

CHAPTER 3

GLOBALISATION OF THE FILM INDUSTRY: A REVIEW AND SYNTHESIS OF THE LITERATURE

The main objective of the study is to examine the effects of globalisation on the indigenous film production industry. Prior to analysing the effects of globalisation, it is important to identify the nature of the industry and its global trends. The film production industry falls under the audiovisual sector within cultural industries. This chapter begins with the introduction of cultural industries. This is followed by the development of the global film industry and its increasing importance as an economic activity that provides wealth and job creation. In understanding the effects of the globalisation of the film production industry, we need to understand the nature of the industry itself. Specifically, this chapter identifies the evolution and development of the global film production industry and how the current trend towards the globalisation of film and television programmes has affected many countries, particularly developing and non-Western countries and how these countries respond to the changing trend of global production, distribution and consumption of this industry.

3.1 HISTORICAL BACKGROUND

The emergence of film was through innovations pioneered by Western countries. Like other major innovations such as the car, electricity and airplane, in most Western countries the idea of recording and reproducing motion by using a rapid series of drawings and photographs seemed to have emerged at around the same time, the 1880s and 1890s. Bakker (2003) reported that in each year after 1910, billions of cinema tickets were sold. What created the demand was the result of the Second Industrial

Revolution that took place at the end of the nineteenth century. The consequent fall in working hours, rising disposable income, increasing urbanisation, rapid expansion of the transport network and strong population growth were among the factors contributing to the increased demand for entertainment (Bakker, 2003). In the late 1920s, silent film was supplanted by sound and colour supplanted black and white in the 1930s. Continuing with the development, by the 1950s, the standard four-by-three ratio screen developed into the wider five-by-two ratio screen and sound emanated from many directions. Authors like Jarvie (1970) and Ellis (1979) are of the opinion that the initial production of motion pictures⁸ was by no means of commercial value. Jarvie (1970) refuted the Marxist view that the pressure of economic need or necessity produces inventions at the time they can be used. He also rejected the classical economic theory that entrepreneurial initiative creates supply to existing demand. He is of the view that the invention came first with no commercial intention. However, to sustain the production, demand needs to be created where eventually supply creates demand. As Jarvie (1970; p. 38) puts it: “It was not economics or history that drove them on; it was the feeling that such an invention was within reach...of course there is a sense in which demand has logically to precede supply...there has to be enough people with enough surplus wealth to sustain a new entertainment industry.”

It was competition that strengthened the presence of motion pictures (Jarvie, 1970). The older industry of live theatre was competing with motion pictures for a share in this new market. Thus, the film industry had to compete to establish itself and create its own demand. The evolution of the film industry can be traced back to the evolution of the American film industry. Not only have major innovations and inventions of film production taken place in the United States but the development of the industry is well

⁸ The focus of the current work is on the film production industry and, thus, no differentiation between film and television programmes is made as cinema or television are regarded here simply as a means of distribution and exhibition of moving images.

documented. Thus, to understand the history of the film industry is to understand the Hollywood film industry. Technological improvement has been the force shaping the structure of the film industry and the filmmaking process itself.

The film industry began around the world at the same time in the 1880s and 1890s when a rapid series of drawings or photographs was used as the basic technique in recording and reproducing motion. Hence, the cinema industry started with a low possibility of commercial value and its development was driven by the invention in filming technology. From this perspective, the demand for the film industry was created by the supply that was fuelled by continuous inventions and improvements in the technology to record and reproduce motion.

During this era, the growing emergence of the film industry partly took over the demand for theatre and music hall. However, the exploitation level of filming techniques was still low and only covered the recording and reproduction of events and processions in the form of snippets. The film industry was then seen as a short-term business with low commercial value. In fact, interest and attraction towards filming declined in the mid 1890s.

It was then realized that more effort was required to make the content more attractive, such as, by covering current events and creating stories that had led to the beginning of film making activities. As a result, numerous filmmaking companies were created to provide the financial as well as other requirements in film production. The development of the film industry also justified the emergence of cinemas as permanent places to exhibit the films.

Hence, in the early 1900s, filmmaking had progressively taken over the theatre business and become more industrialized with a higher commercial value. With the establishment of cinemas, the demand for a predictable supply of materials grew, leading to the establishment of production studios. Furthermore, this also led to the increasing need for more capital, better equipment and professional manpower to support film production activities. The large-scale film business was a high cost industry and the rapid development in the film industry during this era brought about the convergence of financiers and businessmen.

At the beginning of the film industry, films were produced by the manufacturers of production equipment. However, soon after, dedicated companies were formed to concentrate on the filmmaking business and rented their equipment from the manufacturers. As the demand grew, greater challenges were faced by film companies in financing their subsequent productions. They needed to provide all the requirements for production studios and all the expenses had to be borne upfront.

The financial burden of undertaking production activities had made it inevitable that film companies needed to borrow money, thus, the beginning of the banks' involvement in the film industry in the 1940s. Initially, banks were financing the film industry through loans but later their involvement was also through equities and direct operations. During this era, the film industry faced the challenge of dealing with new audience trends as well as with the presence of television.

In the United States and the United Kingdom, economic development of the film industry had led to the integration of cinemas, thereby establishing cinema chains. At first, cinemas had to deal directly with the individual production studios to acquire

films. However, the emergence of distributors or renters had set a new trend in the film industry as they sourced films from studios and provided them to cinemas on a rental basis. Distributors became the intermediaries between production studios and cinema; hence, a variety of films were provided by the distributors. This new film distribution system had provided a great advantage to film producers as they could get faster returns and just concentrate on filmmaking.

However, the distribution system also had its disadvantages as the producers were detached from direct contact with cinemas and audiences. Hence, decisions on the films to be produced and their marketability were strongly influenced by distributors, who based their assumptions on the feedback they gathered from cinemas and audiences. This trend limited the production of marketable films and commercial criteria were the determinant factors in deciding what to produce.

Inevitably, this trend led to creative frustration in the industry. Since film producers were detached from the audience, they could not get direct input from the market to advise them on what to be produced. Hence, selection criteria for film production were highly influenced by the socio-political climate of a country.

However, soon after there were changes in the film distribution pattern as production studios began to deal directly with cinemas, bypassing distributors. This scenario gave the advantage to cinema owners, as the larger the chain of cinemas, the more economical it would be for them as they could drive a better bargain with the production studios. This also changed the market outlook, with fewer production studios but with more diversified products. At the same time, this strengthened their cartel and control over the market.

Hence, big production studios had become distributors of their own productions, dealing directly with cinemas. Later, they even took over and owned cinema chains, thereby further strengthening their position with a guaranteed market for their films. Furthermore, since they owned the cinemas, producers were closer to the audience. To some extent, this led to a monopolistic market environment that restricted the entry and product choices on the market.

The existence of television had slowed down the demand for film productions and set a new trend in the market. The pricing policy for film has been more flexible ever since. There were also more films available in the market with more choices for the audience. In the 1950s, there were concerns that television might adversely affect the film industry. This resulted in extensive efforts to promote the film industry through various advertising and promotional campaigns. However, it proved otherwise as the function of television did not significantly overlap with that of cinemas.

