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Audio-visual Services: International Trade and Cultural Policy

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Abstract

The audiovisual sector is a significant component of the economy in terms of wealth creation and employment and audiovisual industries also play an important cultural role. This study reviews the main forces driving patterns of trade in audiovisual (mainly television and film) and identifies key issues that may potentially impact on trade liberalization and open markets. It analyzes economic aspects of the audiovisual sector and how these influence patterns of international trade. The report also examines the regulatory environment, including frameworks for transnational coordination of copyright. Cultural issues that may affect trade in audiovisual goods and services are considered. The study concludes with reflections on how open markets can be reconciled with cultural objectives which are an intrinsic aspect of the audiovisual sector.

JEL Classification: F2

Contents

1.	Introduction.....	3
2.	Trade in Audiovisual Goods and Services	3
2.1	Economics of the Audiovisual Sector	3
2.2	International Trade.....	5
3.	Policy and Regulatory Environment	9
3.1	Promoting Diversity and Pluralism	9
3.2	Liberalizing versus Protective Impulses	12
4.	Copyright	14
4.1	Globalization and Enforcement	14
4.2	Copyright and Free Trade Areas.....	15
5.	Conclusions.....	16
	References	20
	Appendix: Rules of Origin and Definitions of Local Product.....	24

1. INTRODUCTION

The OECD, which commissioned this study, has a long-standing interest in reviewing potential restrictions to market access in member countries and in major emerging economies. The purpose of this study is to provide background information ahead of the incorporation of the audiovisual services sector within the OECD's Services Trade Restrictiveness Index (STRI). Research assistance from Dr Lisa Kelly with preparing the two appendices is gratefully acknowledged. The views expressed throughout this report are those of the author.

The audiovisual sector covers a range of areas of economic activity but, in the context of this study, the main focus is on the film and television industries. It is a significant component of the global economy in terms of wealth creation and employment and audiovisual industries also play an important cultural role. On account of the socio-political and cultural dimensions of audiovisual provision, film and television industries are frequently subject to special regulatory measures and policy interventions designed, for example, to stimulate and support local content production. International trade in audiovisual goods and services is affected by such measures but it is also driven by a range of underlying economic and market factors and by changing technologies.

This study reviews the main forces driving patterns of trade in the audiovisual sector and identifies key issues that may potentially impact on trade liberalization and open markets. It also considers how open markets can be reconciled with cultural objectives which are an intrinsic aspect of the audiovisual sector. The first part analyses economic aspects of the audiovisual sector and how economic factors influence patterns of international trade. The second part focuses particularly on the regulatory environment and cultural issues and interventions that may affect trade in audiovisual goods and services. A third part discusses the role of intellectual property rights in shaping trade and highlights new challenges in relation to ensuring that existing frameworks for transnational coordination of copyright are adjusted to a changing technological environment. The concluding section summarizes the main issues that may hinder trade in audiovisual and considers how the impetus to achieve further liberalization must be balanced against the need to protect cultural diversity.

2. TRADE IN AUDIOVISUAL GOODS AND SERVICES

2.1 Economics of the Audiovisual Sector

The audiovisual sector—for current purposes, film and television—is significant in terms of its contribution to economic wealth creation and employment but, at the same time, it is widely recognized that the audiovisual industries play an important cultural role. The role of conveying ideas and entertainment to usually large audiences involves significant cultural and welfare implications. This marks audiovisual out as a sector where state authorities are inclined to take considerable interest in regulating and policing. Film and television industries are frequently subject to special interventions designed, for example, to support indigenous content production. International trade in audiovisual is affected by such measures but it also driven by a range of underlying economic and market factors and by changing technologies.

The business of supplying television services is somewhat unusual in economic terms in that broadcasters operate in what are sometimes called “dual product” or two-sided markets. Two sorts of output are created: first, content (i.e., television programs, news stories etc., arranged

into a schedule); and, second, media audiences. Audience attention is routinely packaged, traded and sold to advertisers and the commercial income it currently generates accounts for almost 50% of the revenues of the global television industry (Ofcom 2010: 113). The other output—content—exhibits some interesting economic characteristics (Collins, Garnham, and Locksley 1988; Blumler and Nossiter 1991). The way that consumers derive value from audiovisual content is very much tied up with the information or the messages being conveyed, rather than with the material carrier of that information (the digital file, the airwaves etc.). So a television broadcast is not really consumable in the way that most other commodities are. Like other “information” goods, audiovisual has public good characteristics insofar as the act of consumption by one individual does not reduce its supply to others (Withers 2006: 5).

Given that the main value within television content is generally to do with attributes which are immaterial (i.e., its messages or meanings) and that these do not get used up or depleted in the act of consumption, it follows that, once the first copy of, say, a video or television program has been created, it then costs little or nothing to reproduce and supply it to extra customers. So, increasing marginal returns will be enjoyed as more and more customers for an item of audiovisual content are added. As a result, the audiovisual sector is characterized by economies of scale and also by economies of scope (Doyle 2002a). Initial production costs are typically high but then, because the content or intellectual property can be re-used again and again without additional expense, replication costs tend to be low. The wider the audience, the more profitable it will become. Extending consumption across national frontiers may well involve marginal outlays in marketing and distribution (e.g., costs of attendance at international content markets such as MIPCOM). In markets that have their own distinctive languages, dubbing or sub-titling may be an additional cost, although how this is shared between rights owners and distributors varies. In the case of large-budget feature films, marketing and advertising costs can be very significant. Even so, because of the public good attributes of audiovisual content, economies of scale and scope are widely available, and therefore there are great natural incentives for the makers and suppliers of audiovisual content to extend or spread the consumption of their output as widely as possible, including across national frontiers where this is feasible.

Uncertainty about likely demand for an as yet unproduced item of content is a fact of life in the audiovisual industries. As an “experience”, the extent to which it will please and satisfy is a subjective matter and “nobody knows” what will work (Caves 2000: 3). On account of the high costs and uncertainties involved in audiovisual production, television companies and film-makers are obliged to take major risks. This encourages the use of strategies aimed at risk reduction. For example, processes of repetition and imitation that capitalize on characters or storylines or formats that have already worked successfully with audiences are routinely deployed in order to enhance the chances of creating “hit” content (Hoskins, McFadyen, and Finn 1997). Another approach towards risk reduction is to adopt a corporate shape (including, for example, a vertically-integrated structure) which is conducive to financial success.

