

# Developing countries vs developed countries



**ASSIGN  
BUSTER**

In this research project, the target audience should to be the people working in the film industry. The results might be better validated through consultation with his target group, however, obtaining this data, e. g. via a survey, is problematic, as it is hard to predict the return rates. For this reason, this primary research could not be done.

Nevertheless, secondary research will be adapted in this project, and this chapter will still contain the data from some scholars in order to provide some evidence in answer to the research question. It will also contain some data and results from EcoWin. EcoWin is a web-based database that collates a wide variety of financial and economic time series from over 100 different countries.

Moreover, the economic concepts used in this project will be the multiplier effects. This is because the multiplier effect is a method by which job opportunities and wealth are created by attracting new industry to an area. It is used to explain the relationships between an industry and the related creation of wealth in the area. It could increase the amount of industries in the area, which would create more jobs and hence wealth and the overall image of an area.

### **3. 1 The Multiplier Effect**

The multiplier effect can be seen in most industries, and can illustrate the improvement and development of an industry. The multiplier will meet its greatest impact where idle resources exist. The following model (diagram 1) is an example of this theory. It shows how the film industry could affect the economy. Although the film industry has been established in a particular

country, it will need to decide whether the film will shoot locally or overseas. Each step will lead to different consequences. For instance, where the film industry decides to shoot a film overseas, it may induce jobs to that country, which will help the country to improve their technology and cultural. Furthermore, this will help them to attract more companies from overseas to invest in their country. This may successfully raise some of the country's GDP. As seen in Appendix 1, information from the UK council, it was stated that the multiplier effect had helped the UK gain £425 million in tax revenue and had contributed £1.6 billion to their GDP per year. This shows the significance of the multiplier effect to the economy.

Diagram 1 Example of the Multiplier Effect in the Film Industry.

## **Chapter 4. Data Analysis and Results**

The factors that might affect the economy are categorised as employment, tourism, technology and culture. Taking a film festival or shooting a film as an example, we can compare the unemployment rate during the hosting of the festival and during any other time. This is because the employment rate might only affect the country's economy within a short period of time. In addition, the tourism, culture and technology elements spillover to the film industry might also affect the local or national economy.

India, Korea and Hong Kong are all examples of developing countries that are showing good performance in their film industry. This chapter will compare the results from selected developing countries (India, Hong-Kong) and developed countries (UK, US), to see if there are any similarities and differences between them and why.

This chapter will also try to investigate only one film - "Blood Diamond", released at the end of 2006, because the ranges of the film industry are too big. This film was produced in America but shot in South Africa, so it is a good example for this project to investigate. Furthermore, we will compare the tourism rate before and after the release of the film to see whether there were any affects to the economy. It might be easy for people to find out whether are there any relationship between film industry and the economy. Also, by finding some data of labour income and referring to the multiplier effect (diagram 1), we will draw a timeline of the film industry to see the threshold and investigate and analyse all the process the between developed and developing countries. The result may able to show whether the development of a film industry will help to increase the LDC's economy.

## **4. 1 Developing countries (Hong Kong & India) VS Developed Country (US)**

To find out whether the film industry could help and improve the LDC's economy, we will compare the growth of the film industry in developing countries and a developed country.

### **4. 1. 1Hong-Kong & India**

Hong-Kong and India are both developing countries that are performing well in their film industries.

Hong-Kong's film production reached its highest levels during the 50s and 60s. However, after the world war, the education of the new generations became more Occidentalising; one of the reasons for this is because traditional Hong-Kong films were not able to meet the audience's taste.

Bringing in US films, also bring in their culture and technology. For example, the performed of the new 3D technology from the US in 2009, it had helped to increase the revenue for Hong Kong's film industry. From a report of US Commercial Service (2010), said that the new 3D technology has helped grow Hong-Kong's box office, it had gain US\$151. 9 million in 2009 which had grown 6. 5 percent from 2008. It shows the affect of the US's film industry to the Hong-Kong economy.

