounts payable	2,885	4,658
Total Current Liabilities	27,572	25,117
Deferred earnings	1,182	5,823
Income tax and profit sharing deferred liabilities	13,672	11,670
Total non-current liabilities	14,854	17,493
Total liabilities	42,426	42,609
Net equity		
Company equity	80,063	82,489
Legal reserves	1,312	2,700
Accumulated earnings	10,602	942
Total net equity	91,977	86,131
Total liabilities and equity	134,403	128,741
Total revenues from operations	100,877	110,315
Subscriptions	83,642	93,292
Advertising	6,769	9,188
Cablenet	8,172	5,582
Other	2,294	2,254
Cost of sales	0	0
Gross revenues	100,877	110,315
Operating expenses		
Signal rental	-28,586	-33,175
Diverse services	-20,086	-27,056
Sports events broadcasting	-9,568	-11,380
Payroll	-5,005	-5,501
Network rental	-16,379	-8,838
Depreciation and amortization	-7,326	-13,524
Sales commissions	-3,196	-3,693
Provision for doubtful collection	-2,891	-2,942
Other	-1,393	-2,169
Total operating expenses	-94,430	-108,279
Operating earnings	6,448	2,037
Other revenues (expenses)		
Financial, net	-452	2,879
Other, net	146	-756
Results from exposure to inflation	-1,436	
Total other revenues	-1,743	2,123
Earnings before taxes	4,705	4,160
Profit sharing	2,266	-628
Income tax	6,118	-1,695
Net Earnings (Loss) For Period	13,089	1,836

Source: Financial statements audited by Ernst & Young.
Prepared by INDECOPI

The second activity in this industry is open access TV. There are seven open access companies in Peru that operate on the VHF band, one of which is the state-owned TV company (Televisión Nacional del Perú – TNP). The first four companies make up 95% of advertising investment in 2005 (table 5.4.3). There are other companies that transmit their signals on UHF frequencies, but their economic importance is much lower.

Table 5.4.3. Advertising Investment in Television in Peru, 2005 (in US\$)

TV Channel	US\$	%
América TV	36,500,000	32.3%
Andina de Radiodifusión ATV	31,100,000	27.5%
Frecuencia Latina	23,800,000	21.1%
Panamericana Televisión	16,600,000	14.7%
TNP (government owned)	3,500,000	3.1%
OK Televisión	800,000	0.7%
Global Televisión	700,000	0.6%
TOTAL	113,000,000	100.0%

Source: 17.65% rate book data

Unlike cable TV stations, whose primary source of income is the monthly payments made by their subscribers, open air TV, as its name indicates, does not receive payment from any of its viewers. Just like the radio industry, the main source of income is the advertising investments by advertiser companies. Thus, it is reasonable to assume that the value added of these companies is proportional to the advertising investment they receive.

INDECOPI provided, financial statements of two TV open access firms, which together they generate value added of US\$ 36.5 million. Assuming that their importance in the open access activity is proportional to the advertising investment they receive, and that all firms have the same cost structure, the whole activity generates value added of approximately US\$ 61 million.

Table 5.4.4. Value Added in the Free Television Industry, 2005

Account	Companies 1 and 2 ^{1/2}	Whole TV activity
Operating income	21,215.03	35,463.00
Depreciation	1,845.61	3,085.11
Payroll	13,477.40	22,528.80
Value added^{3/}	36,537.04	61,076.91

1/ INDECOPI data.

2/ 17.65% rate book data.

3/ According to the methodology explained in chapter 2, the value added is the summation of Operating income, Depreciation (and Amortization) and Payroll.

Prepared by the authors

The third contributor to the economy is the activity of radio. According to information available on the Ministry of Transportation and Communication (MTC) website, until 2006 there had been 2,589 licenses issued to radio broadcasting stations throughout Peru, with two-thirds on model frequency modulation and a fourth part on medium wave.⁶³

⁶³ www.mtc.gob.pe

There are two important associations of companies and organizations dedicated to radio in Peru. The first is the National Radio Coordinator (CNR), a non-profit civil organization that groups together primarily educational and community radio stations that operate in Peru.⁶⁴ The second is the Radio Committee, which groups together the commercial chains of radio stations. The top national and Lima-based radio stations are associated with radio broadcasting groups. These Peruvian radio broadcasting groups are listed below (table 5.4.5), and the most important radio stations in terms of advertising investment can be seen in table 5.4.6.

Table 5.4.5. Main Radio Broadcasting Groups in Peru, 2005

Radio broadcasting groups	Radio stations
RPP	RPP Noticias Studio 92 Corazón Oxígeno Felicidad (formerly Ke Buena) La Mega (94.3)
Corporación Radial del Perú	Ritmo Romántica La Inolvidable Moda Ñ (formerly Stereo 100) Radiomar Plus Incasat Planeta
Grupo Panamericana	Panamericana Honda Cero
Radiocorp	Okey FM Viva FM Fuego
Radio A/Z	Zeta Rock & Pop Radio A R-700
Cadena Peruana de Noticias Radio^{1/}	CPN Radio

1/ Is not properly a group but an only radio.

Source: Radio Committee

⁶⁴ <http://www.cnr.org.pe/>

Table 5.4.6. Distribution of Advertising Investment in Radio, 2005

Radio	Amount in US\$	% share
RPP	7,370,000	25.7%
Panamericana	3,030,000	10.6%
Studio 92	2,780,000	9.7%
Mar Plus	2,040,000	7.1%
Zeta Rock & Pop	1,170,000	4.1%
La Mega	1,150,000	4.0%
La Inolvidable	1,140,000	4.0%
Okey	1,140,000	4.0%
Radio A	1,100,000	3.8%
Radio Planeta	1,080,000	3.8%
Ke Buena	1,040,000	3.6%
Ritmo Romántica	1,010,000	3.5%
Oxígeno	800,000	2.8%
Moda	790,000	2.8%
Corazón	730,000	2.5%
CPN	670,000	2.3%
Viva	530,000	1.8%
1160 FM	520,000	1.8%
Radio Inca	450,000	1.6%
Stereo 100	140,000	0.5%
Total	28,680,000	100.0%

Source: 17.65% rate book data.

Unfortunately, in spite of many attempts were made to obtain information from the Radio Committee, we were unable to gather any direct information about the employment or value added that is generated by this activity⁶⁵. Thus the assumption made to estimate the value added generated by the radio sector was to assign the same value added to advertising investment received by the open access TV activity.

Although the cost structure of the radio sector may not be the same as that of open access TV, it is the most similar within the CBIs, and they both depend to a very large extent on the advertising investment they receive, making them work in the same copyright industry.

Table 5.4.7 presents the figures for these investments in 2005 by type of advertising media. The figure for the total amount of TV advertising investment is US\$ 133 million, whereas the investment in radio amounted to US\$ 28.6 million. Consequently (given that open access TV value added is US\$ 61 million), the value added generated by the radio activity is US\$ 15.5 million. In table 5.4.8 is the summary of the value added estimation for the radio and television industry. The total value added is equal to US\$ 100.7 million.

⁶⁵ During our research we asked the Ministry of Transportation and Communication, who are charged with issuing and renewing radio and television permits, to provide information. The officials who were asked said the MTC does not have any information on economic variables like employment, revenues or value added for this industry.

Table 5.4.7. Advertising Investment by Type of Media in Peru (in US\$), 2005

Media	US\$	% share
Television	113,000,000	43.5%
Newspapers	67,400,000	25.9%
Radio	28,600,000	11.0%
Cable	12,000,000	4.6%
Magazines	12,000,000	4.6%
Street advertising ^{1/}	27,000,000	10.4%
Total	260,000,000	100.0%

1/ Estimated by SME Monitor

Source: 17.65% rate book. Figures based on air time seconds (radio and television) and newspaper area (dailies and magazines) monitored by Media Check in 2005. Investment figures based on market and negotiated rates. No exchange, free or charity advertising are included.

Table 5.4.8. Radio and Television Value Added, 2005

Economic activity	ISIC	Value added (US\$)	As a percentage of total V.A
National radio broadcasting companies ^{1/}	9213	15,458,402	0.0216%
National television broadcasting companies ^{2/}	9213	61,076,901	0.0854%
Cable television ^{3/}	6420	24,237,054	0.0339%
Total		100,772,357	0.1409%

1/ Assuming the same value added to advertising investment as open access TV.

2/ See table 5.4.3.

3/ Projecting Telefónica Multimedia value added for the industry.

Prepared by the authors

Employment Estimation

To estimate the employment in the radio and TV industry, two sources of information were used. In the first place, as has been done for the other core CBIs, the EEA 2005 has been used (see chapter 2 for the detailed methodology). In this survey there is information for the ISIC code 9213 (radio and television activities) which indicates 9,900 workers. On the other hand, table 5.4.1 shows the amount of employment in the three firms: Telefónica Multimedia (332), Star Global (60), and Cable Express (56). Given that these industries account for almost 93%, and assuming that the rest of the industry's firms have the same employment-to-advertisement ratio, the total employment for TV cable is estimated to be 483 employees. Thus the total employment for the radio and television industry is around 10,400 employees.

