

**Cultural Industries Seminar  
Mexico, April 1<sup>st</sup> and 2<sup>nd</sup>, 2004**

**The culture industries in Europe : Is this a long lasting development  
"model"?**

Speech of Yvon Thiec

For ten years I have been in charge of – the audiovisual and cinematographic production sector –monitoring the audiovisual policy and the media led by the European Union.

In this position, I have to pay attention to the policies of the European Union which have a direct impact on the audiovisual and cinematographic sector.

The cultural and audiovisual policy led by the European Union is our main concern, but it is not the only one. We are also interested in the competition policy, the commercial policy, in the activities of the European Union regarding copyrights and intellectual property.

I would like to comment two things. The first one regarding the culture and cultural industries, and the second regarding the European Union and the culture.

I. CULTURE AND CULTURAL INDUSTRIES

I have already told you that our interest is about culture regulations (particularly the ones related to the film and the radio broadcasting activities), but I also said that we constantly monitor the regulations regarding competition, commerce and industrial property at European levels.

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In the most of the European countries, such discussion exceeded the classic concerns about culture, that is, the access to culture on the one hand, the training of artists, creators and the renewal of the creating elites on the other hand.

Our countries incorporated the fact that, prophetically the philosopher Walter Benjamin defined in the 30's, that is that the industrialization and the commercialization of culture starting from the fact of resorting to technical resources which facilitate the reproduction of works in a large scale and decrease in the same way the access costs to repertoires which otherwise will be limited only to public performances.

The television, the record and the CD, the audiocassettes and the DVD are the access instruments to the culture of a massive society.

Parallely, the constant increase of the living standards in Europe, the regular decrease of the working times make easier the consumption of cultural goods and services.

To all this, it is necessary to add the educational level, without any doubt the highest level in the world for the population as a whole, the access of everybody to school and university has been one of the greatest concerns of the governments in the countries of Western Europe since World War Two, which is one of the most important achievements in the second half of the XXth century.

It is necessary to recognize that the book, the music and the film have become complete industries, not only regarding the economic issue they represent and the great employment perspective that they offer, but also due to the fact of domestic consumption.

The end of the XXth century imposed a model of massive cultural "consumption" which moved us away more and more from what could have

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been the status of culture in the XIXth century, an activity practiced in and by the elitist and aristocratic groups protected by the massive consumption.

The growing commercialization of culture entails a higher risk than what it seems, the risk of being submitted to the market law, the rendering of cultural goods and services. Besides, these last can not be subjected to a total market logic at the risk of losing then their pertinence, their added value, the sense itself of the cultural production.

Since then, the action of our governments have become very complex, it has the purpose of achieving three objectives more or less contradictory:

- a) To form the population based on the present culture offer (this is the purpose of the educational policy);
- b) To make easier the creation of contents (this is the sense of the aid policies);
- c) To control the market in order to guarantee the pluralism of contents and operators.

a) The education in the culture.

I will not talk too much about this issue. It is true that due to their avalanche of books, music and films, the education in the cultural offer is a determining factor, because it affects the literature, the cinematographic and audiovisual culture or the musical culture, to avoid making user a simple consumer.

The problem is not new, but it is viewed from a new perspective in this society of abundance and easy access to contents.

I can not talk here about this question due to a lack of knowledge: when we talk about the fact that the educational choices in Europe regarding this issue are varied, but the average educational level is good if not very good, Europeans

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have to be prepared to make use of their cultural choices which are not only consumption.

I would like to comment with more detail the other two questions, that is the support (the subsidies) on the one hand, and the regulation of the market on the other hand.

b) The financial supports.

The cultural industries received the corresponding supports. Traditionally, the record was never subject to a public financing policy. The reason adduced is that, in comparison with the audiovisual and cinematographic production, the costs of production and distribution of sound recordings were more modest and in this way, it was very easy to amortize the investments carried out.

You know that due to the massive and endemic piracy experienced by the record at the present time, this economic model is in danger.

The book is also a poorly subsidized sector, except for the important aid regarding to the translation of foreign books (this is the case of France, for example).