The activities of the film and television industries are spread across a number of key stages that can be conceptualized in terms of the notion of the vertical supply chain or “value chain” as pioneered by Michael Porter (1985). In the television industry, albeit that some companies are involved in all stages along the vertical supply chain, a distinction can be drawn between the business of making content (i.e., production) and the later stages of packaging content into a schedule and of distributing it to viewers. Likewise, the business of supplying films involves several distinguishable phases ranging from, at the outset, script development and production through to distribution and finally exhibition when film content is “sold” to audiences via cinemas or other delivery windows including VOD (video on demand), television and DVDs. As demonstrated by the success of the Hollywood “majors”, the size (or scale of operations) and

the vertical structure adopted by a film company can play a very decisive role in its success (Doyle 2002a: 106–110).

One of the main factors favoring the majors—Disney, 20th Century Fox, Paramount Pictures, Sony/Columbia Pictures, Universal Pictures and Warner Brothers—is their corporate shape: their size and vertical structure. Size is important, not only in terms of demand (i.e., the scale of the domestic US market plus the English-speaking portion of the international market available to support their output), but also in terms of supply (i.e., the amount of productive activity each of the majors is engaged in). Effectively, the scale of the US majors enables them to adopt a portfolio approach to investment in film production. Structure is the other area where the majors, whose activities span across both production and distribution, have a great advantage over would-be rivals (Lewis and Marris 1991). Assured distribution reduces risks and enables the majors to commit significant resources to production and marketing so as to build audience awareness for their output. Vertically integration enables the majors to use their own distribution networks to disseminate films to exhibition outlets and to reinvest a proportion of profits back into production. Extensive vertical integration from production into distribution right around the globe has been crucial in ensuring the high levels of market access and the success enjoyed by the Hollywood majors over many years. Such success is reflected in the range of data, discussed further below, which confirms the predominance of films distributed by the majors both internationally as well as at the domestic US box-office.

2.2 International Trade

In the early days of broadcasting, television systems tended to develop very much *within* national territories and were shaped by national circumstances and regulations. Even into the twenty-first century, television broadcasting remains a surprisingly national phenomenon (Morris and Waisbord 2001). But, thanks to advances in distribution technology, the television industry has become somewhat more internationalized over time. A major force for change has been the arrival of extra delivery channels. With the advent of cable and satellite and, more recently, with the growing use of digital compression techniques and the development of the internet, a situation of spectrum scarcity which had previously constrained market entry into broadcasting has now been transformed and replaced by one of relative abundance.

As channels have proliferated, many more services aimed at specific audience groups and niches have developed over the last 25 years, often supported by direct viewer payments or subscriptions. More channels and greater resources to support strategies of segmentation combined with the spread of cross border delivery platforms have served to encourage growth in the number of thematic services aimed at transnational audience groups (e.g., CNN, MTV, Eurosport, Discovery, Al Jazeera, etc.). So the launch of international channels is one route through which television has begun to expand across national frontiers. International language versions of news services provided by public service broadcasters (e.g., BBC World) have grown in recent years. In addition, commercial services (e.g., Globo Internacional offered on US pay-TV) have been seeking to extend their audiences by launching international versions aimed at diasporas (Ofcom 2010).

Another factor that has contributed towards internationalization within the television industry has been the development of international co-production deals where partners (usually broadcasters in different territories) share production costs between them. One example would be the *Wonders of the Universe* series of science programs, transmitted both in the UK and in the US in 2011, which was a co-production between the BBC and Discovery Channel. Another is the co-production deal agreed between the Beijing Zhongbie TV Arts Centre and the Russian broadcaster REN TV in 2010 (Ofcom 2010: 64). International co-productions have increased in

popularity in recent years as broadcasters have embraced opportunities to spread high “first copy” production costs and share economies of scale (Hoskins, McFadyen, and Finn 2004).

However, globalization has mostly been driven by international trade in finished programs and formats—broadcasters acquiring transmission rights to programs or purchasing the right to use existing tried-and-tested formats from overseas television companies, in some (though certainly not all) cases from neighboring countries or countries that share a common language. The volume of international trade in audiovisual is large and growing. According to WTO estimates based on balance-of-payments data, global exports grew annually from the year 2000 at an average rate of 8% and by 2007 had reached US\$35bn (WTO 2010: 3).

International traffic in audiovisual has increased, partly because channel proliferation has triggered an explosion in demand for attractive television content over the last couple of decades. In the UK, for example, data from regulator Ofcom suggests that there were some 500 licensed television channels in operation in 2011 compared to just 4 in the early 1980s. At the level of the EU, it is estimated that some 9,800 licensed channels had been established by 2010 compared with just 47 television channels back in 1989.¹ Although the penetration of multi-channel television has been slower in developing countries, the phenomenon of channel proliferation has been a global trend, driven by changing technology and usually accompanied by an opening up of the airwaves as state broadcasting authorities have loosened regulation and issued more licenses.

As is evident from the survey in Appendix 1, sources of data on international trade in audiovisual are somewhat inconsistent. In a few markets, particularly North America, some of the territories of Europe and in a handful of other emerging markets, statistical data covering trade in television programs and feature films (gathered by, for example, government departments, trade associations, broadcasting regulators, publicly-funded research agencies, academics and consultancy firms) is relatively plentiful. But in many territories sources of statistical data are limited. A further problem is that the methodologies deployed in compiling and presenting statistical data can differ from one territory to another and over time, thus making comparisons difficult. For example, in some cases film and television revenues are disaggregated whereas in others outputs from both industries are included within ‘audiovisual’.

Despite limitations in the available data, it is very clear from a variety of statistical sources that the US is by far and away the largest exporter of television and also film content (World Trade Organisation (WTO) 2010; United States International Trade Commission (USITC) 2011). Growth in demand for television content has particularly benefitted exporters in the US but it has also contributed to the development of strong regional markets for television content in Latin America, the Arab countries, in the countries of East Asia including the People’s Republic of China (the PRC), the Republic of Korea (hereafter Korea) and Japan. In some countries, Korea for example, the emphasis of policy and regulation governing the cultural sector has moved away from control and protection towards support for the development of indigenous creative industries, including broadcasting, and this has facilitated more trade and growth in regional audiovisual content markets in recent years.