Table 5.4.9. Radio and Television Employment, 2005

Economic activity	ISIC	Total Employment	As a percentage of national employment
National radio and television broadcasting companies ^{1/}	9213	9,965	0.075%
Cable television ^{2/}	6420	483	0.004%
Total		10,448	0.079%

1/ EEA 2005.

2/ Using the information of the cable firms and their share in the market.

Prepared by the authors

5.5. The Software Industry

There are two sub-sectors of software producers in the software industry in Peru. On one side, there is the “off the shelf” software sub-sector, defined by Fernández-Baca et al. (2004d) as software designed for use by a large group of consumers with common needs, which is distributed in a standard fashion. In this case, we can consider software as a standard product that is sold in large quantities and includes operational systems and standard program applications. This sub-sector is characterized by the fact that most of the products come from foreign companies, as well as its vulnerability to piracy. The high levels of demand for these products, along with an effect known as “network externalities”, contribute to piracy. Foreign software production companies are grouped in the Business Software Alliance (BSA) and are responsible not only for distribution but also for providing technical services for systems software. Within these foreign companies there are some well-known firms such as the Microsoft Corporation (software for operating systems and applications), Adobe Systems Inc. (leader in digital technology platforms), Symantec Corporation (developer of information management), Autodesk (leader in digital software design for construction and infrastructures), Apple Computer Inc. (systems and applications software developer for Macintosh), Macromedia Inc. (web page solutions developer), Corel Corporation (graphic design, text and image composition software developer), Novell Inc. (software developer for network servers), Oracle (worldwide database that administers software), IBM (worldwide hardware and software producer),⁶⁶ etc.

On the other side, there is the sub-sector corresponding to application software, which, unlike the “off the shelf” software, responds to specific requirements from the companies, making “tailored” programs according to the needs of eventual clients. Once the program has been developed, the property rights are transferred to the company that bought the software.

On the national level, table 5.5.1 shows the top software producers in Peru, as well as the products that they specialize in. There is a predominant presence of national companies in the subsector of application software, which have found a “market niche” and are able to compete with foreign companies (Fernández-Baca et al., 2004d). Likewise, as described in a study by the Colombian Federation of the Software Industry (FEDESOFI) about Peru, the development of software by Peruvian companies seems to be a relatively concentrated activity in a small number of companies. The evidence provided reveals that the twenty largest companies have close to 90% of domestic production. This information is consistent with the estimations made by the Lima Chamber of Commerce (CCL, 2005) along with the Peruvian Software Producers Association (APESOFI), which indicate that in 2004 big software companies held a 53% market share, whereas medium-sized companies held 19%, and finally the small and micro companies (known as PYME for their Spanish acronym) held the remaining 27% (see figure 5.5.1).

Table 5.5.1. Buyers of Software Produced by Leading National Companies

Information Technologies solutions for:	Manufacturer
Banking and finance	NOVATRONIC, COSAPISOFT, RECURSE, COMSA, O&S Consultores, VENTHORIZ, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Deposits and securities	VENTHORIZ
Mining	O&S Consultores, ENFOQUEWEB
Healthcare (pharmacies, clinics, etc.)	LOLIMSA, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Medical sales representatives	Corporación Medisys
Business management and administration	Siscont, SISTESA, Royal Systems, Enterprise solutions, Software Business, AM Systems SAC, GMD, Pegaso IT, Net Partners, Exact SIIGO, Business Quality, Applisys, Asix, Sonda del Perú, OSIS, ACON SAC, COMSA, VENTHORIZ, SISTEMAS Y GESTION SAC, ETERNET S.A.C.

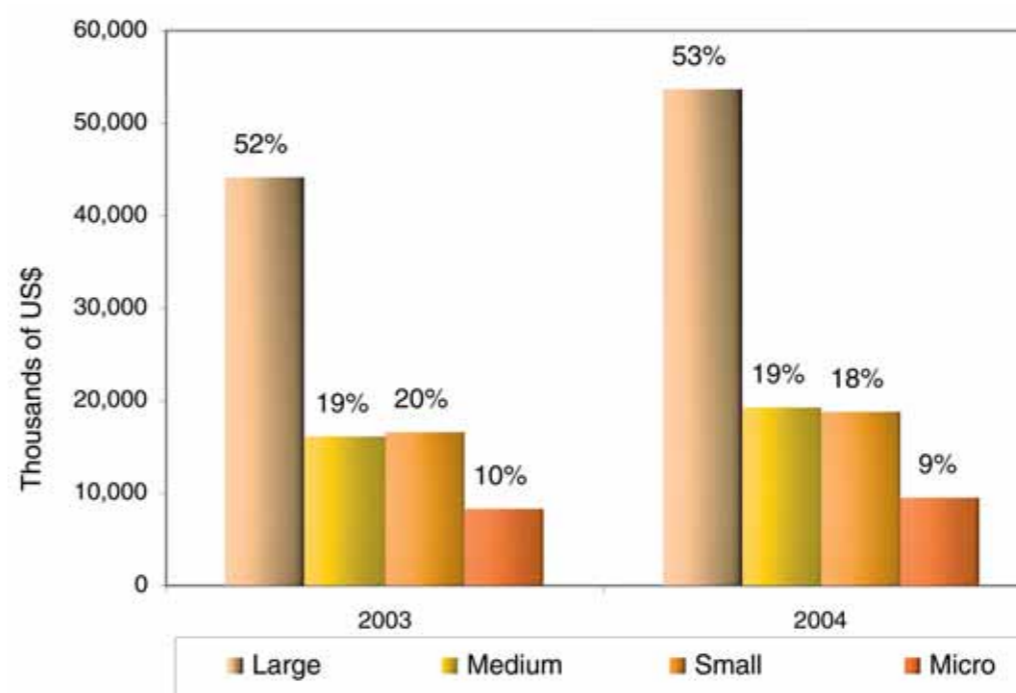
⁶⁶ This paragraph is based on the description of international firms found in Fernández-Baca et al. (2004d)
⁶⁷ Study made by the Lima Chamber of Commerce in collaboration with the Peruvian Software Producers Association.

Table 5.5.1. Buyers of Software Produced by Leading National Companies (cont.)

Information Technologies solutions for:	Manufacturer
Fixed asset monitoring	D.M.S., VENTHORIZ, ETERNET S.A.C., ROYAL SYSTEMS S.A.C.
Government	COSAPISOFT, COMSA, VENTHORIZ, SISTEMAS Y GESTION SAC, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Document processing	SISTEMAS Y GESTION SAC, COMSA, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Geographic Information Systems	TELEMATICA SA, COMSA
Human resource, access and attendance control	COSAPISOFT, DMS, COMSA, SISTEMAS Y GESTION SAC, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Telecommunications	DEPESA, VISUAL SOFT, COMSA, VENTHORIZ, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Virus protection and IT security	HACKSOFT, KEEPERTECH S.A.
Internet and e-business	COSAPISOFT, DominioTech, AVATAR, Inexxo, Magia Comunicaciones, Eternet, Asix, Osis, COMSA, VENTHORIZ, ENFOQUEWEB, ETERNET S.A.C., ROYAL SYSTEMS S.A.C.
Gas stations, hotels, restaurants, points of sale	DATA BUSINESS, TELECSA, ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Schools and libraries	ETERNET S.A.C., ROYAL SYSTEMS S.A.C
Consulting and outsourcing	COSAPISOFT, PACNET, AVATAR, BACKGROUND, GMD, Transolutions Systems, COMSA, O&S Consultores, Sonda, Osis, VENTHORIZ, SISTEMAS Y GESTION SAC, ENFOQUEWEB, ETERNET S.A.C., ROYAL SYSTEMS S.A.C.

Source: APESOFI, www.apesoft.org
 Prepared by the authors

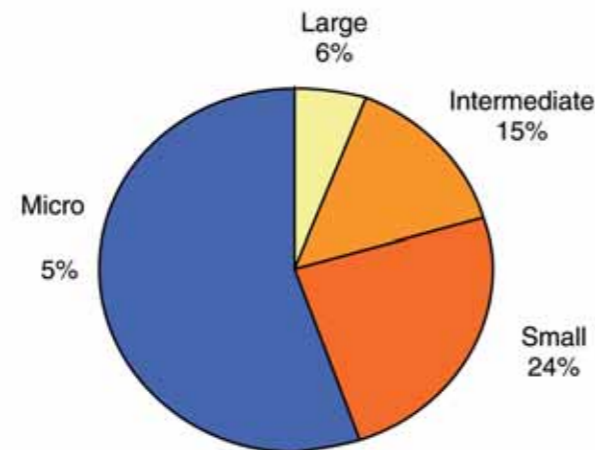
Titre tableau



Source: CCL (2005)
 Prepared by CCL (2005)

In terms of the number of firms, the industry is predominantly made up of micro (55%), small (24%) and intermediate (15%) firms, and large firms are a minority (6%). The figure provided by the CCL (2005) shows data for a representative sample of 139 firms in the sector (see figure 5.5.2).

