POST-NEOLIBERAL IMAGES:
FILM POLICY IN COLOMBIA AND ITS LESSONS FOR
DEVELOPING COUNTRIES

by

Liliana Patricia Castañeda
M.A. Analysis of Political, Economic and International Issues,
Instituto de Altos Estudios para el Desarrollo-
Universidad Externado de Colombia, 1999
B.A. Social Communications and Journalism,
Universidad Externado de Colombia, 1995

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APPROVAL

Name: Liliana Patricia Castañeda
Degree: Master of Arts
Title of Thesis: Post-neoliberal Images: Film Policy in Colombia and its Lessons for Developing Countries

Examinig Committee:

Chair: Dr. Eric Hershberg
Director
Latin American Studies Program
Simon Fraser University

Dr. Anil Hira
Senior Supervisor
Associate Professor
Latin American Studies Program
Simon Fraser University

Dr. Catherine Murray
Supervisor
Professor
School of Communication
Simon Fraser University

Dr. Rita de Grandis
External Examiner
Professor
French, Hispanic and Italian Studies
University of British Columbia

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ABSTRACT

After neglecting the film sector for almost a decade, Latin American governments have reestablished support and protection policies since the mid-1990s. This recent effort occurs amidst opposition from market-oriented trends in the international context and national pressure to support other sectors such as education, health and poverty.

This research proposes an evaluation model defined as the Incipient Model of Sectoral Promotion and Cultural Consumption (IMSPCC) to analyze whether film policies in developing countries are worthwhile. The policy framework in Colombia serves as the case study to answer the general research question.

As the results of the IMSPCC suggest, the Colombian model is in transition to overcome longstanding bottlenecks, and generating sustainability, mainly supported by the cultural diversity discourse of governmental and nongovernmental actors. This hopeful approach contrasts with limited outcomes in terms of extensive cultural access for consumers, equal gains for all stakeholders and fair conditions for film workers.

Keywords: film policy; cultural industries; Colombian cinema; cultural diversity; policy evaluation

Subject Terms: Motion pictures -- Latin America; Motion pictures industry -- economic aspects; Motion pictures -- government policy; Motion pictures -- Colombia
DEDICATION

A aquellos que creen en sus metas sin importar los obstáculos que se presenten en su camino.

To those who believe in their dreams and have the perseverance to overcome any kind of obstacles.
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GLOSSARY

CBA  Cost benefit analysis
CNACC National Council of Film Arts and Culture in Colombia
Colcultura Colombian Institute of Culture
DIAN National department of revenue and customs
FDC Film Development Fund
FOCINE Colombian Cinematographic Development Company
FTA Free Trade Agreement
G-3 Group of Three (Mexico, Colombian and Venezuela)
GATT General Agreement on Tariffs and Trade
GNP Gross National Product
ICTs Information and Communication Technologies
ILC International Liaison Committee of the Coalitions for Cultural Diversity
IMSPCC Incipient Model of Sector Promotion and Cultural Consumption
INCAA National Institute of Film and Audiovisual Arts in Argentina
ISI Import Substitution Industrialization
Mercosur Southern common market (Brazil, Argentina, Uruguay, Paraguay, Chile and Bolivia)
MPAA Motion Picture Association of America
MPEA Motion Picture Export Association, International Division of the MPAA
MPPDA Motion Picture Producers and Distributors of America
NAFTA North American Free Trade Agreement
NICL New International Division of Cultural Labour
NWICO New World Information and Communication Order
OAS Organization of American States
RECAM Mercosur-Technical Committee of Audiovisual and Film Authorities
SIREC Film Information and Records System in Colombia
UNESCO United Nations Educational, Scientific and Cultural Organization
WTO World Trade Organization
CHAPTER 1 INTRODUCTION

1.1 Justification

This study contributes to our knowledge about feature film policy in developing countries, with a focus on Latin America. This complex topic has reclaimed importance in the last five years due to three intertwined factors: first, the conflict between international trade agreements and cultural defence; second, the seemingly positive results of current state promotion models in the region; and finally, the challenges that the execution of current policies pose to the neoliberal model.

The first point addresses the cultural reserve used by Andean countries within their free trade agreements (FTAs) with the United States. Although there is a tradition of cultural exception initiated by Canada in its 1989 bilateral trade treaty with the US, the debate of defending cultural industries in a market-oriented context is new to Latin American countries. States in the region find themselves in the midst of external pressure to open up the sector while the idea of the importance of cultural diversity pushes them to strive to protect national cinema. Multidisciplinary associations called ‘coalitions’ in defence of cultural diversity emerged worldwide after 19981. They are currently part of the International Liaison Committee of Coalitions for Cultural Diversity (ILC) with the United Nations Educational, Scientific and Cultural Organization (UNESCO) support. This research will explore the influence of this movement and the usage of the cultural reserve by governments as a tool to exempt certain cultural industries or as a temporary protection within the FTAs. This concept comes from interviews with Colombian policymakers and cultural workers during the field research. They emphasized that the leverage of decision making will vary

1 After the first Coalition for cultural diversity appeared in Canada as a result of the 1996-1999 split-run magazine case before the World Trade Organization (WTO) negotiations and the 1998 Multilateral agreement of Investments (MAI), 38 national coalitions representing 400 cultural organisations have been formed (www.coalitionfrancaise.org/eng/cil/index.php?r=cil&sr=).
according to the country that uses the protection instrument. To illustrate, Canada and France had the capacity to declare cultural exception of their cultural industries within free-trade agreements while Latin American countries can only use cultural reserve as a limited and temporary protection.

Cultural associations in Latin America have also joined the battle for defending cultural diversity; hence, there are ten countries- Chile, Colombia, Ecuador, Argentina, Brazil, Peru, Uruguay, Mexico, Paraguay and Venezuela- that have joined the ILC. Their claims of promoting and protecting national culture from FTAs were essential to justify film policies in Latin America after the first generation of market-opening neoliberal reforms in the late 1980s.

In fact, preliminary results for state protectionist policies have been positive in terms of increasing the number of national films and audience. Brazil, for example, increased its production from seven films in 1990 to 46 in 2004 (Ibermedia, 2004), generating more direct and indirect jobs as well as exports. Argentina has initiated a recognized artistic movement called “The New Argentinean Cinema” that also reports an increase in their annual production. This relates to a more general trend: the increasing relevance of cultural industries, placed within the third sector, for the world economy. According to UNESCO (2005), cultural trade flows, including films, books, crafts and many other cultural goods, account for over 7% of the world’s Gross Domestic Product.

The third factor connects these positive results and the way to meet the challenges they represent for the neoliberal framework itself. Since the first generation of neoliberal reforms in the 1980s-1990s did not achieve a competitive market for national movies, political leaders sought to justify a new type of intervention that seeks to promote industry in ways that build and maintain efficiency, market competition, consensus and responsive to consumers (Hira, 2003). Developing countries’ governments, therefore, have paradoxically found a new source of validation for official

---

2 In United States, the combined radio, television and motion picture industries accounted for $108.4 billion of US GDP in 2001. The motion picture industry has the largest trade surplus of all major US industries and directly employs 500,000 people in the US alone. (http://beijing.usembasssy-china.org.cn/iprindustry.html). In India, the film industry offers opportunities to approximately 6,000 producers and over 3 million workers (UNESCO, 2006).
action in global pressure within the parameters of a market-based model. The Latin American film policy framework confirms the ambiguity of limiting the official responsibilities to regulation and facilitation while relocating the state at centre of the sectoral model. From that perspective, this research concludes that the most successful state support models combine efficiency-based principles like audience promotion programs and internet-based channels of exhibition with interventionist policy tools such as screen quotas\(^3\), subsidies and tax breaks. And although the new models follow neoliberal principles of economic competitiveness and the reduction of the state, the current policy frameworks have alternatively become a reaction to neoliberalism with distinctive features as mentioned above that is way they are defined as post-neoliberal\(^4\).

In sum, the discussion of film policies in developing countries implies the cultural argument of defending cultural diversity and identity, the economic argument of promoting a competitive sector in global or regional markets, and the revival of active state policies as a response to the forces of neoliberalism. In short, feature films are tools to reproduce cultural capital and to achieve economic development (Throsby, 2001).

The case study selected, the policy framework in Colombia, reflects the complex interaction of the three factors mentioned. The general perception is that the current film framework is as a viable answer to achieve cultural diversity and economic sustainability through a hybrid structure of neoliberal and protectionist instruments. To illustrate, a year after the issuance of the film law 814, 2003, the exhibition circuit screened eight national movies. Although this number might be insignificant compared to the 167 foreign films that circulated in the market that same year, it represented a visible improvement in a country that could exhibit only one national film in several years during the 1990s. Furthermore, share of attendance at national films increased from 17,790,000 spectators or 0.5% in 2001 to 20,219,614 or 14.48% in 2006 (Proimagenes, 2007).

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3 This term refers to the annual minimum percentage or screening time for domestic films in the commercial exhibition circuit.

4 Some authors (Harvey, 2005) might consider this affirmation questionable and prefer to use the term 'late neoliberalism'.
The growth of these variables, number of productions and attendance, in comparison to those of other Latin American markets suggests that the Colombian policy framework could stand as a model for other developing countries. More advanced economies such as Mexico have doubled its number of films, and Brazil has reported an increase of four times its former levels since the 1990s. However, in neither of these two cases has the industry matched domestic production levels achieved during their golden years of the 1940s and 1960s respectively.\(^5\)

Positive results also imply a consensus among sectoral actors on support policies that contrasts with controversies around the imposition of policy tools such as the screen and parafiscal quotas in Argentina or Brazil. Moreover, in most of Latin American countries, the state finances cultural policies, including those for film. However, in Colombia financing of cinema production has achieved a certain level of autonomy from official sources since the funding comes from other stakeholders’ contributions: producers, distributors and exhibitors.

Another reason to select the Colombian case is its limited power of decision in the international system. This feature emulates the situation of most of developing countries as opposed to the leverage that larger nations (Mexico, Brazil and Argentina) have. By choosing a middle-sized economy\(^6\), we can observe the challenges that a country might face when protecting its film sector.

The last reason to analyze the Colombian case is the availability of information on market trends and the agents’ positions and arguments to support or oppose the current film policy. The government has secured the collection and publication of the market variables: box office, attendance and financing, among others. Media and scholars have also demonstrated interest in the topic and there are several studies

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\(^5\) While Mexico released 15 movies in 1995, the number has gone up to 24 in 2005 (Estrada, 2004 & European Audiovisual Observatory, 2006). During the golden years, Mexico used to produce an annual average of 100 films.

\(^6\) According to the World Bank classification based on the 2002 Gross National Income (GNI) per capita, low-income economies have a GNI per capita of US $735 or less; lower-middle income economies, between US $736 and $2,935- including Colombia; upper-middle income economies, US $2,936 and $9,075 and high-income economies, US $9,076 (UNESCO, 2005).
analyzing the impact of the film industry on the economy (Fedesarrollo, 2000; Lopez & Melo, 2003).

1.2 Objective

The study of the proactive feature film policy in Colombia (1998-2005) will help answer the general research question: are official and private efforts to promote film industries worthwhile in developing countries? The question is relevant given the adverse conditions related to developing countries. First, film protection policies oppose market trends of free trade agreements in which developing countries participate. Trade agreements are important because they might represent better opportunities for the general economy, even if at the expense of cultural sectors. Moreover, these nations have scarce resources available for a wide range of problems: high levels of poverty, low levels of literacy and life expectancy and political and economic instability, among others. Within this context, supporting a high risk and uncertain return type of industry such as the film sector is controversial. In addition to this, longstanding bottlenecks in the film market bring into question the potential success of the sector: high dependence on official financing, weak interconnection among the subsectors of the value chain (Getino 1998), lack of skilled personnel and updated technologies, consumers' preference for foreign productions and the concentration of ownership in the distribution and exhibition subsectors (Schnitman 1984).

Several schools of thought have identified these challenges. Their suggestions about potential policy reactions about the topic are useful for this research since they provide complementary arguments to support film policies in developing countries.

1.3 Theoretical Framework

There are three main theoretical frameworks for this research:

-Cultural Imperialist and Dependency Tradition

-Media Economics Approaches

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7 Mexico signed the NAFTA in 1994 as a symbol of its entrance to the first world without protecting its cultural sector (García-Cañclini, 2005).
1.3.1 Cultural Imperialist and Dependency Tradition

This study takes from the cultural imperialist tradition its original diagnosis of unequal exchange of cultural contents that explains why foreign goods have invaded developing countries and, therefore, justifies official policies to defend national culture. This was the main argument that the Southern bloc used against the American position of free flow in the discussion on the New World Information and Communication Order (NWICO) during the 1970s and 1980s.

At the national level, cultural imperialism perspectives have been useful in questioning the increasing role of the private sector in cultural industries and identifying the interests of large corporations within the communication system that led to market failures such as concentration of ownership, control of circuits of distribution and unequal access, among others (Hesmondhalgh, 2002).

This perspective has denounced the Hollywood majors' hegemonic actions as the exclusive cause of the slow growth of Latin American cinemas: competitive strategies to amortize costs in the local market, set discriminatory foreign price, control distribution and exhibition networks and attract audiences through quality and preference standards. Following the North American political economy tradition (Hamelink, 1988; Mattelart & Dorfman, 1972; Schiller, 1976- among others cited in Mattelart and Mattelart, 1998), intellectuals in developing countries argued that these structural bottlenecks positioned Southern nations as passive actors or receivers and developed nations as producers within the International Division of Cultural Labour (Beltran & Fox, 1980 and Pasquali, 1990 cited in Mattelart & Mattelart, 1998). This point is important for the research because achieving an efficient and sustainable industry

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8 In the 1930s there were five majors: 20th Century Fox, Warner Bros., Metro Goldwyn Mayer (MGM), Paramount and Radio-Keith-Orpheum (RKO), and three little: Columbia, United Artists and Universal Pictures. Currently, there are new players like DreamWorks, complex alliances that involve majors (AOL Time Warner/Warner Brothers, Walt Disney/Buenavista, Viacom/Paramount, MGM/United Artists) or several majors are owned by foreign companies such as Columbia TriStar by Sony, Universal by Vivendi and Fox by News Corp (Wasko, 2003).
depends mostly on how to overcome those bottlenecks, so that a country could enhance its position in the market.

From this diagnosis, cultural imperialism and dependency intellectuals proposed to substitute the foreign presence in the national market with domestic films and protection policies. Schnitman (1984), for example, recognized that film policies are worthwhile in the name of culture. He called for a ‘comprehensive’ government action that combines restrictive and protective policies against Hollywood’s control over the Latin American markets. Restrictive instruments implied indirect support through tax incentives and screen quotas, and protective tools were more direct tools such as subsidies. By relying on official intervention, national cinema would eventually replace foreign content via the economic model of Import Substitution Industrialization (ISI) (Schnitman, 1984).

In addition to intellectuals and policymakers, symbolic creators (filmmakers) in Asia, Africa and Latin America also used the defence of national culture against foreign agents within the proposal of the Third Cinema (Hill & Church-Gibson, 2000). Third Cinema stood as an autochthonous attempt of national aesthetics, narratives and mode of film production vs. those of Hollywood (First Cinema) and Cinema d’auteur (Second Cinema). Far from accepting an industrial model controlled by the State or large corporations, artists called for total autonomy of symbolic creation.

Although this research uses the cultural defence perspective to explain and support film policies, it also recognizes the risk of focusing on this sole argument. As illustrated in Chapter 2, Hollywood majors’ actions are only one of multiple causes of film market bottlenecks. Latin American governments did not create sustainable systems of film financing and marketing during the ISI period of 1940-1980 in line with the evolution of changes in Information and Communication Technologies (ICTs) and consumption. At the international level, the democratic claims for cultural equality in NWICO did not materialize because of the radical confrontation between the Northern and Southern countries, the demise of the socialist regimes, the hegemony of the Northern-Liberal model in the media market, and the contradictions and fragmentation of the Southern movement. Furthermore, the main institution where the NWICO debate took place, UNESCO, adopted a more pragmatic position and promoted a North-South
technology transfer and training strategies for facing the information era (Hackett and Zhao, 2005).9

1.3.2 Economic Approaches

This set of studies includes a wide range of analyses of cultural industries, media and other sectors. They contribute to the research in three ways: first, they present a belated effort to systematize and measure economic and financial performance variables in the film markets (box office, attendance, number of national productions, profits). Active state policies related to the film industry have created a need to collect reliable and valid information in order to design policies.

The significant contribution of media economic studies is the argument about promoting the film sector sectors by emphasizing their potential positive impact on the economy. This is the main value of economic approaches that directly addresses the research question. Rather than critiquing on the dominance of foreign capital and productions over national ones in developing countries (dependency theories) or proposing to increase national films to replace foreign ones (a totalistic cultural imperialist approach), economic studies focus on the potential of the sector to become sustainable and overcome underdevelopment. Culture, therefore, is seen as an economic resource to commercialize or an expediency to achieve economic development (Yudice, 2003). From this perspective, these approaches have proposed possible strategies to build successful film sectors and endogenous growth.

Hoskins, McFayden & Finn (1997 and 2004) use microeconomics to identify the conditions of competitive and sustainable cultural industries. The ideal example for other countries is the United States that has a positive performance in the market: a large local market for national movies, a significant contribution of the box office to the Gross

9 A decade later, the UNESCO agenda placed cultural diversity and its role in development as the central issue of world discussion. The subsequent institution’s publications show the switch: Communications in the world (1990), Our creative diversity (1996) adopted by the World Commission on culture and development, the Plan of action by the Intergovernmental conference on cultural policies for development (1998), the Universal declaration on cultural diversity (2001) and the Convention on the protection and promotion of the diversity of cultural expressions (2005).
National Product (GNP), an efficient exploitation of the alternative windows of exhibition, and aggressive business strategies of Hollywood studios. In addition, the United States leads the use of innovative technologies and has skilled personnel as well as artistic staff that strengthen the Hollywood star system. These variables are useful for this research in observing how Latin American countries, including Colombia, can build a sustainable industry.

Cultural industries research, for its part, has looked into other complementary variables to build a sustainable film industry, widening the exclusive goal of increasing the number of productions, as the cultural imperialist theory suggests. Keane (2004) highlights the importance of developing the middle stages of the value-added chain such as marketing, promotion and distribution. Katz (2006), for his part, suggests the promotion to build domestic audiences, cultural appreciation and the investment in new technologies while Wildman and Siwek (1988) concentrate on encouraging a potential demand that responds to the film offer. All these elements build what Getino (1998) called an Integral Productive Development of the film industry.

The productive development...includes not only the production, but also all other factors that, directly or indirectly, guarantee its continuity and improvement...These instances form cultural practices in a community and it receives its influence, such as audience promotion, heritage preservation, technological modernization, technical and artistic training, production and new talents' support and cultural and marketing research. (my translation, p. 25)

Inspired by cluster studies of other industries, academics and policymakers in Latin America have recommended similar pathways in “the belief that they are a major vehicle of economic development and growth” (Karlsson, Johansson & Stough, 2005, p.2). The literature on clusters still has unfinished debates about the factors that turn an initial industrial agglomeration into an innovative system of productive organization with increasing returns and the role of the state in shaping those conditions. Nonetheless, there is certain agreement on the cluster characteristics: internal and external economies of scale in relation with the market outlets, local skilled-labour

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10 In 1994, this contribution was US$5,390 million (Hoskins et al, 1997).

11 Internet, cellular phones, pay per view, open and cable TV and DVD/VHS rental and purchase in both national and international markets.
supply, information spillovers, inter-industry linkages and localization and urbanization economies, among the most important (Marshall, 1920; Ohlin, 1993; Krugman, 1991 cited in Karlsson et al, 2005). Following this spirit, Lopez & Melo (2003) suggested policies to build up film clusters in Colombia. This research, however, considers this goal only in the very long term and uses sectoral policies (Hira, 2003; Shafer, 1994) to assess the role and capacity of the state in restructuring the film sector, establish policy incentives and assess the costs and benefits for the actors.

The third contribution of the economic studies literature is a better understanding of the policy rationale behind support policies in developing countries. A primary reason to affirm that the government should promote the film industry is the concept of films as public or merit goods that carry social benefits. These benefits or externalities are redistributed to the entire society through official policies that otherwise would not occur (Cwi, 1982). One of those externalities is the capacity for social change and education assigned to cultural industries by providing a model of innovation and transformation for other sectors.\(^\text{12}\) This idea is visible throughout the constant restructuring of the major Hollywood studios rather than the process experienced by film companies in developing countries where they can barely survive several film projects or participate in international markets.

Another externality is that content presented in films disseminates social meaning. In other words, feature movies have a symbolic potential to represent the complexity of identities and the context where those identities interact. The re-creation of situations, feelings, issues, among others, encourage viewers to make sense of what they see based on their social context (Schroeder, Drotner, Kline & Murray, 2003). In that way, as Hoskins et al. (1997) state, films have the capacity to promote a sense of belonging or citizenship\(^\text{13}\) and this constitutes another reason to justify public funding of national productions.

\(^\text{12}\) Hesmondhalgh (2002) recreated the debate of this praiseworthy task defended by Lash and Lurry, 1994 and Castells, 1996 vs. the nature of cultural industries as any other industry argued by Padoleau, 1987.

\(^\text{13}\) The authors also consider this externality as an economic justification of official support, validating the dual nature of films: economic and cultural.
This area of research also considers the economic arguments of official support based on the intrinsic characteristics of film production. First, movies imply high fixed costs, low reproduction costs and uncertain return on investment (Grant, 2004). In the absence of economies of scale and due to the difficulties in predicting audiences' response (Garnham, 1990), companies in developing countries need official support to defray risk when conducting risky and costly projects.

Another useful argument identified by economic studies is that film market failures in developing countries result from the predominant number of Hollywood films supplied by a foreign distribution oligopoly. In this market situation, a small number of companies- majors in this case- control the market and the product price. Although the cause of market failures is the same as the one identified by the cultural imperialist perspective, economic studies show that cultural defence is not the base for official action. The economic argument highlights, instead, the justification for states to guarantee adequate programme diversity and providing efficient allocation of films within society.14 This last task connects to the moral justification of making cultural goods available to audiences and future generations. In summary, governments intervene in the name of equity and efficiency to provide public goods (Picard, 1989).

This research, therefore, will observe relevant variables suggested by the economic studies perspective such as how to overcome market failures: how to increase the local market, how to develop the subsectors of the value chain and their interconnection and how to encourage the potential demand in order to build a profitable industry in terms of source of employment, contribution to the GNP and spillover effects.

1.3.3 Postcolonialist Critique

Postcolonialist approaches provide a reflection of the complexity of the context in which policy frameworks and market performance take place. For critical studies, globalisation has represented an ambivalent platform in interpreting the significance of

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14 "In the absence of externalities, perfect competition will be allocatively efficient, where the benefit to society of the last unit produced is equal to the cost to society of producing it." (Hoskins et al., 2004, p.288).
the simultaneous and interwoven technological, political and economic trends. On one hand, some authors like Edward Herman and Robert McChesney have made globalization a continuation of cultural imperialism by emphasizing unresolved trends of unequal international flows of information and the acceleration of homogenization by the action of Multinational Corporations and new technologies (Hesmondhalgh, 2002). On the other hand, the same context of globalization has been the basis for a completely different set of discussions that explore the explosion of multiple voices channeled through those same technologies. Burton (2000) highlights the trend of a more participatory cinema and inclusive media through the coexistence of diverse narratives of gender, religion, income, ethnicity and sexual orientation. However, those sectors still struggle in producing films of self-representation or even affording movie tickets. This research shows how the optimistic claims of social justice through the supposedly empowerment of marginalized groups via the accessibility to new technologies are in contestation. Latin American (and Colombian) feature films as any other cultural industry that reproduces cultural capital requires attractive narratives and large budgets for production, distribution and exhibition. Only experienced and innovative companies can participate in the business and be successful; a fact that does not deny the co-existence with movies with social content that face a more challenging situation of self-financing and recognition.

The second contribution of the postcolonialist perspective is its focus on the popular culture in Latin America (Barbero, 1993; Garcia-Canclini, 1992). For the purpose of this analysis, the trends of popular culture are particularly important because of their effects on film consumption and cultural citizenship. The intersection of diverse ethnicities, lifestyles and imaginaries of the Latin American society reflects the complex interaction of cultural policies that pretend to construct a nation, global trends geared toward trans-national consumption, and local initiatives of representation (Garcia-Canclini, 1992, 1995). Within these trends, the privatization of public space has decreased film consumption since audiences prefer television and video to cinema. It is important, therefore, to observe how cultural policies and private agents have reacted to

15 Stam and Shohat (1994, 2003) worked on “circles of denotation” to describe the active interaction between a revived Third Cinema and a newly discovered Fourth Cinema that would include the indigenous population.
this process by extending multiplexes and controlling global distribution channels, in
the case of Hollywood majors.

Another valuable aspect of the postcolonialist approach to this research is the
notion of hybridization as the product of negotiation among agents and their actions to
portray the complexity of cultural and social production of meaning. This approach has
identified the limitations of the oppositional and exclusive variables of analysis that
cultural imperialist theories used to describe the relationship between film majors and
national cinemas such as economic exploiters vs. exploited and cultural dominators vs.
subjugated. The colonial experience as the result of colonizers’ oppression and colonized
actors’ resistance or negotiation has replaced the former anticolonialist discourse
(Shohat & Stam, 2003). Within the hybridization perspective, Yudice (2003) critiques the
instrumentalist vision of culture in its current assigned function of creating civic
participation and multicultural tolerance by looking at the current conditions of cultural
production and policies that entail negotiations among cultural organizations, official
institutions, multinational corporations and local communities.

The application of this premise in the circulation of films and texts in its two-fold
dimension- production and consumption- means that the other voices (national cinemas)
are competitors and not opponents to the foreign players (Hollywood majors). The New
International Division of Cultural Labour (NICL), therefore, goes beyond the traditional
division of Core (or North) economies as producers of texts and values vs. Peripheral (or
South) as receivers. Miller (Miller & Yudice, 2002), then, defined the NICL based on
diffused limits of trans-national modes of creation, production and consumption that
open the possibility of any actor to succeed. To illustrate this we can mention buoyant
film industries located in nondeveloped countries such as India, China and Korea as
challenges to the rigid imperialist power structure, stated by the dependency approach.
It is important to notice that this optimistic approach does not ignore the tension and
permanent conflict/negotiation relation between all the actors within the system
(García-Canclini, 1992; Hesmondhalgh, 2002) or the predominant role of corporations in
monopolizing profits (Yudice, 2002).
Based on these tensions, postcolonialist theories defend film support and protection policies as tools to guarantee cultural diversity\(^\text{16}\) amidst a context of unequal exchange of cultural goods. García-Canclini (1997) argued that

...the state must revise its responsibility for education and culture. This does not involve a return to the state’s idealized perception of itself as the seat of telluric nationalism, or as an agent of populist donations...and not subordinate these needs under commercial viability. (p. 251)

Additionally, this perspective notes the importance of local initiatives empowered by digital technologies. Coproductions at the regional and national levels are another viable alternative since they promote a common sense of identity against foreign hegemony in the film markets,\(^\text{17}\) and build competitiveness amidst adverse conditions. Numerous coproduction films in Latin America facilitate the ability to reach potential markets, reduce costs and diversify financing sources.

### 1.4 Structure of the Research

This research assesses Latin American and Colombian film policies using the Incipient Model of Sector Promotion and Cultural Consumption (IMSPCC) designed to evaluate whether favourable conditions are present for the film policies to succeed based on the insights of the three perspectives discussed. International and national economic and cultural trends as well as the ideological discourses have influenced state policies and the industrial strategies in Latin American film markets over time. This research will show these changes throughout three periods that may vary according to the country in discussion: the ISI (1930s-1980s), neoliberal (late 1980s-mid 1990s) and post-neoliberal (mid-1990s to present).

\(^{16} \) Cultural diversity “refers to the manifold ways in which the cultures of groups and societies find expression. These expressions are passed on within and among groups and societies... is made manifest not only through the varied ways in which the cultural heritage of humanity is expressed, augmented and transmitted through the variety of cultural expressions, but also through diverse modes of artistic creation, production, dissemination, distribution and enjoyment, whatever the means and technologies used.” (Convention on the protection and promotion of the Diversity of cultural expressions, 2005, article 4).

\(^{17} \) The aim of building a front common among Latin American nations has been used as a concretization of the South-South cooperation principle of the former NWICO debate against the U.S. dominant position in the market and in world politics.
The IMSPCC will focus on three variables, feasibility, efficiency and sustainability, derived from previous studies on the film industry in Latin America. Schnitman (1984), for instance, has analyzed stakeholders' motivations, interests and interrelations in national contexts as well as the policies to protect the local production. Getino (1990, 1998), for its part, has mapped out the economic variables to measure national production in the short term (efficiency) and in the long term (sustainability).