Louise Lumière invented the cinematograph in 1895, which was both camera and projector. Initially, the operation of equipment, from shooting and processing to printing and projection, required some skill. Soon after, Lumière was able to make the cinematograph user-friendly, enabling filmmaking to be a one-man operation. The spread of filmmaking in the Third World is the result of the development of this technology. The cinematograph was imported, usually by businessmen, to countries as far as Brazil and India (Armes, 1987). According to Armes (1987, p. 2) films reached the major cities of Asia, Latin America, and North America within a matter of months of the first film showings in Paris, London, and New York, so the history of film

exhibition and, to some extent, film production, is virtually as long in the non-Western world as it is in the West.

In East and Southeast Asian countries, the influence on local film production was first initiated by the exhibition of films in countries that reflected the colonial situation. Generally, advances in the industrialisation process throughout the region, which began in the 1930s, marks the growth of local film production in the East and Southeast Asian regions (Armes, 1987).

3.2 OVERVIEW OF CULTURAL PRODUCTS

UNESCO (2005) defined cultural industries as those industries that “combine the creation, production and commercialisation of contents which are intangible and cultural in nature. These contents are typically protected by copyright and they can take the form of goods or services”. One important aspect of cultural industries is that they are “central in promoting and maintaining cultural diversity and in ensuring democratic access to culture”. Major cultural industries include architecture, advertising, art, broadcasting, consumer electronics, craft, fashion, festivals and cultural events, the film industry, the Internet industry, mass media, the music industry, performing arts, print and electronic publishing, sports, software, toys and games, and video games. This definition serves as a basic guide, as the rapid emergence of new technologies makes it difficult to maintain set distinctions between cultural goods and services.

The nature of cultural products like music, cinema and television is dissimilar from other conventional products. These products are best understood as ‘experience goods’ (UNESCO, 2005). In terms of production, cultural products involve a high-cost front-

end development process and low-cost reproduction process. In order to arrive at a master copy the production generally involves sunk cost. The products are also sensitive to counterfeit and piracy which could cause loss of investment for producers. Since cultural products are regarded as 'experience goods' the nature of consumption is also different, where its appeal lies more in its experience rather than in its material form. There is a specific demand pattern for cultural products. For example, demand for news and sports programming is instantaneous and can become obsolete very fast, whereas the appeal for movies may last longer. Demand may also be subject to the broadcaster's interest rather than that of the viewing public.

One complicated issue pertaining to cultural products concerns international trade. "Cultural goods and services convey and construct cultural values, produce and reproduce cultural identity and contribute to social cohesion, at the same time they constitute a key factor of production in the new knowledge economy. This makes negotiations in the cultural field extremely controversial and difficult" (UNESCO, 2000). While many European and less developed countries regard audiovisuals in a cultural context that requires special status (e.g. trade exemption status, subsidies, quotas etc.), others like the US treat it as a tradable commodity. It is understandable why some countries view audiovisual products as a tradable commodity. This is because their audiovisual sectors are indeed a significant contributor to exports.

3.3 GLOBAL CULTURAL INDUSTRIES

The development of global cultural industries is significant and has shaped the economy of many countries and continues to affect global industry. The industry has become international in its functioning and global in its marketing. It is one of the fastest

growing sectors in the world economy and contributes significantly to economic growth worldwide (Scott, 2004). Hesmondhalgh (2002) has found that global cultural industries have become a major catalyst of growth in the world economy. He argues that they have moved closer to the centre of economic action across the world and, thus, can no longer be deemed secondary to the real economy. The World Bank has estimated that cultural industries account for more than 7 percent of the world's Gross Domestic Product (World Bank, 2003 cited in UNESCO, 2005) and it was forecasted to grow at a rate of 10 percent annually. For example, cultural industries in the United Kingdom employ over 1.3 million people and already generate revenue of over 110 billion pounds. There was also an unprecedented increase in the trade of cultural goods and services, averaging 8.7 percent per annum for the period 2000-2005. Specifically, the export growth for cultural services was estimated at 8.8 percent annually between 1996 and 2005. In 1996 the overall global exports of cultural products were valued at \$227.5 billion and the value increased to \$424.4 billion in 2005 (UNCTAD, 2008). However, there is an imbalance in the flow and exchange of cultural products at the global level.

The importance of cultural industries, as expressed by UNCTAD (2008), provides opportunities for income generation, employment and export earnings while at the same time promoting cultural diversity and human development. Although the current global markets of cultural products are still dominated by developed countries it is also a feasible option for developing countries to foster the development of their cultural industries for economic growth as well as a means of cultural preservation.

Recent evidence shows that many developing countries have benefited from their cultural industries. For example, large developing countries like India, Mexico and Brazil have strong capabilities in the development of their audiovisual sector that has

contributed to their respective economic growth. Even in many Latin American countries, cultural industries contributed to GDP and employment, as shown in the table below:

Table 3.1
Contribution of Cultural Industries to Selected Latin American Countries

Country	Base Year	Cultural Industries Impact	
		GDP	Employment
Argentina	1993	4.1%	-
	1994	-	3.5%
Brazil	1998	6.7%	5.0%
Columbia	1999-2002	-	27,724*
	2001	2.01%	-
Chile	1990-1998	2.0%	2.7%
Uruguay	1997	6.0%	4.9%
Venezuela	1997-2000	3.0%	35,329**
	2001	2.3%	

Source: Organisation of American States (2004) "Culture as an Engine for Economic Growth, Employment and Development".

*Jobs in three sectors: publishing, phonography and filmmaking.

**Jobs in four sectors: graphic arts, radio, advertising and filmmaking.

The two major drivers for the growth and development of cultural industries (UNCTAD, 2008, p. 22) include technological advancement and increased demand for cultural products. The advancement and convergence of multimedia and telecommunication technologies has led to the integration of the means by which creative content is produced, distributed and consumed. Digital technology has brought about enormous growth in the range of media such as increased television services through cable, satellite and the Internet, which further increases the demand for media content. In addition, globalisation witnessed the deregulation and privatisation of media and telecommunication industries. These developments have provided countries with opportunities to successfully develop their cultural industries and benefit from the growth of the sector. The Republic of Korea, for example, has harnessed the potential of developing creative content with new technologies in video games, animation and other

audiovisual services. As a result, its television programming exports have increased in value from \$12.7 million to \$37.5 million over the period 1999 to 2003 (Shim, 2006).

One of the driving factors for increased demand is the rise in real income in industrialised countries that tends to increase the demand for income-elastic products, which include cultural goods and services. The increased demand in cultural products can be associated with the technological advancement factor, where the real prices of some cultural products have fallen as technology advances leading to increased demand for consumption. In addition, the changing pattern of cultural consumption continues to drive the growth of cultural industries. The new generations of consumers are using the Internet, mobile telephone, digital media, etc. which expand their range of cultural experiences and transform them from passive recipients to active co-creators of cultural content.

3.4 THE AUDIOVISUAL SECTOR

There is no clear definition of what constitutes audiovisuals but UNCTAD (2008, p. 124) categorised audiovisuals as including motion pictures, television, radio and other forms of broadcasting. Within cultural industries, the audiovisual sector is one of the fastest growing services sectors in the world and has emerged as one of the most dynamic service sectors in world trade (UNCTAD, 2008; UNESCO, 2005; Mukharjee, 2002). The value of the global audiovisual sector is derived from the revenue of box-office sales, music rights, television and satellite rights, video and Internet rights, merchandising, CD and DVD rentals plus copyrights for reproduction. This indicates that the earnings of the audiovisual sector is critical to the protection of Intellectual Property Rights (IPR).