Figure 5.5.2. Distribution of Software Companies by Size



Source: CCL (2005)
Prepared by CCL (2005)

The national companies are grouped together into the Peruvian Software Producers Association (APESOF). It is important to point out that because the majority of these companies develop various products, more than half do not have registered copyrights for their products in the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI) and, when they do, these are only for one of their products.

Value Added Estimation

The value added calculation for this industry is based on the methodology described in chapter 2, and on estimates made by the CCL (2005) in their study of the Peruvian software sector. In this study the estimation for the value of total sales is around US\$ 121.6 million, assuming that the total cost is 88% of this amount. According to the President of APESOF⁶⁸ the average rate of return in the software industry is 12%. Thus, assuming this rate to estimate total costs will overestimate them; nevertheless, we decided to maintain a conservative estimation of value added rather than use another figure without any support. On the other hand, the same source indicated that the labor cost was approximately 60% of total costs. In table 5.5.2, the estimation of the software industry value added is reported (US\$ 78.8 million).

Table 5.5.2. Estimated Value Added for the Software Industry, 2005 (in thousands of US\$)

Account	US\$ thousands
Gross income ^{1/}	121,602.00
Cost ^{2/}	107,009.76
Operating income	14,592.24
Payroll ^{3/}	64,205.86
Value added^{4/}	78,798.10

1/ CCL, 2005, estimate.

2/ Average industry net rate of return 12% according to APESOF President, Rolando Liendo. Thus, the estimation is an underestimation because it should use the cost-to-gross-income ratio, which is not available. The operating income may be greater than estimated. On the other hand, the figure for the depreciation, also not available, contributes to this underestimation, because as Chapter 2 establishes the depreciation is part of the value added.

3/ Assumed to be 50% of total costs.

4/ Summation of Operating income and Payroll.

Prepared by the authors

Employment Estimation

Employment was estimated based on CCL (2005) figures. This enabled an estimation to be made based on the assumption that the employment-to-sales ratio is the same in 2005 as in 2004. According to the source, in 2004 the industry employed 5,937 people, and the total sales were US\$ 101.4 million. In this way our estimation of employment for 2005 is 7,121 employees.

Table 5.5.3. Estimated Employment in the Software Industry, 2005

Activity	Number of workers
Software publishing ^{1/}	7,121.31

1/ Estimation, based on the year 2004 (CCL, 2005). Sales in 2004 of US\$ 101,379 and 5,937 employees, and assuming the same employee-to-sales ratio for the year 2005.

Prepared by the authors

Trade Balance Estimation

Trade balance estimations were based on figures found in the CCL (2005) for the software sector. Their estimation includes not only sales abroad, but also transfers to multinational companies that have development centers in Peru.

Table 5.5.4. Trade Balance Estimation for the Software Industry, 2005

Activity	US\$ thousands
Software exports 2005 1/	18,728.00

Source: CCL, 2005.

⁶⁸Rolando Liendo, President of APESOF (see annex A for the date of the interview).

5.6. The Advertising Industry

We can identify different economic agents that intervene in the advertising industry. Among them, advertisers⁶⁹ and advertising receivers⁷⁰ participate in the generation of value added and employment through their relation with the agents that produce the advertisements. These are the advertising agencies and the media agencies. Although the media also participate to some extent in this industry, their value added has already been calculated for the radio and television industry and the press and literature industry.

Advertising agencies create and produce advertising content. They take into account the ideas and messages that the advertisers are trying to convey, generally about the products and services that they offer in the market, or about their products' brands, and try to keep these messages fresh in the consumers' minds. Advertising agencies can operate as intermediaries and subcontract a sizable part of the services required to produce advertising content.

The media agencies are organizations that link advertising companies with the communication media, providing specialized consulting services directed towards optimizing the advertisement investment's portfolio in the different media. The media agencies operate at a global level, with offices in many countries, frequently associated to or allied with advertising agencies. Initially, the larger advertising agencies had their own team of media experts (the media department), who were in charge of consulting with advertisers about scheduling advertising in various media. However, with the appearance of specialized media agencies, advertising agencies have become more focused on producing advertising content. Simultaneously, there has been a process of mergers and consolidation of providers and agencies worldwide.

The information about advertising investments is available at advertising agencies' and media providers' level. As shown in table 5.6.1, there is not as high a concentration level here as there is in other sectors. Nevertheless, the first four agencies lead the sector, as their combined share reaches 32.4% of total advertising investment. Of these, the first two (Starcom and Mindshare) make up 21% of the market, while the last two (Publicidad Causa and Mayo FCB) make up the remaining 11.4%. According to information published on the Peruvian Association of Advertising Agencies' (APAP) website, Starcom and Mindshare are transnational media providers, whereas Publicidad Causa and Mayo FCB are advertising agencies.

Table 5.6.1. Advertising Investment in Peru by Advertising Agencies and Media Providers, 2005 (US\$)

Company	Television	Newspapers	Periodicals	Radios	Total	As a percentage of total advertising investment ^{1/}	
						%	Accumulated
STARCOM	24,297,861	3,746,463	607,697	2,206,244	30,858,265	11.9%	11.9%
MINDSHARE	16,747,985	3,697,192	763,571	2,327,410	23,536,158	9.1%	20.9%
Publicidad Causa	10,126,145	1,956,093	803,008	2,374,311	15,259,557	5.9%	26.8%
MAYO FCB	9,414,938	2,597,721	468,906	1,710,607	14,192,172	5.5%	32.2%
Central Media Initiative	4,192,483	1,756,122	289,826	1,110,553	7,348,984	2.8%	35.1%
Media:Edge	5,864,996	586,658	227,712	571,942	7,251,308	2.8%	37.9%
OMD	4,147,727	1,264,416	334,626	770,557	6,517,326	2.5%	40.4%
OPTIMEDIA	3,200,385	793,816	266,719	872,245	5,133,165	2.0%	42.3%
LATINA	2,984,878	518,972	334,537	660,608	4,498,995	1.7%	44.1%
	2,773,829	230,499	166,032	943,077	4,113,437	1.6%	45.7%

⁶⁹ Companies that invest in advertising with the intent of introducing a new product or service to the market, or who are trying to increase their sales of an existing product. There are also entities that in one way or another are connected to the supervision and the (self) regulation of the advertising industry, or who represent associations of different companies and agencies that participate in this sector. Some of these are, to mention a few, the National Advertisers Association (ANDA), the Audiometric Studies Users Council (CUSEA), the National Advertising Supervision Council (CONAPU) and the Radio and Television Consulting Council (CONCORTV).

⁷⁰ Consumers or general public.

⁷¹ Including Omnicom (Optimum Media Direction - OMD, BBDO, DDB, Pragma), Inter Public (Initiative, Universal, Lowell, FCB-Mayo, McCann Erickson), WPP (Mindshare, Mediaedge, J. W. Thompson, Young & Rubicam), and Publicis (Zenith, Optimedia, Starcom, Publicis net, Leo Burnett, Quorum and Nazca), among others.

⁷² Publicidad Causa is a Peruvian company. Mayo FCB belongs to the US DraftFCB group.

Table 5.6.1. Advertising Investment in Peru by Advertising Agencies and Media Providers, 2005 (US\$) (cont.)

Company	Television	Newspapers	Periodicals	Radios	Total	As a percentage of total advertising investment ^{1/}	
						%	Accumulated
EURO RSCG PERÚ	2,042,683	626,480	297,760	537,947	3,504,870	1.3%	47.0%
McCann Erickson	1,436,595	802,959	84,349	68,178	2,392,081	0.9%	47.9%
Grey Com. Group	1,297,332	497,045	294,730	291,336	2,380,443	0.9%	48.8%
JWT	704,905	144,217	242,072	225,394	1,316,588	0.5%	49.3%
PROPERÚ	1,011,806	12,793	2,836	254,817	1,282,252	0.5%	49.8%
J & R Publicistas	327,875	464,018	19,434	181,671	992,998	0.4%	50.2%
CUARZO IN	0	700,631	51,839	61,476	813,946	0.3%	50.5%
Young & Rubicam	302,657	131,470	16,349	141,103	591,579	0.2%	50.8%
Publicistas IMAA	218,176	0	0	350,883	569,059	0.2%	51.0%
DIMENSION	460,107	10,476	1,386	11,814	483,783	0.2%	51.2%
Total	91,553,363	20,538,041	5,273,389	15,672,173	133,036,966	51.2%	
Distrib.by media	68.8%	15.4%	4.0%	11.8%	100%		

1/ Percent of total US\$ 260,000,000 advertising dollars for the year.

Source: Mediacheck y SME Monitor. Prepared by 17.65% rate book².

Another kind of agent that also operates within the advertising industry is the market research companies. They provide some input to the advertising agencies to make the advertising campaign. Nevertheless, this is not the only activity they undertake; they also produce opinion polls and conduct studies to analyze consumers' preferences and perceptions about products, which allow their clients to design their products. Thus, their contribution is not a hundred percent related to copyright. Some of the companies that operate in Peru are: Compañía Peruana de Investigación de Mercados (CPI), Peruana de Opinión Pública (POP), Apoyo Estudios de Opinión e Investigación de Mercado, and Arellano Investigación de Marketing S.A. The activities of these firms are not a hundred percent related to copyright. We have not been able to measure their partial contribution due to the lack of information.

