Can a GVC-oriented policy mitigate imbalances in the world media system?
Strategies for economic upgrading in the TV format global value chain

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Abstract

The TV format business has evolved rapidly since the formation of a TV format global trading system at the turn of the millennium, but one notable feature has stayed the same: the UK has remained the world's leading exporter. Considering that the UK used to be a net importer of (US) TV formats, it is a remarkable turn of fortune that begs two questions: what lies behind it and can the recipe be applied elsewhere? This article argues that British broadcasting policy helped build a local TV production sector that excels at export, and that this policy contains the key elements of a GVC [global value chain]-driven policy. Collecting evidence in the Middle East, Israel and South Africa, this article demonstrates the benefits of such a policy and outlines its key dimensions. Using the TV format trade as a case study, this article acknowledges that the world media system is unbalanced, but contra the cultural imperialism thesis and critical political economy theory, it argues that developing countries can take measures to build the capacity of their creative industries and, in particular, get local TV producers to participate more actively in the TV content GVC.

Key words

Broadcasting policy, economic upgrading, global television, global value chain (GVC) analysis, media and development, TV format global value chain, TV format trade.

Introduction

While the revolution that came with the new millennium led to the formation of a TV format trading system that was global in scope, the industry has made big inroads since this turning point. Following the footsteps of mature broadcasting markets such as Europe and North America, the format trade continued to expand rapidly in emerging territories, as the articles in this special issue clearly demonstrate. The format business has also expanded in terms of genre,[1] but this article focuses on a more permanent feature of the trade's recent evolution: while it is apparent that a growing percentage of travelling formats come from an ever widening circle of exporters, the pecking order has remained stable: 2004's three leading exporters were still holding to over half the format trade ten years on (Table 1). The UK, in particular, which was a net importer before the format revolution, has managed to maintain its leadership ever since. British classics continue to perform strongly, with eight of the world's leading 12 travelling formats between 1997 and 2014 originating from the country (Wallace, 2015: 2). The trend is set to continue as British producers are still finding new markets for their intellectual property (IP) and have managed to renew their slate with strong titles (White, 2016).

Table 1: Travelling formats by origin (in percentages)

	2004	2009	2014
UK	36	36	30
USA	22	21	25
The Netherlands	16	19	10
Rest of the world	26	24	48

Source: Wallace (2015): 3

A second dataset confirms that few changes have occurred among the leading exporters, with the exception of Argentina and Germany dropping off the leaderboard and Israel making a spectacular entrance to 4th position (Table 2).

Table 2: Leading exporters by format titles, 2006/08 v. 20016

	Position in 2006/08	Position in 2016
UK	1	1
USA	2	2
Netherlands	3	3
Israel	n/a	4
Spain	9	5
Scandinavia (Sweden, Norway and Denmark)	Sweden: 5, Norway: 14 Denmark: 7	6

Source: Frapa, 2009: 13-15; The Wit, 2016: 6

These figures provide the research problem for this article: in the face of growing global competition, how did the UK manage to maintain its leadership? And can other countries learn from its success? This article approaches this issue from the perspective of the global value chain (GVC) framework. First, it explains how the GVC analysis can enhance our understanding of the format business and why the format trade must be considered as a specialized chain within the TV content GVC. Then, it provides an introduction to the TV content GVC and analyses the reasons that explain the UK's export performance. This article argues although the British policy that helped build a local TV production sector cannot be labelled GVC-driven, it does contain the key elements of such a policy. Comparing and contrasting UK policy initiatives with other nations and regions (the Middle East, Israel and South Africa), this article demonstrates the benefits of such a policy in the GVC-driven industrialization era. Using the TV format trade as a case study, this article acknowledges that the world media system is unbalanced, but contra the cultural imperialism thesis and critical political economy theory, it argues that developing countries can take measures to build the capacity of their creative industries and, in particular, get local TV producers to participate in the TV content GVC. Finally, this article outlines the key dimensions of a GVC-driven broadcasting policy.