The IMSPCC, therefore, organized and structured previous questions about the performance of the industrial policy in the region and in Colombia:

**Feasibility**: what are the stakeholders' motivations and rationale in regard to the film policy? How have Latin American states justified historical support to produce feature films (rationale)? The measure of this variable is the evolution of film policies and market trends in Latin America and more specifically in Colombia in order to establish how to build a favourable context to adopt promotion models. The examination of the context will also help to identify the conflicts, debates and discourses that stakeholders have assumed in facing film support policies. A second goal is to establish how well the region has dealt with current demands of building competitive sectors, defended by economic studies, and guaranteeing cultural diversity, proclaimed by postcolonialist approaches.

**Efficiency**: are the production and circulation conditions in place for the film industry to take off? By looking into the film support model and the market conditions in Latin America and Colombia, it is possible to determine useful policy tools and strategies to maximize opportunities and to minimize costs for national producers. The empirical research must include the evaluation of these policy tools through the performance of general economic variables such as box office, attendance and number of productions and public recognition. Efficiency is also measured in terms of cultural access (ticket price), coverage (screen location and attendance) and representation (narratives) pursued by the film support model, as postcolonialist studies suggest within the discourse of cultural diversity. By including production and circulation conditions, the research differs from the exclusive focus on majors' action of cultural imperialist approaches.
Sustainability: is it possible for the film sector to eventually overcome market failures and function without official support? Is it possible to measure the autonomy that the industry has gained from the government? First, we have to evaluate the long-term official strategies in Latin America and Colombia that might lead to the building of the film industry such as financial autonomy, skilled human capital, modernized technology and enthusiastic audiences. Although it is difficult to have a definitive answer to the question of sustainability in the case of the region due to discrepancies among countries, a case study of Colombia would offer more in-depth information. Some tools toward answering the question are the observation of successful production firms, a cost and benefit analysis of the film policy and the interconnection among subsectors of the value chain. These elements will allow us to conclude whether the post-neoliberal model has a real chance at survival beyond the official support, and to recommend lessons for other economies.

Organization of the thesis

The thesis starts with the present chapter that has discussed the general policy rationale and theoretical reflections on official support for film policy. The evolution of the Latin American states from the ISI model to the neoliberal framework, analyzed in the second chapter, demonstrates how the cultural defence and market failures discourse became obsolete due to the risk of supporting film policies based on unlimited official lending. The golden years of cinema in the main Latin American countries coincided with onerous government projects in film infrastructure and official institutions. The debt crisis and the acceleration of global economic trends in the 1980s led to the ideological switch for neoliberalism in the region. In the process of recovering macroeconomic stability and insertion of their economies to the global market, Latin American governments dismantled policies considered inefficient such as the film protection models. The main consequences were the accentuation of market bottlenecks and the reduction of feature film releases.

Chapter 3 explains the current transition in the historical cycle of film policies in Latin America from an adverse to a favourable context of film promotion. The analysis of the post-neoliberal model will also include the three IMSPCC variables. The
discussion on feasibility explores the emergence of resistance, but open to negotiation, movements to globalization and neoliberalism in relation to the reestablishment of film policies. The cultural diversity discourse, for example, merges with the technocratic imperative of economic sustainability. The post-neoliberal model also has hybrid features in terms of efficiency by placing the state at the centre of the film sector (as the former ISI did) at the same time that it reduces its roles. No longer acting as a direct producer, the state assumes facilitating and regulating responsibilities in the new context. The chapter concludes with an assessment of the current market bottlenecks and the policy tools that deal with them in the long term as a temporary answer to the question of sustainability.

Chapters 4 and 5 explore the Colombian case study. Chapter 4 follows the chronological analysis of the ISI and neoliberal periods. I state that although the debt crisis was not a direct cause of the neoliberal policies, the Colombian government adopted the model as a way to adjust the economy to international trends and standards. The feasibility variable illustrates the stakeholders' consent of the neoliberal discourse and the consequent elimination of film incentives and official institutions in order to gain efficiency. This shows how the concept of efficiency went from a paternalist approach during the ISI to the market regulation principle in the late 1980s. Amidst these negative conditions for national cinema, we can mention some positive outcomes such as the producers' development of business mentality in seeking international capital and the celebration of coproduction agreements. Sustainability, on the other hand, was an unreachable goal since there were no conditions for the industry to take off and film activities were sporadic.

Chapter 5 will look into the establishment and implementation of the post-neoliberal model in Colombia. Similar to other Latin American countries, Colombia has adopted the discourses of cultural diversity and economic sustainability to justify the official sectoral promotion. A consensual and inclusive approach has replaced the imposition and exclusive features of the ISI policymaking within the efforts to make the model feasible. The persistence of market bottlenecks has required a hybrid perspective to achieve efficiency in the short term and sustainability in the long term. This requires the combination of former interventionist tools such as subsidies and screen quotas and
innovative instruments like audience promotion programs and stock market capitalization. These efficiency strategies have had premature positive results in the economic dimension reflected in the increase of movies, general audience and local film spectators. However, success in the cultural dimension has been moderate since policy programs still struggle to expand access to movies and representation of cultural diversity.

These outcomes are part of the evaluation exercise in Chapter 6. The first section has a cost benefit analysis of the Colombian post-neoliberal model that connects with an overview of the linkages among stakeholders and subsectors of the value chain. This map of market functioning allow us to recommend alternatives to improve the performance of film policy in the areas of feasibility, efficiency and sustainability. The chapter, therefore, will conclude with the main lessons for other countries from the Colombian experience. Since there are no prescriptive formulas that guarantee the success of any promotion framework, the suggestions are guidelines for potential opportunities and challenges for developing countries that decide to support their film sectors and have similar market conditions to Colombia.

1.5 Methodology

The first stage of the research was the archival analysis and collection of data of the general context of film industries and theoretical approaches of official intervention. The collection of secondary data also included similar studies of Latin American film sectors, including the Colombian case. I conducted this part of the research in Canada, through the Internet and available books and journals. A persistent problem was the difficulty in obtaining reliable statistical information for some of the Latin American film markets in previous decades.

In the specific case of the Colombian sector, there was permanent access to government documents published by the Film Division of the Ministry of Culture and the National Department of Customs in Colombia. These materials included some statistical data to support the research. In addition, there were two national surveys facilitated by the Film Division in order to obtain preliminary results about Colombian consumers’ perceptions and opinions. This study also reviewed periodical information
in a weekly magazine, *Semana*, which facilitated the analysis of stakeholders' perceptions and interests.

The field research, conducted in Colombia, included structured interviews of ministry officials and researchers in order to evaluate the action of government institutions in the sector and their performance within the Latin American market (See appendix 1 for a list of questions and ethical review form). Film critics and producers provided valuable information concerning the conditions of production and the changes experienced in the sector between 1998 and 2005. Interviews focused on topics such as financing, human capital, official incentives and technologies. Even though there was no access to private companies' data regarding financial investments in films, some of the interviewees gave valuable information on some of the general trends of private agents.

In order to establish the consumption conditions of national feature films, I conducted reception research of potential audiences. I asked specific questions to ten families of differing income levels and compared their answers to the results of the surveys previously mentioned. The main objective was to establish the meaning that audiences make of the content presented in Colombian movies and their general habits and perceptions on cinema. A marketing consultant also provided a general perspective of consumers' habits and film companies' strategies in order to increase the potential of success. Moreover, a ministry official in charge of the promotion of domestic audiences programs provided an evaluation report of these instruments.

Finally, the field research included the attendance of two seminars, *Vida al Cine* and *Cinema Distrital*, organized by the multilateral film fund Ibermedia, Uniminuto University, National University and the Film Division in the Ministry of Culture. These seminars were useful in obtaining contacts for the interviews and expanding my knowledge of marketing and production strategies in Colombia.
CHAPTER 2
THE EVOLUTION OF LATIN AMERICAN FILM POLICIES

The evolution of film policy in Latin America and its outcomes demonstrates how neighbouring countries have dealt with longstanding bottlenecks and tried to build a foundation for the film industry. In the two historical periods covered in this chapter, the Import Substitution Industrialization (ISI) and the neoliberal era, governments have played a key role in determining the development of local industries. By exploring past film policies, we can observe how governments have understood and applied the variables of the Incipient Model of Sector Promotion and Cultural Consumption (IMSPCC): feasibility, efficiency and sustainability. We consider feasibility as the willingness to protect and promote the film industry expressed in stakeholders' ideological discourses and actions. Efficiency comprises the capacity to impose policy tools and monitor effectiveness to maximize the use of resources and to build competitive national sectors, such as screen quotas, ticket price controls, tax breaks, subsidies and expansion of markets. Sustainability implies the achievement of industrial autonomy from official support and the interconnection of film subsectors to secure the permanent supply of national movies on the market.

This chapter contains three main sections: the first part examines the main film market distortions that Latin American industries have faced. The following section illustrates how ISI policy makers understood and applied the variables of feasibility, efficiency and sustainability. The feasibility of promoting the film industry as part of cultural defence was successful, but the efficiency strategies did not result in competitive film sectors. The last section, the neoliberal paradigm, will explain how market orientation stood as the ultimate strategy for Latin America to deal with the acceleration of globalization, innovations in new technologies and marketisation. These major trends affected the mode of film production, world markets and national film policies as well as
the consideration of efficiency, feasibility and sustainability. In the specific case of economic sustainability, we will see how this objective became a priority of official discourse. Nonetheless, the official discourse passed on the responsibility of developing the film industry to the private sector in order to justify governments' negligence toward the film sector. This switch sealed the survival of the national industries at that time since the private stakeholders refused to boost the sector and authorities dismantled the ISI programs.

2.1 Market Bottlenecks

Film sectors in Latin America have faced longstanding market bottlenecks that started since the arrival of films in the 19th century. The most visible one has been the predominance of American films in local markets that has limited the market size for national movies. Several factors explain this situation: large size of the internal market, superior movie supply, product innovation according to demand, competitive prices in global markets and the control over distribution channels through aggressive strategies with the official acquiescence and support (Wasko, 1994).

US-based film companies, later known as the Hollywood majors,\(^{18}\) began their international expansion as early as the 1920s by opening branches in Latin America that dealt with local exhibitors. Their interest in controlling international channels was clear during their organization as a cartel in 1921 under the Motion Picture Producers and Distributors of America (MPPDA), later called Motion Picture Association of America (MPAA-1945) and its international division, the Motion Picture Export Association (MPEA). Their demand for free trade and open access to markets received the support of the American government and the Department of State. Schnitman (1984) affirmed that American silent films represented 90% of the supply in the region by 1928 due to various reasons.

The superior economic and political leverage of the U.S.-based companies, the attractiveness of their products, and their advanced advertising techniques were factors difficult to overcome (p. 17).

\(^{18}\) This group includes Paramount, Metro-Goldwyn-Mayer, 20th Century Fox, Warner Bros and Radio-Keith Orpheum (RKO). Minor players at that time were Columbia, Universal and United Artists.
This meant that local exhibitors favoured these movies not only because of their profitability but also because of the practice of block booking by which distributors forced local exhibitors to accept packages of movies without previous screenings, reducing their power to choose which films to screen in their theatres.

The advent of sound at the end of the 1920s posed challenges to the US prevalence in Latin America due to the high levels of illiteracy amidst film viewers who could not read the subtitles. Even though this gave an advantage to local producers that could capitalize on the use of Spanish to attract audiences, as in the case of Argentina during its golden years (1930-1939), Hollywood majors managed to reinforce their presence in the market based on their technological advantage and oversupply. The formation of oligopolies in the distribution sector and their influence over the exhibition circuits created a negative perception of these film agents. Other agents considered exhibitors as defenders of foreign interests against local producers. This lack of consensus has also served to become an obstacle for the success of film policies.

The competition of national industries and Hollywood films in local markets revealed other important bottlenecks. The first one is the lack of financing to produce films due to their high fixed costs and uncertain return of investment. Although this was not the case with silent films due to their simple production, as the industry incorporated other elements such as sound and stars, the costs increased. There were differences in the way national industries have performed in Latin America; however, one common factor has been the reluctance of the local private sector to invest in the film business. The banking sector, for example, was not willing to offer loans without solid repayment guarantees. Therefore, the film sector depended on the government to provide funding in the form of subsidies or soft loans.

Another important bottleneck that affected the development of local industries was the lack of skilled personnel and technologies to make a quality product. However, this varied among countries because the early attempts of industrialization in large economies proved to be a training school for technicians that eventually worked in other Latin American countries like in the case of Mexico and Argentina. Nonetheless, the lack of native technologies and raw materials was an important issue, such as when the United States applied quotas on the supply of raw film stock to Argentina in response to
President Ramón Castillo's (1940-1943) declaring a neutral position during the World War II (Schnitman, 1984).

2.2 The ISI Period (1930s-1980s)

This period was characterized by nationalist regimes that followed structural premises to encourage consumer goods manufacturing, and economic shocks such as the Great Depression. However, the discourse of development was fully established by military governments, this time through extensive industrialization (Hira, 1998) and nationalization of industries. This trend was also imported from American initiatives such as ‘The alliance for progress’ that did not hide its ideological roots to contain communism in the region via economic development.

For the purposes of the analysis, we are going to focus on the main premises of the ISI. The second stage of the ISI model- or ISI 2- attempted to close the economic gap between developed and less developed countries, including Latin America, by protecting and promoting national industries. According to Thorp (1998), the main argument was

That productivity gains from technical progress in industry at the center (core economies) were not reflected in lower prices but retained there, while at the periphery, productivity gains in the primary sector were less significant, and wages were held down by surplus labor. (p. 133)

This imbalance and the asymmetry of demands or imports in the First and Third World explained why the terms of trade were disadvantageous for Latin America: revenues coming from Latin American agricultural exports did not compensate the gains that would obtain for industrial exports. Under the guidance of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), governments in the region sought industrialization in order to achieve development and independence from primary exports. This expensive project needed financing that came from an outstanding growth rate of 5.3% between 1945 and 1973 as well as massive international capital inflows. Thorp (1998) points that what were supposed to be public loans ended up including bank lending that channeled the petrodollars from the OPEC

\footnote{For a complete discussion of ECLAC’s ideas and its evolution, see Hira (1998).}
price rise, and Hira (1998) affirms there were other outcomes of the ISI model that did not match the initial structuralist proposal: favouring industrialization deteriorated agricultural productivity and the bias for imports harmed exports, among other effects.

Film policy models across Latin America reflected this broad industrial thrust and the generalized discourse about cultural defence adopted early in the century as Latin American regional and national identity became an important part of national landscapes. Policymakers considered film industrial protection as a sovereign tool pursued to solve market bottlenecks and foreign dependency by increasing national films and creating a common regional front. Both official and creative sectors adopted a conflictive defence of national filmmaking: the official discourse promoted the construction of national and film infrastructure via corporatist pacts during populist regimes (1930-1955) and the state-led industrialization period (1955-1980). Filmmakers and intellectuals, for their part, adopted a critical position by proposing the Third Cinema as a rallying point in opposition to film production and narratives against Hollywood films, cinema d’auteur or any commercial trend in the 1960s. Also called Third World Cinema or New Latin American Cinema, filmmakers in Africa and Asia joined this movement in its aim to reflect on social injustice in underdeveloped countries and strive for a revolution (Hill & Church-Gibson, 2000).

Despite these efforts, none of these proposals succeeded in their original objectives of consolidating a local industry in a sustainable way due to internal contradictions and changes in the former favourable regional context.

2.2.1 Feasibility

Film policies were feasible during the ISI period because of their potential as economic and cultural tools to protect national culture and, therefore, to counteract the early expansion of the Hollywood majors in the 1920s considered “the primary vehicle of cultural domination” (Burton, 1986, p. 1). From the corporatist perspective, film policy as part of cultural policy, intended to reshape tastes in order to obtain or reinforce social cohesion through language, images and narratives. The cultural project was to promote a “state-aligned popular nationalism” within cultural industries under official control (Miller & Yudice, 2002) or, in other words, the construction of the national imaginary in
the modern nation as proposed by Benedict Anderson (Higson, 2000). Throughout these nationalistic projects and even after, film policies fostered the discourse of modernization via films that also involved periods of strong censorship in order to create a homogenous nation around historical or cultural narratives. For instance, early movies encouraged nationalism through the glorification of historical leaders and events. In Mexico, for instance, *El grito de Dolores* by Felipe de Jesús Haro in 1907, is an homage to Miguel Hidalgo, and *Cuauhtémoc* in 1918 exalts the national past. In Argentina, *La batalla de San Lorenzo* by Mario Gallo in 1912 recreated a historical episode while *Nobleza gaucha* in 1915 praised gauchos as a national symbol. In the same way, *O Guarani* in 1911 recreated a traditional Brazilian story of love between an Indian chief and a Portuguese noble woman (Burns, 1975). From that point, local industries exploited these appealing symbols and created stereotypes such as the Mexican *ranchero* and revolution and the Argentine *gauchos* and *tango*, among others. Later in time, literary adaptations particularly from the *Boom movement* (1960-1967), would reinforce the nationalistic value of cinema (Garcia-Canciani, 1997).

The aim of imposing a sense of belonging based on the monopoly of violence and national representation that democratic governments or military regimes tried to exert via cultural policies (Miller & Yudice, 2002) was in conflict with the context of social mobilization and political repression experienced between 1960s and 1970s in Latin America. An example of the tight official control over national representation was the persecution of the Third Cinema movement during the military regimes of the 70s. The Third Cinema was an artistic regional effort to distinguish an autochthonous and committed cinema from entertainment films from Hollywood or cinema d'auteur, from Europe. Although the official national project and the Third Cinema coincided in their opposition to foreign presence and the discourse of modernization, they differed in the way to face underdevelopment. While the official discourse eliminated any form of contestation in order to build the nation, the cultural movement brought together film directors and intellectuals around the argument of encouraging national popular consciousness through the audiovisual language of films in order to reach social change as it had succeeded in Cuba (Pick, 1993).
Three manifestos stood out as the backbone of the Third Cinema in Latin America: Fernando Solana’s and Octavia Getino’s *Towards a Third Cinema* (Argentina in 1969), Julio García Espinosa’s *Imperfect Cinema* (Cuba in 1969) and Glauber Rocha’s *The Aesthetics of Hunger* (Brazil in 1965). Their principles influenced other cinemas, including Colombian filmmakers, as seen in chapter 4. Although they promoted different means to create social consciousness via films, they all attempted to integrate the symbolic and economic critique of Hollywood films into local productions. The symbolic critique focused on rejecting commercial themes (considered part of Hollywood style) in favour of filming the historical national conditions of social injustice and political repression that the revolution, promoted by the Third Cinema, would eliminate. The economic counterdiscourse validated an interactive, pragmatic and experimental mode of production that involved the crew living with the cast, usually natural actors, and filming their everyday life with nonsophisticated equipment, similar to the Italian neorealism (Hart, 2004).

Some of the Third Cinema representatives went to further to propose a “guerrilla cinema” against the Hollywood hegemony, as Solanas and Getino stated (Martin, 1997). Inspired by the Cuban Revolution and the colonial oppression literature (Fanon, 1965) directors considered First World colonization as a determinant of cultural expression and an ideological constraint that they should eliminate via revolution (Burton, 1986). These positions threatened official film policy since fostering revolution challenged the instability of the state and the modern discourse of a homogeneous nation promoted by official institutions. Consequently, authorities coopted members of the Third Cinema movement into the official apparatus or, in a more general way, persecuted them. Argentinean and Chilean directors, for example, fled their countries during the military regimes of the 1970s as well as most of the first generation of the Brazilian *Cinema Novo* directors had to work in exile in the second half of 1960s, although they were eventually able to return.

Due to the marginalization and evolution to less progressive trends in filmmaking, the Third Cinema failed to define national cinemas as an expression of autonomous identity and to impose different modes of production from the Hollywood style. Despite its failure, this movement enabled the representation of marginalized
voices. Further postcolonial reflections and the discourse of cultural diversity have revived this social function of cinema.

2.2.2 Efficiency

In the economic realm, governments considered an efficient film sector as one capable of matching the number of Hollywood movies in the exhibition circuit in order to replace them in the long term. Within the ISI model, therefore, Latin American states were supposed to finance infrastructure and official institutions with funds from the national budget or surcharges on the ticket price that did not benefit exhibitors. Authorities regulated the sector in all aspects: they subsidized production, promoted local movies in film festivals and imposed price controls, screen quotas and import restrictions. A first set of popular regimes built the foundation of the ISI framework: Getulio Vargas (between 1930 and 1954) in Brazil, Lázaro Cárdenas (1934-1940) and Manuel Avila Camacho (1940-1946) in Mexico and Juan Perón (during his first term, 1946-1955) in Argentina, among the most famous. Several decades later, a second generation of governments consolidated the official presence in the production of Latin American feature films: Luis Echeverria in Mexico (1970-1976) and Luis Herrera Campins in Venezuela (1979-1984).

Although the level of official involvement in organizing the film sector differed among Latin American nations, the Mexican case being the most complex and continuous, industrialization was a common priority for most countries. The model followed the example of vertical integration of Hollywood majors. Authorities built large studios and hired permanent personnel and foreign technical assistance, expecting that they would become movie factories. This was the case of the failed Chile Films studios, the Vera Cruz Company in Brazil and the more successful Churubusco studios in Mexico (King, 2000). In this way, there was a sense of industrial development at the expense of official resources.

20 Small economies such as Peru, Paraguay and Central America were exceptions to the generalized state support toward the film sector during the ISI period. Filmmaking in these countries was a personal, high-risk and community based initiative.
The ultimate goal was to increase local films that would defy the predominance of foreign supply and reinforce the national culture. However, this goal soon proved to be overambitious since a higher number of movies did not guarantee an increase of audience’s attendance or distribution into the commercial exhibition circuit. Moreover, the standardized production of certain styles (Mexican comedies or tango films) reached its limits, and did not evolve to something attractive to the public (Schnitman, 1984). This is how we can explain the successful periods of the Mexican, Brazilian and Argentine cinemas with celebrated production levels of more than 40 movies on average per year, followed by their decline. They were not able to displace permanently Hollywood movies from their markets because of the incapacity of regulating distribution oligopolies. Therefore, we can affirm that the initial thrust toward industrialization favoured production over distribution and consumption.

Another pro-efficiency strategy of the ISI project was to expand local markets through film festivals and regional integration. Although the goal of extending markets for national exports was essentially economic, these arrangements would further contribute to the general discussion of cultural movements and protection policies. The Andean group, later called the Andean Community of Nations, created in 1969 and it has sponsored research projects related to culture and communication within the region. Despite the efforts to create an integrated South American market, film exports were only possible for the larger economies that were able to take advantage of these agreements. For instance, Embrafilme (1969-1989) promoted Brazilian films and the Pelmex and Cimex distributed Mexican movies in the Hispanic and Latin American markets until the 1970s (Getino, 1998). King (2000) stated that the regional trade of successful national cinemas allowed them to define zones of influence in terms of exports and narratives: Mexico dominated film production in Colombia, Venezuela and Guatemala while Argentinean movies and style prevailed in Chile, Uruguay and Venezuela. In the case of other Latin American countries, their industries were not strong enough to export their films or to solve market bottlenecks, particularly

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21 Other integration agreements during this period were the Central American Common Market (1961) and the Caribbean Community (1973).
exhibition constraints and low domestic attendance, reducing the possibility to recoup the production investment.

2.2.3 Sustainability

The decisive support of the government had remarkable market results in terms of number of productions in large economies, generating the illusion of industrialization that other countries wanted to follow. Film sectors, financed by the state experienced their golden years of national cinema during the ISI period: Argentina between the 1930s and 1940s, Mexico between the 1940s and late 50s and Brazil during the 1960s.

Although the beginnings of the *tango Cinema* in Argentina and the *cinema of chanchadas* in Brazil were historically possible because of the private sector, the state carried over the heavy financing of the film industry, even after these formats failed to yield profits. Official actions, however, did not achieve the establishment of a sustainable industry since their orientation geared toward increasing the number of movies without estimating the potential success of those movies in the market. For example, Brazil produced an annual average of 100 films during its golden age, but this did not stop the closure of the official pillars of production: the Vera Cruz studio in 1954 and Embrafilme in 1989 (Getino, 1998). At the end of this period, official institutions acting as producers lost large investments before an audience that preferred Hollywood films and other substitutes such as television. Another factor that the ISI model failed to solve was the bottlenecks coming from distribution and exhibition monopolies. Although there were policies such as tax breaks for exhibitors that favoured national films, they could not stop decreasing of cinema audience. In Brazil, Johnson (1987) mentions that per capita attendance went from 2.6 times a year to 0.8 in 1983, and the number of spectators dropped from 50,688,000 in 1980 to 30,637,544 four years later. An essential factor for exhibitors to prefer Hollywood movies was that they offered a more secured way to stay in business. In addition, exhibitors resented that film policies represented a cut of their profits since they had to contribute a percentage of the box office to fund national films. Distributors, for their part, also opposed film policies and in some cases, like in Argentina during the Perón’s regime or in Venezuela in the late
1970s (King, 2000), their boycott threats were successful in impeding further protectionist measures.

**Conclusion**

Feasibility of the film policy model during the ISI period depended on the cultural defence discourse exclusively dictated by governments and elites that eliminated or assimilated alternative proposals such as the Third Cinema. This made the construction of a viable film industry a goal vulnerable to changes in governments' political agenda.

The evaluation of the ISI period offered mixed results: the goal of increasing local feature films was achieved for large and medium economies only, whereas small economies did not have enough support to secure a continuous production or even build film infrastructure. A common point for all countries is, however, that governments did not create the conditions of sustainability due to the failure of securing the self-financing of the film sector and the lack of interconnection among production, distribution and exhibition subsectors.

**2.3 Neoliberal Paradigm (1980s- mid-1990s)**

A new era came in the 1980s with profound changes to the ideological, economic, industrial and communicational landscapes that eventually eliminated any possibility of maintaining the ISI film support model in Latin America. The key forces of globalization that have most impacted the film sector are those changes related the liberalisation of the economy (or marketisation) and innovations of new technologies.

**2.3.1 General Context**

**Marketisation**

After the prosperity and stability experienced post World War II, the world economy began to experience a long downturn in the 1970s. Hesmondhalgh (2002)

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22 The exception of this general trend was Chile that adopted this model in the mid-1970s after Augusto Pinochet’s coup (Hira, 1998).
suggests some possible causes of this negative period: volatile international financial flows, unionized wages that reduced profits and events such as the OPEC crisis in 1973.

The crisis led to a nostalgic revalidation of the classical liberal idea that the free market should regulate the system, replacing the Keynesian model. Supported by the generalized legitimization of the neoliberal discourse and the failure of the left movements (particularly, unions) to counteract it, the model was widely adopted during the 1980s (Hesmondhalgh, 2002). Versions of the “New Right”, such as Thatcherism or Reaganism, reaffirmed the function of the state as the guarantor of private capital accumulation. Most Latin American countries adopted the neoliberal model in the middle and late 1980s in a desperate strategy to obtain macroeconomic stability after the debt crisis and to comply with the multilateral financial institutions’ conditionality in order to have access to foreign capital.

The debt crisis marked a breaking point in Latin American history since it demonstrated the ineffectiveness of the debt-led growth that the region followed between the 1950s and the 1970s, and it set the foundation for the neoliberal model. Accustomed to running fiscal deficits in order to finance the ISI projects and compensate the deterioration of commodity prices, Latin American countries in the 1980s found themselves without the former continuous public and private loans inflow. Policymakers had ignored prevention strategies for so long that when the last trigger happened, the increase of the US interest rates, it was too late to avoid the crisis. Massive outflows of capital went from Latin America to the United States and governments declared their inability to repay the debt: Peru in 1977, Mexico in 1982 and soon after, other Latin American nations.

At this point, governments established adjustment plans to achieve macroeconomic stability at a high social cost since fiscal discipline and inflation control usually translated into social spending cuts and caused even more recession. The

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23 As McGrew (1996) discusses, this new official task seemed to resolve the longstanding neo-Marxist discussion between functionalists and structuralists by emphasizing the autonomy of the State over the ruling class and the structure conditions of the system as determinants of the official action, not without conflicting outcomes in terms of legitimacy. This point explains controversial decisions such as privatizing SOEs or liberalizing markets that went against the interests of the ruling class, or the dismantling of the welfare system at expense of electoral support.
reforms went further when multilateral financial institutions made conditions on the
availability of capital and debt renegotiation with the adoption of structural packages
that included market liberalization (as Mexico regulated in 1984) and state-owned
companies privatization. The new paradigm then labelled as the Washington Consensus
confirmed the policies to follow: the reduction of the state’s spending, the compliance
with fiscal discipline, the independence of the central bank and the arrival of free-market
regulation (Williamson & Kuczynski, 2003).