Value Added Estimation

Based on the information obtained in the interviews with representatives of the advertising industry on the cost structure of the advertising agencies and the media agencies⁷⁴, given that we know that the total investment in advertising in 2005 was US\$ 260 million, and using the methodology presented in chapter 2, we have calculated the value added for this industry.

As the providers of the information declared, of the total advertising investment, advertising agencies get 18% as revenues⁷⁵, while media agencies get 3%. For advertising agencies, total costs are the summation of overhead costs (as an international rule, it is approximately 20% of the revenues) and payroll (approximately 55% of the revenues). Thus, total costs are around 75% of total revenues. For a media agency, net profits are approximately 20% of revenues (additionally we assumed that operation profits are the same as net profits) and payroll is 50% of revenues. The value added is obtained by adding operating profits and payroll. For advertising agencies, the value added is US\$ 37.4 million and for media agencies it is US\$ 5.5 million.

⁷³ Figures based on time broadcast in seconds by television and radio, and spaces in newspapers and periodicals monitored by Media Check in 2005. Investment figures were calculated based on actual market rates or rates negotiated between and agreed to by the parties. Exchanges of services, and free and public interest advertising, not included.

⁷⁴ In particular, the interviews with Mr. Bernardo Verjovski, General Manager of Analistas & Consultores, Mr. Álvaro Flores Estrada, APAP president, Mr. Carlos Trujillo, Mayo FCB New Business Manager, and Ms. Lone Strobach, President of the Media Agencies Association and General Manager of Mindshare.

⁷⁵ Revenue is defined as the subtraction of cost of billing (cost of subcontracting services, like model agencies, production teams, etc.) from the billing (payment from the hiring party).

Table 5.6.2. Advertising Value Added, 2005

Account	Advertising agencies (thousands of US\$)	Media agencies (thousands of US\$)	Total (thousands of US\$)
Revenues	46,800 ^{1/}	7,800 ^{2/}	54,600
Total costs	35,100 ^{3/}	6,240 ^{4/}	41,340
Operating profits	11,700 ^{5/}	1,560 ^{5/}	13,260
Payroll	25,740 ^{3/}	3,900 ^{6/}	29,640
Value added	37,440^{7/}	5,460^{7/}	42,900
Value added as a percentage of National Value Added	0.0524%	0.0076%	0.0600%

1/ 18% of total advertising investment. Revenue is defined as the subtraction of cost of billing (cost of subcontracting services, like model agencies, production teams, etc.) from the billing (payment from the hiring party).

2/ 3% of total advertising investment.

3/ For advertising agencies, total costs are the summation of overhead costs (as an international rule, it is approximately 20% of the revenues) and payroll (approximately 55% of the revenues). Thus, total costs are around 75% of total revenues.

4/ For a media agency, net profits are approximately 20% of revenues. Additionally we assumed that operation profits are the same as net profits.

5/ Revenues minus total costs.

6/ Payroll is 50% of revenues.

7/ Summation of operating profits and payroll.

Source: For information on advertising agencies, Álvaro Flores Estrada, APAP president, and Carlos Trujillo, Mayo FCB New Business Manager; and for media agencies, Ms. Lone Strobach, General Manager of Mindshare.

Prepared by the authors

Employment Estimation

For the estimation of the employment generated by the advertising industry the information of the EEA (2005) was used, specifically for the ISIC code:

- Advertising, ISIC Code 7430

The estimation methodology can be seen in chapter 2. In table 5.6.3. it can be seen that this industry contributes with the generation of 34,647 employments.

Table 5.6.3. Advertising Employment, 2005

Economic activity	ISIC	Total Employment	As a percentage of national employment
Agencies, buying services	7430	34,647	0.2616%

Source: EEA 2005.

Prepared by the authors

5.7. The Copyright Collecting Societies

Copyright Collecting Societies are an essential part of the core copyright-based industries because they contribute substantially to the process that sustains the functioning of the system; they are the link between the copyright owners (the creators)⁷⁶ and the users (Tavera and Oré, 2006). The Copyright Collecting Societies are non-profit institutions dedicated to collecting, administrating and distributing funds to their associates.

The five administration societies that operate in the country are:

- ANAIE: National Association of Interpretive Artists and Performers
Asociación Nacional de Artistas, Intérpretes y Ejecutantes
- APDAYC: Peruvian Association of Authors and Composers
Asociación Peruana de Autores y Compositores
- APSAV: Peruvian Association of Visual Artists
Asociación Peruana de Artistas Visuales
- EGEDA: Audio-visual Producers' Rights Management Association
Entidad de Gestión de Derechos de los Productores
- UNIMPRO: Peruvian Union of Phonographic Producers
Unión Peruana de Productores Fonográficos

National Association of Interpretive Artists and Performers (ANAIE)⁷⁷

The National Association of Interpretive Artists and Performers, ANAIE, primarily operates in relation to the audiovisual and recording industries. Created in 1993, it administrates the patrimonial and moral rights of performing artists that belong to the association, and collects the royalties for the public use of their audiovisual or recorded works in relation to the secondary uses of recordings (i.e. for commercials, whether they be for public or private use) both within the country and abroad. This international reach was achieved through representation contracts with its counterpart associations abroad (including Colombia, Venezuela, Chile, Bolivia, Ecuador, Brazil, Uruguay, Mexico, France, and Italy). It also authorizes public broadcasting, copying, direct or indirect reproduction of audiovisual products of its members, and collects royalties corresponding to events such as those performed in dance halls and shows, movie theaters, and on free, cable or satellite television broadcasts, and for the use of recordings in karaoke and other clubs, bars, hotels, hospitals, shopping centers and other public locations. Members associated with the ANAIE include a wide spectrum of artists, among them musicians, singers, actors, dancers, choreographers, orchestra conductors, and theater, television and film directors.

The relationship between the ANAIE and UNIMPRO establishes that the secondary royalty payments for records are shared by artists and record producers. Copyright Office – INDECOPI (ODA) has established that UNIMPRO shall assume its royalty collection and administration responsibilities. In 2005, a total of 1,198 artists collected royalties.

Peruvian Association of Authors and Composers (APDAYC)

The Peruvian Association of Authors and Composers (APDAYC) is a collective management society dedicated to collecting copyright royalties for authors and composers of music in Peru. The APDAYC has 16 offices in Lima and 23 offices in the provinces, and is the only society authorized by the Peruvian State to collect and distribute the royalties to authors and composers whenever their works are used and divulged⁷⁸.

⁷⁶ They group together copyright owners, i.e. holders of rights pertaining to creators of artistic or literary works, and owners of connected rights, i.e. moral rights.

⁷⁷ Registered under Card 16260 in the Lima and Callao Company Registry, and authorized as a Collective Management Society by Resolution No. 0047-2001/ODA-INDECOPI of INDECOPI's Copyright Bureau, and registered in that Bureau's registry as well.

⁷⁸ <http://www.apsav.org.pe/principal.htm>

Founded in 1952, it works on behalf of more than 4,000 authors and composers in Peru and represents all authors of the world through the International Confederation of Societies of Authors and Composers (CISAC), which, along with other similar institutions, administrates 98% of worldwide repertoires through 36 mutual international signed agreements.

Peruvian Association of Visual Artists (APSAV)⁷⁹

The Peruvian Association of Visual Artists (APSAV) is a collecting society that, since 2004 (four years after its creation), has been in charge of monitoring the usage of its members' works, as well as collecting and distributing royalties. Also, it is in charge of granting licenses for reproduction, distribution and public broadcasting of works, as well as the collection and distribution of royalties for copyright and related rights from its audiovisual associates in the industry, on both a national and international level. Likewise, it oversees the percentage of re-sales for original works. The number of its associates in 2005 totaled 127.

The Association also oversees the creative field (which ranges from drawings, collages, comics, and electronic art to sculpture, photography, carved installations, interventions, paintings and videoart) developed by artists of still and moving visual works independently of the works' material support. It administrates in a collective form the rights of 40,000 visual artists in the world using agreements with Spain, France, Germany, Mexico, Belgium, USA, Chile, and Venezuela, among others⁸⁰.

Audio-visual Producers' Rights Management Association (EGEDA)⁸¹

The Audio-visual Producers' Rights Management Association (EGEDA), through its Latin America branch EGEDA Peru, is the collective administration entity that, since its creation in 2002, has represented and defined the intellectual property rights for audiovisual producers and recorders, as well as rights-holders. These rights are described in the Copyright Law through Legislative Decree 822. EGEDA represents more than 8,000 producers at a worldwide level.

EGEDA objective is to ensure the protection of these rights and fight piracy and fraud in the audiovisual sector, as well as to promote the audiovisual sector of Peru. Also, it is responsible for the rights pertaining to administrators, such as retransmitted versions, public broadcasting of works and audiovisual recordings, and compensation for private copies, as well as the administration and protection of all other rights corresponding to the audiovisual producers described in the Copyright Law.

