

distributors and exhibitors are much more common."⁸² These arrangements can make it difficult for new entrants. These informal linkages can be perceived as structural impediments to entry. While they do not violate American international trade and investment obligations, they can make it harder for new entrants, which are often foreign competitors, to enter the United States market. Interestingly, this type of informal business practice is what the United States accuses Japan of having – and in the Japan case the United States calls it a trade barrier.

iv) *Vertical Integration and Anti-Trust*

The trend toward vertical integration among the seven majors began in the mid 1980s. The pace and extent of these mergers since then have been remarkable. The merger and acquisition activity of these seven corporations has involved billions of dollars of debt. The magnitude of the change is demonstrated by the fact that within a very short period of time in late 1995,

the Walt Disney Co. bought the Capital Cities/ABC television and radio networks for \$19 billion (covering 25 percent of U.S. households); Westinghouse bought the CBS television and radio networks for \$5.4 billion; and Time-Warner (parent of Warner Brothers studios), which also owns a large television production operation, major book and magazine publishing firms, merged with Turner Broadcasting. The latter would include the huge cable operations of CNN, the Cartoon Network, and TNT.⁸³

Some industry sources claim that this current trend constitutes a return to the earlier days when production studios controlled distribution and owned their exhibition networks. Whether or not this new trend actually constitutes a return to past structures, it is certain that both production and distribution of films, entertainment, and information is undergoing a global change. The question remains how will technological changes that increase delivery capacity affect distribution patterns. Technology has created a greater demand for product, which is plentiful in Hollywood. Hollywood's large store of product and existing distribution networks provides it with certain competitive advantages in this new emerging global entertainment industry.

It is these advantages that appear to be increasingly difficult to counter-act for new entrants or smaller independents both within and outside the United States. First, these increasingly vertically integrated companies seem to hold tremendous control of the entertainment market. It is this new level of vertical integration that many perceive as a new barrier to entry. Second, technology has changed the industry. In reality, this process of vertical integration, which is worrisome to those concerned about access to the industry, was in response,

⁸² Ibid., 3.

⁸³ Bedore, 20.