We wonder, if the lack of support has not progressively led to the concentration, which is important in this sector, both in the phonographic production and in edition. In Europe, 80% of the record economy is today under the control of some companies. The important thing of the book, regarding itself, is centered in France, particularly, between two editorial groups.

The film and the audiovisual, and this is well known, are two sectors highly subsidized. All this includes several ways.

In Europe, the cinematographic production receives a constant support from public powers. 1 billion Euros will be spent every year in supporting the film in

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Europe. This figure corresponds to the addition of different subsidies granted by different countries.

This support varies pursuant to the States of the European Union:

#### Balance Between Selective and Automatic Support for Production

	Selective Support (Ecu millions)	Selective Support %	Automatic Support (Ecu millions)	Automatic Support %
Belgium	9.56	72	3.79	28
Denmark*	14.71	83	2.92	17
Finland*	7.53	100		
France*	54.92	29	131.37	71
Germany*	66.23	90	7.26	10
Greece	4.71	100		
Iceland	0.60	100		
Ireland*	3.75	100		
Italy*	84.03	92	7.31	8
Luxembourg	1.03	100		
Netherlands	28.95	100		
Norway (1)	7.55	68	3.58	32
Portugal*	3.91	68	1.81	32
Spain*	11.15	52	10.38	48
Sweden	11.40	75	3.80	25
Switzerland	8.07	100		
UK (2)	11.34	100		

Source : Bizen and Autissier (1998)

\* 1995 figures

1. For 1995, it is also necessary to add the support given by the Foundation for Audiovisual Production (figures not provided)

2. For 1995, it is also necessary to add 16.74 million ecus of National Lottery support to "Selective support" total.



France is the country which supports the most its film:

**Financing sources for French-initiated films (1990-2000) (%)**

	French Producers	SOFICA s	Automatic Aid	Selective Aid	Television		Distributors	Foreign Input
1990	42.4	6.7	7.6	5.4	3.9	15.9	2.8	15.3
1991	33.7	5.9	7.6	4.7	4.6	18.9	4.4	20.2
1992	36.5	6.1	5.8	4.6	5.4	24.7	5.4	11.5
1993	33.4	5.2	7.7	5.5	5.6	25.2	5.1	12.3
1994	29.3	5.3	7.5	6.7	6.5	27.4	5.0	12.3
1995	26.8	5.6	8.7	5.7	6.8	30.1	4.0	12.3
1996	24.3	4.8	8.3	4.9	7.7	34.3	5.5	10.2
1997	33.4	4.5	7.7	5.2	7.2	28.7	3.5	9.8
1998	27.9	4.3	7.8	4.4	7.0	31.5	6.8	10.3
1999	28.0	4.4	6.8	4.4	6.0	34.2	8.8	7.5
2000	31.9	5.7	6.6	3.6	9.0	31.2	5.5	6.5

Source : CNC Info (2001b)

This support takes different forms. The direct support to the production of the film, the selective or automatic support (a system highly developed in France).

To all this we can add the investments carried out by broadcasters, which partly, are compulsory investments: the broadcaster has to finance the national production. This is true in France, but since a few years ago, Spain issued a similar obligation with regard to its broadcasters. Germany also imposed obligations to its broadcasters.

Finally, certain European States implemented tax shelters, that is, tax concessions granted to the taxpayers who invest in the film. These tax concessions were implemented in ten European countries.

When we mentioned direct public supports, the compulsory investment of the broadcasters and the tax concessions, we have practically mentioned the set of means implemented to help the film.

The audiovisual fiction production is also subsidized. Countries like Germany, Great Britain and to a lesser extent Italy and France, are the important producers of fiction (which export or try to export to the world market).

The fact that a charge is removed from users and assigned to the public televisions for financing, reinforces the national audiovisual production.

#### **The charge in the main European countries in 1997**

	German y	Great Britain	Franc e	Italy	Spain
Charge in 1997 (in euros)	173.000	138.000	106.0 00	88.000	0

Source : CSA

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At European level, two mechanisms of support have been implemented. One within the European Union (Media + = 400 million Euros for 5 years) and Eurimages within the Europe Council.

The mission of the two supports is to facilitate the creation of European contents.