Concerning the film industry, UNDP (2004) reported that the global market for film is estimated to be worth \$60 billion dollars annually. The market for films continues to be dominated by American films. Hollywood productions have been dominating the films shown throughout the world. India has become the largest film producer but in terms of market reach and value, Hollywood is still the leading player.

UNESCO (2005) made an estimation of the global value of the film industry, which was around \$75 billion in 2005. Of this, \$55 billion was for the production and sale of DVDs. The global film industry continues to be dominated by a small number of big, vertically integrated groups, inhibiting the expansion of the film industry in developing countries and their presence in the global market. It was estimated that 85 percent of films shown throughout the world are Hollywood productions. Developing countries are left as the main importer of advanced countries' products. Studies have termed this phenomenon 'cultural dependency' or 'cultural imperialism' (Schiller, 1971 cited in White, 2001). This phenomenon of dependency relationships, i.e. developing countries' dependence on programme imports from Western industrialised countries, became more profound from the study of the flow of global television programmes. Early patterns of media technology and television programme flows to developing countries show that the television programme market was dominated by Western industrialised countries, particularly the United States.

Pioneering studies include one carried out in the early 1970s under the auspices of UNESCO. This study was conducted by Nordenstreng and Varis (1974) to document the international flow of television programme materials. As reported, television programme flows was previously a 'one-way street' with developed countries,

particularly the US, dominating the exportation of television programmes (UNESCO, 1974). Later, Varis (1985) in a similar attempt reported that US dominance is pervasive and concluded that "...no major changes have taken place since 1973" (p. 83). The latest report by UNCTAD (2008) also shows that developed countries are still dominating the global market for audiovisual products.

The consequences of the findings from the study of global programme flows and the cultural imperialism theory has raised the issue of the impact of imported programmes on local audiences. In the early arguments, discussion on cultural impact was predominantly the concern over the potential harmful effects of imported programmes in undermining local cultural values in developing countries (Hoskins and Mirus, 1988; Pool, 1977). The concern over the negative socio-cultural influence of imported programmes might be one of the reasons for the increase in locally produced programmes in developing countries.

However, despite the current circumstances, many developing countries have emerged as significant players in global audiovisual markets. As a result, authors refuted the claim over the cultural imperialism theory (Chadha and Kavoori, 2000). Based on empirical findings on cultural flows in Asia, Chadha and Kavoori (2000) found that there are increasing intra-regional flows of Asian programming and exchanges of expertise and resources within the region which began in the 1990s. It was argued that with the launch of Star TV channel in 1991, which catered for Asian audiences, programming was being tailored to suit local tastes. Other satellite television channels have followed suit by featuring regionally-produced and regionally-oriented programmes like CNN, MTV, BBC and Disney channels. One observed implication has been the increasing number of regionally-produced programmes aired by satellite

channels, leading to an increase in demand for regional television content. What is absent in the 'cultural imperialism' argument is the role of the audience. The argument of opponents of the 'cultural imperialism' theory is that it ignores audiences as an active force of resistance to foreign programming and considers them as merely passive (Chadha and Kavoori, 2000; Herman and McChesney, 1997 in Doobo, 2005; Sinclair, Jaacka and Cunningham, 1996). While studies by Straubhaar (1991) and others found that audiences are not passive when it comes to programme preference, with evidence indicating that audiences prefer locally-produced programmes or those that feature a similar culture. What follows next in the discussion is a review of the current trends of audiovisual services in Asian and other developing countries.

3.5 CHANGING TRENDS IN CULTURAL INDUSTRIES

Globalisation has significantly altered the trends in the global audiovisual industry. Developed countries have recognised the importance of the global market and global production location. There is an increasing trend for the film production sector to capitalise on foreign production locations. Producers are motivated to shoot their films in foreign locations as they are attracted by, among other factors, cheaper production costs. With the emergence of the New International Division of Cultural Labour (NIDCL), (Miller, 2003) similar to that of the trend in the global manufacturing industry, cultural production has also fled from industrialised countries to relocate to cheaper production locations. Globalisation allows multinationals to reduce labour costs and take advantage of tax incentives, exchange rates and more favourable terms offered by global locations for cultural production. Even American producers have increasingly shot in countries like Canada and Mexico (Gornostaeva and Brunet, 2009; Hoskins and McFadyen, 1991). Hence, many countries have responded to this global trend by

positioning their countries as an attractive location for shooting films. The desire to attract global producers to shoot films is rooted in the goal of capturing economic benefits and other spillover effects, which include employment, income, and the transfer of expertise.

Among the important trends that have increased are 'co-production' arrangements. A co-production is a collaboration between two or more producers from different countries for the creation of film and television programmes and has been increasing since the 1990s (Baltruschat, 2002). It is also used as a means to capture foreign audiences. The rationale behind engaging in co-production arrangements is to pool financial, creative and technical resources from participating countries for the production of films and television programmes. According to Taylor (1995, p. 414) initially, co-productions were perceived to enhance collaboration between countries with small production industries to pool resources and compete in an international market. However, co-production is also used to create culturally specific materials for local markets and prevent the increase of the foreign market. In current developments, co-production is used less in producing culturally relevant materials but more for adopting popular genres, often simulating Hollywood productions, such as adventure series, science-fiction programmes and shows that contain hybrid elements drawn from a variety of genres that would make it acceptable and successful for global audiences (Baltruschat, 2002).

Thus, the current trend in film and television programme production has been directed at the hybridisation of cultures to meet its commercial focus of targeting international audiences (Lai, 2006). For less developed countries to facilitate the development of their film and television programmes, they need to have access to this mode of production

(Baltruschat, 2002). Looking in a positive way at this kind of mode of production, the collaboration between producers from different countries can be used to raise important global issues such as the environment, economic reforms, the WTO and minority rights issues, and different producers can highlight different perspectives and encourage debate on a global scale.

Thus, it is the ability of developing countries to seize the opportunities brought about by the process of globalisation that differentiates between winners and losers in the process of globalisation. It can be concluded that globalisation has changed the way of doing business and that this development provides opportunities for developing countries to benefit from new trends in audiovisual industries (UNCTAD, 2008; Baltruschat, 2002).

The present analysis considers how the process of globalisation affects the industry and its development rather than its direct cultural influence on society. The rapid changes in the way the industry works as mentioned above is the concern of this study. How it influences and how local production companies respond to global changes will be analysed.

3.6 THE CHANGING TREND IN GLOBAL FILM INDUSTRY

The audiovisual service sector includes the production and distribution of audiovisual content such as motion pictures, television programmes, radio and sound recording. The increased global demand for films and for television programmes has been associated with technological developments. As discussed earlier, advancements in the television industry, with the growth of cable and satellite transmission capability and the

expansion of channel capacity have vastly influenced the increased demand for television programming.