Moreover, from the Financial Express (2002), it had stated that the India film industry could contribute around RS 50000 crore to their GDP. Bhushan (2010) had also stated that the film industry had contributed \$1. 5 billion to the Indian economy from 2008-2009. The Website Indiancinema. com (2008) has stated that filmmaking in India may be the best among all developing countries because other countries are more sophisticated in their technologies. Moreover, it also provided evidence[1]that the development of the film industry will support the economy.

#### **4. 1. 2 US & UK**

Nowadays, the US film industry could be considered the most successful, as it has produced such a high number of famous films. Also, the US film industry might have a higher budget for shooting films, because their financial resources are much more abundant compared to others. However, the US film industry was not like this at the beginning, and has undergone a number of development processes.

The following shows the impact from film industry to UK's GDP in 2009; it had reinforced the fact that the film industry could affect the economy.

Table 1 Summery of Economic contribution of UK film industry 2009.

(Source: Oxford Economics)

### **4. 3 Tourism:**

The inducement of tourism is one of the important factors that the government should pay attention to. Tourism might increase in other countries because of the public's attraction to the films or stars; it will create an incentive for the local economy. For example, the rise of tourism will also cause a rise in production, which may in turn raise the local economy.

#### **4. 3. 1 South Africa**

Many scholars have agreed that the film industry might affect the economy by drawing in tourists attracted by the film. Figure 1 shows the total arrivals and departures of foreigners in South Africa. Both the arrivals and departures rates are increasing each year, showing successful development. In early 1986, both rates increased at a slow tempo until 1990, after which they both had a sharp increase. During 1995 and 1997, both rates are growing unstably, showing slight fluctuation. Mongabay (2009) stated that Africa's economy had been shaped over many centuries, and started getting better in 1994 because of their new government policies, which also improved the health of their economy and saw a growth in their GDP[2].

Figure 1 South Africa: Total Arrivals/Departures of Foreigners.

(Source: EcoWin)

### **4. 3. 2 America:**

## **4. 4 Labor Market: Employment/Unemployment**

The employment rate might only be significant in the developed world, with no reverent correlation in the third world. Refer to the Multiplier effect (Diagram 2), the exits of film industry will provide jobs for the local, and will induced jobs overseas in short run. The example of a US film “ Blood Diamond” shows that, although the film industry will induce jobs to South Africa this will only apply while the film is shooting. This only shows a small effect on the local economy, unlike the countries that have built their own film studios, like the US, and who will be available to provide long-term employment opportunities.

Figure 2 US: Full/Part time/Total Employment.

(Source: EcoWin)

It is important to note that the national employment rate is not affected by the film industry; however, it will affect the local employment rate temporarily. This is because the employment rate will only be affected while the film is shooting, unless the country builds a film studio in order to apply long-term employment. In other words, the film industry will only have a certain amount of effect in the national labor market.

### **4. 4. 1: South Africa:**

As the film industry may bring in some job opportunities for local people, Figure 5 shows the comparison of total employment and unemployment from 2001 to 2009, while Figure 6 shows the unemployment rate in South Africa.

Table 3 in Appendix 3 shows that while the unemployment rate in South Africa in 2006 is at its lowest, the employment also starts to rise.

Figure 3 South Africa: Total Employment/Unemployment.

(Source: EcoWin)

Figure 4 South Africa: Unemployment Rate.

(Source: EcoWin)

The film industry will be able to affect the employment rate locally in the short run; however, it will be impacting the income rate of the local people in the longer term. As Figure 7 shows below, the income rate is increasing each year; it started to grow faster in 1985, and rose sharply from 2000 to 2006. Relate this to Table 5 in Appendix 3, the income in 2004 is 141167, 156270 in 2005, rising to 193678.5 in 2006. It had increased by 37408.5 from 2005 to 2006, a sharp rise. Part of the reason for this might be that the film “Blood Diamond” was shooting during this period. It affected the local income gradually.

Figure 5 South Africa: Labour Income.

