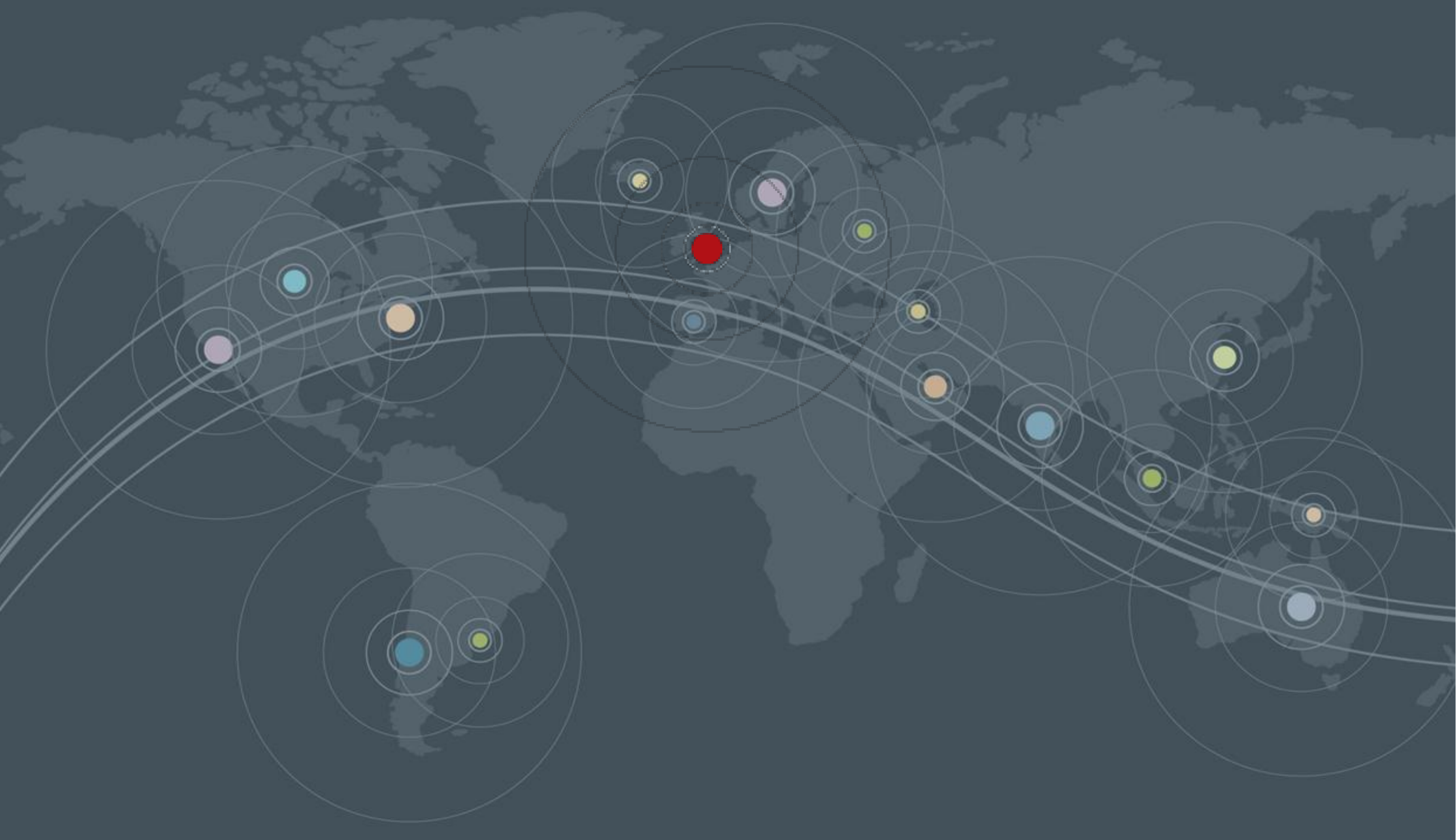
International Territory Review – a report on major territories for UK Film

Prepared for the BFI by
Olsberg•SPI and David Steele



December 2012

BFI – International Territory Review

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Please note that the information contained in this report was based on the most up to date data that was available to us during the period of compilation, which was between May and October 2012

For further information please contact:
Andrew Barnes,
Olsberg•SPI,
Suite 36, Pall Mall Deposit Studios,
124-128, Barlby Road,
London
W10 6BL

t: 020 3176 4845
e: andrew@o-spi.com

www.o-spi.com

Key Points

- This report is being released in the context of *Film Forever*, the BFI's plan for UK film 2012-2017, in particular through supporting success in international markets
- Our data clearly show that the global balance of trade is shifting towards Asia, and this must be accompanied by consideration from all sectors of the economy regarding how to respond
- The UK is still the largest film exporter in the world after the USA
- UK film exports are currently dominated by traditional trading partners, particularly in the US, Europe, and Australasia
- The developing world – in particular Asia – looks set to be the major growth market for the foreseeable future, both for film and in general economic terms
- Multiple datasets suggest that UK film underperforms somewhat in several territories which are already quite valuable – Japan, Korea, Brazil, and Mexico
- Our qualitative assessments suggest that while there are difficulties accessing many of these markets, these should not be insurmountable
- Digital trends look set to offer new routes to market in developing regions, though growth in video services remains biased towards the UK's traditional export partners
- Cultural engagement is also perceived as a route to market, though hard data on this are limited
- Effectiveness measures suggest opportunities exist in a diverse range of countries, including Egypt, Malaysia, Turkey, and much of Eastern Europe
- Export data highlight that cultural exports in general are strong in some areas where film exports are weak (including Brazil and Japan), and form the bulk of UK exports to a large number of developing countries
- Global competition for portable productions is strong and growing, with increasing numbers of national and sub-national bodies developing incentive structures in recent years

1. Executive Summary

1.1. Introduction and Context

The purpose of this report is to outline for the UK film industry the state of play in a number of territories of varying sizes from around the world, a list of which can be found at the end of this summary. The context for this report is the increasing movement of the balance of world trade away from the established nations of the west – which have also formed the major partners for current UK film exports – and towards other regions. Accordingly, some consideration of the conditions in these markets and how we might access them seems due.

As is noted in the introduction to *Film Forever*, the BFI's plan for 2012-2017, a key element of supporting the industry is in committing to equip British film to compete even more successfully on the global stage. The provision of timely information on global commercial possibilities and emerging markets is an important part of this, and forms the foundation for this present report.

The *International Territory Review* aims to answer nine questions which are seen as key for the industry as a whole:

- Which are the key existing markets for the UK film industry?[1]
- Where are the major medium term growth areas for film?
- How have British films performed in key territories?
- How easy are these key markets to access?
- What opportunities exist across digital markets?
- What cultural opportunities exist for UK film and UK film heritage?
- What strengths exist in foreign production sectors, and what potential is there for co-production?
- What existing non-film cultural and economic links exist between the UK and other countries?
- And what is the extent and risk of competitive activities from these territories?

This report grew out of a research project which Olsberg•SPI and David Steele undertook for the BFI, which sought to prioritise various international territories. During this, we conducted significant research into the state of the film industry in 62 countries, both as it related to the UK film industry and in a broader sense. Included in the research were dozens of consultations with leading members of the UK film sector, which are reflected in aggregate here. From this work, we delivered an overall report which – in edited form – forms the basis of this document.

[1] In the context of this report, 'film' is taken to mean the BFI's support for the export of films and film rights, co-production, inward investment, audiovisual policy, and cultural diplomacy

1.2. Selected Findings

It is clear from the evidence gathered that the United States, Europe, and Australasia remain the major trading partners for UK film. This leaves significant areas of the world where UK film has only modest market share, particularly in Asia and Latin America.

As the growth projections highlight, though, these are two of the likely regions where both the economy and the film market will grow significantly in the near future. While the economic data suggest that traditional markets will still play a major role, Asia's GDP growth towards the end of the decade is projected to outstrip all other areas of the world.[2]

When we consider the performance of UK films across the various countries, a picture emerges that while the United States is of paramount importance for film most countries' exports, UK domestic independent films rather underperform there. UK films perform well in Australasia and parts of Europe, but poorly in Japan, South Korea, Mexico, and Brazil. Notwithstanding the importance of Europe as a whole to the UK film industry, France, Italy, Poland, and Turkey emerge as somewhat underpowered territories for UK film, the latter two being also relatively fast-growing economies with increasingly important filmed entertainment markets.

1.3. The Country Guides

Each of the country guides (of which there are 32) is designed to function as a stand-alone document, providing a high-level view of the film sector, and general climate surrounding it. They contain a variety of data on the territories in question, including:

- descriptions of the native languages and English proficiency;
- noted cultural affinity between the country and the UK;
- overall legal, financial, and business practice;
- regulatory framework for the film industry;
- maturity of the production and exhibition sectors;
- and, details on the exhibition infrastructure.

1.4. Selected Areas of Research

Digital trends highlight the importance of China to the online world, with the country expected to possess by far the largest number of broadband users by the middle of the decade. The US will continue to be a major market in this regard as – possibly more surprisingly – will Germany and Japan. Video on Demand and online rental will continue to maintain the highest user-bases in developed countries, but offer interesting opportunities for countries with lower screen penetration, including

[2] From a position of relative parity with the US in 2009, Asian GDP is projected to have doubled by 2017, compared to a 1/3 rise in US GDP

Belgium and Poland. Meanwhile, though the market is only just developing, the tablet space continues to grow in an intriguing manner, with countries like Thailand offering new routes to market as the government hands out tablets to every schoolchild.

Research into ***cultural opportunities*** was somewhat constrained by the relatively limited amount of prior research undertaken. Cultural opportunities were discussed during the consultations which formed part of this work. These highlighted the value that there might in using cultural events to open countries like Brazil and China, while cultural affinity was felt to be strongest with traditional partners, for example Australia and Canada.

Opportunities for ***inward investment*** or export of services – viewed from a purely economic perspective – follow a broadly expected line; the US, Japan, France, Germany, China, and Spain still have the largest film industries by gross spend, with India coming surprisingly low on this measure. Potential for co-production, however, threw up some surprises – with Egypt, the Nordic Countries, Slovakia, the Czech Republic, Croatia, Malaysia, and Turkey all ranking highly on measures of effectiveness for their domestic film markets. From a consultation perspective, France, Germany, the Nordics, and Ireland were all noted, with a feeling that treaties should be pursued with China and Brazil (the latter, of course, having now been signed.)

The study of ***non-film cultural exports*** threw up some interesting facts, particularly with regard to Japan and Brazil, which rank amongst the top nations for British cultural exports as a whole, in a marked contrast to their rankings for film. Similarly China, Russia, and India all saw good levels of British cultural exports on a general cultural measure, and though specific market conditions might make film a more difficult commodity to sell there, these data suggest that success for British cultural products is very much possible.

With regard to ***competitors***, no country stood out as having a greater global reach for exports other than the US, which obviously is not a surprise. Significant protection for domestic producers presents a challenge worldwide though, with the use of quotas and other forms of state protection presenting an intrinsic block on the competitiveness of UK film. Inward investment looks set to remain a globally competitive area, and the consensus from consultations was that a multi-faceted strategy involving the tax credit, skills and infrastructure, new technologies, and maintenance of relations with the USA was vital to maintain the UK's strong position in this market.

1.5. List of Countries for which Market Guides have been produced

Argentina
Australia
Belgium
Brazil
Canada
China (PR)
Egypt
France
Germany
India
Indonesia
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
Norway
Philippines
Qatar
Russia
Saudi Arabia
South Africa
South Korea
Spain
Sweden
Switzerland
Taiwan (Republic of China)
Thailand
Turkey
United Arab Emirates
United States

Olsberg•SPI is an international strategy consultancy that provides high level advice to public and private sector clients in the world of screen-based media.

David Steele is an independent economic and policy consultant, who is presently on assignment at the European Audiovisual Observatory in Strasbourg.

2. Key existing markets for UK film and UK film companies

This chapter describes the key markets for UK film exports, outlining the gross value of all film exports to the various market regions. It also looks to outline future projected growth trends for the global film market, and how these might affect UK film, given these present patterns of distribution. These are outlined both through overall GDP projections for the various key territories, as well as PwC's projections for the Filmed Entertainment Market.

2.1. UK film exports by global region

Table 2.1 shows UK film exports for the period 2006-2010. Since 2008 the pound has depreciated significantly against the US dollar and the Euro, which has increased the sterling value of UK film exports. However, the value of UK film exports has increased by more than can be accounted for by currency depreciation, indicating substantial real growth over this period.

'Film exports' include both royalties and earnings from the export of services (eg visual effects work on overseas film productions) and therefore reflect export earnings by film sales companies and by UK film companies providing other services directly to export markets.

Table 2.1 UK film exports 2006-2010

Year	**UK film exports £m**
2006	912
2007	1,049
2008	1,341
2009	1,476
2010	2,107
Total 2006-2010	**6,885**
Annual average	**1,377**

Source: BFI Statistical Yearbook 2012 (ONS); Olsberg SPI Steele

The regional distribution of UK film exports is shown in Table 2.2. For reasons to do with sample size and non-disclosure of information that could potentially breach confidentiality, these data are not available consistently on a per country per year basis, but must be shown as regional averages over a period of time. The USA is the largest territory for UK film exports, followed by the European Union.

Table 2.2 Regional distribution of UK film exports 2006-2010

Region	% of total
European Union	36.3
Other Europe	7.7
USA	43.0
Asia	6.1
Rest of the world	7.0

Source: BFI Statistical Yearbook 2012 (ONS); Olsberg SPI Steele

The absolute amounts are shown in Table 2.3. The annual average value of films exported to the USA between 2006 and 2010 was £592 million, and to the EU over the period was £500 million.

Table 2.3 UK film exports by region 2006-2010

Region	UK film exports £m	Annual average UK film exports £m
European Union	2499.3	499.9
Other Europe	530.1	106.0
USA	2960.6	592.1
Asia	420.0	84.0
Rest of the world	482.0	96.4

Source: Olsberg SPI Steele

2.2. UK film exports compared to the global filmed entertainment market and GDP

It is clear from Table 2.3 that the UK's film exports to Asia (£84 million per year) and Rest of the World (£96 million per year) are rather low compared with those regions' weight in the global economy. This is confirmed by comparing UK film exports with the global market for filmed entertainment, as shown in Table 2.4.

Table 2.4 UK film exports and the global market for filmed entertainment 2006-2010

Region	% share of total UK film exports	% share of global filmed entertainment market
European Union	36.3	20.2
Other Europe	7.7	4.0
USA	43.0	37.7
Asia	6.1	22.2
Rest of the world	7.0	18.8
Total	100.0	100.0

Source: BFI Statistical Yearbook 2012

In Table 2.5, UK film exports are compared to Gross Domestic Product (GDP) by region. This confirms the extent to which UK film exports are 'underpowered' in Asia and the Rest of the World, compared to the USA and the European Union. Asia had a 25% share of global GDP in the period 2006-2010, but took only 6.1% of UK film exports. The Rest of the World had 17.7% of GDP, but took only 7% of UK film exports.

Table 2.5 UK film exports compared to GDP by region 2006-2010

Region	Annual average UK film exports US$m	UK film exports % of total	Annual average regional GDP US$ billions	% of total GDP	Ratio of film exports to GDP
European Union (ex-UK)	868.9	36.3%	14,056	25.6%	1.42
Other Europe	184.3	7.7%	3,426	6.2%	1.23
USA	1,029.2	43.0%	14,033	25.5%	1.68
Asia	146.0	6.1%	13,699	24.9%	0.24
Rest of the world	167.5	7.0%	9,718	17.7%	0.40
Total	**2,395.9**	**100.0%**	**54,932**	**100.0%**	1.00

Source: BFI Statistical Yearbook; IMF World Economic Outlook 2012

The ratio of percentages is the UK film export percentage divided by the GDP percentage. A value above one indicates a high relative level of UK film exports; below one (eg Asia and the Rest of the World) indicates a low relative level of UK film exports.

Within the Rest of the World, the BFI Research and Statistics Unit has previously established that UK film exports to Australasia are strong, therefore the low figure for the Rest of the World applies to non-Australasian UK film exports.[3]

The position of Canada is more obscure. The official statistics show an extremely low level of UK film exports to Canada (£2m in 2010, for example) but this is likely to be because exports to Canada are usually merged into those of the USA. For example, USA and Canada are most often treated as a single territory for licensing purposes, so film sales including Canada are likely to be made to USA-based entities. It is likely that UK film performs well in Canada, but we cannot be certain of this.

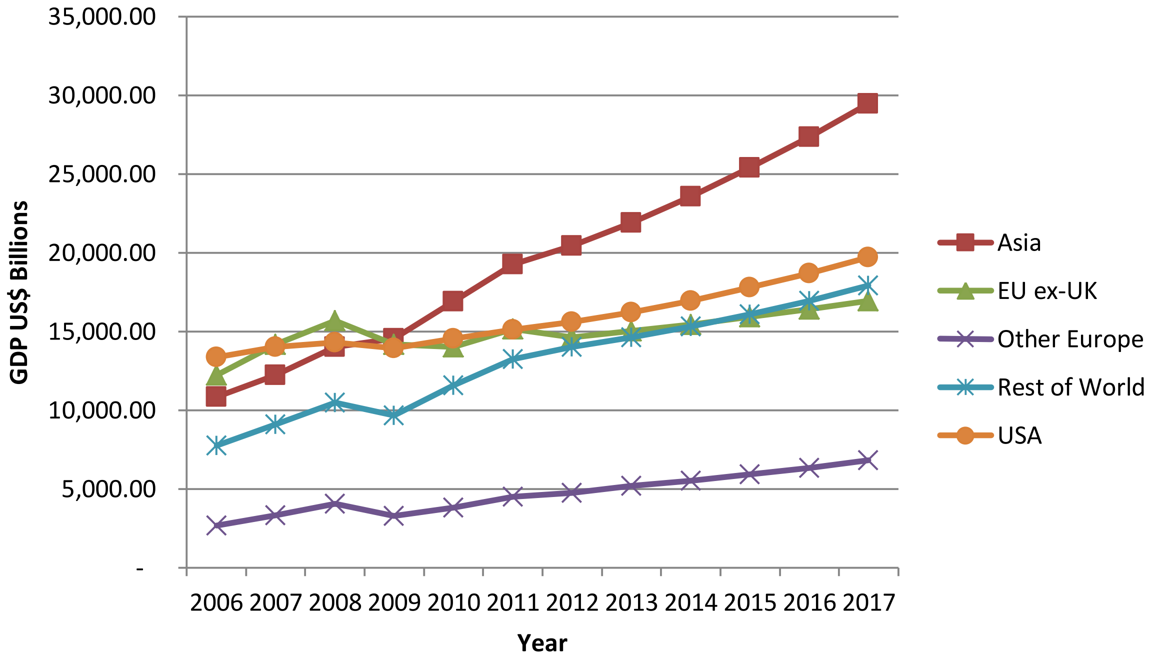
2.3. Forecasts for economic growth to 2017

Figure 2.1 shows IMF forecasts for GDP growth by global region to 2017. In 2008-09, Asia, the EU (excluding UK) and the USA were of roughly equal size economically. However, Asia is expected to pull away by 2017 and the Rest

[3] For example, *UK Film Council Statistical Yearbook 2006/07*, p164, which showed that UK film exports to Australasia were substantially greater than Australasia's share of the global filmed entertainment market.

of the World is expected to catch up with USA and EU (ex-UK). In 2017, Asia is forecast to account for one third of the global economy (ex-UK).

Figure 2.1 Forecasts for GDP growth by global region 2012-2017



Source: IMF World Economic Outlook 2012

Two main factors are at work in Figure 2.1, firstly the difference in trend growth rates between Asia and the Rest of the World on the one hand and Europe and the USA on the other, and secondly the effect of the 2008-09 financial and economic crises, which to date have been much more severe in the Western developed countries than in the Asian and emerging economies.

To assist identifying potential target markets for the UK, the IMF's forecast for the top six Asian economies in 2017 is shown in Table 2.6:

Table 2.6 Top six Asian economies in 2017 (IMF forecast)

Country	2017 GDP in US$ billions	% Asian GDP
China	12,713.9	43.1%
Japan	6,695.7	22.7%
India	2,906.5	9.9%
Indonesia	1,811.6	6.1%
Korea	1,644.7	5.6%
Taiwan	717.0	2.4%

Source: IMF World Economic Outlook 2012 *Note: Table 1.6 shows all Asian economies forecast to account for 2%+ of regional GDP in 2017*

Unsurprisingly, China is forecast to be the largest Asian economy in 2017 (43% of the Asian total), but Japan is forecast to sustain its economic weight (22.7% of the Asian total), compared with 9.9% for India and 6.1% for Indonesia.

Together the top six Asian economies are forecast to account for 90% of the total Asian economy.

Hong Kong Special Administrative Region is forecast to account for 1.3% of the Asian economy in 2017, making culturally Chinese territories (China, Hong Kong and Taiwan) 47% of the total.

Table 2.7 shows the IMF's forecast for the top thirteen 'Rest of the World' economies in 2017. GDP is more evenly distributed in the Rest of the World than in the Asian region, with the largest economy (Brazil) forecast to account for 18.2% of regional GDP in 2017 and the top thirteen together accounting for 75% of regional GDP.

Table 2.7 Top thirteen 'Rest of the World' economies in 2017 (IMF forecast)

Country	2017 GDP in US$ billions	% Rest of the World GDP
Brazil	3,267.9	18.2%
Canada	2,140.6	11.9%
Australia	1,932.0	10.8%
Mexico	1,567.7	8.7%
Saudi Arabia	763.1	4.3%
Islamic Republic of Iran	667.6	3.7%
Argentina	582.5	3.2%
South Africa	549.2	3.1%
Colombia	488.6	2.7%
United Arab Emirates	448.3	2.5%
Nigeria	382.7	2.1%
Chile	379.2	2.1%
Venezuela	365.0	2.0%

Source: IMF World Economic Outlook 2012

Note: Table 2.7 shows all Rest of the World economies forecast to account for 2%+ of regional GDP in 2017

Of the countries shown in Table 2.7, UK film exports are known to be strong in Australia and may be strong in Canada. The others are characterised by a relatively weaker UK performance.

2.4. Conclusions

It is clear from the data that the UK's strongest export performances are biased toward traditional trading partners – the US (and likely Canada), Europe, and Australasia. However, in the key growth territories of Asia and the Rest of the World, UK film exports are underpowered – this is particularly true with regard to China and India, but also in other areas like Mexico, Brazil, Indonesia, South Korea, and Japan.

3. Economic appraisal of the growth areas for film

Here, we've looked to identify – through purely quantitative means – the major global territories from an economic point of view, predominantly through the use of population data. To this is added our own analysis of a series of datasets – current and future GDP, current and future Filmed Entertainment Market, and the 2010 Box Office for UK films – to produce an aggregate measure for the various countries investigated as part of this study.

3.1. Population reference data

Population data are relevant to the study as they influence the size of potential audiences (traditional and digital), GDP and filmed entertainment markets.

Table 3.1 shows the populations of the territories identified in the original study long list. The top ten countries on this list (China, India, USA, Indonesia, Brazil, Pakistan, Nigeria, Russia, Japan and Mexico) have a combined population of 4 billion people, accounting for 75% of the population of the BFI long list countries.

Table 3.1 Population of long list territories, ranked by size of population

Long list rank	Territory	Latest Population Estimate (millions)
1	China	1,347.4
2	India	1,210.2
3	USA	313.5
4	Indonesia	237.6
5	Brazil	192.4
6	Pakistan	179.5
7	Nigeria	162.5
8	Russia	143.1
9	Japan	127.7
10	Mexico	112.3
11	Philippines	92.3
12	Egypt	82.0
13	Germany	81.9
14	Iran	76.3
15	Turkey	74.7
16	Thailand	65.5
17	France	65.4
18	Italy	59.5
19	South Africa	50.6
20	South Korea	48.6
21	Colombia	46.5
22	Spain	46.2
23	Ukraine	45.6
24	Argentina	40.1
25	Poland	38.5

26	Canada	34.8
27	Iraq	33.3
28	Morocco	32.6
29	Peru	30.1
30	Malaysia	28.3
31	Saudi Arabia	27.1
32	Taiwan	23.2
33	Australia	22.9
34	Romania	19.0
35	Chile	17.4
36	Netherlands	16.7
37	Belgium	11.0
38	Greece	10.8
39	Portugal	10.6
40	Czech Republic	10.5
41	Hungary	10.0
42	Sweden	9.5
43	Switzerland	8.0
44	Israel	7.9
45	Bulgaria	7.4
46	Serbia	7.1
47	Jordan	6.3
48	Denmark	5.6
49	Slovakia	5.5
50	Finland	5.4
51	Singapore	5.2
52	Norway	5.0
53	Irish Republic	4.6
54	New Zealand	4.4
55	Croatia	4.3
56	Palestine (occupied territories)	4.3
57	Bosnia and Herzegovina	3.8
58	Jamaica	2.7
59	Macedonia	2.1
60	Slovenia	2.1

Source: United Nations

Table 3.2 shows the remaining global territories with large populations (30m+) so that we do not forget the existence of these territories. The country on this list with the largest population is Bangladesh (151 million), which is the only country in Table 3.2 to have a population large enough to be among the top 10 countries in Table 3.1.

Table 3.2 Population of territories missing from the long list with populations (2011) of 30 million+

Country	Population, millions (2011)
Bangladesh	150.9
Ethiopia	90.9
Vietnam	87.4
Congo, Dem Rep	71.7
Burma	54.0
Sudan	45.0
Tanzania	42.7
Kenya	41.1
Algeria	35.0
Uganda	34.6
Morocco	32.0
Iraq	30.4

Source: nationmaster.com

3.2. Territory rankings

As part of the initial research project, the various long-list countries were ranked on a variety of quantitative data measures, aggregated together to provide an overall score for their economy and film market. Ranking the various territories on the basis of quantitative data has proven to be an interesting exercise – we looked at various factors both with regard to general economics and film, ranking all of these equally. The factors were: 2011 Filmed Entertainment Market (FEM), 2016 projection for FEM, 2011 GDP, 2011 Per Capita GDP at Purchasing Power Parity, 2017 Projected GDP, and the 2010 Box Office for UK films. Our initial rankings weighted each of these equally, generating the following top 20:

Table 3.3 – Top 20 Countries Ranked by Film and Economic Measures

Rank	Country
1	United States
2	Japan
3	Germany
4 (joint)	Australia
4 (joint)	Canada
6	France
7	Italy
8	South Korea
9	China
10	Spain
11	Brazil
12	Netherlands
13	Russia
14	Mexico
15	Sweden
16	Switzerland
17	Taiwan

18	Norway
19	India
20	Belgium

Source: Olsberg SPI Steele

This kind of analysis tends to be biased toward currently developed countries, as we can note from the positioning of a relatively small country like Belgium above much larger potential markets like South Africa (29th), Turkey (25th), or Argentina (23rd).

When the analysis is re-run with an increased bias toward future GDP and film market projections (2016 FEM and 2017 GDP weighted double), the rankings are revised as such:

Table 3.4 – Future-weighted rankings

Rank	**Country**
1	United States
2	Japan
3	Germany
4	Canada
5	Australia
6	France
7	Italy
8	South Korea
9	Spain
10	Netherlands
11	China
12	Brazil
13	Switzerland
14	Russia
15	Sweden
16	Norway
17	Mexico
18	Taiwan
19	Belgium
20	India

Source: Olsberg SPI Steele

If anything, this exercise biases the dataset even further toward the developed nations, which is likely due to the underlying Pricewaterhouse Coopers (PwC) projections for FEM being incomplete for the developing world. Adding greater weightings – for example 5-times – to the rankings simply begins to show up these gaps to a greater degree.

One final exercise which we undertook on the data was to double the weighting for the current Box Office for British films, as a measure of current affinity for UK films. This had very little effect when compared to the original ranking, merely shuffling around those already in the top-20 to increase the ranking of the Netherlands and France.

The various weightings we have added to this data tend to suggest its robustness – it is all but impossible to remove the US from the top spot on any composite film/non-film economic ranking. The data are therefore strongly suggestive that, at this moment in time, the major economic markets for film are set to remain in the developed world.

3.3. Conclusions

While countries like China and India come top on a solely population ranking, this dataset suggests that more developed countries are still likely to prove a better economic bet, in the short term at least. The presence of the United States at the top of a list of a basket of measures (and topping each one individually) is hardly surprising. Potentially more interesting is the strong performance of other countries like Japan, South Korea, and Brazil, all of which show fairly weak performance for UK film exports, suggesting that opportunities might exist in these territories.

Regrettably, outlining where exactly 'growth' is likely to occur in the medium to long term is not possible given the datasets to hand. Dodona and PwC only project in the short term, and while other measures – for example GDP projections – are available well into the middle of the century, the various publicly released data show a startling degree of variability, depending on who is compiling the projections.

4. Recent performance of UK films in the territories of interest

In this chapter Rentrak data are used to look at the performance of UK films across the 19 Rentrak territories between 2009 and 2011; these territories accounted for 75% of GBO in 2011. Within this, various factors will be considered, including the performance of co-produced, domestic, and inward investment films, the importance of genre, and other relationships with exhibition territories. European Audiovisual Observatory (EAO) data are used to look at the market share for independent film in the European territories, while the Rentrak data are also examined to look at the major competitors for UK film in the territories for which data exist.

Given that only 19 territories are covered by Rentrak, we accept that there are limits to these data – 62 territories were studied in all, and less than a third are covered. Nonetheless, the depth of the data and the quality of the conclusions which can be drawn make this, in our opinion, a worthwhile exercise to undertake.

4.1. UK films' box office share in 19 Rentrak territories

Box office data on a film-by-film basis are available for the 19 territories tracked by the agency Rentrak. These data are supplemented in the BFI Research and Statistics Unit (RSU) database with additional information including UK film flag, type of film, country of origin and genre. To examine UK films' performance a sub-sample was taken, consisting of the top 100 films per territory per year for the three calendar years 2009-2011, making a total of 300 records per territory and 5,700 records overall. The top 100 films per year account for the great majority (around 90%) of the box office in each territory, so all UK films with significant box office takings will be picked up in this analysis.

The UK film market share is shown in Table 4.1, with the share split by type of film: UK co-production, domestic UK film and UK inward investment film (INW):

Table 4.1 UK films share of box office by territory, by type of film, 2009-2011

Rentrak Territory	Co-Production	Domestic	Inward Investment	Total UK film market share	Proportion of UK film box office share delivered by INW films
UK	1.0%	8.5%	16.5%	26.0%	63.5%
NEW ZEALAND	0.6%	5.2%	12.8%	18.6%	68.6%
AUSTRALIA	0.6%	3.2%	12.8%	16.6%	77.1%
PORTUGAL	1.2%	2.7%	11.5%	15.3%	74.8%
NETHERLANDS	0.4%	2.4%	12.9%	15.8%	81.6%
AUSTRIA	0.9%	2.4%	11.2%	14.5%	76.9%
SPAIN	1.5%	2.4%	11.3%	15.2%	74.2%

GERMANY	1.0%	2.3%	13.0%	16.3%	79.8%
FRANCE	0.6%	2.0%	10.1%	12.8%	79.4%
COLOMBIA	1.0%	1.3%	13.2%	15.4%	85.6%
ITALY	1.1%	1.2%	10.6%	12.9%	82.5%
BRAZIL	0.6%	1.0%	12.1%	13.7%	88.4%
USA	0.3%	1.0%	11.4%	12.6%	90.3%
ARGENTINA	0.7%	0.9%	14.2%	15.8%	89.8%
MEXICO	0.4%	0.8%	14.0%	15.2%	92.0%
CHILE	0.5%	0.8%	14.5%	15.8%	92.0%
VENEZUELA	0.7%	0.7%	11.7%	13.1%	89.3%
JAPAN	0.4%	0.7%	6.7%	7.8%	85.9%
KOREA	0.3%	0.5%	9.2%	10.1%	91.1%

Source: Rentrak, BFI RSU database, Olsberg SPI Steele - *Top 300 films per territory, table ranked by UK domestic film market share*

This exercise shows a number of things; UK film share varies widely from a high of 26% (UK) to lows of 8-10% (Japan and Korea), with New Zealand and Australia having the highest UK film market shares of the non-UK territories. This suggests the importance of linguistic and cultural affinity, a conclusion which is reinforced by the genre analysis. Meanwhile, most of the UK film market share is accounted for by inward investment films, the majority of which are US studio films shot in whole or part in the UK. The INW share varies from 63.5% in the UK to 91% in South Korea.

UK domestic films perform rather poorly in most territories, the exceptions being the UK, Australasia and, to a lesser extent, some EU territories. Co-productions, especially, have a low market share, but this is seen to be more consistent across all territories. Either way, the UK can be seen to struggle in several large markets with low theatrical market shares, namely the USA, Japan, South Korea, Brazil, and Mexico.

An interesting finding of this analysis is that the USA is appears to be a market where British film is underperforming. The USA has the largest filmed entertainment market in the world, but UK domestic films, despite the advantage of a broadly common language, manage only a 1% theatrical market share.

4.2. UK film market share data from the European Audiovisual Observatory

The European Audiovisual Observatory (EAO) has provided data for the market share of UK independent films for the years 2007 to 2011 (provisional) for the European territories plus Turkey shown in Table 4.2. This table covers additional territories to those covered by the Rentrak data.

Table 4.2 EAO measure of UK independent film theatrical market share in European territories plus Turkey, average for 2007-2011

Country	Average UK market share 2007-2011
UK	7.73%
Latvia	4.26%
Slovenia	4.04%
Switzerland	3.61%
Portugal	3.53%
Finland	3.50%
Netherlands	3.42%
Estonia	3.38%
Germany	3.15%
Romania	3.14%
Spain	2.89%
Norway	2.78%
Austria	2.70%
Hungary	2.67%
Belgium	2.60%
Czech Republic	2.43%
Italy	2.35%
Sweden	2.34%
France	2.28%
Poland	2.25%
Denmark	2.23%
Slovakia	2.11%
Turkey	1.33%
Croatia	n/a
Iceland	n/a
Bulgaria	n/a
Average	**3.70%**

Source: European Audiovisual Observatory - *Note: There were insufficient data to show the five-year average for Croatia, Iceland and Bulgaria.*

The pattern in this table is broadly similar to that in the Rentrak data, with UK independent films having market shares of 2-4% in most countries, one quarter to one half their market share in the UK itself. The best results are from some of the smaller territories: Latvia, Slovenia, Switzerland, Portugal and Finland.

Several European markets show a combination of both high population and a low current market share for UK films, indicating a potential audience for expansion; these are Italy, France, Poland, and Turkey.

4.3. Genre analysis of UK films successful at the box office in 19 Rentrak territories

4.3.1. The Rentrak/BFI RSU Dataset

To assess genre preferences for UK films in the international theatrical market, a subset of data was drawn from the BFI RSU database, comprising the top 100 films (all countries of origin) per territory per year for the 19 Rentrak territories, for the calendar years 2009, 2010 and 2011. This made for a total of 5,700 box office records.

The ‘Rentrak territories’ are those listed in Table 4.1 and shown in Table 4.3 in their regional groups:

Table 4.3: The 19 Rentrak box office territories by region

Europe	Austria France Germany Italy Netherlands Portugal Spain UK and ROI
North America	USA and Canada
Asia	Japan Korea
South America	Argentina Brazil Chile Colombia Mexico Venezuela
Australasia	Australia New Zealand

Source: BFI RSU, Rentrak.

Note that in Rentrak data, ‘UK and Republic of Ireland’ are a single territory, as are ‘USA and Canada’.

While the Rentrak data do not include every territory of interest to the study, they give a broad geographical representation of cinema audiences.

The BFI RSU data include, for each record, box office in US Dollars (US$), UK film indicator, type of film indicator, country of origin, genre and certain other identifying fields. While the genre cells are not completely filled for all films in all territories, they are complete for UK films and sufficiently complete to enable an overall assessment of film success by genre.

The UK film indicator and ‘type of film’ indicator enable us to look at the genre of UK films as a whole and the genre of the separate categories of UK film (inward, domestic, co-production).

The main metrics used for assessing genre popularity are aggregate box office in US$ and proportion of box office.

4.3.2. Findings

4.3.2.1. Overall genre pattern

The overall genre pattern is fairly similar across all territories. The most popular genres are: action, animation, comedy and fantasy. There are no particular territories that 'jump out' as having a distinctly different genre pattern.

It is worth noting that comedy had low percentages in Japan and Korea, but these territories had high proportions of films without genre designations, so a firm conclusion cannot be drawn.

4.3.2.2. Share of UK film box office by type of film

83% of the box office of UK films in the 19 territories was generated by inward investment films, ie UK/USA studio films. Domestic UK films accounted for 13% and UK co-productions 4%. The overall genre results for UK films are therefore dominated by inward investment UK films.

4.3.2.3. Genre of UK films overall in the 19 territories

The most popular genres for UK films overall were action, adventure and fantasy. The fantasy category took 39% of the box office of UK films. This category included *Harry Potter and the Deathly Hallows Parts I and 2* and *Harry Potter and the Half Blood Prince*.

4.3.2.4. Genre of successful UK domestic films in the 19 territories

Looking at UK domestic films specifically, the genre results were dominated by the particular films released, with most territories having fewer than ten UK domestic films in the top 300 films over the period in question.

For example, in Korea only three UK domestic films made the top 300: *The King's Speech* (biopic), *Slumdog Millionaire* (drama) and *Green Zone* (war).

In Japan, there were four UK domestic titles in the top 300: *The King's Speech* (biopic), *Slumdog Millionaire* (drama), *Green Zone* (war) and *One Life* (documentary).

In the USA, there were five UK domestic titles in the top 300: *The Iron Lady* (biopic), *The King's Speech* (biopic), *Green Zone* (war), *Paul* (comedy) and *Nanny McPhee and the Big Bang* (fantasy family comedy).

In Brazil, there were five UK domestic titles in the top 300: *The King's Speech* (biopic), *Slumdog Millionaire* (drama), *Johnny English Reborn* (comedy), *Senna* (documentary) and *Jean Charles* (biopic)

These results suggest four types of UK domestic film that succeed internationally:

- Biopics of significant British historical figures of international interest (*The King's Speech, The Iron Lady*)

- Medium budget British comedies with star actors (*Johnny English, Nanny McPhee, Paul*)
- British films with a particular cultural/national connection to the territory in question (*Senna, Jean Charles*)
- British films with story/content of universal appeal (*Slumdog Millionaire, One Life*)

The pattern continues. For example, France had eight UK domestic films in the top 300 for 2009-2011: *The King's Speech* (biopic), *Paul* (comedy), *Tamara Drewe* (comedy), *The Boat that Rocked* (comedy), *StreetDance 3D* (drama music/dance), *Slumdog Millionaire* (drama), *Nanny McPhee and the Big Bang* (fantasy family comedy) and *Green Zone* (war).

Of the 19 territories, only New Zealand demonstrated a taste for UK domestic films similar to that in the UK itself. There were 17 UK domestic films in the top 300 films in New Zealand in 2009-2011 (compared with 24 in the UK). As well as the top international titles listed above, the following made the list: *The Trip* (comedy), *The Inbetweeners* (comedy), *Four Lions* (comedy), *In The Loop* (comedy), *Harry Brown* (crime), *TT3D* (documentary sport), *Made in Dagenham* (drama), *Jane Eyre* (romance).

The lessons here are less about genre broadly defined, more about cultural affinity and particular types of film, such as those described in the bullet points above.

No territory is out of reach for UK domestic films. The questions are: how to choose the films with the best chance of success, how to get the film distributed in the territory in question, how to win audience interest.

4.3.2.5. Genre of successful UK co-productions in the 19 territories

The box office performance of UK co-productions was more even across the 19 territories with, typically, three to six UK co-productions appearing in the top 300 films in 2009-2011 (including in the UK) and a core of titles succeeding across all territories.

In Korea, there were three UK co-pro titles in the top 300: *The Three Musketeers* (action), *The Secret of Moonacre* (fantasy) and *The Imaginarium of Dr Parnassus* (fantasy).

In Japan, there were two: *The Three Musketeers* (action) and *The Imaginarium of Dr Parnassus* (fantasy).

In the USA, there were two: *Planet 51* (animation) and *Planet Earth* (documentary).

In Brazil, there were three: *The Three Musketeers* (action), *Planet 51* (animation) and *The Ghost* (thriller).