Competitive companies, including those in the cultural sector, found a
convenient environment to expand their activities due to the privatization and de­
regulation programs implemented by governments. An additional factor was the
endorsement of trade liberalization consecrated in multilateral institutions such as the
General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO),
the European Union, and the North American Free Trade Agreement (NAFTA), among
others. These actions and the interconnection of international markets through
Information and Communication Technologies (ICTs- Brunner, 1990) accelerated
financial and commerce flows that led to the consolidation of the post-Fordist mode of
production, in which the new mode of accumulation of capital became even more
global, the level of interconnection increases and corporations display innovative
strategies. Some of these strategies have transformed the production process as former
standardized methods- factory type- with high fixed costs and massive appealing
became inefficient. Companies, instead, started to adopt flexible specialization and
vertical disintegration strategies (Storper, 1989). Production processes went from a
unified industrial centre to multiple units located in those countries where lower costs in
terms of taxes and labour were available. The search for markets also surpassed national
boundaries, identifying niche global segments that companies might want to target.

Other strategies during this period included international mergers, alliances,
investments and subcontracting small-specialized firms. However, film industrial
organization anticipated the shift to flexible production since the 1950s (Yudice, 2002).
The antitrust legislation, represented by the Paramount decision in 1948, halted majors’
oligopoly trends via vertical integration of production and exhibition channels in the
United States and put the studio system of production to an end. This obstacle and the
advent of TV forced majors to pursue innovative strategies of horizontal integration such as subcontracting independent firms for different stages (special effects, cast, and scripts) and de-localizing filming to other countries like Canada.

New technologies

Advances in information technologies (computers, software) and telecommunication (telephone, satellite communication) became the basis of the network society and the new economy (Castells, 2000). Hollywood majors took early advantage of innovations and convergence of ICTs to exploit diverse formats and cultural products across borders. Currently, majors obtain larger profits from other movie windows of exhibition such as open TV, video, game applications and DVD than from the theatrical release. Sanchez-Ruiz (2004) mentioned that Jack Valenti, president of the Motion Picture Association, estimated that majors’ world profits amounted US $32,000 million in 2002, with 40% coming solely from film ancillaries such as DVD sales and rentals.

By contrast, technology offered an ambiguous opportunity/constraint for national cinemas in developing countries. Although digitalization has allowed the reduction of movie budget costs by 40% and facilitated a space of expression for former marginalized groups, there has been a limited capacity in developing economies to utilize it, including a lack of skilled human capital and scarcity of resources to acquire technological equipment. Regarding the potential of using digital technologies to increase profits, theatrical release is still the main source of return of investment and profits for producers in developing countries. The extensive practice of piracy of DVD/VHS copies partially explains the importance of theatrical release. Since illegal copies eliminate potential profits of other windows of exhibition for national producers, the only option left is theatrical release. Moreover, not all companies can afford marketing and distribution strategies in order to launch and promote a product to global consumers in different formats.

2.3.2 Feasibility

The global trends modified the concept of feasibility to support national cinema because they revealed the inefficiencies of the ISI model. Film sectors encountered the
same bottlenecks as those of earlier in the century: lack of financing and innovation, Hollywood’s over supply, distribution oligopolies and audience’s preference for foreign content. Furthermore, challenges related to new technologies and traditional media emerged such as the missing opportunities to exploit other windows of exhibition and the supremacy of television over cinema as a leisure activity (García-Canclini, 1992). And above all, Latin film stakeholders did not present a unified front that was able to impede the implementation of the neoliberal model. Producers accused exhibitors of defending foreign interests and harming local production, and exhibitors did not want to continue to comply with screen quotas or overcharges on the ticket price in order to finance official incentives.

Amidst the overall fragmentation and lack of sustainability of the film sector, policymakers in the neoliberal period capitalized the financial failure of the ISI model, particularly in the new context of unavailable capital resulted from the debt crisis. Other priorities such as controlling inflation, recovering macroeconomic stability and reducing the social impact of the crisis displaced cultural policy financing. The official support of films, therefore, was no longer legitimate within the new economy paradigm.

2.3.4 Efficiency

Presidents that consolidated the technocratic approach included Fernando Collor de Mello in Brazil, Alberto Fujimori in Peru, Cesar Gaviria in Colombia, Miguel de la Madrid and Carlos Salinas de Gortari in Mexico and Carlos Menem in Argentina, among others. The first generation of neoliberal policies effectively ended the ISI experiment by privatizing state-owned studios (Johnson, 1996), liberalizing the ticket price, and eliminating subsidies and incentives. States also dismantled official film institutions like Embrafilme in Brazil and the National Bank of Film in Mexico in 1989 after absorbing their deficits.

Within the new system, policymakers imposed the economic value of films over its cultural one. They also considered film production another economic activity that had to comply with competitive and efficient standards in order to survive. Since there were no competitive national cinemas, liberalization of the economy caused the collapse
of many Latin American film companies and the drastic drop in the number of films. Several cases show the impact of the technocratic policies on the film sector:

**Figure 2-1 National Film Releases 1951-2005**

![Graph showing national film releases 1951-2005](image)


The most dramatic cases are Mexico and Brazil. In the first case, the number of productions has never recovered from the highest point reached in the 1950s when it produced more than a 100 movies per year. After neoliberal policies were first executed in the late 1980s, the number of films dropped up to 80%, and a decade later, they increased by relatively 10%. The inclusion of Mexican cultural industries within the negotiation terms of NAFTA in 1994 had even more devastating consequences for the film industry. Brazil, for its part, went from 80 films in the 1980s to 0 after the neoliberal program in 1990, going from a total investment of US $25,500,000 to US $10,400,000. Argentine production, for its part, did not decrease in the same proportion.

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24 Ugalde’s work (as cited in Garcia-Canclini, 2005) explored the comparative effects of the NAFTA for Canada, United States and Mexico. While Canada used a cultural exception to protect its film sector, Mexico’s opening translated into reduction of films (from 747 during the 1990s to 212 after 1994), increasing unemployment, and subutilization of industrial infrastructure. In terms of cost investment and given the difference of production costs, the industry went from US $147,400,000 on average to US $212,000,000 (Getino, 1998).

as that of Mexico and Argentina because of the reduction of the official support. Even Argentine military regimes that implanted market oriented policies maintained some subsidies despite the dramatic reduction of other incentives. National production went from an annual average of 33 films between 1935 and 1988 to 25 films on average in the 1990s (Katz, 2006) or from US $7,500,000 to US $37,500,000 due to the increase of costs. Bolivia presented a different pattern due to its historical limited production that reported one film every two years before the neoliberal era, so these policies barely changed. The common pattern, for all these cases is the increase in the costs of production (or negative costs), going from US $200,000 or 300,000 in the 1980s to more than US $1,000,000 in the 1990s (Getino, 1998) and more than US $2,000,000 in the present decade.

International and regional aid facilitated the production and release of the few films during that period in the form of coproduction. European countries such as Spain, Portugal and France started a crucial partnership with Cuban, Colombian and Mexican production initiatives. Atypical box office successes like Sergio Cabrera’s *La estrategia del caracol (The snail’s strategy)* (1994) and *Como agua para chocolate (Like water for chocolate)* (1992) revealed complex financing strategies that involved public and private funding as well as recognition in the international markets. In the case of *Like water for chocolate*, its investment reached US $2 million and yielded profits for US $6.1 million in Mexico and US $21.6 million in the United States (Shaw, 2003). This was a clear exception for the average total budget per film in the region that went between US $300,000 and US $1.5 million, a visible increase from the range experienced in the 1980s: between US $100,000 and US $400,000 (Getino, 1998).

A few other regional initiatives worked out in terms of cultural outcomes. One of them was the Grupo of Three, (G-3) formed among Mexico, Colombia and Venezuela. Although the G-3 is not a film coproduction agreement but a trade treaty, it facilitated sharing production costs and markets to have a better chance to recoup investment. In this way, directors of these countries were able to release feature movies during the lowest years of film production in the region: *La Nave de los sueños* (1996), *Rizo* (1999), *Bésame mucho* (1994) and *La Toma de la embajada* (2001). The other regional project that also promoted common film initiatives was Southern Common Market (Mercosur) in
1991 that established a Technical Committee of Audiovisual and Film Authorities (RECAM) in 2003 to advance in the cultural integration of its members. This institution works alongside with the Mercosur Audiovisual Observatory to process and publish data and trends of the film market.

However, these were exceptional cases. In general, efficiency of protection policies was also low because of the stagnation of former regional initiatives that were supposed to expand film markets and provide ideological support. The Andean group, the Nonaligned group and the Organization of American States (OAS) had to justify their existences because of their meagre achievements and their obsolete discourse after the Cold War ended. Therefore, the region did not succeed in building a common market (Bouzas & Ros, 1994). Latin American governments, paradoxically, encouraged new integration agreements such as the NAFTA in 1992, Mercosur in 1991, the G-3 in 1993 and the Chile and Mexico Free Trade Agreement in 1991. These projects differed from the previous trade arrangements in their attempt to attract foreign investment and facilitate industrial restructuring.

2.3.5 Sustainability

Without official incentives, production companies and independent filmmakers could not overcome longstanding market bottlenecks, accentuated by the failure of the protectionist model and the global trends. The release of national films during this period was a matter of individual initiative rather than a result of a sustainable industry. King (2000) notes the pessimism about the future of the film industry that prevailed in the region during the mid-1990s by quoting the famous Garcia-Canclini's question “Will there be a Latin American cinema in the year 2000?” and Hector Babenco's affirmation that Brazilian cinema was dead in the Cannes Festival in 1991.

The neoliberal model challenged the failure of the ISI to create an efficient and sustainable industry. However, the new paradigm did not improve film sector conditions because the goal of sustainability was a responsibility of the sector itself based on their capacity to attract private financing. With adverse preestablished conditions in the market such as distribution and exhibition bottlenecks and television supremacy, it was very ambitious to expect that the same market would secure fair
competition for local production companies. On the contrary, the de-regulated framework facilitated the increase of trans-national companies' share in Latin American markets. In the exhibition sector, for example, Cinemark extended its business from one site in Santiago in 1993 to nearly 1,200 screens in the entire region in 2000 (King, 2000).

2.4 Conclusion

In general, we can see how the ISI era translated into numerous films at expense of audiences, and the neoliberal period marked the lowest point in terms of unit production, between 1990 and 1995, followed by a recovery from the 2000s. What these trends demonstrate is that official discourse and action are essential to increasing the feasibility of promotion policies. Not only are the intrinsic characteristics of films such as high costs of production and uncertain return of investment important limitations, but also Latin American market conditions- timid participation of the private sector and low demand for national films- require government's intervention. Moreover, the film sector, similar to other industrial areas, is sensitive to macroeconomic conditions: in Mexico and Argentina, the film industry faced serious setbacks after the debt crisis 1980s and the financial crises in the beginning of the 1990s (IMCINE, 2007; Katz, 2006).

The feasibility of film support policies in Latin America has changed throughout the historical stages according to the ideology and collective projects in the region. During the ISI period, the aim of defending national identities justified public expenses on film infrastructure and production reached its highest point. However, it did not cover important realms such as sustainability of the sector and the interconnection among the production, distribution and exhibition subsectors. Unresolved bottlenecks persisted throughout the following decades. During the neoliberal era, the goal of economic efficiency replaced the national defence discourse and regional initiatives failed to provide markets for national film exports.

The common denominator in the history of regional film policy has been the need for official support in order to make industrial and cultural policies a reality. The private sector has had a timid participation in local films due to uncertain rates of return and consumers' preference for Hollywood movies. However, adoption of film policies
has been inconsistent in Latin America. Most governments pushed for film policies in the ISI era, only to dismantle them during the neoliberal era.

The performance of the film support framework in the region depends greatly upon the characteristics of the country (large, middle and small economies) and context conditions rather than the type of model imposed. Governments in the region apply similar tools but the results differ. While the impact of longstanding feasibility bottlenecks, such as lack of consensus and the prevalence of socioeconomic priorities over cultural goals in the political agenda, has still been strong in small countries like Uruguay and Bolivia, large economies such as Brazil and Argentina have been able to use their economic power to increase their production. However, their film industries have not overcome other market bottlenecks, especially in the distribution and exhibition subsectors, a point we expand upon in the next chapter.
CHAPTER 3
CURRENT FILM POLICIES IN LATIN AMERICA

The neoliberal paradigm revealed the limitations of the Import Substitution Industrialization (ISI) model and reinforced previous market distortions as deregulation and liberalization helped Hollywood majors to expand into distribution and exhibition circuits in Latin America and accentuated the lack of financing for local movies and their reduced market. This situation has provoked a new revival of film policies based on contested trends in the global and local spheres such as the counterneoliberal discourse of cultural diversity. The contemporary period (1995- present) therefore, offers a complex scenario in which the cultural defence discourse, in its new version of cultural diversity, coexists with free-trade policies, and in which private participation, including that of foreign companies, coincides with official financing. If the ISI and neoliberal eras presented a dualistic opposition of these elements, the post-neoliberal period seems to dilute that simplistic binary relation.

This chapter will first examine those conflicting trends at the global level in order to identify the way developing countries try to insert their economies into the contemporary world market of cultural industries, including films. This goal and the renewed pressure to protect the film sector present a difficult dilemma for Latin American governments. The implementation of current film policies, presented in the second part of the chapter, captures that dilemma in terms of the Incipient Model of Sector Promotion and Cultural Consumption (IMSPCC) variables: feasibility, efficiency and sustainability. Although it is still early to evaluate the current framework, there are premature mixed outcomes to observe. While feasibility conditions are optimal and efficiency goals have meant a larger number of movies than in the neoliberal era, there are still important obstacles to sustainability. In the concluding section, I will provide a diagnosis of the main production and circulation bottlenecks and the strategies that authorities have displayed to face them.
3.1 Post-Neoliberal Period (mid-1990s to Present)

3.1.1 Global Trends

After the consolidation of the first generation of neoliberal reforms, oppositional trends marked the beginning of the post-neoliberal era. On one hand, the generalized adoption of the post-Fordist mode of accumulation reinforced former conditions of unequal cultural trade; on the other hand, it fed the counterdiscourse of cultural diversity. These have become the basis for protection and promotion policies for developing countries in the present context.

Unequal exchange

Although the discussion on unequal exchange of cultural goods and services has been present in world forums since the New World Information and Communication Order (NWICO) debate in the 1970s, the consolidation of the post-Fordist mode of accumulation has accentuated this trend. A United Nations Educational, Scientific and Cultural Organization (UNESCO) study (2005) shows how audiovisual media trade has increased after 1994 as never before; exchanges amounted US $8.5 million. Although some developing countries, mainly located in Asia, participate as exporters of audiovisual media, their overall export contribution is still low in comparison to that of high-income nations. For example, in 2002 and 2003 the European Union was the first exporter of cultural goods in the world (51.8% market share) followed by South-East Asia (20.6%) and North America (16.9%) while regions like Latin America and Africa barely reached 3% and 1%, respectively. Regarding cultural imports, the United States and United Kingdom occupied the leading positions (Figure 3-1). The former country reported exports of audiovisual goods for US $6,919,000,000 and imports for US $149,000,000 while Mexico exported US $771,900,000 and imported US $158,000,000 (UNESCO, 2005).
In the international arena, preference for Hollywood movies is visible. Out the 50 most popular films in 1996, 47 came from the United States (Fedesarrollo, 2000). The US dominates the film market without being the largest producer. In 2000 Hollywood

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Cultural goods include television networks, filmed entertainment, recorded music, video games, radio, books, newspaper and magazine publishing, advertising, theme and amusement parks and sports (UNESCO, 2005).
studios and their subsidiaries produced 185 films that cost US $5.5 billion, obtaining 75% of the national box office and a similar percentage of profits in international markets (Wasko, 2003). By contrast India produced 877 in 2003, but it does not dominate the global market. In the specific case of the United States and Latin America, film trade also reflects unequal exchange. García-Canclini (2005) illustrated that while US exports toward the region captured 80% of the total Latin American box office on average, Latin American films only represented 1.5% (along with Asian movies) of the US box office in 2002.

**Cultural diversity discourse**

This context of unequal exchange in cultural industries markets has revalidated the protection of national cultural industries via cultural exception in the late 1980s. France and Canada's concept of films as the ultimate source of national identity deserving of protection has stood up against the American vision of films as entertainment commodities subject to free trade. Two important forums have illustrated these conflicting positions: the 1989 Free Trade Agreement (with Canada) and the 1993 Uruguay round of the General Agreement on Tariffs and Trade (GATT). Regarding this latter forum, although there was no unanimity around the implementation of the exceptionalism, particularly among the European nations, in the end each government preserved protectionist policies and achieved the exclusion of cultural products from the negotiations.

The logic behind the policy of cultural exception responds to the twofold nature of film values: economic and cultural. On one hand, the states assume that they have the capacity to correct market failures (e.g., bottlenecks or small market size) that will lead infant national industries to eventually become competitive and generate profits. In this way, the state claims its right to protect its sovereignty. On the other hand, the discourse of cultural exception revalidates cultural imperialist arguments that justify the resistance to a presupposed intention of domination from a hegemonic culture. In the film sector, globalization is synonymous of Americanization (Hesmondhalgh, 2002); a trend that governments have to battle by producing national images.
The economic premise has been the object of academic critique since there is a generalized resistance to official protection based on its historical inefficiency and the generalized uncertainty of positive industrial performance. In countries with a long tradition of official support toward the film sector like France, the objective of building a competitive film sector has not challenged Hollywood’s predominant position although the number of productions and screens as well as movie attendance has increased from a decade ago (Frau-Meigs, 2002). Another factor that questions the efficiency of protectionist policies is the neglected effort to reduce foreign presence within the cultural industries. In Canada, a leader of cultural exception, 95% of annual screen time comes from United States as well as 90% of drama on English-language television, 81% of consumers’ magazines and 79% of revenue from recorded music (Magder cited in Beale, 2002). Regarding the cultural critique, as Tomlinson (1991) has highlighted, globalization is a multidirectional process that denies the “intention” (and capacity) of domination by a particular nation. Based on this, any nation is able to exert relative power over others in specific niche markets: India and Hong Kong with films, and Mexico and Venezuela with telenovelas (soap operas).

The insertion of developing countries

The discourse of cultural exception served to aid developing countries to build new arguments to protect their audiovisual sectors. The adoption of the Convention on the protection and promotion of the diversity of cultural expressions by UNESCO in 2005 was the result of a long battle led by Canada after a few controversial episodes: the split-run magazine dispute vs. US at the WTO between 1996 and 1999 and the MAI negotiations in 1998. Although other developed countries like France have contributed to this global initiative, developing countries soon followed them. Today, 38 national coalitions-including official representatives, artistic groups, researchers and other civil associations- form The International Liaison Committee of the Coalition for Cultural Diversity (ILC) under the principles of developing the Convention while contesting the liberalization of cultural sectors within the Free Trade Agreement (FTA) negotiations (http://www.coalitionfrancaise.org/eng/cil/). Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela are active members.
At the same time, developing countries managed to participate within the New International Division of Cultural Labour (NICL) or culturalization of the economy derived from the post-Fordist mode of accumulation. In a critique of the concept popularized by dependency theory, the NICL revised the traditional model in which the Third World was a provider of raw material and an importer of industrialized goods by generalizing the potential for any sector in any region to participate in transnational production processes (Yudice, 2002). This opportunity comes from the overseas filming that Hollywood majors practice in search of more flexible labour conditions— for instance, no unions—and more attractive regulations such as tax breaks and lower currencies. Despite this trend, NICL authors still defend the idea that elites and their corporations monopolize all capital gains despite the spread of “industrial enclaves” all over the world. In this division, Third World countries are “shadow setters of the price of work that compete among themselves and with the First and Second worlds” (Miller & Yudice, 2002, p. 76).

In sum, developing countries try to insert their economies in two ways: first, they are an attractive market for foreign films—not only Hollywood movies—and filming location shooting of international producers that require deregulation, and second, developing countries also function as exporters of their own films that require official protection. As a less developed region, Latin America also faces this dual challenge/opportunity of building labour supply chain and learning economies from international productions that crossover to domestic filmmaking.

3.1.2 Regional Context

After the adoption of the first generation of neoliberal reforms, the region experienced slow growth between 1990 and 1994, which created the illusion of being on the right track to achieve macroeconomic stability and world insertion. However, financial crises have affected the Latin American economies starting in Mexico in 1994 and going through Argentina in 2001 and Brazil in 2002 with a slow recovery after 2005 (ECLAC, 2007). Social indicators are also negative since 209 million people (38.9% of the population) live in poverty and income distribution is still the most asymmetrical in the world (ECLAC, 2007).
According to Hershberg and Rosen (2006) and Williamson & Kuczynski (2003), these outcomes do not meet the expectations built after adopting the neoliberal agenda. Several explanations have arisen to explain this disappointment: inefficient or risky policies (such as fixed exchange rates), incomplete reforms (limited labour market reforms), or the accentuated emphasis on economic growth at expense of social equity.

In response, there is a set of literature defending the idea that further institutional reforms or second generation reforms, have to be in place in order to achieve growth (Williamson & Kuczynski, 2003; Naim, 1994). Although there is no specific recipe for reforms, some scholars argue that it is necessary to implement more deregulation and liberalization in order to guarantee the success of the neoliberal model. In the social arena, there is also an emergence of movements that oppose that paradigm and denounce the deterioration of living conditions in the region (Hershberg & Rosen, 2006). For the purposes of this thesis, the global discourse of cultural diversity is, perhaps, one of the most valuable tools that developing countries can use to maintain their protection and promotion film frameworks amidst international and national opposition. In fact, this discourse has inspired common initiatives that aim for the development of cinema production in the name of regional identity such as bilateral and multilateral coproductions. The following section, therefore, will describe how governments have attempted to promote the sector, and deal with unsolved market distortions that currently impede the development of efficient and sustainable film sectors in the post-neoliberal era.

3.2 Policy Framework

3.2.1 Feasibility

A new generation of policymakers and film agents went on to proclaim what became the foundation for the new film policies to be feasible: the objectives of cultural diversity and industrial sustainability. The first goal corresponded to an alignment with the discourse of cultural diversity promoted in international forums and intellectual circles like UNESCO and the ILC since 1998. This has represented a transformation from previously consolidated parameters in terms of government action and the foundation
of nation. Ochoa (2002) explains this change in regard to the inclusion of minority groups into a nation’s narratives, at least at the discursive level, and trying to open the dialogue among diverse sociocultural sectors of the Latin American population. With time, the relationship between diversity and the construction of nation has radically changed. While diversity was a threat to the homogenous modern entity that populist and military regimes pretended to build, it has now become the basis of the official rhetoric of cultural policies.

By introducing the instrument of cultural reserve, the Latin American version to cultural exception, countries have managed to defend cultural diversity (a moral and cultural objective) and still leave open the possibility of participating in free trade negotiations. Since countries in the region do not have the same level of influence and power to impose their unilateral conditions in trade negotiations as developed countries, the term cultural exception might seem too radical. The current bilateral FTAs that replaced the American initiative of the Free Trade Area of the Americas (FTAA) demonstrate this linguistic switch: Colombia, Peru and Ecuador have used cultural reserve in their discussions with the United States. The only difference, however, between cultural exception and reserve is that the first one is a total protection of cultural industries from FTAs while the reserve is a gradual or selective protection tool for certain sectors. In the case of the FTA between Colombia and the United States, the cultural reserve determined that the Colombian government must reduce TV screen quotas for national shows from 50% to 30%, beginning in 2009.27

The second ideological principle of this generation of policymakers, economic sustainability, represents a change of perception about the historically ignored impact of the film industries on the national economy. A wide range of entities has conducted sectoral studies since the mid 1990s: government agencies in individual countries (Film Division in Colombia and IMCINE in Mexico) and independent research institutions or academics (Getino, 1995 in Argentina; Stolovich, Lescano & Maurelle, 1997 in Uruguay; Fedesarrollo, 2000 in Colombia). Moreover, there have been common projects assumed

27 The reduction of the screen quota was also subject of radical debate in South Korea in 2006. In order to clear the way to the FTA negotiations with the United States, the Korean government adjusted the screen quota from 40% (146 days, 106 in reality) to 20% (73 days) (Kim, 2007, April 11).
by intergovernmental institutions (Andres Bello Agreement, 1999-2003 in the Andean countries and Chile; Ibermedia, 2004 and Katz-ECLAC, 2006 in the region). These studies have helped to explore the status of the film industry and highlighted the contribution that cultural industries have made to the Latin American economies, representing between 4% and 7% of the GDP (García-Canclini, 2005)\textsuperscript{28}. They also emphasized the market potential of 650 million viewers that share a language, history and identity for the success of national movies (Katz, 2006). These foundations, cultural diversity and economic sustainability, are the core justifications for the decisive support the film sector has received in the post-neoliberal era.

3.2.2 Efficiency

The reactivation of official support has not been free of contradictions since the claim of de-regulation ended up establishing more institutions and complex policies than before the 1990s while minimizing the size of the state. Despite slight differences in the type of instruments implemented in each country, Latin American governments have utilized a wide range of former policy tools in order to generate efficiency (Rey, 2005) that include production and postproduction subsidies in almost all countries, screen quotas in Argentina (INCAA resolution No.2026, 2004) and Brazil; and tax breaks in Mexico (article 31, Film law 1992)\textsuperscript{29}, Brazil (Law 8685, 1993) and Venezuela. There are also national content requirements based on language, location and staff. In Peru (Law 26370, 1994), feature movies must be in Spanish, Quechua or Aymara, filming has to be in the country and the percentage of citizens working on the film must be 80%. In Mexico and Argentina, film legislation does not specify percentages, but requires national personnel and companies in order to be eligible for film project support.

The main difference between the original ISI protectionist framework and the current model is that the state no longer participates as a producer in most of the countries, but rather as a regulator of the sector, an arbiter of actors, and an

\textsuperscript{28} This percentage follows the general pattern of growing importance of cultural industries in developed countries' economies. In United Kingdom, this sector represents 8% of the GDP, in the United States, 7.8% and in Sweden 9%, among others (Bille & Schulze, 2006, p.1086).

\textsuperscript{29} In Mexico, for example, investors can get a tax break of 10% from their annual income when the investment does not surpass $500 million Mexican pesos.
administrator of the financing and a guardian of copyrights. This provides a more efficient approach in terms of avoiding the historical deficits as a result of financing film policies with the national budget. However, the model in Latin America cannot be defined as purely neoliberal either since the official presence in the sector is predominant, interfering sometimes with the market. Public financing in Bolivia, Chile and Venezuela still comes from the national budget, and few countries have been successful in establishing alternative financing strategies or fostering the development of local private risk capital. In Argentina, the Federal Broadcasting Committee’s (representing the television and radio sectors) contribution of 25% of its revenues adds to 10% ticket overcharge and 10% video rental fees to the Fund for Film Promotion (Law 24.337, 1994). In Brazil, the state has encouraged film capitalization in the stock market. However, the companies that take the risk of investing in movies are state-owned, which questions the real participation of other agents aside from the official authorities in the film industry (Getino, 2005).

The structure of the current model is still very similar to that of the ISI model. For instance, a central institution is still in charge of designing and implementing film policies: the National Institute of Film and Audiovisual Arts (INCAA) in Argentina in 1994, the Mexican Institute of Film (IMCINE) in 1983, the Autonomous National Centre of Film (CNAC) in Venezuela in 1993, National Council of Film (CONACINE) in Bolivia in 1991 and National Council of Cinema in Peru in 1994, among others. The new model also implies an institution usually associated with the government that administers subsidies to financially support various stages of feature films, short films and documentaries. Although some of these film funds distinguish between experimental or artistic cinema and commercial movies, most of them support both type of projects within the same contests under the criterion of quality. For example, while there are two film funds in Mexico: FOPROCINE for new talent or author’s cinema and FIDECINE for commercial films, all filmmakers participate under the same conditions for financial incentives in Colombia or Bolivia. In any case, support policies have signified more financing in order to encourage the production subsector. Mexican movies, for instance, increased from 15 in 1995 to 24 in 2005 (Estrada, 2004 and European Audiovisual Observatory, 2006).
3.2.3 Toward Sustainability

Despite positive results in terms of feasibility and efficiency, there are serious obstacles for the region to achieve sustainable film sectors. In order to assess the status of the industry in regards to this goal, we have to observe the main production and circulation challenges and the current strategies to face them.

Production conditions

The regional film market remains highly concentrated in the most powerful economies: Mexico, Argentina and Brazil due to their large population, broad infrastructure (screens and seats) and worldwide critical recognition.

