

PRIORITY FOREIGN COUNTRY

UKRAINE

The United States withdrew Ukraine's benefits under the Generalized System of Preferences (GSP) program in August 2001 and imposed \$75 million worth of sanctions on Ukrainian imports in January 2002. These sanctions remain in effect based on the repeated failure of the Government of Ukraine to enact and implement adequate optical disc media licensing legislation in order to comply with the June 2000 U.S.-Ukraine Joint Action Plan to Combat Optical Media Piracy. The Ukrainian Government has drafted amendments to the existing Optical Disc Licensing Law to address inadequacies, but Ukraine's Rada has failed to pass these amendments on several occasions. The United States notes with optimism that Ukraine's Rada currently is undertaking efforts to pass these amendments. However, until such amendments are passed, Ukraine's law lacks adequate provisions to prevent unauthorized optical media production and distribution. Ukraine is also a major transshipment point and storage location for illegal optical media produced in Russia and elsewhere. Ukraine's border enforcement efforts remain weak and criminal penalties for unauthorized production and export of CDs and CD-ROMs are not significant enough to act as an effective deterrent. As a result, there continue to be extremely high levels of piracy and substantial losses to U.S. industry. Trademark counterfeiting is also a serious problem, and the U.S. trademark industry remains concerned over the lack of cooperation by enforcement officials in combating counterfeiting activities. The United States urges the Ukrainian Government to pass needed amendments to its optical media law in the near term and to enforce that law aggressively to significantly reduce high levels of piracy and exports of pirate product. The United States is announcing that a Special 301 out-of-cycle review will be commenced in 2005 to monitor Ukraine's progress in passing amendments to its optical media law, implementing the new law, and deterring optical media piracy through adequate enforcement.