The territories that had the highest number of successful UK co-productions (six each) were Australia, Chile, Colombia, Italy, New Zealand and Portugal. The successful films for these territories are listed in Table 4.4 below, along with those of the UK, for comparison:

Table 4.4: Successful UK co-productions in those territories with the greatest number of successful UK co-productions plus (for comparison) the UK

Territory	Titles
Australia	*The Three Musketeers* (action), *Planet 51* (animation), *Oranges and Sunshine* (UK-Australia co-pro, drama), *Bright Star* (UK-Australia co-pro, drama), *The Imaginarium of Dr Parnassus* (fantasy), *The Ghost* (thriller).
Chile	*The Three Musketeers* (action), *Planet 51* (animation), *Planet Earth* (documentary), *The Duchess* (historical drama), *The Imaginarium of Dr Parnassus* (fantasy), *The Ghost* (thriller).
Colombia	*The Three Musketeers* (action), *Solomon Kane* (action), *Planet 51* (animation), *Death Defying Acts* (biopic), *Planet Earth* (documentary), *The Ghost* (thriller)
Italy	*The Three Musketeers* (action), *Solomon Kane* (action), *Planet 51* (animation), *Looking for Eric* (drama), *The Imaginarium of Dr Parnassus* (fantasy), *The Ghost* (thriller).
New Zealand	*The Three Musketeers* (action), *Planet 51* (animation), *Dean Spanley (UK-NZ co-pro, comedy*), *Bright Star* (drama), *The Imaginarium of Dr Parnassus* (fantasy), *The Ghost* (thriller).
Portugal	*The Three Musketeers* (action), *Solomon Kane* (action), *Planet 51* (animation), *The Duchess* (historical drama), *The Imaginarium of Dr Parnassus* (fantasy), *The Ghost* (thriller).
UK	*The Three Musketeers* (action), *Planet 51* (animation), *The Imaginarium of Dr Parnassus* (fantasy), *Tinker, Tailor, Soldier, Spy* (thriller), *The Ghost* (thriller).

Source: BFI RSU, Rentrak, Olsberg SPI Steele

The above films resist easy generalisations about genre or type. The genre range is wide, from historical drama to documentary to fantasy to action. The range includes those genres most associated with wide release films (fantasy, action) and those most associated with specialised films (drama, documentary). It is tempting to say there is no particular reason for the success of these films other than that they received distribution and were approved by audiences. However, there are some slight commonalities worthy of comment:

- Star vehicles: *The Ghost* (Ewan McGregor, Pierce Brosnan), *The Imaginarium of Dr Parnassus* (various plus a well known director), *The Three Musketeers* (Matthew Macfadyen, Orlando Bloom), *The Duchess* (Keira Knightly), *Tinker, Tailor, Soldier, Spy* (Gary Oldman, Colin Firth), *The Secret of Moonacre* (Dakota Blue Richards).

- Aspects of biopic: *The Duchess* (celebrity wife of the Fifth Duke of Devonshire), *The Ghost* (central political character based on Tony Blair), *Bright Star* (John Keats).

- Co-production with the territory in question: *Oranges and Sunshine* (UK-Australia), *Bright Star* (UK-Australia), *Looking for Eric* (UK-Fr-Bel-Italy), *Dean Spanley* (UK-NZ)

4.3.3. Conclusions on genre by territory

The data reviewed here do not suggest marked differences in genre pattern by territory. Nor is there any obvious case for targeting any particular territory over others. The clearest territory-based observations are the following:

- Some differences in national taste are revealed (eg the greater similarity in taste for UK domestic films between New Zealand and the UK, compared with other territories).

- Certain films succeed in particular territories, suggesting it would be useful to understand better why this success was achieved (for example, *The Secret of Moonacre* in South Korea, *Death Defying Acts* in Colombia).

- Certain films have a particular story connection with particular territories (eg *Senna* and *Jean Charles* in Brazil).

- Some co-productions do well in a particular territory when that territory is the co-production partner (*Dean Spanley* in NZ, *Oranges and Sunshine* and *Bright Star* in Australia, *Looking for Eric* in Italy).

4.4. Performance of UK competitors

The Rentrak data supplied by the BFI RSU also contain country of origin fields. Of the 5,700 records, the 'Country of Origin 1' field is filled in 4,921 cases. This enables a partial country of origin analysis for all territories, sufficient to identify whether there are any countries that provide substantial global competition to the UK. In total, 29 countries of origin are identified in this field, but the report on these can be simplified to four columns, as shown in Table 4.5:

Table 4.5 Box office share by country of origin in the 19 Rentrak territories (top 100 films per year 2009-2011)

Territory	UK	USA	All other countries of origin	Country of Origin not specified	Grand Total
USA	11.7%	86.7%	1.5%	0.0%	100.0%
VENEZUELA	11.5%	82.9%	0.8%	4.9%	100.0%
PORTUGAL	14.0%	82.3%	2.8%	1.0%	100.0%
CHILE	13.8%	80.4%	2.1%	3.7%	100.0%
AUSTRALIA	15.7%	80.1%	2.9%	1.3%	100.0%
MEXICO	13.8%	79.9%	2.1%	4.2%	100.0%
COLOMBIA	13.5%	78.3%	2.2%	6.0%	100.0%
NEW ZEALAND	17.7%	75.2%	4.1%	3.1%	100.0%
ARGENTINA	13.3%	74.7%	5.5%	6.6%	100.0%
UK	24.9%	73.6%	1.5%	0.0%	100.0%
AUSTRIA	12.5%	73.4%	4.1%	10.0%	100.0%
BRAZIL	12.3%	71.8%	4.5%	11.5%	100.0%
SPAIN	14.0%	70.8%	7.9%	7.2%	100.0%
GERMANY	14.3%	67.3%	4.6%	13.8%	100.0%
NETHERLANDS	14.0%	63.1%	3.1%	19.8%	100.0%
ITALY	12.0%	56.2%	5.0%	26.8%	100.0%
FRANCE	11.8%	50.9%	19.9%	17.4%	100.0%
KOREA	9.2%	39.2%	11.6%	39.9%	100.0%
JAPAN	6.6%	24.2%	4.9%	64.4%	100.0%
Average	**12.7%**	**70.3%**	**4.3%**	**12.8%**	**100.0%**

Source: Rentrak, BFI RSU, Olsberg SPI Steele

Note: Territories ranked by USA share of box office

Table 4.5 shows that the two main multi-territory countries of origin are the USA and the UK. As most box office revenue attributed to UK films arises from UK-USA films, there is really only one dominant country of origin, ie the USA. While certain other territories have a significant presence in their home markets, no other country emerges as a significant global competitor.

The hypothesis that the world theatrical market is divided between US films and national films in certain markets is confirmed by Table 4.6, which compares the sum of ‘all other countries of origin’ and ‘Country of Origin not specified’ in the BFI RSU/Rentrak data with the EAO’s estimate of average national market share (taken from the Cannes Focus publication). In nearly all cases the sum of the BFI RSU/Rentrak percentages on the one hand, and the EAO percentage on the other, are very close, suggesting that most of the ‘unspecified’ titles are national films in the territory in question.

The exceptions are Austria, where most of the additional box office is for German-titled films, and Japan, where it is not possible to state the Country of Origin of the additional box office share, as the titles in the database are in English.

Table 4.6 Comparison between sum of 'all other countries of origin' and 'Country of Origin not specified' and the EAO estimate of national market share

Territory	All other countries of origin	Country of Origin not specified in BFI RSU database	Sum of 'other' and 'not specified'	EAO Average National Market Share 2007-11
VENEZUELA	0.8%	4.9%	5.7%	3.6%
PORTUGAL	2.8%	1.0%	3.7%	2.0%
CHILE	2.1%	3.7%	5.8%	5.5%
AUSTRALIA	2.9%	1.3%	4.2%	4.2%
MEXICO	2.1%	4.2%	6.3%	7.1%
COLOMBIA	2.2%	6.0%	8.1%	7.2%
NEW ZEALAND	4.1%	3.1%	7.1%	n/a
ARGENTINA	5.5%	6.6%	12.1%	10.7%
AUSTRIA	4.1%	10.0%	14.1%	4.9%
BRAZIL	4.5%	11.5%	16.0%	13.4%
SPAIN	7.9%	7.2%	15.2%	14.1%
GERMANY	4.6%	13.8%	18.4%	22.3%
NETHERLANDS	3.1%	19.8%	22.9%	17.6%
ITALY	5.0%	26.8%	31.8%	31.2%
FRANCE	19.9%	17.4%	37.3%	39.1%
KOREA	11.6%	39.9%	51.6%	48.0%
JAPAN	4.9%	64.4%	69.2%	54.5%

Source: Olsberg SPI Steele, based on BFI RSU/Rentrak and EAO data

4.5. Conclusions

The various data analyses highlight that the best performing territories for UK domestic films are New Zealand, Australia, Portugal, the Netherlands, Austria, and Spain. Several major markets, however, see relatively poor performances for UK domestic films, including those mentioned in previous chapters – Japan, South Korea, Mexico, and Brazil – but also including the United States. While the sheer size of the US market allows UK film to make a healthy return in the country, in reality the market share for domestic UK film over the period was quite low, at around 1%. We believe that this indicates there is more which can be gained from the US market, were a successful strategy for the exploitation of domestic UK film to be developed and implemented.

Within the EAO data, and considering the size of the countries in question, UK films can be seen to perform relatively poorly in Italy, France, Poland, and Turkey. Italy and France are both studied in more detail later, with the particular issues faced by UK film there noted in chapters 5 and 7. With regard to Poland and Turkey, both of these territories have relatively small theatrical markets, but both are also territories which are growing fast, and where more could usefully be done.

The genre analysis highlighted New Zealand as the territory where tastes most closely parallel those seen in the UK, with conclusions for the other Rentrak territories proving somewhat more elusive. This said, the results for *Senna* and *Jean Charles* in Brazil indicate that films with stories which resonate in a territory stand a greater chance of success, while *Dean Spanley* also highlights this to be a likely trend with co-produced films.

With regard to competitors to UK film, the Rentrak country of origin data suggest that, on a global scale, there is only one significant player, the United States.

5. Qualitative assessment of ease of access to markets

In this chapter, we describe a variety of trade, cultural, and filmed entertainment market metrics across 32 countries; while this does not cover all of the countries approached during this study, it does aggregate market data for those which were considered most important. The chapter sets out to answer six questions, on language, cultural affinity, business practice, regulatory framework, the maturity of the film market, and infrastructure.

'Language' uses a variety of international surveys (from EF, the CIA, UKTI, and Ethnologue) to describe both the key local languages in use in the various countries, and the proficiency of English language to be found.

'Cultural Affinity' focuses mainly on interviews to highlight where an affinity between the UK and other countries is perceived to exist. Where other sources – for example *Stories we tell ourselves* – provide additional cultural data, these are also used.

'Business Practice' sets out the general business conditions in a state, using relevant sections and scores from the IFC/World Bank *Doing Business Report 2012*, qualitative data from UKTI's country guides, and information on currencies and taxation. This section will also highlight any free-trade treaties with a country, issues with withholding tax, and other relevant problems for foreign trade.

'Regulatory Framework' assesses the general framework for the film industry in the country – here, more specific film industry issues (ie, quotas for local film) are considered. This section also looks at issues regarding co-production treaties, and problems regarding protection of intellectual property.

'Maturity of Market' looks at the performance of the film sector in recent years, considering GBO trends, digitisation of cinema screens, and volume of production activity.

'Infrastructure' considers the ability of the audience to see films in a given territory, and will show the admissions patterns between 1995 and 2010, together with the per million screen penetration in the country.

5.1. Argentina

5.1.1. Language

Spanish is the national language of Argentina, though due to European migration some 1.5 million Argentines also speak Italian, with German being the third most spoken language. There are also around 1 million Arabic speakers in Argentina and, on account of Welsh migration to Patagonia, a community of approximately 35,000 who speak Welsh as their first language exists in Chubut Province.

English is commonly studied as a second language at school, though this has not led to its being particularly well embedded in the population. Though some 85.6% of the population has had some formal teaching in English, according to an official survey in 2006, only 42.3% claim to speak it, and of those only 15.4% with a high level of comprehension.[4]

5.1.2. Cultural Affinity

UK Trade and Industry (UKTI) notes that, with the 30th Anniversary of the Falklands Conflict, the Argentine government is trying to discourage Argentine businesses from trade with the United Kingdom. The country was mentioned as a potential entry point for Latin America by a consultee, but the political tension and attendant difficulties were mentioned as a reason why this wouldn't work.

No specific cultural affinity was described between the UK and Argentina.

5.1.3. Business Practice – Legal and Financial

Argentina ranks 113th of 183 on the International Finance Corporation & World Bank's *Doing Business Report 2012*. Within this, the only specific area in which Argentina ranks reasonably well is in enforcement of contracts, where it places 45th globally, otherwise the data suggest it is somewhat difficult to do business in Argentina, not least forming new companies, where the country ranks a lowly 146th, largely on account of cost. In the South American region, only Brazil ranks below Argentina in terms of ease of doing business. UKTI notes the Argentine legal system is "…lengthy, costly and cumbersome…"[5]

With regard to financials, Argentina ranks relatively well in terms of access to credit, sitting 67th in the *Doing Business Report*. Taxation, though, would appear to be a major issue, with the average company forced to spend 415 hours per annum on tax returns, and with overall tax amounting to 108.2% of profit.[6]

The Argentine Peso (ARS) was historically pegged to the US dollar, but since the 2002 currency crisis has been free floating, leading to an increasingly rapid appreciation. There is also some concern about the inflation rate in

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[4] *Página/12*, 'Los idiomas de los argentinos', 27 December, 2006
[5] *ibid*
[6] *Doing Business Report 2012*, p. 79

the country, which is generally accepted as being significantly higher than the officially stated rate.[7]

Argentina applies a 35% withholding tax, equivalent to the standard corporate tax rate for the country; this would be treated as a credit against UK tax liabilities per the UK-Argentine double taxation convention.

5.1.4. Regulatory Framework

Since 2009, Argentina has mandated that cinemas screen all locally produced films for a minimum of two weeks after release; this was in response to the domination of Hollywood in the local box office. The country has also instituted a system whereby importers must export an equal amount of Argentine product to their country of domicile; this began with car manufacturers and – according to Variety – the government held meetings with film executives to discuss the extension of this to Hollywood late last year.[8]

The UKTI notes that Argentina has a "serious problem with patent and copyright protection."[9] UKTI states that CAPIF, the Argentine Music Industry Association, estimates that 60% of CDs and DVDs sold in the country are counterfeit, along with 50% of clothing and 70% of software.[10]

5.1.5. Maturity of Market

The EAO Cannes Focus notes strong growth in the Argentine film sector in 2011, with film sales growing 44% in peso terms (though, note the issues with this currency above.) EAO also highlight the success of 3D films in Argentina, and the increasing number of 3D screens in the country; on top of this, approximately 19% of screens were converted to digital by the end of 2011.[11] Dodona also highlights the growth in admissions in the country, noting that the market bounced back in 2011, but it also appears from their data that screen growth has somewhat stalled since 2009.[12]

Production volume in Argentina hit 143 films in 2011, an increase of 20 on the previous year, and the busiest film production sector in Latin America.

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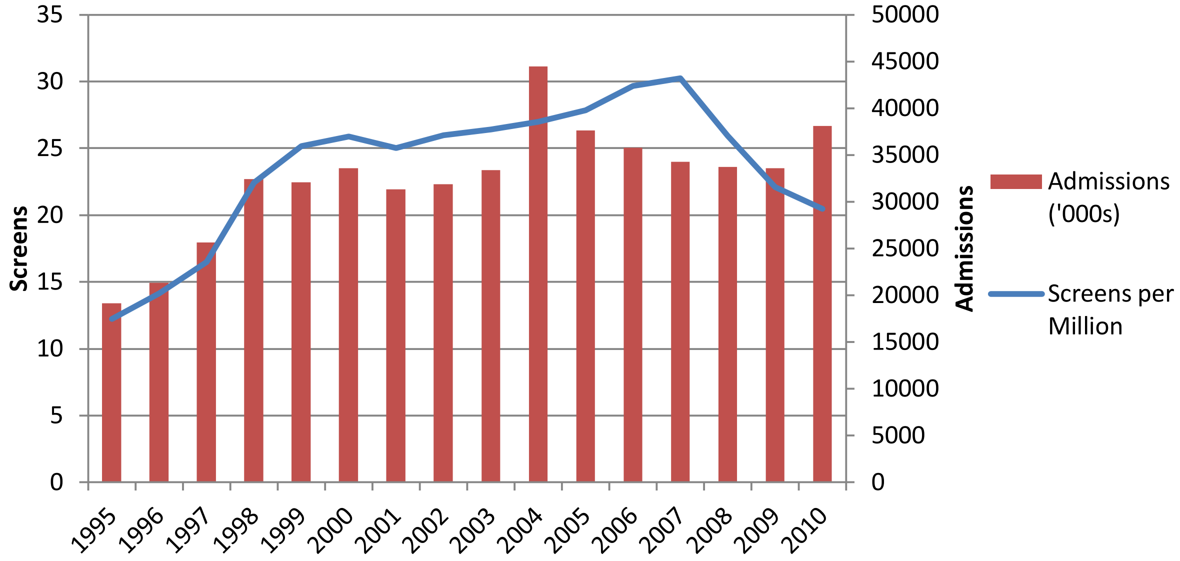
[7] *The Economist*, 'The blue dollar', 2 June, 2012
[8] http://www.variety.com/article/VR1118047131
[9] http://www.ukti.gov.uk/export/countries/americas/southamerica/argentina/doingbusiness.html
[10] *ibid*
[11] *European Audiovisual Observatory*, 'Focus 2012' p. 45
[12] *Cinemagoing Latin America*, p. 1

5.1.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

It is somewhat difficult to accurately describe the current infrastructure conditions in Argentina as IHS Screen Digest and Dodona provide significantly different descriptions of conditions on the ground. Though their figures for recent years (IHS give 827 screens in 2010, Dodona 820 in 2010 and '11) are broadly in agreement, there is a huge difference in 2008, where IHS state there were 1,029 screens, and Dodona 781. Both datasets show a significant drop-off from a peak screen saturation during the mid-2000s, but the shape of this transformation is markedly different in both cases; by way of explanation, Dodona highlights the retail building boom of the 1990s, followed by a collapse in admissions which ravaged the independent sector in the middle of the last decade.[13]

Either way, as it stands the saturation of screens in the country has not reached the levels seen in more mature markets, where there are commonly in the region of 80-100 screens per million, but are slightly higher than less developed areas like China.

[13] *Cinemagoing Latin America*, p. 4

5.2. Australia

5.2.1. Language

English is the *de facto* national language of Australia, and is spoken at home by the vast majority (80%) of the population. Small numbers speak Chinese, Italian, Vietnamese, and Greek as 1st languages, but nonetheless comprehension of English is effectively universal.[14]

5.2.2. Cultural Affinity

Australia was suggested as a country with strong cultural affinity with the UK during several consultations, with one suggesting there was a 'natural affinity' between the UK and Australia on account of shared heritage. Cultural programmes were also suggested as a potential way to leverage further exports of TV and high-end drama to Australia during consultations. Consultees also noted the particular affinity of certain groups in the country to their Scottish and Irish cultural roots.

5.2.3. Business Practice – Legal and Financial

Australia ranks 15th on the *2012 Doing Business Report* – this represents a fall of 4 places from 2011, but still comfortably places Australia amongst the easiest countries in the world to do business in. The country is ranked as the 2nd easiest in the world in which to start a business, 8th in gaining access to credit, and 17th in both enforcing contracts and resolving insolvency. Australia does, however, rank slightly lower with regard to protecting investors (65th) and taxation, both in terms of burden and cost (53rd).

The Australian dollar is one of the most traded currencies in the world, and is freely exchangeable with a low rate of inflation. Australia has no withholding tax, but corporate tax is due on all local profits, this is treated in the double taxation convention as a credit against UK liabilities.

5.2.4. Regulatory Framework

The UKTI report notes the Australian regulatory framework is "stable, open and progressive", the current Federal government "has shown a strong commitment to providing businesses with the right conditions for growth and trade."[15] While overall trade, commerce, and taxation policy is reserved to the Federal government by the Australian constitution, there may be some state-by-state variance in areas where they have joint responsibility. UKTI also notes that Australia maintains strong Intellectual Property (IP) enforcement, with Australia claiming its enforcement régime to be amongst the ten most effective in the world.[16]

Australia and the UK have had a bilateral co-production treaty since 1991.

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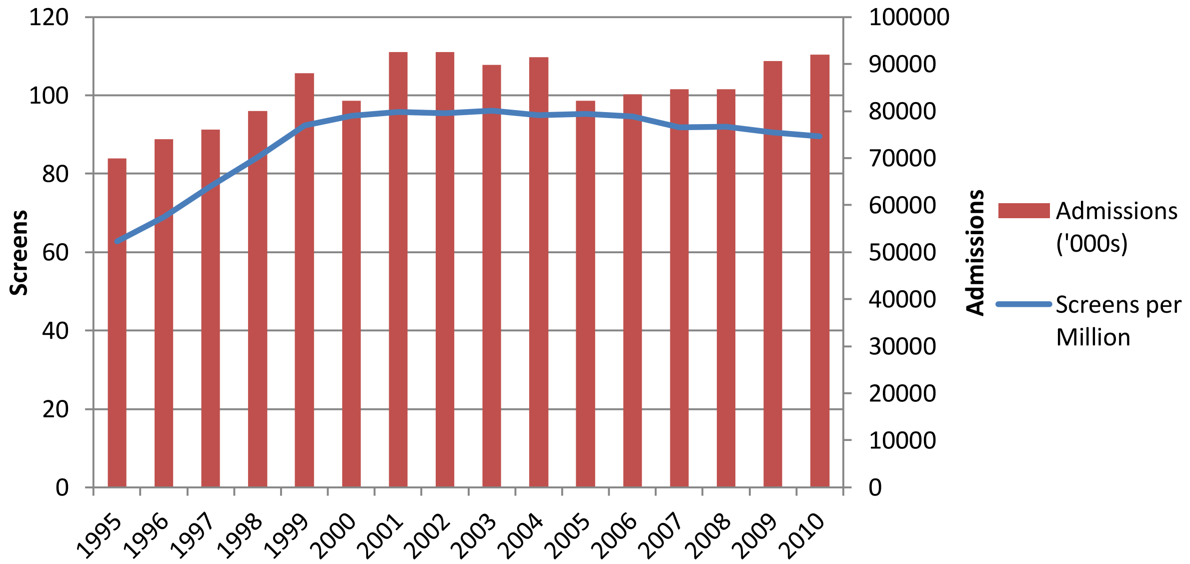
[14] 2011 Australian Census
[15] UKTI, *Doing Business in Australia*, p. 8
[16] Australian Government, *Intellectual property protection in Australia*, March 2011

5.2.5. Maturity of Market

The *EAO Focus* report notes that admissions in Australia fell in 2011, dropping 8%, and seeing revenue fall in spite of increasing ticket prices – as the report notes, Australia is one of the most expensive countries in the world to see a film in the theatre. US features continue to dominate in Australia, and though the three major cinema chains have agreed Virtual Print Fee deals with the six US majors, many smaller chains are struggling. At the end of 2011, the total number of digital screens reached 35% of the total (or, 704).[17]

Production activity dropped precipitously in 2011, with only 17 films produced from an average of 39 per annum between 2008 and 2010. *EAO Focus* suggests that the strong local currency is a key driver of this, as it has left the Australian film incentive structure uncompetitive globally.

5.2.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The data show that, following a period of cinema growth in the late-'90s and early-2000s, the cinema sector in Australia is now relatively stable, with screens per million falling in an expected range for a developed market. While overall growth seems to have finished, Dodona note that the current trend in the Australian market is toward premium pricing for certain performances through the 'Gold Class' cinemas concept.[18]

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[17] *Focus* 2012, p. 49
[18] *Cinemagoing Australasia*, p. 1

5.3. Belgium

5.3.1. Language

Belgium has three official languages, Flemish (the local variety of Dutch) is spoken by almost 60% of the population, French is spoken by just under 40%, and there is a small German community of around 1% of the population.[19] Language policy in Belgium remains intertwined with the wider issues of political division between the Flemish and French communities, and as such is something of a shifting target.

As a language, English is not required at schools in Belgium, but nonetheless is chosen by 90% of students. English is used as an everyday business language in Belgium on account of the complexity of language politics, a situation which is further helped by the fact that many English-language television programmes are subtitled rather than dubbed, especially in the Flemish community. A recent Education First (EF) survey noted that the proficiency of English in Belgium is generally very high.[20]

5.3.2. Cultural Affinity

Belgium was not separately suggested as having any great cultural affinity with the UK during the consultation phase, though the 'Europe' was given as an area by consultees on occasion.

5.3.3. Business Practice – Legal and Financial

Belgium ranks 28th on the *Doing Business Report*, ranking particularly highly in the areas of resolving insolvency (8th), protecting investors (17th), and enforcing contracts (20th). Registering property (174th) remains difficult in Belgium, but being both proximate and a member of the EU, it is difficult to see that this would be a particular issue for any British firm looking to work in Belgium. Belgium uses the Euro as its currency.

5.3.4. Regulatory Framework

The regulatory framework in Belgium is complicated by the nature of the federal system, which sees the community governments given equal weight in policy terms to the Federal government, and possessing competence in some areas, including cultural policy. Increasing divisions at the Federal level led to an almost two year wait between the most recent elections in 2010 and the formation of a government, with some projecting that Belgium might eventually dissolve as a union. Given the likelihood of the country or its successors remaining part of both the EU and the Council of Europe Co-Production treaty, however, it is difficult to see that this would affect any prioritisation of this territory, especially given the already divided nature of cultural policy.

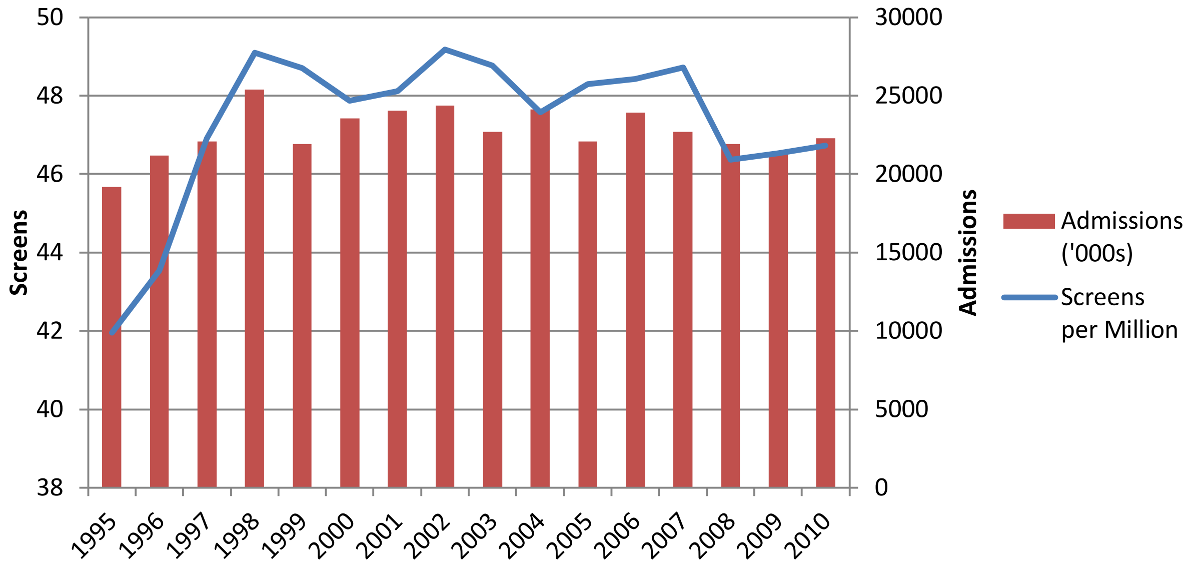
5.3.5. Maturity of Market

Cinema attendance in Belgium has increased steadily in the last couple of years, reaching 22.8 million in 2011, with a Gross Box Office (GBO) of US$48

[19] CIA World Factbook
[20] http://www.ef.fi/epi/country-profiles/belgium/

million. This came after two years of decline between 2007 and 2011. Production has also been steady, with 85 films produced in 2011, the same as 2010, though this represents a marginal increase on previous years. Digitisation of screens reached 43% by the end of 2011.[21]

5.3.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Belgium's number of screens per million is somewhat low compared to the average for other developed markets; nonetheless, the relative volatility of number of admissions, albeit within quite a small range, would appear to suggest that the country has about reached its level under present conditions.

[21] *EAO Focus 2012*, p. 36

5.4. Brazil

5.4.1. Language

Portuguese is the dominant national language of Brazil, spoken by 99% of the population, though there remain areas where indigenous languages only are spoken.[22] Foreign language tuition has only been required in schools since 1996, and though English is by far the most taught foreign language, both this late start and the general lack of resources of the Brazilian education system mean that standards are low. Comprehension is also affected by the proximity of Spanish speaking countries in South America – though English is increasingly an important language of business, Spanish remains heavily in demand. This said, EF note that a majority of American TV in Brazil is subtitled, and that culturally speaking English is still seen as desirable, leading to a steady increase in comprehension, though from a low base.[23]

5.4.2. Cultural Affinity

While no consultee specifically suggested a strong cultural affinity exists between the UK and Brazil, cultural exchange was suggested as a means to enter the Brazilian market on more than one occasion. Both the *UK Live* and *Transform* British Council events were highlighted as presenting opportunities for the BFI, while other consultees spoke in more general terms about the potential to use cultural exchange to open the Brazilian market. It was highlighted that anecdotal evidence suggests that – from a Brazilian point-of-view – there is little difference recognised between UK and US content, which the ongoing UK-Brazilian cultural programme might offer a chance to reverse.

5.4.3. Business Practice – Legal and Financial

Brazil ranks very low on the *Doing Business Report*, falling to 126th in 2012; this is 6 places lower than in 2011 as other countries reform faster. The report notes that – of the relevant categories – only in protecting investors is Brazil an average country (79th). Paying taxes is seen as particularly onerous and bureaucratic, requiring some 2,600 hours for the average company; the Economist's recent profile of the country noted that "Taxes are hideously complicated…"[24] According to the *Doing Business Report*, resolving insolvency (136th), trading across borders (121st), and starting a business (120th) are all hard work in Brazil. The UKTI guide sums up that "Even for the seasoned exporter, Brazil can be a tough proposition due to the procedures that need to be followed."[25]

Financially, the Brazilian Real is perceived as being somewhat overvalued, though its value has recently dropped to 2 Reais to the US Dollar. Furthermore the benchmark interest rate remains very high by western standards (8.5%), limiting choices with regard to availability of finance,

[22] http://www.ethnologue.com/ethno_docs/distribution.asp?by=country
[23] http://www.ef.fi/epi/country-profiles/brazil/
[24] *The Economist*, 'A bull diminished', 19 May, 2012
[25] *Brazil Business Guide*, p. 6

especially given government control over foreign exchange. Brazil also maintains a comprehensive set of controls over foreign direct investment, including limiting foreigners' stakes in media companies to minority status.[26]

The UK does not have a dual taxation agreement with Brazil, merely a memorandum of understanding around commercial shipping and aviation. Capital gains realised in Brazil by non-residents are subject to a 15% withholding tax.

5.4.4. Regulatory Framework

Brazil is a federal country, but while some states (ie São Paolo) maintain film commissions, the federal government's ANCINE programme is far more important. The country operates a screen quota system, with an annual presidential decree determining how many days each screen in a multiplex must be used to show only local production. For 2012, this varies from 28 days for a single screen to a cumulative 644 days for a 20-screen complex, with 7 added per additional screen over 20.[27] In addition, the minimum number of local films for each cinema is also prescribed, with a single screen cinema required to show 3 local productions annually, increasing to 14 for a 20-screen complex.

In general, regulation remains complex and enforcement bureaucratic, with a very slow court system, though arbitration mechanisms for contractual disputes are being set up.

On IP, the UKTI guide notes that in principle Brazil has excellent protection, but in practice "the effectiveness and impartiality of enforcement is variable and any legal processes will be both protracted and costly."[28] It is noted that the Patent and Trademark office is bureaucratic, though improving, and that counterfeit goods are common.

As of 28th September, 2012, the UK and Brazil have signed a co-production treaty for film and high-end television; this is expected to be ratified and operational within 2 years.

5.4.5. Maturity of Market

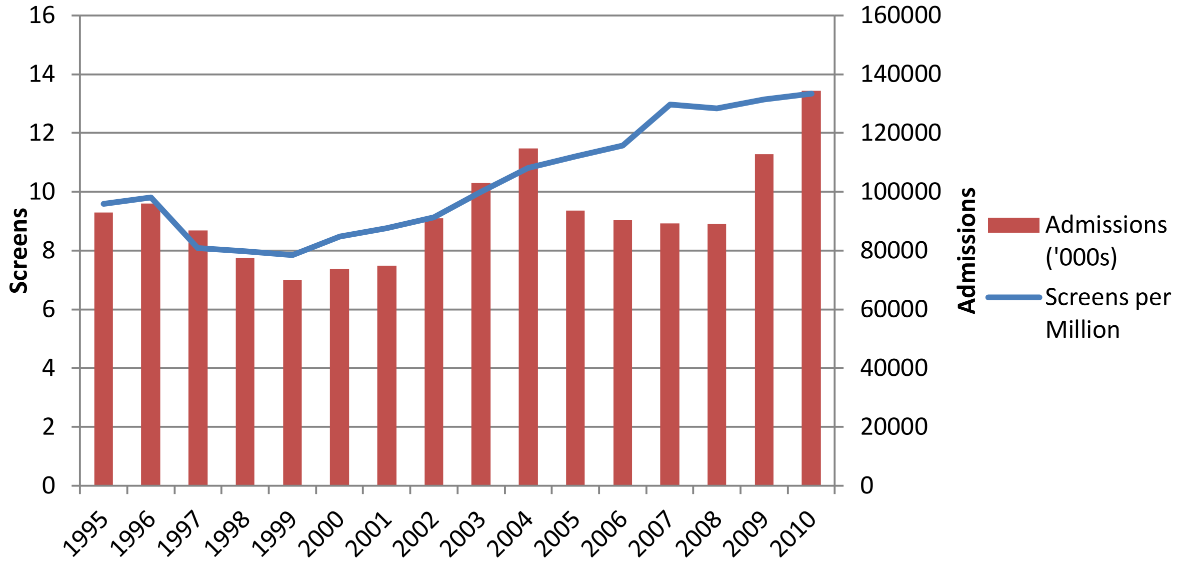
The *EAO Focus Report* notes that the value of the Brazilian Box Office rose by 14% in 2011, helped by both increased ticket prices and a 7% increase in attendance. Brazil remains dominated by US films, with national market share dropping from 19% to 12.4% in the same period. The growth of Brazilian cinemas is currently driven by growth in the number of shopping malls, though the report notes that in order to achieve satisfactory penetration these factors will have to decouple. Approximately 20% of

[26] KPMG, *Investment in Brazil, 11th Edition*, October 2011 p. 50
[27] http://entertainmentlawbrazil.com.br/2012/01/02/screen-quota-for-2012/
[28] *Brazil Business Guide*, p. 42

Brazilian screens had transitioned to digital by the end of 2011, almost all of these equipped also for 3D.[29]

Brazil produced 99 films in 2011, a significant increase on the 75-80 produced in each of the preceding years.

5.4.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Brazil's film sector has started to show significant growth in attendances following an 75% decline between the 1970s and the early-2000s; this follows significant economic growth which has driven the emergence of a middle class. The country shows steady growth in screen penetration, but still has significant room for future expansion given the small numbers of screens per head of population when compared with developed markets.

[29] *EAO Focus* 2012, p. 45

5.5. Canada

5.5.1. Language

Canada is officially a bilingual country, with English and French having equal status in government. English remains the dominant language though, being the mother tongue of approximately 58% of the population, while the majority of Canadians (85%) speak English proficiently according to the 2006 census.[30]

5.5.2. Cultural Affinity

Canada was highlighted by multiple consultees as having strong cultural affinity with the UK, on account both of the general shared background through the Empire, and with specific national groups (eg, the Scots and Irish) resonating particularly well in the market. It was suggested that increased cultural engagement here might help to further open the market for British film and television.

5.5.3. Business Practice – Legal and Financial

Canada ranks amongst the easiest places in the world to do business, coming 13th on the *Doing Business Report*. In the report, Canada scores especially highly with regard to starting a business and resolving insolvency (both 3rd), protecting investors (5th), and paying taxes (8th). However, the report notes that enforcing contracts (59th) remains unnecessarily expensive and time consuming.

While the Canadian Dollar is a free-floating currency without limitations on purchasing or sale, it has become more expensive in the last few years, strengthening first against the US Dollar and then against the Pound and Euro.[31]

Canada generally applies a 25% withholding tax on foreign capital gains, though this could be set against UK tax per the UK-Canadian double taxation convention.

5.5.4. Regulatory Framework

A Canada-EU free-trade agreement is in the process of negotiation at the moment; signature had originally been expected by the end of 2011, but is now due by the end of 2012.[32] The UK and Canada have had a co-production agreement in place since 1975, most recently revised in 1991.[33] While Canada does not apply a screen quota system at the box office, Canadian law requires 60% of television shown to be Canadian in origin, including 50% between 6pm and 12am.[34]

[30] 2006 Canadian Census
[31] UKTI, *Doing Business in Canada*, p. 5
[32] http://www.canada.com/business/Canada+free+trade+talks+cent+complete+says/6504551/story.html
[33] http://www.telefilm.ca/en/coproductions/agreements/uk
[34] http://screenville.blogspot.co.uk/2011/10/cinema-quotas.html

Canada being a federal state, policy making is split between the federal government and the various Provinces and Territories; media policy finds itself divided between the two, with, for example, incentives available at a variety of levels. Policy making in Canada is overall a transparent exercise, and all new regulation (at federal level, at least) is subject to cost-benefit analyses made public during the legislation process.[35]

There remain some concerns over IP rights in Canada, which UKTI notes is partially responsible for the slower than expected signature of the EU free trade treaty.[36] As the US government notes in their *Special 301 Report 2012*, modernisation of the Canadian copyright laws is long awaited, and has been prioritised by the Harper government for the present parliamentary session.[37] The report also notes a belief that illegal downloads of copyrighted material are systemic in Canada.

5.5.5. Maturity of Market

Dodona *Moviegoing 11* places the Canadian Box Office for 2011 at C$995m, a fall of 3.4% from the 2010 figures; however this follows a period of solid growth to 2010, and is largely driven by a fall in 3D admissions in the region, according to EAO *Focus*.[38] According to EAO Focus, digitisation has continued at a pace in Canada, with 65% of North American cinemas having made the switch at the end of 2011.[39]

IHS Screen Digest's production figures show Canada produced 74 films in 2010 (the last year for which data are available), continuing a drop-off in production figures over the previous few years. This figure is a long way from the peak of 151 films produced in Canada in 2003.

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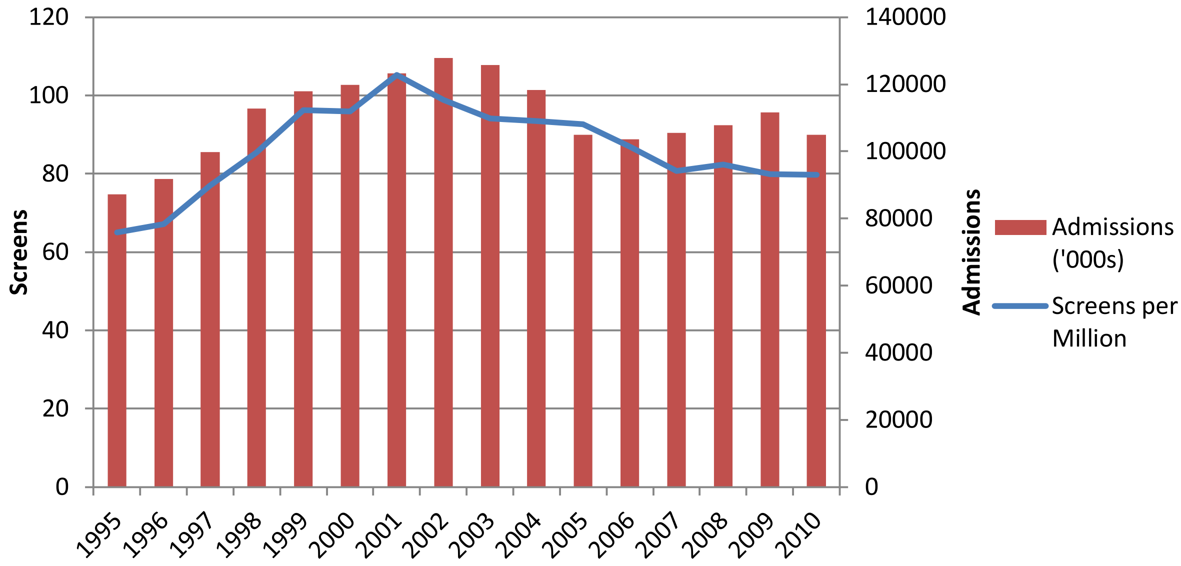
[35] *Doing Business Report*, p. 7
[36] *Doing Business in Canada*, p. 5
[37] Office of the United States Trade Representative, *2012 Special 301 Report* p. 25
[38] Dodona *Moviegoing 2011*, p. 1
[39] *EAO Focus 2012*, p. 43

5.5.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

On a macro level, it is clear that the Canadian film market has dipped somewhat from a peak in the early-2000s, with both the number of screens and cinema attendance falling. Dodona's reports concur with parts of this, though their data show the gross number of screens falling by about 200 from its peak in 2007 to 2950 screens in 2011, their admissions data show a significantly higher peak. Furthermore, given the geographical scope of the country, it may be that these overall trends are masking local variability, though we do not have the data to investigate this thesis.

