Inbound and Outbound Globalizations in the International Film Industry

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Abstract
Since culture has been considered as a pillar of national identity, prevailing ideas for cultural industries and policies are closely linked to protectionism and anti-globalization. However, these moves are derived from a narrow understanding of globalization. In this regard, this paper deals with this fundamental question on how to understand globalization in cultural industries with a focus on the film sector. For this research question, this paper identified inbound and outbound globalizations. Inbound globalization happens domestically with the interconnectedness among domestic and international factors whereas outbound globalization occurs overseas. These two types of globalizations can be undertaken both actively and passively depending on how to utilize (dis)advantages. Based on such an analysis, this paper argues that government policies should be set up to maximize benefits from both inbound and outbound globalizations in order to enhance the international competitiveness of the film industry while strengthening its industrial base.

A broader perspective on globalization in the film industry
It is often said that we are living in a globalized period and the word ‘globalization’ has been used as a label for almost everything. Recently, this term has received close attention following Brexit and the Trump administration’s protectionist trade policies. This trend has seen many other countries around the world similarly orientating themselves toward more protectionist measures, broadly signifying a backlash against globalization. However, to what extent are these moves truly against globalization? And fundamentally, how can we define globalization and understand its characteristics?

There is a large body of literature that covers various aspects of globalization, from its origins, the evolution of its concepts, and the scope of its semantics as well as its implications for various sectors (James and Steger, 2014; Kim, 2013; Kraidy, 2005; O’Rourke and Williamson, 2002; Ohmae, 1990). Although endeavors to study globalization are relatively recent, the trace of globalization can be easily found throughout the course of human history. In particular, globalization in culture has been clearly visible across the world despite the fact that its level can be different by period, region, and country.

In terms of globalization and its impact on culture and its industries, the film industry is no exception. Although the film industry’s origins may be humble, elements of globalization were even evident then. It is generally regarded that the world’s first film was screened by the Lumière brothers in France. Later, they visited other countries such as Argentina, Belgium, Canada, India, the United Kingdom, and the United States to project their films, which can be considered as a form of film exports by today’s standards. In the decades after the Lumière brothers, cinematographs and filming techniques have evolved by incorporating new technological advancement developed in many different countries.

Furthermore, for various reasons, foreign human resources such as film directors, actors, and crews have all been employed in one capacity or another since the early period. Sometimes, a whole filmmaking crew would even shoot their films in other countries as a way to utilize exotic landscapes. This form of globalization was not limited to these parts. A large number of elements and even storylines have their origins in foreign contents, such as Ninja (Japanese history), Thor (Nordic mythology), Mulan (Chinese literature), or Gladiator (Roman history).

Despite these globalized aspects in the film industry, protectionism and anti-globalization appeared early on, particularly with the advent of films as this medium has been closely linked to a country’s culture and the economy. Given this perceived impact on a nation’s identity, many governments have long sought to implement trade barriers or incentives to protect their local film industries. They may attempt to restrict the business activities of foreign film
companies as well as limit the import and/or exhibition of foreign films. By contrast, some governments have offered incentives such as cash rebates, cash grants, tax credits, subsidies, and tax exemptions to help the local film industry in the face of foreign films. More actively, they have signed bilateral treaties such as international film co-production agreements, preferential trade agreements, or even project their protectionist ideas over an international organization under the name of cultural exception and cultural diversity.1

Despite the fact that films per se exhibit a cultural aspect, its industry has strong economic characteristics. When examining the policies behind this specific industry, governments tend to favor exports over imports while wishing to attract foreign investment rather than promote outward investment. However, globalization in the film industry should be understood comprehensively through various aspects such as production, consumption, related fields, and the business context, including trade and investment. Such an analysis will provide a more accurate assessment of its impact on culture and its related industries.

In this regard, this paper addresses how to understand globalization with a focus on the film industry. Additionally, it develops several new concepts which provide a more comprehensive way toward understanding globalization. For this, the following contents are included. The second section covers the critical literature review. The third section presents a comparison of the existing literature and extensions that have derived from it. The fourth section develops a new classification for globalization and theorizes it further. The fifth section discusses other related issues regarding different views on globalization. Lastly, the conclusion summarizes the findings of this paper and suggests several policy implications.