While a number of popular television formats created in the US and Northern Europe have found their way into markets right around the globe (e.g., production company Endemol’s *Big Brother*), it remains the case that local cultural dynamics encourage the production and exchange of locally-favored forms of content in specific regional markets, such as East Asia

¹ Figures, which draw on sources including the European Audiovisual Observatory (EAO) and IDATE are cited at the website of the Association of Commercial Television in Europe (ACTE). See: www.acte.be/EPUB/easnet.dll/execreq/page?eas:dat_im=025B1B&eas:template_im=025AE9

(Keane, Fung and Moran 2007). Despite the widespread appeal of US-made television content for most international audiences, preference for content to which audiences experience closer cultural proximity remains a factor influencing trade (Straubhaar 2007). The benefits of cultural proximity are reflected, for example, in an upsurge in the value of television and film exports from Korea to neighboring regional markets such as Japan and the PRC from the mid-1990s onwards making it the so-called Hollywood of the East (CMM-I 2007; Farrar 2010). Likewise, the success achieved by Brazil and Argentina in exporting to regional markets in South America reflects advantages of cultural proximity (WTO 2010: 13).

Television markets in developing countries, including India, the PRC and Colombia, are growing rapidly (*Ibid.*; CMM-I 2007). In the case of India, industry growth has encouraged processes of market segmentation with more niche channels and has spurred the rapid development of indigenous television production (Awal 2011; FICCI-KPMG 2011). Likewise growth in the television broadcasting industry in the PRC has supported growth in the domestic production sector, although the industry remains subject to relatively tight state regulation (CMM-I 2007). Russia is another growing market for television programs and especially formats (Westcott 2011).

However, international trade tends to be dominated by English-language content and by the output of one country in particular—the US. The UK has also achieved a notable level of success in international sales of television programs and formats in recent years (*Ibid.*). In 2008, UK exports reached GB£980m (US\$1.6 billion) (Pact 2010) and included such popular formats as the BBC's *Strictly Come Dancing* and ITV's *Who Wants to be a Millionaire?* The Latin American countries of Venezuela and Argentina have also enjoyed increased television exports to the US in recent years (USITC 2011: 31–4). But, as is suggested by the data in Table 1 below, the success of the US as an exporter of audiovisual is unparalleled.

Table 1: WTO Estimates of Major Exporters and Importers of Audiovisual and Related Services in 2007

Ra nk	Major Exporters	Valu e (\$m)	Sha re of top 15 (%)	Ann ual chan ge (%)	Ra nk	Major Importers	Valu e (\$m)	Sha re of top 15 (%)	Ann ual chan ge (%)
1	United States	15,043	51.5	23	1	European Union (27)	13,893	63.7	1
2	European Union (27)	9,962	34.1	14		Extra-EU (27) imports	6,315	29.0	-16
	Extra-EU (27) exports	4,063	13.9	6	2	Canada	2,001	9.2	6
3	Canada	2,021	6.9	-3	3	United States	1,440	6.6	32
4	PRC	316	1.1	130	4	Japan	1,044	4.8	6
5	Mexico	308	1.1	-19	5	Australia	798	3.7	13
6	Argentina	294	1.0	21	6	Russian Federation	624	2.9	36
7	Norway	272	0.9	18	7	Brazil	456	2.1	18
8	Hong Kong, China	249	0.9	-3	8	Korea, Republic of	381	1.7	66
9	Russian Federation	196	0.7	28	9	Norway	300	1.4	-21
10	Korea, Republic of	183	0.6	8	10	Mexico	259	1.2	-21
11	Australia	139	0.5	-8	11	Argentina	212	1.0	24
12	Japan	126	0.4	22	12	PRC	154	0.7	27
13	Albania	61	0.2	59	13	Ecuador	126	0.6	9
14	Ecuador	44	0.1	7	14	Albania	59	0.3	83
15	Colombia	21	0.1	-24	15	Croatia	55	0.3	64
	Above 15	29,235	100.0	-		Above 15	21,800	100.0	-

Source: WTO Secretariat estimates from 2009 based on available trade statistics (WTO 2010: 4).

A number of factors account for this. One very key issue is the size and wealth of the domestic television market in the US. The US is home to an audience of 116 million television households that all speak the same language. In addition, per capita expenditure on television in the US, at GB£265 (US\$425) in 2009, is far higher than in any other country (Ofcom 2010: 132). The prospect of high returns from the home market makes it feasible for large US producers to invest in expensive scriptwriters, stars and special effects. A majority of production costs may be recouped at home in the US and so these programs can be made available to importing broadcasters at a relatively low cost.

Drawing on advantages of scale, wealth and language, the US television industry generates a ready supply both of broad-appeal mass entertainment programming and also of the niche content needed to attract subscriptions on pay-television (such as feature films, dramas and children's programs). As the data in Table 1 suggests, this material is attractive and cost-efficient from the point of view of importing broadcasters elsewhere and so the US has sustained a position of exceptional predominance as an exporter of audiovisual content over

many years. According to the European Commission, the EU has an annual trade deficit in audiovisual with the US of some €6–7 billion² and around half of this is accounted for by television content.

The statistics related to trade flows for film (as opposed to television) indicate an even stronger predominance for US-made content in international markets. The success of the US as an exporter of film contrasts with the case of India. Although India's prolific film industry generates a very significantly larger number of films than the US or any other country every year (*Screen Digest*, 2011: 324), total annual revenues in the order of US\$2–2.5 billion per are small compared with the approximately US\$60 billion of the Hollywood majors (Kazmin 2011). The majors account for the bulk of the success of the US movie industry in international exports. According to recent estimates, over 62% of global box-office revenues were accounted for by these six companies alone in 2009 (USITC 2011: 3–6). In the UK and Ireland, for example, some 90% of box-office receipts were accounted for by films partly or wholly made by US film companies in 2010 (BFI 2011: 14). A similar situation exists across Europe where, in 2009, US studios accounted for 64% of the box-office revenues generated by the top 100 distributors (Hancock and Zhang 2010).

"Diversity" is not a natural outcome in industries characterized by widespread economies of scale. It is typical for such sectors to gravitate towards concentrated ownership structures and oligopolization. This is especially true of the audiovisual sector where advantages of scale are highly prevalent and influential in terms of industry structures and patterns of trade. The economics of the audiovisual industries—involving high initial production costs and the widespread availability of economies of scale—are such that content suppliers in large and wealthy markets who succeed in developing their capital bases will be at an advantage relative to less well-resourced rivals in smaller minority-language markets when it comes to exports and international trade. As a consequence, any company wishing to sustain a level of diversity and fragmentation over and above what free and open markets will support would have to rely on special policy interventions.