5.6. China

5.6.1. Language

Standard Chinese (also known as Mandarin) is the sole official language of the People's Republic of China (PRC), though others are recognised by different provincial governments. While Standard Chinese is the *lingua franca* for much of China, there are approximately 292 spoken languages in the country in total, though proficiency in Mandarin is seen as required for access to better jobs.[40]

An *Economist* article in 2006 estimated that 1 in 5 of the Chinese population is currently learning English, with Gordon Brown estimating that by 2025 the number of Chinese speakers of English will outnumber the number of native English speakers globally.[41] The majority of Chinese are required to take English lessons from age 6, and with English being a major part of both the high school and university entry tests, top-up lessons outside of school hours are common. Proficiency in English is also required to be able to graduate from University degrees, though at all levels a focus is on grammatical tuition, rather than vocabulary, leading to a large number of people who struggle to communicate orally.[42]

5.6.2. Cultural Affinity

While China was not highlighted by any consultee as having a particularly great historical affinity with the UK, several commented on the respect for both British literature and the British education system which had potential to open doors. As with other areas, cultural exchange was presented in several consultations as offering a way of opening the market place, with an exchange of film festivals suggested by one. The British Council is currently making a major effort in China with the *UK Now* festival, and suggestions were also made that a more coordinated effort to promote British film at the Shanghai and Beijing festivals might pay dividends given the popularity of British films there during recent events.

A recent Nesta report on China, *Crossing the River by Feeling for Stones*, suggests that some cultural affinity between the UK and China is demonstrable in the audiovisual space. The report notes that on one website, *Douban* (which is something of a cross between IMDB and Facebook), *Lock, Stock, and Two Smoking Barrels* was in the top 250 movies, while *The IT Crowd*, *Black Mirror*, and the actor Benedict Cumberbatch were also attracting significant numbers of Facebook-style 'likes'.[43] Though drawing such detailed conclusions from a single site might be seen as over-reach, nonetheless it indicates a nascent market for British film.

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[40] http://www.ethnologue.com/show_country.asp?name=CN
[41] *The Economist*, 'English Beginning to be Spoken Here', 12 April, 2006
[42] http://www.ef.fi/epi/country-profiles/china/
[43] Bakhshi, H. and Schneider, P., *Crossing the River by Feeling for Stones*, Nesta, June 2012

5.6.3. Business Practice – Legal and Financial

China remains a difficult place to do business, ranking 91st on the *Doing Business Report*, in spite of a period of reform in the mid-2000s. The only area where China ranks highly is in the field of contract enforcement, taking 16th position globally. Resolving insolvency (75th), trading across borders (60th), and getting credit (67th) are all middle-ranked areas, while protection of investors (97th) and starting a business (151st) both rank very low.

The Renminbi (*people's currency*, also known as Yuan) is not a freely tradable currency, and is subject to both capital controls and exchange rate control. While China promised in 1996 to remove both of these within 10 years – and the Yuan is now allowed to float within a 1% band of the official exchange rate – government macro-economic policy still retains a major level of control over the country's exchange rate.

It is worth noting that Fitch – the economic analysts – estimate that there is a 60% chance of a banking crisis in China by mid-2013, given the credit-fuelled investment boom which has occurred in the last few years.[44] This said, both the ample deposits of the banks in question and the resources of the Chinese state make the chances of any crisis turning into a facsimile of the 2008 Western crisis fairly slim.

Several withholding taxes are levied against capital gains realised by foreign companies in China, but these are recognised as credits against UK tax in the double taxation convention.

5.6.4. Regulatory Framework

China is a unitary, one party state, and while policy is officially adopted through the National People's Congress, in reality this body has little power, acting mainly as a rubber-stamp for the Politburo of the Communist Party of China.[45] Central to the decision making process is the Politburo Standing Committee (PSC), which is scheduled to be replaced in November – theoretically, 7 members of the PSC are required to stand down, having exceeded the age of 67.

Chinese film policy limits the number of foreign box office films to 20 per annum; recently this has been increased by an addition 14, though this latter tranche can only be 3D or large-format pictures.

UKTI notes that Chinese IP law is broadly equivalent to that found in the UK, but falls down on the enforcement side –local governments have been accused of sheltering factories producing counterfeit goods as a creator of employment, for example.[46] Furthermore the *Special 301 Report* notes that trade deals with China increasingly require transfer of IP to Chinese

[44] *ibid*
[45] http://news.bbc.co.uk/1/shared/spl/hi/in_depth/china_politics/government/html/7.stm
[46] UKTI, *Doing Business in China*, p. 62

companies, as part of a policy to promote 'indigenous innovation.'[47] This is in addition to rampant physical and digital IP infringement in the country.

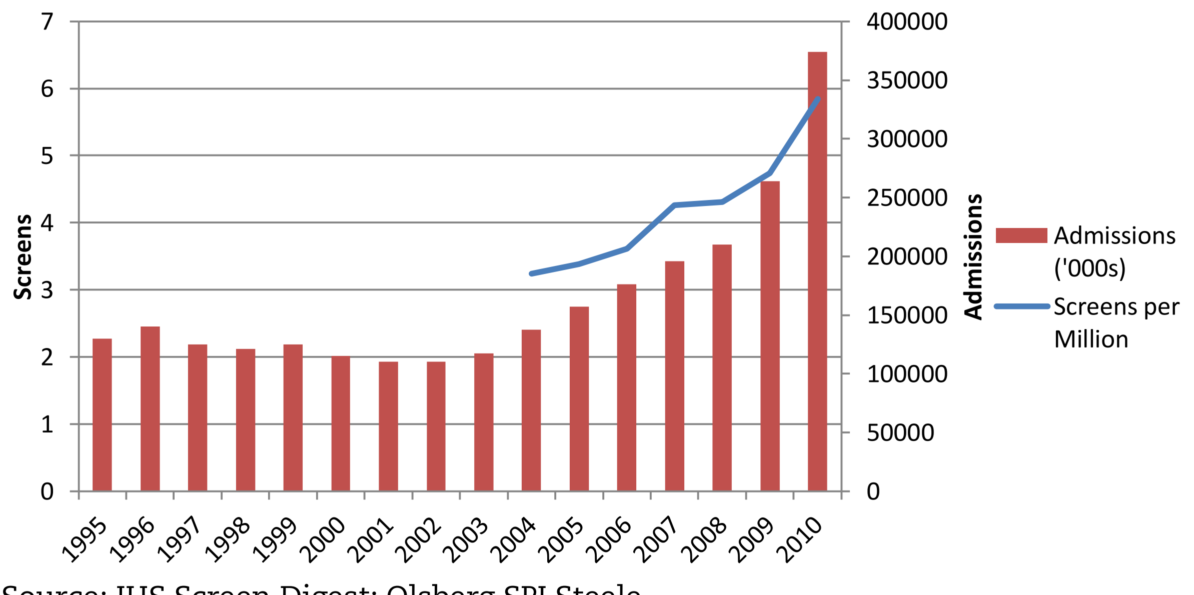
5.6.5. Maturity of Market

China's market is rapidly growing, with a 29% increase in GBO for 2011 to approximately US$2 Billion, a 28% rise in admissions to 370 million (though this suggests that EAO's data are not readily comparable with IHS Screen Digest, below), and a 50% rise in number of screens. 3D films took 39% of the GBO, a significantly higher percentage than in Western markets. Distribution currently remains in the hands of two state-controlled companies, though the revenue share for foreign companies has risen from 13% to 25% at the same time as the increase in quotas for 3D and IMAX productions.[48]

Helped by generous production subsidies, Chinese producers made 588 films in 2011, though judging by previous years only about 1 in 5 of these will be released theatrically, and 1 in 10 will make a profit. The number of Chinese co-production treaties is now steadily increasing to circumvent the quota system, and EAO note that a fund was set up to support US co-productions this year.

5.6.6. Infrastructure

Note that for the below graph, data on numbers of screens for the 1990s and early-2000s were not reliable.



Source: IHS Screen Digest; Olsberg SPI Steele

In spite of the gaps in data, it is clear that the Chinese market shows enormous growth at this moment in time – IHS Screen Digest's provisional figures for 2011 show 414 million admissions, the second largest in the world after the US. This comes despite a very low saturation of cinemas,

[47] *Special 301 Report*, p. 27
[48] *EAO Focus 2012*, p. 51

which suggests (not least given the scale of the country) that there is almost unparalleled growth potential in China. As Dodona note, projections of a market with 10,000 screens and a CNY20 Billion (£1.98 Billion) GBO by 2015 have been ridiculed in some corners, but would actually indicate a slow-down in present trends.[49] Some caution may yet be required here though, as while evidence from consultations suggests that cinema growth is continuing apace, though concern was voiced that some of these are either understaffed or in the wrong locations to attract audiences.

[49] *Filmgoing Asia*, p. 4

5.7. Egypt

5.7.1. Language

Arabic is the major language of Egypt, with Egyptian Arabic being spoken by the majority of the population and, along with Modern Standard Arabic, being one of the two major widely understood dialects. The prevalence of Egyptian Arabic in the Middle East and North Africa is a direct result of the influence Egyptian TV and Film has in the region.

Evidence from UKTI suggests English is widely understood as a business language, though specific data on the extent of English in the wider population have proven difficult to find.

5.7.2. Cultural Affinity

No consultee suggested a significant degree of cultural affinity between the UK and Egypt, though cultural engagement was suggested; in general it was felt by those who knew the area that it would be wise to understand the outcomes of the current political changes before attempting significant engagement.

5.7.3. Business Practice – Legal and Financial

Egypt has an overall ranking of 110th on the *Doing Business Report*, but this masks a significant variety of scores for the individual elements which make up the overall ranking. Starting a business (21st) ranks highly, while trading across borders (64th), getting credit (78th), and protecting investors (79th) are all middling. Resolving insolvency (137th) and enforcing contracts (147th) remain difficult; it must be noted, however, that the position of the courts and constitution are highly questionable in the aftermath of the 2011 Revolution.

UKTI highlights that the present political instability in Egypt is likely to continue for the near future; though of late the government of President Morsi appears to be gaining a greater level of control over the country. In the immediate future, UKTI notes that the economy is likely to suffer from a significant lack of investment, resulting in high unemployment and a large current account deficit. Despite this, it is noted that in the medium-term "it is an attractive market that offers significant business opportunities and its economy is among the most diversified in the Middle East and North African region. Egypt's geographic location is hard to beat and the country has a big and growing population, exceeding 80 million, of whom 50% are below the age of 25."[50]

The Egyptian Pound is theoretically a free-floating currency, but in reality its exchange rate is tightly managed by the central bank and exchange controls are in place. In the aftermath of the Revolution, the currency has been suffering from a significant amount of inflation, running at 18% in 2011.

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[50] http://www.ukti.gov.uk/export/countries/africa/northafrica/egypt/overseasbusinessrisk.html

Egypt operates a withholding tax régime, but there is a double taxation treaty in place between the UK and Egypt.

5.7.4. Regulatory Framework

Determining the exact status of regulation in Egypt at this moment in time is necessarily complicated by the ongoing aftermath of the Egyptian Revolution of 2011. At the time of writing, there is significant confusion with regard to the direction of travel of the country, and where exactly competence for the drafting of a new constitution lies. Though annulled, election results for both the parliament and presidency suggest a significant degree of popularity for the moderate Islamist 'Freedom and Justice Party', better known as the Muslim Brotherhood in the West. While they profess an adherence to the mild line taken by the Turkish AK Party (also Islamist), the exact policies to be undertaken are unclear; it is noted that adherents of ultra-conservative interpretations of Islam (ie in Saudi Arabia) have banned cinemas, though given the central position of Egypt in Arabic television and cinema, this would seem a somewhat unlikely eventuality.

Historically, a screen quota has been legislated for in Egypt, though it is noted that it has never truly operated as such, and was instead used by the government to leverage Egyptian film into other markets. As with many things, the current and future status of this is uncertain given the recent upheavals.

UKTI note that while IP protection statute in Egypt is good, as with many emerging markets enforcement is patchy; this is a view ratified in the *Special 301 Report*, which highlights the paucity of enforcement efforts as a reason for Egypt's continuing placement on the watch list.

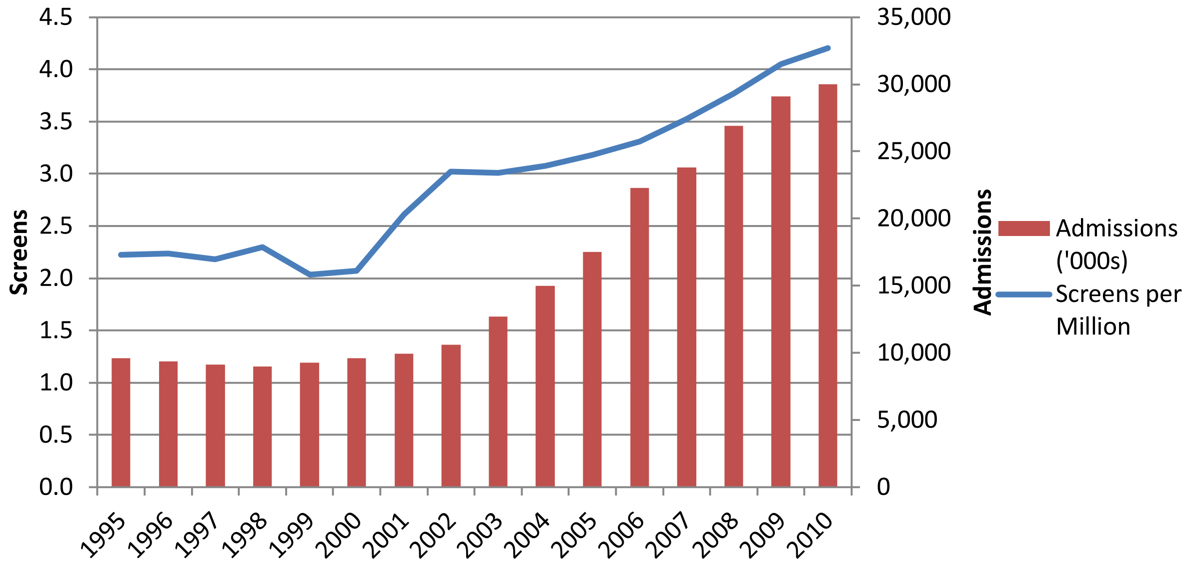
5.7.5. Maturity of Market

Egyptian admissions reached 31.3 million in 2011 according to *EAO Focus*, a marginal increase from the 29.1 million recorded in 2009, but an intriguing one given the wider events ongoing in the country. GBO for 2010 (the last year for which EAO has data) were US$74.7 million, an 18.4% increase on the 2009 figures. There are queries with regard to the data on screens though – while it is plausible that from 2009-2010 the number of screens fell 14.8% to 341, the reported fall in digitised screens from 28 to 3 needs further investigation.

Egypt's cinema industry has one of the highest national market shares in the world, with 80% of films exhibited being local, according to both *Focus* guides. This is particularly interesting given the lack of enforcement of the cinema quota, and together with Egyptian film's influence in the wider Arab world is suggestive of a strong local sector.[51]

[51] *EAO Focus 2012*, p. 60

5.7.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Screen penetration in Egypt is clearly very low, even in comparison to other countries at a similar stage of development; given the importance of the Egyptian cinema industry in the Middle East and North African region, this is somewhat surprising. While the growth trends and potential are clearly encouraging, the size of the industry does lead to some questions over the reliability of the data overall.

5.8. France

5.8.1. Language

French is the sole official language of France, and is spoken by the vast majority of the population. Study of two foreign languages is required during the course of mandatory education – English is commonly but not always chosen, with German, Spanish, and Italian also being popular in certain parts of the country.[52]

98% of students do end up having some contact with English over the course of their education, and proficiency in the language is increasingly a requirement for entry into top schools. However, in common with the teaching of French, an emphasis is placed on grammar and literature, as opposed to conversational fluency. The French are sometimes resistant towards the use of the English language, though in many internationally oriented companies it has become *lingua franca*. In various fields, recent French policy has seen a promotion of neighbouring countries' languages – particularly French and Spanish – which has served to act as a something of a brake on the growth of English.[53]

5.8.2. Cultural Affinity

In *Stories We Tell Ourselves*, the UK Film Council considered the cultural impact of British films in several countries, including France; this notes that Harry Potter was the top UK film in the country during the period studied, though culturally it 'oscillated' between being US- and UK-centric. The study highlights the success of 'Hugh Grant films', exemplified by *Notting Hill*, but notes that these have a weak British identity in the French mind, and are (like Harry Potter) seen as having a 'US style', despite their popularity.

More interesting with regard to cultural affinity is the description of the social realist films of directors like Ken Loach – these, the study notes, "are generally perceived as a model for national cinema."[54] It is noted that these films reach a larger than expected audience in France, on account of their dealing with themes – particularly the 'loss of social capital' – which resonate in French society. Particularly important is that the films deal with "people who are very much like us", which the report notes are under-represented in French cinema.

The French consider the difficulty of placing 'British film' into easy categories as being both a strength and a weakness – it is seen as harder to fathom and define than either indigenous or American film. *Stories We Tell Ourselves* also notes that the late French film critic and director François Truffaut's remark that he felt 'cinema' and 'England' were essentially incompatible has proved problematic, given all those in the French cinema industry have taken a position with regard to it. Nonetheless, retrospectives

[52] http://www.ethnologue.com/show_country.asp?name=France
[53] http://www.ef.fi/epi/country-profiles/france/
[54] UKFC, *Stories We Tell Ourselves* (June 2009), p. 67

of British film at the time the report was written both raised the profile of the industry in France, and demonstrated significant cultural affinity between British and French cinematography.

In spite of this, no consultee specifically highlighted France as having particularly good cultural affinity with the UK.

5.8.3. Business Practice – Legal and Financial

France ranks 29th in the *Doing Business Report*, ranking especially highly in enforcement of contracts (6th), but generally falling into an upper-middle rank on other measures. These include starting a business (25th), resolving insolvency (46th), getting credit (48th), and protecting investors (79th). Though trading across borders is ranked as being expensive, being a member of the EU, this is not an issue for UK businesses. France uses the Euro as its currency.

5.8.4. Regulatory Framework

As previously noted, French law requires 40% of broadcast TV to be exclusively French, with an additional 20% to be produced in the EU, which may be seen to provide an opportunity for the UK. France maintains a limit of 110 foreign films being allowed to enter France annually, which it has successfully defended both at the WTO and EU on the grounds of protecting French culture.[55] As a member of the Council of Europe, France is a signatory to the European Convention on Co-Production, as well as having a separate bilateral co-production treaty with the UK.

There is nothing to indicate major IP concerns with regard to France in either the UKTI briefings or *Special 301 Report*.

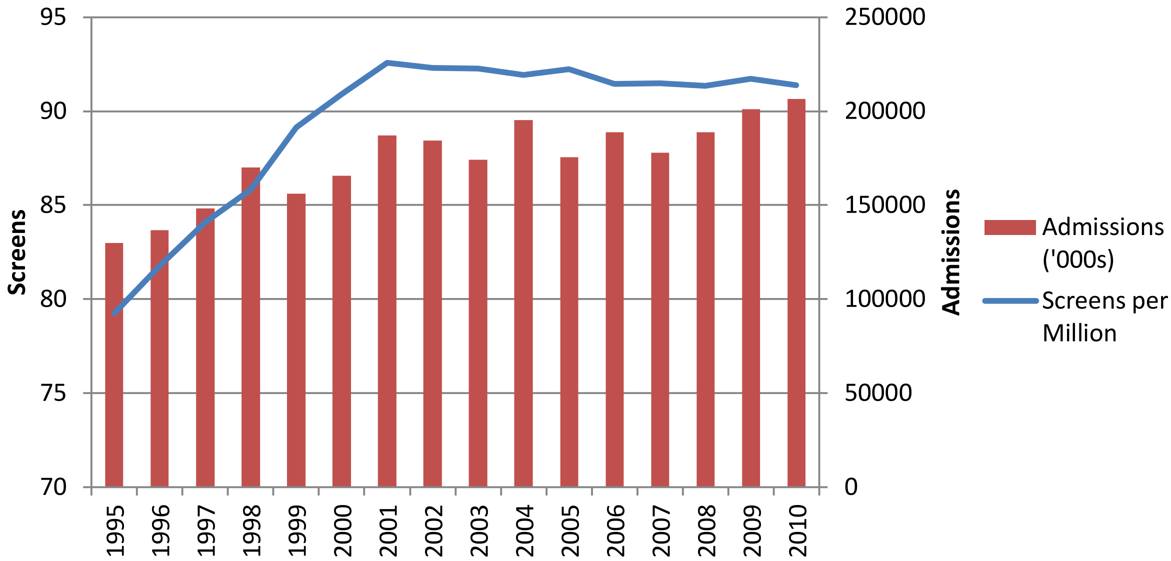
5.8.5. Maturity of Market

Admissions grew strongly in 2011, reaching 216.6 million, the best result since 1966 and a 4.7% increase on 2010; GBO grew also by 4.7% in 2011. 3D films accounted for about 25% of this box office, with French films (led by *Intouchables*) accounting for 40.9%, an increase of 5.2% from 2010. By the end of 2011, 67% of France's cinema screens had been digitised.[56]

France produced 272 features in 2011, an increase of 11 from 2010; this said, overall investment fell 3.5% to €1.39 billion. While local productions grew marginally last year, investment in foreign majority films fell by just over 20%. Also interesting is the €400m initiative to digitise France's film heritage, which gained EU approval, and will cover both catalogue films with potential and heritage works.

[55] http://screenville.blogspot.co.uk/2011/10/cinema-quotas.html
[56] *EAO Focus 2012*, p. 23

5.8.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Following a period of growth for cinema screens in the late-'90s, the market would now appear to be relatively steady, and in the expected range for a developed market. The growth of cinema admissions in the past 5 years, however, is clearly shown by the IHS Screen Digest data, and is an interesting trend. While there has been some variability, since 1995 the overall trend appears to be towards strong admissions growth in France, rather than the relative stability seen in other developed countries.

5.9. Germany

5.9.1. Language

German is the dominant language of Germany, and is spoken as a first language by over 95% of the population. English is the predominant foreign language taught in schools, though some learn French – Russian continues to be the second language of a minority on account of language policies in the former-DDR.[57]

Being an export-focussed economy, fluency in English is considered mandatory for managerial appointees at most German firms, and the quality of the language has increased in recent years as the educational emphasis has shifted from grammar to communication. General proficiency in English is considered high.[58]

5.9.2. Cultural Affinity

One consultee stated that Germany had some of the strongest links with Britain, but otherwise the country was not mentioned directly.

5.9.3. Business Practice – Legal and Financial

Germany is ranked 19th on the *Doing Business Report*, being seen as largely business friendly, but with some peculiarities. Enforcing contracts (8th) and cross-border trade (12th) are seen as particular strengths in Germany, but there are some concerns over starting a business (98th), protecting investors (97th), and paying taxes (89th). Germany mandates a dual-board corporate management structure, with an ordinary management board (*Vorstand*) overseen by a supervisory board (*Aufrichtsrat*) – this latter board is required to have significant employee representation. As a member of the EU, UK firms will have strong access to German markets. Germany is a member of the Euro zone.

5.9.4. Regulatory Framework

Germany is a federal state, and each *Land* has considerable autonomy to determine its own regulations and policies. In the media sector, this is manifested through the existence of separate screen agencies, either for a single *Land* or groups of *Länder*. The UKTI guide also notes that "There are few restrictions on which industries or services may do business in Germany, but the country is highly regulated at nearly all levels, and it is wise to check first before going ahead with any investment."[59]

Germany has no screen quotas, and as a signatory of the European Convention on Co-Production is accessible for co-productions by the UK film industry.

There is nothing to indicate major IP concerns with regard to Germany in either the UKTI briefings or *Special 301 Report*.

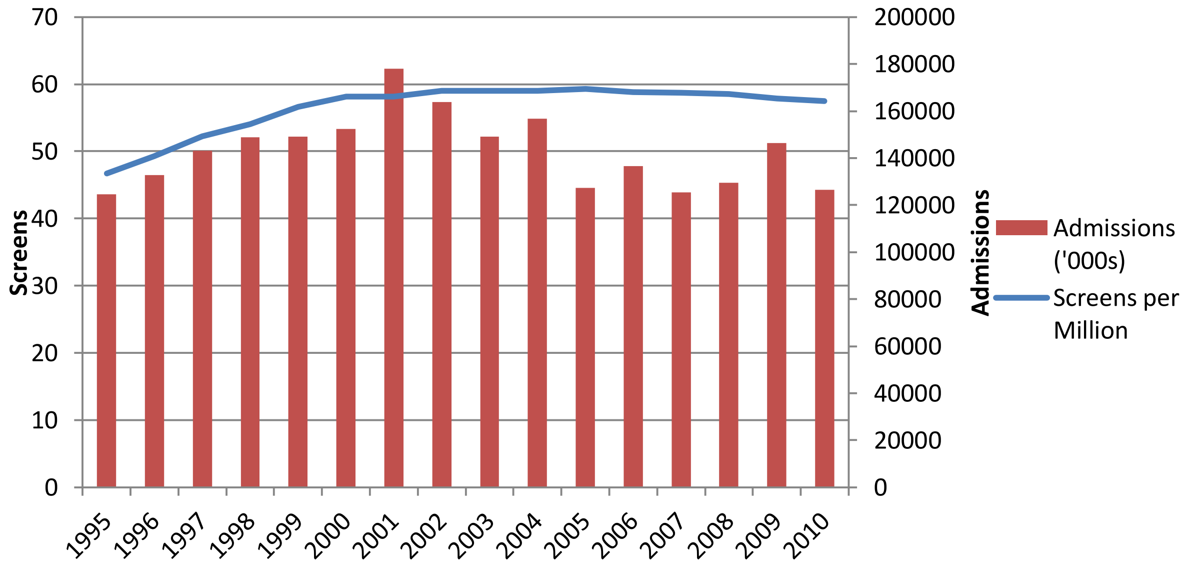
[57] http://www.ethnologue.com/show_country.asp?name=Germany
[58] http://www.ef.fi/epi/country-profiles/germany/
[59] UKTI, *Doing Business in Germany*, p. 8

5.9.5. Maturity of Market

The *Focus 2012* report notes that, after suffering a significant downturn in 2010, the German theatrical market largely recovered in 2011, with admissions increasing 2.3% to 129.6 million, and GBO increasing 4.1% to €958m. EAO states that while attendance increased, the number of cinemas shrunk for the 6th consecutive year, reducing the number of towns with a facility to 926, compared to 1,016 in 2006. Digital penetration, however, increased to 50% of the total.[60]

German production increased to 205 films in 2011, the second highest ever – this followed a dip in 2010, and may have been stimulated by a federal court ruling approving the film funding law. The German Federal Film Fund (DFFF) has recently been funded through 2015 by the Federal Government, with the drafting of a replacement film funding law already in hand.

5.9.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Germany's screen penetration – akin to Belgium's – is relatively low for a developed country, but nonetheless would appear to be stable; in spite of the low penetration rate, Dodona note an impression that the country is actually over-screened, presumably when compared to the admissions figures.[61] While the *EAO Focus* report suggests that the sector has recovered strongly since a downturn in 2010, attendance figures nonetheless fall well below their peak in 2001. Overall, no clear trends in the attendance data are discernible, and variability would seem to be somewhat higher than in other developed markets.

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[60] EAO *Focus 2012*, p. 25

[61] *Cinemagoing Northern Europe*, p. 17

5.10. India

5.10.1. Language

The Indian constitution states that Hindi is the national language, with English performing a secondary function – language policy in India is, however, highly complicated, with a plethora of local languages continuing to be used at state level. While the original goal was to move toward the use solely of Hindi at a national level, the politics of this have proven impossible, leading to a situation where 22 languages are recognised by the constitution, while English has maintained its role as *lingua franca*, especially in business.[62]

While English is spoken as a first language by only 35 million Indians, it dominates certain classes of society, especially the media, higher education, and government. It is also very common to learn English as a secondary language, though specific data are hard to come by.[63]

5.10.2. Cultural Affinity

While, on account of its shared heritage through the Empire and Commonwealth, some consultees suggested that there was good cultural affinity between the UK and India, the results of the consultations were highly mixed. India was seen as an outlier by several consultees, either on account of its insular film sector, or the problems caused by its producers, and several specifically excluded it on account of this.

5.10.3. Business Practice – Legal and Financial

India ranks in the bottom third of countries on the *Doing Business Report*, coming 132nd in 2012, a marginal improvement from 139th place in 2011. With regard to sub-categories, India is only a middle ranking state when it comes to protecting investors (46th) and getting credit (40th), otherwise the country ranks poorly. Enforcing contracts (182nd) is seen as particularly difficult, being both costly and taking an average of 4 years. Starting a business (166th) and paying taxes (147th) are also both costly and time consuming.

Infrastructure problems and barriers to entry for foreign firms are rife, while the government continues to spend significant amounts of money on an extremely inefficient subsidy system.[64] With regard to infrastructure, UKTI notes that both logistically and culturally, "It is perhaps more accurate to describe India as a collection of linked markets rather than simply one large market."[65]

Aside from an often arbitrary taxation structure, India continues to be known as the 'license raj', with many areas still being controlled through

[62] CIA World Factbook
[63] http://www.bl.uk/learning/langlit/sounds/case-studies/minority-ethnic/asian/
[64] *The Guardian*, 'India's 20-year economic boom gives way to doubt in Delhi's malls' 28 May, 2012
[65] UKTI, *Doing Business in India*, p. 16

onerous licensing requirements and bureaucracy. The result of bureaucratic inertia has been a steady drop in India's GDP growth, which was down to 5.3% in the three months to March. While this sounds impressive by Western standards, it is significantly below the rate which will allow increasing numbers of Indians to move out of poverty.[66] Though recent moves have seen the government of Manmohan Singh begin to open the retail sector to foreign investment, the political troubles accompanying this move suggest future reforms will be difficult to achieve.

India operates a system of multiple withholding taxes against income realised by foreign companies, though these should be treated as credits against UK tax per the double taxation convention in place. An EU-Indian free-trade agreement has been under negotiation since 2007.

While the Rupee is a free-floating currency, the Reserve Bank of India uses macroeconomic tools to manage the exchange rate, though of late the currency has been broadly depreciating against the US Dollar. Furthermore, capital controls – though lessened in January 2012 – continue to be in force, which for inbound investors is seen through limits in the kinds of investments which can be made.[67]

5.10.4. Regulatory Framework

India is a federal state, and this has a dramatic bearing on the specific regulatory environment to be found – some states have opened up far more to international firms than others, though reform has been very hard to come by at the national level.

India does not appear to possess a formal screen quota, but it is up to local authorities to license films, decisions which can appear arbitrary.[68] There is a co-production treaty between India and the UK.

IP protection in India is generally seen as both weak and ineffective – the UKTI states that "Copyright abuse and piracy is widespread and IPR enforcement is weak."[69] The *Special 301 Report* notes that piracy of physical media in India is rife, the patent system is unpredictable, and progress on reform started in 2010 appears to have ground to a halt.[70] While the report notes that judges are increasingly willing to intervene against online piracy, the court system remains slow and bureaucratic.

5.10.5. Maturity of Market

Following the downward trend of the previous few years, Indian GBO increased by 10.6% in 2011, though *EAO Focus* notes the reasons for this are unclear. Digital shooting has massively increased the efficiency of the

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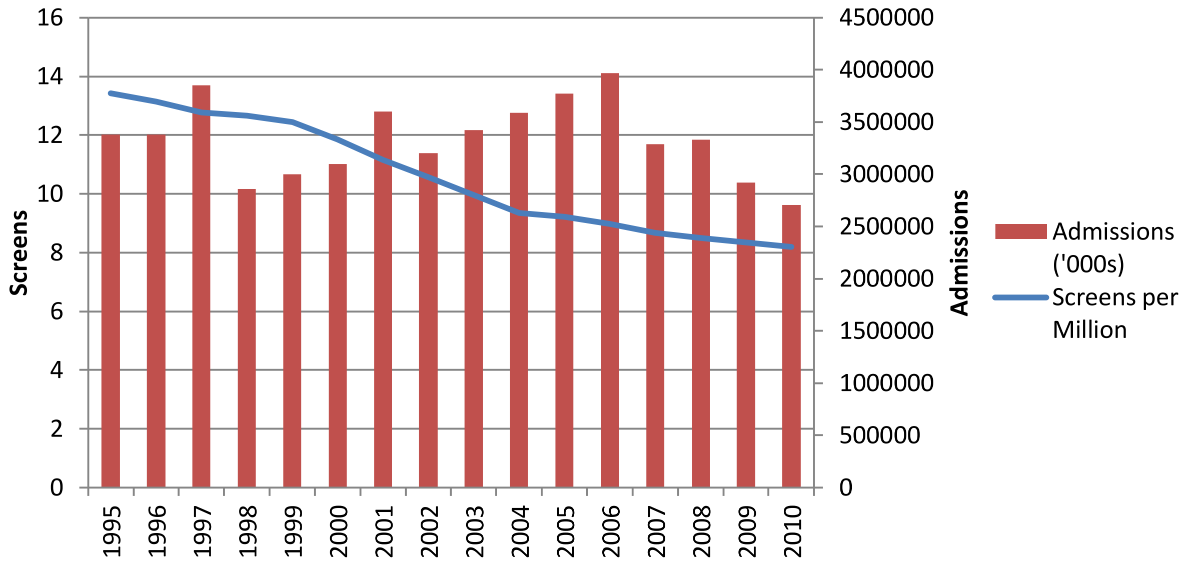
[66] http://www.economist.com/blogs/newsbook/2012/05/indias-economy
[67] http://online.wsj.com/article/SB10001424052702304371504577405742399678340.html
[68] http://timesofindia.indiatimes.com/city/mumbai/Screen-quota-film-for-protesters-Govt/articleshow/9414306.cms
[69] UKTI, *Overseas Business Risk - India*
[70] *Special 301 Report*, p. 35

Indian film industry on the production side, though roll out of digital projection remains limited. At the end of 2011, only 5-6% of Indian cinemas were digitised in line with US-standards, with limited pressure from Hollywood for "Digital Cinema Initiatives"-compliant screens given the small market share Hollywood has. The EAO notes that approximately 55% of Indian screens have digitised, though using a local e-cinema setup, whereby companies manage screens in exchange for a fee and a cut of the advertising spend.[71] Dodona note that this has proven a boon for smaller cinemas though, as they can play the latest releases without waiting for a print, generating finances for more major upgrades.[72]

Official figures for Indian productions are hard to come by, though EAO estimate that marginally more films may have been made in 2011 than the 1,274 certified in 2010. While Bollywood may dominate from an external perspective, Indian films are made in 8 recognisable centres as a result of the plethora of local languages, which goes some way to explaining the volumes made. Approximately 90% of the box office, and 74% of total turnover, is accounted for by local films.

5.10.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

While the roundness of some of the figures might lead to questions with regard to the accuracy of the IHS Screen Digest data, the overall downward trend suggested by the *EAO Focus* report is demonstrated by the above figure. Screen growth – somewhat surprisingly for a developing country with a large industry – has been negative for a long time, while attendances have been falling. In explaining this, Dodona highlight the previous boosting of figures by investors, together with the emergence of a (widely-pirated) home video market in India.

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71 *EAO Focus 2012*, p. 55
72 *Cinemagoing India*, p. 1

5.11. Indonesia

5.11.1. Language

The *lingua franca* in Indonesia is Indonesian, a Malay language – this is, however, spoken as a second language by the majority of the population, who generally speak one of the approximately 700 other recognised languages first.[73] EF rates the proficiency of English in Indonesia as very low – though it is noted that English is a compulsory subject at secondary school (and generally at primary school, though this is decided locally), many of the teachers are not themselves fluent enough to teach the language at a high level. The situation is, however, somewhat helped by the absorption of English words and phrases into the local Malay dialect, and the subtitling of English TV programmes – as a result the study notes that, unusually in Asia, spoken English is generally stronger for Indonesians than written English.[74]

5.11.2. Cultural Affinity

While nobody specifically recognised Indonesia as having great cultural affinity with the UK, cultural exchange was highlighted by one as a potential route into the Indonesian market. It is worth noting that one British director – Gareth Evans – has worked in Indonesia for some time, with his most recent film *The Raid* winning awards at the Toronto film festival; this may indicate that there is potential for further UK-Indonesian work in the future.

5.11.3. Business Practice – Legal and Financial

Indonesia ranks 129th in the *Doing Business Report*, a fall of 3 places from its 2011 ranking; the report notes, however, that Canadian officials are now advising the government on how to reform its business regulations. The country ranks relatively well in two areas, trading across borders (39th) and protecting investors (46th), but is otherwise in the bottom third of the rankings. Getting credit (126th), paying taxes (131st), resolving insolvency (146th), starting a business (155th), and enforcing contracts (156th) are all rated poorly.

While UKTI notes that Indonesia's transition to democracy has been highly stable, nonetheless the judicial system is criticised for its "slowness and inefficiency", and highlighted as a "major problem."[75] The report also highlights the issue of reported human rights abuses in West Papua, and Islamist terrorism shown through the 2002 Bali Bombings.

The Indonesian Rupiah is a freely convertible, free floating currency – at present inflation is significant, at around 5% annually, but given the growing economy (around 6% pa) this is not a particular issue. Currently,

[73] http://www.ethnologue.com/show_country.asp?name=id
[74] http://www.ef.fi/epi/country-profiles/indonesia/
[75] http://www.ukti.gov.uk/export/countries/asiapacific/southeastasia/indonesia/overseasbusinessrisk.html

the Indonesian government is considering redenomination of the currency, given its present low buying power as a result of past inflation problems.

While Indonesia operates a withholding tax system, there is a Double Taxation Treaty in force between Indonesia and the UK.

5.11.4. Regulatory Framework

Indonesia is a unitary, presidential republic – though reforms since the fall of the Suharto régime have seen certain powers increasingly devolved to local government, media policy is presently situated firmly in the centre.

In 2008, Indonesia passed a heavily restrictive 60% local quota, which was protested at the time by the local production industry; the law also bans dubbing of imported films. Though the legislation has never been implemented, neither has the government sought to repeal it – the International Intellectual Property Alliance (IIPA) notes, though, that it is currently subject to a judicial challenge by the Indonesian Film Society with regard to its constitutionality.[76]

IP protection in Indonesia is regarded as weak – while laws are generally seen by UKTI as in line with western standards, enforcement is not. The *Special 301 Report* echoes this, noting that online piracy and cable piracy in particular have increased in recent years, and courts are unwilling to hand down 'deterrent level sentences'.

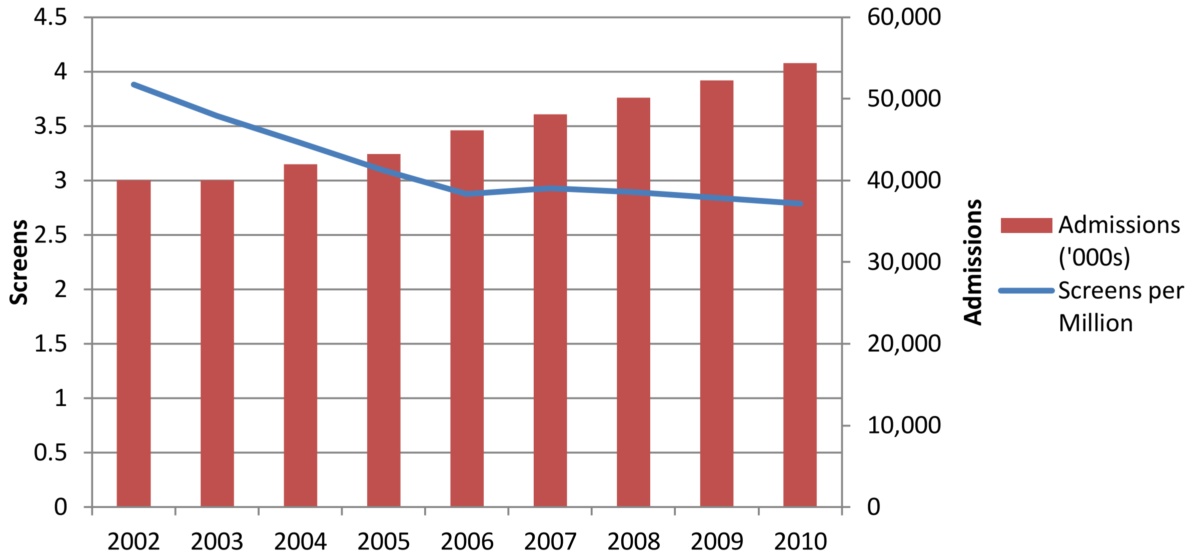
5.11.5. Maturity of Market

Indonesia remains a comparatively underscreened nation, with only 763 screens serving a population of 238 million at the end of 2011. *EAO Focus* figures show a significant increase in GBO of 24.1% to US$126.5 million in 2010, but neither more recent figures nor attendance later than 2009 are available in the data. The number of digital screens remains small, with only 34 converted at the end of 2010. Nonetheless, the country is the most prolific filmmaker in the Association of South-East Asian Nations (ASEAN) region, with the industry making 84 films in 2011, a marginal increase on 2010, and part of a generally steady upward trend.[77]

[76] http://www.iipa.com/rbc/2012/2012SPEC301INDONESIA.PDF

[77] *EAO Focus 2012*, p. 58

5.11.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

While IHS Screen Digest provides data back to 1995 for Indonesia, the reliability of this is questionable, as it shows an enormous drop-off in attendance in the mid-'90s, followed by a 2-year gap in data. As a result of this, a decision was made not to present it. The admissions figures are, however, broadly similar to those which the *EAO Focus* figures present, and show a similar trend of steady attendance growth, though with significant infrastructure gaps.

