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## REPORT

on achieving better circulation of European films in the internal market and the  
candidate countries  
(2001/2342 (INI))

Committee on Culture, Youth, Education, the Media and Sport

Rapporteur: Luckas Vander Taelen



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## PROCEDURAL PAGE

At the sitting of 28 February 2001 the President of Parliament announced that the Committee on Culture, Youth, Education, the Media and Sport had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on achieving better circulation of European films in the internal market and the candidate countries.

The Committee on Culture, Youth, Education, the Media and Sport had appointed Luckas Vander Taelen rapporteur at its meeting of 9 January 2001.

It considered the draft report at its meetings of 22 March, 17 September, 15 and 16 October 2001.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Giuseppe Gargani chairman; Vasco Graça Moura, vice-chairman; Luckas Vander Taelen, rapporteur; Ole Andreasen, Pedro Aparicio Sánchez, Christine de Veyrac, Raina A. Mercedes Echerer (for Eurig Wyn), Ruth Hieronymi, Karin Junker (for Lissy Gröner), Elizabeth Lynne (for Marco Formentini), Lucio Manisco, Mario Mauro, Pietro-Paolo Mennea, Barbara O'Toole, Doris Pack, Marieke Sanders-ten Holte, Stavros Xarchakos (for Mónica Ridruejo), Theresa Zabell, Sabine Zissener and Myrsini Zorba (for Phillip Whitehead).

The report was tabled on 16 October 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## MOTION FOR A RESOLUTION

### **European Parliament resolution on achieving better circulation of European films in the internal market and the candidate countries ((2001/2342)(INI))**

*The European Parliament,*

- having regard to Articles 157 and 151 of the EC Treaty,
- having regard to the Commission's Green Paper 'Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union' (COM(1994) 96),
- having regard to the Council Decision of 20 December 2000 on the implementation of a programme to encourage the development, distribution and promotion of European audiovisual works (MEDIA Plus – Development, Distribution and Promotion) (2001-2005) <sup>1</sup>,
- having regard to Decision No 163/2001/EC of the European Parliament and of the Council of 19 January 2001 on the implementation of a training programme for professionals in the European audiovisual programme industry (MEDIA-Training) (2001-2005)<sup>2</sup>,
- having regard to Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities<sup>3</sup> and Directive 97/36/EC of the European Parliament and of the Council of 30 June 1997 amending Council Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities<sup>4</sup>,
- having regard to the Conclusions of the Lisbon European Council,
- having regard to the communication from the Commission to the European Parliament, the Economic and Social Committee and the Committee of the Regions - principles and guidelines for the Community's audiovisual policy in the digital age (COM(1999) 657),
- having regard to the conclusions of the Council of 16 May 2000 on the principles and guidelines for audiovisual policy,
- having regard to its resolution of 6 September 2000 on the communication from the Commission on principles and guidelines for the Community's audiovisual policy in the digital age<sup>5</sup>,
- having regard to the report by the think-tank on the audiovisual policy in the European Union<sup>6</sup>,
- having regard to the results of the European Audiovisual Conference of 6-8 April 1998 in

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<sup>1</sup> OJ L 336, 30.12.2000, p. 82, corrected in OJ L 13, 17.1.2001, p. 34

<sup>2</sup> OJ L 26, 27.1.2001, p. 1

<sup>3</sup> OJ L 298, 17.10.1989, p. 23

<sup>4</sup> OJ L 202, 30.7.1997, p. 60

<sup>5</sup> OJ C 135, 7.5.2000, p. 180

<sup>6</sup> Office for Official Publications of the European Communities, Luxembourg, 1994