Economic upgrading and the TV format GVC

Globalization is shifting patterns of production by fragmenting production, breaking down the vertically-integrated mode of production and stimulating a world-scale division of labour (Feenstra, 1998). In today's world economy, it is increasingly likely 'that a particular product is no longer produced in a single economy and then exported as a final product to other countries, but that the production process itself is characterised by an increasing share of inputs from other countries and by offshoring parts of production to other countries' (Foster *et al*., 2013: 2). The international disintegration of production is sometimes referred to as the 'second unbundling': by lowering transportation costs, steam power unbundled production and consumption (the first unbundling), as goods such as wine or cloth (to use David Ricardo's famous examples) could be consumed far away from their country of production. Most commodities, however, continued to be manufactured in one location. With the information and communication revolution and other technology progress, it has become feasible to slice and splice the production process into separate segments that can span borders and sometimes cross continents (Baldwin, 2011: 6-10; Baldwin, 2013: 13-26).

Fragmentation is caused by the growing number of companies that outsource – and often offshore - the production process, allocating tasks and resources according to the competitive advantage they find. From fashion to electronics, many multinationals are selling products they manufacture in part or not all (Gereffi, 2001: 1620).

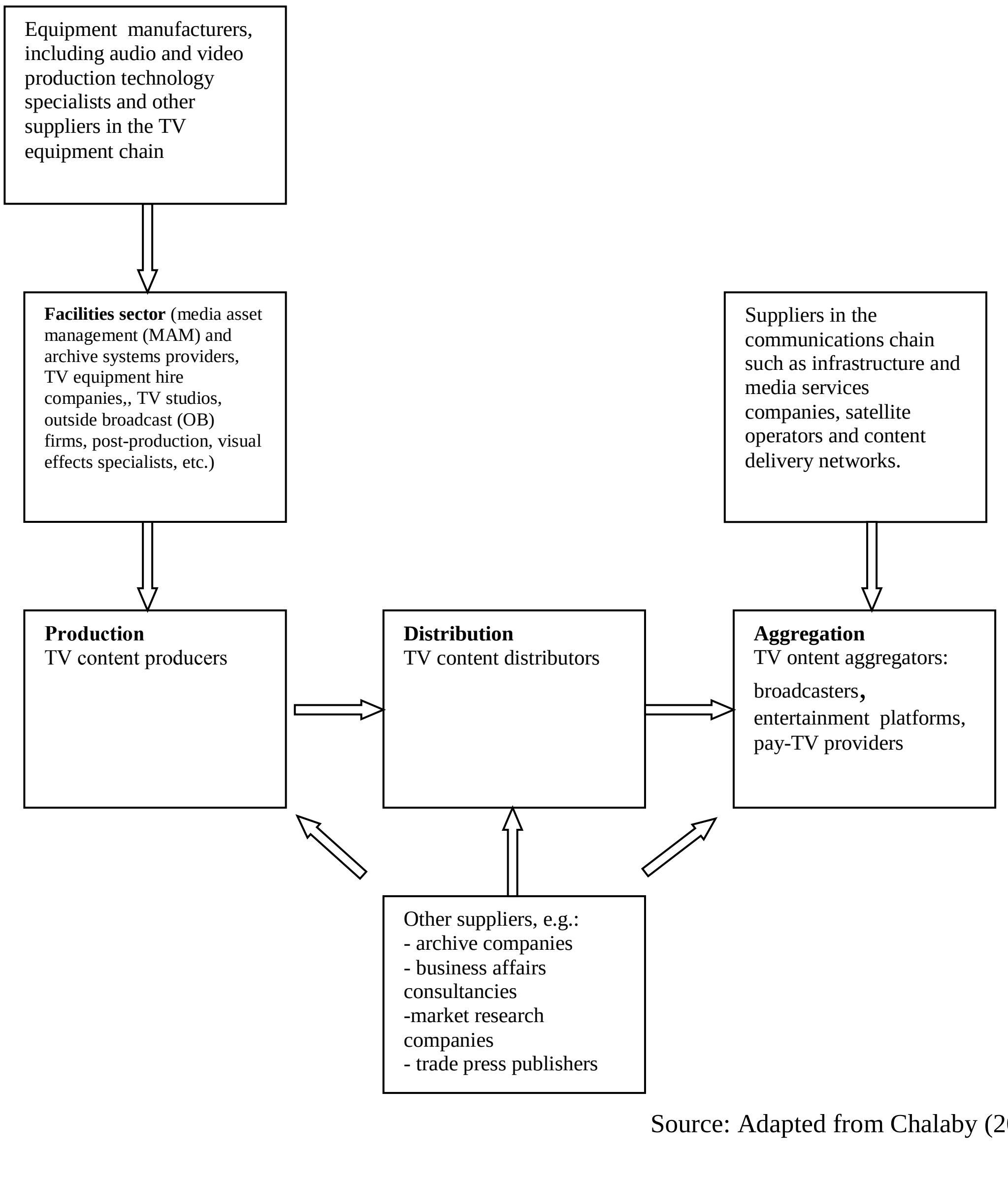
These disintegrated and de-verticalized production processes have become characterized by inter-firm networks that span borders and form *global value chains*, or 'sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy' (Gereffi *et* *al*., 1994: 2). Today, trade of *intermediate goods* within value chains represents more than half the total value of (non-fuel) global exports (WTO, 2013: 182-3).