Peruvian Union of Phonographic Producers (UNIMPRO)⁸²

The Peruvian Record Producers' Union (UNIMPRO) groups together natural or incorporated record producers (producers of musical recordings) and performing artists for the administration of their rights. The administration of authors' and producers' rights is one of the union's responsibilities. Among its members are: Sony Music Entertainment Perú S.A., Distribuidora y Ventas S.A., Universal Music Perú S.A., Producciones IEMPSA S.A., Wika Discos S.A., Rosita Musical Service & Production E.I.R.L., Mega Entertainment E.I.R.L., and BMG Ariola de Colombia Sucursal Peruana S.A.

⁷⁹ It is registered as a civil non-profit organization in the Public Registry's Docket No. 11008511 and authorized as a collective management society by Resolution No. 00070-1999-ODA/INDECOPI, issued by the Copyright Bureau at INDECOPI.

⁸⁰ <http://www.apsav.org.pe/principal.htm>

⁸¹ It was authorized by Resolution No. 072-2002-ODA-INDECOPI dated June 11, 2002, published in the Regulations Booklet of El Peruano official gazette that year.

⁸² <http://www.egeda.com.pe/>

⁸³ Established by Resolution. No. 172-2001/ODA-INDECOPI dated 19.06.2001, published August 1, 2001, in "El Peruano" official gazette.

⁸⁴ <http://www.unimpro.org/index2.htm>

It has been designated by the IFPI⁸⁵ as the national agency in charge of controlling and verifying that the copying of records complies with the International Standard Recording Code (ISRC), which allows easy control over records and their information through four sub-codes that make up each ISRC code, designating the country of origin, primary owner, year recorded and sequence, thus developing an identification system.

Value Added and Employment Estimation

Knowing that these institutions are non-profit organizations, their value added is mainly the value of the employment they generate. Using the information provided by the Copyright Collecting Societies,

Table 5.7.1. Copyright Collecting Societies: Value Added and Employment, Collection and Distribution of Royalties, 2005 (thousands of dollars)

Copyright Collecting Societies	Value Added (US\$)	As a percentage of total V.A	Employment ^{2/}	As a percentage of national employment
APDAYC	837,716	0.00117%	131 ^{3/}	0.00099%
UNIMPRO	95,922 ^{1/}	0.000134%	15	0.00011%
APSAV	7,280	0.000010%	3	0.00002%
Total	940,918	0.00132%	149	0.00113%

1/ Estimated assuming the same Value-Added-per-employee ratio as APDAYC.

2/ Figures provided by the Copyright Collecting Societies in the interviews (see Annex A).

3/ With contract 108 employees and by non personal services 23.

Prepared by the authors

⁸⁵ IFPI is an international organization that represents the recording industry worldwide with some 1,400 members in 73 countries and affiliated industry associations in 48 countries. Its mission is to promote the value of recorded music, safeguard the rights of record producers and expand the commercial uses of recorded music.

6. Conclusions and Recommendations

The copyright-based industries are an important component of Peru's economy. Their contribution to value added has been calculated at 2.6%, which represents a bigger percentage than finance and electricity-and-water. Considering its status as a developing nation, Peru's CBI contribution to value added may look small, but taking into account the context it is still significant.

The contribution to employment is 4.5% of total employment. While almost duplicating the contribution to value added, the employment share has a large component of dependent or non-dedicated CBIs. Peruvian CBIs account for a larger share of employment than Australian or Jamaican CBIs, with figures similar to Eastern European nations like Latvia and Croatia.

Regarding foreign trade, CBIs represent 0.8% of Peru's exports and 5.4% of its imports, making this country a net importer of intellectual property works, services and related goods and services. While the core industries are the most significant source of exports, with over 50% of the total, the predominance of interdependent industries' imports indicates a reliance on foreign-made finished goods and supplies.

We consider that the results of the estimation are a lower bound of the contribution of CBIs to Peru's economy. The rationale for this conclusion lies in the fact that some activities are underestimated and others are not estimated at all due to the lack of information. Indeed, there are some specific activities for which there is no information available, including data on micro enterprises, self-employment and outsourcing employment. From this perspective, it is possible to conclude that these estimations underrate the performance of CBIs with regard to value added, employment and foreign trade.

The study only provides a limited estimate of CBIs' contribution to Peru's economy as it based on available data on the concentration and distribution of the CBIs: while, as with most of Peru's economy, there is a heavy concentration of economic agents in Lima, the capital city, there are important activities and thus significant economic contributions that players outside of Lima manage to make; nevertheless, the information about them is scarce and unreliable.

While we are confident on the pertinence and strength of the methodology used for this report, there is insufficient information regarding the cost and earnings structures of the core industries, including press and literature, music, cinema and television. This is another reason why we consider that our measurement should be refined with better data collection and fine-tuning of the model used in Peru.

The recent legislative changes will be useful in obtaining adequate copyright and neighboring rights protection in Peru. Not only have penalties for cases of circumvention of technological protection measures and infringements related to the alteration of rights management information been established, but changes to the Criminal Code have been incorporated and provisions for the implementation of border measures have been issued. Similarly, INDECOPI has been institutionally strengthened and additional faculties have been granted to the judicial authorities. However, to obtain better results in combating piracy, the administrative and judicial authorities should have more resources and people should be educated about respecting intellectual property.

Recommendations

In this study we have not been able to present the evolution and trends of the contribution of CBI to Peru's economy, but just a picture of their size in a given year. Therefore, it is recommended as a first step to construct input-output tables whereby CBIs are specifically included. Also, to improve data collection, it is recommended that surveys of CBIs' micro enterprises are carried out, due to their significance to the Peruvian economy, with a focus on employment generation given that a number of CBI activities tend to be labor intensive.

All data collection efforts should pay particular attention to CBI economic activities which are located outside Lima. It is necessary to conduct studies on emerging regional economic agents, particularly in the media and printing activities, to ascertain whether the models based on Lima firms are reliable and relevant.

We consider that it is crucial to estimate the economic contribution of CBIs for the years to come, in order to have a clearer picture of the development of these activities. International evidence suggests that the average trend is increasing. What is the expected evolution of the economic contribution of the CBIs in developing countries, specifically in Peru, in terms of value added, employment, exports and imports? As has been mentioned, Peru is a growing, emerging economy, with a growth rate of 9% for 2007. In this context it is logical to suggest that CBIs will have an increasing importance in the generation of value added for the economy, given their role not only in producing final goods and services but also in being a critical factor of production, namely knowledge. With this information we may be able to establish the effects of public policies like enforcement of IPRs on the economic contribution of CBIs.

Along these lines, it may be necessary to estimate the copyright factors for the Peruvian economy in order to obtain more accurate estimations of the contribution of partial and non-dedicated CBIs. In order to achieve these results, direct cooperation, coordination and the exploitation of synergies among the different stakeholders and official institutions in charge of promotion and protection of CBIs and intellectual property is crucial importance. Also, the role of an international institution such as the World Intellectual Property Organization (WIPO) of the United Nations, which has the expertise in working out these kinds of processes, is a key issue.

Notwithstanding its limitations, the dissemination of this report, especially among stakeholders, opinion leaders, officials and policymakers, will stimulate discussion and help foster the understanding of the role that copyright-based industries are playing in the economic development. It would be advisable to design dissemination events for specific industries, to discuss sector-specific conclusions and policy recommendations.

Further research is required on the contribution of emerging markets, including independent music production, performance and recording of Andean music, tropical-Andean and tropical music, and "youth rock", as well as independent publishing, short-form movies, documentaries and similar productions in digital formats, the garment industry, photography and illustration, theatrical productions, cartoonists and other less-well-known activities.

Finally, it is important to underscore the promotion and protection of intellectual rights as a key avenue for developing each specific industry and stimulating the investments by the many agents involved in these activities.