Birmingham,

- having regard to the First and Second Information Reports of the Commission on the European film industry (‘The European Film Industry under Analysis’)<sup>1</sup>,
  - having regard to the report by the Commission on the results achieved under the MEDIA II programme (1996-2000) between 1 January 1996 and 30 June 1998,
  - having regard to the resolution of the Council on national support for film and the audiovisual industry of 23 November 2000<sup>2</sup>,
  - having regard to the communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on certain legal aspects relating to cinematographic and other audiovisual works (COM(2001) 534),
  - having regard to the numerous statistics and other data supplied by Eurostat, the European Audiovisual Observatory, Media Salles and the Research and Information Centre on Cinema, Audiovisual Media and Multimedia (CERICA),
  - having regard to Rule 163 of its Rules of Procedure,
  - having regard to the report of the Committee on Culture, Youth, Education, the Media and Sport (A5-0351/2001),
- A. whereas the market share of European films in cinemas within the EU has reached an all-time low, averaging 22.5% in 2000 as against 73.7% for films from the USA, whereas in the mid-1960s the European share was still around 60%,
- B. whereas the situation in most applicant countries is even more serious and their relative economic weakness makes them even more vulnerable to massive imports of American films,
- C. whereas, on average, in the year 2000 European films secured only 26% of their box office takings from sources outside their country of origin,
- D. whereas the European Union’s trade deficit for 1999 with regard to audiovisual programmes in relation to North America was € 6829 m,
- E. whereas however, in absolute terms, Europe produces more films than the USA,
- F. whereas one in four European films intended for showing in cinemas is not distributed commercially to them,
- G. whereas therefore European films have benefited little from the revival in cinema-going since the early 1990s in terms of numbers of cinema-goers, box office takings and numbers of cinema screens in the EU,
- H. whereas European cinema festivals (whose programming is for the most part European) are

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<sup>1</sup> European Commission, DG X, Brussels, 11 November 1996 and 23 October 1997

<sup>2</sup> Press release 11563/00 Culture/Audiovisual industry, 26.11.2000

an important means of promoting European films,

- I. whereas there is a danger that our citizens will completely cease to be aware of the cinematic traditions of their own country and continent because they now have little or no contact with it,
- J. whereas the existing Community instruments and the support measures of the Member States and regions have not been sufficiently able to curb this adverse trend,
- K. whereas the European Union's MEDIA Programme, despite the appropriateness of its methods, does not have enough funding to attain its ambition with regard to creating a sustainable and competitive audiovisual industry, its budget being only € 400 m spread over 5 years,
- L. whereas the i2i initiative of the Commission and the EIB Group, which was launched following the Lisbon Summit in March 2000, could do much to enhance the industry's competitiveness and to develop European content, although here too the inadequate budget, namely € 500 m spread over 3 years, will limit its impact,
- M. whereas there are many reasons for the poor circulation of European films, which is therefore not merely due to a distribution and exploitation problem,
- N. whereas some broadcasters make a significant contribution to the production, financing and circulation of European works,
- O. whereas the failure of European television stations to broadcast non-national European productions is partly to blame for the drastic decline in their distribution,
- P. whereas the distribution of non-national European productions contributes to mutual understanding of the individual European cultures,
- Q. whereas the European film industry, unlike the film industry in the USA, often lacks funding for development, marketing and promotion, and the importance of these aspects is often underestimated,
- R. whereas the rise of multiplexes has contributed to the growing uniformity of the films shown and few European films survive competition with heavily promoted Hollywood films within this circuit, while the smaller, 'independent' cinema circuit, which has remained faithful to its tradition of showing more European works, often lacks amenities for audiences and technical quality,
- S. whereas new digital distribution and projection techniques (e-cinema) will create new opportunities for the distribution of European films because they will make the distribution of films simpler and cheaper, and whereas this will spectacularly increase the scope for supplying several language versions,
- T. whereas, however, e-cinema is still in its infancy and not only requires further research but will initially also entail major investment in projection equipment,
- U. whereas virtually all European films owe their existence to public funds and other government incentives,

- V. whereas the audiovisual industry is very future-oriented and is a major potential source of employment, as confirmed by a study performed for the Commission in 1997, which states that the turnover of the audiovisual industry could rise by 70% by 2005, which could represent a growth of 350 000 new jobs,
- W. whereas film is a vector of contemporary culture which can potentially reach a large audience and thus does much to preserve and promote cultural diversity,
- X. whereas the restoration, promotion and circulation of the European cinematic heritage have a major part to play both in the economic exploitation of European culture and identity and in fostering their appreciation,
- Y. whereas the European internal market is extremely fragmented as regards the circulation of films, although its population of 376 million and, after enlargement, even more than 480 million makes it the largest market in the world,
- Z. whereas a strong European film industry presupposes strong national and regional film industries,
- AA. whereas, next to the nurturing of good directors, the development of a film star system could be one of the keys to an internationally more attractive cinema,
- AB. whereas in Europe the creative and commercial talent and the resources are available to build a sustainable industry, and the European film industry can only survive in the digital age if it is geared to the future and takes the initiative,
- AC. whereas there are too few complete and reliable statistics about the situation in the applicant countries, which impedes a thorough analysis,
- AD. whereas the revision of the Television Without Frontiers directive is planned for 2002,
1. Calls on the Commission and the Council urgently to adopt an ambitious, efficient and integrated multiannual plan to render the European film industry competitive and the choice of films pluralist; for this purpose calls for the funds made available for the film industry within the appropriations for the audiovisual industry in the Community budget to be increased; this plan should take into account the diversity of national circumstances and take measures to complement national and regional policies;
  2. Calls on the Commission to pursue a consistent Community policy on the film industry, particularly as regards its cultural/industrial incentive policy, on the one hand, and its approach to State aid to the industry under its competition policy, which should take into account the specific nature of the sector, on the other hand, with the aim both of improving the European audiovisual industry's competitiveness and of safeguarding cultural diversity;
  3. Calls on the Commission, the European Investment Bank and the European Investment Fund, in implementing the i2i initiative, which was launched following the Lisbon Summit in March 2000, to devote particular attention to:
    - (a) the financing of transnational distribution structures for European films,