In this respect, the creative industries – and television in particular – are no different to other industrial sectors and are increasingly globally structured by cross-border value chains. Until the late 1980s, with the exception of the USA, broadcasters were fully integrated operations. In Europe, public broadcasters produced what they aired, apart from domestic films and imports from Hollywood, and came fully equipped with studios, orchestras and generously staffed drama and light entertainment departments.

The disassembling of the old production model occurred when a combination of factors progressively led media firms to concentrate on those activities in which they retained a competitive advantage. Change was brought by deregulation measures (notably the breakup of national monopolies), trade liberalization, the development new technologies (starting with cable and satellite channels in the 1980s), the emergence of an international copyright regime, and consumer demand and preferences (Chalaby, 2009; 2016c). In this new context, firms specialized in their segment (e.g. content production, distribution or aggregation) and progressively formed a chain through which TV content began to travel from inception to consumption. As firms opted to grow internationally within their segment, this chain became global in character. Today, aggregators such as broadcasters and entertainment platforms, which often have international scope themselves, have stepped up foreign outsourcing in search of the best programmes and ideas, while their own content suppliers also cross borders. Thus, 'value chains are at once a *structural* reality of the TV industry - television is globalizing because value-adding sequences have become international - and a *structuring* reality – firms' decisions and strategies are coordinated by a value chain that is global in scope' (Chalaby, 2016c: 54).

The format trade must be considered as a specialized chain within the larger TV content GVC, and while its precise nature varies in accordance with the type of content (e.g finished programming, formatted entertainment or sports), the key segments remain similar: content production, distribution and aggregation (Figure 1).

Figure 1: The TV content GVC



Source: Adapted from Chalaby (2016c)

Conceptualising the format trade

The alternative models that synthesize the format value chain usually attempt to reproduce faithfully all the stages involved in the life course of a format (e.g. Lantzsch et al., 2009; see also Martin Ndela's article in this issue). Indeed, a format is first originated by a production company, which will seek to have it commissioned by a broadcaster that will make a decision on the basis of a presentation or a pilot. The production process itself often involves several firms that perform tasks such as editing and second-screen applications. If the ratings are good, the producer will write a production bible and will make the format rights available through a distributor. Global TV production majors like to produce their formats in as many territories but also sell the remake licences (Chalaby, 2012). Each segment - production, distribution and aggregation - is carried by specialized businesses that interact continuously in the making and broadcasting of TV formats. Thus, from the perspective of the life course of a format, the input-output structure of the TV format GVC is best considered as non-linear. However, the GVC approach provides a holistic view of this process, focusing on the structure and connections of the global inter-firm networks involved in the trade.

Economic upgrading in a GVC-oriented industrialization

The growing importance of GVCs in world trade has implications for economic development: it becomes contingent on *economic upgrading*, which is defined as 'the strategies used by countries, regions, and other economic stakeholders to maintain or improve their positions in the global economy (Gereffi and Fernandez-Stark, 2011: 12), or, as Pietrobelli and Rabellotti put it, the ability of producers 'to make better products, to make products more efficiently, or to move into more skilled activities' (Pietrobelli and

Rabellotti, 2006: 1). In the context of *GVC-oriented industrialization* (Gereffi and Sturgeon, 2013)[2], vertically integrated companies that may perform strongly in their national market can be an obstacle to economic development as, 'with GVCs, competitive improvements come not with the development of the fully integrated scope of activities in an industry, but by moving into higher-valued tasks associated with the industry' (Milberg *et al*., 2014: 170).

The GVC literature recognizes four economic upgrading strategies: product upgrading, 'namely the shift into the production of a higher value product'; process upgrading, 'namely improving the efficiency of production systems', functional upgrading, 'namely moving into higher value stages in the chain that require additional skills', and intersectoral upgrading, 'namely entry into a new value chain by leveraging the knowledge and skills acquired in the current chain' (Fernandez-Stark *et al*., 2014: 82; see also Lee, 2010: 2995).