In despite of an important amount of cinematographic co-productions within the intraeuropean market, the characteristics of the national markets is that they remain fragmented, poorly opened the ones from the others regarding the diffusion of audiovisual and cinematographic works, the **lingua franca** of Europe – regarding the cinematographic expression – are generally the Hollywood films made in US.

**Co-productions (with all foreign partners) as percentage of total productions (1988-1998)**

	1988	1994	1995	1996	1997	1998
<b>Austria</b>	11.1	30.0	5.3	13.3	20.0	41.7
<b>Belgium</b>	73.3	75.0	100.0	75.0	83.3	85.7
<b>Denmark</b>	12.5	21.4	30.8	38.1	30.4	66.7
<b>Finland</b>	21.4	36.4	50.0	20.0	10.0	87.5
<b>France</b>	32.1	47.0	55.3	44.8	47.2	44.3
<b>Germany</b>	14.0	19.3	41.3	34.4	23.0	25.2
<b>Greece</b>	6.7	83.3	94.4	50.0	62.5	
<b>Ireland</b>	60.0	11.8	18.2	66.7	27.3	
<b>Italy</b>	16.9	25.3	20.0	22.2	18.4	14.1
<b>Luxembourg</b>				100.0	100.0	
<b>Netherlands</b>	11.1	25.0	44.4	37.5	46.7	27.8
<b>Portugal</b>		77.8	78.6	75.0	30.8	
<b>Spain</b>	14.3	18.2	37.3	27.5	31.3	27.7
<b>Sweden</b>	33.3	24.0	86.7	83.3	13.8	35.0

UK	5.0	45.7	47.4	46.8	37.0	
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Source : Screen Digest (1999a:133)

This is an **important problem**: within a European market which at the present time produces more than 50% of the exchanges of goods and services among the member States of the European Union, the film and the audiovisual markets remain as national markets, closed in themselves and generating very few exchanges.

The consequence is not only of economic nature: the interested parties do not have access to the biggest markets in the world<sup>1</sup> in terms of solvency, leaving in this way the best part to the Hollywoodiens films (they made half of their resources outside USA and Europe has the majority of those resources).

Outside this economic internal barrier which worries our governments there is the **resulting absence of cultural and symbolic unity** which **affects the search of politic unity** in Europe, which is – after the economic and monetary construction – the **third fundamental objective** declared and searched in the creation of the European Union.

Meanwhile, we can consider that regarding the public investments provided by the subsidies, the **first objective is guaranteed**, that is to guarantee to the national public a **diversity of cinematographic and audiovisual contents**.

In France, the proportion of French films offered in the cinema are of approximately 35% (the level may decrease to 30% or increase to 40% depending on the year), the American films possess around 55%. The result is not far from being remarkable when we compare the great artistic and capital-intensive army that Hollywood represents in comparison with the French film.

However, the proportion of national films is lower in comparison with other countries, the market is controlled by the American market.

**Parts of the film market distributed within the European Union  
(1996-2000)**

	1996	1997	1998	1999	2000
<b>US Films</b>	71.6 %	65.8 %	77.4 %	69.1 %	73.0 %
<b>National films within its own market</b>	17.5 %	21.4 %	14.4 %	17.4 %	15.0 %
<b>European films outside the national market</b>	8.3 %	10.7 %	7.2 %	11.5 %	8.0 %
<b>Others</b>	2.6 %	2.0 %	1.1 %	2.0 %	4.0 %

Source : Audiovisual European Observatory

The controlling presence of the American film on the screens formulates the question of the cultural diversity. Will I return ?.

The production of audiovisual fiction aimed at the diffusion on the television channels represents a majority on the television screens within the great European countries (France, Spain, Italy, Germany, Great Britain), this means that the public has access to a national content.

c) The regulation of cultural industries

The cultural policies translate widely today the needs of the cultural industries, intermediation among the creator, the market and the consumers.

The public powers participate for example, in regulating the offer of contents (quotas) and in promoting the pluralism of such contents.

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<sup>1</sup> The markets of China and India are in theory the two biggest markets, that they remain closed

When the manufacture of contents appeals to a classic and simple method (the financing), the regulation of the cultural "offer" involves much more complex resources.