Despite the current imbalance in flows and exchange of cultural products at the global level, Asian and other developing countries have been important players in the development of the audiovisual sector. As a result of technological development and opening markets, many developing and Asian countries like China and India are emerging global players in the audiovisual sector. As mentioned earlier in the studies by Nordenstreng and Varis (1974, 1984), the global flows of television programmes shows 'one-way' flows of television programmes from developed to less developed countries. Later, studies on the global flows of television programmes found that there were changes in the nature of global television flows (Rogers and Antola, 1985; Oliveira, 1986). The study by Rogers and Antola (1985), who studied the flows of television programmes between the United States and Latin American countries, found that locally produced Brazilian, Mexican and Venezuelan programmes successfully competed against the US television programming imports. For example, compared to the 1960s, Brazilian TV networks now broadcast almost 80 percent indigenous programmes, an increase of 40 percent (Oliveira, 1990; Straubhaar, 1984). In addition, the television programmes produced are able to displace US-imported programmes in neighbouring countries (Rogers and Antola, 1985; Oliveira, 1990; Straubhaar, 1991). Accordingly, the study by Varis (1984) on television programmes exchange shows that there is a trend in the regional exchange of television programmes. He found that in Western and Eastern European countries, more than 40 percent of the imported television programmes originate in other countries of the region. The same scenario is evident where regional programme exchanges can be traced among Arab countries with approximately one-third of the imported programmes coming from the countries within

the region such as Egypt. In these instances, cultural proximity plays an important role in the spread of television programmes in the region. The study by Straubahaar (1991) in the Dominican Republic found that audiences prefer more culturally proximate television programmes. This is because audiences can relate easily to the common styles, values, beliefs, institutions and behavioural patterns that are depicted in local or regional programmes compared to imported United States television programmes. The study further revealed that locally-produced programmes became the first preference followed by programmes from regional countries of Latin America, Asia, or Africa, which shows that programmes are more culturally proximate, compared to programmes imported from the United States. The following are further discussions on countries that have successfully participated in the global audiovisual market.

In Latin America, regional integration through MERCOSUR has facilitated the development of cultural industries in the region, particularly the television production industry as discussed earlier. Argentina, Brazil and Colombia have emerged as important players in the global television industry. Indeed, the penetration of television broadcasting into the film production sector has benefited the industry tremendously in terms of programme exports. Brazil's TV Globo and Mexico's Televisa are the main exporters of television programmes, especially in the form of the popular 'telenovela' or soap opera.

India has emerged as the world's largest film producer, producing about 1,000 commercial films annually, more than Hollywood, which produces around 800 commercial films annually. However, in terms of world market share Hollywood still dominates as India's Bollywood products are mostly for domestic consumption only

(UNCTAD, 2008). The exportation of India's films predominantly focuses on the Indian diaspora market (e.g. Mauritius, Sri Lanka, Qatar, Oman, Fiji, Bahrain, Kuwait).

In Asia, China has emerged as one of the largest film producers. The development of the Chinese film industry is impressive, especially in its attempts to penetrate the Hollywood market. For example, the Chinese film *Crouching Tiger Hidden Dragon* grossed more than US\$100 million in the United States market alone and it was the first foreign-language film to take in that amount of cash (Plate, 2002). Similarly with South Korea, which has emerged as one of the most successful film producers-its film industry has turned into an export-industry. The development of the Korean film industry can be traced back to 1996 when the government provided strong support for the industry to become one of its engines for economic growth (Jin, 2006). The success of Asian countries' cinematic output and creativity has captured the interest of Hollywood. The American re-make of a Japanese horror movie *The Ring* employed American actors and the shooting was done in American cities. This evidence thus indicates that Asian countries have been able to benefit and advance their capabilities in film production.

In response to the demand for cultural products by modern African countries, the Nigerian so-called 'Nollywood' has become successful in the video-based film industry. It has claimed to be the world's third largest producer of feature films in terms of the number of films produced annually. The US\$250 million a year industry is claimed to have generated thousands of jobs within a short time span of 13 years. Producing mostly low-budget films between 500 to 1,000 movies a year, the development of the Nollywood film industry is made possible by the availability of digital technology and Nigerian entrepreneurship. The huge African market provides the demand for Nollywood cultural products (<http://www.thisisnollywood.com/>).

The changing trend of global flows of film and television programmes has challenged the traditional debate of cultural imperialism and the North-South flows of cultural and media products (Sinclair, Jacka and Cunningham, 1996). Nonetheless, the US is still widely recognised as the largest producer and exporter of audiovisual services. Mukharjee (2002) reported that, in 1998, the US film, television and home video industries earned over US\$12 billion through exports to 105 countries. In 2009, European Audiovisual Observatory reported that US film industry dominates the world market in both production and distribution.

Generally, developing countries are the net importers of global television programmes or content. From the above evidence, although some have been successful in benefiting from its cultural industries, others lack the capacity to develop a sizable indigenous production industry. In light of the above, it can be summed up that one interesting development identified has been the rise of regional programmes suppliers. As reported by Wideman and Siwek, (1988), in Bicket (2003), Brazil and Mexico have been an important exporter of programmes for the Latin American market while Egypt has been an important supplier to the Arab World. By the same token, Hong Kong supplies much of the programmes to the Southeast Asian market. Although quantitative evidence shows that the US exports to all these regions remains very important, regional producers have begun to offset the absolute impact of the US global and regional supply of programmes.

3.7 PRODUCTION, DISTRIBUTION AND CONSUMPTION OF FILMS

As discussed earlier, the production of film and television programmes are among the most important sectors within the audiovisual sector. The importance of this sub-sector can be seen in the increased amount of trade and its contribution to the world economy. Driven by the current process of globalisation, it has emerged as one of the most important sub-sectors. Where the market becomes global, so does the sector. There are certain trends that we can observe that contribute to the growth of these sectors. The shift towards a more integrated and interdependent world economy is what characterises globalisation. The significant facets of globalisation are the globalisation of markets and the globalisation of production (Hill, 2007). Because of falling trade barriers, international trade is made easier and the global marketplace has become an important target market. The demand for products in the global marketplace is due to the emergence of a global norm where the tastes and preferences of consumers from different parts of the world begin to converge, thus creating a global marketplace (Levitt, 1983). Searching for lower production costs to compete more effectively in the global market, the phenomenon of globalisation of production has made the movement of factors of production possible. The global market was traditionally a target market for films produced in developed countries; for example, the French film industry has long been export-oriented. However, the trend in international ‘production locations’ in film and television is a recent phenomenon.

What needs to be emphasised here is the changing trend in the production, distribution and consumption or market for film and television programmes. The advancement of new technologies has changed the way films are produced, distributed and consumed.

3.7.1 Production

The ways in which films are produced have been changing in line with the changing process of globalisation. Apart from the development in transportation and communication technology, which have reduced the need for film industries to be concentrated in one place, the changing trend in film production is partly due to the emergence of the New International Division of Cultural Labour (NICL). Similar to the case of manufacturing industries that fled the First World in exploitation of the International Division of Labour, cultural production has also relocated, seeking the most efficient locations for film production. Lower labour costs and advantageous exchange rates, coupled with other incentives offered by host governments like tax incentives have attracted global film producers to take advantage of the more favourable terms being offered by other locations.

This phenomenon has led to the growing number of films produced outside Western countries, and particularly Hollywood. This includes the growth in films produced by large countries like India and China. Further, smaller countries have also participated in the global production of films. The growth in film production by smaller countries is mostly supported and facilitated by government policies and funding opportunities (Kaise and Licke, 2007; Morawetx et al., 2007).