3. POLICY AND REGULATORY ENVIRONMENT

3.1 Promoting Diversity and Pluralism

The nature of television broadcasting is such that, traditionally, it has been regulated quite differently from other sectors. One reason for special treatment relates to the reach and influence of broadcasting and its acknowledged cultural importance. Another stems from perceived market failures. Technological advances have addressed some of the historic sources of market failure in television broadcasting (e.g., the introduction of encryption technologies have addressed problems of non-excludability) but others remain, such as the presence of "externalities" or misalignments between the private costs/benefits to the broadcaster and social costs/benefits associated with certain forms of output (Ofcom 2008).

So it is widely (although not universally) accepted that, where audiovisual is concerned, interventions are still needed to counteract deficiencies arising from the free operation of markets. Intervention is required on economic grounds to tackle market failures and the problem of externalities, as well as to restrict the exercise of monopoly power. In addition, governments

² The scale of the EU deficit is referred to in the homepages for the Audiovisual Media Services (AVMS) Directive, 2007. See: ec.europa.eu/avpolicy/reg/tvwf/promotion/index_en.htm

often intervene on socio-cultural grounds because encouraging and sustaining indigenous content production is seen as necessary in ensuring diversity and pluralism. Preservation of access to diverse audiovisual outputs, including indigenously-made content, is regarded as essential in promoting social cohesion and integration, in maintaining plurality and democracy and in sustaining regional and national identities and in some cases languages (UNESCO 2002: 5–6).

The trends discussed in Section 1.2—whereby domestic television and film markets are prone to a predominance of imported material, often from the US—have engendered numerous concerns in relation to balance of trade problems and also in relation to the impact on diversity, local cultures and languages (Guerrieri, Iapadre, and Koopman 2004). In the EU, for example, the European Commissioner for Audiovisual, Viviane Reding, has expressed concern both about the need to preserve cultural diversity and also about “[t]he EU trade balance on audiovisual services [which] remains a worrying issue” (European Commission/CEC 2006). One sort of policy intervention which is commonly used to preserve diversity and plurality is to impose upper limits on ownership that prevent excessive control over media and broadcasting by individuals and companies. Sometimes such curbs on media ownership apply equally to all owners, irrespective of nationality. In the UK, for example, such restrictions over ownership of broadcasting and cross-media interests as exist to protect pluralism do not discriminate against ownership by foreigners *per se*. Likewise, Denmark and Luxembourg impose no restrictions on foreign ownership of broadcasting (Ofcom 2006: 53–4). In many other countries, however, (e.g., the US, Australia and the PRC), ownership of television and radio interests by foreigners is subject to specific restraints. In France and some other EU countries, ownership of licenses for television or radio services by non-European Economic Area (EEA) companies or individuals is restricted (*Ibid.* 52). So national frameworks of regulation of ownership designed to promote diversity and plurality do sometimes favor domestic over foreign audiovisual suppliers.

Another sort of intervention which is commonly found in the television industry is content regulation. Licenses to provide broadcast services are often subject to restrictions that prevent transmission of material deemed harmful and to stipulations requiring compliance with “positive” obligations, such as the need to include regular, impartial news bulletins or material aimed at children. Some, and indeed many, forms of content regulation do not impinge on foreign suppliers (e.g., rules on impartiality or the protection of minors). But a few measures are very specifically intended to promote access to locally-made content. So these too involve favorable treatment for local suppliers.

For example, compulsory quotas are a common feature in broadcasting. Typically they restrict the amount of time that can be given over to the transmission of imported works, especially during peak-time or primetime, or else they require broadcasters to ensure that a certain minimum proportion of content is made locally. Quotas attempt to re-distribute demand in favor of local television content producers but, to the extent that domestic prices may be higher than import prices (for the same performance characteristics), are criticized in terms of their impact on broadcasters’ operating costs (Doyle 2002a: 95).

In some cases the existence of compulsory quotas for indigenous audiovisual content has relatively little distorting impact on international trade because compliance is not necessarily strictly enforced. The general failure of a loosely phrased “compulsory” quota for European-made content contained in the Television Without Frontiers Directive (now the Audiovisual Media Services Directive 2007) to re-shape patterns of trade in television content across Europe, provides a good case in point (Cocq and Messerlin 2004: 22–3). However, in the relatively few instances where very tight compulsory content quotas exist and cut across local demand preferences and where they *are* properly implemented then this will certainly influence trade. For example, the PRC operates a quota system that curbs the number of foreign feature

films which are permitted access to the domestic market to 20 per year and this is highly effective in restricting the inflow of films into the PRC (*Screen Digest* 2010). The fact that the 20 foreign titles which are allowed into the market, despite competing with some 500 locally-made Chinese films, have accounted for around 45% of Chinese box-office revenues (Jaffe 2011) suggests that without a strictly enforced quota trade flows in film might look very different.

Some of the Hollywood studios have attempted to work around this trade restriction by investing in joint production in partnership with local film-makers, e.g., Fox which recently struck co-production deals with partners including Huayi Brothers (*Screen Digest* 2010; Edgecliffe-Johnson 2011). Carrying out joint production with a local partner offers a potential route not only into the rapidly growing Chinese market but also neighboring markets in the region. However, inward investment in the PRC is beset by a variety of risks and constraints.

One potential area of constraint relates to the movement of natural persons. Entry into the PRC, as with many other countries, is subject to visa restrictions but where joint film production has been agreed then entry for key creative individuals to work on film productions will be facilitated. Inward investment in feature film production in the PRC is subject to requirements to employ local Chinese production personnel, but requirements and incentives to employ local crew and actors is a common feature in joint production and inward investment schemes for feature films around the globe (Daley 2011). Inward investment in film production in the PRC is beset by other risks including unpredictability as to whether a finished film will then be permitted a release by the authorities and also restrictions on the amount of profit that can be recouped by foreign investors (*Ibid.*). A major concern is that, having invested heavily in production, film-makers may find they have fallen foul of “the Communist party’s strict censorship regime, which bans anything considered politically sensitive, making many topics off-limits for moviemakers and distributors” (Anderlini 2011: 23).

Another form of intervention commonly found in the audiovisual sector is the provision of public subsidies or special tax concessions that aim to boost levels of diversity of provision and/or levels of indigenous production activity over and above what the market would otherwise support. In order to counter a predominance of imports and/or to promote greater diversity, grants and subsidies are sometimes made available to local program and film-makers. Definitions of what constitutes a “local” producer or product (e.g., a UK film versus a French film) vary from one territory to another—Appendix 2 to this study provides some examples of approaches taken towards defining local audiovisual products.