The complexity of the regulation is the reflect of the market itself. Besides, in Europe, the market became more complex. For the film, for example, the offer is available in a variety of supports, starting from the movies, the distribution of videocassettes or DVDs, the subscription television, the television by satellite, the "free" television (financed by the advertising), the cable market and, today, the high bit rate connection through the Internet.

If we want that the national (and/or European) content is available for the group of these supports, this supposes a particular attention of the legislator for each one of them.

## II. EUROPE AND THE CULTURE

Conversely to many other federated entities of the States, the European Union forms a **legal framework** creating the rights and obligations determined by a treaty – the Treaty of Rome – and the sanctions imposed by a Court of Justice.

To all this we can add a Parliament (the European Parliament) elected by means of a direct universal suffrage.

More than a half of the legislation in force in Europe is today adopted at European level, the 15 member States. After establishing a legislation favorable for the circulation of goods and services, at the present time Europe is constructing the commencement of integration on justice and security matters.

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and poorly lucrative.

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Within a month, 10 countries (Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Czech Republic, Slovakian Republic, Slovenia) will have access to the European Union. This is a reason of joy and satisfaction, because Europe is finally together.

This geopolitical group will be more and more important in the international relations. The responsibility with us, with the people belonging to the culture and the cultural industries, is to guarantee that Europe includes our concerns, not only regarding the internal relations with the Union, but also in the relations with the rest of the world.

We desire an open world, but also the respect of cultures and people (creators, authors, producers) who live in here.

First, I will talk about the implications for the European construction for the cultural industries, then about the international relations and Europe.

- The European Construction and the cultural industries

I said before that the question regarding culture covers the question of cultural industries. These last, regarding the economic activities, are subject to the Treaty of Rome. It was in Brussels, not in Paris, Rome or Madrid, where it was decided a part of the regulations which control the cultural industries.

To go fast, neither the disk nor the music were really regulated at European levels. On the other hand, the community law of the competition allows very often to avoid concentrations in the phonographic or the book industry which may have led us to achieve the pluralism in the freelance edition and production.

The European Community (or the European Union) developed a legislation on audiovisual matters since the end of the 80's.

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This legislation is known: It is the directive on Television without frontiers. This is known because it has experienced, from its implementation, important pressures from the American Authorities.

The directive on Television without frontiers includes indeed, a provision related to the quotas of the European works, with the purpose of making a bid to obtain that the **50% of the contents** presented in the television channels are of **European origin**.

It also validates the idea of the freelance producer.

It also creates a regime for advertising.

Starting from this directive, and parallel to it, the member States declined their own audiovisual regulations, which, however, have to be compatible with the directive on Television without frontiers.

We recognize two merits in this directive:

- During the negotiations for the liberalization of services in the World Trade Organization (negotiations mentioned in the Uruguay Round) directive on Television without frontiers worked as a common base to the States of the European Union to establish the lack of commitments regarding the liberalization on audiovisual matters.

In the World Trade Organization, each State still has the control of the liberalization commitments that it desires to establish, commitments whose purpose is to facilitate the access to its internal market in benefit of its trading partners.

For the European Union, these negotiations are difficult because they imply, at the beginning, to set an agreement between the members States of the European Union regarding the liberalization processes. Besides, we know that we have a very similar economic structure (some States are more agricultural,

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other more industrial), our States do not necessarily have binding interests at 100% in the World Trade Organization.

The directive on Television without frontiers allowed to solidify a common process with the process of avoiding the liberalization of audiovisual services to the WTO. Without making reference to an horizontal legislation similar to the kind of the directive on Television without frontiers, it is probable each State would have negotiated unilaterally its own access regime to its own audiovisual market.

The lack of liberalization to the WTO keeps together the production, distribution and audiovisual broadcasting process. We have not established any commitment, our member States may, whether collectively (by means of the directive on Television without frontiers), or individually to continue managing their audiovisual markets safeguarding the collective preferences that they want to guarantee to this respect.

The directive on Television without frontiers has also been very useful for the definition of policies in favor of the contents based on the policies in favor of the "access", that is the telecommunications.

The regulations regarding telecommunications have the purpose of optimizing the access of consumer to the network.