Table 3-1 General Indicators per Country in 2004

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Films</th>
<th>Population (million approx.)</th>
<th>Average Audience (million)</th>
<th>Per Capita Attendance</th>
<th>Production Cost Aprox. (US $ mill.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>46</td>
<td>187.6</td>
<td>99.1</td>
<td>0.52</td>
<td>65.8</td>
</tr>
<tr>
<td>Argentina</td>
<td>54</td>
<td>38.6</td>
<td>36.4</td>
<td>0.94</td>
<td>81</td>
</tr>
<tr>
<td>Mexico</td>
<td>18</td>
<td>104</td>
<td>138</td>
<td>1.32</td>
<td>18</td>
</tr>
<tr>
<td>Colombia</td>
<td>8</td>
<td>45.5</td>
<td>17</td>
<td>0.37</td>
<td>4</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1</td>
<td>26.5</td>
<td>16.1</td>
<td>0.60</td>
<td>.2</td>
</tr>
<tr>
<td>Bolivia</td>
<td>4</td>
<td>9.4</td>
<td>1.4</td>
<td>0.14</td>
<td>1.6</td>
</tr>
<tr>
<td>Paraguay</td>
<td>3.5 average</td>
<td>6.2</td>
<td>0.6</td>
<td>0.10</td>
<td>n/d</td>
</tr>
<tr>
<td>Uruguay</td>
<td>n/d</td>
<td>3.4</td>
<td>2.5</td>
<td>0.73</td>
<td>n/d</td>
</tr>
<tr>
<td>Peru</td>
<td>4</td>
<td>27.1</td>
<td>12.3</td>
<td>0.45</td>
<td>2.4</td>
</tr>
<tr>
<td>Chile</td>
<td>13</td>
<td>16.2</td>
<td>11.2</td>
<td>0.69</td>
<td>10.4</td>
</tr>
</tbody>
</table>


As illustrated by this Table, the top three producers at least doubled the production and consumption of medium and small producers in 2003 and 2004, concentrating nearly 80% of the film offer in only 25% of the countries in the region.31

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30 It is difficult to get data on total production investment per country, but Getino (1998) suggested average film budgets of US $650,000 in the 1990s, going from the highest budget in Argentina (US $1,500,000) to the lowest rate in Bolivia (US $300,000).

31 Between 1930 and 1990 most of regional production came from Argentina (24%), Brazil (24%) and Mexico (46%) (Sanchez- Ruiz, 1998).
One of the main reasons of this context is that most of the countries do not have a continuous supply of films, and production companies barely survive if one of their projects fails to recoup its investment. Most of the companies finance their projects with their previous works and they do not usually pursue more than one project at a time. Therefore, the model proposed by Katz (2006) of the coexistence of big commercial firms and small-specialized units represents only a few cases in Latin America like Brazil and Argentina because companies in other countries function for their own benefit, not in a dependent status with respect to others.

Regarding financing, production companies depend heavily upon family loans and official incentives via subsidies, soft credit loans or tax breaks. Participation of the private sector or other audiovisual industries, then, is minimal for the development of the film industry. The only exceptions where we can suggest a significant contribution from private agents are TV Globo and Televisa. The Film Department of the Brazilian media conglomerate TV Globo has celebrated alliances with the majors to distribute its movies (Getino, 2005). And Televisa in Mexico also has a film division- Videocine- that coproduces and distributes movies as well as holds a production partnership with Warner Bros. called Coyoacán Film (http://www.esmas.com/videocine/quienes/). There have been exceptional cases in which private capital has financed most of the production: *Amores perros* (2002) in Mexico, and *Central do Brasil* (1998) and *Cidade de Deus* (2002) in Brazil (Shaw, 2003). These movies also showed how large-budget films, all surpassing US $2 million, tend to attract audiences. In the case of *Amores perros*, negative costs reached US $2.4 million while the film yielded profits of US $8 million in Mexico and US $20 million in the global market (Hart, 2004). However, these costs are still a minimum part of the average Hollywood investment per film that has gone from US $5 million in 1985 to US $58.8 million in 2002 (Wasko, 2003).

Production companies, for their part, try to have access to official financing and to lower the costs related to production. One of their strategies is to decrease fixed costs by not owning technological equipment or infrastructure that represent large costs in the short term, but eventual savings in the long run (Katz, 2006). Another strategy is to avoid the exclusive production of films; they minimize risk by diversifying their portfolio in other audiovisual fields like television programs and commercials. The third
strategy is to lower costs through coproduction agreements to allow participants to share production costs, exhibition markets, learning economies and other financing sources— including official incentives from other countries. Chile, for example, demonstrates the importance of coproducing: approximately 13 movies (60%) of the 22 films released between 2001 and 2004 were coproductions (based on data provided by Getino, 2005, p. 32).

Governments have encouraged coproduction agreements, some of these signed in previous decades, in order to secure financing sources and regional markets. Besides numerous bilateral treaties among Latin American countries, there are important regional initiatives such as Ibermedia, the G-3 and Mercosur. Ibermedia\textsuperscript{32}, perhaps the most successful agreement, has facilitated the coproduction of 158 films between 1998 and 2004 in contrast with the 59 movies between 1975 and 1983 (García-Canclini, 2005).

The lack of well-trained film technicians and personnel in Latin America is often mentioned in studies about the sector (Fedesarrollo, 2000), however, this consideration has changed over the last decades. There are currently many scholarships awarded to support training within the official contests and film schools are spreading out across the region. The experience of personnel in television and advertising has benefited film industries across the region, and the formation of unions has also favoured in large countries such as Argentina. The new generation of filmmakers, trained in international and national schools, has started to work on local movies, and some of them have gotten hired in Hollywood productions. They have innovated in filming techniques and reflected on contemporary issues with worldwide recognition like Alejandro Gonzalez Inarritu and Guillermo del Toro from Mexico, Walter Salles from Brazil and Ricardo Larrain from Chile (Hart, 2004).

Official institutions also aim to develop other related industries like film location. To illustrate this, Mexico and Venezuela have film commissions that promote their diversity of locations and cheap labour to foreign companies. Miller and Yudice (2002) point to the example of filming of the Titanic in Baja California, Mexico, as the model of how developed countries try to insert their economies in the NICL. Reports on the

\textsuperscript{32} Ibermedia subsidies come from country members' contributions and the repay of credits. Currently, 12 Latin American countries, Spain and Portugal are part of the agreement.
labour conditions during filming this movie cited low wages for extras and artistic personnel compared to US labour standards, and environmental damage such as the chlorination of water. Despite these facts, Latin American countries seem to be willing to establish film commissions to attract production. Of course, not all countries can take advantage of this subsector because of their social or political instability like Colombia or the lack of trained personnel in most of Latin America.

**Circulation conditions**

The most visible bottleneck in Latin America is still American predominance in domestic markets. The first indicator is the number of Hollywood movies in the commercial circuit that in some cases might represent up to 100% of the total offer as it happened in Ecuador in 1996. Although this case is extreme, studies on the film sector consider that the Hollywood supply reaches 80% on average in the whole region: Fedesarrollo (2000) and Rey (2005) stated that the percentage might be around 98% or 95% while Sanchez-Ruiz (2004) estimated it at 64%.

**Figure 3-2** Box Office by Origin- Latin America 2002

![Box Office by Origin- Latin America 2002](image)


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33 Other cases included the Dominican Republic where US films were 97% of the total supply and Venezuela with 96% in the same year (Procompetencia, 2000).
Foreign control also extends into the exhibition sector (Figure 3-2). In Argentina, US films represented 50% of the market supply and attracted 80% of the total box office in 2002 while national movies (18.70%) merely reached 10.24% (Sanchez-Ruiz, 2004). In addition, foreign capital controls 70% of the theatrical system in the same country (Katz, 2006). The distribution oligopoly is a result of a variety of decentralized business practices -branches, joint ventures or representation by a national company- that secures majors' presence in the region (Ramos, Ojeda & Mendez, 2003). Their control of the Latin American market allows them control in distributing not only Hollywood titles but also local movies within the national and regional circuits against the limited action of local distribution companies.

The distribution oligopoly and the timid response of national distribution companies explain why theatrical exhibition of other Latin American movies in neighbouring countries is very rare (García-Canclini, 2005). In the Southern Cone, for example, only 13 films coming from Mercosur members were exhibited in Argentina, Brazil and Chile out of the 75 that they released in 2002 (Getino, 2006). By contrast, producers value the Hispanic market in United States as a place to exhibit their feature movies even more than other regional circuits. Business journals estimate that 35.3 million people in the United States identify themselves as Hispanics and have a buying power of US $454.2 billion (http://hispanic-asian.com/view_articles_php?id=14). This market has helped the film industry grow in Miami, the centre of Latin American cultural industries that target the Hispanic and regional markets (Yudice, 2002).

Regarding the distribution of local movies, the current film framework includes incentives such as multilateral subsidies for production, distribution, international sales and the project development from Ibermedia (http://www.programaibermedia.com/esp/htm/home.htm). This represents an alternative for producers that do not find favourable conditions of distribution within the channels controlled by the majors. However, the market participation of medium and small sized independent companies is limited. Another official initiative has been to

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34 In an interview with R. Guerrero, a Colombian producer, in 2006, he emphasized the importance of targeting the Hispanic market with distributors in Miami or California. Guerrero said that 20% of the Spanish speakers in United States define what the rest of the 80% left should consume.
develop an independent distribution circuit, but it is still too early to evaluate possible results.

The second major problem is the low attendance at national movies. A small market represents fewer possibilities for covering costs, making profits and achieving economies of scale. In fact, a comparison of the consumption of national movies in relation to that of the total number of films is more revealing: national films have only generated 2% of the box office since the 1990s in Latin America (Fedesarrollo, 2000). Mexico, for example, experienced a drastic decrease of audience, followed by a slow recovery (Figure 3.3). In general, Latin American spectators of national movies have dropped an average of up to 40% in the last 20 years (Getino, 1998).

Figure 3-3  Mexican Films Audience 1985-2005 (000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>450</td>
</tr>
<tr>
<td>1990</td>
<td>197</td>
</tr>
<tr>
<td>1995</td>
<td>52</td>
</tr>
<tr>
<td>2000</td>
<td>130</td>
</tr>
<tr>
<td>2005</td>
<td>165</td>
</tr>
</tbody>
</table>

Sources: Estrada (2004); Mantecón (2004).

The explanation of the low number of spectators and their movie habits, then, is related to changes in consumption (García-Canclini, 1992) such as preference for television, segmentation of markets, increase of ticket price, rise of urban insecurity and reconfiguration of cinema theatres. Out of all these factors, the multiplex system is, perhaps, the one that has impacted and has been impacted the most in the general landscape of film consumption and culture. The system of the multiplex screen outlines
areas of consumption concentration since multiplex screens have been located in the main cities of Latin American countries and, within them, in middle and upper class neighbourhoods. This commercial-driven exhibition restructuring has restricted film access to privileged sectors and, consequently, has deteriorated cultural equity. Buenos Aires, for example concentrates 76% of screens that attract 89% of total audience while the rest of the 19 provinces hold 24% of screens and 11% of the public in 2005 (Katz, 2006). Lima, for its part, concentrates more than 80% screens of the total available in the country, or 194 out of 228 in 2003 (Rey, 2005).

To increase attendance in national markets, current policy models have applied a combination of protectionist (screen quotas) and innovative tools (promotion of audience programs). In Argentina, for example, the mandatory exhibition of one local movie every three months (screen quota, decree 1045, 1973; INCAA resolution 2016, 2004) and the continuity guarantee35 complement alternate exhibition tools like the Cinemóvil, a vehicle that projects movies in those provinces with no theatres. However, screen quotas do not guarantee increasing attendance at national film screenings because spectators have the final word in choosing a movie, and exhibitors might not comply with the law. This is the case of Brazil that has a generous screen quota (63 days annual screening time for national films), but authorities cannot enforce it without causing a major political outcry.

The third major problem is the limited exploitation of other windows of exhibition different from the theatrical release. Latin American movies have barely benefited from these extra windows. DVD and video rental/purchase does not yet represent a potential source of revenues due to the spread of piracy. In Peru, losses to piracy are estimated in US $4 million, but in fact it might be double that (Sociedad Nacional de Industrias, cited in Rey, 2005).

3.3 Conclusion

After official neglect of the film sectors, governments revived favourable policies during the post-neoliberal period based on the cultural diversity and economic

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35 This policy tool guarantees that exhibitors will continue screening domestic movies that surpass a certain number of spectators and meet high quality standards.
sustainability discourses. The most visible premature result has been the increase of production financing and, therefore, the number of national movies released per year as it happened during the ISI period. One change, perhaps, is that the nature of this support has gone from a top-down prescription of policies to a more democratic process in which civil society participates in the coalition for cultural diversity, and other stakeholders (industry, university, cultural associations) are part of film institutions. Moreover, new policy models have an integrated approach that covers preservation of audiovisual heritage and research on the sector that go beyond industrial policies. The post-neoliberal model differs from the ISI model in the goal of interconnecting subsectors in order to achieve sustainability rather than exclusively focusing on increasing production.

Feasibility in the post-neoliberal phase combines both cultural diversity and industrial competitiveness objectives within global and local markets. This explains the uneasy coexistence of the former cultural defence rhetoric against foreign dominance and the pragmatic negotiation discourse of alliances between Latin American companies and Hollywood majors. At the structural level, another contradictory feature is the revalidation of policy tools that the first generation of neoliberal reforms eliminated in the 1990s: screen quotas, tax breaks, subsidies and national content requirement. They coexist with innovative instruments to increase consumption such as the promotion of the audience programs and to reach other markets like the coproduction agreements and alternative distribution channels.

At the same time, all these institutions and policies have required complex regulation and bureaucratic procedures for producers to have access to official support. In this sense, the current model questions the supposed continuation of the neoliberal paradigm. Although it is true that the second generation of neoliberal policies never defined which specific policy instruments to apply (Navia & Velasco, 2003), it is also certain that they would not have promoted official interventionism rather than state regulation.

The Latin American version of the second generation of neoliberal reforms in the film sector represents, in conclusion, a favourable environment for other neighbouring countries to build their promotion policies. The combination of policy tools has created a
more efficient system of financing in order to increase national films. However, the model is far from reaching sustainability since policies have not been able to eliminate longstanding and new market bottlenecks in the short term. The analysis of a national experience such as that of Colombia will offer a better idea of whether and which coherent and efficient strategies toward the construction of a sustainable film sector are possible for other countries to follow.
CHAPTER 4
EVOLUTION OF COLOMBIAN FILM POLICY MODELS

The evolution of Colombian film policies has been similar to that of neighbouring countries with regard to the cyclical path of strong interventionism during the Import Substitution Industrialization (ISI) period, negligence during the neoliberal stage and complex support during the post-neoliberal era. These trends, however, arrived belatedly in Colombia compared to larger economies like Argentina, Mexico and Brazil, because of the specific conditions of the national context. To illustrate, Colombia followed ISI regulation in 1970s, 30 years after Perón established it in Argentina and Vargas in Brazil while the presidency completed neoliberal reforms in 2003, almost ten years after its neighbourhoods implemented the same model.

In general, Colombian policymakers have faced the same dilemma as their Latin American counterparts: how to justify support models and establish efficient policies that solve market bottlenecks and build a sustainable film industry. This chapter will provide a deeper insight into the challenges faced by the film industry in Colombia during the ISI and neoliberal periods. The main argument is that feasibility and efficiency in national film policy have worked in opposition to sustainability during the periods under discussion. For instance, the ISI framework was feasible because of the cultural imperialist justification that sought to increase local movies in order to substitute foreign films and promote national identity. Therefore, centralizing all sectoral decisions under official institutions and providing unlimited financing from the national budget and the movie ticket seemed the most expedient strategy. Other long-term factors, such as skilled personnel, updated technologies and consumption appeal were not important targets. When the contradictions of the model resulted in financial losses up to US $737,000 (Semana, March 1, 1993, par. 3) and opposition from exhibitors, distributors and scholars, it was too late to correct these problems, and, on the contrary, justified the ideological switch in the government elite. In other words, the official
mistakes made the introduction of the neoliberal politically feasible. However, during this new stage the variables of feasibility and efficiency worked against sustainability again when neoliberal policymakers promoted market regulation as official short-term de-regulation without building long-run business strategies.

This chapter, therefore, will examine how the variables of the Incipient Model of Sector Promotion and Cultural Consumption (IMSPCC), feasibility, efficiency and sustainability, have changed through recent Colombian history and how they worsened market conditions for local producers. The first section covers the main challenges and outcomes of the ISI framework, and the second part will examine the advent and consolidation of the neoliberal model. The analysis of these two historical frameworks is the foundation on which to base an evaluation the current model, in the final chapter.

4.1 ISI Period (1938-1988)

The foundation of the modern Colombian state, as in other Latin American countries, relied on promotional policies aimed at the export of agricultural commodities, mainly coffee. Eventually, governments tried to change the high dependency on primary goods by diversifying the industrial production through inward-oriented strategies. President Alfonso López Pumarejo established the main modernization pillars during his first term (1934-1938): the separation between church and state and the introduction of income taxes, social-welfare system and labour reform. The revenues from the recovery of world coffee prices after the Great Depression helped to finance infrastructure projects, urban development and industrial policies that included the film sector (Tirado-Mejía, 1989).

Although protectionism was not a consistent trend in the economy after López Pumarejo, the film industry did remain under the government’s protection for 50 more years. Just to mention one example, the policies adopted by the four National Front presidents have little in common with each other and governments used to impose economic reforms that their successor would eventually dismantle. This happened when Lleras Carmargo (1958-1962) established trade restrictions that Valencia (1962-1966) replaced with limited liberalization of the market and reduced import controls under the IMF pressure. The following president, Lleras Restrepo (1966-1970) refused such
coercion and restored foreign exchange and trade controls by the Decree Law 444, 1967. Finally, Pastrana (1970-1974) abolished import restrictions and reduced nominal tariffs. This continuous policy shifts barely affected the film sector that, as we will observe, received a limited initial support and, later, was the target of a more extensive official promotion program.

4.1.1 Feasibility

Under cultural imperialist premises, the government pursued the construction of a national industry and the promotion of national values that would eventually replace foreign content in the market, specifically Hollywood movies, by increasing the number of Colombian movies. Financing for national projects came from taxes imposed upon movie tickets by Presidential decrees. There was a complete set of official incentives to solve longstanding bottlenecks such as Hollywood oversupply, distribution and exhibition oligopolies and audience’s preferences for foreign films. As we observe below, the Government led both the industrial and cultural film projects with a low level or lack of consensus from other agents and without a thorough understanding of market conditions.

Film activities have been the target of protectionist Laws since 1938 when president López Pumarejo created the first Film Department under the Ministry of Education, and the Congress issued the first film Law, No.9, 1942. The main goal was to encourage the production of local movies and to regulate the minimum percentage of national investment (80%) and human capital (85%) for a company to be considered Colombian. Additionally, this policy offered temporary customs exemptions on chemicals and raw stock to importers. Exhibitors, for their part, were entitled to receive tax breaks for screening national movies. However, the release of films during this period was an exception rather than the rule with just 1.3 movies per year released between 1938 and 1967 (Proimagenes, online data, 2007).

The regular production and organization of the film sector in Colombia had a more definitive thrust during the 1970s, but the way officials carried the model out, paradoxically, eroded its legitimacy despite premature success. Interventionism was again the fundamental trend with a ticket surcharge used to finance the production of
short films and to train future movie directors (Decree 879, 1971). To illustrate, there were an estimated 79 short films in 1974 and 85 in 1975, which gave the impression of a growth in the industry at the expense of the actual quality of the projects (Alvarez, 1995; Martinez-Pardo, 1978). Laguado (1982) says about those short films

Nothing is more frustrating than getting to the theatre early and see the Colombian short films. One would prefer to chat at the door, smoke or look at the posters of the next releases. Many people wonder 'why this torture?' and others wish the earth swallows them. (my translation, par.1)

The ISI structure also included the Quality Consulting Board that started to function in November 1974. The Board assumed the main responsibility of deciding on the allocation of resources according to certain quality standards and the promotion of national values. The failure to define what national values were or what they implied, and how some projects were favoured over others, fed critiques that considered the Board an entity of censorship and corruption. There were no clear rules on how to participate in public contests and there were accusations of favoritism.

Among all the ISI film institutions, the Cinematographic Development Company, FOCINE, was the most controversial. Created by the Decree 3137, 1979, this institution only began to function in 1980 with the main goal of administering the film fund fed by the surcharges mainly collected from exhibitors. Unable to produce successful films at the box office and involved in corruption scandals (Semana, October 10, 1983; Semana, August 13, 1984), FOCINE failed to develop the film industry and to promote a national discourse with which viewers would have identified, generating criticism about its management and eroding audience attendance.

Ambiguity in the national discourse was also an item of heated debate among filmmakers. During the ISI period, the artistic scene experienced the opposition between two trends: commercial movies supported by the state versus politically committed films. Within the commercial trend, there were two subcategories: the cinema made by Los Maestros and popular comedies. Los maestros gathered filmmakers coming back to Colombia from international film schools (Francisco Norden, Guillermo Angulo, Jorge Pinto and Alvaro González) whose work was not radical enough to satisfy the political commitment promoted by the Colombian followers of the Third Cinema. Carlos Alvarez
stated, “At a certain moment, for the public, they made films that Colombian cinema ‘had to make’. And this was another false trail, for it was an escapist cinema, which avoided reality, showed a commercial version of reality without any critical perspective” (C. Alvarez cited in King, 2000, p. 208).

A second type of commercial movie was popular comedies rejected by critics as an emulation of Mexican comedies. Mauricio Laurens wrote about Gustavo Nieto Roa’s films, “there are multiple cinematographic mistakes and offensive bad taste that ignores image composition and colour” (M. Laurens cited in Palacios-Obregón, 2004, par. 12). Examples of these movies were box-office hits such as Esposos de vacaciones (1978), El taxista millonario (1979), El inmigrante latino (1980) and Padre por accidente (1981). All these projects proved to have a successful formula in terms of revenues, as we will see in the next chapter.

The oppositional proposal to commercial films, the political cinema, defended the Third Cinema premises of social change encouraged through films. Paradoxically, cult movies such as Corralejas (1974), Chircales (1972), Los hijos del subdesarrollo (1975) and Gamin (1979), among others, received extensive criticism for exploiting misery on one hand and being a subject of persecution, on the other. Considered a source of instability, the government persecuted their representatives. Carlos Alvarez, the most radical member of the progressive filmmakers, was in prison several times during the 1970s. Paradoxically, some of these directors, such as Carlos Mayolo and Luis Ospina would receive official funding for their later feature films in the 1980s which shows the negotiation between the official rationale and the independent ideologies as happened in Brazil with the cinema novo during the 1970s.

While most of the commercial films received official support, the political cinema encouraged independent or alternative mode of production and exhibition. Most of these works had access to cine-clubs and university circles, and some made it into the commercial circuit as it occurred with Corralejas in 1974 that benefited with its screening previous to Shark (King, 2000).

Exhibitors, for their part, stayed away from the debate about national representation of local cinema, more worried about box office profits and continuous
supply of movies only granted by Hollywood distributors. Cine Colombia was the largest exhibitor and distributor of foreign films (King, 2000). Among exhibitors’ main concerns was their compliance with state regulation regarding the promotion of national industry. This implied tax breaks in exchange for respecting screen quotas and declaring the surcharge from the ticket price. However, this compensation did not balance profit losses of screening Colombian films that had less appeal than Hollywood films. In consequence, imposed measures on the sector nurtured unanimous resistance amidst exhibitors. Other stakeholders accused exhibitors of having interests against the development of the national film industry since they represented the majors’ interests.

The conflict between distributors and official authorities reached its climax after Law 55 in 1985 that established a tax of 16% on the movie ticket additional to the other levies: 10% (tax for the poor), 10% (public events tax) and 10% (sports tax). This clearly reduced exhibitors’ profits given that the price was under official control. As a result, exhibitors tried to evade the new tax and forced the official authorities to take them to court (Semana, May 12, 1988, par.1).

We can conclude that there was a serious concern to protect and promote national films during the ISI period, demonstrated by the legislation and regulation in place. However, the way the government established and carried out the policies detracted from the credibility of the model. The presidency directly dictated the policies by decree without considering film agents' interests. The centralization of the model further decreased the institutional credibility. Although some filmmakers took advantage of the official incentives, others preferred to preserve their independence from the government under the Third Cinema principles. These two factors, the contradictions of the policies and the opposition between commercial and political cinemas, had repercussions in the way official strategies tried to create more efficient conditions for local movies.

4.1.2 Efficiency

Efficiency of the ISI model relied on the policy tools that tried to improve market conditions for national films, but the way policymakers applied them and the eventual erosion of the credibility of the system reduced the possibility of success.
Despite the fact that incentive tools have been present in Colombia since the 1930s through sporadic official laws, the decisive step was Decree 879, 1971 that intended to finance short films by imposing a surcharge on the movie ticket until 1978. This instrument was added to customs exemptions, national content requirement, tax breaks and screen quotas. The model had all the elements to assist the national sector, but the central goal of encouraging the film industry by securing financing overshadowed other objectives. The focus on production did not allow policymakers to observe the other essential market bottlenecks that needed attention: private sector's apathy, low quality standards, distribution and exhibition oligopolies, consumers' foreign preference, and the predominance of TV from the 1950s and onwards. On the production side, the lack of private support worsened the scarcity of resources to finance local movies and their promotion, and the poor product quality did not attract audience. In the distribution and exhibition subsectors, oligopolies that favoured Hollywood movies halted the normal circulation of local movies. All these bottlenecks accumulated and were accentuated by consumers' preference for foreign movies and television shows. An additional factor is that there were transaction costs for potential viewers because promotion campaigns were not in place to inform them about releases.

Therefore, emphasizing exclusively the aspect of financing created incoherence between the official model and the market conditions and inefficiency in the performance of policy tools. For example, the Government imposed a screen quota that demanded a mandatory period of Colombian movies' screening in the commercial circuit, modified each year. The decree 2288, 1977 also demanded the obligatory release of Colombian short films with foreign films. However, there were no enforcement tools for exhibitors to project these productions, and some of those movies never reached screens in the national territory (M. Laurens, personal interview, November 15, 2006).

These policy tools were ratified and complemented by the film fund by the Decrees 950 in 1976 and 2288 in 1977. This Fund was created to finance national movies from two main sources: the national budget assigned by the government and the surcharge applied to the movie ticket and declared by exhibitors. Financing for

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producers was available through the Corporación Financiera Popular in the original form of soft loans that eventually turned into subsidies.

This connects to the last major contradiction within the ISI model: the performance of FOCINE. The original idea was that the official institution financed movies by lending up to 70% of the production costs at a low interest rate (Fedesarrollo, 2000). However, low profits and restricted distribution and exhibition of Colombian movies reduced the possibility for producer-directors to repay. Hiring foreign professionals and using international studios provided technical services for Colombian movies, which increased the overall costs. The situation worsened to the point that FOCINE changed its policy and provided total financing of productions in 1984 with the film master copy given as guarantee.

This newly advantageous situation for producers did not change the low demand and promotion of national cinema, and eventually led to the paralysis of FOCINE in 1987 and its official elimination in 1993. Although the institution produced 31 feature films, 140 medium-size films and nine short films during its 13 years of existence, it never accomplished its goal of building a sustainable and competitive industry. The main reason was that the objective of increasing production neglected other subsectors such as the majors’ control upon the distribution subsector and the exhibitors’ resistance to declare surcharges to the film fund. These problems were never addressed within the ISI period. Second, the inconsistent quality of local films discouraged exhibitors and viewers, and even if there were remarkable movies, promotion was the exception rather than the rule. “There were some examples of quality cinema during the Belisario Betancourt’s administration (1982-1986) such as Carne de tu carne, Pura sangre, La mansión de la Araucaina and Tiempo de morir. Nevertheless, the media did not announce their releases, because there were no promotional strategies. The Colombian audience knew about these releases by word of mouth and sporadic reviews in specialized media. Moreover, they had just three or four copies for their release which put them at a disadvantage compared to the Hollywood movies’ sophisticated marketing and promotional campaigns” (M. Laurens, personal interview, November 15, 2006).
In addition to the discrepancy between policy instruments and market conditions, there was another structural problem against efficiency: centralization and paternalism. The ISI model assigned the design and implementation of policies, allocation of resources, and monitoring of content to the official institutions. Three factors strengthened the centralized structure: first, the imposition of presidential decrees to regulate the sector: 879, 1971; 950, 1976; 2288, 1977 and 3137, 1979.