Although there is no evidence yet of GVC-driven policies in the broadcasting sector, some governments have taken sector-specific measures to build up the local TV content production sector, which undoubtedly helped these countries' firms to progress in the TV format GVC. Once acquainted with formats, some countries have found a way to move from *stage one*: (re)produce foreign intellectual property (IP), towards *stage two*: create local IP for local consumption, and on to *stage three*: export local IP.

This brings us to this article's key research problem, which is as follows: which measures should a government take in order to help local firms upgrade from the *local production of imports* to the *local creation of formats*? And how does a GVC-driven policy in the TV format value chain would look like? This article uses the UK as a case study because the British government, it will be shown, has been the most successful in promoting its TV content production sector so far. It draws on interviews with industry leaders in a variety of countries in order to analyse the effectiveness of sector-specific measures in helping the development of local businesses.

Towards GVC-oriented policy in the broadcasting sector?

Most often, governments' policy decisions tend to favour GVC's lead firms. The temptation is easily explained: these companies are often national champions, employ thousands of staff, are in the public eye and are generally well versed in the dark arts of lobbying. But in an era of GVC-oriented industrialization, a lead-firm bias can impair economic development and cause a fatal blow to the prospects of economic upgrading for local firms. Too frequently, broadcasting policy falls in the same trap: not only many broadcasters hold national-champion attributes, but their proximity to the field of power means that it takes a particularly courageous government to legislate against their commercial interests. The UK's broadcasting policy in the past decades, however, presents us with an exception.

In the early 1980s, the British government managed to create a local content chain almost *ex nihilo* by launching Channel 4 as a publisher-broadcaster, which was required to commission all of its programming from independent producers. This decision created a cottage industry of micro-firms specializing in documentaries. The fledgling sector was provided further support in the ensuing years: the Broadcasting Act 1990 introduced 'the statutory independent quota' to other terrestrial broadcasters, stipulating that they must commission at least 25 per cent of their programming from independent producers, and the Broadcasting Act 1996 expanded the principle to digital terrestrial television channels (Ofcom, 2006: 34).

This policy strand, aimed at growing an independent TV production sector, culminated in 2003. Until this point, the sector was growing but remained fragile and producers were at the mercy of a handful of powerful broadcasters who could dictate terms and conditions to their content suppliers. In particular, broadcasters were able to bundle all the IP rights attached to TV shows and keep them forever. The Communications Act 2003 forced the industry to introduce terms of trade between broadcasters and producers, considerably reinforcing the rights position of the latter. These terms disaggregated rights and allowed producers to keep all the rights not purchased by broadcasters, creating in the process of new IP regime that transformed the fortunes of the independent production sector. The IP that used to end in broadcasters' hands were now bankable assets, leading to a wave of investment and consolidation in the sector (Chalaby, 2010, 2016c).

This long-term policy effort facilitated the considerable growth of the UK-based TV production sector over the past two decades: its annual turnover has passed from £700 million in the mid-1990s to £2.9 billion in 2014 (Jones, 1995: 5; Oliver & Ohlbaum, 2015). In addition to its significant contribution to the British creative economy, this performance has helped the UK to become the world's second largest exporter of television programmes behind the USA, with international revenue £891 million, and the world's largest supplier of TV formats (Oliver & Ohlbaum, 2015).

The lesson to be retained from this exercise is that the vested interests of lead firms - in the above example the UK broadcasters - must be challenged when necessary. The TV content value chain is characterised by strong *power asymmetries* between content aggregators (e.g. broadcasters) and their suppliers: these aggregators are small in number, exceed the size of most content providers, and command such large commissioning budgets that they can dictate terms to producers (Chalaby, 2016c: 76-80).[3]

When the British Government created the nation's fourth channel, it did so in the face of formidable pressure from advertisers and ITV companies that had lobbied relentlessly for years for a second service, and so certain were they to land their channel that TV sets on sale in the late 1970s already had an 'ITV-2' position on the dial! (Darlow, 2004: 103). The Communications Act 2003 also challenged broadcasters commercial interests, so much so that the terms of trade have gone through five full reviews since their implementation in 2004 (McVay, 2015).