- (b) the infrastructure requirements of smaller, independent cinemas which show many European films,
  - (c) the structural needs of European SMEs which produce independent films and are generally undercapitalised,
  - (d) structural needs of European cinema festivals whose programming is essentially European;
4. Calls on the Commission, in implementing MEDIA Plus, to aim for administrative and financial management systems which are efficient and as appropriate as possible to the patterns and constraints that invariably characterise the industry;
  5. Draws attention to the major importance of the Europa Cinemas network of cinemas, and the interesting work that is being done by the European Coordination of Film Festivals, which are supported by the MEDIA programme, for the distribution respectively promotion of European films and considers that these networks should be further expanded;
  6. Draws the attention of the Commission, the Council, the Member States, the applicant countries and the regions to the pressing need to create and foster European film stars of international standing and notes in particular the importance of the 'Shooting Stars' initiative of the organisation European Film Promotion, supported by MEDIA, which very much deserves to be expanded;
  7. Calls on the Commission, when revising the directive on Television Without Frontiers as a whole, to draw up provisions which must take into account, in addition to issues strictly connected with radio and television broadcasting, regulation of the new broadcasting media and to investigate inter alia the desirability and feasibility of:
    - (a) introducing a framework for television broadcasters to devote a minimum proportion of their transmission time to promoting European films,
    - (b) introducing a framework for a minimum transmission of non-national, European works,
    - (c) introducing a framework for television broadcasters to invest a share of their annual turnover in the European film industry (either through global contributions to national/regional film funds or through individual coproductions and cofinancing), an approach which is being applied successfully in certain Member States;
  8. Recognises the major contribution of some European broadcasters to the cultural and economic development of the European cinema;
  9. Calls on the Commission, within the 6<sup>th</sup> Framework Programme of Research and Technological Development, to devote attention to research relating to digital film distribution and projection techniques (e-Cinema);
  10. Welcomes initiatives such as the setting-up of the European Digital Cinema Forum and experimental projects such as the Cyber Cinema in Babelsberg, and calls on the Commission and the Council to remain alert to developments in the field of e-cinema;
  11. Recommends in particular that efforts be made in Europe to encourage use of new technologies for new forms of distribution ("cyber cinema");