Second, most of the Quality Consulting Board members belonged to the public sector: the Minister of Communications, the Director of Superintendence of Price, the Director of the Superintendence of Industry and Trade, the Director of Institute of Radio and Television and the Director of the Colombian Institute of Culture with their delegates. Additionally, there were two more members with voice but no vote designated by the Board. The only condition to be part of the Board was not to have any connection with the film sector which, of course, limited its understanding of the sector and possible efficient solutions.

In addition, the role of the state was accentuated by the sectoral conditions when FOCINE provided total financing in the mid 1980s. This extended its influence by trying to resolve the lack of bank credits for high-risk investments and the disinterest of private agents to participate in national films.

The paternalistic attitude of the government with regard to local projects in order to correct market failures led to systemic inefficiencies that worsened preestablished adverse conditions. Directors-producers, for example, adopted a passive attitude, taking for granted the total funding of their movies. According to Martínez-Pardo (1978), producers blamed the state for not trying hard enough to push the takeoff of the film industry when it was evident that the model did not yield the expected results. Instead, the centralized functions under the mandate of FOCINE resulted in criticism about alleged abuse of power and corruption. Since contests were open to entire projects and not to stages of production, filmmakers did not worry about keeping budgets under control. For instance, even though Luis Ospina’s *Pura sangre* in 1982 surpassed the original budget by 100%, it received total financing (Preciado-Rubio, 2002). This was a common problem since the production timeframe did not follow deadlines and some of them took up to ten years.
Scandals also surrounded the performance of FOCINE because the manager's position was a political quota appointed by the president. In fact, the turn over of managers was high, "while I was the director of the District Cinematheque, between 1986 and 1991, there were 17 managers" (C. Triana, personal interview, October 10, 2006). For example, Isadora de Norden, manager of FOCINE in 1984, was accused of corruption for favouring her husband's project Cóndores no entierran todos los días. That same year the institution the decision of supporting the TV program Yurupari instead of feature films was object of criticism. Four years later, the manager at that time, Maria Emma Mejia, resigned under the public pressure due to the allocation of resources to a company owned by a prestigious family of politicians to make the film El Niño y el Papa (Semana, August 13, 1984, par. 1 & March 9, 1987, par.1).

There were also other irregularities such as the bureaucratization of the institution (Alvarez, 1995), the flexibility in collecting credit payments, and the lack monitoring of financing once provided. There were accusations of misuse of official subsidies: some filmmakers invested their awards in bank term deposits or other banking products and not on the projects (Semana, October 10, 1983, par. 27). Finally, FOCINE never enforced the collection of producers' debts when they did not finish their projects, and when they did, the copyrights of the master copy was the guarantee to cancel the balance owing.

The ISI framework had proactive tools such as subsidies, screen quotas and tax breaks that supposedly would have worked out. However, market conditions were not optimal for these tools due to film agents' opposition and the oversupply of Hollywood films. Moreover, politicization of the model went against setting competitive standards and monitoring tools to evaluate the performance of the film policies and correct possible mistakes. The result of this was an initial success of increasing the number of national films at a high cost without encouraging audiences to attend their screening. These factors became challenges to achieve sustainability throughout this period.

4.1.3 Sustainability

Problems affecting the creation of a sustainable film industry related to the other two variables: constraints in feasibility included the opposition of agents to the ISI policy, and obstacles in the efficiency of the model implied the lack of monitoring tools
or knowledge about the market. The government did not encourage audiences to attend national movies that were already aware of the poor quality of films. These elements fed extensive criticism that reinforced a negative perception in the general public towards Colombian films.

There were also omissions in the policy that could have created long-term conditions for the development of the sector. For example, FOCINE did not contemplate the construction of studios or postproduction facilities or the training of technical personnel as occurred in Mexico and Argentina. The official support in Colombia was on a project basis led by prestigious or well-connected filmmakers. The business sector under these circumstances, then, did not develop, and this is partially reflected in the high turn over of production companies during this period (Martinez-Pardo, 1978). Interconnection of sectors was not addressed either since it was difficult to resolve bottlenecks in the distribution and exhibition sector in addition to the conflicts among sectoral actors.

In sum, policymakers did not prevent the creation of long-term conditions for the film industry, reflected in the lack of infrastructure and training personnel and the short-term vision of increasing the number of films and supporting movie projects rather than production companies. However, there are no documents or speeches showing that sustainability was a goal within the ISI policies, even the word sustainability was not mentioned in the records and books reviewed for this research. These problems added to those present obstacles in terms of feasibility and efficiency, and when the neoliberal ideology came into place, they became the main arguments to dismantle the protectionist framework.

4.2 The Neoliberal Era (1989-1997)

The country went through a major shift during the neoliberal period when the liberalizing policies replaced the longstanding inward-oriented policies. Gaviria's Revolcón (Shake up) aimed to achieve growth and improve social conditions, economists and policymakers gathered around the market-oriented model. The economic plan abolished exchange controls, liberalized foreign trade, dismantled controls over foreign direct investment, reformed the labour market (Law 50, 1991) and the tax system (Law
and de-regulated the financial sector (Law 45, 1990). Further steps complemented the first set of regulations such as the autonomy of the Banco de la República (Central Bank), the social security reform, the privatization of state-owned companies and the elimination of inefficient institutions. This last reform and the liberalization of the ticket price were the most influential within the film market.

A second consideration is that even though the Colombian liberalization process was similar to other countries, it had important particularity. "Colombian liberalization did not take place as a reaction to an economic or foreign exchange crisis. There was no great coherence or unanimity within the government in favor of liberalization. Nevertheless, the reforms, after an initial tentative start in the Barco administration, became coherent and radical..." (Urrutia, 1998, p. 241). Therefore, the neoliberal paradigm applied to the ISI model were indeed a reaction of an internal crisis rather than an answer to the scarcity of funds as a result of the debt crisis as it occurred in the rest of Latin America. This affirmation does not ignore the poor performance of protectionist models in some neighbouring countries, but considers it a secondary reason for others countries to install the neoliberal model. In Colombia, on the contrary, the internal crisis affected the feasibility, efficiency and sustainability of the ISI model to the point that policymakers found an uncontested scenario to establish the market regulation policies.

### 4.2.1 Feasibility

The disputes between exhibitors and producers and exhibitors and the government weakened the whole system since each group pulled apart at expense of national production. The government ratified a legal reform to eliminate the 16% levy and partially condone exhibitors' debt. Through amnesty agreements, Barco's administration was able to collect a balance of approximately US $263,000 in 1988 to pay financial debts and to support the last two movies of FOCINE: Técnicas de duelo (1988) and Rodrigo D (1990). (Semana, March 1, 1993, par. 1 & 6).

These corrective measures joined the first generation of neoliberal reforms in the film sector including the liberalization of ticket prices in 1988 during Barco's term, and the dismantling of FOCINE in 1993 as part of Gaviria's economic liberalization plan.
Although the debt crisis did not lead to the adoption of adjustment or structural plans in Colombia to the same extent as in other countries, government policies followed neoliberal parameters in an attempt to insert the national economy in global markets. Market forces were set to regulate the film sector, except for some limited subsidies administered by the Ministry of Communications and international coproductions. Consequently, most filmmakers went to work in television and advertising.

After all these reforms and the fragmentation of the sector, the support model practically ended, and any subsequent attempt at establishing a film industry seemed remote. In addition to trends caused by the performance of the film policies, there were other factors that determined even more adverse conditions for Colombian cinema and, consequently, affected the maintenance of the model such as the overall decrease of film viewers and the multiplex system.

Colombian market did not escape from global trends of declining audiences and spectators went from 26 to 18 million between 1990 and 2002. Similar to other countries in Latin America, national exhibitors had to accommodate the new context by transforming their infrastructure and adding other potential sources of revenues. The exhibition circuit in Colombia saw the slow replacement of monumental cinema theatres for multiplex screens, which implied the reduction of screens from 1,085 to 302 during the same period. At the end of the 1980s, famous venues in Bogota such as El Americano, El Trevi, El Lido, La Castellana, El Cid and El Lucía disappeared. Their functions as places of socialization and discussion were unable to compete with the modern and much smaller screens.

This transformation was part of a wider strategy in which the habit of going to movies paired up with going to shopping centres. As Mantecón (2004) argues in the case of Mexico, shopping malls offer security and other activities. Watching movies is presented, then, as an experience that implies consuming other goods such as merchandise or food.

The reorganization of the exhibition sector raised important questions as to the perception of cinema as a business and as a cultural activity. Since approximately 70% of screens are in urban areas, more precisely in wealthy neighbourhoods (Fedesarrollo,
2000), and the ticket price increased, consumers’ access to movies has decreased. Moreover, the over supply of Hollywood movies that reached 90% during the 1990s (Fedesarrollo, 2000) also reduced the diversity of programming for the general public.

In conclusion, exhibitors and high-income consumers benefited from the dismantling of the protectionist model at expense of the social function of cinema. Exhibitors did not have to pay the additional tax of 16%, and they were able to present Hollywood movies without restrictions, a situation that also favoured majors. Exhibitors were finally free from screening movies that yielded low revenues as the Colombian films did. High-income consumers, for their part, benefited from the location of multiplex theatres in their neighborhoods and the liberalization of the ticket price was not an issue for them since they were able to afford it.

4.2.2 Efficiency

The decision to liberalize the ticket price followed a constant critique of analysts regarding the film sector. Due to the low price set by the official control over the ticket price, a regular movie needed a large audience to recoup its investment. Within this price-control trap, a movie that cost US $10,000 in the 1980s needed one million spectators to cover the investment given that the ticket price was US $0.03 ($60 Colombian pesos) and producers only received US $.01 ($20 Colombian pesos). Since the average audience for national movies was 200,000 spectators, filmmakers ended up with a deficit of US $4,000 (Semana, May 16, 1983, par. 8).

The lack of efficiency in the price control system also affected FOCINE that eventually was forced to absorb these losses. The poor performance of national movies dragged the institution to bankruptcy by 1989, four years before its closure. The balance of the total financing policy left the official accounts in the red: out of total US $1 million that the institution provided, it only recovered US $263,000, losing approximately US $737,000. This meant that out of 36 soft loans approved since 1978, only 10 were repaid.

The strategy of expanding the film market by participating in international film festivals did not work out either because the general public considered attendance at festivals as a waste of taxpayer’s money (Semana, October 10, 1983, par. 31). There were
only four movies with a moderate overseas success: two participated in the Festival of Cannes, Francisco Norden’s *Cóndores no entierran todos los días* (1984) and Víctor Gaviria’s *Rodrigo D* (1988), and the two others that yielded profits, Jorge Ali Triana’s *Tiempo de morir* (1985) and Rodrigo Castaño’s *El Niño y el Papa* (1987). At the local level, festivals were also subject of criticism for their poor programming and questionable contribution to build audiences (Semana, October 10, 1983). Therefore, the adoption of neoliberal policies in the case of the film sector seemed an inevitable process of “putting the house in order” rather than an attack of efficient policies with exemplary results.

Between 1992 and 1997, producers obtained limited financing through the Ministry of Communications, far from the level of support experienced during the golden years of FOCINE. In fact, conditions worsened due to the dismantling of policy instruments such as screen quotas, price control and the movie surcharge. The few filmmakers that continued working in films started, then, to look for other sources of financing and, not without struggle, they managed to produce ten movies during this period or an average of two per year. The last movie that received partial funding from FOCINE was Sergio Cabrera’s *La estrategia del caracol* (1993), and its release required a four-year strategy to convince private companies (Centro de Producción Audiovisual, Fotograma, Crear TV and Caracol TV in Colombia, Emme RT in Italy and the Ministry of Culture and French in France) to invest in the movie. Other directors like Ciro Durán relied on the Group of Three (G-3) commercial agreement to release *La nave de los sueños* (1996) and *La toma de la embajada* (2000) or on unusual arrangements like the one with the United States to coproduce *Nieve tropical* (1989). Therefore, the only positive outcome of the scarcity of official incentives during the neoliberal era was that filmmakers forced themselves to develop their production skills in terms of financial planning and finding sources for funds outside Colombia.

In the neoliberal model, policymakers understood efficiency as the way to correct the deficiencies of the ISI model and specifically the way of using official resources, in particular funds. Filmmakers, for their part, developed efficient strategies to produce movies by compensating for the lack of government support with international coproduction agreements and financing. During the 1990s, amidst these adverse conditions, sustainability was an even more challenging task.
4.2.3 Sustainability

The dismantling of the ISI model did not propose alternative ways to create sustainability. The government handed the responsibility of creating sustainable sectors to the nonexistent market for national movies. Since private agents were not interested in participating in the film industry, few filmmakers continued working on individual projects that involved atypical private support. This was the case of Sergio Cabrera's *The snail's strategy* (1994) in which Caracol TV channel and other international companies shared production financing. Others, like Ciro Durán, Felipe Aljure and Jorge Ali Triana worked in coproduction agreements, involving partners in Spain, Italy, Mexico, Bulgaria and Cuba.

While the general perception was that the first generation of neoliberal reforms was necessary to stop corruption and the financial drain, there is no clear evidence that filmmakers would have wanted a total elimination of incentives or the reduced level of subsidies that the government maintained. This shows how the model encouraged rent-seeking behaviour. At the same time, there were filmmakers with high financial losses and debts as a result of film policies.

4.3 Conclusion

After diverse unguided early efforts to encourage national cinema, a more solid model was in place between 1970s and 1980s. However, the ISI model, based on cultural imperialism, failed in defining a differentiated and appealing cinema aesthetics in comparison to Mexican or Brazilian movies during their golden years. This factor added to the already minimal possibilities of maintaining the support model: the top-down decision process assumed by the government, political divisions and lack of entrepreneurial mentality affected filmmakers, ticket surcharges generated resistance from exhibitors, and policies did not invite the public to consume national movies.

Regarding efficiency, there was a lack of knowledge about the sector that made policy tools clash against longstanding bottlenecks. Despite the fact that the ISI experiment resulted in a higher production rate during the first three years of the 1980s, distribution oligopolies, restricted exhibition, the price-control trap and consumers'
preference for either foreign supply or television revealed that the success was temporary. Production slowly declined in the mind-1980s and finally stopped by 1987, four years before the dissolution of FOCINE. In addition to this, excessive centralization generated corruption and rejection without corrective measures applied on time. Finally, policies did not include long-term goals, as the model did not look forward to building infrastructure and training human capital in the usage of technologies in order to enhance quality standards and to create industrial conditions beyond the support of individual film projects.

The variables of feasibility and efficiency during the neoliberal period were a reaction to the poor performance of the ISI model rather than a proactive initiative to create sustainable sectoral conditions. The dismantling of the financial drain and corruption patterns did not mean a new model, it simply forced filmmakers to efficiently manage the little they got and displayed aggressive strategies to secure coproduction agreements.

The probabilities of a successful model, as we will see in the next chapter, are higher when strong sectors gathered to lobby for official support and there are compensation mechanisms in place to offset losers and gain their support. By contrast, tax breaks did not compensate exhibitors’ profit losses as a consequence of the ISI policies and filmmakers did not receive alternative solutions during the neoliberal reforms. We turn in the next chapter to an evaluation of how and how well current policies in the post-neoliberal era seek to address these problems.
CHAPTER 5
THE POST-NEOLIBERAL COLOMBIAN POLICY MODEL

Filmmakers received post-neoliberal policies with enthusiasm after the failure of the Import Substitution Industrialization (ISI) attempt and the lack of support during the neoliberal period in the 1990s. Preliminary success of the model, with eight annual movies in the last three years and a moderate number of spectators and box office revenues, has created the illusion of a film industry. There is also the other assumption of cultural achievement based on the participation of seven Colombian movies at the Cannes Film Festival (Pantalla Colombia, No.304, May 25, 2007). Both the economic and the cultural objectives are still far from being a reality. Although the current policy has efficiently addressed historical constraints based on past lessons such as the lack of financing and promotion, there are still unanswered questions regarding the establishment of long-term favourable conditions for the industry, the circulation of movies and the representation of cultural identity.

Perception, production and circulation bottlenecks, outlined in the first section of the chapter, are the starting point from which we can observe the transition from the neoliberal period to the post-neoliberal era. Neoliberal policies accentuated these problems already present during the ISI period, particularly in terms of low financing and exhibition constraints, and reinforced the generalized rejection of official proactive policies toward the film sector as we concluded in the last chapter.

The way the post-neoliberal model has addressed these bottlenecks shows three main transitional points in comparison to past policies:

From imposition to consensus within the variable of feasibility.

From exclusive emphasis on production to focus on the audience within the variable of efficiency.
And from short-term goals to long-run strategies within the variable of sustainability.

The organization of the chapter, therefore, follows the Incipient Model of Sector Promotion and Cultural Consumption (IMSPCC)'s three main variables: first, the feasibility section has a discussion on the factors that led to the reestablishment of the post-neoliberal policy model. The official initiative that pushed for the new policies had an inclusive approach that turned the former confrontational environment among film agents into a more consensual process. This factor, of course, does not deny conflictive current goals among stakeholders within their market interaction.

The second variable, efficiency, contains the strategies to resolve market bottlenecks or, at least, to reduce the negative effects of such conditions in the short term. The post-neoliberal model has tried to avoid past mistakes in terms of boosting the production of national films at the expense of the audience or creating other bottlenecks on one side. Moreover, current policies have implemented monitoring tools to increase transparency of the official film institutions.

Finally, some of the outcomes within the feasibility and efficiency variables favour the goals of sustainability such as consensus gained among stakeholders and the audience approach. Beyond the official framework, there have been successful cases of film production firms that reveal that sustainability is a reachable goal, even amidst the current limitations of the Colombian market conditions. As we will surmise, their survival has depended on their own initiatives to develop business strategies such as TV alliances, specialization of roles, financial planning and attractive narratives, and not on their reliance on government incentives. At present, post-neoliberal incentives have benefited them without any doubt, but this factor has been supplemented by the production firms' previous positive performance as we will see in the successful case studies. This demonstrates that even though official support is essential to create a film industry, it is not the only factor for production companies to survive and function.
5.1 Current Market Bottlenecks

The causes and evolution of market challenges are not only the product of the failure of the ISI model, but a combination of previous negative conditions with and lack of regulation during the neoliberal era. Similarly, the failure to establish and maintain the Colombian film industry was not the responsibility of an exclusive actor, in this case the government, but the conflictive interaction of other important stakeholders such as the private industry, exhibitors, distributors, critics, scholars, consumers and producers.

In general, the post-neoliberal model faces three types of obstacles: one of an intangible nature, the sectoral attitudes and perceptions toward film policies, and one of an economic nature, production and circulation bottlenecks. This classification is essential to remember because as we will observe, while efforts at making the model feasible and efficient deal with perceptions, market conditions, including production and circulation, represent a challenge for efficient and sustainable goals within the IMSPCC. We also have to acknowledge that some of these trends are evolving, so we support our observations with data, focusing on the circulation trends.

5.1.1 Stakeholders' Perceptions

The most visible obstacle for the post-neoliberal model was the extensive scepticism regarding its success due to the previous unfavourable experience during ISI. Fears of corruption, abuse of power, excessive centralization and deviation of funds from areas of priority became the main arguments for resisting new official incentives. Exhibitors, in particular, rejected any new attempt of having to declare more taxes on the ticket or screening national films with low audience appeal and quality.

Politicians, artists, critics and intellectuals had divided opinions when the Samper Government proposed to modernize the Colombian Institute of Culture (Colcultura) which included the second generation of reforms in the film arena in 1997. "While some personalities in the cultural sector such as Gloria Zea, Jorge Valencia and Sergio Cabrera supported the idea, others like Harold Alvarado, Oscar Collazos...and the Nobel Prize Winner Gabriel García Márquez warned about the risks of leaving culture in the hands of the obsolete and bureaucratic entity that the Ministry would become" (my translation, Semana, October 24, 1994, par. 2).
The lack of knowledge of the sector’s potential was another factor leading to resistance to film policies. There were no references of successful movies and there was no sense of the status of the industry related to financing, infrastructure, human capital, technology and consumers’ preferences or perceptions on national cinema.

5.1.2 Production Bottlenecks

This area has a wide range of market failures that covers factors of production, capital, labour and technology, and the product itself in terms of its appeal to audience. Although the overall conditions are negative, Colombian producers have found alternative ways to survive.

The main problem for Colombian producers is the need for financing due to high risks of investment and low potential of returns. For example, total production costs are US$250,000 for a low-budget film and US$1,000,000 for a high-budget movie. The common situation, however, is that most of the investors are willing to participate once the product is finished and not as a future project. This represents an obstacle for most of producers who lack sufficient initial capital for their films.

Despite negative overall conditions regarding financing, cultural labour in Colombia represents a comparative advantage for producers due to its inexpensive cost, from stars to technicians. “One of the biggest differences between Hollywood productions and those in Colombia is that the actors’ salaries only represent 20% of the total budget,” producer and director (G. Nieto Roa, personal interview, November 14, 2006). Moreover, some cultural workers donate their labour time or they work through a cooperative or through a service company hired by the producer. Independently from any of those categories, the work for films is unstable due to the low levels of production and, except for qualified personnel (for example, art directors, directors of photography), wages are low. These facts become visible asymmetries in the case of coproductions as Adriana Bernal, a recognized director of photography, argues “not only the number of Colombian technicians hired for the coproduction Love in the time of cholera was lesser than foreigners, but the few who could work earned less than them. Failure to establish social security and labour policies in order to set an equal rate for everyone cannot be justified under the argument of lack of experience because we do
have well-trained personnel in the country” (A. Bernal, personal communication, December 5, 2006).

Some producers, however, do not share this opinion, and highlight weaknesses in the labour supply market. Rodrigo Guerrero, director of Dynamo Productions, says, “What film workers in Colombia require knowledge of is the actual formalities on how to manage the logistics and operations of producing a movie. This is noteworthy when there are international projects taking place in the country. Moreover, there is a need for more assistant directors and producers to manage four or five shootings at the same time. At present, we can just handle a maximum of three” (R. Guerrero, personal interview, October 19, 2006).

When looking at the past policy model, one can find factors that hinder the equivalency of the technical level between nationals and foreigners. Regarding the formation of cultural workers, official support has observed historical favouritism toward artistic over technical and financial training, reflected in a larger number of grants offered to directors or scriptwriters than those to sound technicians, editors or producers. This has had consequences on the quality and the budget of movies since average audiences have used Hollywood quality standards as a reference for evaluating Colombian productions. In the past, local directors had three options: working in multiple roles (producer, scriptwriter and director of photography) at the expense of quality, or inviting friends to assume the role of executive producers at risk of bankruptcy, or hiring foreign workers in order to make a quality product for the market but increasing the overall production and postproduction budgets.

However, the problem of training human capital goes beyond the official area of influence. There is a boom of film schools that offer more than 40 programs in 14 cities in 2005, but entrepreneurial mentality and technical standards are hard to achieve within those programs. One of the reasons is found in the curriculum offered by these educational centres; in this respect Alberto Amaya, director of the TV and Film School at the Universidad Nacional states, “The emphasis of our program is the artistic dimension

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37 This audiovisual training is included within a wide range of programs, from specific film training to social communication majors. However, the quality varies since there are well-recognized institutions along with illegal centres that provide the training.
of audiovisuals because we are part of the Faculty of Arts. Our students receive a general training in technical work and production through their assignments, but it is not the main goal of the major” (A. Amaya, personal interview, November 3, 2006). Augusto Bernal, director of the Black Maria film school, comments, “In Colombia there are more directors than producers or technicians because everyone wants to be in control and earn recognition. Another factor to consider is that people who would like to specialize in technical and financial areas are able to find suitable academic programs” (A. Bernal, personal interview, October 17, 2006).

The last problem in terms of production refers to the ambiguous opportunity that digital technology offers and lack of postproduction infrastructure. Regarding the first point, the debate is whether filmmakers should use digital technologies or not. The general perception about digital technologies is that they lower production costs by eliminating lighting and facilitating editing, however, this is not always the case in Colombia. “Saving money by using digital technology is a myth because even if we have the technology, but we miss the technical part, the budget will increase. Correcting shooting mistakes in postproduction due to lack of knowledge is very expensive” (J. M. Vera, personal interview, November 29, 2006).

The second question without apparent solution is the lack of laboratories and postproduction technologies to do the blow up of film material, editing and copies. “It is not competitive to have this kind of equipment when there is no a continuous use of it” said Claudia Triana, director of Proimágenes (Rojas, 2004). Producers, then, have to hire studios in other countries with Venezuela, Argentina, the United States and Spain being the most popular. Of course, this process increases the overall production costs not only because of the payment in foreign currencies, but because one of the members of the film crew, usually the producer or director, has to personally deliver the film rolls to the studio. “Colombian filmmakers are the only ones who need to travel with the raw material due continuous checks made by customs officers that suspect possible drug trafficking. If nobody goes and takes care of the material, officers might destroy the film” (C. Samper, personal interview, November 8, 2006).

The announcement that Cinecolor, a Latin American film lab and postproduction company, will open a branch in Colombia has been received with some caution. David
Melo, director of the Film Division, states, "I assumed this branch will not offer all the services that producers need, and we also have to wait to see what the rates are, but this is a first step that can minimize costs for local filmmakers" (D. Melo, personal interview, October 18, 2006).

**Audience perceptions as a bottleneck**

In addition to normal production bottlenecks, we have to consider longstanding perceptions constructed against the product itself during first attempt of film industrialization and afterwards. Magazine and newspaper reviews have persistently emphasized the rejection of audiences of national cinema based on its poor technical and artistic quality vs. other cinemas excelled standards (Semana, October 10, 1983, par. 8). To explore viewers’ opinions about national cinema, ten families of different household incomes were part of a survey (see appendix 2), and their answers were compared to a national survey conducted by Napoleon Franco (2000) and sponsored by the Film Division.

In general, all respondents have noticed an increase in the information about Colombian movies, even though they do not attend their screenings. They have seen movie promotional campaigns on radio and television. Although not all of the interviewees could recall the exact titles of movies released in the last five years, they remembered images, themes and some titles. They also emphasized the improvement of technical aspects such as sound quality and the artistic component. Another interesting finding is that there is a general perception about the difficulty to rent or buy Colombian movies in DVD/ VHS format at stores. Participants said they have not tried to get pirated copies of local films, but they were confident the copies were available on the black market.

Families No.1, 2, 3 and 4 located in the low and low-medium income brackets did not see films due to the high cost of the ticket and lack of time. "We have to make money to survive, not to have fun", says a member of the first family. The older generation of these brackets considers that narratives are the same as 20 years ago: violence and suffering, so it is not attractive to go when they can watch these kinds of movies on TV.
One can see the importance of TV mediation in the consumption of cinema in middle and upper middle classes. Families in this category (No. 5, 6 and 7) did not provide common opinions; however, they attended movie theatres occasionally. Family No. 5 had divided opinions. The old generation prefers to see classic Mexican movies or to watch Hollywood movies included in the regular TV programming or Cable TV. They are familiar with the actors because they are the same as on TV, and they might know one or two new Colombian movies because they have seen them on TV, or because their kids have brought them home to watch.

The younger generation, for its part, expressed their curiosity for consuming any kind of movies in order to have fun, Hollywood ones being their favourite. They are open to seeing national ones if somebody else suggests it or if the promotion campaign is very appealing. “I remember the commercials for Rosario Tijeras or The Colombian dream and all the programs that talked about them. It was everywhere, and my friends and I also go to the malls all the time, so we decided to see them.”

One member of family No.5 and some people in families 6 and 7 stated that they do not miss any national films because they support the local industry. They do not mind going to see movies by themselves since they do not find companions among relatives or friends to see this type of movie. Amidst people who consume Colombian movies, one of their main motivations is that they can see their real life portrayed in local films.

At the upper income levels (families No. 8, 9 and 10), the topic of the film has to be very attractive to create interest, and these families do not consider supporting the national industry a reason to consume local movies. They also think that the topics are too local to be interesting by other audiences and they deteriorate the international image of the country.

In conclusion, families located in the middle bracket consume more national movies than families in the either extremes. Their motivations were not consistent, as they consume films if the story is interesting and they know they will get guaranteed entertainment. Therefore, the assumption that shared values found in national movies reflecting identity with and support of the national industry is not a definitive factor of
consumption. Finally, consumers are highly sensitive to word of mouth and TV promotional campaigns to get information and make their consumption decision.

Some of these results agree with a large survey conducted by the firm Napoleon Franco in 11 cities in 2000. The main motivation to consume movies, according to the conclusions of this survey, was to get entertainment. On the opposite side, the ticket price, the movie script, lack of time and urban insecurity are the principal deterrents to consume films.

Almost 40% of the sample affirmed that they like Colombian cinema because of the quality and the re-creation of reality. Paradoxically, 43% responded that the quality was mediocre and without special effects while 23% said that they are tired of the same topics. General beliefs also impact consumers' preferences: 29% of interviewees affirmed that the general public does not like national cinema because they do not believe in what Colombians do, and 18% thinks that the quality of national films are inferior to that of Hollywood films.

