

II: THE INTERNATIONAL ENVIRONMENT

A: The Global Film Industry and the Domination of Hollywood

The film industry consists of three sectors: cinema, video and television. This paper focuses on cinema or "first run films." Keith Acheson and Christopher Maule argue that the film industry is, and always has been, international in both production and distribution.⁸ The United States has dominated the global film industry since its early days. They contend that American producers did not make films or television programs just for the home market, but for the world. Of the \$23 billion in global sales of film products in 1994, 60 per cent was generated by the United States domestic market and 40 per cent by non-American markets, with the European Union constituting approximately just over half of the latter. American-made films account for approximately 80 per cent of gross box office revenues outside the United States and 95 per cent within the United States.⁹ The United States benefits from dominating the global market because every country in which the film or program is sold after adjustment for distribution costs, constitutes a net addition to total profits, and thus to a positive US balance of payments. It is worth noting, however, that while the United States dominates the global film industry not all United States producers are owned by American citizens. Sony is Japanese-owned and Universal Pictures is Canadian-owned.

Acheson, Maule and Elizabeth Filleul provide a good description of the economics of the film and television industry. They state:

The film and television industry is unique in the way economic factors are combined. Like publishing manuscripts, film and television programs are public goods. Like research and development, they involve risk in that, until produced and marketed, there is no way of knowing whether they will be profitable. Like the construction of a dam or factory, they require the combination and organization of an array of skills for a particular project, at the end of which the inputs may disperse to coalesce around other projects in the same or different combinations. And like many other service activities, data on the extent of international trade are poor, in part due to the intangible nature of the traded item and in part to the desire of buyers and sellers for confidentiality."¹⁰

Acheson, Maule and Filleul further argue:

⁸ Keith Acheson and Christopher Maule, "Shadows Behind the Scenes: Political Exchange and the Film Industry," *Millenium Journal of International Studies*, 1991, vol. 20, No.2, 287.

⁹ James M. Bedore, "U.S. Film Industry: How Mergers and Acquisitions are Reshaping Distribution Patterns Worldwide," *Industry, Trade and Technology Review*, 17.

¹⁰ Keith Acheson, Christopher Maule and Elizabeth Filleul, "Folly of Quotas on Films and Television Programmes," *The World Economy*, December 1989, vol.12, no.4, 516.