12. Calls on the Commission, via the European Audiovisual Observatory, to commission a thorough analysis of European cinema audiences and the way in which they approach American and European films;
13. Urges the Commission, the Member States, the applicant countries and the regions to encourage consultation between the various parties involved in a film (in the fields of creation, production, financing, marketing, promotion, distribution, exploitation, etc.), from the development stage of the project;
14. Calls on the Member States, when using money from the European Structural Funds, to invest inter alia in the modernisation and expansion of cinemas, including art cinemas, in economically disadvantaged regions, with the aim of highlighting the European film heritage and European films in general at regional and local level;
15. Calls on the European Union to set up a European school to provide training in film-making so as to offer proper preparation for European citizens wishing to exercise this kind of occupation;
16. Urges the Member States, applicant countries and regions, in their educational curricula, particularly for primary and secondary schools, to devote sufficient attention to developing the visual faculty, so that young people learn to adopt a more critical approach to material in the visual media and are more open to a wide diversity of film cultures; further calls on the Commission to draw up a programme for visual education;
17. Draws the attention of the Member States to the fact that art cinemas can play an important part in developing the visual faculty, both at school and by means of extracurricular activities; notes in this connection the educational function which a Pan-European Children's Network, to broadcast quality children's films in the various Member States and the applicant countries, could have;
18. Calls on the Commission to promote the restoration and protection of the European film heritage inter alia by means of incentives to digitalise and classify those works;
19. Calls on the Commission, together with the Member States and all parties concerned, in the interests of cinema education, to promote the establishment of a catalogue of old films that are representative of Europe's heritage and can be made available to European schools;
20. Calls on the Member States to encourage and practice the legal registration of cinema and audiovisual works and introduce a register open to the public;
21. Calls on the European Union to provide a budget heading for the restoration of film works which are of great social and artistic significance and represent a valuable heritage for the European Union;
22. Calls on the Commission and the Member States to promote the setting-up of a European Cinematic Heritage Foundation whose purposes should in particular include organising a cinematic heritage network and establishing links between those concerned by this (setting-up of databases, organisation of seminars of international standing, etc.), training in the professional skills of film conservation and restoration, promotion of key European films and circulation of catalogues (compilation of thematic catalogues and broadcasting on television channels, creation of DVD collections of films which form part of the European heritage,

- cultivating awareness of the European cinematic heritage, particularly at schools, etc.);
23. Urges the Member States and applicant countries, if they are not already doing so, to organise a monitoring system for box office takings within their territory in order to keep track more effectively of developments on national and international markets;
  24. Draws the attention of the Member States, applicant countries and regions to the positive effects which appropriate fiscal incentives can have on competitiveness and employment in the film industry, and recommends that they consider introducing such measures;
  25. Calls on the Member States, applicant countries and regions to ensure that the support schemes which they operate within their own territory for the film sector comprise as few obstacles as possible which prevent or hamper European coproductions;
  26. Calls on the Commission to perform a feasibility study of the possibility of 'interconnecting' the existing automatic support funds of the Member States and regions, including a simulation of the compensation which would need to be paid to the Member States for the financial loss;
  27. Calls on the Commission to perform a feasibility study of the possibility of setting up a European Promotion Fund to improve the opportunities for marketing European films with a transnational dimension and sufficiently large potential audiences, and in this context to investigate the possibility of formal cooperation with the European Film Academy;
  28. Considers that the European Film Awards could assume a higher profile and gain in prestige and thus be a vital instrument for the purpose of promoting European films among the general public if they:
    - (a) received more political support from the European Union and Member States,
    - (b) were presented on television channels accessible to all, for example on European public broadcasting networks, as a major event,
    - (c) received more attention from the media, both print and audiovisual;
  29. Urges the Member States and applicant countries to establish national film academies, where these do not yet exist, or to support them, with a remit to enhance the prestige and profile of national and (indirectly) European films in the eyes of the general public, particularly by awarding national film prizes and selecting entries for major international film prizes, such as the European Film Awards and the American Academy Awards;
  30. Calls on the Member States and applicant countries to encourage the promotion of European films among the general public, including in less obvious fields, and thus to help bring about a general change of mentality on the part of the public;
  31. Calls on the Commission to ensure that, in the current round of WTO negotiations, existing measures relating to the audiovisual content industry remain in force and the right is preserved to extend these measures to new services in order to attain the policy objectives of the EU and the Member States, which remain unchanged since the Uruguay Round in 1994;
  32. Calls on the Commission and the Member States to encourage European airlines to show films produced in Europe during flights;

33. Calls on the Commission, further to its planned communication on certain legal aspects relating to cinematographic and other audiovisual works, to investigate to what extent introducing specific regulations on the film industry could help the applicant countries to develop their national film industries better and encourage the distribution of European films within their territory;
34. Calls on the Commission to investigate whether and to what extent the incorporation in the Treaty of a separate specific provision or protocol concerning the film and audiovisual industry and the cultural sector in general could take account of the specific nature of the industry;
35. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States and of the applicant countries.

## EXPLANATORY STATEMENT

### Introduction

European films are sometimes successful in their own country, but rarely manage to make a similar breakthrough in other countries. The dominance of American films is overwhelming.

According to the European Audiovisual Observatory, the EU's trade deficit for 1999 with regard to audiovisual programmes in relation to North America was € 6829 m. The market share of European films fell to 22.5% in 2000. Films from the USA took 73.7% of the market. In the mid-1960s, Europe's market share was nearly three times its present size. The box office success of European films has gradually declined. Yet Europe produces more films than the USA.