5.12. Ireland

5.12.1. Language

English is the predominant language of the Republic of Ireland, though recent policy changes (the 'Official Languages Act') have allowed much greater use of Gaelic in government and the law, though as it stands English continues to be the first language in education. While English is the lingua franca for most of the country, there are significant pockets of Ireland (*Gaeltachtaí*), particularly on the West coast, where Gaelic remains the day-to-day language.

5.12.2. Cultural Affinity

Ireland was only highlighted by one consultee as having particularly close cultural ties with the UK, though given the historical links, proximity, and broadcast links, the country has an almost uniquely close link with the UK.

5.12.3. Business Practice – Legal and Financial

Ireland ranks 10th on the *Doing Business Report*, a fall of 2 places from 2011. The country ranks very high for protecting investors and paying taxes (both 5th), getting credit (8th), and resolving insolvency (10th), and highly for starting a business (13th) and trading across borders (21st). Only enforcing contracts (62nd) ranks lowly of the relevant sub-categories.

UKTI notes no particular concerns with regard to the legal situation in Ireland.

Ireland uses the Euro as its currency, and though the country has suffered significantly during the recent recession, most economists see this as a result of a housing bubble and associated banking problems, rather than poor monetary policy. The country is also a member of the EU, and therefore open to free trade with the UK.

5.12.4. Regulatory Framework

Ireland is a parliamentary republic, and though divided into provinces and counties, these have limited political competence – they are currently constituted in a similar way to local government in the UK. Ireland has no screen quota for local film.

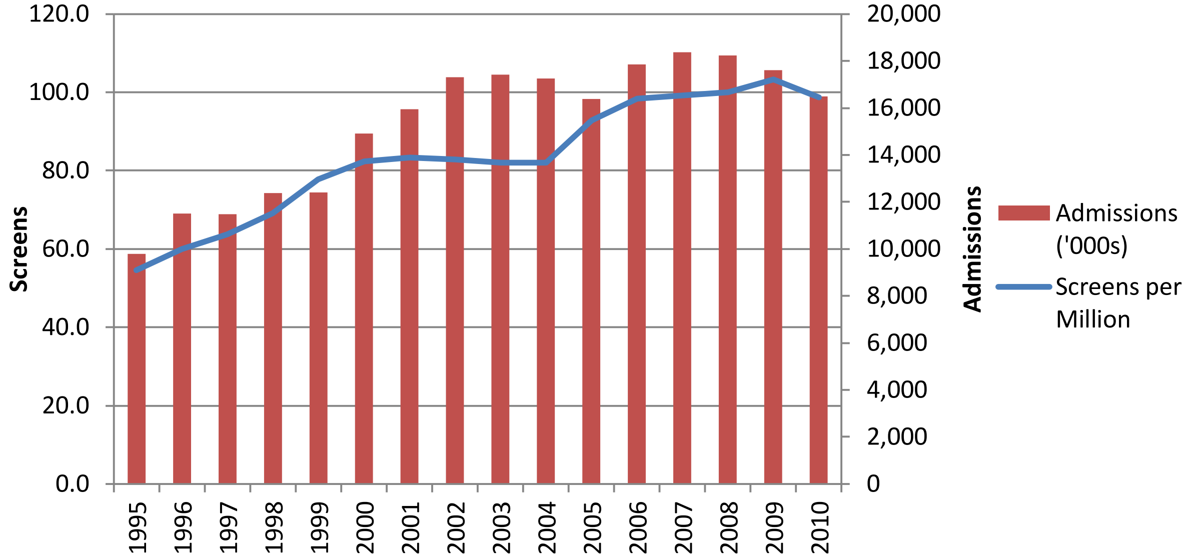
Via the European Convention, Ireland is open for co-production with the UK.

Neither UKTI nor the *Special 301 Report* suggest concerns with regard to IP infringement in Ireland.

5.12.5. Maturity of Market

EAO Focus reports Ireland's GBO in 2011 was US$ 155.7 million, a marginal 1.2% increase on the 2010 figure; admissions over the same period dropped by 190,000 to 16.3 million. Film production decreased in 2011 to 32 from 38 in 2010, though this remains in the same mid-30s range that the country has seen since 2008; national market share remains low at 4%, though this was an increase on the 1.3% seen in 2011. At the end of 2011, 43% of Ireland's 444 screens had been digitised.[78]

5.12.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The Irish film sector saw significant if uneven growth in the late-'90s and early to mid-2000s, though of late it appears that this has tailed off somewhat. In the last few years, there is a distinct downward trend in admissions numbers, though over the period as a whole they can be seen to have grown strongly. It appears from both this and wider qualitative research that the ongoing financial issues in Ireland are having an effect on cinema-going, though overall numbers remain quite strong, with the country continuing to have the highest per-capita attendance rate in the world.[79]

[78] *EAO Focus* 2012, p. 36
[79] http://www.irishexaminer.com/news/our-moving-stories-of-going-to-the-movies-181301.html

5.13. Italy

5.13.1. Language

The predominant national language is Italian, though strong regional dialects continue to exist, and certain areas retain different language traditions (ie, French in the Val d'Aosta, Slovene in Friuli, and German in South Tyrol.) While English is taught from primary school, in general this is by non-specialist teachers, and foreign languages are an option from age 16; furthermore, desirable *liceo classico* high schools continue to prefer Latin and Ancient Greek as second languages. While schools are currently undergoing reform, and one prominent Italian university has chosen to switch to teaching in English from 2014, at present the general level of comprehension remains low.[80,81]

5.13.2. Cultural Affinity

Stories We Tell Ourselves notes that, in cultural terms, Italy has a somewhat similar view of British film to that found in France. The cultural realist films of directors like Ken Loach and Mike Leigh are highly regarded for dealing with themes and characters which are under-represented or avoided in the Italian mainstream. Nonetheless, the report also highlights that similar views to France about the uncertain identity of British film were observed in Italy during the early 21st-Century, in spite of the success of films which exemplified the British self-deprecation and irony which Italian audiences admire.[82]

The report notes that – at the time of writing – British films had been eclipsed in Italy by other European countries with perceived stronger identities, especially Germany with films like *Goodbye Lenin*, *Downfall*, and *The Lives of Others*. While British films were successful at events like the Venice festival, they did not have an impact in Italy – while *The Magdalene Sisters* and *Vera Drake* both won Golden Lions, they were not in the top-30 British films in Italy over the past 30 years, *Vera Drake* achieving only 229,084 admissions in the Box Office.[83]

The report also notes that there are few opportunities for British film to reach Italians, and that the Italian broadcasters' lack of engagement with film as a whole is detrimental to overall film heritage.

Italy was not mentioned by name during any consultation as offering cultural opportunities, though the EU and 'Europe' were highlighted by several consultees.

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[80] http://www.ef.fi/epi/country-profiles/italy/
[81] http://www.independent.co.uk/news/world/europe/italian-university-switches-to-english-7643884.html
[82] *Stories We Tell Ourselves*, p. 68
[83] *Ibid*, p. 69

5.13.3. Business Practice – Legal and Financial

Italy is comfortably the lowest ranked EU member on the *Doing Business Report*, coming in 87th position for 2012, a fall of 4 places from 2011. Resolving insolvency (30th) is the only area in which Italy ranks reasonably well due to recent reforms, and the country otherwise performs poorly. Protecting investors (65th) and starting a business (77th) both rank in middling positions, but when it comes to enforcing contracts (158th) and paying taxes (134th) Italy ranks incredibly low for a G20 nation.

The UKTI notes that "the investment process can be time-consuming, bureaucratic, and expensive", and that some professions and industries continue to operate a closed shop.[84] While liberalisation has been promised – both under the former government of Silvio Berlusconi, and by current Prime Minister Mario Monti – it is highly unpopular. Furthermore, tax evasion in Italy remains rampant, with many firms preferring not to provide formal invoices or documentation.

Furthermore, the UKTI notes that organised crime retains a large foothold in Italian society, despite decades of police attempts to tackle the issue; nonetheless it is noted that the mafia rarely affect foreign firms.

As previously noted, Italy is an EU member, which should ease market access to UK firms. Italy is also a member of the Euro zone.

5.13.4. Regulatory Framework

Italy is formally a unitary state, but within this the regions are gaining increasing financial competence; there is also a distinct break between the richer and more industrialised north and the poorer south of the country. While Italy retains screen quotas for 50% of television and 15-20% of movie seats, these are applied to shows and films which are EU in origin, rather than Italian.[85]

Via the European Convention, the UK has co-production access to Italy.

IP protection remains an issue in Italy, with the *Special 301 Report* noting that piracy, especially online, remains rampant. This comes in spite of the UKTI's praise for Italy's IP laws, which it considers to be at the forefront of international practice.

5.13.5. Maturity of Market

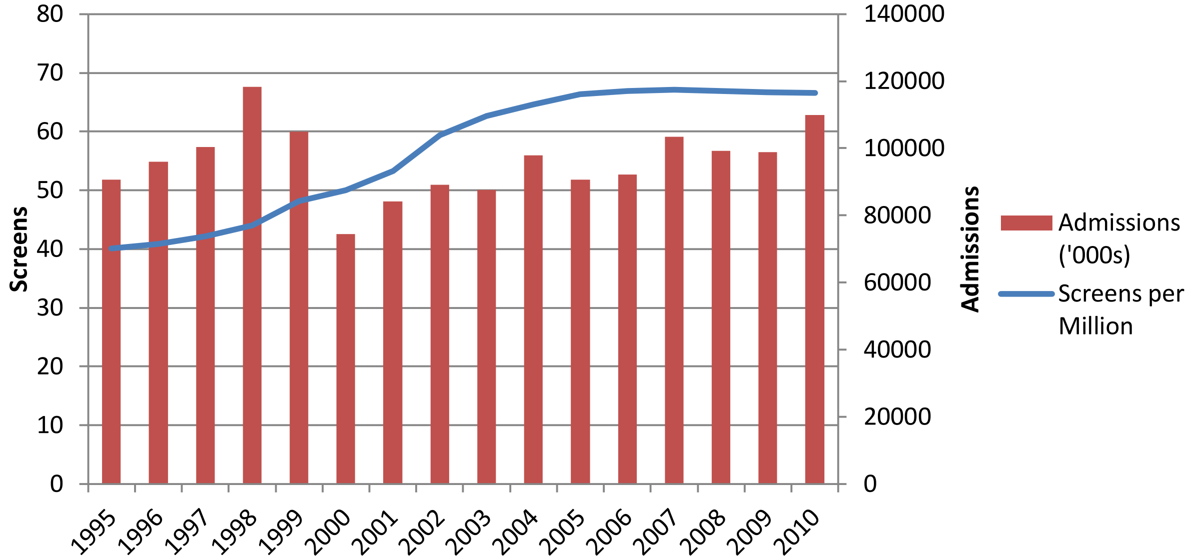
While local films performed well in 2011, *EAO Focus* notes that in general it was a poor year, with admissions falling by 8% to 111 million, and GBO by 10% to €695m. Though there is a tax credit in place for digitisation, many smaller cinemas have struggled to access this as they do not have sufficient

[84] UKTI, *Doing Business in Italy*, p. 20
[85] http://screenville.blogspot.co.uk/2011/10/cinema-quotas.html

taxable income, which has led to a relatively small digital penetration of 39%.[86]

Production volumes increased in 2011, reaching 155, an increase of 13 from 2010. This has been helped by the placing of the production incentive on a sustainable footing – whereas previously it was subject to annual negotiations, it has now been fixed until 2013, funded by a tax on automobile fuels.

5.13.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Growth in cinema screens appears to have levelled off, following major expansion in the late-'90s and early-2000s. Nonetheless, overall growth trends for attendance since 2000 would appear to be positive, though the significant drop-off in admissions from the late-'90s is intriguing, though may suggest faults in the data.

[86] *EAO Focus 2012*, p. 27

5.14. Japan

5.14.1. Language

Japanese is the dominant language of Japan, and is spoken by all Japanese nationals. English is widely spoken as a second language, though it is only mandatory between ages 10 and 14 at school. Despite this, its presence on the entrance tests for both the better high schools and universities mean private tuition is widespread, and on account of the JET programme which brings British and American students to Japan, teaching is often by native, single-subject teachers. Increasingly, English is used as a corporate language at companies like Nissan, though this is controversial locally. In spite of reasonable fluency, especially among the younger population, many Japanese remain reticent in using the language conversationally for fear of saying something incorrectly and giving offence.[87]

5.14.2. Cultural Affinity

Japan was not mentioned by any consultee for cultural reasons, and reactions when it was put forward either stated that it was too difficult as a market, or indicated that the consultee did not know Japan well enough to answer. While several stated that the peculiarities of the Japanese release cycle and the vertical integration of cinema chains with studios and distributors acted to stymie foreign entrants, in general the impression was that the market is simply not well known.

While the report is somewhat out of date, the UK Film Council did commission an overview of the Japanese film market in 2007, which suggests that opportunities for UK film do exist. *The Japanese Market for UK Films* highlights the popularity of several UK genres in Japan, focussing on films aimed at women, those which won Academy Awards, the work of Aardman, and 'edgy titles' like *Trainspotting* and *The Full Monty*, alongside several other potential sectors.[88] The report also highlights the issues with UK films in Japan, particularly a lack of understanding of the Japanese marketplace, and confusion between British and US films, and British and other European films.

5.14.3. Business Practice – Legal and Financial

Japan is ranked 20th on the *Doing Business Report*, but there are elements of extreme variability within this. While the country ranks 1st for resolving insolvency, and is also high on cross-border trade (16th) and protecting investors (17th), other elements rank lower. Enforcing contracts (34th) is stymied on grounds of cost and complexity of the enforcement process, while starting a business (107th) continues to be a time-consuming process, and paying taxes (120th) is unnecessarily difficult.

The Japanese legal system remains highly complex and bureaucratic, with court procedures being slow and sometimes subject to one judge taking

[87] http://www.ef.fi/epi/country-profiles/japan/
[88] UKTI, *The Japanese Market for UK Films*, pp. 118-119

over from another mid-trial. There is also a perception that organised crime continues to be heavily involved certain industry sectors, especially construction and entertainment.[89]

The Japanese Yen is a free floating currency, and amongst the most heavily traded in the world; it has suffered from very limited inflation in the recent past though. Japan charges a withholding tax of 20%, but this would appear to be treated as a credit against UK taxation per the UK-Japanese double taxation convention.

Japanese business maintains a certain formality which is somewhat peculiar for outsiders, but which remains important to make a good impression. Note that, according to UKTI, the British trade delegation in Japan contains members with specific Film and TV remits.

5.14.4. Regulatory Framework

Japan is a unitary state, though the various prefectures and major cities maintain separate regional governments with some power. As a consequence of the post-war political settlement, the Japanese Civil Service has extremely close links with the industries it governs, and it is not unusual for senior civil servants to retire into the companies they used to oversee. Though the DPJ government has attempted to reform this, the only concrete result has been to stop the government departments from actually arranging the jobs.

Another unusual Japanese feature is the number of *keiretsu* – or vertically integrated companies – in the economy. The fact that companies such as Sony (though not formally meeting all the criteria for a *keiretsu*) maintain divisions as diverse as electronics manufacturing, banking, and restaurants has acted historically to maintain market power and limit new entrants to the marketplace. As previously noted, in the film sector many studios are vertically integrated with distributors and cineplexes in a single group, leading to quasi-monopolies, and limiting space for independent competition.

Japan has no formal quota system or domestic screen minimums for television.

There is no suggestion that Japanese IP protection offers reasons for concern.

5.14.5. Maturity of Market

One impact of the 2011 earthquake in Japan was the near-halt of the entertainment industry – cinemas shut down to save on electricity, while films deemed inappropriate were pulled by distributors. The result of this was a 17% drop in admissions to 144.7 million, with an 18% fall in GBO to

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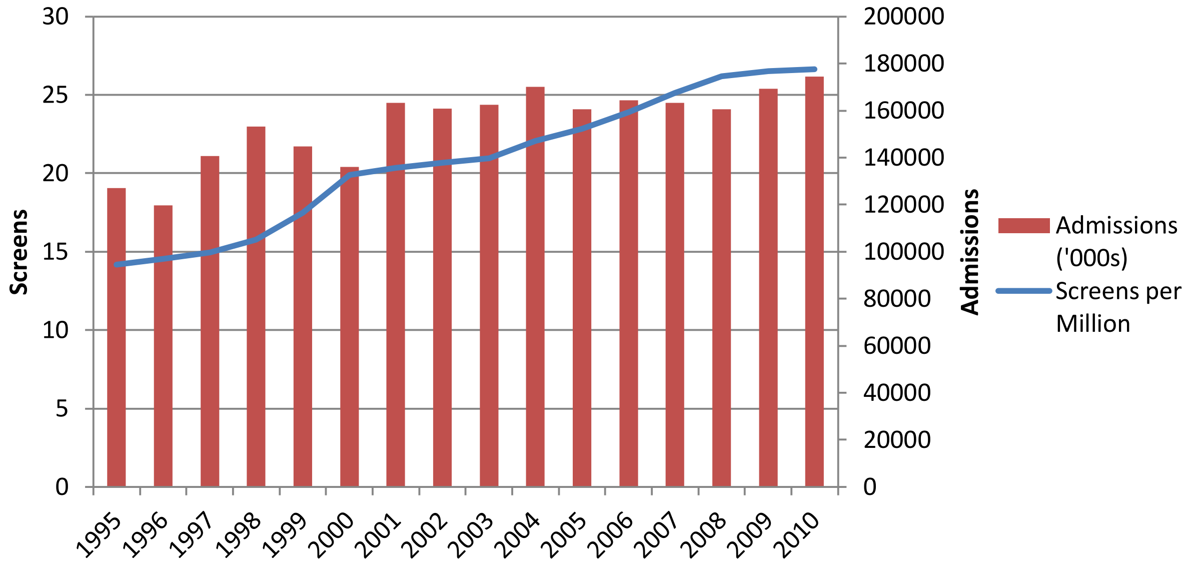
89 http://www.ukti.gov.uk/export/countries/asiapacific/fareast/japan/premiumcontent/107335.html

US$2.3 billion. *EAO Focus* notes that a recent trend has been toward the building of new multiplexes, though this also stalled in 2011. Smaller cinemas and the art-house sector have been thrown into crisis in the last few years, with many independent distributors going out of business, further concentrating the market in favour of the major players. By the end of 2011, 60% of the screen base had been converted to digital.[90]

Dodona note that there had been a period of significant structural change in the 20 years prior to this, with the virtual disappearance of theatres which belonged to groups showing only domestic or foreign films, not both.[91] This change was driven by the entry to a previously closed market of foreign exhibitors, including UCI, AMC, and Virgin; though these have since sold up to the Japanese big 3 (only Warner retaining a foothold), the changes which they introduced have survived.

Production activity in 2011 amounted to 441 films, an increase of 33 despite the disaster; local films took 55% of the GBO. Recently, a small co-production subsidy has been introduced, which covers up to 20% of expenditure with a US$625k cap – this is a major departure for the Japanese government, which has traditionally not looked to offer any incentives.

5.14.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

For a developed market, Japan shows a screen penetration more similar to that which you would see in Argentina than the US; though there is a clear growth trend, the low starting point is puzzling, and unexplained by other data. Attendances are also showing a marginal upward trend, particularly in the past few years, though as noted above this has been significantly altered by the 2011 Tohoku Earthquake and Tsunami.

[90] *EAO Focus* 2012, p. 53
[91] *Filmgoing Asia*, p. 13

5.15. Malaysia

5.15.1. Language

While Malaysian is the official language of Malaysia, for historical reasons English remains a major language, is widely spoken in business, and serves as a language of instruction in school for Maths and Science. EF ranks Malaysia as having the highest English language proficiency in Asia (though Singapore was not included in the survey), highlighting the role the language has in bridging between the Malay, Chinese, and Indian communities but not being owned by any of them. Overall, proficiency is ranked as high.

5.15.2. Cultural Affinity

Malaysia was not highlighted by any consultee as having particular cultural affinity with the UK, though there are significant historical connections between the countries.

5.15.3. Business Practice – Legal and Financial

Malaysia ranks very highly on the *Doing Business Report*, coming in 18th place globally. The country ranks 1st for getting credit, also placing highly in investor protection (4th). Rankings for trading across borders (29th), enforcing contracts (31st), paying taxes (41st), resolving insolvency (47th), and starting a business (50th) are all relatively good as well.

The Malaysian legal system is based on a combination of English, Indian, and Australian common law; a federal system prevails, with states having some competence around internal legislation and law, though it does not appear these encroach on the media sector.

Malaysia does impose a withholding tax, though there is a double taxation agreement in place between the country and the UK.

The Malaysian Ringgit is a free-floating currency, and while there are exchange controls these do not affect foreigners, instead limiting the ability of Malaysian nationals to take their money out of the country.

5.15.4. Regulatory Framework

UKTI notes that Malaysian censorship laws are very strict, with government intervention designed to protect the Muslim majority from foreign influences, seen as being harmful. The IIPA also notes that there are significant broadcast quotas for television, with 70-80% of content required to be local, and foreign broadcasts banned between 20:30-21:30. At present, cinema attendance is taxed at 25% of gross ticket price, artificially raising the price of attendance, while foreign ownership of broadcast media is limited to 20%.[92] Dodona note that, under a Compulsory Screening Scheme, exhibitors are required to show local films for two weeks in their largest

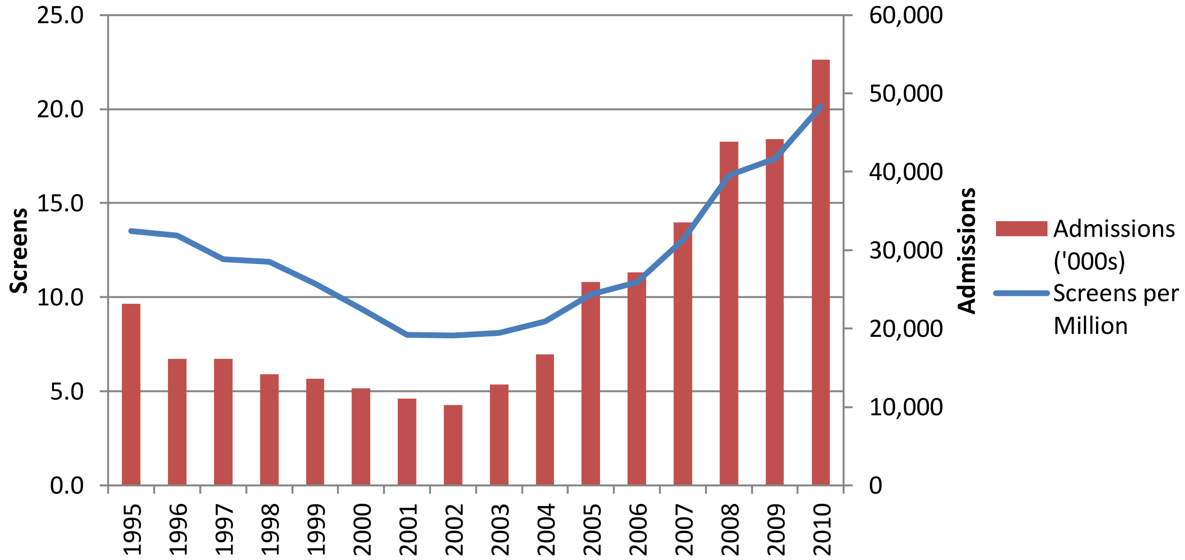
[92] http://www.iipa.com/rbc/2012/2012SPEC301MALAYSIA.PDF

screen in each cinema, only being allowed to move to a smaller screen if capacity utilisation falls below 30%.[93]

5.15.5. Maturity of Market

Malaysian film attendance reached new highs in 2011, with 59.5 million tickets sold, an increase of 9.6% on 2010. GBO in the same period also rose significantly, from US$ 160.4 million to US$ 196.7 million. The country showed good growth in the number of screens, growing 11.9% from 2010-2011, to 639, with approximately 13.1% of the total (84) digitised at the end of the year. The percentage of local content grew from 2010 to 2011, with Malaysian films achieving a 22.1% market share, up from 17%. At the same time local production continued on a solid upward trend, with a record 49 local films released in the year, *EAO Focus* data not having raw production numbers.[94]

5.15.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

While the data in the late-'90s are somewhat perplexing in terms of the film market trend, overall both attendance figures and screen penetration are highly encouraging. The penetration rate has risen over the past decade from a level similar to developing markets like China to a significantly higher level, and this has been mirrored by the increasing number of admissions.

[93] *Filmgoing Asia*, p. 23
[94] *EAO Focus 2012*, p. 58

5.16. Mexico

5.16.1. Language

Spanish is the de facto national language of Mexico, though approximately 6 million citizens speak indigenous languages. The US being the major trading partner of Mexico, English is a well spoken language, and all teachers must be certified under the Cambridge University ESOL scheme; however, only 16% of state schools teach English as part of their curricula, though 18.5% of pupils attend secondary schools privately. EF also notes though that the majority of truly bilingual Mexicans have moved to the US, and only 2% of Mexican residents claim to speak fluent English. This said, the high status of the language has led for a preference for English-language films to be subtitled in the cinema, rather than dubbed.[95]

5.16.2. Cultural Affinity

Mexico was mentioned by one consultee as offering a potential route into Spanish-speaking Latin America, though the particular security issues in the country were noted. No specific cultural affinity was suggested, and while one consultation highlighted the attempt to set up a Creative Industries Trade Mission to the country in 2011, it was noted that this had been suspended at this moment in time.

5.16.3. Business Practice – Legal and Financial

Mexico ranks 53rd on the *Doing Business Report*, though the report notes that the country is in the middle of a major reform push at all levels, and highlighted it as one of the most improved nations between 2011 and 2012. With regard to the individual rankings, however, there are few exceptional scores. While resolving insolvency (24th) ranks highly, and getting credit (40th) and protecting investors (46th) are reasonable, enforcing contracts (81st) and paying taxes (109th) lag. Starting a business is ranked 75th, but the report notes that there is a great degree of variability in this, both in cost and complexity, with some states making it far easier than others.

Trading across borders ranks 59th, though there is a Mexican-EU free trade treaty in place, with certain provisions currently set for revision – the EU states that preliminary discussions on these are underway.[96]

The Mexican Peso (MXN) is a free floating currency, and has now achieved a good level of price stability compared to previous crises. It is the most traded currency in Latin America, with no exchange or capital controls imposed.[97]

Remittances abroad by corporations operating in Mexico are subject to a 25-28% withholding tax, though this is treated as a credit against UK taxation per the double taxation convention between the countries.

95 http://www.ef.fi/epi/country-profiles/mexico/
96 http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/mexico/index_en.htm
97 Bank for International Settlements, 'Triennial Central Bank Survey 2010'

5.16.4. Regulatory Framework

Officially the United Mexican States, Mexico possesses a federal system of government which is similar in design to that of the US – as the *Doing Business Report* notes, this has made reform somewhat more difficult, given the requirement to co-ordinate certain changes across multiple semi-independent governments. In recent years, Mexico has developed into a stable parliamentary democracy, with significant reforms and opening to international business driven by the government of Felipe Calderón. Nonetheless, significant areas of the economy remain de facto monopolies, particularly in telecoms and pay television, where Telmex and Televisa have successfully battled reform efforts, largely in stopping one another from encroaching on their areas.[98] Despite this, reform of the television sector is a priority for the new government of Enrique Peña Nieto, with two new free to air channels expected to be launched, and the incumbents banned from bidding for them.[99]

With regard to film, Mexico was forced to withdraw its film quota in 1994 with the signing of the North American Free Trade Agreement (NAFTA), leading to a near-collapse of the local film industry. In response, a 10% quota was re-introduced in 1997, though this fell short of the 30% demanded by producers.[100]

Akin to many other emerging economies, IP infringement in Mexico is large in scale, though UKTI notes that it is somewhat less prevalent than many comparable nations.[101] This is broadly as a result of US pressure, exerted due to NAFTA. Nonetheless, the IIPA estimated that in 2009, overall losses due to piracy across physical media in the software, audio, and video arenas was US$933 million.[102] Mexico continues to remain on the 'Watch List' for the *Special 301 Report*, which notes that pirated goods remain widespread, and that anti-piracy efforts are stymied by weak links between federal, state, and local police forces and officials.[103]

5.16.5. Maturity of Market

GBO in Mexico increased to a record high of MXN 9.76 billion (£471m) in 2011, 8% more than 2010; attendance also grew 8.2% to 205 million, the 5th largest market in the world. Approximately 19% of Mexican screens were digitised at the end of 2011, with the majority being used exclusively for US 3D blockbusters.[104] One interesting note from the Dodona reports is the predominance of female attendees in the Mexican cinema audience, accounting for 54% of the audience.[105]

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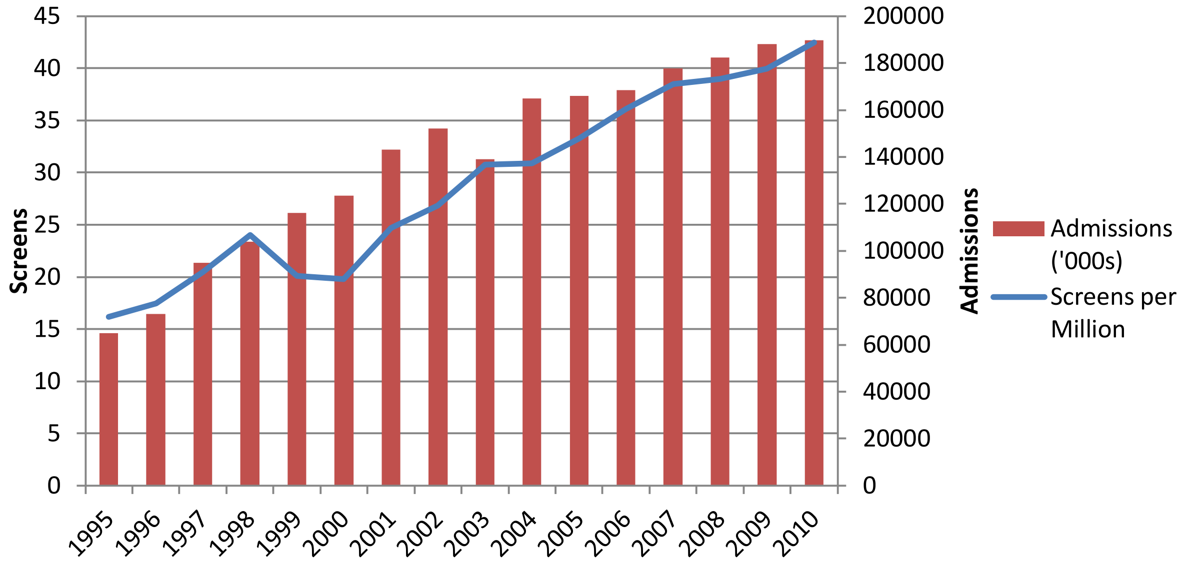
98 *The Economist*, 'Let Mexico's moguls battle' 4 February, 2012
99 *The Economist,* 'The PRI's qualified comeback' 7 July 2012
100 http://www.terramedia.co.uk/law/quotas_and_levies.htm
101 UKTI, 'Overseas Business Risk – Mexico'
102 *ibid*
103 *Special 301 Report*, p. 47
104 *EAO Focus 2012*, p. 45
105 *Cinemagoing Latin America*, p. 42

Mexican production reached 73 films in 2011, though only 62 were released – these took a relatively small 6.8% market share. While production levels have been relatively steady over the last few years, the number of co-productions has been increasing, reaching 14 in 2011, a steady increase from 6 in 2007, and which has been helped by the tax rebates introduced in 2006 and 2010.

5.16.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Mexico's screen penetration shows strong growth since the mid-'90s, with the number of screens rising from that seen in other developing markets to a level akin to developed nations like Belgium. This increase is paralleled in the attendance figures, where growth is almost unbroken between 1995 and 2011, and given the size of the country and the economy, it is likely that further growth is still possible if not probable, though Dodona note that both of the major exhibitors in the country are increasingly looking to expansion opportunities abroad, particularly in India.

5.17. Netherlands

5.17.1. Language

Dutch is the official language of the Netherlands, though the country has one of the highest proficiencies in the use of English in the world – 89% claim to speak it, and EF ranks the country second in the world for proficiency as a second language.[106,107] English is taught in the Netherlands from primary school, and increasing numbers of universities are teaching degree courses at least partially in English. Both film and television tend to be subtitled rather than dubbed, and there is a high level of use of English as a business language, especially in international firms.

5.17.2. Cultural Affinity

Outside of the general mentions of affinity with EU and 'European' countries, the Netherlands was not specifically noted in any consultation.

5.17.3. Business Practice – Legal and Financial

The Netherlands is ranked as a relatively easy place to do business, coming 31st on the *Doing Business Report*. While the country ranks highly for resolving insolvency (7th), trading across borders (13th), and enforcing contracts (28th), starting a business (79th) and protecting investors (111th) rank quite lowly. As both a member of the EU and a highly proximate country, however, it is doubtful that this would affect any UK firms. The Netherlands is also a member of the European Convention, and would hence be open for co-production.

The Netherlands is a member of the Euro zone.

5.17.4. Regulatory Framework

The Netherlands is a unitary constitutional state, which practises fairly strict separation of powers. The country has no screen quotas, and has come out against heavy involvement of the state in the cinema sector during past European consultation rounds.

With regard to IP, neither the UKTI nor the *Special 301 Report* suggest any concerns.

5.17.5. Maturity of Market

Film attendance in the Netherlands has increased markedly in recent years – 2011's 30.4 million attendance was a 7.8% increase on 2010. GBO also increased significantly, increasing 15.1% from 2010 to US$334.2 million. Digitisation in the Netherlands reached 69.5% by the end of 2011.[108]

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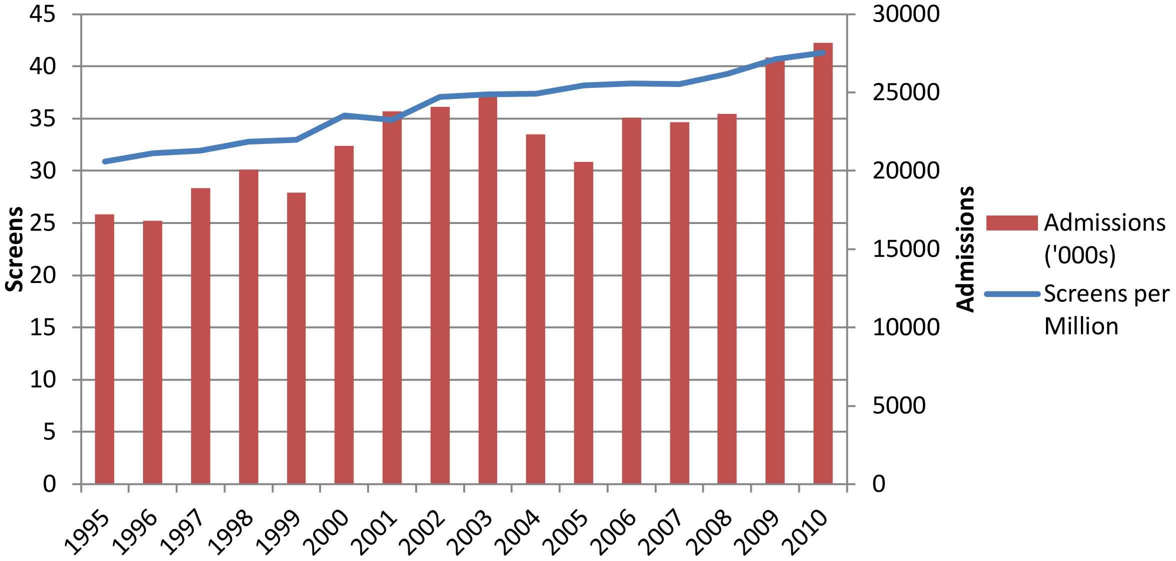
[106] Education First, *EF English Proficiency Index 2011*, p. 5
[107] http://ec.europa.eu/public_opinion/archives/ebs/ebs_237.en.pdf
[108] *EAO Focus 2012*, p. 36

5.17.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Similar to Belgium, the Netherlands seems somewhat underscreened compared to other developed nations, though Dodona note that screen growth has finally begun in the major population centres, and that future growth is probable given strong attendance figures.[109] Nonetheless, the sector has shown upward trends in both screen penetration and admissions since the mid-2000s, with the *EAO Focus* data suggesting this continued in 2011.

[109] *Cinemagoing Northern Europe*, p. 27

5.18. Norway

5.18.1. Language

Norwegian is the national language of Norway, with English mandatory from the first year of primary school. Study of English is mandatory at all levels of school, as well as at University; this has contributed to Norway being the most proficient country in the world for speaking English as a foreign language.[110]

5.18.2. Cultural Affinity

The Nordic countries were highlighted by one consultee as having among the strongest creative and cultural links with the UK of any region. Several others highlighted the particular talent in all areas of film, television, and literature which is presently being produced in the region. Norway was not, however, specifically mentioned by name.

5.18.3. Business Practice – Legal and Financial

Norway is ranked as the 6th easiest country in which to do business, according to the *Doing Business Report*. It ranks highly on almost all of the reports measures, including enforcing contracts (4th), resolving insolvency (4th), trading across borders (9th), and protecting investors (24th). Middle-ranking criteria are starting a business (41st) and getting credit (48th).

Though not a member of the EU, as a member of the European Economic Area (EEA) Norway implements the majority of EU law, and maintains a free trade area with the common market. Norway is also a signatory to the European Convention.

The Norwegian Krone is a freely tradable currency, and amongst the most traded in the world – the country has no capital controls and stable inflation, but given the dominance of petrochemicals in the economy, the value of the currency does fluctuate somewhat.[111]

5.18.4. Regulatory Framework

Norway is a unitary constitutional monarchy, with strong separation of powers between legislature, government, and the courts. It is not apparent that a screen quota still exists in Norway, though the country was one of the original sponsors for the cultural exemption to the General Agreement on Tariffs and Trade.

UKTI does not raise any specific concerns about IP protection, and while the *Special 301 Report* does, this is solely in the area of pharmaceuticals.

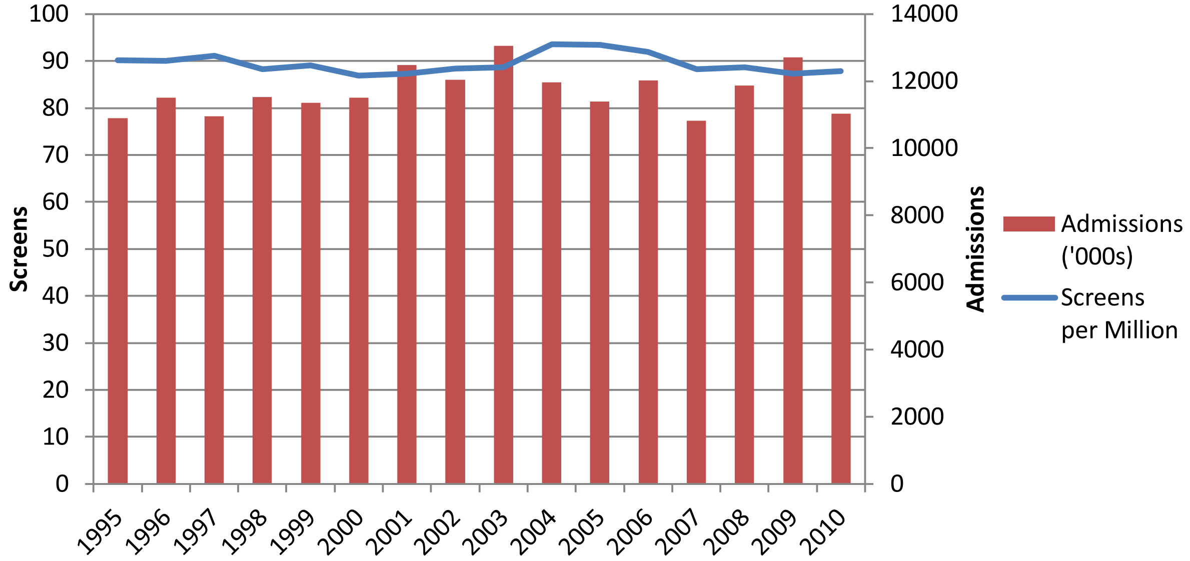
5.18.5. Maturity of Market

Norwegian cinema attendance reached 11.7 million in 2011, a 6.3% increase on 2010 following a major fall from 2009. GBO was US$185.5 million, a 22.4% increase over the previous year. Digitisation, meanwhile, reached almost all

[110] *EF English Proficiency Index*, p. 5
[111] BIS Central Bank Survey, *op cit*

screens in Norway, 62.6% of these also being 3D. National market share in Norway was relatively high at 24.5%.[112]

5.18.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Norway's cinema penetration has shown some variability over the past 15 years, but is broadly stable, and both this and the admissions numbers are suggestive of a mature, stable market for film.