In sum, production challenges in financing, human capital and technology added to the negative perceptions on the quality of the final product. These conditions constitute a complex context for filmmakers' work and policymakers to create favourable conditions. Even if producers overcome all these obstacles, they still face more bottlenecks in the circulation subsector that includes distribution and exhibition of their films in the market.

5.1.3 Circulation Challenges

Two main trends characterize the circulation process of Colombian films: first, both the distribution and exhibition subsectors have high levels of concentration. Second, the business logic that these firms pursue has deteriorated the social function of cinema by limiting consumer's access movies, including national films. Distribution companies, for their part, have clearly defined their rationale behind their participation in supplying the market. According to Alvarez (1999) and Rey (2005), majors control the largest share of the market in different ways: Columbia Tristar Buena Vista hold 37% and United International Pictures, 15% with office branches in Bogotá. Cine Colombia also
distributes Hollywood films through an agreement with Time Warner (28%) and holds 64% of the national box office. A small number of local independent companies like Babilla Ciné and Candelaria Films share the rest of the market, approximately 20%.

"Even though the market is controlled by big corporations, there is still room for others in a business that yields US $330,000 profits every year. The independent circuit gets about 10% of the total audience in Colombia, and this is an incentive to keep working," (F. Mejia, personal interview, November 29, 2006).

Since producers directly distribute their movies for the national market, this stage in the value chain is not applicable to most of the releases (appendix 3). However, there is interest in distributing local films based on their performance in the last three years. "No Hollywood movies have positioned at the top place of the box office since Shrek 1. National movies like Rosario Tijeras (2004) and Soñar no cuesta nada (2006) have attracted more than one million spectators; therefore, one can see the merit of that in a small market like Colombia. We would like to distribute some of those films, but producers prefer to go to Cine Colombia because they do not know what we offer" (S. Davila, personal interview, October 9, 2006). In the international arena, distribution of Colombian movies is unusual unless the film participates in a film festival or there is a coproduction agreement that allows screening the movie in the partner's market. "There are no records of revenues for this concept in national accounts because producers do not usually declare them", says Manuel Becerra, Proexport exports consultant (M. Becerra, personal communication, December 7, 2006).

These problems add to the highly concentrated scenario that the exhibition subsector presents in terms of market share and the number of offerings. Only four large companies dominate the market: Cine Colombia (40%), Procinal (13%), Cinemark (7%), Royal films (9%), and a large number of independent family-owned enterprises holding 31% of the exhibition business (Lopez, 2004). Among the exhibition firms, Cine Colombia presents a special case because of its dual function as distributor and exhibitor. In the case of Colombian movies, this company has served as the only exhibitor of all of them within the current model due to the fact that it owns 178 screens in the country. With such power of negotiation, this company exerts an important influence on the market for both producers and consumers.
For producers, dealing with Cine Colombia means that they have a wider reach than with other exhibition companies. This fact becomes even more relevant if we consider that national theatrical exhibition remains as the only window to cover costs and generate profits in Colombia. Other exhibition alternatives such as pay or open TV, home video rental/purchase and Internet are not usually part to the typical local life cycle of the film as illustrated by Figure 5.1. The product life cycle is still too short to disseminate cultural capital expressed in movies and to generate profits or at least, to break even.

**Figure 5-1  Windows of Exhibition- Product Cycle of Colombian Films**

<table>
<thead>
<tr>
<th>1. Theatrical release (national) from 2 weeks to 1 month based on box office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parallel screening (Festivals- international/national)</td>
</tr>
<tr>
<td>2. Not always applicable.</td>
</tr>
<tr>
<td>Pay TV (pay per view- 12 months, followed by a black out period)</td>
</tr>
<tr>
<td>Cable TV, satellite TV (12 to 15 months, followed by a black out period)</td>
</tr>
<tr>
<td>Open TV (based on previous agreements)</td>
</tr>
<tr>
<td>Illegal windows: Internet, DVDs, and VHS</td>
</tr>
<tr>
<td>3. Not always applicable</td>
</tr>
<tr>
<td>Independent clubs, educative and cultural institutions</td>
</tr>
<tr>
<td>3 or 4 years on going</td>
</tr>
<tr>
<td>4. Legal Internet websites as part of an official initiative</td>
</tr>
<tr>
<td>5. Not always applicable. Home video (rental and purchase)</td>
</tr>
<tr>
<td>release- 4 or 5 years after initial release</td>
</tr>
</tbody>
</table>


For consumers, the concentration of the exhibition subsector has represented a limited access to movies. First, this short cycle does not allow the audience to see local
movies after their original screening. Second, the location of multiplex cinemas in wealthy neighbourhoods (Getino, 1998) restricts the option for low-income families to attend theatrical releases (Fedesarrollo, 2000). Third, in a country with a monthly minimum wage of US $155 and a vast portion of society living under the poverty line, spending US $4 for a movie ticket is a luxury.

However, civil society has also found its own way to access films through cine clubs in educational or cultural institutions and illegal reproduction or purchases of movies. Educational institutions and peer groups organize cine-clubs at an affordable price or without charging any fees. Although they promote appreciation of movies, their existence is now in conflict with the legislation on copyrights. “Cine-clubs in Colombia go against all parameters of a real cine-club: they have a public exhibition when it is supposed to be private, they charge for the ticket when it is supposed to be for free and they do not pay for copyrights or the parafiscal quota. This clearly breaks the law. We currently assist 40 cine-clubs to comply with these requirements, but we know there must be more than that in the entire country,” (M.C. Diaz Velazquez, personal interview, October 20, 2006). A proof of the expansion of club forums is the case of informal screening at universities. “At the National University alone, the most important public educational centre in Colombia, there are more than 14 cine-clubs” (A. Amaya, personal interview, November 3 2006). As we can see audiences are open and enthusiastic for cinema- national and foreign- although their access entails illegal practices.

Illegal copies are common amidst Colombians due to their low price: while a legal DVD copy costs an average of US $20, a pirated reproduction barely surpasses US $2. Although it is difficult to measure the performance of the black market, a 2003 study estimated losses of US $38 million to the video industry, including foreign and national movies (Lopez & Melo, 2003).

In contrast to the limited availability of local films, Hollywood movies are predominant in the commercial circuit. They still represent the “gold mine” of the exhibition business (68% of the total market offer vs. 5% of local films, Figure 5.2) based on their quality, high investment and appeal to the audience. Although there have been historical accusations of illegal practices such as block booking that favour Hollywood
films by selling a group of movies without giving the chance to the exhibitor to choose, there was no evidence of this during the current field research. The following Figure illustrates the general trend of the market.

**Figure 5-1** Released Movies by Nationality, Colombian Market share- 2004

![Pie chart showing the market share of movies by nationality.](image)

Source: Film Division- Ministry of Culture

This Figure illustrates the predominance of Hollywood films in comparison with other cinemas, including the national. However, we have to consider exhibition market trends in perspective. First, the participation of the local movies has increased three times within the commercial circuit, going from an average of 2.4 movies per year between 1990 and 1999 to an annual average of 7.5 films in the last three years.

38 Another case was observed in the short films production where exhibitors have rejected a large number of them, arguing poor quality or lack of room in the programming for the next three years.
Second, consumers of Colombian films have also increased in relation to those of foreign films. Currently, it surpasses 10% when it barely reached 0.5% in 2001, as illustrated by Table 5.1. Moreover, two Colombian movies, *Rosario Tijeras* and *Soñar no cuesta nada* reported the largest number of spectators in the three years.

### Table 5-1 Foreign and National Audience in Colombia 2001-2006 (000)

<table>
<thead>
<tr>
<th>Origin</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Films</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience</td>
<td>17,696</td>
<td>17,229</td>
<td>16,563</td>
<td>15,212</td>
<td>14,259</td>
<td>17,292</td>
</tr>
<tr>
<td>Releases</td>
<td>198</td>
<td>176</td>
<td>170</td>
<td>166</td>
<td>156</td>
<td>160</td>
</tr>
<tr>
<td>National Films</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audience</td>
<td>84</td>
<td>1,171</td>
<td>523</td>
<td>944</td>
<td>2,054</td>
<td>2,927</td>
</tr>
<tr>
<td>Releases</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Total Audience</td>
<td>17,780</td>
<td>18,400</td>
<td>17,086</td>
<td>16,156</td>
<td>16,313</td>
<td>20,219</td>
</tr>
<tr>
<td>% Aud. Foreign Films</td>
<td>99.5%</td>
<td>94%</td>
<td>97%</td>
<td>94.15%</td>
<td>87.41%</td>
<td>85.52%</td>
</tr>
<tr>
<td>% Aud. National Films</td>
<td>0.5%</td>
<td>6%</td>
<td>3%</td>
<td>5.85%</td>
<td>12.59%</td>
<td>14.48%</td>
</tr>
</tbody>
</table>

Source: own analysis with data provided by the Film Division and National Department of Revenue and Customs (DIAN).

Parallel to the increase in films and audience for national movies, the composition of foreign offerings and their acceptance have changed. In general, the number of foreign films has decreased by 20% and their audience has experienced a
decline in comparison to national movies, from 99% in 2001 to 85.5% in 2006. Regarding the origin of the films, the increasing participation of other cinemas different from Hollywood films is evident by observing Table 5.2:

Table 5-2 Film Offer Share by Nationality - Colombian Market 2003-2006

<table>
<thead>
<tr>
<th>Origin</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollywood/ Share</td>
<td>125/71%</td>
<td>118/68%</td>
<td>110/67.5%</td>
<td>103/61.3%</td>
</tr>
<tr>
<td>International/ Share</td>
<td>45/25%</td>
<td>48/27%</td>
<td>46/28.2%</td>
<td>57/33.9%</td>
</tr>
<tr>
<td>National/ Share</td>
<td>6/3.4%</td>
<td>8/4.5%</td>
<td>7/4.3%</td>
<td>8/4.7%</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>174</td>
<td>163</td>
<td>168</td>
</tr>
</tbody>
</table>

Source: Film Division, Ministry of Culture.

Recent initiatives such as Eurocine, a festival sample of European movies, and individual samples from different embassies have contributed to the diverse offerings that consumers can find in the market.

These trends suggest that despite the concentration in the distribution and exhibition subsectors, the Colombian audience is open to commercial and independent films, challenging the common belief that Hollywood films are the only attractive choice for consumers.

After this detailed diagnosis of the market bottlenecks that affect film activities in Colombia, the next section will outline the process of establishing the post-neoliberal model of film support.

5.2 The Post-Neoliberal Model under the IMSPCC (1997-Present)

The post-neoliberal film policies faced this complex context by combining elements from both the ISI and neoliberal models. The discourse of cultural diversity, as the new version of cultural defence, coexists with the goal of sustainability, and former policy tools such as subsidies and tax breaks add to innovative instruments like the audience promotion programs. Therefore, the model shares interventionist and neoliberal characteristics by protecting the sector at the same time that the state gives up the role of producer that assumed in the past. However, the model is not a simple combination of previous frameworks since it has distinctive features by itself:
The new model uses consensus within the variable of feasibility rather than the imposition approach of the ISI framework.

The exclusive focus on increasing production has been replaced by a complementary element of encouraging audience within the variable of efficiency.

Sustainability has become a core part of the post-neoliberal model through long-term strategies rather than short-term goals.

5.2.1 Feasibility

A new thrust in favour of the reestablishment of film policies emerged in the mid-1990s amidst the conflict between exhibitors and authorities and the fragmentation of the film sector in general. The most evident obstacle to the post-neoliberal model was the resistance of sector agents that still remembered the failure of the ISI model. Three factors contributed to the transition to a favourable perception: cohesive institutional structure and legislation that modified the definition of cinema, lobby campaigns that strived for consensus and a new approach that introduced the measuring the economic returns of feature films.

The initial step was the issuance of the General Culture Law (No. 397, 1997) under the Samper’s administration (1994-1998). This law created the Ministry of Culture (article 22) that concentrates on the delivery and protection of all the cultural expressions in Colombia. In the specific field of cinema, the legislation created the Film Division (article 67) in charge of designing and implementing official policies, and Proimágenes en Movimiento, the administrator of the Film Development Fund (FDC). The model also includes other official agencies as Figure 5.3 illustrates:
Regarding the ideological foundation of the model, the Culture Law referred to the dual dimension of films. First, it introduced the concept of cinema as an expression of national identity, collective memory and cultural imagery (article 40), replacing the former consideration of cinema as “a public entertainment event”. Additionally, this law emphasized the industrial dimension of movies and the role of the state as guarantor of its citizens’ access to culture and facilitator of the production, coproduction, exhibition and preservation of national films.

However, it was not until the new Cinema Law 814 in 2003 that policymakers consolidated all past legislation regarding films into a coherent document according to the principles proclaimed in the Culture Law. The first article of the Film Law, for example, identified the value of films as a contribution to the national patrimony and collective identity. This principle followed the spirit of the General Law of culture that praised cultural diversity as a cultural asset to be promoted and protected. This Law also reinforced the economic commitment of the Film Division as the maximum official authority to create favourable conditions for the local industry (article 4).

39 Between 1918, when the government applied the first additional charge to the ticket price to support the Fund for the Poor, and 1997, after the issuance of the General Culture Law, official legislation used to consider the exhibition of movies as a “public entertainment event”.
The second factor of feasibility, lobbying campaigns, joined the legislative initiative in building the film policy framework. Felipe Aljure, film director and the first Film Division director; Claudia Triana, current Proimágenes director with over twenty years of experience in film institutions; and the Ministry of Finance worked toward reaching consensus among stakeholders to make the policy programs function. Later on, civil society initiatives such as the cultural diversity movement coupled with the official lobby campaigns to maintain the post-neoliberal model and defend the cultural reserve in the Free Trade Agreement (FTA) negotiations with the United States. Therefore, consensus is an essential feature of the IMSPCC that also included the elimination of the 10% tax for public events and the conformation of the National Council of Films Arts and Culture (CNACC).

The suppression of the 10% tax served as a compensation tool for exhibitors in exchange for their support to the film model and their compliance to the current regulation. Exhibitors were a sensitive sector since they financed the ISI model through a highly overcharged ticket from the 1980s to 1990s. By relieving them from this tax, these agents were willing to contribute to the parafiscal quota that demands a lower percentage of their revenues: 8.5% destined to FDC and managed by Proimágenes en Movimiento, the Mixed Fund for Film Development.

The second point, the creation of the CNACC, refers to the consultation of all interested parties in the film sector: producers, distributors, exhibitors and official representatives in order to determine the contest categories and the subsidies for each category every year. This creates the perception of a common effort for the success of the policy and coordination of decisions in terms of the aspects to be promoted.

40 Documents from the Coalition have been signed by a group of intellectuals, filmmakers, researchers and government officers—not by cultural organizations or associations—such as Silvia Amaya, Maria Eudoxia Arango, Patricia Ariza, Carlos Diaz, Bernardo Jaramillo, Ramon Jimeno, Alberto Urrego and Claudia Triana.

41 Members of the coalition have been also being part of official film institutions. For example, Silvia Amaya, former Film Division director, is an active member of the Colombian Coalition of Cultural Diversity and worked as a researcher in the Andres Bello Agreement. This means that the official sector works along with cultural organizations and researchers toward the maintenance of the model.
The third factor of feasibility has to do with apprehending market trends and conditions in order to design coherent policies, a disregarded element during the ISI model. The Film division has sponsored four main sectoral studies besides other research contests: *Impact of the Film Sector in the Colombian economy* (Fedesarrollo, 2000) and a more current version by the Andres Bello Agreement three years later (Lopez and Melo, 2003). National surveys on consumers have also been part of the official initiative with the first study conducted by Napoleon Franco Inc. in 2000 and the *Salas Alternas* program by the Politécnico Grancolombiano University in 2006. These research efforts have served to gauge the economic potential of feature films and the status of the industrial development in terms of production, distribution, exhibition and consumption.

Finally, knowing the sector's performance is now possible due to the implementation of the Film Information and Records System (SIREC), two newsletters, *Claqueta* and *Pantalla Colombia*, and the information published online in Proimágenes and the Film Division websites. These projects allow stakeholders and third parties to have current and available information about the sector.

Nonetheless, there are persistent conflicts among stakeholders. The ideological defence of cultural diversity by the government and civil society, for example, contrasts with foreign-aligned distributors and exhibitors' commercial strategy of profit seeking. In that sense, most of 448 multiplex screens in Colombia (Conpes, 2007) are located in large cities and wealthy neighbourhoods. By contrast, Carlos Llano, distribution director of Cine Colombia, states "Since the new thrust of Colombian movies, we have exhibited all these in our theatres with positive results for most of them. The company will even invest for first time in national movies like *Satanás* because we believe it has potential." (C. Llano, personal email, December 7, 2006).

Producers, for their part, are the visible winners of the official model due to the wide range of incentives available, but they still struggle to improve their negotiation power when dealing with exhibitors or to generate revenues. They also encounter resistance from consumers to watch their movies as we saw in the market conditions section. Consumers, as ultimate target of film policies, also find benefits by having a
wider film programming despite the concentration of screens in urban areas and wealthy neighbourhoods.

In conclusion, although efforts to establish the post-neoliberal model were positive in building an environment of consensus, not all stakeholders’ logics encountered in the market relate in the same way; they either oppose or negotiate with each other. In the same way, the model has displayed strategies to efficiently deal with production and circulation bottlenecks with moderate success.

5.2.2 Efficiency

The best way to determine the level of efficiency of the post-neoliberal film policy is by comparing it to the first attempt of support during the ISI era in terms of general structure and policy tools. While the current model design targets stakeholders’ support in showing a more efficient and transparent structure than the ISI framework, current policy tools also revive most of the former instruments to counteract production and circulation bottlenecks. Surprisingly, both frameworks have many similarities except for the emphasis that the current model gives to reaching audiences rather than exclusively focusing on increasing the number of movies and the long-term strategies rather than the short-term objectives.

Institutional coordination

The post-neoliberal model, created by the Law 397, 1997, locates the state in the centre of the sector as the ISI did in the past, but the organization is more decentralized including two institutions, the Film Division and Proimagenes, as well as other official agencies. The Film division, part of the Ministry of Culture, assumes the responsibility of designing and implementing film policies in four areas: production, circulation, training, information and research, heritage and audience. This shows a wider scope of regulation and an inclusive approach to cinema as an industry different from the exclusive focus on production during the 1980s.

Proimagenes, for its part, is in charge of administering the funds collected through the parafiscal quota. Within this structure, the CNACC decides the contest categories offered every year and the subsidies assigned to each one. Its members are the
Ministry of Culture, the directors of Proimagenes and the Film division and a representative of distributors, producers and exhibitors. Finally, there are juries-adjudicated to international and national experts- who are responsible for selecting the awarded projects for each contest. The members of the juries change annually to guarantee transparency. Other agencies that participate in the film model, specifically in the regulation of tax breaks, are the Ministry of Finance and the National Department of Revenue and Customs.

This structure is more complex than the one established during ISI not only for the number of institutions involved, but also because there are no clear boundaries between the private and public jurisdictions, particularly in the case of Proimagenes: a public institution managed as a private company. This observation confirms the reregulation trend that scholars have pointed (Vogel, 1996) following the imposition of neoliberal policies without necessarily affirming that costs have increased. Although there are no official evaluation reports on increasing or decreasing costs as a result of the current structure, it is obvious that maintaining Cinematographic Development Company (FOCINE) was more costly due to its fiscal deficit. The current model provides enough money for contests, and it has also limited resources available to support the functioning of Proimagenes up to 10% of the parafiscal quota, according to the General Culture Law.

Coordination between the Film Division and Proimagenes was another positive observation during the field research conducted in 2006. This might be a result of having their offices in the same building, communication tools in place such as meetings and two newsletters. They also have concerted action in festivals (Cartagena, Bogotá), special events (The Week of Colombian Cinemn), and lobby campaigns (e.g. both institutions were against the proposal of eliminating tax breaks within the Tax reform project discussed in the Congress in 2006).

42 Hesmondhalgh (2002) proposes 'loose vs. tight regulation' to replace the term reregulation, implying the introduction of numerous and complex laws within the marketisation. In Latin America this trend is more noticeable in the postneoliberal era.
43 The next chapter includes an analysis of the policy costs.
Finally, policymakers have currently made sure that there are sufficient mechanisms of evaluation: Proimagenes’ management of the FOC is regularly audited in addition to the monitoring conducted by public institutions due to its dual nature, public and private. Based on contest requirements, producers have to manage resources through a fiduciary corporation with the condition of being subject to unexpected audits by official authorities. “The projects are assessed from their feasibility of financing, availability of sources and the capacity of finishing within three years. The producer has to demonstrate 10% of the capital for each production stage and they have to submit a meticulous and coherent business plan that they must follow” (A. Bayona, personal interview, October 17, 2006).

Policy instruments

The analysis of the policy instruments applied to the sector complements the strategies to correct longstanding market failures and, ultimately, to promote the economic and cultural values of national films based on national content. Film legislation considers a feature film as Colombian according to a ranking system that measures the participation of citizens in the production, similar to that of Argentina and Canada. Colombian standards require that 70% artistic crew and 51% technicians have to be nationals and 51% capital is coming from local investors and producers (article 43, Culture Law, 1997; article 2, Film Law, 2003; articles 8 and 9 Decree 358, 2000). However, for the purposes of defending cultural diversity, it is interesting to see that neither language nor location is a requirement to define a movie as Colombian in contrast to the Argentinean film regulations (article 7, Law 24.377, 1994). And even officers can interpret minimum requirements in a flexible way: *Maria full of grace* (2004) received official incentives although it had low participation of Colombians (one producer and a few actors).

Despite these flaws, the policy instruments in place effectively target bottlenecks in the Colombian market, sometimes having multiple purposes. For example, subsidies

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44 Coproduction legislation requires lower percentages of national content: 20% capital contribution, 70% artistic component of the total capital participation, 51% of technician’s work (articles 10 & 11, Decree 358, 2000; article 2, Film Law, 2003).
provide production and promotion financing and strive toward the training of human
capital via scholarships; tax breaks attract private funding and favour distribution and
exhibition of national movies. Others tools, such as screen quotas and audience
promotion programs address specific areas like exhibition and consumption. An area
that needs more attention is project development (script and financial planning).
Although it was a category of the past contest awards, it does not currently receives any
incentives. Therefore, producers have to assume these initial costs.

- **Parafiscal quota or quota for film development**

Perhaps the most successful instrument of the post-neoliberal model is the
parafiscal quota that revitalized a sector always in need of financing. Before Film Law
814, film financing came from the national budget and ticket surcharges, which posed
the question of real sustainability and maintenance in case of a government step back.

The parafiscal quota (article 6) increased available financing in the FDC, a special
account managed by Proimagenes that also includes donations, official or international
contributions, collected fines and asset sales. Agents have to participate with a
percentage of their revenues as follows:

- Exhibitors give 8.5% of net box office (after deducting producers and
distributors’ profits) for selling or negotiating copyrights to project movies.

- Distributors contribute with 8.5% of net revenues for commercializing foreign
movies in national territory.

- Producers donate 5% of their revenues at the box office to the national market.

However, there are strategies to reduce the mandatory contribution. Exhibitors
can get up to a 6.25% reduction for projecting Colombian short films; distributors can
also reduce their contribution up to 5.5% during the next ten years if they distribute local
films in national or international cinemas. Finally, producers do not have to contribute if
their profits come from selling their exhibition rights to international partners or
exploiting other windows of exhibition different from theatrical releases.

This financing system is similar to the one used in the 1980s when exhibitors,
distributors and producers contributed to the film fund administered by FOCINE. Silvia
Echeverry, Proimagenes' administrative and financial subdirector, comments, “Now the system works because the parafiscal quota was a concerted action. This does not deny the fact that distributors and exhibitors of international films still make the largest contribution since they have a substantial supply of material and market share.” In 2006, 160 movies out of 168 total releases were foreign (Pantalla Colombia, February 16, 2007) which not only shows the incipient producers’ contribution, but also the paradoxical importance of international participation for local production.

The question, then, is what would happen in a scenario where releases of foreign films (which imply distribution and exhibition) decrease? Logically, there would be less available financing for Colombian productions, creating an undesirable situation that validates the supremacy of foreign content in the national market in order to secure financing for national movies. Of course, this statement assumes that the local industry will not overcome its infant stage. The ideal scenario to break the financial dependence on foreign films contributions would be that the Colombian industry becomes financially autonomous from official funding and attracts audiences.

A second observation is that part of the money collected in the FDC is supposed to be in the form of soft credits or as bank guarantees for filmmakers, however, neither of these two options have been viable. “In order to offer credit lines or loans for film projects, the sector needs to be more matured with more efficient distribution and exhibition circuits and an audience that goes to see movies” (D. Melo, personal interview, October 18, 2006). Subsidies (no condition of repayment), then, are left as the only possibility to provide producers with public financing for up to 70% of script development, production and postproduction. The general trend for local production companies is to apply for subsidies provided through contests to finance the film’s shooting and postproduction, the most expensive phases of production. The big advantage is that producers do not owe this money, so they can pay themselves first and cover partial costs before looking for investors. “The first option for Colombian producers is to apply to any international or national contest. If they win one at least, this is the best business card for others to participate. These subsidies used to be the only source of financing, and now they just represent the initial capital for the film project” (D. Camargo, personal interview, October 24, 2006).
Subsidies provided through the contests organized by Proimagenes also include the so-called automatic incentives for film promotion, national box office and participation in international festivals such as Cannes, Toronto and San Sebastian among the most important. The first category awards up to US $13,800 per project for marketing and publicity campaigns; the second assigns US $0.30 per spectator up to US $41,490. The last instrument, international participation, covers 100% of expenses upon the submission of receipts. All these tools were present in the ISI, except for subsidies for promotion, which confirms the usage of former policy instruments by the IMSPCC.

The other set of subsidies, provided by the Ministry of Culture, include scholarships and programs\textsuperscript{45} for training in occupations such as director of photography and scriptwriters, but it still neglects other types of training needed in the sector to increase quality (producing, lighting, sound, etc.).

The importance of the FDC subsidies, besides financing film production, is the liability for copyright negotiations and awards management assigned to producers according to the contest conditions. In order to apply for the incentives, producers have to present a business plan, including the financial and the budget plans, and the commitment to finish the project in maximum three years. This not only guarantees that producers will absorb all losses in case of the movie’s poor performance, but it secures that they release their films in time and within budget.

- Tax incentives

This tool includes benefits for reinvesting in film activities and investment and donations in productions and seeks to increase the participation of private financing that has been almost inexistent in the past. The first option allows companies or individuals to deduct 50% of their income while the second favoured donors and investors by deducting 125% of their contribution from their income declared in the same year (article 16, Law 814). The second alternative has been subject of debates. Neither producers nor coproducers can take advantage of this incentive, and those eligible

\textsuperscript{45} The program $\text{imaginando nuestra imagen}$ promotes the production of audiovisual works in the country.
should get a Certificate of Film Donation or Investment, depending on the case, from the Film Division.

In an interview with Jorge Manuel Mutis, Policy Group Director- Film Division, he mentioned that the response has not met initial expectations, but is growing at a slow pace. “The Film Division has issued 157 certificates by December 2006, which demonstrates the interest that private agents are experiencing in the film business” (J.M. Mutis, personal interview, October 9, 2006). Indirect policy tools such as tax breaks have become essential to finance films as the increase of certificates issued by the Film Division in the last three years suggests. Mostly reported as investments rather than donations, 157 certificates have benefited 15 projects, reaching US $3,714,742.67 (Proimagenes, online data). Companies within this category cover a wide range of businesses, not necessarily related to the audiovisual sector like clothing stores, food companies, furniture warehouses, investment brokers and individuals.

Producers like Efrain Gamba- EGM Producciones Ltda- consider that the tax break is not enough for what Colombian producers need to attract private financing. “We have to take into account that the tax break is calculated over the gross income and not on the declared income, which is not very advantageous. It would be better if the deduction were to the final taxable income because it would make a huge difference. I have not been able to convince private investors to participate in our projects under the current policies” (E. Gamba, personal interview, November 28, 2006).

Legislators who oppose tax breaks argued that it was time to finish them since they have accomplished the objective of encouraging private investors toward the film industry in three years of existence. In fact, they proposed to eliminate this tool in the last project of tax reform in December 2006. Film agents and authorities lobbied to maintain the tax breaks, and eventually they were able to exclude them from the reform.46

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- Capitalization of movies in stock markets

This innovative policy tool pretends to increase financing through the sale of movie stocks in capital markets. Although the idea imitates Brazilian efforts to involve companies in film projects, Colombian production is far from representing an attractive option. “This is a long term plan because the film project has to have a value of US $750,000 in order to be attractive in the market. We are far from that, therefore we are analyzing the possibility of offering a portfolio of projects for the same value” (C. Triana, personal interview, October 10, 2006).