In the production process, new digital technologies like HD ‘high definition’ technology provide less expensive ways of programme production. Globally, major trends are observed that contribute to the industry’s growth and development, which also contribute to the increased participation of developing countries in this industry. Following the development of the film and television production industry, there is a changing trend in the way content productions are produced.

- i. In recent years, a trend has developed in which international production studios search for overseas locations to produce films or television programmes. The Hollywood film industry, for example, is producing more of their films on location outside of America, capitalising on lower labour rates and many incentives offered by many countries anxious to attract foreign production. Taking advantage of the positive externalities brought about by film location sectors, many countries are vying to attract international film producers to produce film and television programmes in their countries by offering various incentives to international film producers. This has created stiff competition among countries for film production locations. Canada, for example, is offering attractive financial incentives to potential international film producers (Coe, 2000).

- ii. Another important trend in the production of film and television programmes is a 'co-production' arrangement. As discussed in Chapter Two, a co-production is the collaboration between two or more producers from different countries for the creation of film and television programmes (Baltruschat, 2002). This trend of programme production has been increasing since the 1990s. There are different reasons for global co-productions as stated by Morawetz (2007). Factors include (i) creative reasons where the film project needs to capitalise on the uniqueness of a particular location or the availability of expert skills, (ii) to pool creative as well as financial resources, and above all, (iii) to take advantage of the provision of tax incentives and policies in filmmaking by national governments. The issue arising from this arrangement is the difficulty in determining the origin of the film or television programme produced.

iii. An important feature of current content production is outsourcing. This has been made possible with the advancement of information and communication technologies, particularly the Internet, which has made the outsourcing of service activities to low-cost producers in other countries easier and cheaper. For example, South Korea has developed its own specialisation in the industry segment of cartoon animation. It has been a popular location for international animation producers to produce their programmes by outsourcing it to cheaper South Korean expertise. For example, one of the most popular Hollywood animated cartoons called *The Simpsons* is benefiting from this outsourcing strategy. This outsourcing arrangement is made possible as data can be sent back and forth in real time.

Big budget movies characterise film production in developed countries, particularly the US. By contrast, production costs in developing countries are far lower than the investment made by developed countries. As presented in Table 3.2, on average, the cost of production for American movies is US\$27 million, which is far above other countries' production expenditure. US production companies spend substantial investments mostly on special effects, post-production and film marketing.

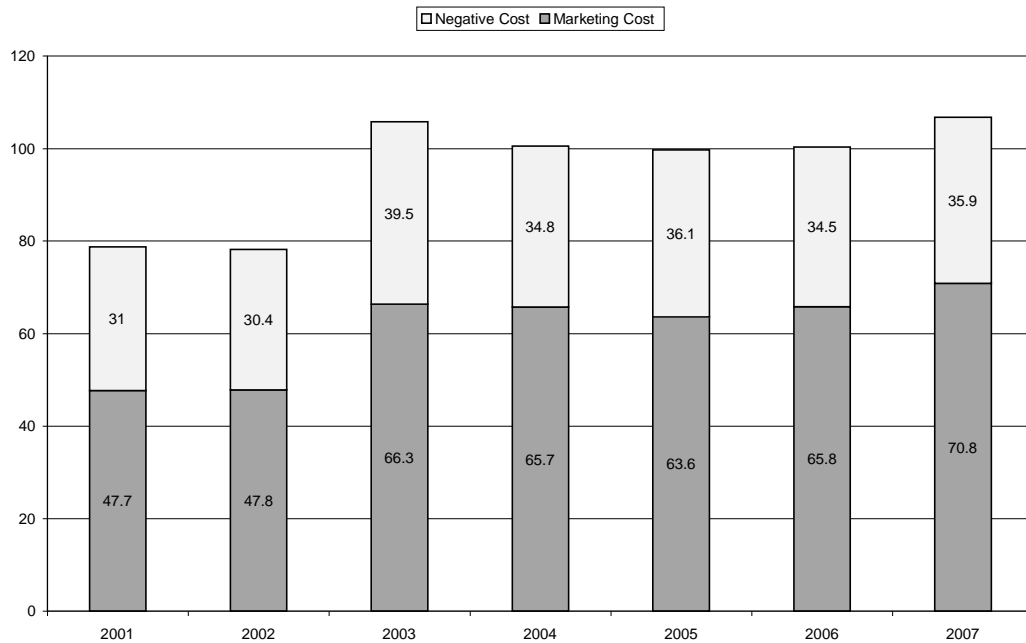
Table 3.2
Top Ten Countries in Film Investment, 2002

Country	Number of Films	Film Expenditure (US\$ million)	Average Expenditure per Film (US\$ million)
U.S.	543	14,661	27
Japan	293	1,292	4.4
U.K	84	852	10.1
France	200	813	4.1
Germany	116	687	5.9
Spain	137	304	2.2
Italy	130	247	1.9
India	1200	192	0.16
South Korea	-	134	-
Canada	64	133	2.1

Source: World Top Ten Countries by Film Investment Map, www.mapsofworld.com/world-top-ten in Pasadilla and Lantin (2005).

However, big budget movies do not reflect the success of the films in the international market in terms of box-office revenue. For instance, the Indian movie ‘Monsoon Wedding’ was produced for a mere investment of US\$1.5 million but earned US\$30 million worldwide (<http://www.ibef.org/>). The high return on investment of Indian movies can also be attributed to the low cost of production.

Figure 3.1
Average US Theatrical Cost US\$Million: MPAA



Source: MPAA 2007 Entertainment Industry Market Statistics (<http://www.mpaa.org>).

The above figure shows the average cost of film production for Motion Picture Association of America (MPAA) members. MPAA members are the big players in Hollywood, which include Paramount Pictures, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, NBC Universal, Walt Disney Studios Motion Pictures, and Warner Bros Entertainment Inc. In 2007, the average total production cost was US\$106.7 million, which is far higher compared to any developing country’s budget for feature films.

3.7.2 *Distribution*

One of the challenging processes faced by film and television producers pertains to programme distribution. Globalisation has changed the way programmes are distributed. The distributor is commonly associated with the middleman in the buying and selling of products. In the film industry, distributors are responsible for the overall marketing strategy for the films, which includes promotional and advertising strategy. The distributor will liaise with the media, produce all necessary promotional materials, provide advice on all aspects of production within parameters, and in some cases even provide financing for productions through advances and buying of rights. A backward-integration strategy, where distributors enter into production, is a common strategy. And vice-versa-many film production companies are also distributors. This strategy is to ensure the marketability of films produced. These distributors are normally dominated by big international players like Buena Vista, Sony Pictures Entertainment Inc., Warner Brothers Entertainment Inc., Paramount Pictures Corporation, Twentieth Century Fox, Disney, and Dreamworks. International distributors have several advantages in terms of worldwide market access and extensive marketing and promotion due to their ability to achieve economies of scale.

Many production companies, especially in less developed countries are themselves distributors, distributing their own movies in their domestic market. Local distributors or production companies are normally unable to compete with international distributors on the basis of competitive advantage as mentioned earlier. Therefore, the local market is easily inundated with foreign films.

