Cinemas benefit from International Trade and Investment & commit to local cinema culture

Over the last 12 months, sector growth around the world and consolidation activity along the value chain (and increasingly across borders) has again illustrated that cinema exhibition is a truly global and inter-connected business, a trend which is only likely to continue in the years to come. Cinema operators are as a result increasingly called upon to navigate a host of different local regulations and practices that have or may have an impact on their business.

As such, the global exhibition industry benefits both from international investment and from trade partnerships that - in accordance with WTO rules - seek to limit imposed barriers to trade such as screening quotas and levies on the importation of cinema technology. At the same time, the Global Cinema Federation respects the desire by public bodies to support local production and distribution activities with the objective of developing and sustaining a strong local cinema eco system. Promoting international trade and investment into cinema, and celebrating local cinema culture, can go hand in hand and are in the vast majority of cases not mutually exclusive.

Position of the Global Cinema Federation

The Global Cinema Federation will be guided by the following principles when addressing International Trade and Investment issues:

- Value of free international trade and investment into the cinema sector;
- Sharing of information on local regulations and practices that impact on foreign trade and investments;
- Where appropriate, support local/regional advocacy that focuses on promoting international trade and investment into cinema through research and information-sharing;
- Respect national policies which support local production and distribution activities with the objective of developing and sustaining a strong local cinema eco system.

Information and Advocacy Opportunities

Below is a non-exhaustive list of some of those areas of relevance to cinema operators when it comes to international trade and investment.
While some practices—such as local taxation and import duties—might be seen as an unwelcome but understood ‘cost of doing business’ others risk acting as a significant brake on the growth and prosperity of the sector in key territories.

**Taxation**

The VAT rate on cinema tickets, import taxes on goods and services, required contributions to local film funds and entertainment or business taxes can vary significantly from one territory to another resulting in uncertainty and unequal trading conditions.

**Foreign Direct Investment (FDI)**

Controls on foreign direct investment - limiting the ability of a company based in one country to invest in the controlled ownership of a business in another - are not uncommon in some regions and can act to limit levels of investment into the sector, harnessing further deepening of the cinema sector in the market and the efficiencies which can come with increased competition, best practices brought by foreign investor and greater consolidation.

**Operating licences**

The requirement placed on exhibitors in some territories to obtain an operating licence and abide by different licensing requirements will make it much more complex for them to have a consistent approach when it comes to how they run their business. These wide-ranging requirements will touch on very different issues (from employment to safety regulations for example) from one territory to another but can also vary from a region or a city to another inside a specific country.

**Screen quotas**

A number of territories are subject to government-imposed screen quotas, measures that generally limit the number of foreign productions able to shown in cinemas. These can have a major impact on the economic performance of a cinema operation and the relationship between exhibitors and distributors (examples include China (in effect) and Russia (discussed)).

**Film classification/censorship**

Film ratings to classification systems vary significantly from territory to territory, and can limit the ability of exhibitors to show the broadest range of film content possible, impacting on audience and revenue (examples include Russia and China).

**Quality certifications**
Some territories operate national quality certification systems, whereby the government recognises those companies which it views as having exceeded a certain ‘quality threshold’. Such decisions can have an impact on how local audiences perceive a business (examples include France).

Captioning and dubbing

A very limited number of countries have strict rules related to captioning and dubbing of films in cinemas. In some cases, these require that films are or are not captioned or dubbed in the local language, which can effectively act as a screen quota, limiting the distribution of international content and impact audiences and revenue (examples include Catalonia (Spain) and Myanmar).

Business diversification

Rules relating to the ability of a business to run cinemas and also distribute/produce films - operating across different levels of the film value chain - vary significantly from one territory to another. Where such practices are restricted, this can be a significant brake on efficiencies.