By way of contrast, the power of lead firms in broadcasting is largely unchecked in most markets, making it difficult for local TV producers to develop their assets and export formats. The challenges they face are illustrated by Rapid Blue, Africa's largest TV format producer. Duncan Irvine, its CEO, explains:

> The beauty about the UK production environment is that you have terms of trade and thanks to the terms of trade, if you create a show, a really great show and you get it commissioned by the BBC for instance, you still get to retain the IP and you then can go off and sell the format. In South Africa that doesn't happen. If a broadcaster commissions you, they own everything, you no longer own the show; it's theirs. So down here I mean we'll develop shows for a broadcaster knowing that we basically are going to lose all the rights to it, so it makes it very, very hard to develop a format that you might be able to sell outside of the country (Irvine, interview 2016).

Irvine's way of going around this problem is to bring broadcasters fully-funded ready-to-air programmes that he licences to them. However, regulatory support for the sector 'would unlock massive potential down here, because a lot of ideas we literally sit on, so we won't take them to a broadcaster because we're going to do everything else we can to try and find a way to make this without having to get it commissioned (Irvine, interview 2016).

Middle Eastern TV producers face even more formidable challenges. In addition to a catastrophic security situation and a conflict that is ripping the region apart, the drop in oil price has had a significant impact on broadcasters' advertising revenue, and consequently on the regional content market. Broadcasters have sharply reduced the amount of programmes they commission, reducing sales opportunities for local producers. Despite these formidably tough conditions, some Arab TV formats have begun to emerge, such as *Prince of Poets* (2007) and *Million's Poet* (2007), two reality TV poetry competition which were developed by an Egyptian production company and broadcast by Abu Dhabi TV at the time of writing.

But Middle Eastern TV producers would do much better if local broadcasters showed a modicum of respect for their IP. Broadcasters have no choice with famous international TV brands and have to acquire the remake rights, 'but when it comes to small producers, most of the time the idea becomes their idea, the property of broadcasters, for not a lot of money' (TV producer, interview 2016). To summarize this sorry situation, this anonymous Middle-Eastern based TV producer quotes La Fontaine's *The Wolf and the Lamb*, a fable that illustrates how, in certain social and political conditions, those in power do not need to justify or explain the violence and coercion their exert on the less fortunate because 'the reason of the strongest is always the best' (ibid.).

It is without surprise that the situation is different in the country which has emerged as the world's 4th largest TV format exporter. In Israel, regulation is in place to protect the interests of TV producers: commercial broadcasters are required to commission 65 per cent of their original programming from independent producers, although they are still enable to keep the rights of their original ideas is their show first air in Israel (Armoza, interview 2016).[4]

Regulators in continental Europe have yet to take as strong sector-specific measures as the British ones in support of their respective independent TV production sectors. There are some bright spots in TV production across Europe, including Spain and Scandinavia, while the Netherlands remains a leading TV format exporter. However, these countries' exports remain far behind those of the UK and the USA, and many large European territories should perform much better considering the size of their domestic market. As a whole, governments in Europe remain attached to the idea of nurturing vertically integrated national champions. European broadcasters have also the lobbying clout to block any threatening regulation: in some countries, an unspoken alliance exists between politicians who count on the support of broadcasters in times of need, who in turn rely on them not to threaten their dominant position the content value chain. As a result, they enjoy a strong rights position which smothers the local TV content production sector.

Setting up public service broadcasters to support independent TV production

In particular, the role public service broadcasters (PSBs) play in the broadcasting ecosystem varies in the UK and most other key European markets. Across Europe, PSBs have been allowed to retain significant in-house production facilities. By way of contrast, several initiatives are taking the BBC away from the vertical model. The BBC's commissioning targets run as follow: 25 per cent of original content must come from the independent sector, another 25 per cent is open to competition (with the independents winning about 80 per cent of this so-called 'Window of Creative Competition'), while the remaining 50 per cent can be produced in-house. Following a 2015 agreement with Pact, the alliance of TV and film producers, BBC has agreed to open 40 per cent of its in-house guaranteed quota to competition (Gannagé-Stewart, 2016). The British Government, however, is planning to take this further. In a recent White Paper on the future of the BBC, it 'proposes full competition for all the BBC's television and online content spend, and [to] remove all existing in-house guarantees, with the exception of news and news-related current affairs' (DCMS, 2016: 80). The government claims that it wants BBC content to be made 'in the most efficient and cost-effective way' for the sake of licence fee payers (ibid.: 79). However, the suggestion to expand the BBC's commissioning obligations shows that it clearly takes into account all segments of the TV content value chain, including content production and its independent firms, which are praised for their dynamism and award-winning programmes in the same report (ibid.: 79-80).