Despite this long-term view, there are companies that already strive for this type of strategy, taking advantage of the current positive expectations of movie production and latest success of Colombian movies. “There is a lack of entrepreneurial mentality from Colombian producers to obtain private financing in the stock market. Dynamo, then, works on this area and it is the first investment and risk capital fund to produce movies. This strategy has allowed two film projects (Satanás and La milagrosa) to become a reality” (R. Guerrero, personal interview, October 19, 2006).

- Screen and television quotas

This is not a new instrument in the Colombian sector either, but it remains one of the most controversial. The general debate is whether imposition of these movies automatically draws audience by itself or, the opposite, deters spectators if the movie is not a quality product. On the other hand, producers justify the instrument as a defence tool against majors that control the market and invest a large budget in exhibition releases. According to Paula Jaramillo, Trebol Communications director, “the common rule is that majors spend an additional 50% of the production budget in promotion and copies while in Colombia this is the exception to the rule” (P. Jaramillo, personal interview, November 15, 2006).

Based on the Law 814 (article 18), the Ministry of Culture and the Film Division are entitled to determine the minimum percentage of screen quota, considering the

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47 This company has managed the public relations and media campaign for Rosario Tijeras (2005) and El Colombian dream (2006).
exhibition infrastructure, average box office and other agents’ opinions (distributors, exhibitors and producers). In any case, the screen quota cannot be mandatory and there will be incentives for those companies that present Colombian films or those that exceed the minimum percentage. The norm contradicts itself because it makes the public authority’s decision subject to the opinion of private agents that can oppose the norm according to their interests. Since this norm is vague in terms of specific screening periods, economic value might prevail over cultural values one more time. Is cultural capital realized once the movie is on the screen or after reaching certain number of spectators? How does the economic rationale match the cultural rationale when exhibitors withdraw a movie from theatres if it does not comply with minimum standards at the box office but it contributes to the reproduction of cultural capital?

Despite the existence of this norm in the IMSPCC, the screen quota has not been in effect because of the insufficient supply of movies. Since the issuance of the General Law of Culture in 1997, all national movies have been in cinema theatres; so, they are not a threat to the international offer of movies. “The use of the screen quota is extremely risky in Colombia. We do not want to repeat the history of Spain or Argentina where the instrument failed. In the past, consumers did not go to see national movies only because of their availability in theatres” (D. Melo, personal interview, October 18, 2006).

Regarding the screen quota applied to television, the justification for this instrument lies on its high ratings that make television the most popular medium in the country. So far, the government has broadcast national movies through the only public TV channel, Señal Colombia, and some minor or regional channels like City TV or TeleCaribe. However, resistance has characterized negotiations with large private channels, RCN and Caracol, because movie programming for these corporations is filled by foreign content by almost 100% in prime time. After three years of the Film Law, the first television quota was effective in October, 2006. Caracol and RCN agreed to broadcast national movies during 30% of the annual programming, although there were no stipulations of TV schedule. Another fact that demonstrated a positive attitude concerning local production was The Week of Colombian Cinema in October 2006 that
included the broadcasting of six recent national movies\textsuperscript{48} by Caracol TV and City TV besides past films by the public TV channel, Señal Colombia.

- Audience promotion programs

Under the principle of cultural diversity and equal access to films, the Film Division has put in practice programs for audience promotion, among which \textit{Maleta de Películas} (Suitcase of movies) and \textit{Salas Alternas} (Parallel or Alternative Screens) present interesting points of discussion. \textit{La Maleta} includes more than 100 Colombian titles since its release in 2005 with the main objective of being exhibited by educational institutions. Approximately 700 organizations have received the movies through the National Plan of Reading and Libraries and the National Program of Incentives of Creation. The second program, \textit{Salas Alternas}, covers eight screens in five main cities that screen movies from other countries and other authors different from those offered in the commercial circuit, including Colombian and international movie retrospectives. This initiative has become important not only for the offer itself but also for the more accessible entrance price available to the audience.

However, success of these official programs is moderate if we compare the original objectives to the outcomes of model. For example, some institutions that received the package of \textit{Maleta de Películas} never projected the actual movies to the intended target public, according to Frank Patiño, Communications officer- Film division. This case shows the importance of implementing orientation strategies that complement official programs and evaluation standards that measure the impact of policies that promote cultural diversity.

And in the case of the \textit{Salas Alternas}, programming of artistic films is not always convenient for all audiences due to their location in central but insecure areas, intellectual atmosphere, lack of food services, insufficient promotion and regular technical quality and facilities (Godoy-Pava, 2006). The long-term objective, however, is

\textsuperscript{48}Dago García productions benefited more than other producers with three movies in the programming: \textit{El carro}, \textit{Mi abuelo, mi papa y yo} and \textit{La pena máxima}. The other three movies were \textit{La historia del baile rosado}, \textit{El rey} and \textit{La sombra del caminante} (Pantalla Colombia, October 20, 2006).

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the establishment of an independent distribution channel, similar to the ones seen in European countries. “The experience in London has been successful because we have achieved an independent circuit with a large number of distributors and films. The system is sustainable and the public is open to this alternative”, said Catherina de Forges, director of the Independent Cinema office in the English capital. A potential partner for the Colombian independent circuit would be the European Program Cinemus (Cabrera, 2006). This initiative confirms how official film policies are currently leaning toward the independent sector in order to secure national diversity rather than imposing strategies through legal instruments as it did in the former model of FOCINE.

Another tool to encourage audiences is the TV show En cine nos venos broadcast in the public TV channel Señal Colombia. This program not only covers national movies, but cinemas from other countries, increasing information about film activities and the opportunity to see noncommercial movies through this medium.

In conclusion, policies toward improved efficiency in Colombia have achieved mixed results because while the policy tools address historical market bottlenecks and add audience promotion programs, they still encounter obstacles in the context. In the long term, it is still early to predict their performance in building a sustainable sector. In the next section, we will observe premature signs of sustainability identified even before the implementation of the post-neoliberal model in the case of some well-established firms.

5.2.3 Sustainability

Some of the outcomes that policy tools report in terms of feasibility and efficiency influence the goal of sustainability. The fact that there is a harmonious atmosphere among stakeholders and that the film policy is encouraging the audience will definitely favour the long-term goal of building a film industry. However, achieving this objective does not entirely depend on the government, but in the performance of film firms.

Despite the unfavourable market conditions in transition, there have been remarkable cases of production companies that serve as examples of sustainability. They
have similar business strategies that have benefited from post-neoliberal policies, which do not deny their merit. A further consideration is that there have been critiques as to their contribution to the representation of cultural identity; based on the content of films, at the same time they pursue economic revenues.

**Successful case studies as examples of sustainability**

Based on the nature of competition within the subsector of film production, one can observe a large number of small firms competing, with low capital intensity, diseconomies of scale and barriers of entry based on high production costs of films and uncertain return on investment. This multipolar model differs from the traditional hubs of production in which small firms supply bigger firms with their audiovisual products as Katz (2006) has proposed for Argentina. In general, these firms have increased their investment in films (total budget) going from an average of US $10,000 during the 1980s to approximately US $1,000,000 in the current period.

Companies combine their film projects with television programs or commercials, but there is a high turnover due to unstable workload. Traditional production strategies coexist with innovative ones that might suggest the incipient consolidation of producers' cinema as opposed to a directors' cinema. This means that the way to produce films requires the differentiation between the financial area and the artistic aspects. Such specialization of roles, of director and producer, was not a common practice in the past, and even expanded into other fields: a director not only played the role of producer but also that of actor, art director, scriptwriter, etc. Film companies in Colombia work by project and they usually finance their successive films with the revenues of the previous ones. Highly dependent on government subsidies and family capital, some films have taken up to ten years to be finished because of the lack of planning and scarcity of resources.

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49 According to the Conpes report on cinema (2007), the average investment cost of Colombian movies was US $671,000 in 2004; US $1,464,785 in 2005 and US $652,533 in 2006. Films such as *Maria llena eres de gracia, El rey, Perder es cuestión de método, Rosario Tijeras, Sumas y restas, La historia del balir rosado* and *El Colombian dream* surpassed US $1,000,000.

50 The case of *Juana tiene el pelo de oro* (2005) by Pacho Bottia took 15 years in total until its release, becoming the longest project in Colombia.
The following Table includes those companies that the Film Division considers established and that have released at least one feature film by November 2006.

Table 5-3 Companies with a Released Movie by November 2006

<table>
<thead>
<tr>
<th>Company</th>
<th>City</th>
<th>Company</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centauro Comunicaciones S.A.</td>
<td>Bogota D.C.</td>
<td>Proyecto Tucán Ltda.</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>Tucán Producciones Cinematográficas Ltda.</td>
<td>Bogota D.C.</td>
<td>Fundación Natibo</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>Corporación Del Nuevo Cine Latinoamericano</td>
<td>Bogota D.C.</td>
<td>Fundación Maldonado Loboguerrero</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>Fundación Imagen Latina</td>
<td>Cali</td>
<td>Latina Producciones Cinematográficas Ltda</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>Basile Producciones Ltda.</td>
<td>Cartagena</td>
<td>Dulce Compañía Films Ltda.</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>La Ducha Fria Producciones Ltda.</td>
<td>Medellín</td>
<td>Producciones Cinematográficas Uno Ltda</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>CMO Producciones S.A.</td>
<td>Bogota D.C.</td>
<td>Temas Cinematográficos De Colombia Ltda</td>
<td>Bogota D.C.</td>
</tr>
<tr>
<td>Fehrmann Productions Ltda.</td>
<td>Bogota D.C.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Interview with Jorge Manuel Mutis- Director Policy Group- Film Division.

Producers and critics agree on the thrust that film policies have injected into the producers' role since the regulation clearly identify them as responsible for negotiating film copyrights and dealing with the participation and management of official support. Producers must obtain copyrights of scripts, music, exhibition, among others, as well as follow the procedures to apply for contest awards and other incentives such as tax breaks. The introduction of these responsibilities contributes to capacity building and training in this new era. However, this does not mean that some companies did not adopt the specialization of roles before the current model was established. One of the producers that implemented this model earlier on was Gustavo Nieto Roa who currently leads Centauro Comunicaciones S.A. With an extensive career as a director of nine feature films and six documentaries, and producer of other projects, Roa believes that Colombian producers need to be educated on how to become independent from official
incentives. "National cinema is a failure in 90% of the countries where the state finances it, because policymakers are not business people and nor have they worked as filmmakers. They just have to deliver subsidies through a jury who does not know the audience. Policies do not build an industry; they just are an initial step" 51 (G. Nieto Roa, personal interview, November 14, 2006).

Another successful case in terms of continuity is Dago García Producciones Ltda., owned by producer Dago Garcia. He has combined his scriptwriting skills to target popular sectors in Colombia that have acclaimed all of his comedies, except for El Carro that only reached 174,000 spectators. Dago Productions has been able to release at least one film annually for the past eight years with an average audience of 350,000 spectators. The production model in this case implies an alliance with a large TV channel, Caracol TV, for most of the films and also the specialization of roles. He has only received official incentives for the promotion of his last two films: Mi abuelo, mi papá y yo (2005) and Cartas al gordo (2006). “My system is to finance the following movie with the profits yield by the previous one, and so far it has been an efficient strategy because my movies connect with the middle class. They are entertaining, and they talk about common people”, says Dago Garcia.52

The last case, CMO Producciones S.A. whose head is Clara Maria Ochoa represents an exceptional case in the landscape of work diversification since it is one of the few companies that is able to work on several projects at the same time. In 2006, for example, CMO released Soñar no cuesta nada directed by Rodrigo Triana, received an incentive to develop the script for Esto huele mal by Jorge Ali Triana and planned the shooting the coproduction Del amor y otros demonios by Hilda Hidalgo.

The common points among these companies are not only their clear business perspective toward films reflected in financial strategies that include the private sector’s participation, TV channels in particular, but also the usage of narratives with mass appeal.

51 It must be said, however, that he has received official subsidies for productions such as “Cain” (1984), “Una mujer y un hombre con suerte” (1988) and his last project, “El angel del acordeon” (2006).

- TV alliances

Participation of TV channels, a practice that was occasional before, has strengthened in the last 3 years. One of the two largest national broadcasting companies, Canal Caracol, has supported past productions such as *La Estrategia del Caracol* (1993), *Aguilas no Cazan Moscas* (1994), *Edipo Alcalde* (1996), *Ilona Llega con la Lluvia* (1996) and more recently, most of Dago Garcia’s films. The other private TV channel, RCN, opened its Film department in August 2005 with the goal of investing in national movies that so far have included well-attended films in 2005 (*Rosario Tijeras*) and in 2006 (*Soñar no cuesta nada, Karunna, el peso de tus actos* and *El Colombiano dream*). They have also sponsored academic seminars and film festivals in coordination with the Film Division and education institutions.53

The relationship between television and film goes beyond the current financial support because television has been the school for producers, technicians and actors. This element implies positive and negative consequences for the consideration of the value of films: on the negative side, film narratives can adopt the television language. On the positive side, if consumers recognize TV actors and directors in films, they might want to see them.

The agreements with television channels also facilitate the development of effective marketing and promotion campaigns that usually equals the production budget. However, the real costs that the producer assumes for this concept is lower than the nominal costs of the promotion displayed on the channel. For example, according to Maria Teresa Jaramillo, former manager of RCN film department, the regular rate for the promotion campaign of a high-budget movie like *Soñar no cuesta nada* (2006) or *Rosario Tijeras* (2005) would have been approximately US $850,000, but they charged only US $200,000. Catalina Samper, producer of *El Colombiano dream* agrees, “Nominal costs cannot be quantified and they respond to RCN’s interest in generating demand for a project in which they participate. In our movie, we paid about US $330,000 in promotion, but we know the channel invested double that amount” (C. Samper, personal interview, November 8, 2006).

53 RCN is one of the official sponsors of the Cartagena and Bogota Film Festivals. In 2006, RCN also participated in the international seminar Vida al cine.
The formula for success of national movies seems to be the use of famous TV actors and simple funny stories if we look at the most attended Colombian feature films.

<table>
<thead>
<tr>
<th>Movie</th>
<th>Director</th>
<th>Genre</th>
<th>Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esposos en vacaciones (1978)</td>
<td>Gustavo Nieto R.</td>
<td>Comedy</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Colombia connection (1979)</td>
<td>Gustavo Nieto R.</td>
<td>Comedy</td>
<td>900,000</td>
</tr>
<tr>
<td>El taxista millonario (1979)</td>
<td>Gustavo Nieto R.</td>
<td>Comedy</td>
<td>1,500,000</td>
</tr>
<tr>
<td>El inmigrante latino (1980)</td>
<td>Gustavo Nieto R.</td>
<td>Comedy</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Tiempo para amar (1980)</td>
<td>Gustavo Nieto R.</td>
<td>Drama</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Padre por accidente (1981)</td>
<td>Manuel Busquets</td>
<td>Comedy</td>
<td>1,012,000</td>
</tr>
<tr>
<td>El niño y el Papa (1986)</td>
<td>Rodrigo Castaño</td>
<td>Comedy/drama</td>
<td>1,100,000</td>
</tr>
<tr>
<td>La estrategia del caracol (1994)</td>
<td>Sergio Cabrera</td>
<td>Comedy/Drama</td>
<td>1,500,000</td>
</tr>
<tr>
<td>La vendedora de rosas (1998)</td>
<td>Víctor Gaviria</td>
<td>Drama</td>
<td>700,000</td>
</tr>
<tr>
<td>Golpe de estadio (1998)</td>
<td>Sergio Cabrera</td>
<td>Comedy</td>
<td>630,000</td>
</tr>
<tr>
<td>Pena Máxima (2002)</td>
<td>Jorge Echeverri/Prod. Dago García</td>
<td>Comedy</td>
<td>500,000</td>
</tr>
<tr>
<td>Te busco (2002)</td>
<td>Luis Orjuela/Prod. Dago García</td>
<td>Comedy</td>
<td>400,000</td>
</tr>
<tr>
<td>El carro (2003)</td>
<td>Luis Orjuela/Prod. Dago García</td>
<td>Comedy</td>
<td>431,000</td>
</tr>
<tr>
<td>Mi abuelo, mi papá y yo (2005)</td>
<td>Dago García &amp; Juan Vásquez</td>
<td>Comedy</td>
<td>470,000</td>
</tr>
<tr>
<td>Rosario tijeras (2005)</td>
<td>Emilio Maille</td>
<td>Drama</td>
<td>1,053,030</td>
</tr>
<tr>
<td>Soñar no cuesta nada (2006)</td>
<td>Rodrigo Triana</td>
<td>Drama</td>
<td>1,198,172</td>
</tr>
<tr>
<td>Karma (2006)</td>
<td>Orlando Pardo</td>
<td>Drama</td>
<td>412,000</td>
</tr>
</tbody>
</table>

Sources: Semana (May 16, 1983), Eskpe (December, 2005), www.colombia.com

As illustrated in Table 5.4, comedy is by far the genre that has secured most spectators of national films. However, this success has not escaped the critics who consider comedy a “low genre” (Palacios-Obregón, 2004). The objective of sustainability that the new film policies pretend to promote, then, fights against the generalized perception that “art” cannot be commercialized because of the risk of losing its essence; a debate fuelled by film critics. To illustrate, film reviewers have depicted profitable popular comedies like *El Taxista Millonario-The Millionaire Taxi Driver 1979-* and *El Inmigrante Latino –The Latin Immigrant 1980-* from director Gustavo Nieto Roa as examples of “bad taste” and “standardized products”.

producers in order to guarantee success. This is the main critique of Rosario Tijeras (2005) where film reviewers identified nudity and violence as the key points to attract spectators. Or, the case of Soñar no cuesta nada (2006), “a commercial movie” based on a current news event at the time of the release and the inclusion of visual effects, famous television actors and an original soundtrack that was also offered on the market. “Soñar no cuesta nada, for example, was coproduced by Baraka Cine in Argentina and Hangar Films in Colombia. In addition to public subsidies from the FDC and the National Institute of Film and Audiovisual Arts in Argentina (INCAA), RCN (a private TV channel) and Servientrega sponsored the movie. All this support would not have been possible without a good story that was close to the public. The story of the soldiers that find millions of dollars represents everyone’s dream in a poor country like Colombia. This is the value that all those organizations saw in the movie in order to support it” (R. Muñoz, CMO Production Manager, personal interview, November 4, 2006).

The pessimistic approach to film as a vulgarization or commercialization of art by critics portrays the nostalgic claim that the critique of the Frankfurt School stated as returning to a “high-culture stage”, as opposed to a mass-culture phase that overlooked the complex logics implied within cultural industries. The main effect of such a claim is condemning genres that might have a better reception (and profits) than others.

For other producers, the process of industrialization should guarantee different options for consumers, either commercial films or movies with a social message. “This is clear in Colombia where we can find Dago Garcia’s model of medium cost production and commercial objective and Ciro Guerra’s proposal that it is more artistic. There are also grey areas where the social content is visible within a commercial format like Felipe Aljure’s La gente de la universal and El Colombian dream. This variety is important because we cannot exclusively have movies for the general public or for an educated audience” (A. Amaya, personal interview, November 3, 2006).

A second observation concerning narratives is the representation of Colombian cultural diversity in the narratives of those projects supported by the government. Film

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55 Hesmondhalgh (2002) explains the academic transformation of the concept “cultural industry”, originally from the Frankfurt School, to “cultural industries” proposed by Miege and Morin. This last term involves the complexity of multiple forms of cultural production.
critics in Colombia have highlighted the recurrence of national movies to recreate creole-middle class themes that only refer to the certain sectors of the urban population. “The film offer from the 1980s and afterwards have emphasized regional identity through cinema in the provinces, concentrated in the main cities: Medellin, Barranquilla, Cai and mainly Bogota. Contemporary Colombian movies have used that urban and stereotypical aesthetics like we see in Dago’s films or Soñar no cuesta nada...”. This approach not only excludes innovative aesthetics proposals but also social groups defined by gender, religion, income, ethnicity and sexual orientation. This sensitive point is in conflict with the academic claims that defend the increase of participation and self-representation of those minority groups through feature films (Burton 2000, Stam and Shohat 1994, 2003). Regarding recurrent themes, “feature films in Colombia are concentrated on mega-narratives: violence, poverty, drugs while other formats, like documentaries or short films, have channeled those invisible voices in what can be considered the revalidation of Third Cinema. These sectors still struggle with producing feature films that represent themselves or even affording movie tickets’” (P. A. Zuluaga, personal interview, October 21, 2006).

The transition towards films with multicultural or diverse narratives, then, has been a slow process in Colombia. In fact, the Festival Rosa (Pink Festival), a sample week centred on LGBT issues, just started in 2001 by mostly projecting international movies with only the marginal participation of Colombian filmmakers. “The Festival Rosa mainly screens international films and only few Colombian short films from those groups that have responded to our invitation. We have projected an average of three short films per festival” (C. Rodriguez, Director of Audiovisuals- District Institute of Culture and Tourism, personal interview, November 21, 2006).

To conclude this section, we can affirm that there have been successful production firms that have managed to overcome adverse conditions via specialization of roles, finance planning, TV alliances and consumers’ appeal, posing new questions in the way their success affect cultural diversity.
5.3 Conclusions

The general approach of Colombian policy models has changed from top-down imposition to a more consensual process. This consensus implied the sacrifice of a financial source (10% tax for public events) in order to encourage exhibitors' support and the opening of decision-making processes to other actors such as producers, universities and distributors. Producers, consumers and private agents mediate or oppose their interests and actions on the market, generating complex conditions for the potential consolidation of the national film industry.

A second feature in the evolution of feasibility discourses is that national identity defence against foreign presence has moderated its tone for the promotion of cultural diversity. This means that majors are seen as potential partners, either in coproduction or distribution, rather than enemies to be eliminated. Instruments such as the Film Law (2003) and the Law of Film Investors and Donors (2005) highlight the industrial dimension of movies that can yield potential profits to those who participate in such projects besides official benefits like tax breaks.

The third pillar of the IMSPCC has been the continuity of policy goals carried through the last 10 years since the General Culture Law (No.397, 1997). One of the factors that have contributed to this surprising trend is current officers' longstanding careers in film institutions. Policymakers such as Claudia Triana, Proimagenes director, have worked in the sector for more than twenty years, and others like David Melo, Film Division director; have combined their bureaucratic careers with their experience in cultural industries research.

Regarding efficiency, the current model of film promotion innovates in the strategy to collect financing and promoting audience, because other tools such as subsidies and screen quotas were already in use during the ISI period without success. The post-neoliberal model has undertaken some of those lessons in terms of transparency of rules of the game and the building of trust among sectoral stakeholders. Increasing the number of movies is no longer the core of the model, but a part of a wider strategy.
Another remarkable outcome of the current legislation and contests has been its focus on producers and not filmmakers, which has facilitated the specialization of roles and the development of an entrepreneurial mentality. Since subsidies assigned through contests only grant up to 70% of total financing per production stage, companies have to look for other financial sources (appendix 4). This also has benefited the artistic area because creative talents can concentrate on their work without taking over financial responsibilities.

The discussion of current film quality based on the training of human capital and usage of high technologies must consider the development of technical skills program since there have not been official policies toward this area apart from some scholarship awards. The new generation of filmmakers has received film training in national and international schools by their own initiative.

Sustainable film companies existed in the Colombian market before the implementation of the post-neoliberal film model, which indicates that these firms developed strategies to manage adverse conditions and survive regardless the present benefits of the policies.

Although it is too early to evaluate the IMSPCC, we can conclude that there are mixed results in the way the model has faced market bottlenecks. The availability of official funding and the opening of the exhibition circuit to national movies contrasts with the lack of bank credits and low participation of the private sector. These remaining problems require a set of recommendations that enable Colombian film policies to serve as an example for other developing countries, a task assumed in the concluding chapter.
CHAPTER 6
RECOMMENDATIONS FOR COLOMBIA
AND LESSONS FOR OTHER DEVELOPING COUNTRIES

The research question, are the official and private efforts to promote film industries worthwhile in developing countries? has multiple answers according to the agents and the outcomes in consideration. In the first case, some stakeholders have benefited from contemporary film policies more than others have. This is the case of exhibitors over technicians. In addition, within each group, we can identify winners and losers. For instance, Cine Colombia has consolidated its position in terms of capitalizing the boom of national movies over other exhibitors.

If the question is about the overall outcomes of the model the answer would be a definitive yes based on the increase of the number of productions and movie releases, the level of general attendance, including spectators for local films, and the increment of national movies participating at international festivals. However, there are negative results that suggest the need for a revision of the parameters of the post-neoliberal model.

The first section of this chapter presents a cost and benefit analysis (CBA) to evaluate the net benefits of the current policy framework in Colombia. It is also important to map out cooperative linkages developed among subsectors of the value-added chain and stakeholders as a long-term condition for an industry to become sustainable. As we will see, film policy in some cases has created an interconnection; in other cases, however, the official model has only reinforced previous established relations.

We close with recommendations for the Colombian and other countries’ support models in the areas of feasibility, efficiency and sustainability.
There are three limitations to consider in this final evaluation. First, since the Congress issued the last element of the model, Law 814, only in 2003, it is premature to present an extensive analysis. Second, there are no clear indicators for measuring marginal social costs and benefits due to their intangible character. The last consideration relates to differences in economic and cultural conditions of countries adopting these lessons from Colombia.

6.1 Cost and Benefit Analysis

6.1.1 Costs of the Film Policy

The costs of producing national films in Colombia include direct, legal, administrative and extra costs as a result of the execution of the current policy model. Efficiency costs were present in the beginning of the model's implementation due to the lack of information and experience by producers. "This is an educational process within the support model that producers have started to understand. The goal is to make them follow standards by filling out the respective forms and complying with legal requirements" (C. Triana, personal interview, October 10, 2006).

Direct costs

The simplest indicator of cost is the assessment of financial resources invested in the film industry, including official subsidies offered by the Film Division, as part of the National Culture Awards, and the Film Development Fund (FDC). Previously, support for the film sector came exclusively from the national budget while at present, subsidies come from both the FDC and the national budget assigned to the Ministry of Culture.
Table 6-1  National Budget Contribution to the Film Sector 1998-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Incentives</th>
<th>Total Amount (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>107</td>
<td>2,016,885</td>
</tr>
<tr>
<td>1999</td>
<td>31</td>
<td>746,633</td>
</tr>
<tr>
<td>2000</td>
<td>29</td>
<td>408,680</td>
</tr>
<tr>
<td>2001</td>
<td>19</td>
<td>221,561</td>
</tr>
<tr>
<td>2002</td>
<td>7</td>
<td>246,597</td>
</tr>
<tr>
<td>2003</td>
<td>5</td>
<td>59,719</td>
</tr>
<tr>
<td>2004</td>
<td>1</td>
<td>20,437</td>
</tr>
<tr>
<td>2005</td>
<td>8</td>
<td>74,619</td>
</tr>
<tr>
<td>2006</td>
<td>19</td>
<td>143,370</td>
</tr>
<tr>
<td>TOTAL</td>
<td>226</td>
<td>3,938,501</td>
</tr>
</tbody>
</table>

Source: Conpes 2007.

As Table 6.1 illustrates, the national budget contribution had an abrupt decline in 2003 when it represented just 25% of the previous year’s balance. The recovery experienced in 2006 did not equal the generous amount in 1998; in fact, it was 14 times less than the original budget.

Currently, the parafiscal quota collected from producers, exhibitors and distributors to support the FDC has surpassed previous cultural budgets as Table 6.2 shows:

Table 6-2  FDC Annual Budget Collected 2003-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (US $)</th>
<th>10% Adm. Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug.-Dec. 2003</td>
<td>853,318</td>
<td>85,331</td>
</tr>
<tr>
<td>2004</td>
<td>2,948,057</td>
<td>294,805</td>
</tr>
<tr>
<td>2005</td>
<td>2,681,522</td>
<td>268,152</td>
</tr>
<tr>
<td>2006</td>
<td>2,911,198</td>
<td>291,119</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,394,095</td>
<td>939,409</td>
</tr>
</tbody>
</table>

Source: Proimagenes online data, 2007 and interview with Andres Bayona, Project Director Proimagenes.

However, the FDC does not constitute a cost for the state because the contributions come from other film stakeholders. Administrative costs to support the functioning of Proimagenes also come from the FDC total budget (law 814, 2003).
Indirect costs

Tax incentives provided within the framework of the current film policy do represent a cost for the state since it is income not received from business taxpayers.

The first type of tax break allows companies or individuals to deduct 125% of their donation or investment from their annual income.