In this sense, the European action has been to favor the liberalization, privatization and demonopolization of the historic telephone networks: the access to the competition and to other markets is pursued as the conditions of modernization regarding the traditional activities carried out for a long time with the name of public service.

Such concepts are valid for the access policies, but on the other hand, they are **inappropriate** regarding the content.

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The directive on Television without frontiers, creates a regime of quotas and of defense of pluralism of the contents.

In like manner, Europe regulated the electronic trade.

For now, the rules are minimum. Their purpose is to determine the responsibility of operators regarding the broadcasted contents, to ban any racist content or prejudicial to the public order.

A part of the audiovisual contents (particularly, the services requested) are subject to the directive of electronic commerce.

France, for its part, recently started imposing a tax to the services rendered. The purpose of this tax is to provide resources for a support fund addressed to the production of audiovisual contents. This is a simple and clear example regarding the implementation of new communication technologies used for general interest objectives.

The next stage will be without any doubt to propose measures to Europe, whether initiatives or regulatory measures, in order to guarantee the offer of European and national audiovisual contents through the new media.

It is going to be necessary, because we know the trend of the media markets to withdraw the offer to certain films (the blockbuster trend) which is not compatible with our concern of guaranteeing the cultural diversity.

- Europe and the world

During the conclusion of the WTO Cycle, Europe requested the cultural exception to avoid the liberalization of audiovisual and cultural services.

Subsequently, the European Union included within these action principles the **cultural diversity**, that is, the **freedom of cultural choice**. We want to give a concrete translation to this policy at three levels.

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- 1) First, we are in the process of preparing a European Constitution, our action will allow the **cultural diversity** to be recognized among the **objectives of the Union**, giving in this way a **constitutional translation** to this great principle.
- 2) In Europe, we are very active due to the implementation of the UNESCO of an international convention regarding cultural diversity.

Mexico was one of the States which expressed this demand in the UNESCO during the 168 Executive Council, and we want to thank you.

- 3) Europe is at the present time on its way to prepare an association agreement with the States or groups of States.

If these agreements are hardly mentioned in the press, it is without any doubt, because Europe negotiate them regarding the rights and freedom of the co-contracting States.

It is important for us to include in this agreement an element guaranteeing the cultural exchanges and that the good practices exchange, the professional and institutional negotiations of our corresponding cultural industries and the promotion of talent and works are considered within the same framework of these agreements.

Within the framework of a future Association Agreement between the European Union and the Mercosur, from this moment on, the cultural cooperation appears in the policies included within the framework of the agreement.

This is the first step. All this will provide a real foundation for this cooperation desire.

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The items mentioned today, are the common definition of a cultural enterprise and of audiovisual services.

The first item, the common definition of a cultural enterprise, will eventually conduct to the granting of specific privileges in the two regional spaces, which in this way may aspire to specific conditions and eventually, to identical working and representation conditions. This would allow to the companies belonging to the European Union and the Mercosur to obtain a benefit from the same subsidies agreed between the local enterprises.

It is an interesting proposal which shall be supported by professionals. But it would be advisable to discuss these proposals in the heart of the corresponding professional authorities. Something that is not happening at the present time.

In respect of audiovisual services: it has an important acceptance in Europe for the culture of the States which form the Mercosur, the literature, the music and the film.

This is the weaker link of this view. It would be really important to reinforce the presence of south American and Latin- American films in Europe.

The reciprocity is also real. It would also be necessary to have a higher access of European films in your countries. We are willing to discuss the conditions of a partnership to this respect.

I add that it would be convenient to study the question regarding the reciprocal access of the films, not exclusively from a commercial point of view, but from a cultural perspective.

I think that it is necessary to deal with this matter, before the need of carrying out a common seminar among the people in charge of our cinematographies. I am sure that the ways and the means are possible.

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This supposes the fact that the South American States are willing to include these concerns in their constant negotiations with Europe (and vice - versa).

In a world devoted to the great problems, your countries, carriers of extraordinary cultures, result of an exceptional mixture of races, continue being carriers of hope and messianism.

I am convinced that the future will take us to be reunited intensively to the peoples of South America and Europe.

Thank you.

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