Critical literature review

When Levitt (1983) first popularized the term globalization (James and Steger, 2014), it soon began to appear widely in other media studies. Although defining globalization in the film industry has become a complex task due to a multitude of diverse conceptions, generally it is understood as lowered national borders and increased cross-border flows, quantitatively and qualitatively (Kim, 2013).4 As this paper focuses on globalization in the film industry, for the sake of simplicity this section deals with the representative literature that covers both globalization and the film industry together although there is a great deal of literature that covers the diverse aspects of globalization.

Fore (1994) looks at globalization of the Hong Kong film industry with focus on Golden Harvest Films which was the largest film production, distribution, and exhibition company in Hong Kong during the 1990s. In this study, the main focus of globalization remains on traditional activities of production, distribution, and exhibition. In other words, globalization is about how to produce more internationally appealing films and to distribute and screen them more widely. The globalization in this paper is similar to the prevailing one that has a focus on market expansion.

The Chinese film market is currently one of the largest in the world and has become the main export target for Hollywood films. In general, the prominent view in China on the globalization of US films is that it is a form of cultural invasion or homogenization of Chinese films into US ones. Yet, Su (2011) argues that this process has in fact helped Chinese audiences to make sense of their own modernization process and national identity. This unique perspective is different from other existing studies. Although the interrelation of the films from the two countries hints at more than mere market expansion, the view of globalization that this study adopts is limited to the traditional concept of globalization, the expanding market (of Hollywood).

Analyzing the common factors behind the success of Brazil, Hollywood, and Hong Kong in the 1990s, Olson (2000) places globalization within the textual content of films produced in these countries. While the focus is on the commonality of these aforementioned film industries, this paper considers Hollywood films as the ‘gold standard’. From this, Olson (2000) delineates how similar Brazilian telenovelas and Hong Kong films are to Hollywood productions in terms of textual content. From this angle, it is the globalization of Hollywood that prevails as other countries have adopted its approach to textual content. Such globalization is not only about market expansion, but also the assimilation of Hollywood films in terms of content.

Rao (2007) covers the globalization of Bollywood, an Indian film industry based in Mumbai, which has recently attracted global attention. Similar to other studies, the focus of globalization in Rao’s work is about the expansion of its market, particularly through the Indian diaspora around the world. Interestingly, it delineates that the song-dance sequences, one of the key characteristics of Bollywood films, have globalized; dances have become more multi-cultural and songs have been influenced by hip hop. In other words, globalization in the Bollywood film industry has happened both domestically and internationally through market expansion as well as the ‘passive’ assimilation to Hollywood.

Klein (2004) delves deeper into this aspect of assimilation by comparing martial arts films in the US with those from Asian film industries. For example, Asian talent flows into Hollywood as its studios remake Asian films which can be expressed as ‘Asianization of Hollywood’ and ‘Hollywoodization of Asian film industries’. This approach is about assimilation through cross-cultural interaction which is beyond a unilateral flow from the core to periphery countries.

In contrast to the Bollywood case, Crane (2014) states that US films hold the dominant position across the world based on the data of 34 countries. However, this study argues that US films should modify its contents to meet the different tastes of local fans instead of merely expressing ‘US imperialism’ as a way to expand further its market. This is because a number of countries will tend to resist the dominance of US films by introducing policies that promote national films while restricting those from the US. The focus of this view on globalization is merely on market expansion, but it opens up a question on whether localization (of US films) can be understood as part of a strategy for globalization or not.
Kim (2004) examines competition in the Korean market between Hollywood and domestic films. The findings of this work are that the globalization of Hollywood films in Korea is positive-sum as it helps to improve the production of the Korean film industry. The paper then accentuates the fact that once the Korean film industry gained its competitiveness, it has begun to export more films to other countries since the late 1990s. It concludes that both Hollywood and local film industries have benefitted from globalization. Although the view on globalization continues to be based on market expansion, it implies that there are other domestic benefits that can be obtained through globalization.