In the UK, for example, lottery grants are provided to domestic film-makers by the British Film Institute and by regional screen agencies in order to encourage higher levels of indigenous film production in the hope of bringing about an economically sustainable UK film production industry (Mansfield 2009). UK tax relief schemes that help defray production costs are also available for “British Qualifying Films” which pass a cultural test or qualify as an official co-production (Magor and Schlesinger 2009). While aiming to promote the national and international success of British film-makers, a further espoused objective underlying UK public support for film is that of ensuring audience access to a wide and diverse range of film content.

In France, the use of public support for film is more visibly predicated on promoting cultural diversity. The Centre national du cinéma et de l’image animée (CNC) provides support for new releases of French and foreign films and for art-house cinemas and selected VOD services and it provides grants to makers of film and television and tax credits to video games producers where this adds cultural diversity and diversity of representation of culture, including “better representation of French cultural diversity (CNC 2011: 147).”

Another approach often used to promote diversity in national broadcasting markets and to encourage provision of indigenous audiovisual content is support for state-owned public service

broadcaster (PSB) entities such as the BBC in the UK or NRK in Norway. PSBs benefit from funding through state grants or compulsory license fee payments imposed on viewers and sometimes from preferential access to infrastructure and coverage of public events. The potential for state aid to broadcasters to distort market competition has been a subject for complaint and controversy at national and EU level on numerous occasions (Donders and Pauwels 2008) but a consensus remains that the unique socio-cultural importance of public service content provision justifies exceptional treatment.

As well as providing support for national PSBs, some countries and regions give special grants to support minority language broadcast services in order to promote linguistic and cultural diversity. In Ireland, for example, state support helped with the founding of Irish language television station TG4 (previously *Telifís na Gaeilge*) in 1996 and state support still contributes substantially to its operating costs.

3.2 Liberalizing versus Protective Impulses

The landscape of regulation for the audiovisual industries is complicated and, at times, subject to conflicting cross-currents because, at the same time as wanting to promote and protect cultural diversity, many countries are also keen to foster the circumstances in which their own indigenous television and film production companies will become more commercially successful and more competitive in international markets. The various ambitions expressed by the EU in relation to the audiovisual sector provide a good demonstration of how multi-faceted the nature of policy agendas in this area tends to be and the scope for conflict between liberalizing and protective impulses (Schlesinger 1997).

One abiding concern in EU policy documents and speeches has been the competitiveness of the European audiovisual industries and the need for a legislative framework that maximizes “economic growth and the potential creation of jobs (Europa 2005).” But the cultural and social dimensions of audiovisual are also very strongly recognized. Culture is regarded as a vital asset and so, as argued by the EC Vice-President for the Digital Agenda, it is essential that our cultural diversity be defended “tooth and claw (*“bec et ongles”*) (Kroes 2010: 1)”.

But another concern strongly evident in EU policy documents and statements is a wish to foster the development of strong European players that can compete more effectively against the strength of audiovisual suppliers from the US and elsewhere. Audiovisual, as a component of what is now termed the digital economy, is imbued with high hopes of how it may contribute to the “Europe 2020” strategy of economic revitalization and growth (Barber 2010; CEC 2010a, 2010b). The audiovisual sector “directly employs over one million people in the EU (CEC 2011)” and so is seen as very important in terms of opportunities for future employment and wealth creation, etc.

However, as well as creating prosperity, the role that cultural sectors such as film and television play in sustaining identities and promoting tolerance and social cohesiveness is well recognized at the European level (CEC 2007a: 2). One of the aspirations that surfaces frequently in policy documents is that of safeguarding indigenous European languages and cultures. Also there is the desire to promote pluralism and diversity. Audiovisual media are key to these policy aims too.

Another powerful cross-current which is helping to shape audiovisual policies is awareness of the ways that technology is changing the television industry and a desire to avoid over-weaning or excessive regulation that might stifle local players or prevent them from adjusting and capitalizing. A pro-liberal stance was exemplified when, ahead of the last set of revisions to what is now known as the Audiovisual Media Services Directive (previously the Television

Without Frontiers Directive), European Commissioner Viviane Reding declared that her aim was “for Europe’s audiovisual content industry to flourish under one of the most modern and flexible set of rules in the world (Reding cited in CEC 2005:1)”. The prospect of an enlarged collective market for audiovisual products and services across Europe is seen as holding out the promise of greater economies of scale for indigenous content producers:

“National boundaries must ... be crossed if Europe’s digital content industry is to benefit from single market economies of scale (CEC 2007a: 2).”

But, despite the growth of the internet and the removal of legislative barriers to the free circulation of television across Europe, the development of a pan-European audience seems as unlikely now as ever in the past. Cultural and linguistic variations across Europe provide a major part of the explanation for this. And, as new technologies have multiplied the available avenues for distribution, far from moving towards a “single” market, European audiences have tended to fragment and splinter further. All the available trade data clearly suggests that US-made rather than European works have dominated cross-border circulation of audiovisual content across Europe in recent years (European Audiovisual Observatory 2009).

So, in many European countries including notably France, the perception prevails that local producers simply cannot compete on equal terms with US exporters who, typically, will have recouped the majority of their costs in their own home market and can therefore sell single transmission rights to importing broadcasters at a relatively low cost. A protective policy stance is therefore justified and, in many instances, is actually needed as a *corrective* to prevent excessive market dominance and to widen market access so as to add diversity of voices and content.

It is sometimes argued that any problems related to sustaining diversity and pluralism will be resolved by new technologies and by the arrival and growth of the internet. And it is true that audiences, especially those in developed media economies, now have access to vastly increased volumes of content across multiple digital platforms compared with the old analogue era of predominantly linear broadcast television. But whether more distribution platforms and extended opportunities for access to content are conducive towards greater diversity in audiovisual consumption patterns is highly questionable.

Recent research on the re-structuring of the television industry from linear broadcasting to multi-platform distribution tends to suggest that much of the additional volume of content circulating on digital platforms is effectively recycled or reflects multiple versions of narratives being generated out of the same individual stories and content properties (Doyle 2010). Indeed, rather than contributing positively towards greater diversity and choice, distribution across multiple digital platforms is in some senses liable to encourage standardization around safe and popular entertainment themes and brands that are most likely to find immediate resonance with audiences (*Ibid.*).

Despite technological changes, the same old economic imperatives apply as before. As avenues for distribution multiply, high profile audiovisual content and service brands that can achieve impact and visibility across platforms are *more*, not less, likely to predominate. So, from the point of view of regulation, the need to intervene on grounds of protecting diversity—if that is what is desired politically—is not necessarily going to be eradicated by new technologies. However as more distribution and greater interactivity on digital platforms continue to transform patterns of audiovisual supply and consumption, the challenge of adjusting policy to newly emerging competitive market circumstances may prove increasingly testing.