[112] *EAO Focus 2012*, p. 38

5.19. Philippines

5.19.1. Language

Though there are around 120-175 native languages in the Philippines, depending on classification, English and Filipino are the most important, being co-official state languages. While Filipino is the language of government and education, English dominates the media, cinema, and other publications, and is more important as a language of business. The quality of English is good enough to support a large call centre industry targeting the US, and while few speak it as a first language, it is generally well understood.[113]

5.19.2. Cultural Affinity

While no consultee suggested particular cultural affinity between the UK and the Philippines, one suggested that cultural exchange was a potentially useful tool for entering the Philippine marketplace, given the financial and audience growth potential offered in the country.

5.19.3. Business Practice – Legal and Financial

The Philippines ranks 136th on the *Doing Business Report*, a fall of 2 places from the 2011 version; while the country ranks relatively well for trading across borders (51st), all other areas are at the lower end of the scale. Enforcing contracts (112th), getting credit (126th), protecting investors (133rd), paying taxes (136th), and starting a business (158th) rank poorly as, in spite of a serious reform effort in the previous year, does resolving insolvency (163rd).

UKTI guides note that bureaucracy is the major problem doing business in the Philippines, "Paperwork is prevalent and time-consuming, with a number of signatures required before final approval is granted."[114] While the current government has pledged to reform the bureaucracy and increase transparency, the reform efforts so far have been slow.

While the government of the Philippines maintains a withholding tax system for payments to foreign residents, this is reduced by the UK's tax treaty so long as the company does not have a permanent base in the Philippines.[115]

Since the 1960s, the Philippine Peso has been a free-floating, freely exchangeable currency, with no capital controls; though it had an inflation rate of 4.3% in 2011, given the growth rate of the country this is not a particular issue.

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[113] http://www.ethnologue.com/show_country.asp?name=PH
[114] UKTI, *Doing Business in the Philippines*, p. 41
[115] http://www.pwc.com/en_SG/sg/mergers-and-acquisitions-asian-taxation-guide-2008/assets/maasiantaxguide-2008-ph.pdf

5.19.4. Regulatory Framework

The Philippines is a unitary, presidential republic, though the Autonomous Region in Muslim Mindanao in the south of the country is largely exempt from central control, with negotiations currently underway to extend the region's autonomy.[116] The country is divided into provinces, over which the central government has little influence, but these have limited responsibilities, and do not appear to have input into media policy.

No screen quota operates in the Philippines, and it is not clear that any has ever been proposed or discussed. This said, the IIPA notes that several taxes – for example a 10% national entertainment tax, and a municipal license tax of 0.75% of the previous year's gross – have adversely affected growth of the audiovisual sector in the country.[117]

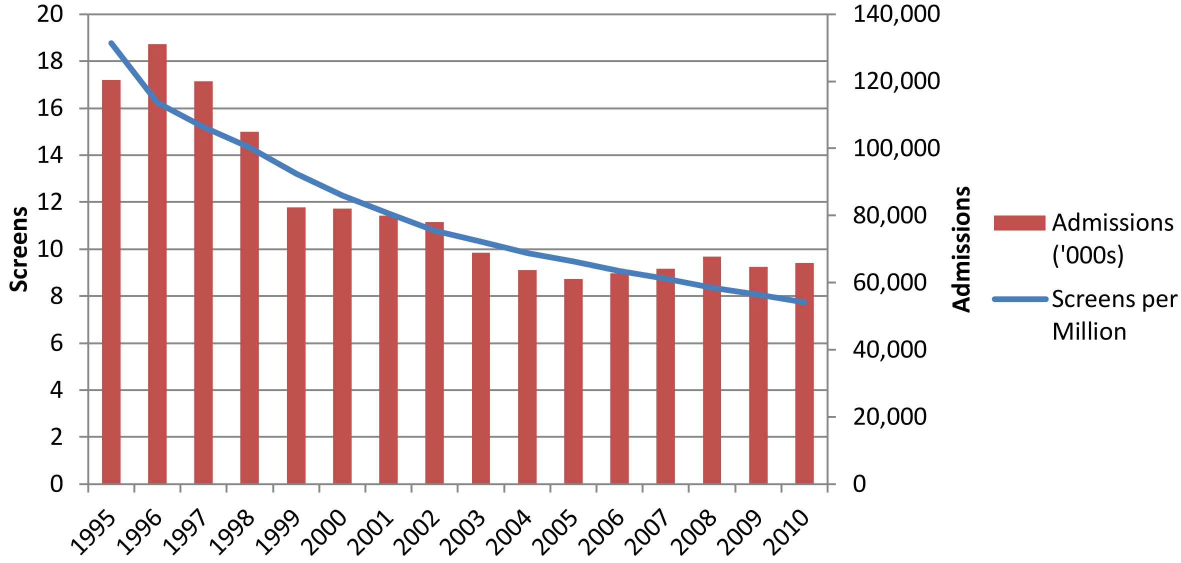
UKTI notes that the IP situation in the Philippines has been improving in recent years – though the country remains on the *Special 301 Report's* watch list, it was downgraded from being a priority in 2006. It is also noted that enforcement was strengthened in November 2011 when the Supreme Court cleared new regulations to expedite passage of IP infringement cases through the commercial court system.[118] *Special 301* offers no comment on the strength of Philippine IP laws, but notes that enforcement can be inconsistently applied.

5.19.5. Maturity of Market

Following its heyday in the 1970s, and subsequent slump, the Philippines has exhibited steady growth in film production in the last few years, with *EAO Focus* data showing 78 local films achieving a cinematic release in 2011, up from 53 in 2007. The data also show growth in the GBO, which rose 20.9% in 2011, to US$153 million; this was despite a fall in attendance from an estimated 69 million in 2009 to 48 million in 2011.[119] This may be explained by a significant rise in the ticket price from a US$1.70 average in 2009, to an average of US$3.20 last year.[120]

[116] *The Economist,* 'Shaking it up' 30 June 2012
[117] http://www.iipa.com/rbc/2012/2012SPEC301PHILIPPINES.PDF
[118] http://www.ukti.gov.uk/export/countries/asiapacific/southeastasia/philippines/overseasbusinessrisk.html
[119] *EAO Focus 2011* does not have 2010 data, showing instead that for 2009
[120] *EAO Focus 2011, EAO Focus 2012*, both p. 58

5.19.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The data for the Philippines is, akin to that for Indonesia, somewhat questionable for the mid-90s, given the massive drop-off in attendance figures at the end of the decade. Dodona would appear to ratify this point of view, highlighting the lack of cinema circuits in the country – cinemas are instead operated by the malls they reside in, which has led to little growth, and slow adoption of new technologies.[121] Nonetheless, what data are available suggests that there is some potential in the film market in the Philippines, though the country is comparatively under-resourced, and going through a period of significant change.

[121] *Cinemagoing Asia*, p. 29

5.20. Qatar

5.20.1. Language

Arabic is the national language of Qatar, but the UKTI guide notes that English is routinely spoken as a second language; the country has a large (80%) immigrant population, with significant numbers drawn from English-speaking countries, both in the developed and developing world.[122]

5.20.2. Cultural Affinity

While the Middle East and Qatar were mentioned in the consultations as offering potential for finance and co-production, they were not highlighted for cultural affinity. Nonetheless, the country was suggested as an entry point into the wider Gulf Co-operation Council (GCC) region – alongside the UAE – being somewhat easier to work in than Saudi Arabia.

5.20.3. Business Practice – Legal and Financial

Qatar ranks 36th on the *Doing Business Report*, an increase of 2 places from their 2011 ranking; the country ranks particularly highly for paying taxes (2nd), but in spite of the good overall ranking, many sub-categories do not do so well. Resolving insolvency (37th) and trading across borders (57th) are not ranked badly, but enforcing contracts (95th), protecting investors (97th), getting credit (98th), and starting a business (116th) are seen as comparatively difficult.

Qatar operates a civil law system, operating Shari'ah only for some legal areas, for example family law – commercial law is not covered by this. While there are limits on foreign direct investment in Qatar, these cover real estate and commercial agencies; ownership is limited to 49% in most cases, though this can be waived by the Council of Ministers.

The country introduced a withholding tax in 2009, though since 2010 there has been a double taxation agreement in place between the UK and Qatar.

The Qatari Riyal is not a freely floating currency, having been pegged to the US Dollar since 1980 (though this was only made official in 2001); it is, however, freely convertible to other currencies. Qatar's economy suffered negative inflation between 2009-10 as the oil price fell from its peak – oil continues to dominate the Qatari economy, in spite of attempts to diversify.

5.20.4. Regulatory Framework

Qatar is constituted as an absolute monarchy, but the country has been undergoing reforms since the present Emir overthrew his more conservative father in 1995. A new constitution was introduced in 2003 following a public referendum, with local council elections beginning in 1999, and a national parliament being formed in 2005 (though this is only two-thirds elected.) The constitution contains provisions regarding the foundation of an independent judiciary, sexual equality, and freedoms of worship, assembly, and the press. It is worth noting that a major international network, al

[122] http://qatar.doingbusinessguide.co.uk/the-guide.aspx

Jazeera, is owned by the Qatari government, and operated from the country, and while this began as a news network it appears to be branching into other areas like sport.

It does not appear that a film quota exists in Qatar; censorship is widely practised in the country, though no public information appears to be available with regard to how this affects film.

Neither UKTI nor the *Special 301 Report* suggest concerns about IP protection in Qatar.

5.20.5. Maturity of Market

The Qatari film market appears to have been relatively steady in recent years. The *EAO Focus* data are somewhat patchy, but states that the GBO in 2011 was US$13 million, equivalent to US$13.1 million spent in 2009. Similarly, admission figures have remained steady, with 1.5 million attending a film in both years, while screen numbers are noted as 43 for both 2009 and 2010.[123] No data are given on film production.

5.20.6. Infrastructure

The IHS Screen Digest dataset makes no mention of Qatar, but some data are available from the Qatar Statistics Authority on cinema growth in the last decade. These data show that the number of cinemas has grown from 7 in 2000 to 38 in 2010, though do not mention how many screens these contain.[124] Similarly, the data show strong growth in cinema admissions, from 522,000 in 2004 to 1.53 million in 2010.[125]

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[123] *EAO Focus 2012*, p. 62

[124] QSA, 'Qatar Social Trends, 1998-2010', p. 23

[125] QSA, 'Qatar in Figures 2011', p. 28 – the figures do show some divergence with the *EAO Focus* data, suggesting there were 1.37 million admissions in 2009, not 1.5 million

5.21. Russia

5.21.1. Language

Russian is the sole language recognised at national level, though within the federation there are 25 other languages locally given official status. Approximately 11.7% of the Russian population speak English as a foreign language.[126]

At school, foreign languages are compulsory from the age of 10, with the majority of students choosing to learn English – this is reflected in the Unified State Exam (pre-University) where 92% of those taking a foreign language are tested in English. Knowledge of English is seen as highly attractive by employers, but the 30-100% salary premium it attracts is indicative of the rarity of the skill. The government is making a push for English proficiency though, with an eye on the 2018 World Cup. Film and television entering Russia is always dubbed rather than subtitled.[127]

5.21.2. Cultural Affinity

Cultural affinity between the UK and Russia was not highlighted in any consultation – with one suggesting the countries were not at all similar in this regard – but the opportunities in using cultural exchange to open Russia as an export territory were. While Russia was frequently seen as a significant business opportunity, the difficulties of engaging with the Russian market even through culture were noted by several consultees.

5.21.3. Business Practice – Legal and Financial

Russia ranks 120th on the *Doing Business Report*, a marginal rise from the 2011 rankings (124th) – while the number of reforms enacted in 2011 place it amongst the most improved countries though, it remains a difficult place to do business. The country ranks highly for enforcing contracts (13th), and reasonably for resolving insolvency (60th), but otherwise the major relevant categories all rank poorly. This is especially the case for trading across borders (160th of 183), but also with regard to getting credit (98th), paying taxes (105th), starting a business and protecting investors (both 111th).

The UKTI guide is quite blunt about the difficulties of working in Russia, “Bureaucracy, poorly established rule of law and corruption affect such areas as establishing a business, tax collection, dispute settlement, property rights, product certification and standards, as well as Russian Customs clearance.”[128] The guide notes that overheads have been increasing in recent years, and that for foreigners working in certain sectors is prohibited, though the government does not always make clear what these are. It is also worthy of highlighting the point that “Russian commercial legislation, and tax legislation in particular, contains provisions which can be interpreted in more than one way, they often overlap or conflict.”[129] While

[126] http://www.ethnologue.com/show_country.asp?name=RU
[127] http://www.ef.fi/epi/country-profiles/russia/
[128] UKTI, *Doing Business in Russia* p. 14
[129] *Ibid*, p. 31

both the legal and tax systems are currently undergoing significant reforms, it is recommended by UKTI that expert local guidance is obtained on both counts.

Remittances of earnings from Russia are normally subject to withholding tax in the 10-20% range, though the UK-Russia double taxation agreement should alleviate most issues in this area.

The Russian Rouble (or Ruble) is a relatively stable currency, which is currently pegged to a basket of currencies consisting of the Euro and US Dollar – it is not freely convertible, and while exchange controls are applied, Deloitte notes that none of these apply to the repatriation of profits.[130]

5.21.4. Regulatory Framework

Russia is legally a federal state, though since the fall of the Soviet Union the exact nature of this has varied somewhat – recent moves by the government of President Putin suggest a transfer of some responsibility back to elected regional governors, but the exact shape of this is unclear. The UKTI guide nonetheless notes that the country might best be approached as a group of economic areas, rather than a single whole.

Russia currently does not operate a screen quota, but *Variety* reported in March this year that the Culture Ministry is seriously considering the imposition of one in the near future.[131] Russia is a signatory to the European Convention on Cinematographic Co-productions, opening the door for UK-Russian film co-pros.

Piracy remains a major issue in Russia. Though the government has enacted legislation both to revise the thresholds and penalties for copyright infringement, and a specialised IPR court is due to sit for the first time in February 2013, problems remain. The *Special 301 Report* notes that, while Russian police forces have been successful against many physical and digital pirates, some warehouses for pirated CDs and DVDs are placed on government-controlled military-industrial sites, out of their jurisdiction. This has allowed piracy to continue out of reach of law enforcement. The report also notes that the "motion picture and movie industries continue to face serious challenges with respect to IPR enforcement in Russia."[132]

5.21.5. Maturity of Market

Russia's previously impressive growth trends stalled in 2011, with admissions across the Commonwealth of Independent States (or CIS, the area for which cinema data is published) down 0.5% from 2010. EAO notes that smaller cities especially remain 'underscreened', though modern

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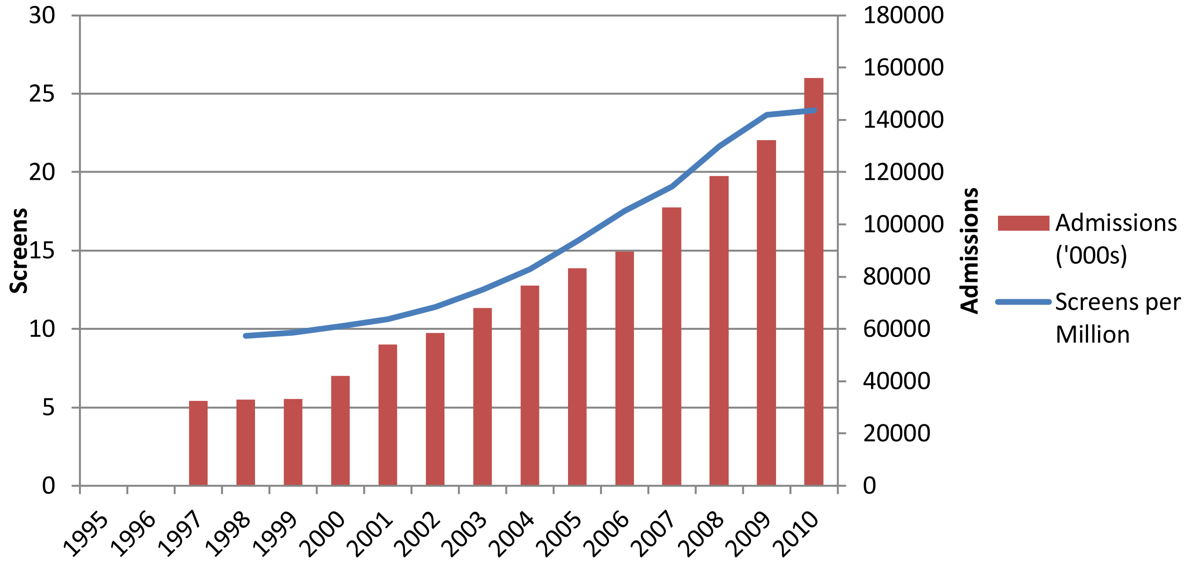
[130] http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Taxation%20and%20Investment%20Guides/2012/dttl_tax_highlight_2012_Russia.pdf
[131] http://www.variety.com/article/VR1118051496
[132] *Special 301 Report*, p. 39

cinemas are steadily being built. Digital penetration reached a respectable level of 54% by the end of 2011.[133]

While attendance has boomed, both the number of local films produced and national market share has been sliding over the past few years; whereas 78 Russian films were produced in 2008, this was down to 64 last year. Responding to this slide, the Russian Cinema Fund – created in 2010 – has begun targeting support to only seven leading production companies, while also providing more dedicated support for co-production following its joining of Eurimages in 2011.

5.21.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Both the admissions and screen penetration figures for Russia are highly suggestive of strong growth in the cinema sector – from a level equivalent to developing countries in 1998, Russia has now reached an equivalent level to countries like Argentina. Admissions growth is also strong over the period, though it remains to be seen whether the levelling-off of these trends seen in 2011 was merely a blip. As *EAO Focus* notes, outside of major cities the country is comparatively underscreened, and given the size of the country it is highly likely that these data are masking strong regional and local trends in Russian cinema attendance and screen penetration growth.

[133] *EAO Focus 2012*, p. 33

5.22. Saudi Arabia

5.22.1. Language

Arabic is the sole official language of the Kingdom of Saudi Arabia (KSA), and EF notes that English language proficiency in the Kingdom is low.[134] Education in Saudi Arabia is dominated by study of the Koran, with rote learning the preferred method. Though the education system is undergoing a period of reform, foreign languages have only been on the curriculum since 2008, and standards of literacy are not high. Even in Arabic, around 13.7% of the Kingdom's population are considered functionally illiterate.[135]

5.22.2. Cultural Affinity

No consultee mentioned Saudi Arabia as offering a good cultural fit with the UK, nor was the Middle East mentioned as a whole in this role. It was also suggested strongly that approaching the Saudi market via another GCC country – Qatar or the UAE were both suggested – might be somewhat easier than a direct entry.

5.22.3. Business Practice – Legal and Financial

Saudi Arabia ranks 12th on the *Doing Business Report*, and is considered one of the easiest countries in the world in which to do business. The country ranks highly in starting a business and paying taxes (10th), protecting investors (17th), and trading across borders (18th). However resolving insolvency (73rd) and enforcing contracts (138th) remain difficult.

UKTI notes that the Saudi legal system is different to almost all others, being based on Shari'ah and the Koran rather than an entirely codified system of laws. This system is predicated on the expectation of good faith and fairness in contractual dealings, leaving few limits save for those which are specifically prohibited by Shari'ah or the religious authorities. This complicates matters when disputes occur, given both this and Shari'ah judges' wide discretion in determining and applying religious precedent.

With regard to foreign companies, it is worth noting that judgements made abroad can be difficult to enforce in Saudi Arabia, given Shari'ah judges will need to be able to ensure compatibility with Islamic law. There are reciprocity treaties with other GCC states though, and it is suggested in the UKTI guide that agreeing jurisdiction there may be preferable for the foreigner, given the more predictable nature of these countries' legal systems. It is also worth noting that there are significant curbs on women's employment (and other) rights in the Kingdom, and that 'Saudization' laws require 75% of a workforce to be native, with attendant problems given the education system.

Islamic law considers the charging or paying of interest as illegal, creating problems for penalising non- or late-payment, shipping terms, etc., given the standard terms applied in other jurisdictions. Saudi Arabia operates two

[134] *English Proficiency Index*, p. 5
[135] http://data.worldbank.org/indicator/SE.ADT.LITR.ZS

income tax systems, though the religious tax (*zakat*) of 2.5% only applies to GCC citizens. There is, however, a withholding tax of 5-20% for payments to foreign entities, though this is addressed through the UK-KSA double taxation convention.

Note that the Saudi state does not use the Gregorian calendar – all dates given are in the Islamic calendar, which has fixed 28-day months.

The Saudi Riyal is not a free-floating currency, and has been pegged against the US Dollar since 1986; the country uses no exchange controls though, aside from a prohibition on remittances to Israel.

5.22.4. Regulatory Framework

Saudi Arabia is a unitary, absolute monarchy which takes the Koran as its constitution and main source of laws. Most decisions are made by the royal family and religious establishment, the *ulema*, which is formed of senior clerics and Islamic jurists. The lines between the property of the state and the House of Saud are often unclear. Elections have been held once in Saudi Arabia, with regional councils being voted for in 2005 on the basis of non-partisan candidacies; these elections did not allow women to vote, though the ban was reversed in 2012.[136]

Saudi Arabia has no specific film quota, but it is worthy of note that from the 1970s until the mid- to late-2000s, cinemas were banned in the country. The specific films which are allowed to be shown, and indeed the existence of any cinemas, fall under the jurisdiction of the 'Committee for the Promotion of Virtue and the Prevention of Vice', better known as the 'morality police', or *mutaween*.[137] The banning of cinemas has led to a thriving DVD market, but given the prohibitions on un-Islamic material, it is unclear the extent to which this is underground.

Neither the UKTI nor the *Special 301 Report* notes specific concerns about IP protection in Saudi Arabia.

5.22.5. Maturity of Market

EAO Focus offers no data on the Saudi market, highlighting Israel, the non-Saudi GCC, and Iran as the major markets in the Middle East.

5.22.6. Infrastructure

Unfortunately, reliable data on the infrastructure of Saudi film are not available.

[136] http://www.bbc.co.uk/news/world-us-canada-15052030
[137] http://latimesblogs.latimes.com/babylonbeyond/2008/12/saudi-arabia--1.html

5.23. South Africa

5.23.1. Language

There are 11 recognised official languages in South Africa, of which English is one – approximately 8.2% of South Africans speak English as a first language at home, though it is the *lingua franca* in business, politics, and much of the media.[138] English is the dominant language of urban South Africa, though in the countryside local languages are more important, and the quality of English comprehension can be quite low.[139] Nonetheless, statistics from the South African government suggest some 45% of the population has a working knowledge of English.[140]

5.23.2. Cultural Affinity

South Africa was suggested by several consultees as a 'natural' partner for UK film, both given the historical links, film climate, and co-production treaty. Another consultee suggested using cultural exchange to try and increase the penetration of British content into the South African marketplace.

5.23.3. Business Practice – Legal and Financial

South Africa ranks as the 35th easiest country in which to do business, according to the *Doing Business Report*, ranking amongst the world's most improved countries between 2011 and 2012. With regard to specific indices, South Africa is regarded has having the strongest business credit laws in the world, and also ranks highly for protecting investors (10th). Paying taxes and starting a business (both 44th) are middle ranking, whilst resolving insolvency (77th), enforcing contracts (81st), and trading across borders (144th) rank much lower.

The EU and South Africa have a free trade agreement, and while South Africa charges a withholding tax on certain monies paid to foreign resident companies, this should be nullified by the UK-South African double taxation convention.

Financially, South Africa is an open country, and the South African Rand is a free-floating, freely exchangeable currency with a relatively stable inflation rate.

5.23.4. Regulatory Framework

South Africa is a parliamentary republic consisting of nine provinces – these have limited competence though, and while some possess film agencies (for example Western Cape), for the most part audio-visual policy is in the hands of the national government. Some television and education policy has joint competence between the centre and the provinces though.

[138] 2011 South African Census
[139] *The Economist*, 'Tongues under threat', 20 January, 2011
[140] http://www.southafrica.info/about/people/language.htm

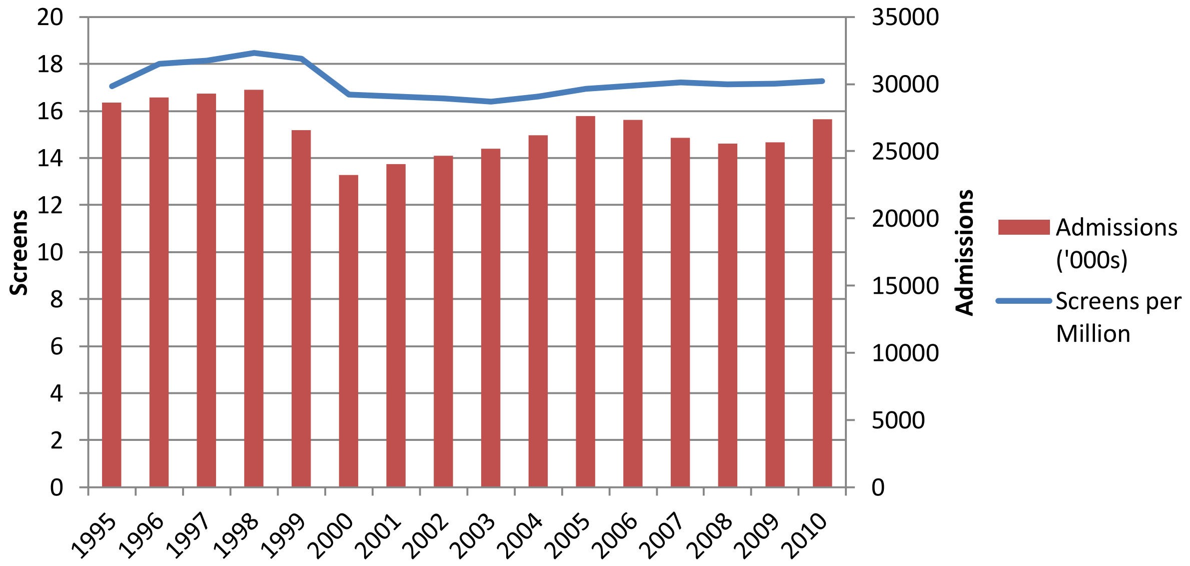
South Africa has no formal film quota for cinemas, but broadcasters are obliged to show a certain percentage of local content, though the exact amount is subject to government policy. The UK has a film co-production treaty with South Africa.

Neither UKTI nor the *Special 301 Report* notes specific concerns about IP enforcement in South Africa.

5.23.5. Maturity of Market

Though data for 2011 are not yet available, the EAO suggests that attendance in 2009 was 25.7 million, while GBO for 2010 was US$67.5 million, the second highest in Africa after Egypt. The South African government has overseen a more than doubling of local production in the last five years, spurred by financial incentives and the weak Rand, the success of these leading to the removal of the previous ZAR 20 million cap on incentives.[141]

5.23.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The IHS Screen Digest figures show significant volatility in the South African market – screen penetration is marginally higher than countries like China, but lower than Argentina, and both this and admissions numbers show huge variability over the past few years. A small growth trend in screen penetration is perhaps discernible starting from the nadir in 2003, but there is not enough data to prove this. As with other geographically large countries, the size of South Africa means the overall data may be masking more distinct local or regional trends.

[141] *EAO Focus 2012*, p. 61

5.24. South Korea

5.24.1. Language

Korean is the national language of South Korea (or the Republic of Korea), which on account of a negligible immigrant population does not have many minority languages. English is taught from the third year of primary school, though in Korea this means from the age of 9 or 10. While it is considered a core subject in the Korean education system, the focus has traditionally been on grammar and reading comprehension, limiting conversational ability.[142]

Nonetheless, English is considered a fundamental subject for job-seekers, and hence English language schools – often staffed by US, British, or Australian teachers – are popular, with around 30% of school children attending in addition to their regular lessons. Many large Korean companies are now including English language parts to their interview process, given the importance attached to communication skills in the language, helping to push ambitious parents and children to improve language skills.

5.24.2. Cultural Affinity

Korea was not suggested as having great cultural affinity with the UK during the consultations, with one consultee suggesting that in fact the countries were quite dissimilar. When mentioned during the interviews, the response either suggested a lack of knowledge about the country, or a feeling that it was too difficult as a market; in general, people were curious about the effects of the broadband infrastructure, but did not feel the market offered much.

5.24.3. Business Practice – Legal and Financial

Korea is considered the 8th easiest country in the world in which to do business, having enacted multiple reforms between 2011 and 2012. The country ranks highly for enforcing contracts (2nd), trading across borders (4th), getting credit (8th), resolving insolvency (13th), and starting a business (24th). Paying taxes (38th) remains somewhat low in spite of a simplification push, while protecting investors (79th) is the only middling category which is potentially relevant to the study.

The EU and South Korea signed a free trade agreement in 2010, which includes specific provisions on IP protection. Withholding taxes are levied on foreign companies, though these should be effectively eliminated by the UK-Korean double taxation convention.

The Korean Won is a free-floating, freely exchangeable currency, though it is the least valued currency of any OECD member state. Inflation in Korea is marginally higher than more developed economies, but not to a worrying level.

[142] http://www.ef.fi/epi/country-profiles/south-korea/

5.24.4. Regulatory Framework

South Korea is a unitary presidential constitutional republic, which since 1987 has been a solid – if occasionally fractious – democracy. While the country is divided into provinces these do not, with the exception of Jeju Island, possess much competence.

The central government imposes a film quota which requires 73 days per screen to be devoted annually to Korean cinema – this was last revised in 2006, and as of 2007 cannot be revised up as a consequence of agreements made during the negotiations for the US-Korean free trade agreement. The country continues to impose stiff quotas on television channels though, requiring 80% of terrestrial and 50% of non-terrestrial television time to be local content.[143]

Neither UKTI nor the *Special 301 Report* suggest specific concerns with regard to IP protection in Korea – indeed, the latter praises the efforts of the Koreans in tackling online piracy.

5.24.5. Maturity of Market

The South Korean Box Office reached record highs in 2011, with attendance growing by 8.6% to 160 million, and GBO growing 7.4% to US$1.1 billion. The market though, remains dominated by multiplexes, most of which are linked directly to distribution and production companies, limiting space for new entrants and independent producers. Intriguingly (given the digital section, below) there is no protected window between cinema and premium Video-on-Demand (VoD) releases, with films heading straight to premium rate IPTV following their theatrical release, which helps to ensure the success of this market. At the end of 2011, 82% of screens had been converted to digital, one of the highest conversion rates in the world.[144]

Korean production has increased dramatically of late, with 216 films made in 2011, an increase of 64 from 2010. Interestingly, those that were successful at the box office were mid-sized films rather than the anticipated blockbusters, helping to buoy the 52% market share, itself a 5% increase on 2010. KOFIC (the Korean Film Council) also introduced a new 25% production grant in 2011, mainly aimed at foreign companies.

Dodona note that cinema culture in Korea is somewhat different to that found elsewhere – the market for children's films is almost non-existent, and while city-dwellers aged 15-49 visit the cinema on average once a month, the figures are negligible for those outside of this group.[145]

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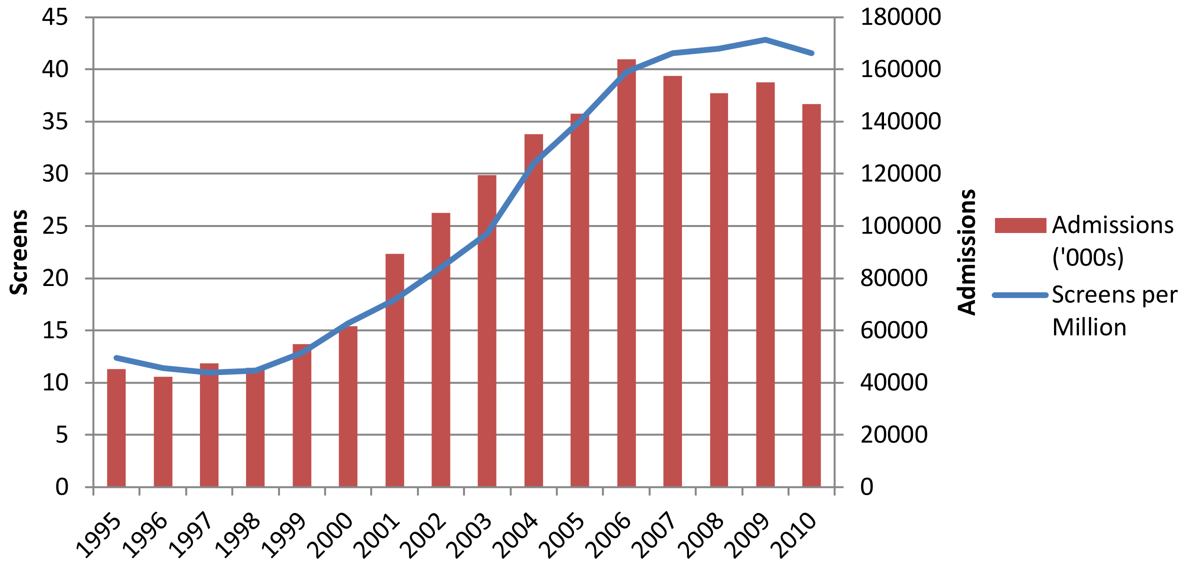
[143] http://screenville.blogspot.co.uk/2011/10/cinema-quotas.html
[144] *EAO Focus 2012*, p. 57
[145] *Cinemagoing Asia*, p. 40

5.24.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

From a screen penetration which was equivalent to significantly less developed countries in 1995, the South Korean cinema sector has seen strong growth from the mid-'90s through to the mid-2000s, though of late this appears to have faltered somewhat. This may partially be explained by the prevalence of premium-VoD, in a window immediately after theatrical release, though anecdotal evidence suggests cinema-going in Korea has a strong social aspect. Dodona note that the operators perceive that the local market has reached something of a saturation point, whilst also seeing China as a better investment opportunity, though taken separately expansion into China offers significant opportunities for the Korean film industry as a whole.[146]

The *EAO Focus* conclusion that attendance reached record heights in 2011 may suggest that the late-2000s were something of a blip in Korea, but there is not yet enough data to answer this either way.

[146] *Cinemagoing Asia*, p. 48

5.25. Spain

5.25.1. Language

Spanish (also called Castilian) is the sole national language of Spain, though the country recognises 4 other languages as co-official, with a further 3 recognised as minority languages. English is the predominant taught foreign language in schools, with the starting age recently dropped from 8 to 6 in line with government priorities. In spite of a significant effort to train new language teachers and increase the competence of the Spanish population, only 23% claim to speak English well, and many universities are struggling with the requirement that a good level of English competence is required for individuals to graduate successfully.

While the previous PSOE (socialist) government pushed broadcasters toward subtitles rather than dubbing, the attitude of the present PP (conservative) government is markedly different. The present administration notes that Spanish is the second most widely spoken first language in the world, and prefers to focus on regional Spanish languages rather than English as a priority. As such the present low level of competence might not soon increase.[147] On top of this, the Catalan government has recently introduced its own local language requirements in cinemas, though these are presently subject to a court challenge.

5.25.2. Cultural Affinity

Outside of the suggestions around ‘Europe’ and the EU, Spain was not suggested by any consultee as offering particularly great cultural affinity with the UK.

5.25.3. Business Practice – Legal and Financial

Spain ranks 44th on the *Doing Business Report*, though since this was published the government of Mariano Rajoy has worked to further liberalise and reform the economy. Within the various categories, Spain only ranks highly in resolving insolvency (20th), achieving middling ranks in getting credit and paying taxes (both 48th), enforcing contracts (54th), and trading across borders (55th). The country ranks poorly in protecting investors (97th) and starting a business (133rd). As a member of the EU, though, the country should be easily within reach for UK-based companies.

Spain is a member of the European Convention, and would therefore be open for co-productions with the UK. The country uses the Euro as its currency.

5.25.4. Regulatory Framework

Spain is formally a unitary parliamentary state with a constitutional monarchy, but is also divided into 17 Autonomous Communities, which possess competence over a diverse range of areas. In general, these include schools and universities, but some – for example Catalonia – possess

[147] http://www.ef.fi/epi/country-profiles/spain/

competence of culture, including film ratings. This has led to a situation where Catalonia has something of a separate quota system, and recently passed a law requiring a percentage of films to be dubbed Catalan, rather than Spanish.

Formally, the Spanish screen quota requires cinemas to show one day of European films for every three of US films, though it is widely disliked by cinema chains.

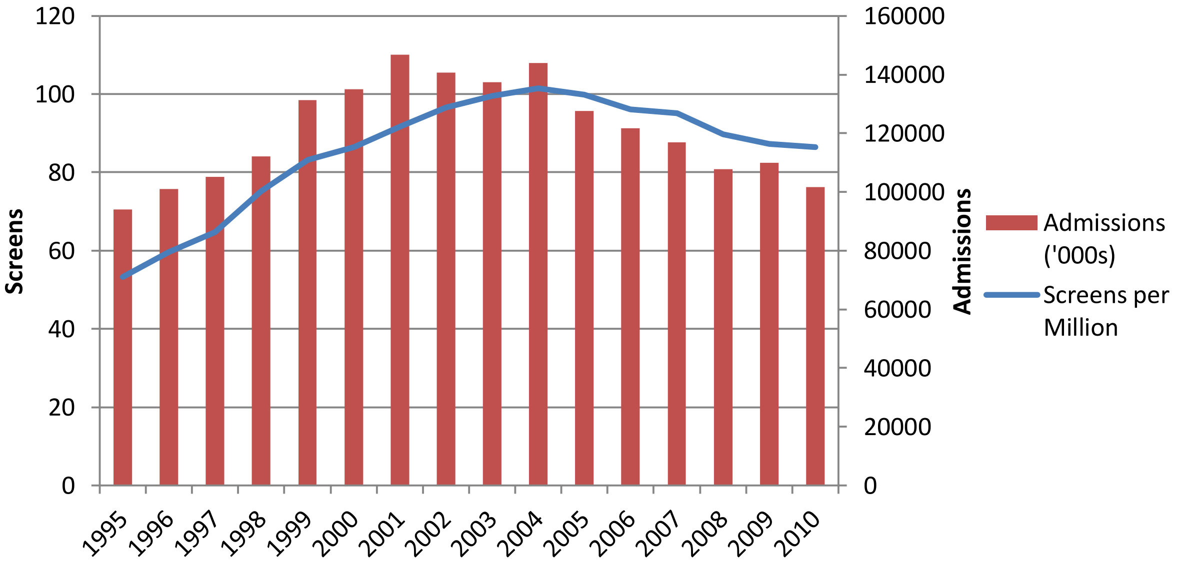
UKTI does not suggest particular concerns over IP protection in Spain, while the *Special 301 Report* notes that recent legal changes to criminalise online file-sharing have been welcomed positively in Washington.

5.25.5. Maturity of Market

The *EAO Focus* unfortunately carries only estimates for the Spanish Box Office in 2011, though these show a continuing fall in attendance and GBO, with a 6.9% fall in ticket sales to 95.6 million, and a 4.9% fall in GBO to €630 million. During the year, Netflix suspended its planned launch in the country, to the disappointment of the local industry. Meanwhile, digitisation of cinema screens continues to lag, with only 38% converted by the close of the year.[148]

Production remained stable in 2011, with 199 films produced, 1 less than 2010; this is likely to be affected by the significant cut in the budget for direct public funding from next year. Though a tax rebate system is scheduled to be introduced, this will not come into effect until 2013. This has led to a reported halving in production volume from the first quarter of 2011 (66) to Q1, 2012 (33). In spite of this, local films enjoyed a good year in 2011, taking 15% of the market share, an increase of 2.3% from 2010.

5.25.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

[148] *EAO Focus 2012*, p. 29

The Spanish Box Office has seen significant falls in admissions since the mid-2000s, and this has been reflected in the screen penetration rate. Further data in specific market conditions would help to understand the drivers for this, but it would seem likely that the present economic troubles in the country are, at best, not helpful in this area.

5.26. Sweden

5.26.1. Language

Swedish is the major language of Sweden and, since 2009, the country's sole official language – this was in response to the increasing use of English in Swedish society, which had led to it becoming the *de facto* second national language.[149] Some 89% of Swedes speak English, which is compulsory from age 9-16 (though some start at 7, depending on the region) and generally studied beyond this. Within education, spoken language and conversation are prioritised over grammar and vocabulary, leading Swedes to be generally ranked as more conversationally fluent than others learning English as a second language. TV, film and other media are rarely dubbed into Swedish, and all businesses expect the language as a basic requirement.[150]

5.26.2. Cultural Affinity

While Sweden was not mentioned by name, the Nordic region was highlighted by consultees as offering good opportunities in the cultural arena on account of its particular glut of talent at the moment, as well as having strong natural links with the UK.