(Source: EcoWin)

## **4.5 Cultural;**

Culture will show the characteristic of a country and could represent a country in some cases. In the film industry, each country will have different interests in the type of film they produce. For instance, Indian movies will be more likely to contain song and dance but in the US they prefer more a more



hi-tech approach. As the song and dance in the movie are already become a feature to Indian film, this is why people had called the Hindi cinema as Bollywood[3].

Nowadays, people will recognise Bollywood as producing Indian films and Hollywood as producing American films; this could show the affect of culture. Sometime, the living habits of a country will be reflected in the movie.

#### **4. 6 Technology:**

The improvement of technology will affect the production of the economy and will have the power to affect the national economy as well. Where filmmakers shoot films in other countries, they might bring in some new technology. Or technology will be improved through communicating and competing with other countries. For example “ Avatar[4]” in 3D was a novelty to many people around the world and attracted a wide audience, which resulted in high box office profits. US Commercial Service (2010), it has stated that gross revenue of Hong Kong’s film industry is expected to expand in the coming years because of the opening of new multiplexes and 3D cinemas, and strong government support

If this film had been released in some LDCs, it would have created an awareness and interest of some new technologies amongst the locals, who may not have seen this kind of high technique film before. It would enable let the LDCs to gain knowledge and information by the inducement of technology, or they may decide to use the same techniques used in the film in their own productions. Furthermore, the exchange of technologies between countries will cause a technology spillover.

## **4. 7 Government Policy: Tax**

With regards to a government helping the film industry through tax relief, Wallack (2008) quoted a report by Massachusetts Film Office showing that when Walt Disney Pictures spent \$50 million filming in Massachusetts in 2006, the company received nearly \$10 million in credits from the state.

The action of the government can affect the growth of the film industry, as shown in the example of tax relief. Moreover, it will be able to encourage local production. The American Jobs Creation Act of 2004 included, amongst a myriad of other business tax breaks, a measure to benefit small movie production by allowing full write-off of production costs up to US\$15m, at a presumed cost of US\$336m. On the other hand, in the early 70s there were loopholes in the US tax system, which caused shooting to exceed budget, which had a negative effect on the economy.

## **Chapter 5. Conclusion**

Production, consumption and distribution are important in the film industry; these may affect the profits that the country may earn. For instance, if a country's production levels are high, it may increase their employment rates and distribution and may raise the reputation of the country, which might then increase investment from other countries.

Every country will have to face developmental stages, which shows the improvement of each sector in the country. Take the film industry as an example: not every country had cinemas from the very beginning but each started to develop as time went on. The development of the film industry might affect the economy because as people had more social time than

working time in the past, they would tend to spend their time watching shows or performances.

The increase of globalisation has made the film industry an international commodity. The success of the film industry in Hollywood has always been an objective for most of the countries. However, Rod (1998) argued that there is evidence that the US is losing the comparative advantage in the international media market. This is because of the rise in competition; nowadays most countries have their own productions in the film industry. But most of the film industries in the world were impacted by American filmmaking because it used the highest technology in this field during the film's Golden Age

•

### **5. 1 Implications of the Study:**

The purpose of this study was to find out whether the film industry could affect a local economy. If it is a successful pathway, this sector could alert LDC governments to pay more attention to this.

### **5. 2 Limitations of the Research:**

Not many scholars are focusing on the development of the film industry in a country. There is little data on this, therefore, which will impact the accuracy of this project. Moreover, problems relating to the primary research survey might affect the final result.

### **5.3 Recommendations for Further Research:**

The film industry might be one of the sectors that the government should try to pay attention to. While it may not result in large increases to an economy, there are still benefits to be gained.

Because of the word limit that applies to this project, it is not possible to cover in detail every question relating to this topic. Further research should firstly focus on whether the film could impact the income in developed countries, if yes, it may be a useful resource for LDCs. Secondly, is the level of development is important in determining, if film is going to affect the national consciousness. In addition, investigation should be made into the measures that could be uses to answer the questions of impact.