In addition, there are various new means of content distribution brought about by improved information and communication technology. For example, the emergence of new media such as cable, satellite and digital networks, provide a platform for the distribution of television content to be done through these various channels. These broadcasting channels cater to both domestic as well as international markets. Furthermore, innovation in new digital media platforms with the Internet and broadband technology has lowered the distribution cost of content production and increased the ways content is distributed. The growing number of Internet users will alter the trend in programme distribution with the targeted audience for those who are more familiar with online video and broadband. New platforms have become an opportunity for distributors to reach new audiences. This new digital age has provided new digital viewing, which would alter the way programmes are distributed.

Traditionally, the profit centre for feature films, particularly, comes from box-office movies, DVD selling or profit gained through the selling of films to television stations. But now, the profit centre for films is no longer dependent on those traditional sources as there are multiple other sources of revenue available to producers. The ability of producers to maximise profits relies on how creative they are in generating revenue through these various sources. Examples include electronic games, ring-tones, educational toys, fashion apparel, magazines, comic books, mobile wallpapers, and logo licensing. These are among the common strategies used by international producers, especially Hollywood producers (Bowling, 2008) as most films are actually unable to achieve box-office.

3.7.3 Consumption

According to Levitt (1983), the factor of convergence in the tastes and preferences of consumers around the globe has created a global marketplace. According to Armes (1987), colonialism created a market in the Third World for Western film production as the colonised countries were exposed to the products of the West. The growth and development of these products is stimulated by new technologies that provide consumers with easy access to a variety of entertainment products. Like any other sector, the level of income of global society influences the level of consumption of film and television products. Studies on the market for film and television programmes found that previously, although language could be a potential barrier, it is not necessarily a barrier as audiences are more receptive to similar cultures, or what is termed 'cultural proximity' (Sinclair, Jacka and Cunningham, 1996; Straubhaar, 1991). 'Cultural proximity' sees audiences as active participants who make their own choices regarding what they prefer to view, whether these are international, national or regional television programmes. It is usually a choice that favours the latter two (when available) because of their greater cultural relevance to the audience (Straubhaar, 1991). Cultural proximity also implies that audiences prefer programming that is most proximate to their own culture and which reinforces traditional identities through the use of common signs and symbols, language, historical heritage, ethnicity, religion and such other cultural elements as dress, gestures, body language, humour, and music. (Stevenson, 1984). For example, studies (Brown and Singhal, 1993; Mowlana and Rag, 1992) found that the Japanese series *Oshin* has received positive responses from a wide range of international audiences including those from China, Hong Kong, Singapore, Thailand, Malaysia, Australia, Belgium, Mexico, Indonesia, Sri Lanka, Saudi Arabia, Poland, Brunei, India, Vancouver and Toronto in Canada, Los Angeles, New York and San Francisco in the US, due to cultural similarities of 'perseverance'.

Currently, language is not necessarily a barrier but cultural proximity is still an important determinant of market penetration for film and television programmes. In making a movie, even Hollywood is considering the overseas market for consumption by incorporating a fusion of Western and Asian elements in their movies. According to Miller et al. (2001, in Shim Doobo, 2005) the current method of production used by transnational film companies, i.e. the increased trend towards international co-production by Hollywood studios, is to benefit from greater revenues from international markets. By entering into partnership with foreign studios, capitalising on foreign talented directors and engaging popular stars from other countries, a film's overseas appeal can increase. Furthermore, they are taking advantage of lower labour costs and looser labour union regulations in developing countries. For example, the Hollywood film blockbuster titled 'Memoirs of a Geisha' was a story portraying Japanese culture but was actually filmed mainly in California rather than in Japan. The lead actresses were from China and Malaysia and the lead actors were Japanese. Global markets were taken into consideration in making the movie and it was indeed a successful global production, produced by Hollywood's Steven Spielberg (Lai, 2000).

In this respect, Doobo (2005) found that the film industry in non-Western countries, including East Asia, has followed suit by adopting their own international co-production strategy, which leads to what is termed 'cinema regionalisation'. The strategy has increased regional consumption and reduces the import of Western films. Hence, Chadha and Kavoori (2000) note that governments in East Asian countries are in support of regional co-production, as they believe that these arrangements will reduce the ideological and political concerns that may arise from Western programming imports as is the argument with the 'cultural imperialism' theory.

With respect to ever increasing global consumer tastes, the global consumption of films leads to a different experience in film consumption. Film exports are shifting in nature from the traditional step-by-step internalisation process where films are produced for domestic audiences and subsequently released to the overseas market, to films produced for global audiences and released simultaneously in national and foreign markets.

The new technology in film distribution and exhibition has facilitated the globalisation of consumption. Producers are now able to reach niche audiences around the world through satellite TV, DVD and the Internet. Above all, technological advancements, particularly in information and communication technologies, have altered the way content productions are produced, distributed and consumed around the globe, which contributes to the growth and development of this industry.

3.8 NATIONAL GOVERNMENTS AND THE DEVELOPMENT OF INDIGENOUS FILM PRODUCTION INDUSTRIES

In reviewing the literature on the development of the audiovisual sector in particular, to a certain extent, many of the countries that have successfully developed their domestic production industry are the result of government support. This is the case in developing countries as well as in developed countries. This is especially true when national governments recognise the importance of the industry, not only in terms of cultural impact but particularly economic impact. There are many ways in which government efforts are directed towards encouraging the development of the industry, which includes providing subsidies or regulating the industry. Many governments establish institutions, provide various incentives and funding, including training for locals to create a climate for their active involvement. By regulating, it is common for national

governments to impose quotas to protect the local industry from foreign competition. In many respects, numerous countries are successful in developing their film industry as a result of strong support from the national government.

The study by Jin (2006) revealed that the success of the South Korean film industry is the result of government intervention, where the government took various initiatives through its legal and financial resources. In order to compete against the encroachment of Hollywood films, the government demanded that domestic capital, including *chaebol*, invest in the film business. The Korean government recognizes the film industry as one of its strategic sectors: “The purpose of supporting the film industry, however, is not to secure cultural sovereignty, but to do with economic imperatives. The overall goal of the Korean democratic government in the film business is to find a new economic source to boost the Korean economy” (Jin, 2006, p. 19).

In developed countries like Canada, the government’s desire to develop its domestic film industry can be seen in the provision of government funding (Coe, 2000). Lee (2008) said that the Canadian government is vocal in arguing that films are a cultural product and should be treated as an exception to any free trade negotiation. Even in the US, which preaches liberalisation of cultural industries, the role of the government in their audiovisual industry is evident, especially in putting pressure on other countries in international trade negotiations (see Lee, 2008). Previous studies have attributed many factors that contribute to the success of the Hollywood audiovisual services industry, particularly Hollywood’s competitive advantage, which includes technological advancement, first mover advantage, and a huge domestic market (see for example, Howse and Mclarney, 2006; Hoskins and McFadyen, 1991). Although there are many

factors that may influence its success, Lee (2008, p. 375) argued that “a crucial component of the success is Hollywood’s close relationship with the US government”.

In an assessment of the Latin American television market, Roger and Antola (1985) found that ‘favourable government policies’ are behind the success of the television production industry, which is able to not only monopolise the domestic market but build a strong export base through government control stations like Televisa and TV Globo. Public expenditure has been directed towards the building of the telecommunication infrastructure, which directly benefits these state-controlled television stations.