5.26.3. Business Practice – Legal and Financial

Sweden is ranked as the 14th easiest place in the world to do business, a fall of 5 places from the 2011 *Doing Business Report* as other countries around it reformed more. Within this, high ranks are given to trading across borders (8th), resolving insolvency (19th), and protecting investors (29th). Starting a business (46th), getting credit (48th), paying taxes (50th), and resolving insolvency (54th) all rank lower; as a member of the EU though, trade with Sweden should be straightforward for UK companies.

Sweden is a member of the European Convention, and would therefore be open for co-productions.

The Swedish Krone is a free-floating, freely tradable currency, with a stable rate of inflation.

5.26.4. Regulatory Framework

Sweden is a unitary parliamentary state with a constitutional monarchy – while the country is divided into counties and municipalities, these are purely administrative. Though the country does not have regional governments politically, film is partially dealt with at a regional level, with film funds like *Film i Väst* operating solely in their local area, akin to others in different parts of the country. Sweden does not have screen quotas for film or television.

The Swedish regulatory framework is industry led, and governed by a regulation known as 'the Film Agreement' – originally negotiated in 1963,

[149] http://www.thelocal.se/20404/20090701/
[150] http://www.ef.fi/epi/country-profiles/sweden/

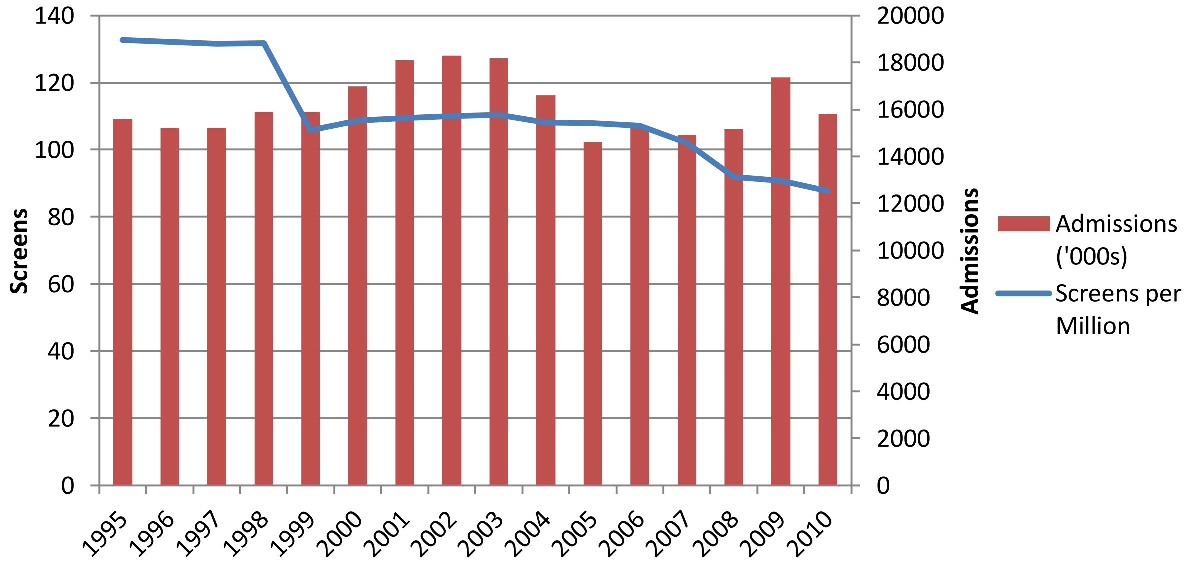
this has been renegotiated and renewed every 5 years since. The Agreement sees a 10% levy imposed on cinema admissions tickets for the purpose of supporting Swedish film production, as well as pursuing policy goals. Among these include promotion of female filmmakers, increasing cinema admissions domestically, and promoting Swedish film internationally.

With regard to IP, Swedish law sets aside strong rights for the individual creators of creative works, limiting the exploitation which can be achieved by firms they work for or by distributors. This said, no major concerns are voiced about IP protection by either UKTI or the *Special 301 Report*.

5.26.5. Maturity of Market

Swedish cinema attendance rose 3.8% to 16.4 million in 2011 following a significant fall in 2010, with GBO also rising 25.8% to US$241.9 million.[151] Sweden produced 43 films over the year, a significant fall from the 54 made in 2010. Despite this, local films accounted for 21.3% of market share, while digital screens – almost all of them 3D-enabled – made up 32.9% of the total at the end of 2011.[152]

5.26.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The Swedish screen penetration rate has fallen since the late-'90s, though given the precipitous fall suggested between 1998 and 1999 by the IHS Screen Digest figures, some questions may be asked over the reliability of the data. Nonetheless, the figures are suggestive of a relatively stable film environment, with no discernible overall trend in admissions figures, and

[151] The Swedish Krone rose 2.4% against the US$ over the course of the year; this is not enough to explain this large rise in the EAO's figures; the suggested increase in average ticket prices from US$12.20 in 2010 to US$14.70 in 2011 does account for most of the increase, also suggesting a significant increase in the cost of cinema attendance in Sweden in the last few years

[152] *EAO Focus 2012*, p. 38

though the screen penetration rate continues has declined slightly over the last few years, it remains in a comparable range to countries like Norway.

5.27. Switzerland

5.27.1. Language

Switzerland has 4 official languages – German is spoken by 64% of the population, followed by French (20%), Italian (6.5%), and Romansh (0.5%), with the remainder speaking other, non-official languages.[153] All children are meant to learn three languages at school, two national languages and English; the exact order in which this is done depends on the canton, though in some this has not been implemented due to local resistance. While Bachelor level university courses generally do not include English elements, increasingly Masters level and above use English as the language of instruction. English is also desired by employers, but given the international nature of the Swiss export industry, this is not done at the expense of all other languages.

Cinemas tend to subtitle films to allow a broader audience in, as this allows simultaneous Franco-German showings, but overall proficiency in English is only moderate. English comprehension is strongest in the German-speaking areas of the country, meeting more resistance in French- and Italian-speaking cantons.[154]

5.27.2. Cultural Affinity

Switzerland was not mentioned in cultural terms by any consultee, save for being part of 'Europe', which was suggested as a priority on more than one occasion.

5.27.3. Business Practice – Legal and Financial

Switzerland ranks 26th on the *Doing Business Report*, a fall of 4 places from 2011. The country ranks highly for paying taxes (12th), and reasonably well for enforcing contracts (23rd), getting credit (24th), trading across borders (41st), and resolving insolvency (43rd). However, starting a business (85th) and protecting investors (166th) rank surprisingly poorly.[155]

Switzerland is not a member of the EU, but is a member of the European Free Trade Association, existing in a free trade area with the EU, and enforcing most EU law, though with an opt-out for farming. Unlike Norway, however, Switzerland is not in the European Economic Area, and hence not a full member of the Single Market. A member of the European Convention, the Swiss would be able to co-produce with a UK producer. Per bilateral agreements with the EU, withholding taxes are not applied on cross-border transfers into EU states, while the UK-Swiss double taxation agreement should nullify the effect of other taxes.

The Swiss Franc is one of the most used reserve currencies in the world – it is freely tradable, though in the last year the Central Bank has acted to

[153] http://www.bfs.admin.ch/bfs/portal/fr/index/news/02.html
[154] http://www.ef.fi/epi/country-profiles/switzerland/
[155] This is as a result of Swiss secrecy laws limiting the disclosure requirements for senior management

manage the currency's value as Euro-zone savers have looked to use it as a safe haven. As a result, the Franc cannot at this moment be said to be free-floating, though it does retain a near-zero inflation rate.

5.27.4. Regulatory Framework

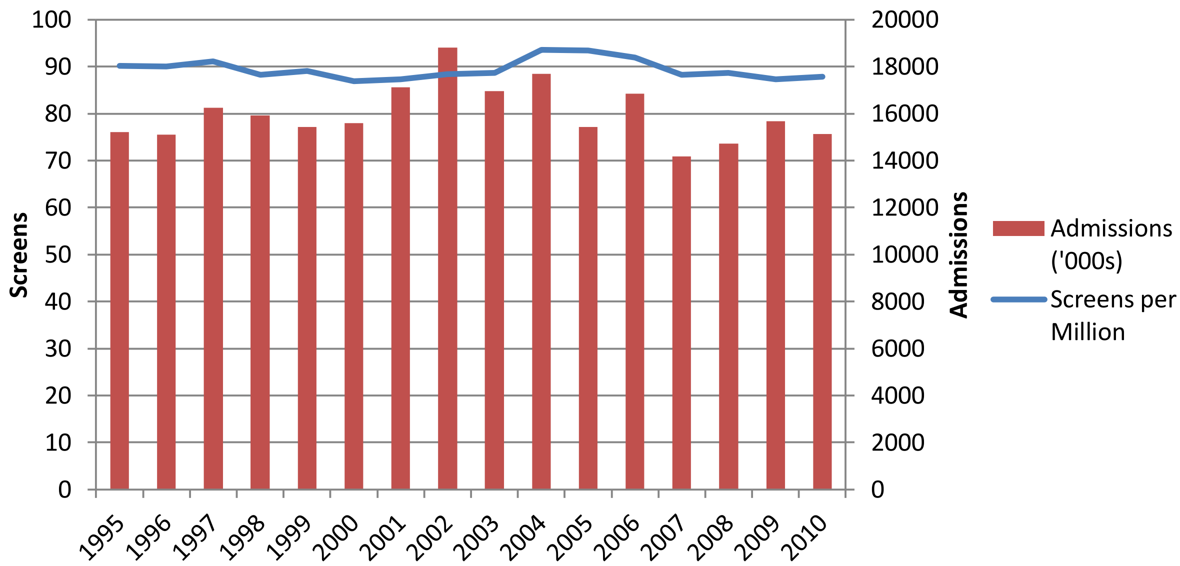
Switzerland is a federal republic, comprised of 26 largely self-governing cantons – the federal government itself has limited competence in most areas. The country is, however, highly stable – consensus politics are preferred and the federal council (the executive) is historically divided between the 4 major parties as a grand coalition. Cultural policy is split between the cantons and federal state, with the exact balance depending on which governments are more interested at any particular time.

Switzerland does not have quotas for film or television, and while UKTI suggests there are no IP issues, the *Special 301 Report* hints at difficulties in seeking redress against Swiss-based internet piracy.[156]

5.27.5. Maturity of Market

Swiss cinema attendance was 14.9 million in 2011, a marginal increase from 14.8 million in 2010; GBO increased marginally to US$ 261.5 million, a rise of 0.8%. Switzerland produced 115 films in 2011, again a marginal increase from the 113 made in 2010, but both of these are significantly higher than the 80-90 produced annually in the latter part of the previous decade. In spite of the numbers produced, local film market share remained low at 5.1%, a fall of 0.3% from the 2010 figures. 57.6% of Swiss cinema screens were digitised by the end of 2011, with approximately 2/3 of these being also 3D enabled.[157]

5.27.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

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156 *Special 301 Report*, p. 17

157 *EAO Focus*, p. 36

Screen penetration in Switzerland has been relatively steady since 1995, hovering around 90 per million; in spite of this cinema admission figures show much greater volatility, though no discernible pattern emerges from the data. Despite the overall stability, Dodona note that the underlying pattern is one of occasional openings of multiplexes, counterbalanced by closures of small-town single-screen theatres; it is noted that modernisation of the cinema infrastructure of Switzerland has proven quite slow.[158]

[158] *Cinemagoing Northern Europe*, p. 34

5.28. Taiwan

5.28.1. Language

Mandarin Chinese is the official language of the Republic of China (the official name for Taiwan), with indigenous Formosan dialects also taught in schools since the 1980s. English is a compulsory school subject from Elementary level, but tuition is only for 2-3 hours per week due to a shortage of qualified teachers. Public school tuition tends to be supplemented in urban areas by private English language tuition, given the perceived importance of the language, with the language a compulsory part of school leaving certificates and University curricula. While English is generally not required in day-to-day life, it is seen as important for career progression, fuelling tuition, though in general EF perceives English proficiency to be low.[159]

5.28.2. Cultural Affinity

While 'China' was suggested several times as a high-priority target for cultural exchange and co-operation, in general it is assumed that the consultees meant this as being the People's Republic. The difficulty of this was noted by one consultee though, who suggested that issues with regard to defining 'China' had the potential to make cultural exchange problematic.

5.28.3. Business Practice – Legal and Financial

Taiwan is ranked as the 25th easiest place to do business in the *Doing Business Report*. It is placed highly for resolving insolvency (14th), starting a business (16th), and trading across borders (23rd), but not for getting credit (67th), paying taxes (71st), protecting investors (79th), or enforcing contracts (88th).

Given the EU's support for the 'One China Policy', there is no free trade agreement in place, but bilateral talks are frequently held, and the EU remains Taiwan's 4th largest trading partner after the PRC, the US, and Japan.[160] The EU maintains a solid trading presence in Taiwan, including in the cultural area. As a result of its peculiar legal status, Taiwan keeps an open outlook to the rest of the world, limiting trade in as few areas as possible.

The New Taiwan Dollar is a free-floating, freely convertible currency, but the government does impose exchange controls. Companies cannot export more than US$50 million worth of currency per annum, and all foreign-exchange transactions are managed via the Central Bank of the Republic of China.[161] Corporate income tax can be written off UK taxes per the UK-Taiwan double taxation agreement.

[159] http://www.ef.fi/epi/country-profiles/taiwan/
[160] http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/taiwan/
[161] UKTI, *Doing Business in Taiwan*, p. 50

5.28.4. Regulatory Framework

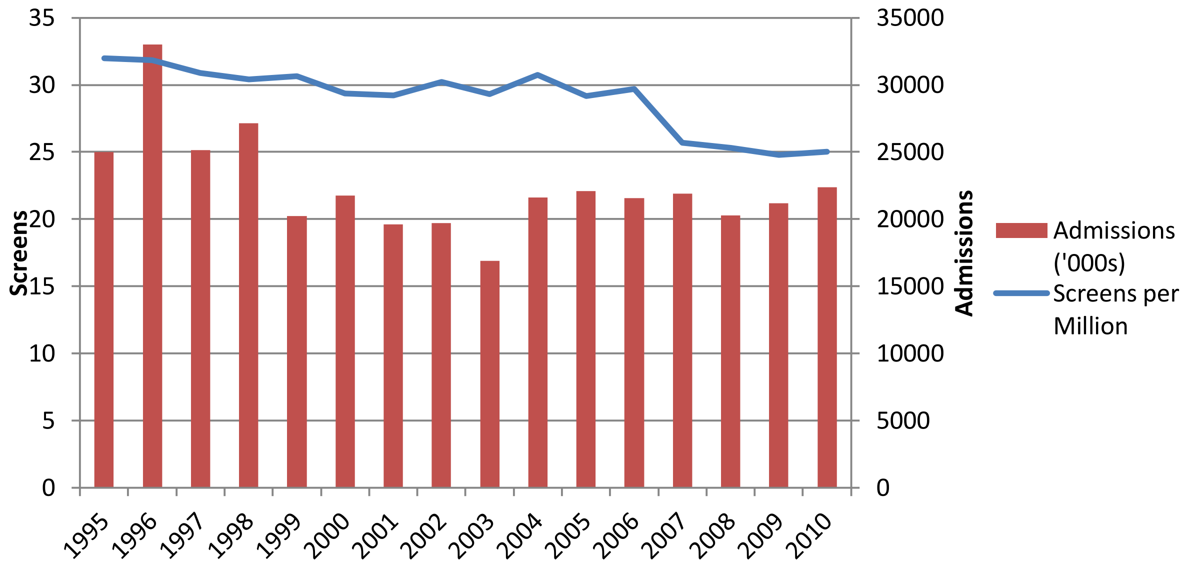
The Republic of China is a unitary, semi-presidential state – akin to the PRC, it claims jurisdiction over both the mainland and the island of Taiwan, though it only has *de facto* control over the latter. There are two broad political groups in Taiwan, the more pro-Chinese pan-blue alliance led by the *Guomindang* (Nationalist) party, and the more pro-independence pan-Greens led by the Democratic Progressive Party. The Taiwanese government possesses an unusual five branch division of control – in addition to the traditional legislative, executive and judicial branches, there are 'control' and 'examination' branches, responsible for audit of the government, and validating the civil service respectively.

Taiwan abolished quotas for local content in 2001. Neither UKTI nor the *Special 301 Report* suggest issues with IP protection in the media sector in Taiwan.

5.28.5. Maturity of Market

Taiwan has the largest film market in Asia outside of the major powers (Japan, Korea, and the People's Republic of China), its GBO in 2011 being US$271 million, with an attendance of 26.4 million.[162] These represented increases of 24.6% and 11.9% respectively over their previous figures. Production figures for 2011 are not available, but those for 2010 show that 38 films were made, a significant increase on the 28 made in 2010. National film share is relatively low for the region though, at 17.5%[163]

5.28.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The IHS Screen Digest data show a slight downward trend in cinema penetration over the last few years, though it is not clear what caused the significant drop shown for 2007. There is no discernible long-term

[162] Attendance figures are for 2010

[163] *EAO Focus 2012*, p. 58

attendance trend, though adding the 2011 data from *EAO Focus* suggests a short-term attendance growth trend has existed since 2008. Dodona projects that, in the medium term at least, admissions are set to remain relatively flat in Taiwan.[164]

[164] *Cinemagoing Asia*, p. 53

5.29. Thailand

5.29.1. Language

Thai is the national language of Thailand, a few minorities speak other languages like Lao or Khmer. English is a mandatory subject, but proficiency outside of the cities remains very low, with EF noting that it is one of the lowest in their 2011 survey.[165]

5.29.2. Cultural Affinity

Thailand was suggested by one consultee as an area where British brands – including football clubs – have started to make inroads, though cultural affinity in the creative media sector was not noted in any consultations.

5.29.3. Business Practice – Legal and Financial

Thailand is ranked as the 17th easiest country in which to do business in the *Doing Business Report*. Protecting investors (13th), trading across borders (17th), and enforcing contracts (24th) are particularly strong, though resolving insolvency (51st), getting credit (67th), starting a business (78th), and paying taxes (100th) are lower.

While the EU and Thailand do not have a free-trade agreement, there are framework discussions underway under the guise of the ASEAN-EU co-operation agreement. Thailand does impose import controls on some goods, but creative media other than fine art is not covered by these.

The Thai legal system acts to restrict businesses which are more than 50% owned by foreigners from certain industries in which Thailand is currently deemed uncompetitive; these are listed on a schedule which the legislature can revise, and currently includes most service industries. Thai law also takes *lèse-majesté* very seriously, imposing stringent penalties on those who are deemed to insult the royal family.

The Thai Baht is a broadly convertible currency – the central bank has historically used capital controls and managed the exchange rate, but it is not clear the extent to which that continues to apply.

5.29.4. Regulatory Framework

Thailand is a unitary parliamentary state with a constitutional monarchy, however democracy was only realistically restored with the 2011 elections following a 2006 coup d'état. Coups have been a feature of Thai history, occurring in 1976, 1981, and 1991 in addition to 2006; this has rather limited the independence of parliament, as there is a perception that coups have occurred whenever populist politicians have challenged the power of the Bangkok élites. The UKTI notes that political instability continues in Thailand, not least with an Islamist terror campaign in the south of the country, where martial law continues to apply in four provinces.

[165] *EF English Proficiency Index*, p. 5

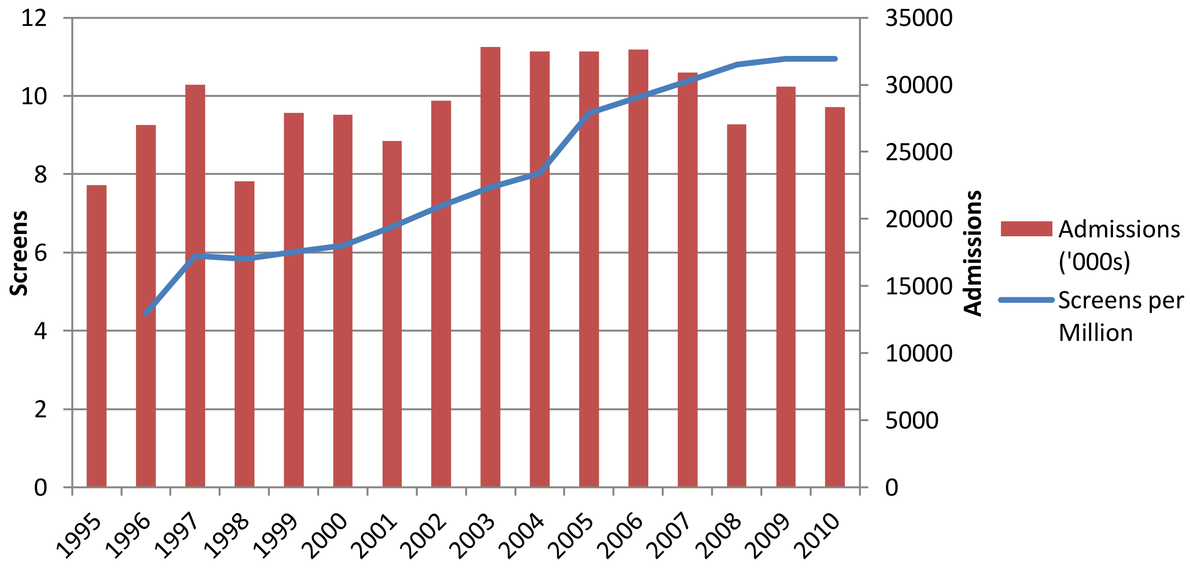
There are some questions over the screen quota system for Thailand – the 2008 Film Act was passed by the post-Coup government to impose a quota system and revised film ratings system, but the IIPA notes that it has not been implemented as of February 2012.[166] The system as legislated would impose requirements for both a percentage of Thai films and a restrictive censorship and ratings system, together with stiff penalties for non-compliance, not only in cinemas, but also internet cafés, shops, and other distributors.

UKTI notes that IP infringement in Thailand is rife, in spite of stiff penalties and increasingly systematic enforcement measures – counterfeit CDs and DVDs are openly sold in many shopping centres. The *Special 301 Report* also notes that piracy of pay-TV channels is widespread, and that much recent IP protection legislation remains in draft form.[167]

5.29.5. Maturity of Market

The *EAO Focus* notes that attendance data for 2011 were not available at the time of publication, but the 2010 figures show that Thai cinema attendance shrunk marginally compared to 2009. Attendance was down 4.3% to 28.3 million, though GBO increased significantly by 9.9% to US$124.9 million.[168] Digitisation in Thailand remains low, with only 10.8% of screens digitised by the end of 2010. Local market share remained high at last count though, being 37.5% in 2008.[169]

5.29.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

[166] http://www.iipa.com/rbc/2012/2012SPEC301THAILAND.PDF
[167] *Special 301 Report*, p. 39
[168] The *EAO Focus* is unclear on this – while the data table states US$124.9 million, the graph reads US$119 million; similarly, the 2010 *Focus* states US$112.5 million for 2009, while the graph in the recent guide gives the figure as US$101.9 for the same year
[169] *EAO Focus 2012*, p. 58

Thailand's cinema screen penetration has been increasing rapidly, though the country started from a particularly low base, and has only just reached levels comparable to other developing markets like China. Admission figures remain volatile, with no discernible trend in either the long-term or more recent figures. Dodona concur that the market as a whole has historically been volatile, but note the underlying trend towards modern theatres, which show rising returns from concessions and advertising, neither of which were historically associated with Thai cinema.[170]

[170] *Cinemagoing Asia*, p. 55

5.30. Turkey

5.30.1. Language

Turkish is the sole language recognised by the present Turkish constitution, though this is undergoing a wholesale reform at this moment, and the present government has offered far more linguistic freedom to the Kurdish minority that they previously enjoyed. However, EF ranks Turkish proficiency in English as being the lowest in Europe.[171]

5.30.2. Cultural Affinity

While Turkey was not suggested by any consultee as having particularly great affinity with the UK culturally, several highlighted the potential of the country, and the opportunities which cultural engagement could bring. Turkey was described as culturally ‘interesting’ and ‘exciting’ by different consultees, with another suggesting that cultural engagement could be used as a means of increasing the UK’s market share in the country.

5.30.3. Business Practice – Legal and Financial

Turkey ranks 71st on the *Doing Business Report*, an increase of 2 places from 2011. The country does not rank particularly highly on any measure, with enforcing contracts (51st) being the highest, followed by starting a business (61st), protecting investors (65th), getting credit (78th), and trading across borders (80th). Resolving insolvency (120th) ranks particularly low.

Turkey’s commercial code was, however, revised in 2011 to increase transparency and effectiveness, becoming effective on 1 June 2012, with the implementation being spread over the next few years.

Turkey is a signatory of the European Convention, and would be available for co-productions with the UK. The country also has a customs union with the EU, though services are exempt from this.

Profits realised by foreign companies in Turkey are subject to corporate taxation, but this can be written off as a credit against UK taxation, per the double taxation agreement.

The Turkish Lira is a free-floating, freely tradable currency, though subject to quite high inflation.

5.30.4. Regulatory Framework

Turkey is presently a parliamentary republic with a non-executive presidency, though this may soon change as a complete constitutional revision is being brought forward by the present government. Though the country is divided into regions, these are solely for administrative purposes, and have no specific competence in the culture or media sectors. The country has historically pushed for EU membership, but in recent years its foreign policy has pivoted toward building good relationships with its Arab neighbours, as membership of the EU continues to seem distant.

[171] *EF English Proficiency Index*, p. 12

Turkey does not have a screen quota system – though the parliament attempted to put one in place in the aftermath of the last military government, this was resisted after intervention by the US embassy.[172]

The *Special 301 Report* suggests concerns about IP protection in Turkey – both digital and physical piracy of assets remains commonplace, whilst the legal situation is noted as being somewhat muddled, though this might be explained given the broader legal reforms Turkey is presently undergoing.

5.30.5. Maturity of Market

Turkish cinema attendance reached its highest level since records began in 2011, with 42.3 million ticket sales representing a 3% increase on 2010; GBO similarly grew 5% to US$239 million. Overall though, attendance rates remain relatively low, and as a result of this the Government has decided to work with cinema chains to discount tickets for those under 30. Digital penetration remains relatively low, at 13% of the total base, though growth in the number of screens – mostly in malls – remains high, with an average of 140 screens being opened a year since 2005.[173]

Turkish film production has grown significantly in the past few years, rising from 16 releases in 2001 to 70 in 2011; local market share nonetheless remains high at 50.2%. From 2012, the Culture and Tourism Ministry has started to push funds toward family films and those with high box office potential, which led to protests from art-house producers and directors. Measures to encourage foreign productions to shoot in the country are also expected for 2012, with VAT rebates and financial support between 5%-25% of costs being proposed.

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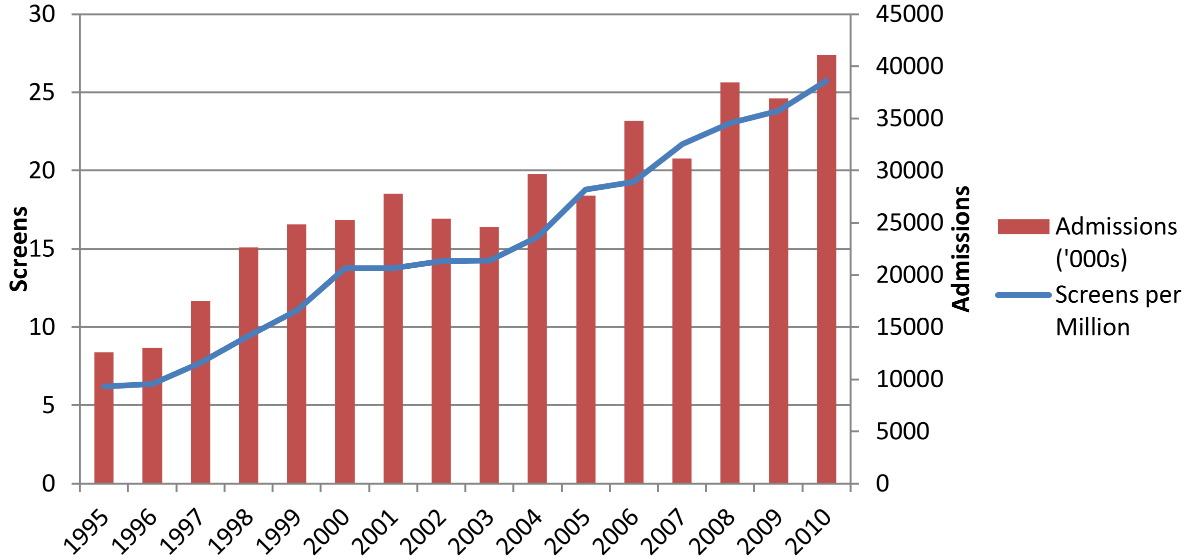
[172] Behlil, Melis, 'Close Encounters?: Contemporary Turkish Television and Cinema', in *Wide Screen*, vol. 2, issue 2 (2010) p. 3
[173] *EAO Focus 2012*, p. 35

5.30.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

Turkey shows strong growth in both screen penetration and attendance, though the latter of these appears to have gone in a somewhat peculiar two-year cycle for the majority of the 2000s. Nonetheless, having started in the late-'90s with screen penetration akin to that in developing markets, the sector has clearly expanded to overtake countries such as Argentina in screen penetration. Attendance continued to increase in the 2011 *EAO Focus* data, and given this report states that the average Turk goes to the cinema once every two years, this would appear to be a market with further growth potential. Dodona also highlight the fact that many provincial towns have no theatre at all, and offer significant growth potential for cinema.[174]

[174] *Cinemagoing Africa Middle East*, p. 17

5.31. United Arab Emirates

5.31.1. Language

Arabic is the official language of the UAE, with a heavy emphasis placed on schooling in English language tuition; the impact of this may be blunted, however, by the large percentage of the population in private schooling (50% in Dubai), as it is not clear that these schools will follow the centrally mandated curriculum. UKTI notes that English is widely spoken as a business language, while other studies suggest that the acquisition of English is broadly seen as both necessary and desirable in the UAE.

5.31.2. Cultural Affinity

While the 'Middle East' was mentioned by consultees as having potential in other areas such as co-production and inward investment, its cultural affinity with the UK was not highlighted. Nonetheless, the country was suggested as a possible entry point to the broader gulf region in several consultations.

5.31.3. Business Practice – Legal and Financial

The UAE ranked 33rd on the *Doing Business Report*, a rise of 2 places from its 2011 placing. The report ranks the country particularly highly for trading across borders (5th) and paying taxes (7th), though starting a business (42nd), getting credit (78th), protecting investors (122nd), enforcing contracts (134th), and resolving insolvency (151st) rank significantly lower.

The court system in the UAE is complicated by its federal structure – two emirates, Dubai and Ras al-Khaimah, sit outside of the federal court system, while all court systems are divided into civil, criminal, and Shari'ah sections (though non-Muslims will never be called before the latter of these.) As a result of this complexity, arbitration between companies is common where there are commercial disputes[175]

Limits exist on the rights of non-UAE (in some cases non-GCC) nationals to trade and own property in the UAE; some of these are at the federal level, and some vary by Emirate, making a summary point of view very difficult to provide.

The UK does not have a double taxation agreement with the UAE as a federal state, nor with any of the Emirates; nonetheless, taxation in the country is low, and no withholding tax exists at the federal level. The majority of public income is gathered via taxes on oil, or via indirect levies, and fees for government services.

The UAE Dirham is pegged to the US Dollar, but there are no exchange controls, so it is freely convertible into other currencies.

[175] http://dubai.usconsulate.gov/emergency_uae_court.html

5.31.4. Regulatory Framework

The UAE is uniquely constituted as a federation of absolute monarchies; political parties are illegal, and significant powers are reserved to the respective Emirates by the constitution. 50% of the Federal National Council is elected, but the Electoral College is tightly controlled by the respective Emirates. The constitution reserves communications policy to the Federal government, but it is not clear whether this means in practice that the respective Emirates cannot impose their own restrictions.

Recently, emirates within the federation have moved toward the introduction of film subsidies, with Abu Dhabi introducing an incentive structure in 2011, and Dubai moving toward the introduction of one in 2013.

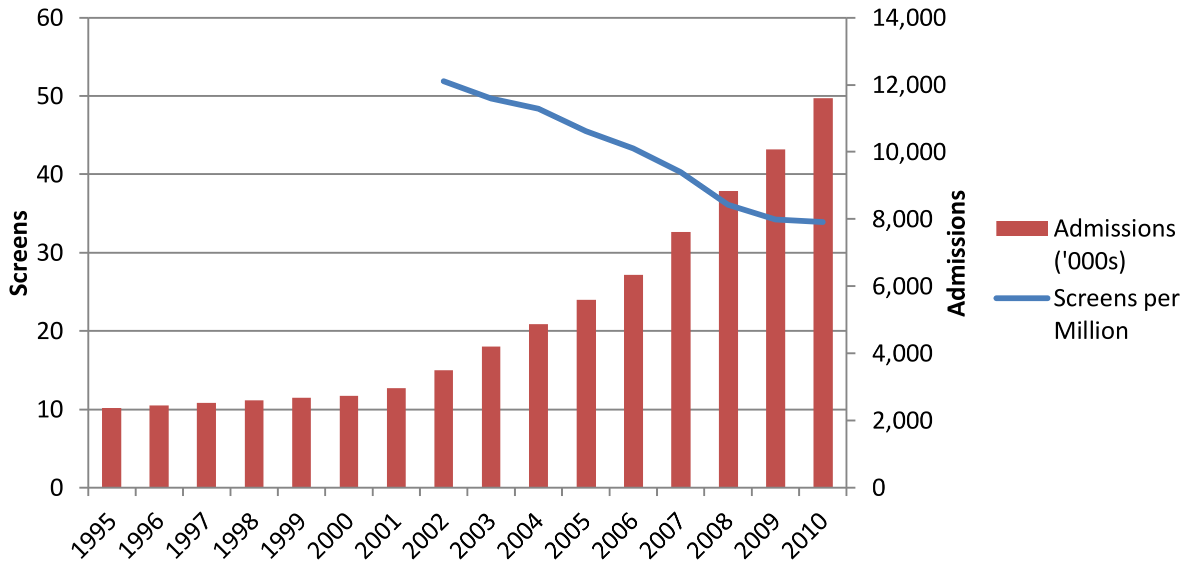
There does not appear to be a screen quota imposed either federally or in any of the individual Emirates.

Neither UKTI reports nor the *Special 301 Report* suggest issues around IP protection in the UAE.

5.31.5. Maturity of Market

EAO Focus data suggests that between 2009 and 2011 (2010 data not being available), GBO in the UAE grew 22.3% to US$100.4 million; unfortunately, the Focus data does not give attendance for later than 2009. The report states that for 2010, 21.6% of the country's 255 cinema screens had been digitised. National market share is negligible, as is local film production, though with the opening of facilities such as Two Four 54 in Abu Dhabi, this may change.[176]

5.31.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

[176] *EAO Focus 2012*, p. 62

Data on the number of screens in the country prior to 2002 does not appear to be particularly reliable, hence its exclusion from this figure. Nonetheless, the significant growth in cinema admissions seen during the last decade is suggestive of a fast expanding film market in the UAE.

5.32. United States

5.32.1. Language

English is the *de facto* national language of the United States, though *de jure* there is no legal protection given and the US is host to a multitude of linguistic communities, including the 5th largest Spanish-speaking population in the world.[177] US census data for 2010 suggests that 79.4% speak English at home, a fall from 82.1% in the 2000 census – Spanish is second with 12.8%, with the remainder not specifically categorised in the data.[178] At a state level, only Hawaii explicitly recognises another language as official, while many states recognise only English (though these laws have met with a variety of reactions from the courts.)

5.32.2. Cultural Affinity

Stories We Tell Ourselves notes that British films occupy a unique place in the American psyche, due to their common (albeit slightly different) language. The report highlights *The Bank Job* – which grossed US$30 million at the US Box Office – as an example of this; it was seen as like an American film "but 'with a slight twist'."[179] British actors' familiarity through Hollywood is also highlighted as another point of commonality, allowing British films to be accessible, though different nonetheless.

This perceived commonality has, however, made a distinct cultural identity hard to establish – while franchises such as James Bond are recognised as distinctively British, other films have had a harder time distinguishing themselves. Certain lower-budget British films – in particular Working Title's rom-coms – have had a track record of success, as in general do films which deal with Irish history, for example *The Crying Game*. Nonetheless, it is perceived that any film which has strong accents will not play well in the US, with distributors being forced to subtitle on occasion, which tends to limit the appeal of the films for a US audience.[180]

Several consultees also highlighted the US as having strong cultural links with the UK, with one suggesting that cultural programmes and exchange could be used as a means to open up more of the US market to UK film and television.

5.32.3. Business Practice – Legal and Financial

The US is ranked as the 4th easiest place in the world to do business by the *Doing Business Report*, though it is worth noting that the variety of legal regimes in place means this corresponds to the largest markets in the country. The US ranks highly in almost all areas of the report, particularly with regard to getting credit (4th), protecting investors (5th), enforcing

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[177] 2010 US Census

[178] http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_1YR_DP02&prodType=table

[179] *Stories We Tell Ourselves*, p. 71

[180] *Ibid*, p. 72

contracts (7th), starting a business (13th), resolving insolvency (15th), and trading across borders (20th). It does, however, rank lower for paying taxes (72nd).

There is no EU-US or UK-US free trade agreement in place, though discussions around the former have been proposed. For the most part trade has low tariffs, though there are disputes which are presently dealt with through the WTO.

The US Dollar is a free-floating, freely tradable currency, which forms the bedrock of global trade both within and without the film sector.

Tax affairs in the US are complicated by the federal system, whereby each state possesses competence for a large percentage of its own revenue collection. A simple guide to the tax status of foreign earnings is not possible, though it is worthy of note though that the UK-US double taxation agreement covers only federal taxation, and does not allow for relief against US state or local taxes.

5.32.4. Regulatory Framework

The US is a federal republic, with competence for large areas of policy being in the remit of the states rather than the federal government, including but not limited to film commissions. This said at the federal level, the Federal Communications Commission (FCC) is responsible for attempts to increase broadband penetration, as well as with certain national and international aspects of media policy.

The United States does not have a quota system for film or television.

There are no concerns about IP protection in the US voiced in the UKTI guides.

5.32.5. Maturity of Market

Dodona state the GBO for the US in 2011 as US$9.19 billion, a 3.8% fall on 2010's figures.[181] Admissions were also down on 2011, being 1.16 billion in the US, compared to 1.21 billion in 2010. Digital screens now account for the majority of those now installed in the US at 64.6% - around half of these digital screens are also 3D-enabled.[182]

Overall US production for 2011 amounted to 817, an increase of 22 from 2010 – despite this, the number of films produced by US Majors continued to shrink, falling to 97 in 2011, compared with 139 in 2007.

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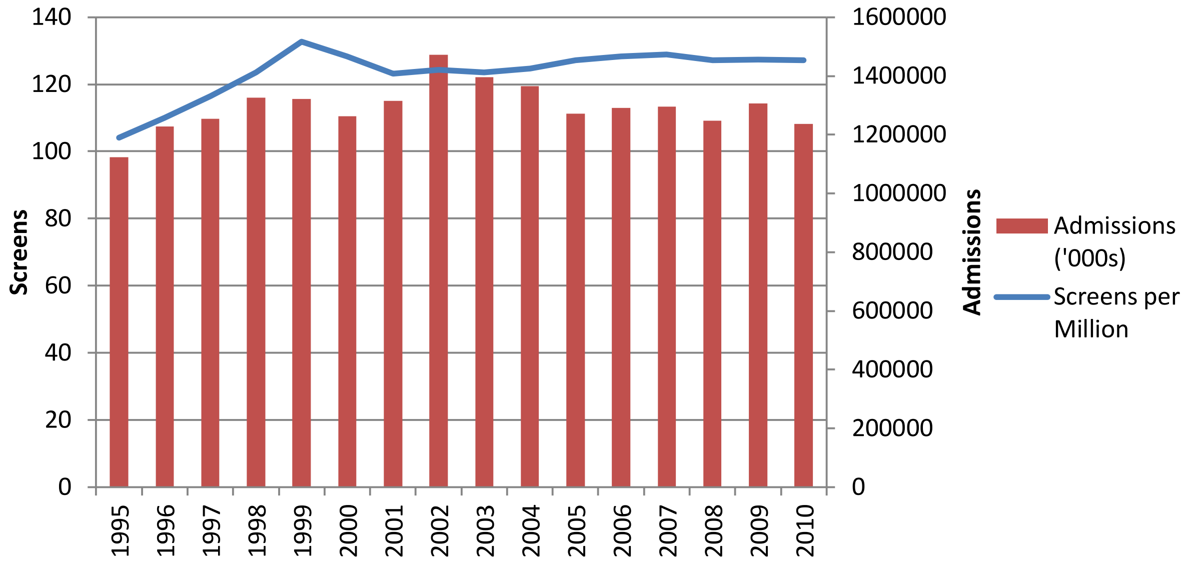
181 Dodona *Moviegoing 11*, p. 7

[182] *EAO Focus 2012*, p. 42

5.32.6. Infrastructure



Source: IHS Screen Digest; Olsberg SPI Steele

The available data on both admissions and number of screens suggests that – at a macro level – the US market is relatively stable. However given the size and diversity of the country, this may well mask significant regional trends in cities or states; regrettably, we do not have the depth of data required to investigate this.