4. COPYRIGHT

4.1 Globalization and Enforcement

Intellectual property rights play a role in shaping international trade. As global infrastructure for cross border distribution of audiovisual material continue to improve, the adequacy of existing frameworks for transnational coordination of copyright has become subject to many challenges. The development of online piracy, which has accompanied growth of the internet, has caused particular concern. In the digital era, making copies of audiovisual works and/or distributing them widely is relatively easy. But unrestricted copying impairs the ability of owners and authors to earn revenue and so digital piracy is seen as impeding industry growth and hampering international trade in the audiovisual industry (USITC 2001: xvii).

One key challenge is that recent changes in technology have made it very much more difficult for regulators to enforce copyright. Unauthorized copying has always existed, but digital technology has brought the costs of copying and re-distributing copies to virtually zero in many cases. In the internet era, the opportunities and temptations to make and pass on copies of protected works through digital file-sharing have increased vastly. As copying and transnational exchange of content has become almost effortless, it is increasingly difficult for content suppliers to retain control over unauthorized use of their work. Tracing and tracking down online infringers of copyright can be quite difficult because of the amount of detailed information that needs to be secured from internet service providers (Freeman 2008: 122) and because of the porous and borderless nature of the internet.

From the point of view of the creators and owners of rights to audiovisual works, the relative ease of digital copying and re-distribution has amplified the need for an effective copyright regime (Levine 2011). For rights owners, the need for a tough and effective regime, and for a regime that is coordinated and enforced internationally, is stronger than ever. However, the challenges and costs involved in enforcement are significant, particularly at an international level.

Aside from growing doubts about the technical feasibility of enforcing copyright in a more globalized digital future, a second difficulty is differing attitudes on the part of national governments with regard to the need for and desirability of full and proper enforcement of rights protection. Despite international agreements, the will to actually implement and uphold copyright at ground level is not shared with equal enthusiasm in all territories around the globe. Countries such as, for example, the PRC and the Philippines have been characterized by weak enforcement of copyright related to audiovisual works and by high levels of piracy in recent years (Cocq and Levy 2006: 79; Edgecliffe-Johnson 2011). Digital piracy has been prevalent in Korea where levels of connection to an exceptionally well-advanced internet infrastructure are high (*Ibid.*). Internet piracy is also growing in other territories including Europe, North America, South Africa and the PRC (MPAA 2010).

Work on trade agreements has been important in addressing inconsistencies in approach but, even so, the future fate of transnational coordination of copyright is uncertain because, against a background of ongoing technological change, copyright is increasingly a site for divided opinions. Tensions exist between differing ideological positions and interest groups whose interpretations of the implications of changing technology are markedly different. A key battleground here is between those who believe that, whatever the nature of new delivery platforms, what is required is strict enforcement of copyright measures in order to protect the interests of content owners and to support audiovisual production industries. On the other hand, there are those who think that because of the radically different nature of digital platforms,

copyright is perhaps no longer a feasible way to incentivize and reward content creation (Brown 2009).

It is widely recognized that copyright involves a trade-off between under-production and under-consumption of creative outputs (Handke 2010). For some, including the MPAA, continued and strengthened protections for copyright are seen as vital to the successful development of audiovisual content supply industries, notwithstanding digital platforms (USITC 2011:3-11). Others, however, take the view that adjustment and liberalization of current approaches is necessary because the assumptions underlying traditional copyright law are now out-of-date and apt to stifle innovation (Lessig 2005; Hargreaves 2011: 1). The potentially stifling effect that copyright can have on follow-up creations has long been recognized as a costly drawback (Landes and Posner 1989). While digitization has brought greater emphasis on integration and the mixing of existing copyright material within new works, an emerging concern is that the prevailing approach tilts the balance of interests too far in favor of first generation creators at the expense of new forms of innovation (Lilley 2006; Lessig 2009). The fact remains however that creation of original audiovisual works is an expensive business and, in the absence of effective copyright protection, it is not obvious how the expenses involved could be recouped by producers. So, digitization has caused a reassessment of the costs and benefits involved in allowing owners to monopolize their works and has made it more challenging for national and international regulators to build consensus around what constitutes the correct balance between incentivizing and rewarding creative production and ensuring that consumers can extract maximum value from protected works.

4.2 Copyright and Free Trade Areas

An additional difficulty that stands in the way of a more effective international approach towards copyright is that regulators operating at different levels have, on occasion, adopted conflicting positions about what stance ought to be taken in relation to the cross border overspill of content. Does unauthorized cross-frontier spillage need to be stamped out because it constitutes a threat to the livelihoods of owners of intellectual property rights? Or should re-transmission across national frontiers be embraced as part and parcel of the growth of free trade areas from which industry at large and consumers stand to gain? These are troublesome questions in the context of collective free trade areas such as the European Union, as was demonstrated by the recent so-called pub landlady case.

The pub landlady case centers around UK-based publican Karen Murphy who, rather than paying high tariffs to local broadcaster BSkyB, instead chose to show English Premier League football games using an imported satellite card from a Greek broadcaster. However, because BSkyB had bought the rights to screen league matches in the UK, a UK court in 2006 fined Ms Murphy GB£8,000 for breach of copyright. But when the case was appealed at European level, the European Court of Justice (ECJ), rather than upholding the national position, instead ruled in favor of the landlady (Blitz and Fenton 2011). The European Court held that “national legislation which prohibits the import, sale or use of foreign decoder cards is contrary to the freedom to provide services and cannot be justified (ECJ 2011).” The ECJ’s position is that European broadcasters should be allowed to offer their content across Europe regardless of existing exclusivity deals and viewers should be free to choose to watch whichever European broadcast service is offering access to football games at the cheapest price.

The Court of Justice ruling makes it clear that protection of copyright does not provide a sufficient justification to impede the free movement of goods and services across Europe. From the point of view of promoting the free market, the ECJ’s reluctance to penalize the re-transmission of services across European frontiers is understandable. On the other hand, the

prospect that audiovisual content owners may find it difficult in future to market their rights on a territory-by-territory basis has quite far-reaching commercial implications.