In promoting the participation of local players in the audiovisual sector, many governments have imposed restrictions on broadcast programmes to give priority to local programmes. The most common measure to increase local programmes exhibition is in the form of broadcasting quotas such as television broadcasting quotas, cinema hall exhibition quotas, and radio broadcasting quotas. The table below demonstrates the minimum quota requirements from different countries.

Table 3.3
Minimum Broadcasting Quota Requirements for Different Countries

France	Italy	Spain	Canada	Korea	Malaysia
<p>* 40 percent of the broadcasting must be exclusively of French origin and additional 20 percent must be of EU origin.</p> <p>* 40 percent of songs on almost all private and public radio stations to be Francophone.</p>	<p>* Over 50 percent of the monthly transmission time including prime-time programming is reserved for programmes of EU origin.</p> <p>* “Seat and screen” quotas which require all multiplex movie theatres of more than 1,300 seats to reserve 15-20 percent of their seats, distributed over no fewer than three screens, for showing Italian and EU films.</p>	<p>* 50 percent of their annual broadcast time should be allotted to European audiovisual works.</p> <p>* Spanish movie theatres are required to show a minimum of one day of European films for every three days of films from a third country.</p>	<p>* Canadian programmes should cover 60 percent of total television broadcast time and 50 percent of the time during evening hours (6pm-12am).</p> <p>* For Direct-to-Home (DTH) broadcast services, more than half of the channels received must show Canadian programmes.</p>	<p>* Domestically produced programmes must cover a minimum of 50 percent (non-terrestrial) and 80 percent (terrestrial) of the broadcasting time.</p> <p>* Upper limit for the share of total foreign broadcasting time for any foreign films, animations or popular music, from a single country is kept at 60 percent.</p>	<p>* Broadcasters are required, through licensing conditions, to devote 70-80 percent of airtime to local programming.</p>

Source: Mukharjee (2002). “India’s Trade Potential in Audio-Visual Services and GATS”.

On a broader scope, restrictions have also been imposed to limit foreign participation in audiovisual services, particularly the broadcasting sector. Limits in foreign equity participation, licensing requirements, nationality and citizenship requirements are among the most common form of restrictions. Tables 3.3 and 3.4 present the examples of such restrictions in countries like Japan, Malaysia, South Korea, Mexico and China.

Table 3.4
Foreign Ownership and Investment Requirements

Japan	Malaysia	South Korea	Mexico and China
* Under the Cable Television Broadcast Law, foreign investment in satellite services is restricted to 20 percent for programme suppliers, 33 percent for facility providers and 20 percent for suppliers of both programmes and facilities.	* Foreign investors are prohibited in terrestrial broadcasting. * Malaysian government also imposes a 20 percent limit on foreign investment in cable and satellite operations through licensing agreements.	* Foreign investors are prohibited in terrestrial broadcasting. * There is a foreign equity ceiling of 49 percent on foreign investors in cable transmission network business and 33 percent in Korean satellite broadcasting.	* Foreign investment in broadcasting is limited to 49 percent.

Source: Mukharjee (2002). "India's Trade Potential in Audio-Visual Services and GATS".

One unique characteristic of film and television programmes is the cultural aspect embedded in it. In the era of falling trade barriers, cultural products are still exempted from trade negotiations on the basis of promoting cultural diversity (UNESCO) and this 'cultural exception' justifies the use of subsidies and quotas for cultural protection. On that basis, and given the potential of this industry to contribute to the economy, many governments support the development of their indigenous film industry as shown by the empirical investigation discussed above. The next discussion that follows is the complex issue of trade in cultural products.

3.9 INTERNATIONAL TRADE OF CULTURAL PRODUCTS

As stated earlier, films fall under the category of cultural products and enjoy 'cultural exemption' status. Despite the 'protection', trade in films and television programmes is growing rapidly. There is no breakdown of data on the international trade of film

products; however, as reported by UNCTAD (2008) international trade in audiovisuals (including music, movies, and television) increased from \$6.7 billion to \$18.2 billion over the period 1996-2005. The global market for audiovisual products is dominated by developed countries, with the US as the leading exporting country with an export value estimated at more than \$7 billion in 2005. In accordance to importance the United Kingdom, France, Canada, and Hungary emerged as the other major exporters.

As net importers of audiovisual products it is understandable why developing countries exports were valued at a mere \$877 million in 2005, lagging far behind the export value of developed countries. However, non-Western countries have become global players in the audiovisual sector with countries like Mexico, followed by Argentina, China and the Republic of Korea being the major exporters of audiovisuals in 2005. As for economies in transition, the Russian Federation was the largest exporter.

The above-mentioned facts prove the rapid growth of international trade in audiovisual products, which include films and television programmes. As a matter of fact, many countries are still practicing protectionism of their cultural industries, despite the rapid expansion of international trade of cultural products. The issue of culture and trade has raised tensions between countries, both in the advanced and developing countries, particularly between the United States and the European Union (EU) state members. On the basis of commercial and economic arguments, the US was the first country to deregulate and liberalise its film industry. The Motion Picture Association (MPA) influenced the US government to raise the issue in WTO negotiations as many countries are still protecting their domestic culture market in the form of film subsidies and quotas. In the global market, the US insistence on promoting liberalisation of the audiovisual sector is understandable as global markets have contributed significantly to

the US economy. As reported by Puttnam (1997:7, cited in Wheeler, 2000), by 1993, 40 percent of the American film and television industries' revenue came from overseas. In total, the audiovisual sector returned more than \$3.5 billion per annum in surplus balance of payments to the US.

The General Agreement on Trade and Services (GATS) is the result of the establishment of the WTO in 1994. GATS has divided services into 12 sectors where audiovisual services are sub-sector D of the second sector 'Communications', which includes motion picture and video tape production and distribution services, and motion picture projection services and sound recording. Under the clause 'cultural exemption', the WTO does not prohibit member countries from the use of subsidies as instruments of policy and, in undertaking the commitment under GATS, members are free to choose the sector they want to liberalise. By listing the sector under 'limitations' in their GATS commitment, member countries can retain their right to develop policies and regulate their film and audiovisual sector in the form of licences, domestic content quotas, tax breaks and provision of funds and subsidies to the domestic industry. Of the total member countries, only 19 members of the WTO have made a commitment in the audiovisual sector. The majority of the members want to protect and retain their audiovisual industry under the 'cultural exemption'.

Although many countries are practising restrictive regulation of the audiovisual sector, protection measures will become more difficult to implement in the years to come. In the era of globalisation characterised by economic pressure and technological advancement, regulating the audiovisual industry has become a major challenge. For example, in the era of digitisation, technological advancement has created multiple

channels and new platforms for audiovisual output, which makes regulating difficult if not impossible.

To summarise, the emergence of new service industries, specifically cultural industries, is one of the global changing economic landscapes. The economic significance of this sector has become the attraction for many countries to develop their cultural industries. Film and television programmes, are some of the cultural products that have long been tied to national identity and have enjoyed special ‘cultural exemption’ status, at WTO multilateral negotiations. It is now being treated as an economic commodity judging from the rapid growth of international trade in cultural products. Like any other industry, increased competition as a result of the changing process of globalisation has made the scenario more complicated. How national cultural industries are affected by this changing process of globalisation is the primary concern of the present study.