By providing further details, Kim (2013) delineates how the Korean film industry has responded. Interestingly, the globalization of US films in Korea has pushed the domestic film industry to restructure their system retiring traditional conventions related to production, distribution, and exhibition. This influence has contributed to the birth of Korean-style blockbusters at the end of the 1990s. Since then, the Korean film industry has sought to expand its market to other countries. Thus, although the domestic adaptation of globalization was passive in Korea, it helped to change the industry fundamentally.

Based on the Korean experience, Kim (2013) distinguishes globalization into inbound and outbound globalizations which are determined by where the process occurs. Inbound globalization refers to external pressures to open the domestic market up for global players such as the globalization of US films in Korea, whereas outbound globalization is associated with the expansion of the market and participation in global competition with local players as in the expansion of Korean films in other countries. As they cover the process of globalization at home and abroad, this conceptual distinction is, in fact, broader than other existing studies and very meaningful to analyze comprehensively globalization in relation to protectionism/liberalism and (anti-)globalization. The next section examines the viability of this concept.

Comparative analysis and extension

The concept of inbound and outbound globalizations is meaningful in the course of the changing paradigm of globalization. Yet the basis of this concept developed by Kim (2013) is solely evolved from the experiences of the Korean film industry. To address this limitation, this section compares the concept proposed by Kim (2013) with other studies to demonstrate that the way existing studies understand globalization is rather limited. Later, this paper further expands on these concepts by carefully examining and testing the cases of other countries – which are more explicit and evident – and introduces new concepts which can capture the diversity of globalization, in terms of flow and the level of engagement, more comprehensively.

The market expansion of US films can be easily considered as outbound globalization from the US viewpoint, which tends to be the prevailing perception about globalization. Changing themes or adopting new genres of Hollywood films as demonstrated by Klein (2004) and Crane (2014) are technically different from the expansion of the market although both of them can be treated as a processes of or strategies for outbound globalization. This type of outbound globalization is derived from exploiting and/or exercising actively advantages that the home country or companies possess such as superior production capability and distribution power.

Another interesting case in this regard is the Italian and New Zealand film industries. During and after World War II, a great number of Italian talent from the film industry left for the US (Ricci, 2008). Similarly, a large number of New Zealand film directors and actors left for other foreign markets such as Hollywood due to poor domestic market conditions, mostly before the late 1970s (Babington, 2008). This can be considered as outbound globalization from the viewpoint of Italy and New Zealand. However, different to the precedent type, its motive is to avoid (or overcome) disadvantages that reside in the home country or its local industry, instead of exploiting or exercising advantages. This outbound globalization has, thus, a passive aspect compared with the first type.

In this regard, inbound globalization should also be examined carefully. For example, the cases such as the assimilation of Hong Kong films and Brazilian telenovelas into US films, the modified song-dance of Bollywood films under US influence, and the Korean film industry's restructuring in the face of US dominance in Korean film market, are clearly forms of inbound globalization as the area of occurrence is obviously local (or domestic), not overseas (or international), from the viewpoint of recipients. Therefore, this is in line with the definition of Kim (2013) that inbound globalization is under external pressure or, at least, external influence.

Still, there are also different types of inbound globalization. Again, to use one of the examples from above, the Italian film industry attracted foreign film companies and their productions by offering attractive financial incentives after World War II (Jäckel, 2003; Mattelart, 2009). New Zealand too has voluntarily opened up its film market to foreign film companies in order to boost its film industry since the 1980s (De Bruin, 2005; Dunleavy and Joyce, 2011). This type of inbound globalization is not due to external pressure, but reflects an active and spontaneous local response to globalization from abroad.

Based on these examples, two characteristics for both inbound and outbound globalizations can be distinguished as either ‘active’ or ‘passive’. This helps to further develop the concept proposed by Kim (2013). The existing studies are compared and shown in Table 1, which neatly demonstrates how the existing studies have a rather limited view on globalization, although there might be subtle differences between them.