Market demarcations across Europe historically may have been shaped at least partly by culture and language, but the logic driving contemporary strategies of territorial segmentation on the part of television rights owners is economic, the aim being to extract as much ‘consumers’ surplus’ as possible in each national market. The accepted convention over many years has been that, in order to maximize revenue from the exploitation of content assets, rights owners can and will market their wares on an exclusive territory-by-territory basis with differential pricing based on local demand and other market conditions. The UK, Norway, France or Greece are all separate territories for the purposes of licensing television rights and the acquisition of rights by a broadcaster in one country is always accompanied by an obligation to ensure compliance with territorial limitations. So the notion that such obligations are incompatible with EU law raises a potentially serious threat to the revenue strategies of content creation industries (Fenton 2011). Territoriality is “the linchpin for making money from intellectual property rights (Garrett 2011)” — the strategy of selling rights on an exclusive territory-by-territory basis is essential to maximizing revenues from and therefore encouraging re-investment in content production. Outlawing territoriality will make it more difficult for rights owners to unlock the full value of their intellectual property assets. One possible response on the part of the owners of rights would be, in order to protect against diminution of revenues from the larger and more lucrative pay-television markets in the EU, to simply stop selling into smaller EU markets which yield a relatively low commercial return but a high risk of cross border leakage. So, to the extent that transnational efforts to sustain open markets make it untenable to market rights on a territory-by-territory basis across Europe or in other free trade zones then, paradoxically, this could diminish the commercial incentives towards expansion of international trade in audiovisual.

5. CONCLUSIONS

Although television broadcasting remains a surprisingly national phenomenon, internationalization has occurred driven by increasing global demand for finished feature films, television programs and formats. Much of the available data for exports and imports of film and television confirm a predominantly one-way outflow of traffic from the US to other territories worldwide. However, in addition a number of regional markets have developed in which indigenous content may predominate. The vibrancy and success of the production and distribution of domestic film products within India provides one example. Growing levels of exports of Korean audiovisual products into neighboring regional markets including Japan and the PRC in recent years provides another example. Some regional markets, for example the PRC, are growing rapidly and, as the physical infrastructure of the internet improves, it is likely that cross-border flows of audiovisual content will increase.

The dominance of US suppliers in international trade in audiovisual is accounted for by a number of historic, market and economic factors. As discussed in Part 1, the economics of the audiovisual industries are such that content suppliers in large and wealthy markets who succeed in developing their capital bases will be at an advantage relative to less well-resourced rivals in smaller, less affluent and/or minority-language markets when it comes to exports and international trade. In television, US suppliers benefit from producing for a large and wealthy domestic market and from making content in English, the dominant language in international markets for audiovisual. In the film industry, size and vertically-integrated structures are key explanatory factors in the success of the Hollywood majors. Although production and trade in indigenous audiovisual output has been increasing in some regional markets over recent years, there is little prospect that the unique circumstances which have given rise to the predominance

currently enjoyed by US exporters will be repeated elsewhere—say, in the film or television production sector of an emerging economy. Nor will advancing technology dramatically alter current trends because, as discussed above, wider distribution and choice is likely to magnify the advantages enjoyed by the predominant suppliers of high profile audiovisual content properties and brands.

To some extent, existing positions of dominance within audiovisual markets can be seen as the greatest impediment to more fluid international trade flows. It is difficult to escape the conclusion that the consistent success of a handful of vertically-integrated film studios in ensuring that their own output dominates exhibition in worldwide markets makes it more difficult for other independent film suppliers to gain comparable access to domestic and international markets. This factor is generally much more influential in shaping international trade in audiovisual than tariffs or quotas imposed locally.

It is important that the ambition of sustaining open markets be reconciled with cultural policy objectives. On account of the perceived cultural and economic importance of audiovisual provision, many countries choose to instigate special policy initiatives to counter the risk of market dominance, particularly so by overseas suppliers. As discussed in Part 2, structural interventions which limit the permitted extent of ownership (of television broadcasting in particular) are not uncommon. Curbs on ownership of audiovisual media do sometimes specifically exclude non-domestic companies and individuals and so these measures can and do sometimes act to restrict market participation and flows of international trade. Another sort of potentially discriminatory intervention commonly found in television broadcasting is the imposition of compulsory domestic content quotas. In addition, across Europe as elsewhere, the use of subsidies and tax incentives to promote more production, distribution and exhibition of indigenous audiovisual content is relatively commonplace.

All such policy measures that favor local producers and discriminate against non-domestic suppliers have the potential to restrict and distort trade and, in some cases at least, will do exactly that. For example, properly enforced quotas that limit the number of foreign films permitted entry to a national market may well impede trade and prevent local exhibitors from matching supply to underlying market demand. But, because of lax enforcement, the barriers to trade represented by measures such as tariffs and content quotas may on occasions be somewhat illusory. So in assessing the impact of discriminatory measures on audiovisual trade it is not simply the presence of measures which counts but also the extent of enforcement (Andreano and Iapadre 2004: 111).

But the question of whether, in practice, measures that support local producers tend to choke off or widen access needs to be judged carefully and on a case-by-case basis. Evidence emerging from the available data on international trade in audiovisual as to the extent of any cause-and-effect relationship between special support measures and hindrances to trade is far from conclusive. For example, as Lange (2011) has argued, US audiovisual markets are relatively free of regulations and special support measures but this does not appear to have stimulated nor been accompanied by especially high levels of import penetration in the US. Conversely, a preponderance of special regulations, subsidies and support measures for indigenous audiovisual content production across Europe has done little to impede large inflows of film and television outputs from the US to the EU each year (*Ibid.*).

Weighing up the different measures commonly used to protect cultural diversity, it appears that some are better suited than others towards the simultaneous objective of sustaining open markets. Restrictions that prevent excessive concentrations of ownership (whether in foreign or domestic hands) are well attuned to achieving both ends. Restrictions on concentrations of media ownership are frequently used by national governments as a means of promoting

diversity and a plurality of voices in the media which, in turn, are recognized as important for socio-political and cultural reasons. At the same time, competition-based interventions which restrict levels of ownership and cross-ownership of media can play a vital economic role in avoiding market dominance and preserving more accessible and competitive markets (Doyle 2002b). So, in the context of reconciling the promotion of cultural diversity with the preservation of open markets, ownership policies can be a highly apposite instrument.

With regard to other measures commonly used to promote and protect cultural diversity, subsidies are often viewed as a less trade-distorting instrument than quotas (Voon 2007:20). Unlike quotas or special tariffs on imports, subsidies to protect and promote culture (e.g., subsidies for local audiovisual production or special grants for public service broadcasters and/or minority language services) will extend the range and variety of indigenous provision but without erecting trade barriers. So, again, subsidies might be regarded as a particularly appropriate measure in the context of balancing “trade and culture (Burri 2011).”