The European institutions and the Council of Europe have long been seeking solutions to this problem:

The Council of Europe's Eurimages programme has been in existence since 1989 and currently spends around € 20 m per annum on supporting coproduction and to a lesser extent distribution and cinemas.

The EU's MEDIA programme is crucial for the development of the audiovisual industry. However, because of inadequate funding (€ 400 m for MEDIA Plus, or 0.088% of the EU budget), it partly fails to achieve its potential impact. The i2i Audiovisual Initiative of the Commission and the EIB Group can promote the competitiveness of the audiovisual industry and the development of European content, if it responds flexibly to the particular character and needs of the industry. The Commission has also adopted a communication on certain legal aspects relating to cinematographic and other audiovisual works on 26 September 2001. In 2002 the Television Without Frontiers directive is to be revised.

Yet these instruments are not sufficient to fundamentally alter the weak position of the European film industry. In order to do this, a change of mentality and a stronger sense of responsibility would be needed on the part of policy-makers and the industry. Moreover, European cinema can only flourish on the basis of strong national film industries. It is rare for a film to be an international success if it is not a local success. Member States have a manifest responsibility here.

A strong film industry is a major source of employment. A study performed for the Commission in 1997 claimed that the turnover of the audiovisual industry could increase by 70% by 2005, which corresponded to a potential increase of 350 000 jobs.

This report would rather focus on a number of positive recommendations than on a detailed analysis of why things are going wrong. The premise is that the weakness of the distribution of European films is a direct consequence of the structural problems of the European film industry as a whole.

## **Development and production**

Investing in development is not part of the European film tradition. Development is expensive and most European production companies do not have enough capital. As a result, films come onto the market in an immature state, which spells disaster at the box office and damages the image of European films.

In the United States, only 1 project in 10 reaches the production stage. In Europe the figure is double this, and projects are more often abandoned for financial reasons than on grounds of quality. On average, 7% of the budget of a Hollywood film is spent on development, whereas the corresponding figure in Europe is only 1 to 2%.

In Europe, the development stage is often exclusively the domain of creative/production staff, while organised feedback from other parties (distributors, sales agents, cinema operators, marketers, financiers, etc.) from the inception of a project – tailored to the film, of course – can be beneficial.

The decision that MEDIA Plus should concentrate inter alia on development and on supporting project packages was justified. However, development is also a responsibility of the Member States. Some, such as the UK and France, have set an example by investing more in development, and others should follow suit.

Certain policy measures could encourage producers to take more interest in what happens to their films further down the line, for example the introduction of an ‘interconnection’ system: an arrangement whereby automatic support funds operated by Member States would be linked in order to give producers access to funds from other Member States as well. The EU could then pay compensation. Such interconnection would increase the sources of financing, which is by no means insignificant in view of the gulf between American and European film budgets, and would make producers more aware of their films’ market potential abroad.

Another worthwhile measure at Member State level is the introduction of tax incentives, which can promote productivity and employment. These already exist in seven EU countries.

Television broadcasters play a crucial part in the production and financing of European films. When the ‘Television Without Frontiers’ Directive is next revised, therefore, it could for example include a binding requirement to invest a certain amount in the European film industry.

## **Marketing and promotion**

Marketing of European films is often neglected. Yet it is nearly always of relevance to consider what audience a film is aimed at from the outset of a project and at all subsequent stages.

It is sometimes maintained that a good film will always find an audience. But the low profile of European films is an enormous handicap. Hollywood spends more than 30% of its budget on promotion, as against 3-6% for European films. This is indicative not only of a difference of mentality but also of a structural financial problem.

MEDIA Plus helps distributors and sales agents to improve their promotional work. Promotion is very expensive and calls for a considered approach, geared to the type of film and the niche to

which it aspires. There is little point, therefore, in simply trying to copy the American promotion machine, but we can learn much from it.

As a complement to MEDIA Plus, a European Promotion Fund could bring a selection of European films to the attention of a large international audience. These could lead the way in increasing public appreciation of European films.

When revising the directive on 'Television Without Frontiers', consideration could also be given to introducing promotion requirements. Promoting films on TV is expensive but very efficient. If European TV broadcasters were to devote a marginal proportion of their transmission time to promoting European films, this could be a major step in the right direction. TV broadcasters can also play an active role in building up a European star system. Examples amply demonstrate that films with actors of international renown cross national borders more readily.