It is noteworthy that these various types of globalization are not country-specific and have happened in the film industry of other countries as well, although examples used in this paper are derived from a few selected countries. This is because these examples clearly demonstrate inbound/outbound and active/passive globalizations, which can help readers to understand such developed concepts more easily.
Theorization: new classification of globalizations

In contrast to the prevailing views, globalization is not only about expanding the market but the various processes such as dispersing people or practices between various countries. It can also be about increasing market consumption by developing niche markets through new forms of distribution and exhibition. In addition, globalization can restructure industries through both horizontal and vertical integrations of business. Furthermore, it can even establish new global networks with other global organizations and corporations.

At this stage, it is necessary to solidify the definition of globalization in order to formulate a new classification by integrating various processes in existing studies and other real-world cases as mentioned before. First, the distinction between inbound and outbound globalizations is due to the direction (or origin) of influences and where its process occurs. For example, when the film companies and their movies flow from Country A into Country B where relevant events of globalization happen, this can be considered as inbound globalization from the viewpoint of Country B. Conversely, from the viewpoint of Country A, this globalization can be regarded as outbound globalization.

The different characters of being ‘active’ or ‘passive’ depend on how to deal with (national or corporate) advantages and disadvantages. For example, when film companies and their movies from Country A expand their market into Country B, this can be regarded as exploiting or exercising the advantages that they have such as superior quality, efficient production management, and distribution power among others. This can be regarded as the ‘active outbound globalization’ of Country A and/or its companies. Real-world examples of this type of globalization can be easily found in the market expansion of the US film industries and their movies through distribution channels, subsidiaries in foreign countries, or the runaway production of US companies abroad as happened in France, Italy, and the United Kingdom after World War II, which is still visible today in some of these countries to an extent.

There are though cases where Country A’s film companies or creative inputs go to Country B in order to mitigate certain disadvantages at home. As this type of outbound globalization is different from the aforementioned one in terms of characteristics, this can be considered as ‘passive outbound globalization’. As shown before, prominent examples are the ‘brain drains’ of the Italian and New Zealand film industries to other countries such as the US. In some cases, Country A and its film companies may have certain advantages when compared with Country B and its companies. Therefore, it may seem that they are exploiting or exercising these advantages. However, here the most critical motive is not about just utilizing advantages, but rather mitigating disadvantages.

Shifting to inbound globalization, the application of advantages and disadvantages is reversed. Facing the dominance of companies and their films from Country A, Country B and its companies can undertake moves to defend their (national or corporate) advantages, although it is often not so advantageous. In some cases, Country B and its companies could adjust themselves to globalization but this happens within a limited or minimal scope such as modifying dances and songs in movies as shown in the Bollywood case. Some other examples can be imitating or pursuing trends and stories from globally popular products such as the assimilation of Hong Kong films and Brazilian telenovelas into Hollywood films while maintaining their advantages as mentioned before. In a sense, all of these are a passive way for embracing globalization and this is referred to as ‘passive inbound globalization’ in this paper.

Another good example can be the various restrictions such as quotas on import and exhibition and subsidy regimes to protect the domestic film industry. This can be found in a number of countries around the world. However, this may draw foreign companies to the home market to avoid these restrictions. All of these protectionist restrictions are to maintain (or defend) the advantageous position that domestic films and the related industry have enjoyed, therefore it is a passive type by considering the viewpoint of the recipient country and its level of engagement.

In this regard, inbound globalization in Hollywood, where a well-developed film cluster is located, provides another interesting case. This kind of cluster can also attract foreign companies and it seems to be ‘active inbound globalization’. Still, this outcome is not due to the initiative of the host country, but rather the interests of foreign companies. This laissez-faire approach by the government is due to its expectation of developing and/or creating advantages through competition and consequent synergies; which can bring about a substantial economic effect. In order to avoid any confusion, it should not be missed that the viewpoint to determine whether this is active/ passive depends on the recipient and the recipient country.