6. Opportunities for UK film across digital platforms

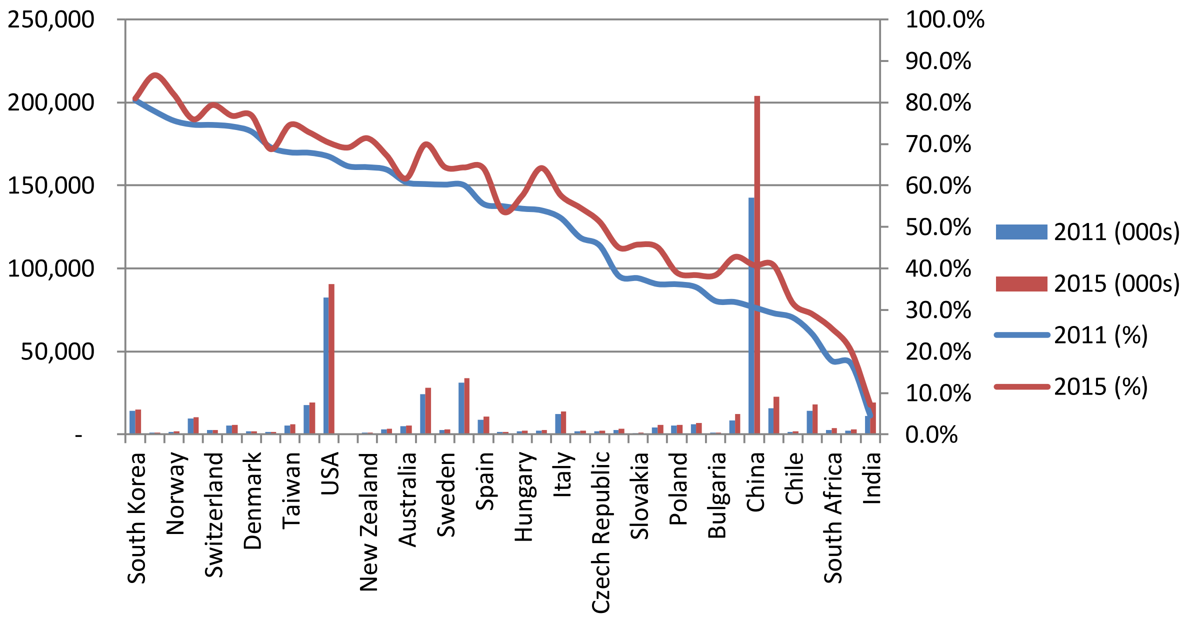
Given the increasing importance of digital media as a delivery mechanism for UK film content, the availability of both fast broadband and devices on which to view the content will be considered here. Furthermore, we will look at the success of online video rental and Video on Demand services in the countries for which data exist.

6.1. Broadband Penetration

The availability of fast broadband connections is likely to be a key determinant of success in accessing digital platforms in the next five or so years. Utilising the subscription number projections from IHS Screen Digest, it is clear that over the next four years to 2016 – the limit of the data – these connections will continue to be biased toward existing highly developed countries. As an example South Korea, one of the most connected countries in the world, appears to plateau, with the percentage of the population subscribing to fast broadband barely changing over a period from 2011-2016.

On a purely percentage level, the 'BRICS' countries fall especially far down the list, populating the bottom seven of our survey, alongside Colombia and Chile.[183] However, within this China is a large outlier. While it has one of the smaller percentage installed bases, in terms of absolute numbers of subscriptions China has the most broadband users in the world.

Figure 6.1 Broadband penetration by territory



Source: IHS Screen Digest; Olsberg SPI Steele

[183] Our inclination has been to avoid treating the 'BRICs' (Brazil, Russia, China, India) or 'BRICS' (BRICs and South Africa) as a group, as the label turns out to be quite unhelpful as a way of dealing with the five wholly different territories; nonetheless, on occasion they are grouped in this report for convenience

This disparity tends to suggest that China offers a particular opportunity in the digital space that does not presently exist for other countries in a similar income bracket. Analysis by McKinsey points in the same direction, suggesting that by 2015 some 712 million Chinese will watch online video with some regularity, with the majority preferring professionally-made content to the YouTube-style clips which presently dominate the American market.[184] While there is a disparity in the figures given McKinsey's 700 million against IHS Screen Digest's 204 million, this is likely to be explained by the latter figure being for households, and in all likelihood not include those connecting predominantly through internet cafes.

Similar trends might be seen in Brazil, which is the sixth largest market in the world for YouTube and seeing significant moves in advertising revenue onto the platform, in spite of the low overall level of household Internet connectivity.[185] The launch of Netflix in Brazil – and across Latin America – in September of 2011 is also strongly suggestive of a market that is in the process of expansion.[186]

In India, the picture remains somewhat gloomy – there were fewer than 15 million broadband subscribers at the end of 2011. Furthermore, though there was an expectation that the rollout of 3g services would see an explosion in Internet usage – both through mobile phones and alternative devices like laptops and tablets – at present the patchwork map of 3g services in the country prevents this.[187] While the country does have 3g coverage throughout, the auction for airwaves did not allow single provider coverage of the entire country, and the authorities initially banned them from sharing signals with one another, leaving large black spots for any subscribers.[188] From a digital standpoint, India appears set to remain behind the curve for the foreseeable future.

In general, the data suggest that mobile broadband – in its current phase of development – is likely to be too limited or expensive to have much impact on video consumption in any developing country.

6.2. Online Video Rental

Online video rental continues to be dominated by the United States, which clocked up 53 million rentals in 2011, with the expectation that this will rise to 81.7 million by 2016.[189] In comparison, IHS Screen Digest figures (Figure 5.2) suggest few other countries will top 10 million rentals by 2016, though these figures are somewhat limited by the selection of countries studied, which focusses on high income territories.

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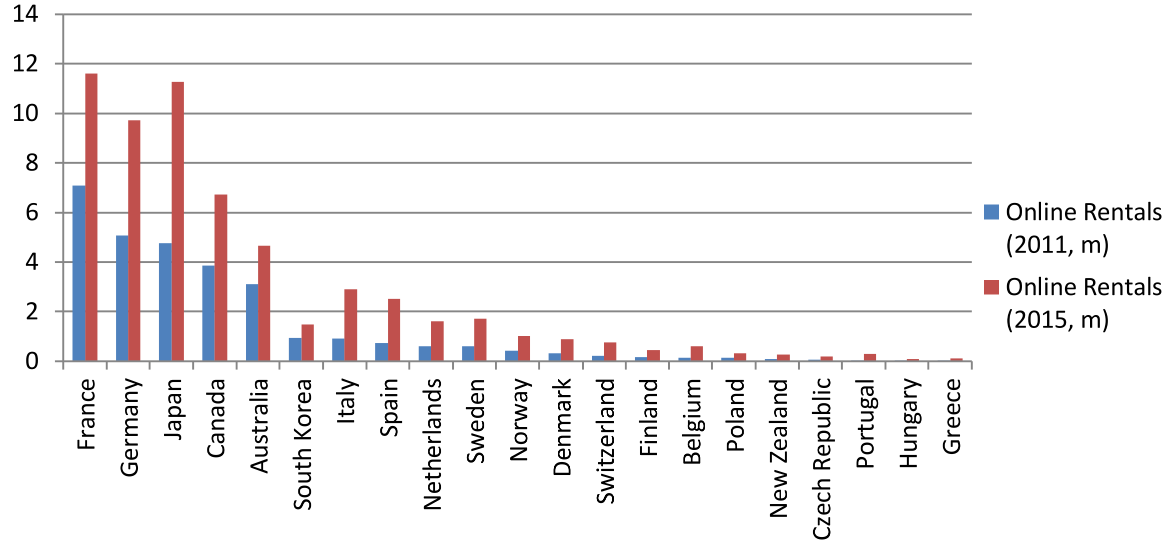
[184] Lau, A. 'Succeeding in China's Online Video Market', in *McKinsey Quarterly*, July 2011
[185] http://www.reelseo.com/online-video-booming-brazil/
[186] http://blog.netflix.com/2011/09/netflix-launches-in-latin-america.html
[187] http://www.economist.com/node/15883062
[188] http://www.economist.com/blogs/schumpeter/2012/02/india%E2%80%99s-telecoms-scandal
[189] Screen Digest

Figure 6.2 Online rentals (excluding USA)

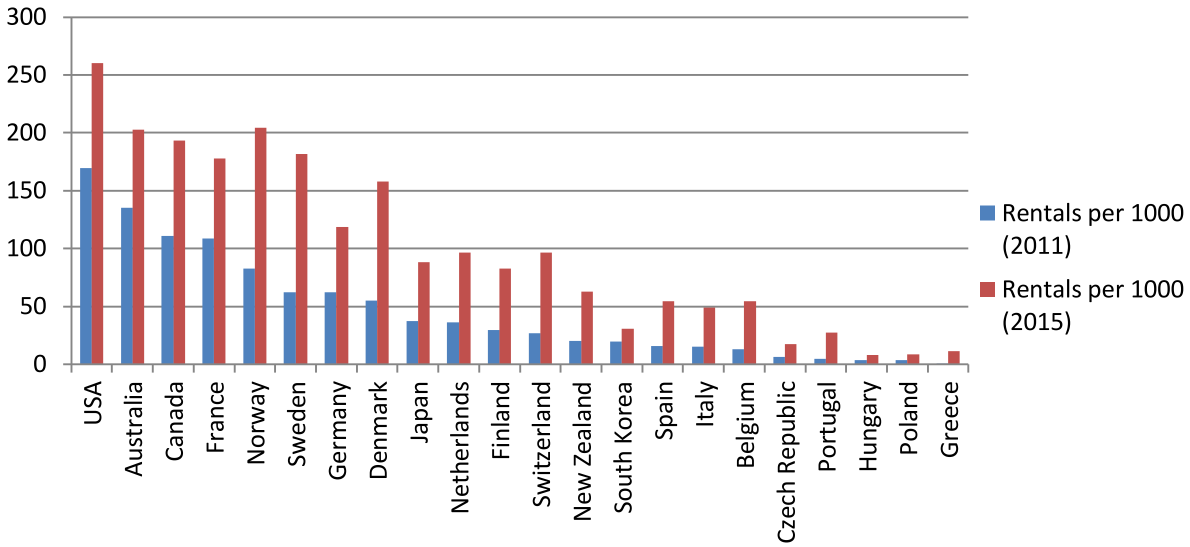


Source: IHS Screen Digest; Olsberg SPI Steele

The figures suggest that France, Germany and Japan, and to a lesser extent Canada and Australia offer the most promise in this area, though there are other territories – for example Italy, Spain, and the Nordic countries – which might offer good growth prospects in this field.

Viewed from a per capita point of view, the figures offer a similar view of the market, as even taking population into account the United States continues to be the dominant territory. Western Europe, Australia, and Canada also sit highly in this ranking, though perhaps from the point of view of the BFI international strategy the most interesting factor is the sheer level of growth in these countries over the next few years, indicating that it is a fertile market. This said, the introduction of Netflix, and the more artisan Mubi service into Latin America might lead one to question whether Video on Demand services offer a better long-term growth potential.

Figure 6.3 Online rentals per thousand people



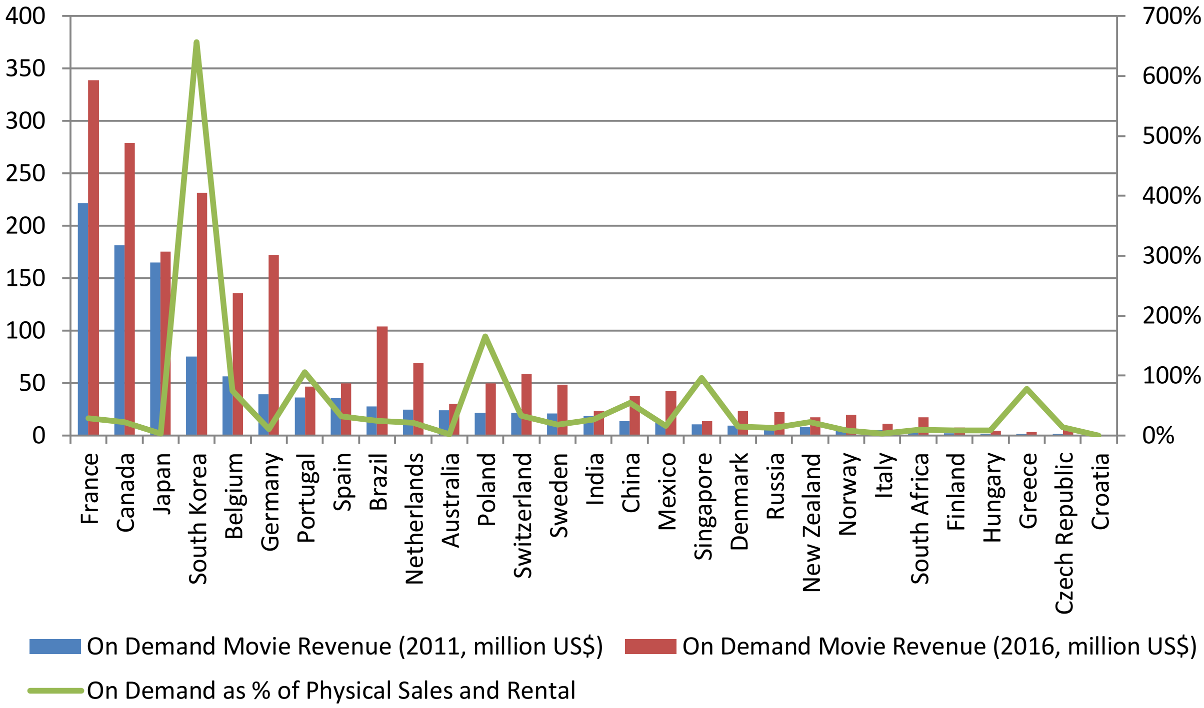
Source: IHS Screen Digest; Olsberg SPI Steele

6.3. Video on Demand

Similar to other methods of distribution, Video on Demand is a market that, in absolute terms, is dominated by the United States, which consumed over US$1.2 billion of content in 2011 and is set to reach just short of US$1.5 billion by 2016. Within other territories though, there are some interesting data, not least in South Korea, where the amount of money made through VoD is set to reach some 656% of physical sales and rental by 2016. As noted in the country guide (section 5.24), Korea has a premium VoD release window shortly following cinematic release, which may be an ancillary reason for these buoyant figures, together with the high speed and penetration of broadband.

The data for VoD also seem to suggest an interesting story when it comes to the development of markets. Those countries outside of the US that have the largest gross marketplace – France, Canada, and Japan – are projected to retain this, but as a small percentage of overall spend in 2016 when compared to physical retail and rental. In comparison, some markets seem set to explode, notably Portugal, Poland, Singapore, and Greece. Together with South Korea, this presents an interesting question as to what the driving forces behind this change are? China also ranks within this study, with the projection that by 2016 the VoD market there will be worth more than 50% of that for physical media, suggesting potentially that the development of that market may skip the physical media phase altogether, heading directly to the VoD option. This may be seen to support the conclusions reached by McKinsey and cited earlier.

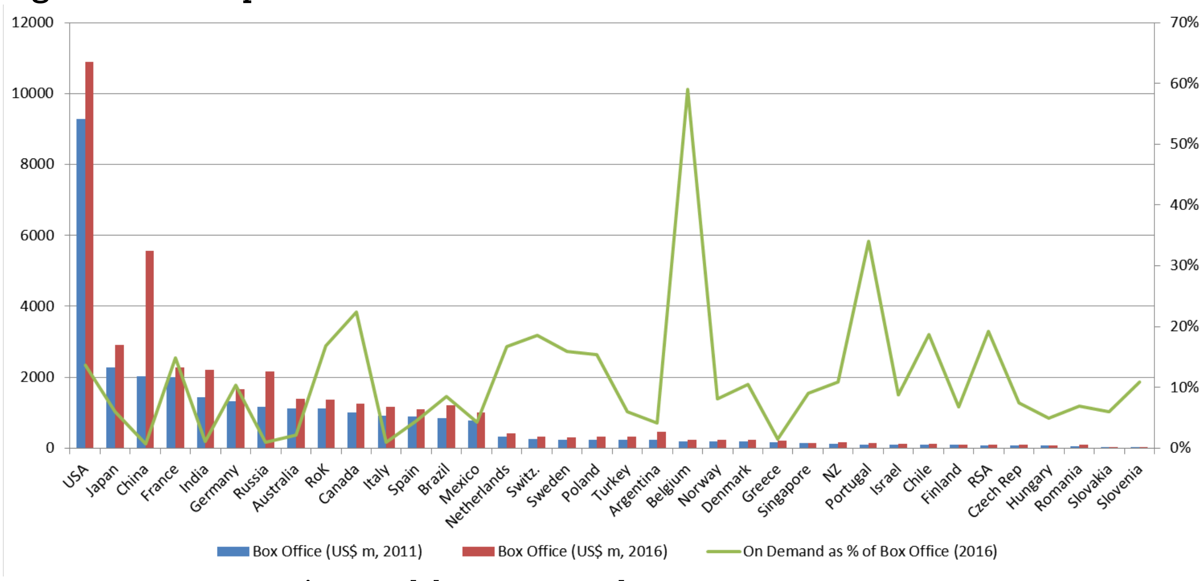
Figure 6.4 Current and projected VoD revenue



Source: IHS Screen Digest; Olsberg SPI Steele

Intriguingly, the projected revenue figures for VoD viewing seem to be affecting different markets in different ways. Looking at the South Korean example, we can see that VoD is projected to almost totally eclipse physical media, but by comparison box office revenues are set to remain strong, with the market for VoD being worth only 16.8% of that for cinema by 2016. In a country like Belgium, the figures present an entirely different story – there, VoD will still be strong against physical media, the market in 2016 projected to be worth approximately 75% of that for sales and rental, but VoD also looks set to take a large chunk out of the box office, with a projected value of 59% of Box Office takings. Whether these are as a result of the low screen penetration noted in section 5.3, or vice versa, is intriguing but not entirely evident from the data.

Figure 6.5 Comparison of box office and VoD revenues



Source: IHS Screen Digest; Olsberg SPI Steele

There appears to be more than one trend at work in this instance. If we take the example of Poland, box office figures look set to grow strongly, though from a very low base, so the main trend is seen in the value of VoD against physical media. A similar trend appears in Greece, which is also forecast to see good box office growth. The two VoD markets are projected to grow by 35% (Poland) and 29% (Greece) respectively, while at the same time physical media takings collapse. Singapore shows a different story. With box office takings projected to grow by 19% from 2011-2016 and physical media rising marginally, the growth in VoD would appear to be driven by other factors. That, however, is beyond the scope of this study.

Drawing conclusions from the raw data on VoD is not straightforward. Different markets show different trends in this area. Much of this might be down to differing film cultures – anecdotal evidence suggests cinema attendance remains a strong facet of Korean youth culture, supporting strong box office revenues, though the balance of films shown there continues to lean towards those of local origin in spite of the lowering of the quota in 2006. Combined with the mass availability of fast broadband, the IHS Screen Digest data are suggestive of a VoD industry rising to take the place of the now almost extinct DVD market, which collapsed in the late-2000s.[190] Given this was attributed to piracy, one might see this as a positive result, if high quality, affordable services are to replace illegal file sharing (curiously enough, however, Korea does not rank that highly for piracy in the IHS Screen Digest figures, below, or in the *Special 301 Report*.)

More research would be needed to locate driving factors in other markets, and in general more data on the type of content provided by these services would be useful to help understand the kind of films being watched. Our

[190] http://gigaom.com/video/the-death-of-the-korean-dvd-industry-a-sign-of-things-to-come-in-the-us/

consultations with film professionals suggest that, for them, VoD is something of a black box, and as individuals transition to use of these services over more traditional content consumption, engagement will be required to ensure that full data are available to IP owners on the performance of their works.

The above data describes the overall VoD position, but there is an important sub-section of this seen in Subscription VoD (SVoD) services, whereby users pay a fixed fee for unlimited access to a catalogue of on demand films. Though the IHS Screen Digest data suggest that current revenue figures for these services remains a small percentage of the VoD total, the growth of *Netflix*, *LoveFilm*, and *Mubi* type services suggest that there are significant opportunities to be found here. Nonetheless, these are, in many ways, even more obscure for IP owners than other VoD services, given that the films are often sold in bundles, and revenues-per-view returned in the same fashion.

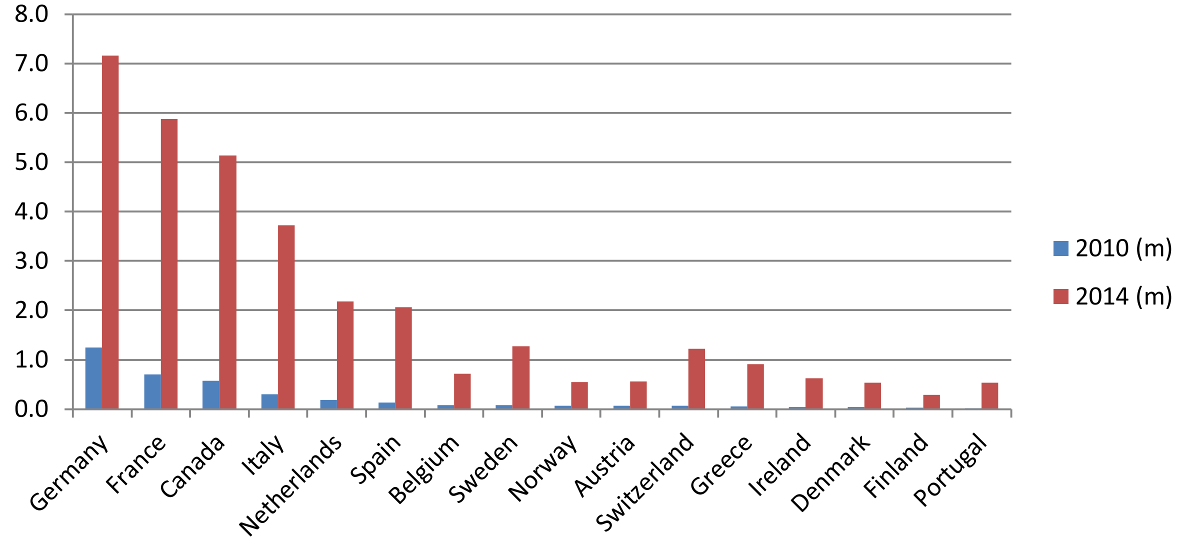
6.4. Tablet Use

The use of tablets, primarily as a content consumption device, is set to expand enormously according to IHS Screen Digest projections; the US is set to continue as the largest market, expanding from 8.8 million owners in 2010 to 71.2 million in 2014. Current projections suggest that the Apple iPad will be the largest player in this market, taking approximately 75% of the market, though given this is a fast-moving industry there is no guarantee that this will be the case.

Trend data suggest that major growth is likely in all western markets, with the priority territories of Germany, France, and Canada taking the largest absolute share of the market, though falling significantly behind the US. More interesting is the potential for mixed-media and film tie-ins to maintain audience interest – the recent announcement by Disney of an app for *The Avengers* which will deliver fortnightly content to users between now and the release of the film on DVD is intriguing.[191] Other recent initiatives include an interactive app for Shakespeare's sonnets, featuring readings from British and American actors, academic commentary, and social media elements, which has proven highly popular.[192] The success of these various projects is still unclear, and it is undeniably early in the lifecycle of tablets, but nonetheless the apparent success of these suggests that there is significant potential for cultural engagement via this new medium.

[191] http://www.engadget.com/2012/07/02/marvels-the-avengers-blu-ray-september-25th-second-screen/?a_dgi=aolshare_twitter
[192] http://www.theverge.com/2012/7/2/3131600/digital-print-oral-shakespeares-sonnets-for-ipad

Figure 6.6: Projections for tablet use, 2010 and 2014 (excluding USA)



Source: IHS Screen Digest; Olsberg SPI Steele

Obviously, these data are highly biased toward the developed world, in particular Europe, but tablets also present an opportunity for engagement with a new audience entirely. The government of Thailand recently announced plans to give all of their 400,000 school children a tablet for use in the classroom, and though one would expect this to be largely used for work, there are opportunities for engagement here which would be far broader than anything which might be possible in more traditional ways.[193] This is a single example, but other governments, including India, are starting to develop locally produced, subsidised tablets for students as well, while the new One Laptop per Child venture has seen the design shift to a tablet. While more research is needed in this area, there is a potentially significant opportunity created by this shift to a new communication medium, for engagement on a massive scale with schoolchildren in the developing world.

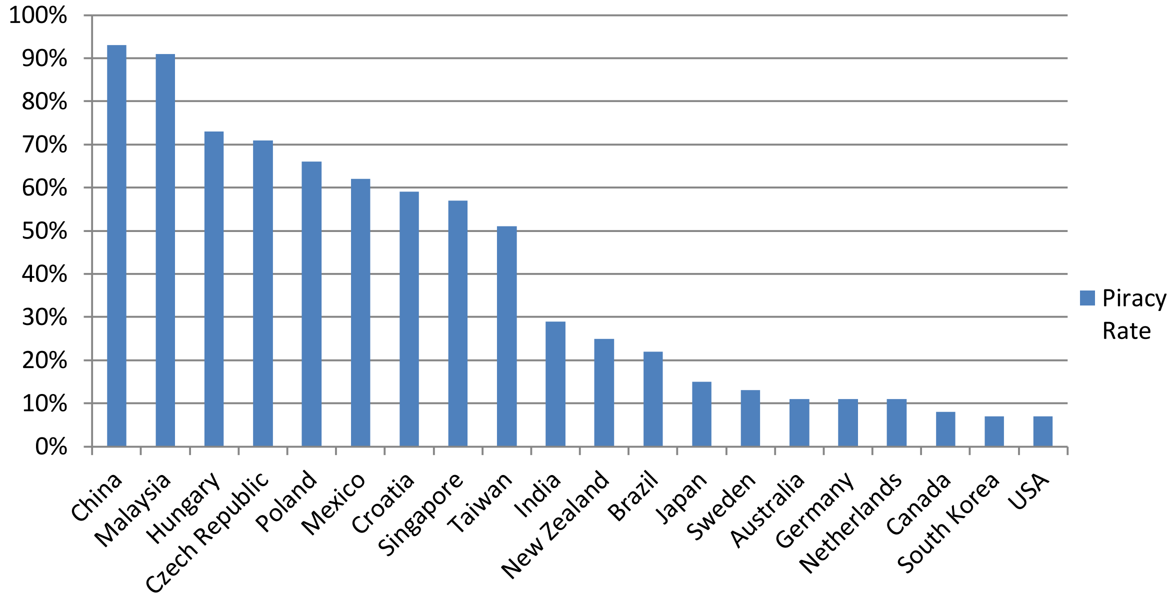
6.5. Piracy

Finding reliable data on the impact of piracy is incredibly difficult – the majority of studies suffer heavily from factors such as selection bias and double or triple counting of figures. To underline this point, we need only look at the US Government Accountability Office's most recent report on the economic cost of piracy, which noted that the $250 billion figure for lost revenue quoted by industry "cannot be substantiated or traced back to an underlying data source or methodology."[194] Of course, while there is plenty of legitimate criticism of industry tactics in this field, many of the counter-arguments are similarly made by those who have an agenda in this field and do not bear citing in this report.

[193] *The Economist*, 'Let them eat Tablets' 16 June, 2012
[194] http://www.freakonomics.com/2012/01/12/how-much-do-music-and-movie-piracy-really-hurt-the-u-s-economy/

The most recent IHS Screen Digest figures are shown below, though these are for 2006 and therefore likely to be of questionable use – nonetheless, the underlying methodology of taking estimated loss against industry sales and estimated loss combined appears relatively solid in comparison to the politicised statistics quoted elsewhere. The IHS Screen Digest figures are also problematic in other ways. The sample of countries is relatively small compared to our overall study size, and the methodology for estimating the projected loss is also unexplained, which might lead to questions about its validity. Overall, it would be safe to suggest that a qualitative view of the legal and enforcement position in each country offers the best option in this field, which are described in section 5 (above).

Figure 6.7 Estimated piracy rate by territory (2006)



Source: IHS Screen Digest

6.6. Conclusions

The data suggest, perhaps unsurprisingly, that China will possess the largest community of broadband users by 2015, followed by the USA; more surprising is that Japan and Germany will be third and fourth respectively. With regard to broadband penetration, South Korea will continue to lead the way, though the other markets in this category (Singapore, Switzerland, and Norway) are considerably smaller.

The United States will continue to lead the way for online video rental and use of Video on Demand, with France, Germany, Canada, and Japan all ranking highly in both of these areas as well. Online rental is set to continue strongly in Australia, while South Korea will maintain its strong VoD industry. Digging beyond the headline figures, though, interesting trends emerge in both these markets, for example in Belgium, where VoD looks very strong both against the box office and physical sales and rental.

In the tablet space, there are interesting trends both in the distribution of tablets to schoolchildren in developing markets, and in the kinds of applications which are being developed in the audiovisual space. Though the market is relatively new, the early data suggest that it presents a fascinating and creative way to engage with the audience, and it will be interesting to see what direction is taken in countries like Thailand, which presently suffer from significant underscreening, and decrepit cinemas where these exist.

Unfortunately, the data available also suggest that piracy continues to be a problem, both in the developing world and in more developed countries.

7. Cultural opportunities for UK film and UK film heritage

This section looks to address the question of which of the studied territories have the best opportunities for UK film and film heritage from a cultural standpoint.

Regrettably, there are limited amounts of work publicly and freely available to answer the questions raised with regard to the cultural impact and contribution of British film internationally. While the UK Film Council's 2009 *Stories we tell ourselves* speaks to the impact of British film in a few select countries, it only covers three of the territories we have looked at in depth, of which only two have been shortlisted. As with the doing business guides (Section 4, above), the contents of our consultations are used as a guide to the majority of the countries to be commented on with regard to culture. There are, of course, limitations to this approach, not least with regard to sample size, which would likely only be solved by future research.

7.1. Existing Research

The major existing research on the impact of UK film abroad is *Stories we tell ourselves*; chapter 8 of this report considered the view of British film in 7 countries, France, Italy, Poland, Israel, Egypt, Lebanon, and the United States. Both the consultation process and desk research have failed to turn up equivalent studies for other countries, with several consultees suggesting, regrettably, that these do not exist.

7.1.1. France

As noted in the *Qualitative Guide to Doing Business*, British social realist films have historically had a significant impact in France, being seen within the market as mixing classical film-making with subject matter which, though of interest, is generally not approached by French film makers. Films like *Notting Hill* and the Harry Potter franchise, while popular, are seen by many as having only a weak British connection, due to their mid-Atlantic nature (though opinions on this vary.) Certain UK directors have had a significant impact in France, notably Ken Loach, Mike Leigh and Alfred Hitchcock, whilst others – including Derek Jarman and Peter Greenaway – have arguably a more mainstream reputation in France than at home.

Culturally, the report highlights that opportunities exist for British film; the highly regarded *Arte* television network (which, it is worth noting, broadcasts both in France and Germany) has run series covering the work of Loach, Hitchcock, and Greenaway, and was preparing one about Jarman in 2009. A 2000 retrospective at the Centre Pompidou titled *Typiquement British, 200 films anglais* was also highly regarded, while the British Film Festival in Dinard has run for 23 years, and is well attended. These suggest that, pitched correctly, there would be opportunities for cultural events in France focussing on British film.

7.1.2. Italy

Stories we tell ourselves notes that Italy has a similar relationship with British film as France does, with a view that many larger British films are 'mid-Atlantic', but with significant respect for the social realists. While British self-deprecation and irony – demonstrated through films like *Trainspotting* – are appreciated, the report suggests that Britain is not seen to have as strong a cinematic identity as other countries, for example France and Germany.

Cinema heritage in Italy is noted to be difficult – public broadcasters do not show much film, limiting the potential audience, which has affected film heritage in general. Meanwhile, there has not been much of a coordinated effort to push UK film in Italy, as while films have shown at the Bergamo and Turin festivals, these have been limited, isolated events.

7.1.3. United States

The report states that British films have historically taken the highest non-US market share in the country, benefitting from both a common language, and the broader cultural connections between the UK and US. Nonetheless, in many cases this commonality is seen to limit the opportunities for cultural differentiation, particularly in the higher budget end of the market.

While the report highlights the cultural impact of films like *Notting Hill* – which significantly increased US tourism to London – overall there is limited information about film heritage opportunities. Given the size of the US market, and its consequential cultural diversity, it is perhaps not surprising that no aggregate view of the marketplace can be developed within the remit of such a paper.

7.2. Results of consultations

This section summarises the opinions given for a selection of territories which were mentioned most often during the consultation phase of this project.

7.2.1. Australia

Australia (or Australasia) was suggested by several consultees as being culturally close to the UK, both on account of shared history and significant similarities in outlook. The country was highlighted as a priority for cultural engagement occasionally, while it was also noted that it is one of few countries with enough capacity for a wholesale cultural exchange using a large part the BFI National Archive simultaneously.

7.2.2. Brazil

Brazil was highlighted in several conversations as having significant cultural opportunities for the UK. As with other countries, the UK has the advantage of being 'English language but not American' among those who know British film, but will have to work to differentiate itself from US product among the mainstream audience. Given the Olympic connection between London and Rio de Janeiro, there are significant events scheduled between the two countries in the next few years. The *UK Live* festival will see significant transfer of cultural properties – including the early work of Hitchcock – to Brazil, while *Transform* is an ongoing four-year cultural exchange, up to the opening of the 2016 games. These offer significant opportunities for UK film and film heritage.

7.2.3. Canada

As with other Commonwealth territories, Canada was seen by several consultees as being culturally compatible with the UK; this effect was considered to be magnified in certain national groups, for example the Scots. While one consultation suggested that cultural engagement might open up the country for more film and television exports, most only mentioned the country in connection with the US.

7.2.4. China

China was highlighted by several consultees as both an area where cultural engagement might start to pay dividends, and as a country in which there already exists a significant degree of respect for British culture and cinema. Cultural engagement was suggested on multiple occasions as a way to open China to more British content, either through taking British films there, or through an exchange of film festivals. Other consultees noted that there existed a significant degree of respect for British culture and tradition in China, which might be usefully built on.

There were several anecdotes in the consultations which, brought together, suggested that China was fertile ground for British cultural engagement. One noted that a Stephen Frears masterclass in Beijing was overflowing, with all attendees being familiar with his films, while another stated that UK films were regularly selling out at the Shanghai Film Festival, despite the UK's limited presence there compared to the French and Germans. This is further ratified by the content of the Nesta report, noted in section 5.6.

7.2.5. France

While France was highlighted in *Stories we tell ourselves*, no consultation saw the country specifically mentioned for cultural reasons, with France noted more on policy grounds.

7.2.6. Germany

It was suggested in one consultation that Germany was one of the countries with which the UK had strong creative and cultural links, but elsewhere the country was only mentioned with regard to policy or co-production.

7.2.7. India

While some consultees saw India as interesting, many specifically stated that cultural opportunities with India were very low, with 'the BRICs, except India' offered as a suggestion more than once. Though cultural affinity between the countries was suggested on occasion, even in these consultations the difficulties working in the country, and the saturated nature of the local market were noted.

7.2.8. Indonesia

Indonesia was suggested as a country where cultural engagement might have the potential to open up export markets by one consultee. The success of Gareth Williams' films there and, more recently, internationally may open up opportunities in this regard.

7.2.9. Nordic Countries

The Nordic Countries were mentioned on more than one occasion as being of particular cultural interest to the UK, given both close cultural connections and the strong pool of talent in the region at this point in time. (Though the Nordic Countries are not mentioned like this elsewhere, it was felt as they were mentioned en masse, it would be incorrect to split them into separate nations.)

7.2.10. Philippines

The Philippines were suggested as a country where cultural engagement might have the potential to open up export markets on occasion, though no specific cultural affinity was highlighted.

7.2.11. Russia

While consultees suggested that Russia was not culturally similar to the UK, nonetheless it was noted that cultural engagement with the country was likely to be a worthwhile thing.

7.2.12. South Africa

South Africa was noted by several consultees as being a good partner for the UK, though in spite of close historic links, cultural similarity was not highlighted.

7.2.13. Turkey

Turkey was mentioned by several consultees as an 'exciting' cultural destination, where there were likely to be significant opportunities for British film. Both geopolitically and as a growth territory, Turkey was suggested as offering great opportunities for British film, with the suggestion made that cultural exchange might be used to engage the export market as well.

7.2.14. United States

The US was suggested by several consultees as an area where Britain should have strong cultural relations, though as previously noted there were difficulties with regard to providing an overall view, given the complexity of the market. Cultural exchange was suggested in one consultation, but in general the focus was on other areas.

8. Strength and qualities of the local production sector and potential for co-production

This section seeks to address the question of the success and qualities of the production sectors in the 62 territories though mostly quantitative measures, with interview data used to add colour with regard to preferred co-production destinations. In doing this, analysis was undertaken not only with regard to the overall size of the production sectors, but also their success in achieving national market share, both against volumes of production, and overall production spend.

8.1. Indicators

To assess the strength of the local production sector and potential for co-production, three indicators were used: the average number of national films produced from 2008-2010, the value of local spend in US$ in the same period, and the percentage national market share from 2007-2011.

The purpose of these indicators is to identify territories with a significant critical mass in filmmaking and the ability to make successful films, measured by the market share won by national films in that territory. From these two further indicators have been derived: the percentage national market share per national film, and the percentage market share per US$10m of production spend.

A number of territories of interest emerge from these indicators. They are interesting as potential sources of inward investment to the UK, potential competitors to the UK, potential export markets for goods and services provided by the UK, and potential co-production partners.

Table 8.1 Local production sector for long list territories where data are available, ranked by % national market share

Territory	Production numbers (annual average 2008-2010)	Production value (US$m) (annual average 2008-2010)	Average national market share (2007-2011)
USA	749	10,157	91.3
India	1,296	398	87.4
Egypt	27	51	81.3
China	463	773	56.3
Japan	425	2,533	54.5
Turkey	61	47	50.0
South Korea	135	281	48.0
Thailand	54	n/a	40.4
France	244	1,878	39.1
Czech Republic	36	61	32.7
Italy	142	438	31.2
UK	125	1,581	27.1
Denmark	28	88	25.3
Poland	43	71	23.5

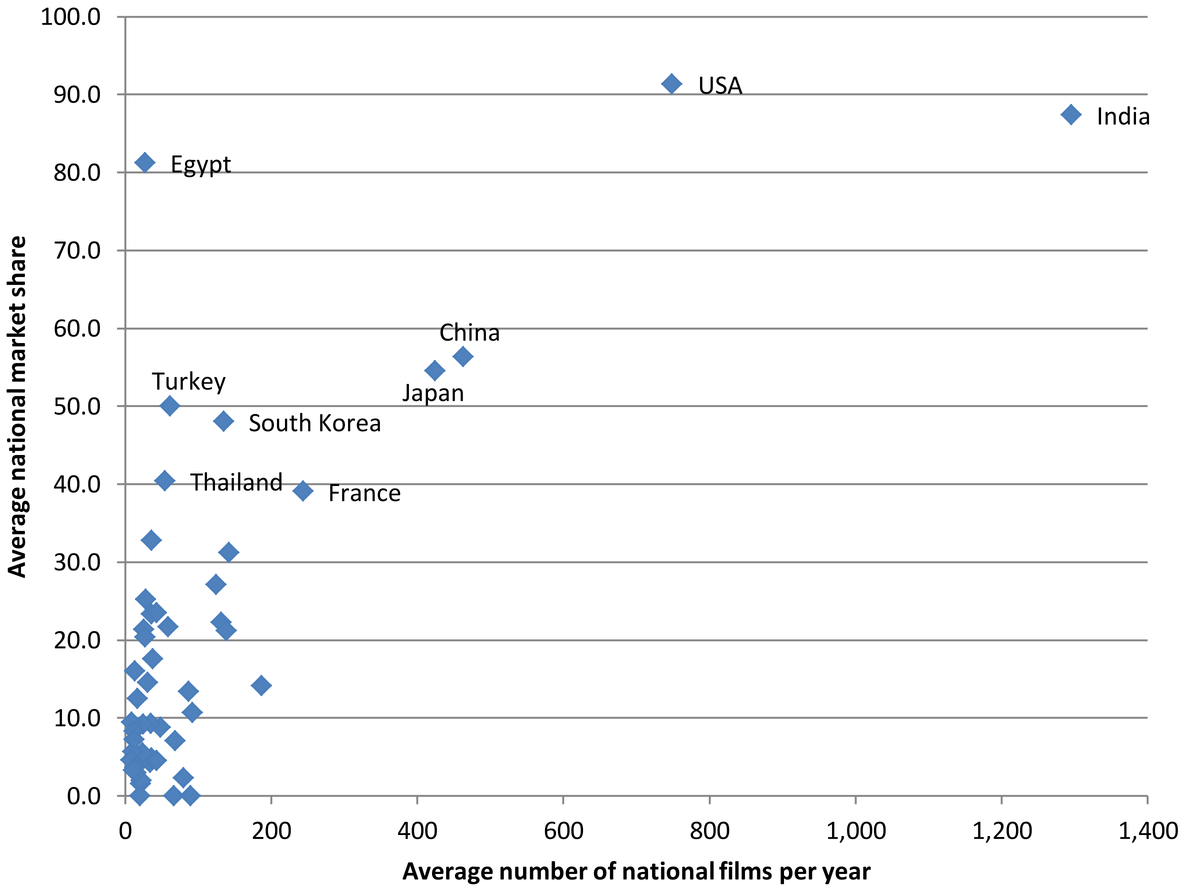
Sweden	36	120	23.3
Germany	131	1,141	22.3
Hong Kong	59	92	21.7
Norway	26	73	21.4
Russia	139	240	21.2
Finland	27	32	20.3
Netherlands	38	102	17.6
Morocco	13	n/a	16.0
Malaysia	31	12	14.5
Spain	187	716	14.1
Brazil	87	158	13.4
Israel	17	15	12.5
Argentina	92	70	10.7
Iceland	9	11	9.4
Taiwan	35	37	9.3
Hungary	24	29	9.2
Belgium	49	270	8.8
Slovakia	12	4	8.3
Colombia	12	3	7.2
Mexico	68	97	7.1
Bulgaria	11	13	5.6
Chile	24	15	5.5
Singapore	15	25	5.0
Austria	36	90	4.9
Slovenia	8	13	4.6
Switzerland	43	48	4.5
Australia	34	250	4.2
Venezuela	14	4	3.6
Croatia	11	2	3.3
Romania	15	15	2.9
Canada	80	435	2.3
Portugal	22	38	2.0
Ireland	21	116	1.6
Philippines	67	21	n/a
Indonesia	89	22	n/a
South Africa	20	41	n/a
Greece	22	16	n/a
Serbia	16	n/a	n/a
New Zealand	15	83	n/a
Luxembourg	6	4	n/a
Lithuania	6	4	n/a
Estonia	5	10	n/a
Latvia	5	7	n/a
Ukraine	5	n/a	n/a
Cyprus	2	n/a	n/a
UAE	0	n/a	n/a

Sources: IHS Screen Digest (numbers and value); EAO Focus (market share)

8.2. National market share by number of films produced

Figure 8.1 plots average national market share against number of films produced. Two distinct groups of good performers emerge from this plot, the first being counties which perform well, having a national market share of 30% or more, with high production volumes, including India, the USA, China, Japan, France, Italy, and South Korea. The second are countries reaching this market share with much lower production volumes; these are Egypt, Turkey, Thailand, and the Czech Republic.