The annual European Film Awards also constitute worthwhile promotion, although this European counterpart to the Oscars still needs to become a bigger event. Consideration might also be given to synergies between the aforementioned Promotion Fund and the European Film Academy.

### **Distribution and exploitation**

Releasing a film generally entails major and rapid investment, which as a rule cannot be recouped at the box office. In view of the numerous ways in which films are exploited (cinemas, video, DVD, unrestricted-access television, pay television, pay per view, video on demand, internet, etc.), only 20 or 30% of total revenue now comes via cinemas. The operation of cinemas remains important, because it determines a film's image and its promotion and market value.

Film distribution is becoming an increasingly risky business, partly because TV stations are showing fewer and fewer non-national European films. As a result, distributors can no longer recoup their costs via the television market. The video market has likewise mainly been cornered by American productions. This is leading to more cautious distribution policies. Therefore, when the time comes to revise the 'Television Without Frontiers' Directive, consideration should perhaps be given to including among the requirements to broadcast European works a minimum quota for non-national productions.

The European market is very fragmented, inter alia because of cultural and linguistic differences and because Member States' film policies are not very international. The international career of a film is generally the sum of the decisions taken by local distributors.

Pan-European distribution initiatives have not yielded the intended results: Europe produces too little for a cost-intensive distribution major to be viable. The formation of long-term European networks is also often impeded by national differences which stand in the way of a common selection and release policy.

The MEDIA Plus measures, comprising selective and automatic distribution support and support to sales agents, are adequate. Since the inception of MEDIA II, the number of European films distributed outside their country of origin has risen by 85%. But this has not led to a significant increase in their market share, as the programme's funding is too limited.

If it is our ambition to develop a lasting film industry, it will nonetheless, in the longer term, be necessary to create strong transnational distribution structures. Small-scale initiatives must also be encouraged.

As far as cinemas are concerned, two parallel developments are taking place: on the one hand there are multiplexes, which mostly show mainstream films, and on the other hand there are small 'independent' cinemas showing more art films and more European films. However, the latter venues often lag behind in terms of amenity and technical quality. Could scope be created within the i2i initiative of the Commission and the EIB Group for infrastructure development by independent cinemas, e.g. in the form of cheap loans or the provision of guarantees? The European Structural Funds could also be used to modernise and expand cinemas in economically disadvantaged regions.

Lastly, e-cinema. Digital distribution and projection techniques have many advantages, because they make the distribution process simpler and cheaper and can be used to make different language versions available. However, it will be some time before they are used on a large scale. The farsighted attitude of the Commission and Council, the establishment of the European Digital Cinema Forum and a number of experimental projects such as the Babelsberg Cyber Cinema are therefore of the first importance.

### **Educating cinema audiences**

The importance of education in this whole area would be hard to overestimate. How can we impart to our children, young people and adults a taste for European films when films from other European countries no longer form part of their experience? Television broadcasters bear a heavy responsibility here. This must therefore be debated thoroughly in connection with the revision of 'Television Without Frontiers'.

In addition, Member States have a fundamental role to play in developing the visual faculty by means of school curricula.

### **The applicant countries**

The market share of European films in the applicant countries is generally even worse than in the EU Member States. Because of their parlous economic situation, these countries are in an even weaker position to resist the massive influx of American films. More research is needed, but the statistics available seem to confirm this trend. Yet most of these countries have rich cinema traditions. This situation could be an additional argument in favour of adopting specific EU



legislation on films. As part of the ‘acquis communautaire’, this could help to revive their own cinema traditions and create better opportunities for the distribution of European films.

### **The international context: the WTO**

At the Uruguay Round in 1994, the EU and its Member States were able to protect their audiovisual industries by securing a series of opt-outs for the sector and by not making any specific commitments to liberalise. In the new Round there will be pressure to make commitments, or at least not to extend existing measures to new services, such as distribution over the Internet. Given the uncertainties for existing revenue streams, it is important to safeguard existing measures and for the EU and Member States to reserve the right to extend these or new measures to new services to continue to achieve their policy objectives, which remain unchanged since Uruguay.

Accordingly state aids (at the EU and national level) and other incentives to maintain cultural diversity are needed to ensure the continuance and survival of cultural diversity in the production of European films and their European-wide circulation.