Meanwhile, facing the same dominance from Country A, Country B and its companies may embrace globalization actively in order to overcome residing disadvantages. In this case, Country B and its companies adjust actively themselves to globalization. This is called ‘active inbound globalization’ in this paper. When compared with ‘passive inbound globalization,’ the critical motive of this active inbound globalization is focused on overcoming existing disadvantages, rather than exercising advantages. Case examples such as

| Table 1. Comparison of various types of globalization |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Type            | Character       | S1   | S2   | S3   | S4   | S5   | S6   | S7   | S8   |
| Outbound (Overseas) | Active | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   |
| Inbound (Domestic) | Active | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   | ✔   |

Note: The mark, ✔ in light color means that related studies hint at the relevant factors but not explicitly.

Italy and New Zealand where they attracted foreign companies with incentives to boost their film industry and/or enhanced its competitiveness are representative of this. Another good example is Korea where its small and medium-sized enterprises (SMEs) have recently welcomed a large amount of foreign investment to produce internationally popular contents which can be widely diffused by foreign distribution channels. By doing so these Korean SMEs have easily overcome financial difficulties as well as various distribution issues.

Regarding the case of passive inbound globalization, the Korean film industry can be again a good example. The government restricted its film market by imposing import and screen quotas in the 1970s and 1980s. In response, importers, local distributors, and movie theaters selected only the most successful foreign films among the limited number available under the quota system, notably from the US. By exposing Korean audiences to top quality foreign films, they have been able to form and maintain a sophisticated consumer market. This has induced the Korean film industry to produce attractive films since the late 1990s that can be in competition with US films in the local market.

Despite restrictions on foreign films, there always existed a minimum level of globalization. But if this inbound globalization were of the active type, the benefits of globalization to the Korean film industry would have been larger and materialized earlier. At this point, it is noteworthy to stress that the stagnancy of the Korean film industry during the 1970s and 1980s was not due to US films or globalization, but rather down to market distortion caused by the business-unfriendly government policies when faced with globalization (Parc, 2017). All of these definitions and classifications are summarized and shown in Figure 1.

Regarding the effects of these globalizations, some would argue that these globalizations may not be that beneficial. It is noteworthy to point out that debating and analyzing the effects of globalization is beyond the scope of this paper as it is about introducing new concepts and building upon established theories on globalization. In this case, globalization per se and its effects should be clearly distinguished. However, the results of real-world cases depend on how the recipient country, industry, and the engaging participants react to these globalizations, not simply by adopting globalization.

Getting back to the effects of globalization, it can be generally said that globalization can be beneficial if it is examined from a dynamic long-term perspective. Concerning passive outbound globalization, for example, several New Zealand directors left for Hollywood. On the face of it, this would not seem that much beneficial. Yet when the situation for the New Zealand film industry improved, this talent came back to New Zealand with enhanced skills and they helped the industry to prosper further. One of the most famous cases is Peter Jackson who produced The Lord of the Rings series (2001–2003) and The Hobbit series (2012–2014) after his return from Hollywood. If countries like Korea and New Zealand can benefit from globalization to enhance the competitiveness of their film industries, other countries can achieve the same.

Discussion

For the film industry, a number of countries have established various forms of protectionist measures such as subsidies and quotas. However, Babington (2008), De Bruin (2005), Dunleavy and Joyce (2011), Messerlin and Parc (2017), Messerlin and Vanderschelden (2018), Murschetz et al. (2018), Pager (2011), Parc (2017, 2019), Parc and Messerlin (2018), all argue that regardless of the fact that globalization is either inbound or outbound, globalization per se is beneficial to enhance the competitiveness of the film industry. This is in line with the implications presented in this paper.

Still, there are those who continue to highlight how disastrous globalization is to the film industry. In this regard, the Mexican film industry is often referred to as a notable example (Costello, 2005). In fact, Mexico opened up its film market unilaterally and buttressed this decision by signing the North American Free Trade Agreement (NAFTA) with the US and Canada in 1992 (Parc and Messerlin, 2018). Garcia (2006) argues that the productivity of the Mexican film industry, in fact, has not been able to meet the local market demand since the 1970s. In addition, Paxman (2018) and Piva et al. (2011) argue that the reason for the stymied development of the Mexican film industry was due to scant financing, lack of private initiatives as a result of nationalization, weak legal regulations coupled with rigid social relations, rent-seeking behavior of film producers and companies, and restrictions on distribution and internationalization.