Table 6-3 Total Tax Incentive for Donation and Investment 2004-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (US $)</th>
<th>No. Projects Benefited</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>233,165</td>
<td>16</td>
</tr>
<tr>
<td>2005</td>
<td>903,108</td>
<td>94</td>
</tr>
<tr>
<td>2006</td>
<td>2,036,620</td>
<td>52</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,172,893</td>
<td>162</td>
</tr>
</tbody>
</table>

Source: author analysis with data from Proimagenes, 2007

Unfortunately, there is no available information on the total income that the state gives up from other tax exemptions. One might also consider that the movie ticket does not have the value-added tax (IVA) and that the creation of FDC implied the official deprivation of another source of income (the 10% public events tax). Finally, there are no reports of nonreceived income for the tax break of 50% provided to those companies or individuals that reinvest capital in film activities. The total might reach thousands of dollars because producers, distributors and exhibitors are taking advantage of this current incentive.

The direct costs to the government include only the national budget contribution to the film sector but the indirect costs add up to more than US $1 million per year. The cost of opportunity of using that funding in other areas is potentially high, considering more urgent needs such as education, health and security, as opponents have argued.

This last observation complements the analysis of the policy from the dimension of winners and losers (cost-effectiveness). Since the industry does not provide direct revenues to the state because the state is not a producer or investor, the analysis has to go back to those successful agents that have capitalized profits. Among producers, an average of only two companies per year between 2004 and 2006 has made profits, in addition to generous official incentives that they do not have to repay. In the
distribution and exhibition subsectors, Cine Colombia has become the most successful company due to its dominant position in terms of infrastructure for Colombian movies and distribution deals with some majors.\textsuperscript{56} Other exhibitors, for their part, have not benefited from the profits generated by national movies, but have taken advantage from the tax break granted for reinvesting capital into film activities. One of the indicators of this policy is the number of movie screens that went from 263 in 1997 to 448 in 2006 (Conpes, 2007).

Among the losers, one can also mention those population sectors that cannot afford movie tickets since film policy focuses on the theatrical window of exhibition. Whoever does not attend the screening in theatres will have to wait for several years to consume those movies on television or DVD/VHS. Other actors at a disadvantage are cultural workers who have not seen their situation improve with the film boom. This becomes more evident in coproductions where there are wage asymmetries and lack of opportunities to learn, because there is no legislation or organized labour institutions to demand fairer working conditions for national workers.

6.1.2 Benefits of the Film Policy

Economic returns

General returns imply measurable benefits made by the film industry to the system, and response to the general idea that cultural industries contribute to economic development of developing countries. The most evident is the participation of the sector in the Gross National Product (GNP) that currently represents 0.03\% (Conpes, 2007).\textsuperscript{57} Moreover, Fedesarrollo estimates that the value added generated by the film industry to the economy will go to US $56 million in 2010 from the current US $45 million (cited in Conpes, 2007, p. 13).

The creation of employment- between 100 and 300 direct and indirect jobs (food, accommodation and transportation industries) are created per movie- is also important

\textsuperscript{56} This trend is an externality caused by the market conditions in Colombia.

\textsuperscript{57} The same document estimates the participation of the film sector in entertainment and cultural industries will go up from 1.77 in 2006 to 2.13 in 2010.
within the general economic returns. If we multiply this amount by the annual average number of movies during the last three years, the total is impressive: between 760 and 2,299 jobs. However, the current working conditions of maintaining the same film crew for several projects or hiring experienced personnel limit the potential dissemination of benefits to well-recognized staff and not emerging talents.

Cultural returns

Considered an externality in the economics literature, the promotion of national identity is a primary objective of the current film policy in Colombia and, therefore, a central piece of the evaluation analysis. One of the indicators of cultural returns is the aesthetic contribution of domestic films in terms of national and international recognition. In first time in history, seven Colombian movies participated in the Cannes Festival in 2007, including Ciro Guerra’s *La sombra del caminante* that has won numerous awards in the San Sebastian, Havana, Toulouse, Varsov, Cartagena, Mar del Plata and Santiago de Chile Festivals (Pantalla Colombia, May 18, 2007). Despite its cultural and social content, *La sombra del caminante* performed poorly at the box office. This brings up the dilemma that local filmmakers face in producing commercial movies with potential economic success or social-content films at the risk of financial losses.

A critical point of cultural gains points to the coverage and access to national movies are box office and attendance. Both the ticket price and the concentration of screen in cities and wealthy neighbourhoods are deterrents for audiences to consume local films. Parallel official programs, like the *Salas Alternas*, offer a cheaper movie ticket in central areas, but they do not include the most recent national film releases offered in the commercial circuit. One might think, then, that TV broadcasting of Colombian movies will have more coverage and this is exactly the aim of the TV screen quota. However, it is too early to evaluate this tool due to its recent implementation and lack of rating records.

The limited reach and access to theatrical exhibition might suggest that taxpayers consider that cultural benefits of the film policy do not exceed the economic costs. This simplistic argument has to consider different values of films assessed by individuals. As family members affirmed, the fact that they do not consume national movies does not
mean that they do not support them. This relates to the existence and bequest values that people found in films by knowing that there are Colombian movies in the market and they will available for future generations (Throsby, 2001).

Regardless of these challenges, the number of spectators of national films has increased. This positive trend is not an exclusive success of the film policy because there are no direct links between audience promotion programs and attendance. Since the objective of the audience promotion programs is to enhance the population’s appreciation for general cinema, the policy does not pretend to promote nationalist sentiments. The choice whether to see a national or Hollywood film originates from consumers’ preferences and the information available in the system. Therefore, a more direct cause of the increase in attendance would be word of mouth and current marketing strategies involving the active participation of TV channels, as the interviewees confirmed.

Another cultural goal stated in the Film Law refers to the guarantee of cultural diversity promoted through cinema, but the unclear definition limits the possibility of assessment. If the model defines cultural diversity as the coexistence of local films with other cinemas in the national market, the release of any national film would reach this objective regardless its topic, language or location. On the other hand, if the concept implies the representation of the cultural diversity of the Colombian population in national movies, the film model is incoherent. The FDC does not intervene with the subject of the films, language be used or national locations to support Colombian business and audiovisual companies. Although documentaries and short films are meeting this need of representation, they do not have the same economic and cultural potential as feature films do. The variety and content of film narratives becomes, then, a private initiative represented by the scripts of production companies.

The CBA of the current post-neoliberal framework has highlighted the successes and those areas where policymakers should improve. A complementary step in evaluating current policies is going beyond measuring indicators to look at the relationship among subsectors of the value chain and film stakeholders. This exercise has the same objective of identifying negative and positive outcomes in terms of systemic relationships.
6.2 Level of Interconnection among Subsectors and Actors

Connections among subsectors of the value added chains of production and circulation are crucial to success. Not only is this a requirement to form clusters (Assmo, 2005), but it is also a precondition to create a receptive audience in order to create a sustainable film industry. We examine two sets of relationships, here, one among the principal actors in the system, and one of the relations within the production process.

The first connection, **state-industry**, has already been explained within the model of promotion that benefit producers, investors, donators, distributors and exhibitors that participate in the sector. The Film Division has also organized workshops in 2006 in marketing and creative production that have the participation of distributors, academics, policymakers and filmmakers. These policies also include the relation state- consumers that official audience promotion programs target.
Regarding the linkage between the state and cultural workers, the film labour sector is still in a precarious situation due to two main trends. The first one relates to the assignation of government subsidies to artistic areas over technical or production ones. The second has to do with the official preference for well-known filmmakers over emerging talents. Current eligibility to the contest awards does not distinguish between these two categories as other film policies do, such as those in Canada.

**Industry and consumers** has a stronger connection because of the promotion and marketing campaigns of films that increase potential demand. Official policies also support this stage through the automatic incentives, and exhibitors create consumers’ loyalty through prepaid cards for movie tickets, reduced tickets on Tuesdays and online and telephone services (ticket or food purchase, event planning and film information).

Once again, the situation of cultural workers (relation labour-industry) in Colombia is precarious because there are no organizations that can defend their rights. For example, the Association of Colombian Filmmakers, the Association of Film Technicians and the Association of Video and Film Producers and Directors function as discussion forums rather than formal structures with an office, bylaws and communication tools. Labour is concentrated in Bogota and few secondary cities.

**Academy-industry:** This relationship is not direct since film is an unstable and sporadic occupation for workers in the audiovisual sector. However, filmmakers (directors, technicians, scriptwriters) work as professors at film schools in order to survive since the chances to earn a living from filmmaking are low. A second point of connection is the organization of seminars by universities and the conduction of research about film content and industrial conditions.

**Academy-state:** has built a connection through investigators that participate in official contests under the research category. In addition, some of the officers working at the Film Division have been part of the academy like David Melo, the current director of that department. An important contribution from the educational centres to the official sector is the participation of the Universidad Nacional in Proimagenes. However, neither that nor any university has a vote or a voice in the National Council of Film Arts and Culture (CNACC).
Finally, the relation between academy and consumers is still exclusive to an educated audience since cine-clubs, film books and seminars are very specialized and they generally target people (students or participants) already involved in the sector.

In a more general perspective, linkages among subsectors of the value chain assist in evaluating the outcomes of the post-neoliberal model in conjunction with market trends:

Production–distribution: Film policies offer a reduction of the parafiscal quota to those companies that distribute national films, which suppose to strength the relation between local producers and distributors. Nonetheless, distribution of domestic films is not a common practice in Colombia since producers prefer to negotiate directly with exhibitors, avoiding paying fees to intermediaries and keeping more money for themselves. As a result, only one movie has had formal distribution in Colombia since the issuance of the Film Law in 2003: Dios los junta y ellos se separan (2006) by Babilla Cine. This dynamics limits the potential of obtaining equity investment from distributors; a regular practice in other film industries like Hollywood. Just recently Cine Colombia, as distributor, invested in the movie Satanás in 2006.

Distribution–exhibition: The connection of these two activities is the weakest of the value chain for the same reason as the relation between production and distribution is not strong: producers maximize profits by excluding distributors from the negotiation process. The opposite case occurs with foreign movies where major distributors negotiate with exhibitors in order to screen their movies. Curiously enough, the lack of distributors for local films has not prevented the release and success of national films in the market.

Production–exhibition: The exhibitors’ incentive to screen national short films is to obtain a discount on the parafiscal quota. In practice, this has only benefited one exhibitor: Cine Colombia. This suggests that the current policy framework has indirectly produced negative externalities. The Cinematographic Development Company (FOCINE) used another version of this policy tool in the past when it offered tax breaks for exhibitors who screen national movies, but this did not compensate all the taxes that they had to pay to support the film fund. Another area of development is the alliance
between producers and TV channels that entails investment, famous artists, promotion and exclusive rights to screen the movie.

The current set of linkages within the value added chain does not give a clear idea of the potential for the film industry to be sustainable since the system seems to work for all the agents, and more specifically, for producers. The only stakeholders that have a high cost of opportunity are the international majors. They have not been able to compete with Cine Colombia in distributing and obtaining profits from national films.

These linkages suggest that although there are not ideal conditions set in place for the industry to become a cluster, there is the potential to make the former economic film activities into a more cohesive sector. Yet, some former bottlenecks are still present. The state is still at the centre of the system despite the incipient initiative of private agents and consumers to develop the film industry.

6.3 Recommendations for the Colombian Film Policy Model

As the CBA and the linkage analysis show, the model has some areas requiring improvement, particularly in the more equitable distribution of social benefits. The following are suggestions in the areas of feasibility, efficiency and sustainability of the post-neoliberal model. Policymakers could potentially insert into current programs without causing major changes in the system, however, their implementation might cause resistance with certain stakeholders.

6.3.1 Feasibility

The general perception of the post-neoliberal model is that it had a top-down direction since the model was an official initiative and citizens did not have a voice about the promotion of the national film industry. In fact, general acceptance of the model came from the assumption that social benefits would expand throughout the entire society. The strategies, therefore, are to promote the importance of the film industry and to increase the return of marginal social benefits in order to maintain film policies. The first goal directly addresses consumers that have received benefits, but were not part of the process of the reinstallment of film support. Although this might be seen as government propaganda, there are results that show the benefits of supporting
film policies such as low direct costs and high number of screens and movies. A complementary benefit will be to expand the population that benefit from the official regulations.

Another recommendation within the area of feasibility is to open decisions to the academy. In order to strength the linkages among stakeholders and the value-added chain, the academy sector should have a vote and voice in the CNACC, for example. This might not represent a dramatic change since the National University is already an active member of Proimagenes. This recommendation aims to take advantage of the knowledge and experience that this agent has about the film sector in selecting the categories to support through the official contests.

6.3.2 Efficiency

Efficiency recommendations include issues to resolve in both the production and circulation subsectors. While the government has more autonomy to regulate in terms of production, an opposite trend occurs in the distribution and exhibition areas due to the presence of stakeholders with important financial and political resources such as majors' branches and consolidated exhibitors. Regarding the subsidies provided through contests, there should be a distinction between emerging talents and prestigious filmmakers to guarantee equal opportunities to both sectors. If the quality of any of those groups' film projects does not meet the jury's standards, Proimagenes could transfer the funds destined for them to the other group.

Another adjustment involves official scholarships. This type of incentive should include technical areas such as sound, editing and lighting among others without neglecting artistic fields already supported (e.g. screenwriting and directing). To keep costs under budget, some of these awards would be for programs at recognized Colombian institutions instead of international educational centres.

Updating programs should also include producers or aspiring producers. Most of the producers have learned their skills in the field of television or during their first attempt of industrialization under FOCINE, which poses questions about their real power of negotiation when dealing with distributors or exhibitors. “This is an economic
activity that demands knowledge of the market, to have contacts and to be aware of international trends. Our traditional way of doing business has to be replaced with experience in international events like festivals, conferences, workshops. Unfortunately, there is no such type of incentive in the official model” (E. Gamba, personal interview, November 28, 2006).

Although it is difficult to regulate coproduction conditions because it falls into union or workers achievements and production companies stipulations, officers may wish to propose standards of salary equivalency between foreign and national technicians. In this way, learning economies of coproductions would partially compensate already unstable conditions of Colombian technicians.

An element that might help to create fair labour conditions for technicians, whether working in coproductions or national projects, would be the creation of a union. Despite the negative perception that the creation of a union might cause or the assumption that unions are obstacles to the flexibility and economies of the scale that production firms should reach, in Latin America these associations contribute to make human capital an advanced factor through the acquisition of knowledge and use of technology (Shafer, 1994). A union would improve Colombian technicians' opportunities to update their skills and defend their workers’ rights before the state and the industry and this would enhance the quality of the final product and its potential demand. In Colombia, for example, there is only one cooperative and it gathers less than 200 film technicians. Its main purpose is collecting salary taxes for pension and health insurance, but it does not serve as a union. In Argentina, by contrast, there are nearly ten associations classified according to specific sectors, either technical or artistic, under the Union of the Cinematography Industry with 1,800 members in total. Their salary rate is equivalent to international standards and it is in American dollars.

Another issue to resolve within the production area has to do with the acquisition of postproduction facilities such as studios and laboratories. The opening of a Cinecolor branch has not yet realized and stakeholders question its viability due to the

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58 In Colombia, the general perception about unions is that they have links with criminal organizations such as the guerrilla groups.

59 INCAA and SICA online data.
low amount of work that the company would face with only eight national releases. What policymakers can do is regulate the mandatory use of those labs for short films, documentaries and feature movies, as Argentina currently requires for all copies of imported films (Katz, 2006). In exchange of this benefit, Cinecolor can offer advantageous rates. In this way, the company can secure work and local producers can get affordable rates in addition to saving traveling expenses as it occurs right now.

The last set of recommendations implies the distribution and exhibition subsectors. This aspect is, perhaps, the most complex because it addresses market oligopolies and a vast portion of the Colombian population who have not been favoured by the model. Regarding the distribution oligopolies, there is limited autonomy for policymakers to regulate them without risking a confrontation with the majors and Cine Colombia who are the most important contributors to the film fund. Although there was an attempt to establish an alternative circuit of distributors and exhibitors, the Film division has not taken further steps to develop this idea and incentives are still limited for independent distributors. Another factor has maintained the harmony in the system. Since only an average of 7.5 movies has been in theatres in the last three years, exhibitors have been able to accommodate them without hurting their regular releases of Hollywood movies. In the future, when the number of movies may rise to the point of not finding circulation channels, contest requirements might include a distribution contract - at least for high-budget movies - in order to receive official support as currently occurs in Canada (Interim Report on the Canadian Feature Film Industry, June 2005). This requirement would cause less controversy than screen quotas. Only producers might oppose the distribution contract requirement since it will imply an extra effort for them in planning the project. The benefits of having a coherent and feasible plan of circulation and additional funding from the distributor in the form of equity investment will compensate for the resistance to this policy.

The recommendation would therefore be to reinforce and extend the audience promotion programs. Some possibilities are to offer tax breaks to those companies that decide to build screens in those remote locations or to require a DVD copy of the master from producers as a condition of official support. In this latter case, officers will send the
DVD to cultural or educational institutions that already have screens because it is easier
and less costly to support established screens than to build new ones.

This strategy will require enhancing evaluation tools to assess how the
government complies with a better distribution of marginal social benefits. Although
audience promotion programs intend to reach remote areas, officers have to evaluate
their impact and expand them. In this way, officers can efficiently broaden the access to
 cinemas of low-income and middle-low income families in urban and rural areas.

Lastly, policymakers should develop indicators that measure the international
sales of Colombian movies copyrights. In this way, they will be able to foresee the
potential of local films in the world markets and possible strategies to improve their
positioning.

6.3.3 Sustainability

Recommendations in terms of feasibility and efficiency will obviously lead to
sustainability goals such as generalized access to movies, opened circulation channels
for Colombian films and a quality product based on an upgrade of skills of human
capital. However, the blurred definition of cultural diversity is still a pending issue that
affects the credibility of the model.

In the cultural dimension, the government has to define the implications of
"facilitating a progressive, harmonic and equal development of cinema as an activity of
social interest" as stated in the first article of the film law. The film narratives and the
citizen access to movies as observed at present do not represent the richness of the
Colombian culture or follow principles of equality. Adding this factor might be risky
since agents might see imposing topics or favoring certain minorities over others as
interventionism. However, the initiative does not represent extra costs since it could be
part of the program *Imaginando nuestra imagen*. Once the final work is finished, the Film
division has to guarantee their exhibition in either commercial or cultural screens. The
official TV show *En cine nos vemos* is another window of exhibition for these films.

Another neglected point that needs attention is the flexibility of the national
content requirements. Other countries like Peru and Argentina have clearly stated that
locations of national movies must be in the country and scenes in Spanish or native dialects. This not only guarantees income for local business, but the promotion of the official language.

6.4 Lessons for Other Countries

Throughout the present study, there have been arguments that strongly suggest lessons for other developing countries, even though the Colombian model is far from being perfect.

6.4.1 Feasibility

Perhaps one of the most difficult tasks of the Colombian model was to create a common front in order to design and implement the current policy model. It is necessary to analyze the beliefs, motivations and resources of the agents in the sector, and then negotiate policy alternatives with them to build trust. In the Colombian case, obtaining exhibitors' support was essential due to their abundant financial resources, but it seemed almost impossible because of all the taxes imposed on the movie ticket. The solution was to eliminate one of the ticket surcharges as a trade off. Moreover, all agents participate in the process of decision making such as the CNACC. Other positive consensus tools are workshops and studies in which all agents participate in order to create contacts and cultivate the sense of community.

Building this common front is essential in the present context where developing countries are involved in free-trade agreements that challenge protectionist policies. To illustrate this, Colombia maintained its promotion model under the use of a cultural reserve during the Free Trade Agreement (FTA) bargaining process with the United States. In the national arena, the concerted action with movements such as the coalition for cultural diversity stopped the legislative initiative from cutting off the tax incentives in the tax reform of 2006.

Another step is to examine the status of the film sector through research projects of the market and the legislation in place. This will assist in policymakers knowing the areas that need further regulation or a different approach in terms of official incentives.
For example, Film Law 814 in Colombia was the product of the merging diverse decrees, laws and resolutions for over more than 50 years, and the result of three research works on market trends (Fedesarrollo, 2000; Lopez & Melo, 2003) as well as on consumers' preferences (Napoleon Franco, 2000).

6.4.2 Efficiency

The post-neoliberal model of film support assigns the legal liability of the movie project to producers, which has resulted in the specialization of roles between producers and directors. This has increased the efficient allocation of resources and the realization of artistic goals by cultural workers. Due to the requirements of the contests and posterior audit controls, projects have to comply with realistic business plans (assessed by Proimagenes) and quality artistic standards (evaluated by the contest jury).

Efficiency at the production level is visible in terms of reduction of production time. According to contest requirements, projects have to be finished in three years, and most of the projects supported by the FDC have complied with this condition. Soñar no cuesta nada (2006), for example, broke a record by shooting the movie in six weeks and completing the entire project, from the original idea to the movie release, in 2 years.

Another consequence of the policy is the promotion of an entrepreneurial mentality upon producers. Since the contest awards do not provide total financing, producers have to approach the private sector or international partners and to complete the necessary budget. Producers also aim to succeed at the box office in order to have access to the audience and promotion incentives. And finally, tax breaks provided to those who reinvest in film activities also encourage the continuity of producing movies.

In sum, the primary objective of increasing the number of national productions has increased three times by providing financing through the parafiscal quota for film development. This connects with the third category of lessons that refers to sustainability.
6.4.3 Sustainability

Since the current film model pretends to set the grounds to make the film industry sustainable, it is important to see how independent the system is of the official intervention. The most visible achievement in terms of sustainability is that the FDC does not depend upon the national budget. This prevents the state from absorbing financial deficits and reduces the risk of limited funding in case of a switch of policy priorities or an economic crisis.

The participation of the private sector has gradually started to grow because of the tax breaks and the interest in potential profits in the film sector, particularly from TV channels. Although official resources are still as important as initial capital for projects, a diversification of capital investment is visible (multichannel system, appendix 4). Governments should encourage coproductions with other countries for projects to become sustainable by having access to international markets (either direct partners or third countries' markets), and other countries' official incentives. This strategy will open opportunities for future productions. The risk is that those agreements will become ineffective: Colombia, for instance, has signed four coproduction agreements (Argentina, Canada, Ibermedia and Brazil), but only Ibermedia and the Group of Three (G-3) trade agreement are active\(^\text{60}\).

The last indicator of sustainability is the interconnection of the subsectors and stakeholders of the value chain and the units within them. Conditions of sustainability such as the interconnections of subsectors and stakeholders have advanced in comparison to past decades. This is the result of the development of the market, with several proactive production companies in leading positions, and not only a product of official incentives. The current policy does encourage linkages through the reduction of the parafiscal quota for distributors and exhibitors that circulate national materials. The problem is that externalities such as the monopsony exerted by Cine Colombia do not allow other distributors or exhibitors to take advantage of this. New regulations on these practices are required in the future.

\(^\text{60}\) In interview with Colombian producers Paula Jaramillo and Gustavo Nieto Roa, they mentioned coproduction projects in progress with Brazil. Soñar no cuesta nada (2006) was coproduced with Argentina.
As a general conclusion, the Incipient Model of Sectoral Promotion and Cultural Promotion in Colombia shows all the complexities that influence the value of films recognized by all stakeholders. The dynamics of consumption feature films within the post-neoliberal model understands culture as a resource to offer in the national and global market, an expression of (limited) identity, a form of entertainment, a means to reproduce stereotypes. In terms of the model structure, the market has not challenged the central role of the government in justifying its protection and support as allegedly occurred during the first generation of neoliberal policies. This does not mask the fact that other stakeholders actively participate in the policy framework as part of decision-making institutions or actions that influence the system (films schools, coproduction agreements, academic research, etc.).

A further evaluation has to look more deeply into the cultural gains and losses. As we saw, although there are visible results in the economic sphere that suggest a certain degree of development, the Colombian model still struggles to guarantee access to cinema and distribute social marginal benefits in an equitable way. Within this discussion, the situation of the skilled labour supply is particularly important since industrial development and quality product is based on this production factor.

The film sector will still be an infant industry in the long term as is the case in other Latin American countries. This will enable producers to take advantage of official promotional tools while they apply other competitive strategies to maximize revenues. However, the question of sustainability implies other factors in transition. For instance, cultural workers will have to advocate for improving their situation and update their skills. Consumers' positive response to Colombian cinema opens up new opportunities for the industry as well as questions about their appreciation of national movies beyond the simplistic national discourse.

Finally, the Colombian state will have to address the contradictions between the political end of promoting cultural diversity and the practical means to realize it on the market such as the official language and film location as part of national content requirement. Short films and documentaries will represent a more participatory scenario (social justice) in the short term for different groups to become visible due to their lower costs and simpler production and exhibition methods than those of feature films.
APPENDICES
Appendix 1 - Ethics Disclaimer

This interview is part of the Master’s Degree research project in Latin American Studies. I expect that part of the thesis will be published in academic journals. The information I am asking for is of a general and nonsensitive nature.

Below is a list of questions for you to know that this interview and the answers to each question are completely voluntary. In each response you have the option of not answering the question. In any case, your name and position will be mentioned in the final version of the thesis or published articles. Further information will be kept confidential. You will be answering on the record for the whole interview.

I do not know exactly which answers I will use directly in the research. Generally, I use interviews as background information for my analysis, with limited quotations.

Please do not hesitate to ask me if you should have any doubts about this process. If you have any questions or complaints about this research, please contact Dr. Anil Hira at ahira@sfu.ca or at 604-291-3286. For copies of this study, please contact me at lcastane@sfu.ca or at 604-889-7417.

Sincerely,

Liliana Patricia Castaneda- Stud. #200080082

Application 37767

QUESTIONS

To what extent have the targets identified in the 2003 Policy been met?

Data on Colombian film audiences (e.g., age, sex, language) and their viewing preferences (e.g., theatrical, television, DVD, etc.) are difficult to obtain. Should a revised policy place a stronger emphasis on measurement?

Are the existing tax credit incentives increasing the private investor’s participation?
Has there been any unexpected (positive or negative) impact of the Policy since its inception?

How do you measure the success of public education campaigns that the film policy is implementing? In terms of audience or feedback?

Are there any specific exhibition strategies (e.g. in schools, clubs, etc.) that are used to develop audiences for national films?

What specific public and private incentives can be put in place to encourage the exhibition of trailers for Colombian films?

Do current ownership rules for film distributors and exhibitors inhibit access to Colombian feature films?

Different sectors have suggested the development of an alternate distribution system using new exhibition methods such as e-cinema and d-cinema. Is this feasible?

What specific improvements need to be made to the training programs for those aspiring to work in the feature film industry?

Are there any ongoing training needs required for those who are currently working in the feature film industry? How might this be done?

How should Colombian content be defined for the purposes of the feature film industry?

Do treaty coproductions have a positive or negative impact on the creation of Colombian feature films?

What is the success of coproduction treaties with Brazil and Canada (non-Spanish countries)?
Appendix 2 - Survey Questions

1A. Monthly household income (pesos):
Less than 408,000 (minimum wage) 408,000-1 million
1 million-3 millions 3 millions and above

2A. Age
18-25 26-35 36-45 46-55

1. Do you like to see Colombians movies? Why or why not? Where do you see them? (home or theatre) If negative answer, go to question No.7

2. Do you consume local movies because you support national industry?

3. Do you consume Colombian films because they represent cultural values?

4. Do you consume national films because they represent our reality?

5. Do you consider that the public like Colombian cinema?

6. What do you think or hear about the technical quality of Colombian films (sound, lighting, edition, visual effects)?

7. What do you think or hear about the artistic quality of national films (acting, directing, script, cinematography)?

8. Have you noticed an increase of information about Colombian movies in the last ten years? If yes, in which medium have you found that information? (radio, TV, newspapers/magazines, Internet, word of mouth, banners, posters, etc.)

9. Could you please mention five Colombian movie titles in the last five years? Have you seen them?

10. Is it easy to rent/purchase Colombian movies? Where and how much are you willing to pay for them?
Appendix 3 - Value Chain of Colombian and Foreign Movies

Production

- National Production
  (Centauro Prod, CMO, Dago Garcia Prod, etc.)
- Infrastructure
  (Congo Films, Hangar Films)
- Financing
- Location
- Labour
  (Ginebra Coop., Septimo arte Coop.)
- Majors' Films
- Other Countries' Films

Circulation

- International Distribution
  (Primero Plano, Lumina Films)
- Exhibition - Colombia
  (CineColombia, CineMark, Procin, Royal Films, Family Owned Companies)

Profits

- Recognition
- Next Project Financing
- Consumption of Cultural Content, Audience Box Office

Source: author analysis.
Appendix 4 - Multichannel System of Financing

Source: author analysis.
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**Works Consulted**