Figure 8.1 National market share by number of national films produced (annual averages)



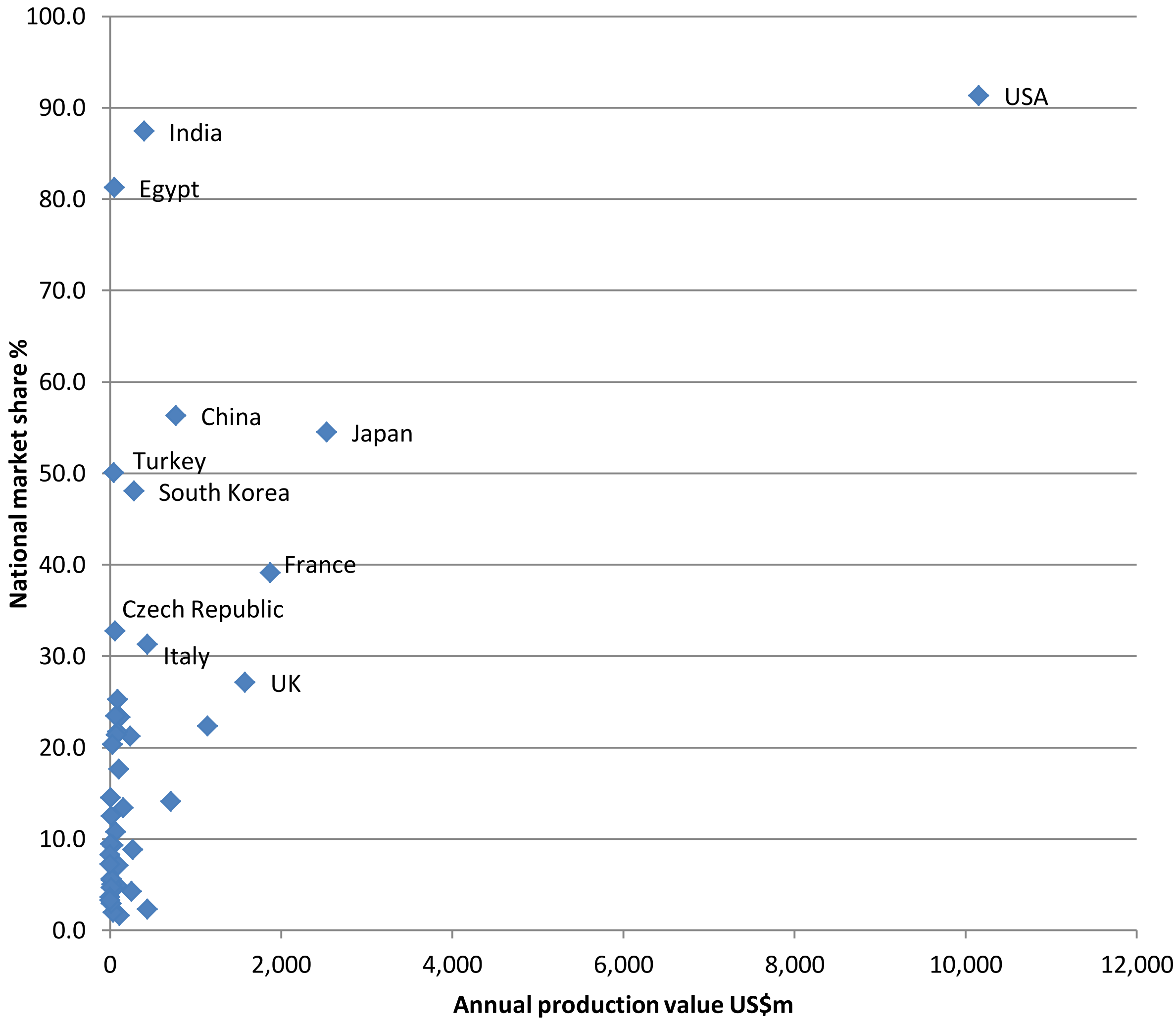
Source: IHS Screen Digest, EAO Cannes Focus; Olsberg SPI Steele

8.3. National market share by value of domestic production

Figure 8.2 plots average national market share against average value of domestic production in millions of US$. This leads to a different split among the same group of countries, with three countries performing well with high production spend (the US, Japan, and France), and several others who achieve good market share with a much lower spend (India, Egypt, China, Turkey, South Korea, the Czech Republic, and Italy.)

Interestingly, this group contains a mix of emerging economies (India, Egypt, China, Turkey) that would be expected to have a lower US$ spend, and a few developed countries (South Korea, Czech Republic and Italy) that appear to achieve more success per dollar spent than other developed countries.

Figure 8.2 National market share and production value in US$ (annual averages)



Source: IHS Screen Digest, EAO Cannes Focus; Olsberg SPI Steele

8.4. National film industry effectiveness measures

These measures are given more precision in Tables 8.2 and 8.3. Table 8.2 ranks countries by the percentage national market share per national film. Table 8.3 ranks countries by the percentage national market share per US$10 million spent on production of national films.

The ranking in Table 8.2 is novel, with the top six countries in this numerical film effectiveness being Egypt, Morocco, Iceland, Czech Republic, Denmark and Norway. Turkey, Thailand and the remaining Nordic countries (Denmark, Finland and Sweden) all come in the top 11 on this measure.

Table 8.2 Percent national market share per national film

Territory	Production numbers	% market share per film	Average national market share
Egypt	27	2.973	81.3
Morocco	13	1.231	16.0
Iceland	9	1.089	9.4
Czech Republic	36	0.909	32.7
Denmark	28	0.892	25.3
Norway	26	0.832	21.4
Turkey	61	0.816	50.0
Finland	27	0.753	20.3
Thailand	54	0.744	40.4
Israel	17	0.735	12.5
Slovakia	12	0.671	8.3
Sweden	36	0.654	23.3
Colombia	12	0.603	7.2
Slovenia	8	0.554	4.6
Poland	43	0.542	23.5
Bulgaria	11	0.529	5.6
Malaysia	31	0.468	14.5
Netherlands	38	0.467	17.6
Hungary	24	0.379	9.2
Hong Kong	59	0.368	21.7
South Korea	135	0.357	48.0
Singapore	15	0.339	5.0
Croatia	11	0.289	3.3
Taiwan	35	0.263	9.3
Venezuela	14	0.262	3.6
Chile	24	0.232	5.5
Italy	142	0.220	31.2
UK	125	0.218	27.1
Romania	15	0.190	2.9
Belgium	49	0.181	8.8
Germany	131	0.170	22.3
France	244	0.160	39.1
Brazil	87	0.154	13.4
Russia	139	0.153	21.2
Austria	36	0.137	4.9
Japan	425	0.128	54.5
Australia	34	0.123	4.2
USA	749	0.122	91.3
China	463	0.122	56.3
Argentina	92	0.117	10.7
Switzerland	43	0.106	4.5
Mexico	68	0.104	7.1
Portugal	22	0.089	2.0
Ireland	21	0.076	1.6
Spain	187	0.076	14.1
India	1,296	0.067	87.4
Canada	80	0.028	2.3

Philippines	67	n/a	-
Indonesia	89	n/a	-
South Africa	20	n/a	-
Greece	22	n/a	-
Serbia	16	n/a	-
New Zealand	15	n/a	-
Luxembourg	6	n/a	-
Lithuania	6	n/a	-
Estonia	5	n/a	-
Latvia	5	n/a	-
Ukraine	5	n/a	-
Cyprus	2	n/a	-
UAE	0	n/a	-

Source: IHS Screen Digest, EAO Cannes Focus; Olsberg SPI Steele

Table 8.3 shows an even more unusual ranking of territories, with the top six in terms of production value effectiveness being Colombia, Slovakia, Egypt, Croatia, Malaysia and Turkey. Iceland, Finland, Norway and Denmark again rank well, as does an Eastern European group: Slovakia, Croatia, Czech Republic, Bulgaria, Slovenia, Poland and Hungary.

Table 8.3 Percent national market share per US$10 million spent on national production

Territory	Production value (US$m)	% market share per US$10m spent	Average national market share
Colombia	3	22.36	7.2
Slovakia	4	21.01	8.3
Egypt	51	15.81	81.3
Croatia	2	14.06	3.3
Malaysia	12	12.00	14.5
Turkey	47	10.69	50.0
Venezuela	4	9.33	3.6
Iceland	11	8.39	9.4
Israel	15	8.18	12.5
Finland	32	6.26	20.3
Czech Republic	61	5.33	32.7
Bulgaria	13	4.28	5.6
Chile	15	3.69	5.5
Slovenia	13	3.52	4.6
Poland	71	3.30	23.5
Hungary	29	3.16	9.2
Norway	73	2.92	21.4
Denmark	88	2.86	25.3
Taiwan	37	2.49	9.3
Hong Kong	92	2.36	21.7
India	398	2.19	87.4
Singapore	25	2.01	5.0
Sweden	120	1.94	23.3
Romania	15	1.92	2.9
Netherlands	102	1.72	17.6

South Korea	281	1.71	48.0
Argentina	70	1.52	10.7
Switzerland	48	0.95	4.5
Russia	240	0.88	21.2
Brazil	158	0.85	13.4
Mexico	97	0.73	7.1
China	773	0.73	56.3
Italy	438	0.71	31.2
Austria	90	0.54	4.9
Portugal	38	0.51	2.0
Belgium	270	0.33	8.8
Japan	2,533	0.22	54.5
France	1,878	0.21	39.1
Spain	716	0.20	14.1
Germany	1,141	0.20	22.3
UK	1,581	0.17	27.1
Australia	250	0.17	4.2
Ireland	116	0.14	1.6
USA	10,157	0.09	91.3
Canada	435	0.05	2.3
Philippines	21	n/a	-
Indonesia	22	n/a	-
South Africa	41	n/a	-
Morocco	-	n/a	15.0
Thailand	-	n/a	41.2
Greece	16	n/a	n/a
Serbia	0	n/a	n/a
New Zealand	83	n/a	n/a
Luxembourg	4	n/a	n/a
Lithuania	4	n/a	n/a
Estonia	10	n/a	n/a
Latvia	7	n/a	n/a
Ukraine	0	n/a	n/a
Cyprus	0	n/a	n/a
UAE	0	n/a	n/a

Source: IHS Screen Digest, EAO Cannes Focus; Olsberg SPI Steele

8.5. Data from Interviews

While the quantitative data can provide us with suggestions regarding locations which might offer good opportunities in co-production, during the consultations a wealth of opinions were shared with regard to the best areas for co-production, which are worthy of note.

8.5.1. Current Priorities

Consultees highlighted Europe as being the major priority for co-productions at the present time – Germany, France, and the Nordic Countries were brought up repeatedly in interviews in this regard. Ireland came up well as well, as did Poland more than once.

Outside Europe, South Africa was noted as a useful destination, with isolated consultees talking also about Canada and Australia as good partners.

8.5.2. Future Priorities

China and Brazil were the countries mentioned most often as desirable future co-production partners, though the reasons for this varied by consultee. While some genuinely appeared to feel that co-pros with local filmmakers offered cultural opportunities, as well as interesting stories, others were more concerned with using treaties to leverage market access.

Turkey was highlighted more than once as a good future destination, with some significant potential also noted right now with regard to creative talent and cinema culture.

Eastern Europe was mentioned on more than one occasion, with Russia – in spite of its attendant difficulties – noted by several consultees. Other former Eastern Bloc nations were also noted, including Georgia, Ukraine, and the Balkans.

Isolated mentions were given to African countries – though Nigeria was ruled out by more than one, Uganda and Kenya were suggested to complement the South African treaty. The Middle East, specifically Abu Dhabi and Dubai were noted, as was Japan on one occasion. ASEAN was also mentioned as a good future area by more than one consultee, looking slightly longer term.

8.6. Conclusions

From the data and analysis in this chapter separate conclusions are drawn for inward investment/exports of services and potential for co-production:

8.6.1. Inward investment and exports of services

For inward investment and export of services, territories with the largest total production spend in US$ are likely to be of most interest, as they have the greatest potential purchasing power. The top six territories, in descending order, are the USA, Japan, France, Germany, China and Spain

The next group, with annual spends in the US$200m to US$400m range are Italy, Canada, India, South Korea, Belgium, Australia and Russia.

All of these countries offer some opportunities for the UK film industry, though it is without doubt that – at this moment in time – the US remains the major Inward Investment power in global cinema. Experience and research also suggest that many of these areas which rank well on purely numerical measures for inward investment are likely to be better suited to co-production as a means of co-operation in film making. This is especially true of European countries, though could also be said with regard to others like Australia or Canada.

8.6.2. Potential for co-production

For co-production, the relevant indicators from this chapter are the existence of a film industry with a certain level of critical mass, so there is someone to co-produce with, and the ability of a national film industry to make 'good' films, evidenced by the market share achieved per film or per $10 million of production investment. This produces a fairly broad range of potential co-production partners.

On the 'critical mass' measure, any country that produces more than ten or so films per year is a potential contender to be a co-production partner. This generates a long list of potential partner countries (around 60), confirming the observation heard from the project consultations that co-production relationships tend to spring up around particular projects and talent, and can succeed in small film territories as well as large ones.

The leading territories in terms purely of the number of films produced per year are India, USA, China, Japan, France, Spain, Italy, Russia, South Korea, Germany. Those with a smaller, though still significant output of films, are Argentina, Indonesia, Brazil, Canada, Mexico, Philippines, Turkey, Hong Kong and Thailand.

On the 'effectiveness' measures – considering the ability of the national film industry to generate national market share with a small number of productions – a shorter list emerges, with some surprising entries. The top territories on the 'numerical effectiveness' measure are Egypt, Morocco, Iceland, Czech Republic, Denmark, Norway and Turkey.

When the effectiveness of a film industry to generate market share with a relatively low production spend is considered, the top territories are Colombia, Slovakia, Egypt, Croatia, Malaysia and Turkey.

The remaining Nordic countries (Finland, Norway and Sweden) scored well on one or other of the 'effectiveness' measures as did an Eastern European group (Slovakia, Croatia, Czech Republic, Slovenia, Hungary, Poland and Bulgaria.)

8.6.3. Consultation Results

With regard to the consultations undertaken, the countries most noted for co-productions were, unsurprisingly, our European partners. Preferences were expressed for working with France, Germany, and the Nordic Countries, with Ireland given a special mention during a couple of consultations.

For future co-pro treaties, several countries were mentioned repeatedly during the consultations, including China, Russia, and Turkey. A Brazilian co-production treaty was also seen as desirable, and as noted in Section 5.4, this has recently been agreed.

9. Existing UK economic and cultural links

Here, we draw on various datasets to illustrate the trade links the UK has with the studied territories, both cultural and overall. In doing this, we describe both gross import and export trade with key groups of countries, and illustrate overall cultural trade, providing a picture of how the film industry fits into this.

9.1. UK exports by territory

This section discusses overall UK exports to the various territories examined in the study, as a way of considering UK economic links with these countries as a whole, and demonstrating trade flows. The definition of UK exports is that provided in HMRC data, which count all current sales of goods by the UK to the countries in question.[195]

9.1.1. UK exports – top territories

Somewhat unsurprisingly, the United States has consistently been the largest UK export market over the course of the last five years, being followed by a group predominantly formed of EU nations, China, and India:

Table 9.1 Leading territories for UK exports 2011

Rank[196]	*Territory*	*UK Exports 2011 (£m)*
1	United States	38,949
2	Germany	33,038
3	France	23,056
4	Netherlands	22,671
5	Belgium	15,354
6	Italy	9,888
7	Spain	9,449
8	China	8,773
9	Sweden	6,141
10	India	5,411
11	Switzerland	5,375
12	Canada	4,848
13	Russia	4,781
14	Japan	4,395
15	Poland	4,187
16	Australia	4,179
17	Turkey	3,698
18	Singapore	3,641
19	South Africa	3,336
20	Norway	3,295

Source: HMRC

[195] Note that the data provided by HMRC utilises the EU-standard 'HS' definitions for trade statistics; these consider all products physically entering or exiting the UK, therefore services are regrettably not included
[196] In this instance, 'rank' is in relation to the 62-member group of territories under study as part of the long-list, and may not be reflective of a net position compared to all states

Broadly speaking the members of this group have remained steady over the past five years, though in that time Saudi Arabia and Denmark have also briefly figured in place of Turkey and South Africa, whose importance to UK exports has risen between 2007 and 2011. Nonetheless, the UK's key export markets remain dominated by more traditional trading powers, including Germany, France, Italy and Spain.

The Netherlands and Belgium have high positions in the list, but this is affected by the 'Antwerp-Rotterdam effect', which is the tendency for imports and exports through these ports to be recorded statistically for Belgium and the Netherlands when in fact they are trans-shipments of goods to and from third countries. This effect means also that UK exports and imports to some countries elsewhere in the world will be understated.

9.1.2. UK exports to the BRICS

With regard to the BRICS, it is easily seen that four of the five states are located within the top 20 for 2011, though none is recorded as receiving more than £8.8 billion of exports at this moment in time. The data make clear that all of the BRICS are of rising importance to the UK in overall export volume over the last five years, though the degree varies:

Table 9.2 UK exports to the BRICS 2007-2011

Country	*2011 Rank*	*2010 Rank*	*2009 Rank*	*2008 Rank*	*2007 Rank*
China	8	8	8	9	10
India	10	13	13	12	13
Russia	13	15	20	11	14
South Africa	19	21	22	20	21
Brazil	24	24	24	25	29

Source: HMRC

While China appears not to have risen significantly in rank over the past three years, it has seen its imports from the UK expand from £3.8 billion in 2007 to today's £8.8 billion. India's growth has been considerably more erratic in this period, as has Russia, which is likely to be indicative of the underlying economic variability in those countries. South Africa has seen a slow but steady expansion during the five-year period, rising from £2.2 billion in '07 to £3.3 billion last year. Indeed, Brazil is in much the same situation, exports having more than doubled from £1.1 billion to £2.3 billion over the period, though its rank does not reflect this evolution as it is in the midst of other countries – including South Korea – whose export volumes have similarly risen fairly well from a low base.

9.1.3. UK exports to the 'Next Eleven'

The 'Next Eleven' is a group of countries identified by the author of the BRIC thesis, Goldman Sachs analyst Jim O'Neill, as being likely to complement the BRICs (South Africa being added to the thesis, as above, in the view of some commentators) as major global economies during the course of the 21st Century. The rank of these countries in UK exports is shown in Table

9.3.[197] South Korea and Turkey are the highest ranked members of the 'Next Eleven' in UK exports.

Table 9.3 Rank of the 'Next Eleven' countries in UK exports 2007-2011

Country	*2011 Rank*	*2010 Rank*	*2009 Rank*	*2008 Rank*	*2007 Rank*
Turkey	17	19	21	21	18
South Korea	23	23	23	22	24
Nigeria	29	28	29	29	30
Egypt	35	32	32	33	35
Mexico	36	36	36	34	34
Indonesia	39	42	43	43	44
Pakistan	43	43	40	40	39
Philippines	48	47	46	48	45
Iran	53	46	41	42	40

Source: HMRC

The fall in Iran's position is likely to be due to a lower level of overall trade with the UK in the last few years, following from the EU sanctions regime against Iran, which has been progressively tightened over the course of this period. Turkey is the most interesting country in this group both from a growth and a proximity point of view – the only member of the top 20 overall, exports to that country have risen fairly dramatically in the last couple of years, increasing from £2.2 billion in 2009 to £3.7 billion last year. South Korea is in an apparently anomalous position – ranking 8th in our gross data table (Table 3.3) but only 23rd in UK exports. The disparity in this ranking may be a result of the previous difficulty of trade or it may reflect the Antwerp-Rotterdam effect. An EU-ROK free trade agreement has applied provisionally since July 2011, though, which may see trade grow over the next few years. The other country which appears dramatically out of position is Mexico, being in 14th position in the gross rankings (Table 3.3) but 36th in UK exports. Given the nation's proximity to the United States though – and long-standing free trade agreement (NAFTA) between the countries – one wonders whether this is having an effect.[198] The EU notes Mexico as being the second largest export market for EU goods after the USA.[199]

[197] The N-11 nations are Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea, and Vietnam; as it stands, Vietnam and Bangladesh are excluded from our long-list, and indeed since they are ranked as a lower and least developing country respectively, on economic grounds there is little reason to challenge this

[198] An effect similar to the 'Antwerp-Rotterdam effect' occurs with trade to Canada and Mexico, which sometimes goes through the USA and is recorded as trade with the USA.

[199] http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/mexico/index_en.htm

9.2. UK imports by country

Similar to the exports section (above), this will consider UK economic links through declared imports from the various territories studied as part of the long list. Imports are those declared per HMRCs publicly available data.

9.2.1. UK imports – top territories

In contrast with exports, Germany is the UK's largest counterparty for imports, and has been consistently over the previous five years. The UK's trade deficit with Germany in 2011 was £16 billion, demonstrating that the UK shares with the Mediterranean members of the Eurozone a problem of insufficient bilateral competitiveness with the dominant economy of mainland Europe, despite having its own currency.

Table 9.4 Leading territories for UK imports 2011

Rank	*Territory*	*UK Imports 2011 (£m)*
1	Germany	49,025
2	United States	30,296
3	China	30,156
4	Netherlands	28,072
5	Norway	24,245
6	France	23,089
7	Belgium	18,681
8	Italy	14,106
9	Spain	10,753
10	Japan	8509
11	Switzerland	7688
12	Sweden	7475
13	Russia	7264
14	Poland	7036
15	Canada	6252
16	Denmark	5945
17	India	5869
18	Turkey	5398
19	Czech Republic	4202
20	Singapore	3825

Source: HMRC

The dominance of Germany in this table – as with China's higher position compared to its exports ranking – is likely to be as a result of the import of manufactured goods, both of the more complex variety from Germany (ie, machinery, cars, chemicals), and the simpler from China. Energy is also likely to play a major role in the rankings, driving Norway's seemingly out-of-place fifth position. Akin to the exports ranking, UK imports are dominated by fellow EU and European Free Trade Association (EFTA) countries, though with a slightly different selection of countries, especially with the emergence of Poland, whose exports to the UK have expanded from £3.7 billion to £7.0 billion over the period. The list also sees a slightly broader selection of non-EEA countries, including Japan and Singapore, which makes an interesting appearance at 20th. One country which falls surprisingly far down the rankings list is Australia, which despite being close diplomatically and historically to the UK, ranks only 28th in comparison to the other long-list countries. Saudi Arabia also sits in a low position, being 36th, which potentially indicates the paucity of its non-petrochemical export industry, as well as the fact that the UK is itself an oil producer and imports most of the additional oil it needs from Norway, Libya, Russia and Nigeria.[200]

9.2.2. UK imports from the BRICS

With regard to the BRICS, once again all of the countries sit in the top 20 apart from Brazil, which sits in 24th position, identical to its export ranking. The combination of these may suggest that the UK's economic links with Brazil are not as strong as they might be. While a free trade agreement between the EU and Brazil is under negotiation, the fact that the EU is still Brazil's largest trading partner is indicative of the fact that this is not an issue for other states and/or that the 'Antwerp-Rotterdam effect' is affecting recorded UK trade with Brazil.[201]

Table 9.5 UK imports from the BRICS

Country	*2011 Rank*	*2010 Rank*	*2009 Rank*	*2008 Rank*	*2007 Rank*
China	3	3	3	5	5
Russia	13	16	15	12	12
India	17	15	16	17	17
South Africa	23	18	19	16	20
Brazil	24	23	23	24	27

Source: HMRC

It is interesting to note that South Africa's exports to the UK have gone comparatively downhill in the last few years – the data behind this suggest this is true in terms of raw numbers as well, beginning at £3.2 billion in 2007, peaking in 2010 at £4.1 billion, before falling substantially to £2.9 billion last year.[202]

9.2.3. UK imports from the 'Next Eleven'

The N-11 figures show similar trends, with the volume of exports from South Korea to the UK – as an example – having declined marginally from 2007 to 2011 (£3.0 billion to £2.5 billion):

[200] http://www.eia.gov/cabs/united_kingdom/Full.html [Accessed 23 May 2012]
[201] http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/brazil/
[202] South African Revenue Service data

Table 9.6 Rank of UK imports from the 'Next Eleven' 2007-2011

Country	*2011 Rank*	*2010 Rank*	*2009 Rank*	*2008 Rank*	*2007 Rank*
Turkey	18	17	17	15	15
South Korea	25	26	22	22	21
Nigeria	29	37	40	34	46
Indonesia	34	33	32	32	33
Mexico	37	35	36	36	39
Pakistan	40	39	39	43	41
Egypt	41	40	38	40	40
Philippines	45	45	45	42	36
Iran	48	51	48	54	54

Source: HMRC

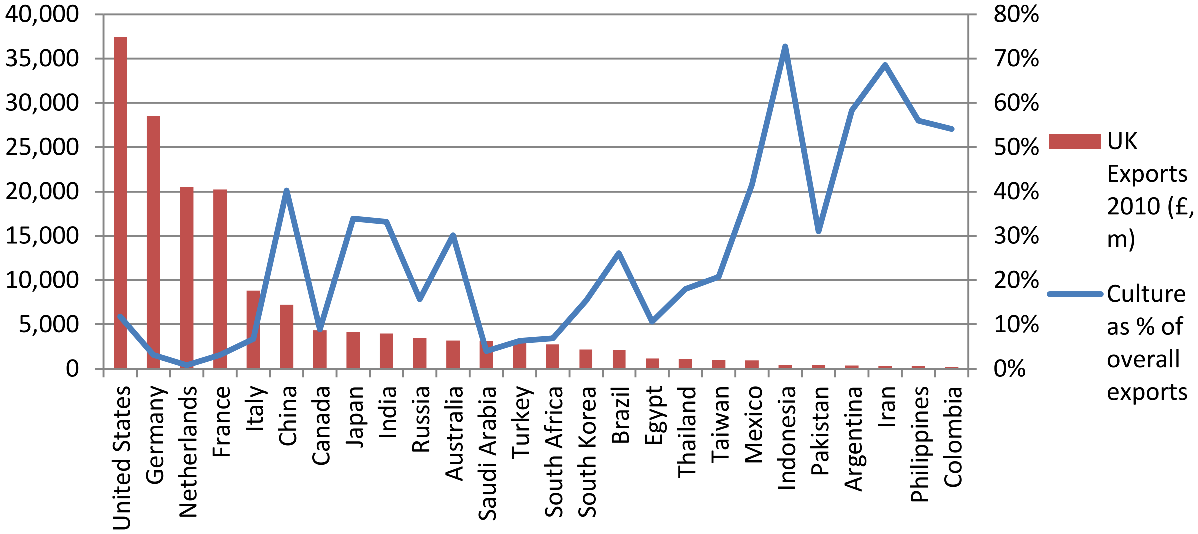
The volume of imports from Turkey has seen slow but steady growth from £4.7 billion to £5.4 billion between 2007 and 2011, though in that time it has been overtaken by countries like India, Poland and Denmark. Nigeria represents an interesting example, its exports having ballooned from £914 million in 2010 to £2.2 billion last year – akin to Norway, though, this is likely to be as a result of increased petrochemical imports. As with the export figures, one wonders whether the free trade treaty might see volumes of trade with South Korea increase in the near future. Of the remaining N-11 though, only Mexico shows exports to the UK of more than £1 billion, indicating that economic links with these emerging areas of the world remain poor.

9.3. Non-film cultural links

Looking at the available data for cultural exports (as judged by the ONS definition) provides an interesting contrast with the export figures.[203] The data suggest that culture dominates in countries where the UK has lower overall export volumes, but is surprisingly low to some countries, especially France and the Netherlands where it accounts for 3% and 1% of total exports respectively. Indeed, across the European Union, the UK's cultural exports are a surprisingly tiny percentage of the overall export load, though one wonders whether this is as a result of the overall high level of exports to other nations within the Free Trade Area.

[203] Creative Industries are defined as: Software & Computer Services, Design, Publishing, Television & Radio, Music, Film & Video, Art & Antiques Market, Advertising, Architecture, Interactive Leisure Software, Designer Fashion, Performing Arts, and Crafts

Figure 9.1 Cultural exports as a percentage of UK exports by territory 2010

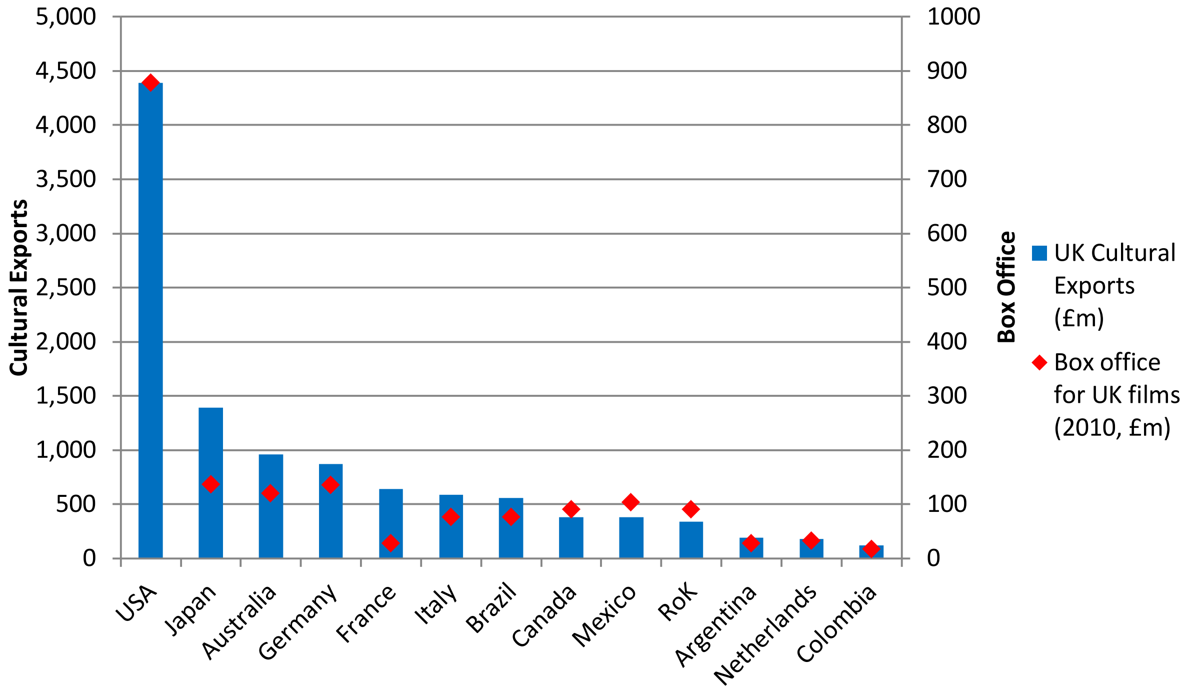


Source: HMRC; UKTI

This said, there are a few other countries where the overall cultural exports show a surprisingly low percentage, especially Canada. Some countries which are worth highlighting though include China, with some 40% of UK exports falling within the 'cultural' definition, and Japan with 34%. While some consultees have suggested to us that British culture does not play well in some of these territories, statistically it appears that cultural exports do relatively well in these areas compared with other categories of UK export (recognising, of course, the flaws in overall trade statistics). Though there is an argument that the ONS measure takes a very broad view of what constitutes a cultural export, nonetheless this suggests a degree of potential in these territories.

Cross referencing the cultural export rankings with the figures for the UK box office in the subset of countries for which we have access to both of these datasets also leads to some interesting conclusions. While it is worth commenting that the box office presents, at best, a partial view of the cinema environment in an individual country, and that the number of countries where we have access to both of these datasets is very small at present, nonetheless the results are worth presenting.

Figure 9.2 UK film box office compared with UK cultural exports by territory



Source: UKTI, BFI RSU; Olsberg SPI Steele analysis

Mexico and South Korea (27% and 26% respectively) have the highest overall ratio of box office figures to UK cultural exports, though for those countries the position of culture differs substantially. Whereas culture represents just 15% of UK exports to South Korea, it was 42% of our exports to Mexico in 2010, which must lead us to question why and what can be done to ensure that this position continues to be strong as Mexico's economy grows? Conversely, the box office for UK films in France is low compared with UK cultural exports to France, an adverse comparison magnified when one considers that UK cultural exports to France make up a tiny percentage of overall UK exports to France. Once again, Japan presents an interesting counterpoint, as the country ranks well for overall UK cultural exports, but the box office figures continue to disappoint in relation to this.

9.4. Conclusions

The data suggest that the top UK trading partners for both imports and exports are the USA, China, Germany, France, Belgium, Italy, Spain, and the Netherlands – this makes no correction for the Antwerp-Rotterdam effect. On the export side, we trade significantly with Sweden and India, and on the import side with Japan and Norway.

From a cultural perspective the top countries for UK cultural exports are the US, China, Japan, India, Australia, Germany, France, Italy, Brazil, and Russia – these include several nations where our film sector performs relatively poorly, not least Japan and Brazil. We also found a significant number of countries where culture made up a high proportion of total exports from the UK, in many cases without film playing a major role.

10. Extent and risk of competitive activity from other countries

This final chapter considers competitive activities from the countries studied, looking at the export performance of the various countries studied, national market protection which acts to limit UK access to countries, and competitors for inward investment.

10.1. Export competitors

As discussed in section 4.5, we have not been able to identify a single *global* competitor to UK film other than the USA, which is the dominant country globally for film production and distribution. Including films made in partnership with the USA, the UK has the second strongest international position at the global box office. However, as pointed out in section 4.1, UK independent films have low market shares in most markets, so there is scope for improving our export performance

The world theatrical market (ex-UK) seems to divide into three broad territory groups the first is the USA, which is not only dominant in its home market, but also has a dominant or significant share in most markets globally. Second come those countries that do not have a strong global position but are strong in their home market and possibly in a number of culturally related markets. The countries we have identified in this category are, in descending order of national market share: India, Egypt, China, Japan, Turkey, South Korea, Thailand, France, Czech Republic, Italy, Denmark, Poland, Sweden, Germany, Hong Kong, Norway, Russia, Finland. This leaves the 'rest', who are weak or relatively weak in both the international market and their home market.

The UK deals with the competitive strength of the USA through partnership and competition. Some big budget franchises, exemplified by Harry Potter and James Bond, are made as UK-USA films in the UK, taking advantage of the UK film tax relief, and are distributed internationally by the US majors. Some UK films are made independently but distributed by major or minor US distributors. Other UK films are both made and distributed independently.

The UK sales sector attends all the major global film markets (Toronto, Hong Kong, Cannes etc) and endeavours to make sales to all territories, including the developing world, the Middle East, Asia and North and South America. The experience of the sector is that the volume of sales and the prices received reflect domestic factors in each territory at the time of the sale and local distributors' perceptions of the appropriateness or otherwise of the UK product for the territory in question. Increasing UK market share therefore requires a combination of diplomacy to address structural factors, international audience development and better tailoring of the UK product to the various international audiences.[204]

[204] Feedback from project consultations.

10.2. National market protection

Most countries that are successful in their home market – including a majority of US states – support their national film industry through some type of public funding, for example grants, tax incentives, Lottery funding, hypothecated taxes.[205] This is partly to offset or defend the US national advantage and partly for cultural reasons, reflecting both the need for a national film culture, and the difficulty of making the film industry completely self-funding due to the uncertain 'hit and miss' dynamics characterising the industry.

In addition, protection is afforded to the national industry by having dominant national distributors, or specific measures of state protection for the market, such as quotas for national films, import restrictions against foreign films, and specific screening requirements for multiplexes.

Countries with strong or dominant national distributors include the USA, India, Egypt, China, Japan, Turkey, South Korea, France and the Nordic territories. Those which use quotas or import controls to assist their national film industries include Egypt, China, South Korea, Argentina, Brazil, Mexico, and France

Where a country uses direct or indirect measures to protect its home market, there may be a role for UK diplomacy to negotiate with the territory in question to seek a mutually satisfactory solution – one that would permit wider circulation of UK films without undermining the national film culture of the other country. This might include mutual distribution agreements that would have the effect of widening choice for UK filmgoers as well as facilitating international distribution of UK films, and which have been successfully used in other cases.[206]

10.3. Inward investment competitors

There is strong global competition for mobile international production, mainly originating from the USA, with numerous national and sub-national jurisdictions offering incentives to attract large budget film productions to their territories. Typically, incentives amount to around 20% of the local spend by such productions, though this varies, and new entrants to the fiscal incentive market now typically pitch around 30%.[207] For the states offering such incentives, they are 'value for money' in that they attract an amount of spend much greater than the incentive offered, thereby adding to GDP, and are likely to be fiscally positive because the additional tax levied

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[205] eg the French system of taxes on box office and other film revenue streams that are collected by the CNC and redistributed to French film production companies.
[206] Feedback from project consultations.
[207] *Fighting Production Flight: Improving California's Filmed Entertainment Tax Credit Program,* Milken Institute, June 2012, pp. 19-22.

on the multiplied contribution to GDP is likely to exceed the amount of incentive offered.[208]

There are several states which can be seen to compete with the UK in this market, including Canada (both at the Federal and State levels), Australia, New Zealand, South Africa, Germany and Hungary. All of these countries have had success in recent years attracting productions from the US, using various incentives, and given the increasing number of entrants into the Fiscal Incentive market, this competition looks set to grow in the foreseeable future.

Internally, the USA is affected by competition between individual states and also with non-US jurisdictions such as Canada, the UK, Australasia and South Africa. States with particularly successful incentive structures in the recent past include California, New York, Louisiana, Texas, Michigan, Georgia, Illinois, Florida, and New Mexico.[209]

As has been noted, the signs are that competition for mobile international production will continue, with new territories showing an interest in entering the market through a combination of upskilling their local workforces, building studios, and introducing production incentives. In recent years, territories such as Malaysia, Singapore, China, Qatar, Mauritius, and Bulgaria have all started to make serious efforts in this area through a combination of initiatives. While at this moment in time these might not affect the UK industry, where governments are willing to put serious time and money behind such projects, it is likely production will follow.

To remain a competitive destination for mobile film production the UK needs to pursue a multi-faceted strategy with the following elements, including maintenance of the film tax relief, continually upgrading its skills base and infrastructure, developing cutting-edge new technologies (for example in visual effects), and maintaining a strong promotional relationship with the USA and any new sources of mobile investment that emerge.[210]

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[208] *The Economic Impact of the UK Film Industry (2010 edition),* Oxford Economics, UK Film Council, 2010.
[209] Op cit, Milken Institute 2012.
[210] Feedback from project consultations.