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Acronyms List

AAP:	Association of American Publishers	CPI:	Compañía Peruana de Investigación de Mercados
ACDP:	Asociación de Cineastas del Perú, Peruvian Society of Film Directors	CPL:	Cámara Peruana del Libro, Peruvian Book Chamber
ANAIE:	Asociación Nacional de Artistas, Intérpretes y Ejecutantes, National Association of Interpretive Artists and Performers	CUSEA:	Consejo de Usuarios de estudios de Audiometría, Audiometric Studies Users Council
ANDA:	Asociación Nacional de Anunciantes, National Advertisers Association	DVD:	Digital Versatile Disc or Digital Video Disc ⁸⁶
ANR:	Comité Nacional de Radio, National Radio Committee	EBITDA:	Earnings before interest, taxes, depreciation and amortization
APAP:	Asociación Peruana de Agencias de Publicidad, Peruvian Association of Advertising Agencies	EEA:	Encuesta Económica Anual, Annual Economic Survey
APCP:	Asociación de Productores Cinematográficos del Perú, Association of Cinematographic Producers	EGEDA:	Entidad de Gestión de Derechos de los Productores, Audio-visual Producers' Rights Management Association
APDAYC:	Asociación Peruana de Autores y Compositores, Peruvian Association of Authors and Composers	ENAHQ:	Encuesta Nacional de Hogares, National Household Survey
APDIF:	Asociación Protectora de los Derechos Intelectuales Fonográficos, Phonographic Copyright Protecting Association	ESA:	Entertainment Software Association
APSAV:	Asociación Peruana de Artistas Visuales, Peruvian Association of Visual Artists	FEDESQFT:	Federación Colombiana de la Industria del Software, Colombian Federation of the Software Industry
APESQFT:	Asociación Peruana de Productores de Software, Peruvian Software Producers Association	FENVENDRELQ:	Federación Nacional de Vendedores de Diarios, Revistas y Loterías del Perú, Federation of Newspaper, Magazines and Lotteries Salespersons of Peru
BCRP:	Banco Central de Reserva del Perú, Peruvian Central Bank of Reserves	FOB:	Free on Board
BNP:	Biblioteca Nacional del Perú, National Library of Peru	GDP:	Gross Domestic Product
BSA:	Business Software Alliance	GRADE:	Grupo de Análisis para el Desarrollo, Group for the Analysis of Development
CAPEM:	Cámara Peruana de Editores de Música, Peruvian Chamber of Musical Editors	ICACS:	Confederation of Authors and Composers Societies
CAPERIAL:	Cámara Peruana de la Industria de la Industria Editorial, Peruvian Publishing Industry Chamber	IDI-EPTH-USMP:	Instituto de Investigación de la Escuela Profesional de Turismo y Hotelería de la Facultad de Ciencias de la Comunicación, Turismo y Psicología de la Universidad de San Martín de Porres; Tourism and Hospitality School of the Communications Science, Tourism and Psychology Department at San Martin de Porres University
CAPEX:	Capital Expenditure	IFTA:	Independent Film & Television Alliance
CATV:	Community Antenna Television	IGV:	Impuesto General a las Ventas, Value Added Tax
CBIs:	Copyright-Based Industries	IIPA:	International Intellectual Property Alliance
CCL:	Cámara de Comercio de Lima, Lima Chamber of Commerce	IMPI:	Instituto Mexicano de la Propiedad Intelectual, Mexican Institute of Industrial Property
CCS:	Copyright Collecting Societies	INDAQTOR:	Instituto Nacional del Derecho de Autor, National Copyright Institute
CD:	Compact Disc	INEI:	Instituto Nacional de Estadística e Informática, Statistics and Informatics National Institute
CEO:	Chief Executive Officer	INDECOPI:	Instituto Nacional de la Competencia y Propiedad Intelectual, National Institute for the Defense of Competition and the Protection of Intellectual Property
CERLALC:	Centro Regional para el Fomento del Libro en América Latina y el Caribe, Regional Center for Book Encouragement in Latin America and the Caribbean	ISBN:	International Standard Book Number
ClF:	Cost, insurance and freight	ISIC:	International Standard Industry Code
CISAC:	Confederación Internacional de Sociedades de Autores y Compositores, International Confederation of Societies of Authors and Composers	ISRC:	International Standard Recording Code
CNR:	Coordinadora Nacional de Radio, National Radio Coordinator	IT:	Information Technology
CONACINE:	Consejo Nacional de Cine, National Movie Commission	MMDS:	Multichannel Multipoint Distribution System
CONAPU:	Consejo Nacional de Supervisión de la Publicidad, National Advertising Supervision Council	MPAA:	Motion Picture Association of America
CONASEV:	Comisión Nacional Supervisora de Empresas y Valores, National Commission for the Supervision of Companies and Securities	MTC:	Ministerio de Transportes y Comunicaciones, Ministry of Transportation and Communication
CONCORTV:	Consejo Consultivo de Radio y Televisión, Radio and Television Consulting Council	NANDINA:	Nomenclatura Común de los Países Miembros del Acuerdo de Cartagena, Common Nomenclature of the Andean Community Members
CONFIEP:	Confederación Nacional de Instituciones Empresariales Privadas, National Confederation of Private Business Associations	n.a.:	Not Applicable
COPERF:	Comité de Productores de Fonogramas y Videogramas, Peruvian Committee of Phonogram and Videogram Producers	n.e.c.:	Not Elsewhere Classified
		NMPA:	National Music Publishers' Association
		OCDE:	Organización para la Cooperación y Desarrollo Económico; Organization for Cooperation of Economic Development
		ODA:	Oficina de Derechos de Autor – INDECOPI, Copyright Office – INDECOPI

⁸⁶ The press realize announcing the specification finalization only refers to the technology as DVD, making no mention of what the letters stand for www.toshiba.co.jp/about/press/1995_12/pr0802.htm

OMD:	Optimum Media Direction
OSIPTEL:	Organismo Supervisor de Inversión Privada en Telecomunicaciones, Supervisory Agency for Private Investment in Telecommunications
POP:	Peruana de Opinión Pública
PRODUCE:	Ministerio de Producción, Ministry of Production
PUCP:	Pontificia Universidad Católica del Perú, Pontifical Catholic University of Peru
PYME:	Pequeña y Micro empresa, Small and micro enterprises
RIAA:	Recording Industry Association of America
SIN:	Sociedad Nacional de Industrias, Industrial National Association
SOCINE:	Sociedad Peruana de Directores y Productores Cinematográficos, Peruvian Society of Film Directors and Producers
SPIA:	Sociedad Peruana de la Industria Audiovisual, Peruvian Society of the Audiovisual Industry
SUNAD:	Superintendencia Nacional de Aduanas, National Customs Administration Superintendence
SUNAT:	Superintendencia Nacional de Administración Tributaria, National Superintendency of Tax Administration
TPA:	Trade Promotion Agreement
TDV:	Tecnología Digital Victoria
TRIPS:	Aspectos relacionados con el comercio de los Derechos de Propiedad Intelectual, Trade Related Aspects of Intellectual Property Rights
UIP:	United International Pictures
UIT:	Unidad Impositiva Tributaria, Tax Unit
UN:	United Nations
UNIMPRO:	Unión Peruana de Productores Fonográficos, Peruvian Union of Phonographic Producers
USMP:	Universidad San Martín de Porres, San Martín de Porres University
VHS:	Video Home System
WCT:	Tratado de la OMPI sobre Derecho de Autor, WIPO Copyright Treaty
WIPO:	World Intellectual Property Organization
WPPT:	Tratado de la OMPI sobre Interpretación o Ejecución y Fonogramas, WIPO Performance and Phonograms Treaty

Annex A: Conducted Interviews

Press and Literature Industry

- 1) **Date:** December 13th, 2006
Institution: Cámara peruana del libro (CPL)
Name: Liliana Minaya Cáceda
Position: Manager
- 2) **Date:** February 16th, 2007
Institution: Fondo Editorial de la Pontificia Universidad Católica del Perú (PUCP)
Name: Patricia Arévalo
Position: General Director
- 3) **Date:** June 28th, 2007
Institution: Diario La República
Name: Daniela Bibolini
Position: Commercial Projects Boss
- 4) **Date:** June 28th, 2007
Institution: Diario La República
Name: Maria Eugenia Mohme
Position: Corporate Services Manager
- 5) **Date:** July 9th, 2007
Institution: Federación Nacional de Vendedores de Diarios, Revistas y Loterías del Perú (FENVENDRELP)
Name: Rufino Quilca
Position: General Subsecretary

Music Industry

- 6) **Date:** February 16th, 2007
Institution: Productora Rock en el Parque
Name: Julio César Vásquez
Position: General Producer
- 7) **Date:** April 2nd, 2007
Institution: Tecnología Digital Victoria (TDV)
Name: Francisco Samillán
Position: Sales Manager
- 8) **Date:** April 2nd, 2007
Institution: Tecnología Digital Victoria (TDV)
Name: Fernando Peña
Position: Marketing Manager

9) **Date:** August 3rd, 2007
Institution: Phantom Music
Name: Eduardo Ponce
Position: Marketing Manager

10) **Date:** November 23rd, 2007
Institution: QC Entertainment S.A.C.
Name: Ana María Carbonell
Position: General Manager

Motion Picture Industry

11) **Date:** January 26th, 2007
Institution: Consejo Nacional de Cinematografía (CONACINE)
Name: Emilio Moscoso Manrique
Position: Executive Secretary

12) **Date:** March 23rd, 2007
Institution: Sociedad Peruana de la Industria Audiovisual (SPIA)
Name: Jorge Delgado
Position: President

13) **Date:** March 26th, 2007
Institution: Cinedatos del Perú
Name: Percy Valladares
Position: Owner

14) **Date:** March 29th, 2007
Institution: United International Pictures (UIP)
Name: Luis Dager Alva
Position: Sales Manager

15) **Date:** July 20th, 2007
Institution: Argos Productions, CONACINE, Peruvian Association of Cinematographic Producers (APCP)
Name: Nathalie Hendrickx
Position: Executive Producer, Executive Board Member, Member

16) **Date:** August 7th, 2007
Institution: Cineplanet
Name: Christian Alva
Position: Marketing Manager

17) **Date:** August 7th, 2007
Institution: Cineplanet
Name: Alicia Cruzate
Position: General Accountant

18) **Date:** August 28th, 2007
Institution: Warner Bros – Twentieth Century Fox – Perú
Name: Hernán Viviano
Position: General Manager

Radio and Television Industry

19) **Date:** January 17th, 2007; July 12th, 2007
Institution: Comité Nacional de Radio (ANR)
Name: Daniel Chapell
Position: Executive Director