3.10 THE GLOBALISATION OF CULTURAL INDUSTRIES AND ITS IMPACT ON NON-WESTERN AND DEVELOPING COUNTRIES

The impact of the globalisation of the audiovisual industry differs between sectors and between countries. There are opportunities as well as challenges for developing countries. The present study now turns to a discussion of how the globalisation of cultural industries, particularly film and television content, affects developing countries in terms of opportunities and risks.

3.10.1 Opportunities

As noted by UNCTAD (2008) and UNESCO (2002), developments and trends in global audiovisual services provide opportunities for developing countries. Accordingly,

countries can develop their potential and benefit from it. Globalisation has resulted in many developing countries becoming significant players in the international market although the 'cultural imperialism' theory has attributed the effects as merely a 'cultural imposition', which signifies the inevitable influence of a foreign presence. The development of media industries in East Asian countries, for example, has lessened the concern over the importation of Western programmes. The establishment of media industries increased the opportunities for local producers to produce local programmes to fulfil the demand for media content. Since the local palate for film and television programmes was much influenced by Western popular culture, producers in developing countries have moved towards the format adaptation of foreign programmes in many genres, including television drama, game shows. In order to attract local audiences, the localisation of foreign programmes is prevalent. It seems that this formula is more useful for the domestic industry compared to the direct importation of foreign programmes. This kind of programme is termed 'cultural hybridisation', which can reach a wider audience encompassing regional audiences (Lai, 2006; Shim, 2006).

In contrast, many producers from developed countries are motivated towards reaching a global audience. Hence, the incorporation of global values in one's film has become a strategy to attract a global audience. Further, US producers have shown interest in the creativity of non-Western producers. This is evidenced through the adaptation or remakes of non-Western movies. For instance, 'The Departed' directed by Martin Scorsese was a remake of Hong Kong's 2002 'Internal Affairs' directed by Andrew Lau and Andy Mak⁹.

Many developing and non-Western countries have been able to develop their domestic film and television production industry not only in serving domestic markets but in

⁹ *Utusan Online*, 28 October, 2008, 'Naskhah Tomyam Hollywood'.

achieving export potential. For others, that do not have a comparative advantage in achieving export potential, globalisation provides niche areas that can be seized by developing countries. How to develop the industry in a way that is beneficial to the growth of the economy is by concentrating on areas where countries have or can develop niche areas in the industry segment. As discussed earlier, developing countries can benefit through the increasing trend in film and television programmes for outsourcing, 'production location' and co-production arrangements.

One of the potential areas that merit attention is the animation industry. It was estimated that the global computer animation industry is growing at the rate of 20 percent per annum and the industry is currently pegged at US\$25 billion (Mukharjee, 2003). The animation industry is a labour-intensive industry. Due to factors like lower cost, high quality or even lack of local talent, many American animations are outsourced to other countries like South Korea, India and Japan. Hence, a developing country can position itself within the global division of labour to take advantage of the current trend in the animation production industry, which is very beneficial in creating employment opportunities.

3.10.2 Challenges

Many have found it difficult to develop the domestic industry given the stiff competition from foreign programmes. Although aggregated data on the film and television production industry is scarce, the available data shows that developing countries still account for a small share of audiovisual services exports. However, the trend is encouraging, moving towards a growing global market share of exports in audiovisuals by developing countries. Saúve (2006) found that the challenges faced by

developing countries in the development of its audiovisual industry include the production and distribution of indigenous film and television programmes.

- Production – In the area of audiovisual, particularly motion pictures, high capital cost and technical sophistication are needed to produce films that can satisfy the mass market. Although there are exceptions (the Hong Kong movie industry is well accepted in the international market and India produces more films than any other country) many countries are facing difficulties in terms of their financial and human capital to develop their industry.
- Distribution – film distribution in developing countries is usually dominated and run by big, international Western distributors. Studies by Barlett (2006) on selected African countries found that they face real challenges from these giant players in the distribution channel.

As reported by Mashayekhi (2002), the development of the audiovisual sector in most developing countries is hindered by the lack of development of cultural products, investment, incentives for creators, professional training, and promotion mechanisms and appropriate distribution networks. Moreover, the small size of firms, high cost of equipment and services related to production and distribution, lack of access to financing, limitation in know-how and access to technology and quality control, lack of appropriate legal and fiscal frameworks are important barriers to the development of cultural industries in developing countries.

In the production of television programmes, normally the capital requirements are much smaller, which tends to make the cost of production lower. Many developing countries have successfully developed their domestic production capacity so that it is not only sufficient to supply the domestic market but also export markets like Brazil, South

Korea, Mexico and Thailand. Brazil and Mexico are among the major exporters of television programmes. To become exporters of audiovisual products, developing countries still need the necessary support at the national and international level to develop this industry. There are strategic initiatives by many developing countries that include government intervention and support in terms of policy formulation in accordance with promoting the development of the domestic audiovisual industry (such as the 2006 Report for Caribbean Countries and 2005 Report for Trinidad and Tobago).

Due to the advancement in information and communication technologies, companies are more creative in their distribution strategy. The produced films and other programmes are beginning to be marketed through other means of new media like the Internet. Unlike traditional broadcasting the government can intervene by regulating, such as the imposition of quotas but for the new media like the Internet, it is difficult to regulate and control.

Piracy is a global problem for media content. For developing countries this is an enormous challenge to its domestic industry. Research by IIPA (2008, 2006) reported that many developing countries are sources of pirated products. One of the competitive advantages of the film industry is a sizeable domestic market that can sustain the cost of production. If the domestic market is affected by pirated products, it is difficult for the industry to move on to the international market.

On the other hand, many others are unable to seize the opportunities brought about by this current trend. That is why there are many concerns raised regarding the impact of the globalisation of audiovisual products on local culture. Studies found that it is not easy to provide the balance between the economic and cultural significance of cultural

industries. Careful consideration needs to be given to ensure that achieving economic benefit is not at the expense of the country's own culture.

3.11 SUMMARY AND CONCLUSION

This chapter further enhances our understanding by reviewing the literature pertaining to the globalisation of the film business. The forces of globalisation are responsible for bringing about important changes in cultural industries in general and the film industry in particular. This chapter illustrates the evidence of how these changes are having a major impact on indigenous film industries, particularly of non-Western and developing countries. With the emergence of the New International Division of Cultural Labour (NICL), many developing countries have risen above being a mere source of cheap labour and market for developed countries film materials (Miller, 2003).

The literature further reveals the importance of and the potential contributions made by cultural industries in general for the development of the economies of many countries. As a matter of fact, cultural industries have become one of the most dynamic emerging sectors in global world trade (UNCTAD, 2008; UNESCO, 2002). Hence, it is important to carry out the study focusing on how increased globalisation is affecting the indigenous film production industry (Lorenzen, 2008, 2007; Saúve, 2006; Quarles, 2006). It should be noted that although many developing and non-Western countries have become global players in the film industry, the presence of Western countries is still dominant.

Although studies on the effects of globalisation have received increasing attention by scholars, there are still insufficient studies on its effect on the indigenous film industry,

particularly in developing countries. In the Malaysian context, as far as this researcher is concerned, no study has been carried out to examine the effects of the globalisation of the film industry. Hence, it is important to carry out the study and fill the gaps in understanding the phenomena.