As discussed above, copyright is another factor that shapes international trade in audiovisual. Although work on trade agreements has helped to address inconsistencies in approach to enforcement from one international territory to another, some disparities remain and audiovisual exporters have pointed to the prevalence of piracy in some territories as a deterrent to trade flows. Digitization has added to the challenges involved in calibrating international restrictions in a way that forges greater consensus and, in turn, supports the implementation of transnational copyright protection. Despite a conviction in some quarters that, irrespective of changes in distribution technology, strict and effective enforcement of copyright is necessary to protect the interests of rights holders, the view that the radically different nature of digital platforms means that copyright is no longer a feasible way to incentive and reward creation has gained ground. Protections for copyright remain vital in sustaining the development of audiovisual content supply industries, but the view that the assumptions underlying traditional copyright law are out-of-date and apt to stifle innovation has garnered increasing popular and political support in recent years. So digitization and the growth of the internet have encouraged divided positions and, at the same time, have made enforcement of copyright more difficult and costly.

While copyright needs to be tackled and coordinated at international level in order to facilitate greater trade flows, it is also an area where, on account of tensions between differing ideological positions and interest groups, uncertainties caused by changing technologies and other inherent complexities, achieving consensus is exceptionally difficult particularly at the international level. A further example of a problem has been the emergence in Europe of conflict between the protection of copyright and the promotion of the free movement of goods and services within the single market. The suggestion, raised by a recent ECJ ruling, that territoriality may be incompatible with EU law implies that rights owners may be obliged to market their wares differently in future. But, whereas the intention is to support greater cross-border trade, one possible outcome of the ECJ ruling is that the sales of television rights into smaller European markets will be curtailed in future. A key lesson here is that the impetus to liberalize trade in audiovisual needs to be matched by care in assessment of how this can best be achieved and taking account of the particular circumstances of specific local and national markets.

Although measures to promote cultural diversity may sometimes be at odds with the ambition of sustaining open markets, it is by no means obvious that these two aims will always be difficult to reconcile. Indeed, the objectives of promoting diversity and of promoting more fluid trade in audiovisual content are at times highly compatible. Given the tendencies towards market dominance and monopolization in audiovisual industries discussed earlier in this study, it follows that policy interventions which support greater production and distribution of indigenous content may sometimes serve to promote wider market access and therefore may positively facilitate

rather than hamper trade. There is a risk that the removal of discriminatory measures which at face value threaten to restrict trade may, in effect, serve to diminish competition and trade flows. Where frictions do occur between sustaining diversity and promoting more open trade—and, it may be argued, given the economic characteristics of audiovisual industries, such frictions are inevitable—processes of reconciliation can draw on long-standing and widespread international recognition for the legitimacy of deploying appropriate policy instruments where cultural policy objectives are at stake.

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APPENDIX: RULES OF ORIGIN AND DEFINITIONS OF LOCAL PRODUCT

Policy measures intended to promote cultural diversity by supporting domestic or by restricting imported audiovisual goods and services often involve a definition of what constitutes a ‘local’ product. Such definitions vary from one territory to another but often include criteria related to, for instance, where production is located or the nationality/ residency of key personnel. The following provides some examples of how “rules of origin” define what is considered a local product both within the European Union and in specific countries. These examples illustrate how an audiovisual product qualifies as local (e.g., what is a *British* film) and how national schemes may serve to stimulate growth in domestic audiovisual sectors so as to encourage cultural diversity.

European Union Audio Visual Media Services Directive (AVMSD)

The EU AVMSD (CEC 2007) defines “European works” as works originating in member states or from European third party states to the European Convention on Transfrontier Television of the Council of Europe. Such works are made with authors and workers residing in one or more states. “European works” are also defined as those works co-produced within the framework of agreements related to the audiovisual sector concluded between the Community and third countries.

British Film Qualification

The British Film Institute (BFI) is responsible for the certification of British films in accordance with relevant legislation (UK Parliament 2006). To qualify as British, a film must meet one of three requirements: a cultural test; one of the UK’s official bilateral co-production treaties; the European Convention on Cinematographic Co-production.

The Cultural Test for a qualifying British film is made up of four sections:

Cultural Content—a film is set (but not necessarily shot) in the UK; features characters who are British citizens or residents; is based on British subject matter or underlying material; original dialogue is in English.

Cultural Contribution—a creative approach to communicating British culture; representing historical events or building citizenship and community; valuing and encouraging cultural diversity.

Cultural Hubs—expenditure on film-making activities carried out in the UK (for example, special effects, music recording, audio/picture post production).

Cultural Practitioners—people working on a film are UK citizens or resident in the UK or any EEA state.

French Film and Television International Production

TRIP (Tax Rebate for International Production) supports foreign companies whose projects are completely or partly made in France (Film France 2008). To be eligible, projects must include elements related to French culture, heritage, or territory. Eligibility is based on a cultural test, which assesses the relativity of the story, locations, characters, sources, landmarks,

creators, crew and technical hubs. The project must be a live action or animated film or TV movie (that may function alone or as part of a series) and include elements relating to French culture, heritage or territory. Documentaries, commercials and corporate films are not eligible. There is a minimum spend of €1m on eligible expenses in France; for a TV series, the costs of several episodes can be aggregated in order to reach this threshold. Live action projects must shoot for a minimum of five days in France.

German Federal Film Fund

The German Film Fund was set up to improve the economic framework conditions of the German film industry, facilitate the financing of films as a cultural good for producers in Germany and promote Germany as a production location (Federal Government Commissioner for Culture and Media 2007). To be eligible, German production costs must amount to at least 25% of total production costs (reduced to 20% if overall costs exceed €20m). There is a minimum budget of €1m for feature films, €200,000 for documentaries and €2m for animated films. A test of cultural characteristics is also carried out, which assesses the use of German or European landmarks/locations, characters, storylines, cast and crew.

Australian Screen Production Incentive

The Australian Screen Production Incentive is the Australian Government's primary mechanism for supporting film and television production (Australian Government 1997). Tax incentives for film, television and other screen production are available in three streams: Producer Offset; Location Offset; and PDV Offset. The Producer Offset is administered by Screen Australia and to be eligible the production must have "significant Australian content" or be an official co-production. A minimum level of qualifying Australian production expenditure (QAPE) also applies for each format (feature film, single TV episode, TV series, non-feature documentary or short-form animation). The Location Offset supports the production of large-budget film and television projects shot in Australia while the PDV Offset supports work on post, digital and visual effects production (PDV) in Australia, regardless of where a project is shot.