20) **Date:** January 17th, 2007
Institution: Comité Nacional de Radio (ANR)
Name: Natalia Calderón
Position: Functionary

21) **Date:** February 27th, 2007
Institution: Asociación Protectora de los Derechos Intelectuales Fonográficos (APDIF)
Name: José Anderson Tuesta López
Position: Legal advisor

22) **Date:** November 28th, 2007
Institution: Consejo Consultivo de Radio y Televisión (CONCORTV)
Name: Carlos Rivadeneyra
Position: Member of the Board

Software Industry

23) **Date:** November 30th, 2006
Institution: Asociación Peruana de Productores de Software (APESOFT)
Name: Rafael Romero Mina
Position: General Manager

24) **Date:** January 24th, 2007
Institution: Lolimsa
Name: Rolando Liendo Chicata
Position: Manager of Lolimsa, Directive Committee President of Asociación Peruana de Productores de Software (APESOFT)

Advertising Services Industry

25) **Date:** November 30th, 2006
Institution: Asociación Nacional de Anunciantes (ANANDA)
Name: Martha De Weck
Position: Administrator

26) **Date:** February 12th, 2007
Institution: Dixit
Name: Manuel Echegaray
Position: General Manager

- 27) **Date:** March 27th, 2007
Institution: Asociación Peruana de Agencias de Publicidad (APAP)
Name: Alvaro Florez Estrada
Position: President of APAP, President of Publicis
- 28) **Date:** April 2nd, 2007
Institution1: Mindshare, and Media Agencies Association.
Institution2: Media Agencies Association.
Name: Lone Strobach
Position1: General Manager, Head
Position2: President
- 29) **Date:** June 27th, 2007
Institution: Mayo FCB
Name: Carlos Trujillo
Position: New Business Director
- Copyright Collecting Societies**
- 30) **Date:** November 21st, 2006
Institution: Entidad de Gestión de Derechos de los Productores Audiovisuales (EGEDA)
Name: Juan Pablo Grau Quinteros
Position: General Director
- 31) **Date:** November 27th, 2006; November 14th, 2007
Institution: Asociación Peruana de Autores y Compositores (APDAYC)
Name: Armando Masse Fernández
Position: President of Executive Board
- 32) **Date:** January 11th, 2007; April 2nd, 2007
Institution: Unión Peruana de Productores Fonográficos (UNIMPRO)
Name: Guillermo Bracamonte Ortiz
Position: General Director
- 33) **Date:** February 18th, 2007; December 5th, 2007
Institution: Asociación Peruana de Artistas Visuales (APSAV)
Name: Ylva Villavicencio
Position: General Director
- 34) **Date:** April 2nd, 2007; April 11th, 2007
Institution: Unión Peruana de Productores Fonográficos (UNIMPRO)
Name: Miriam Astudillo
Position: General Accountant
- 35) **Date:** April 16th, 2007
Institution: Asociación Nacional de Artistas Intérpretes y Ejecutantes (ANAIE)
Position: Administrative worker

- 36) **Date:** November 14th, 2007
Institution: Asociación Peruana de Autores y Compositores (APDAYC)
Name: Tatiana Quintana
Position: Director of Broadcasting and Cable
- 37) **Date:** November 14th, 2007
Institution: Asociación Peruana de Autores y Compositores (APDAYC)
Name: José Ramírez
Position: Operations Manager

Methodology

- 38) **Date:** February 9th, 2007
Institution: Pontificia Universidad Católica del Perú (PUCP), Grossman Capital Markets
Name: Carlos Palomino Selem
Position: PUCP Financial Analysis Professor, International Broker
- 39) **Date:** January 15th, 2007
Institution: Pontificia Universidad Católica del Perú (PUCP), Banco de Crédito del Perú (BCP)
Name: Marco Aiquipa
Position: PUCP Financial Analysis Professor, Functionary of BCP

Other Institutions

- 40) **Date:** November 27th, 2006; January 9th, 2007
Institution: Instituto Nacional de Estadística e Informática (INEI)
Name: Teresa Gaspar
Position: Technical Diffusion Office Assistant
- 41) **Date:** November 7th, 2006; January 9th, 2007; January 10th, 2007; August 7th, 2007
Institution: Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI)
Name: Martín Moscoso
Position: Copyright Office Boss (ODA)
- 42) **Date:** January 9th, 2007
Institution: Instituto Nacional de Defensa de la Competencia y de la Propiedad Intelectual (INDECOPI)
Name: Carlos Baldoceca
Position: Intellectual Property Hall Archive Assistant
- 43) **Date:** January 15th, 2007
Institution: Pontificia Universidad Católica del Perú (PUCP)
Name: Carla Colona
Position: Institutional Communication Direction

- 44) **Date:** February 28th, 2007
Institution: Analistas y Consultores
Name: Bernardo Verjovski
Position: General Manager
- 45) **Date:** March 9th, 2007
Institution: Cruzada Antipiratería – Hugo Bravo de Rueda Law Firm
Name: Hugo Bravo de Rueda
Position: Head
- 46) **Date:** March 15th, 2007
Institution: Comisión de Lucha contra los Delitos Aduaneros y la Piratería
Name: Paul Vera Regalado
Position: Secretario Técnico
- 47) **Date:** March 30th, 2007
Institution: Sociedad Nacional de Industrias (SNI)
Name: Raúl Saldías
Position: SNI Voting Member

Annex B:

Methodological Estimation of Value Added Contribution of Copyright-Based Industries for the Year 2005 Based on Sectoral Data of the Year 2000 (Ministry of Production)

This Annex presents the methodology used to calculate the data for the different copyright-based industries, mainly for interdependent and partial⁸⁷. The methodology is based on many sources, such as on the Technology of Information and Statistics General Office of the Ministry of Production (PRODUCE), the National Institute for Statistics and Informatics (INEI) and the Peruvian Central Bank of Reserves (BCRP)⁸⁸. In all cases, in order to get the most precise estimates possible, a number of assumptions were made and will be explained below.

As mentioned in chapter 2, data on manufacturing activities is available for the period 1998-2000 in PRODUCE. The database has information on value added, wages, salaries, remunerations paid to eventual personnel, other expenses of eventual and permanent personnel, depreciation value realized at the end of the year, tributes, net amount of taxes to goods and services, amount of specific taxes and exploitation surplus.

The information in this database, ordered by the different level of involvement with copyright, and with a four-digit ISIC code, is:

- Core industries:
 - o 2212: Publishing of newspapers, journals and periodicals,
 - o 2219: Other publishing,
 - o 2221: Printing,
 - o 2222: Service activities related to printing,
 - o 2230: Reproduction of recorded media.
- Interdependent industries:
 - o 2101: Manufacture of pulp, paper and paperboard,
 - o 2429: Manufacture of other chemical products n.e.c.,
 - o 3000: Manufacture of office, accounting and computing machinery,
 - o 3230: Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associate goods,
 - o 3320: Manufacture of optical instruments and photographic equipment,
 - o 3692: Manufacture of musical instruments.
- Partial industries:
 - o 1730: Manufacture of knitted and crocheted fabrics and articles,
 - o 1810: Manufacture of wearing apparel,
 - o 1920: Manufacture of footwear,
 - o 2109: Manufacture of other articles of paper and paperboard,
 - o 2610: Manufacture of glass and glass products,
 - o 3610: Manufacture of furniture,
 - o 3691: Manufacture of jewelry and related articles,
 - o 3694: Manufacture of games and toys.

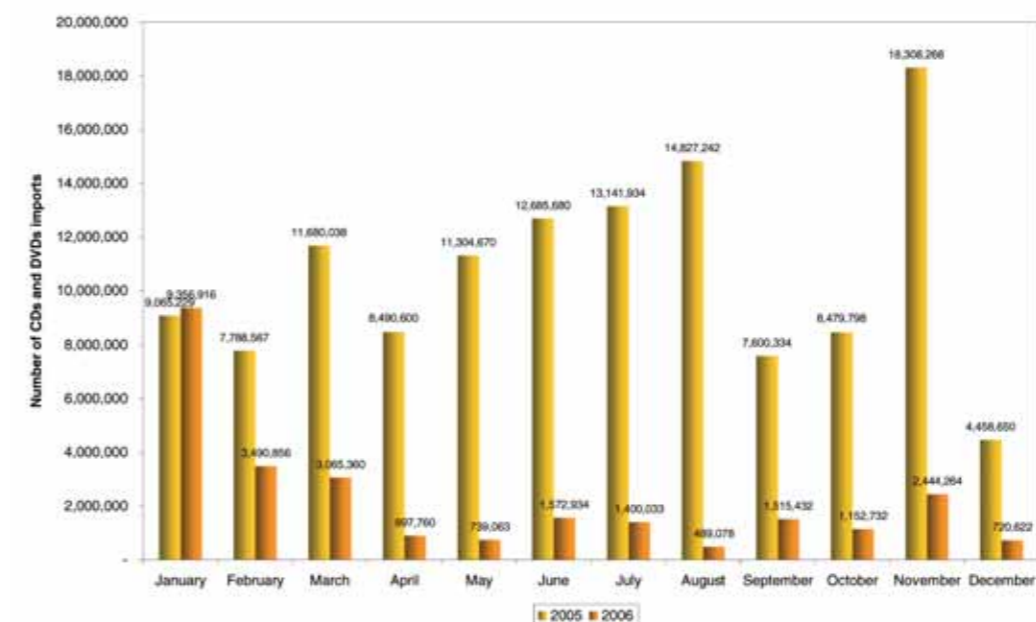
⁸⁷ For a few activities of core copyright industries the methodology has been applied.