In brief, it is not globalization that has hindered the development of the Mexican film industry, but lack of ‘film

Figure 1. Classification of globalization
capital’ such as infrastructure, well-trained talent, and active business initiatives. The New Zealand film industry was in a similar situation during the late 1970s. However, by embracing globalization, its film capital has significantly increased and accumulated. The Korean film industry has also experienced the same path. Once its import quotas were abolished in the late-1980s and its screen quota was cut by half, its film companies have focused on fostering their film capital through globalization.

It is important to understand properly what globalization truly is. Globalization does not guarantee the success of an industry, but rather it enlarges and expands better choices for production factors and markets in order to produce more attractive films and boost the industry. In the end, success depends on how to utilize available resources through globalization in order to enhance its competitiveness, rather than how the government intervenes (Kim, 2019).

This is particularly true with the progress of new technologies such as the Internet, video on demand (VoD) services, or other mediums. Various countries have experienced these changes earlier than others and have accumulated more know-hows in response. Through globalization, the process of trial and error can be shorter and reduce possible transaction costs. As a result, globalization can help the film industry upgrade and/or maintain its competitiveness at the international level.

Conclusion

The global political economy landscape has significantly changed following recent events such as Brexit and the Trump administration’s protectionist trade policies. The public and global media outlets consider this trend as a backlash against globalization. More importantly, other countries have begun to join in with their own protectionist policies. Since this is an on-going event, no one can predict what the outcome in the future will be.

In this regard, understanding and examining comprehensively the globalization on the cultural industry is meaningful because culture and its industries are one of the most sensitive sectors that can be affected by globalization. In addition, the responsiveness of this industry toward globalization has occurred much earlier, particularly with the advent of the film industry. In particular, due to the short time span of film production, the impact of globalization on the film industry is very evident.

This paper presents two kinds of globalization: inbound and outbound. Inbound globalization happens domestically through interconnectedness of domestic and foreign factors, whereas outbound globalization takes place overseas. These two types of globalization are further divided into active and passive by the utilization of (dis)advantages coupled with level of willingness. The domestic impact of these globalizations can vary by the status and conditions of the local film industry, its market, and other factors. Yet, by embracing these types of globalization more options are available to enhance the competitiveness of film industries more effectively.

In order to maximize the benefits from globalization, government policies should be carefully planned if a country wishes to boost its film industry. Unfortunately, many have focused on introducing various forms of incentives, notably with subsidies. However, this is not much related toward enhancing the core competitiveness within the industry. In order to fully benefit from globalization, government policies should focus on fostering a better business environment that can facilitate domestic and foreign business activities and their interaction while opening up their market to the world. It should be stressed that regardless of being domestic or foreign, business should be considered as a counterpart to co-operate, not to restrict and control.

The focus of this paper is to present two new concepts, inbound and outbound globalization as well as the distinction between them. In addition, we propose a new categorization for active and passive types and to build a more comprehensive theory by embracing existing studies and developing new concepts. While these theoretical contributions are meaningful, this paper also hints at several directions for further studies. First, the effects of these various types of globalization should be carefully examined. Second, in order to facilitate policymaking, the efficiencies of each globalization type can be measured and prioritized by their effectiveness. Last, the form of globalization can be further deepened by specifying factors such as production, market, related industries, and the business environment. Together with the contribution of this paper, these future studies will further broaden and deepen studies related to policy, media, film, business-economics, and their globalization academically and practically.

Notes

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1. Many believe that these measures and concepts can be regarded as globalization. Yet, the fundamental basis of these measures and concepts are tightly related to anti-globalization. Some argue that this is not anti-globalization, but rather regionalism against Americanization. The distinction over these matters is meaningful; however, this is beyond the scope of this paper.

2. Lorenzen (2007) argues that globalization and internationalization are technically different. However, globalization is often considered to be more comprehensive than internationalization. This paper takes ‘globalization’ as it is based on existing literature with a broader view. More importantly, this non-distinction does not hinder the analysis and fundamental findings of this paper.

References


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