⁸⁸ For the exchange rate.

In order to obtain the estimations for the year 2005, some assumptions had to be made and some complementary information had to be used. First, we assumed that in real terms the value added of these activities follows the rate of growth of the real GDP of the same activities. Nevertheless, this data was not available at this level of disaggregation. It was therefore necessary to use another variable. The only real variable available for the period 2000-2005 with a four-digit ISIC code was the production volume index, although it is only available for some ISIC activities. Thus, the assumption is that the real value added for this set of activities follows the rate of growth of the production volume index. For the rest of the ISIC codes the assumption is that the activities follow the rate of growth of the manufacturing GDP.

Annex C: Annex to Chapter 3

Figure C1 Peru: CD and DVD Imports by Month (number and percentage), 2005-2007



1/ Information for year 2007 just considers the first semester of that year
Source: Antipiracy Crusade Peru's head, Hugo Bravo de Rueda.

Table C1 Peru: CD and DVD Imports by Brand (number and percentage), 2005-2007

	2005		2006		2007 1/	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
PRINCO	110,452,200	86.4%	11,170,800	41.6%	916,800	8.6%
SM	12,116,090	9.5%	1,617,000	6.0%	1,244,002	11.7%
SONY	1,024,734	0.8%	3,420,980	12.7%	2,151,444	20.2%
SMART	977,900	0.8%	57,400	0.2%	16,000	0.2%
IMATION	916,234	0.7%	7,123,022	26.5%	5,601,504	52.6%
ESN	716,400	0.6%	80,000	0.3%	-	-
IESAC	650,000	0.5%	100,200	0.4%	-	-
MAXELL	336,160	0.3%	545,012	2.0%	257,238	2.4%
XEROX	286,320	0.2%	-	-	-	-
SAMSUNG	121,500	0.1%	-	-	-	-
HP	89,420	0.1%	220,044	0.8%	-	-
MASTER G	80,796	0.1%	1,368,240	5.1%	-	-
BENQ	41,550	0.0%	55,010	0.2%	-	-
PANASONIC	854	0.0%	12,822	0.0%	-	-
UNISIA	-	-	750,000	2.8%	457,270	4.3%
SPACE	-	-	90,000	0.3%	-	-
RIDATA	-	-	127,200	0.5%	-	-
CURSOR	-	-	50,000	0.2%	-	-
HYUNDAI	-	-	30,000	0.1%	-	-
OTROS	20,852	0.0%	27,320	0.1%	-	-
Total	127,831,010	100%	26,845,050	100%	10,644,258	100%

1/ Information for year 2007 just considers the first semester of that year
Source: Antipiracy Crusade Peru's head, Hugo Bravo de Rueda.

⁸⁹ The activities, at a four-digit level, for which this index is available, are: 2101, 2212, 2221, 2429, 1730, 1810, 1920, 2109, 2610, 3610, and 3691.

Table C2 Peru: CD and DVD Imports by Country (number and percentage), 2005-2007

	2005		2006		2007 1/	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Taiwan	111,429,137	87.2%	14,751,382	55.0%	2,383,924	22.40%
China	12,908,567	10.1%	2,404,499	9.0%	1,245,586	11.70%
India	1,146,732	0.9%	4,979,643	18.5%	5,428,566	51.00%
Malaysia	1,266,274	1.0%	8,500	0.0%	268,660	2.52%
Japan	648,607	0.5%	3,588,274	13.4%	1,314,522	12.35%
Korea	392,403	0.3%	-	-		
Germany	39,200	0.0%	-	-		
Spain	90	0.0%	-	-		
Hong Kong	-	-	678,600	2.5%	3,000	0.03%
Austria	-	-	274,150	1.0%		
Philippines	-	-	122,402	0.5%		
Mexico	-	-	31,000	0.1%		
Chile	-	-	6,600	0.0%		
Total	127,831,010	100%	26,845,050	100%	10,644,258	100%

1/ Information for year 2007 just considers the first semester of that year

Source: Antipiracy Crusade Peru – Hugo Bravo de Rueda Law Office

Annex D: Newspapers in Peru, 2005

Daily	City	Web page
El Comercio	Lima	www.elcomercioperu.com.pe
Expreso	Lima	www.expreso.com.pe
La Republica	Lima	www.larepublica.com.pe
Correo	Lima	www.correoperu.com.pe
El Peruano	Lima	www.elperuano.com.pe
La Razón	Lima	www.larazon.com.pe
Peru 21	Lima	www.peru21.com
Tu Diario	Lima	www.tudiario.com.pe
La Primera	Lima	www.laprimera.com.pe
Liberación	Lima	www.dialiberacion.com
Diario Del País	Lima	www.delpais.com.pe
La Tribuna	Lima	www.la-tribuna.org
La Olla	Lima	www.laolla.org
El Vocero	Lima	www.elvoceroperu.com
Pura Verdad	Lima	-----
El Bocón	Lima	www.elbocon.com.pe
Todo Sport	Lima	www.todosport.com.pe
Libero	Lima	www.libero.com.pe
Aja	Lima	www.aja.com.pe
Ojo	Lima	www.ojo.com.pe
El Chino	Lima	www.elchino.com.pe
Trome	Lima	www.trome.com
El Popular	Lima	www.elpopular.com.pe
El Sol De Oro	Lima	www.noticiaselsol.com
Extra	Lima	-----
El Mañanero	Lima	-----
El Tío	Lima	-----
Hoy	Lima	-----
El Chato	Lima	-----
Diario Mas	Lima	-----
La Yuca	Lima	-----
Men	Lima	-----
Gestión	Lima	www.gestion.com.pe
Síntesis	Lima	www.sintesis.com.pe
La Industria	Trujillo	www.laindustria.com
Satélite	Trujillo	www.laindustria.com/...
Nuevo Norte	Trujillo	-----
Arequipa Al Día	Arequipa	www.arequipaaldia.com
El Pueblo	Arequipa	www.elpueblo.com.pe
Noticias	Arequipa	-----
La Industria	Chiclayo	www.laindustria.com.pe
El Norteño	Chiclayo	-----
El Ciclón	Chiclayo	-----
El Tiempo	Piura	www.eltiempo.com.pe
La Hora	Piura	-----
El Matutino	Iquitos	-----
La Región	Iquitos	www.diariolaregion.com
El Oriente	Iquitos	-----
Diario De Chimbote	Chimbote	www.diariodechimbote.com
La Industria	Chimbote	www.laindustria.com/chimbote

Source: <http://www.prensaescrita.com/america/peru.php>

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Daily	City	Web page
Primicia	Huancayo	-----
La Voz De Huancayo	Huancayo	-----
El Diario De Cusco	Cusco	www.diariodelcusco.com
El Sol	Cusco	www.diarioelsoldelcusco.com
El Comercio	Cusco	www.elcomerciocusco.com
El Compatriota	Cusco	www.elcompatriota.com
Panorama Cajamarquino	Cajamarca	www.panoramacajamarquino.com
El Clarin	Cajamarca	www.elclarincajamarca.com
Prensa Libre	Cajamarca	-----
El Sol	Cajamarca	-----
Diario Regional	Pucallpa	www.diarioregional.com/ucayali
Ahora	Pucallpa	www.diario-ahora.com
Impetu	Pucallpa	www.diario-impetu.com
Diario	Ciudad	Página web
El Callao	Callao	www.diarioelcallao.com
La Voz Del Callao	Callao	www.lavozdelcallao.com
Pro & Contra	Loreto	www.proycontra.com.pe
Caplina	Tacna	-----
Al Día	Tarapoto	www.aldiaperu.net
Ahora	Tarapoto	www.ahora.com.pe
Voces	Tarapoto	www.diariovocesperu.com
El Puerto	Ilo	-----
La Verdad	Ilo	-----
La Voz De Ica	Ica	-----
La Opinión	Ica	-----
Los Andes	Puno	www.losandes.com.pe
Diario De Puno	Puno	-----
Ultimas Noticias	Pacasmayo	www.pacasmayo.net/ultimasnoticias
Diario Regional	Huánuco	www.diarioregional.com
Ahora	Huánuco	www.ahora.com.pe
Prensa Regional	Huaraz	-----
Ya	Huaraz	-----
La Calle	Ayacucho	www.lacalle.com.pe
Jornada	Ayacucho	www.ayacuchodigital.com
Chaski	Abancay	www.diariochaski.com.pe
Opinión	Andahuaylas	www.opinionchanka.com
Ecos	Huacho	www.ecoshuacho.com
Ecos	Moyobamba	-----
Don Jaque	Puerto Maldonado	-----

Source: <http://www.prensaescrita.com/america/peru.php>
Prepared by the authors