In addition, the BBC has taken the initiative to break up its own TV production arm from the rest of the Corporation in order 'to boost creativity and competitiveness in television production' and 'ensure [that] the BBC remains one of the greatest programme-makers in the world' (BBC, 2015). Initially, BBC Studios will be part of the public service and provide programmes for the Corporation exclusively but will be turned into a 'fully commercial operation' by April 2017 (Gannagé-Stewart, 2016: 6).

The policy framework that has been weaved with a fair amount of consistency by a succession of British governments is suited to a TV industry in which GVCs play an increasingly important role. Its main quality is perhaps to avoid the pitfall of fetishizing institutions. Anthony Smith, writing in the context of the campaign in favour of creating a commissioning TV channel (later Channel 4), stated the following in *The Guardian* in April 1972: 'We need an institution which isn't an institution, which does not collect, as a response to its own historical battles, set of its own vested interests and habits which it has to fight to protect' (in Darlow, 2004: 139).

Smith's reasoning is cogent, and institution-centric policies have two key flaws. First, once created, institutions often become an end in themselves rather than a means to an end. They tend to supplant the purpose for which they were founded and as time goes, legislation is enacted to protect them from competitors and change of circumstances. Institutions need to suit their times, serve a purpose that is larger than themselves and be harnessed to wider policy aims.

Second, such a policy strand is often nation-centric in scope and runs the risk of squashing the export prospects of local firms that are less vocal than national champions. In a GVC-driven context, attention must be paid to the full value chain and the aim of policy is to get companies involved in global production networks. Institutions can be preserved but their role must be tailored to this overarching policy aim.

Was the UK broadcasting policy GVC-oriented?

Gereffi and Sturgeon distinguish between three types of industrial policies. *Horizontal policies* cut across industrial sectors and aim to keep a national economy competitive through investment in its building blocks (from skills and education to the transport infrastructure) and the enactment of business-friendly legislation (Gereffi and Sturgeon, 2013: 340-2). *Vertical industrial policies* prioritize on sectors that are deemed strategic and 'in pactice, were associated with the import-substitution (ISI) development strategies that became popular in Latin America, South Asia and other developing regions from the late 1950s through the early 1980s' (Gereffi and Sturgeon, 2013: 342). *GVC-oriented industrial policies* seek to enhance the participation and/or improve the position of local firms in existing international production networks, 'explicitly utiliz[ing] extra-territorial linkages that affect a country's positioning in global or regional value chains' (ibid.). Gereffi and Sturgeon provide the example of the supply chains set up by East Asian nations to support China's export of smartphones (Gereffi and Sturgeon, 2013: 342).

The surge of British firms in the TV format GVC was helped by a mix of horizontal and vertical policies and in no circumstances can they be labeled GVC-oriented. Successive British governments have long been mindful of promoting a business-friendly environment and the UK is ranked sixth in the World Bank's 2015 ease of doing business index. This compares to 31th for the European Union and 33rd for the Euro area (The World Bank, 2015). The sector-specific initiatives taken by the British government amount to a vertical industrial policy because, taken as a whole, they aimed to build a local supply chain and reduce the reliance on TV imports. The goal of promoting TV exports has been on the mind of policy makers since the late 1970s. During the lobbying to set up Channel 4 as a commissioning broadcaster, a delegation of TV producers who met the Conservatives' backbench Media Committee 'stressed that compared to the ITV companies the small independent producers had a far greater incentive to maximize overseas sales' (Lambert: 1982: 89). Sir Keith Joseph and the free marketers who advised Margaret Thatcher, then Prime Minister, found this prospect appealing and helped the producers keep ITV at bay (ibid.; see also Darlow, 2004: 186-7).

The preoccupation with exports became a top policy plank of Tony Blair's government, elected to power in 1997. According to Des Freedman, New Labour adopted 'an export-led strategy for television programmes as a key response to globalization' (Freedman, 2003: 26). In the course of adapting the UK broadcasting system to the demands of the global market, the government consulted widely and commissioned several studies, such as David Graham's *Build a Global Audience: British Television in Overseas*

Markets (Graham, 1999). The outcome of this process was, as seen above, the Communications Act 2003. One of the Act's strengths is, precisely, to have created in-built export incentives: the market for TV rights that the Act helped to develop created a 'natural' incentive for rights owners to exploit their IP, internationally or otherwise. As John McVay, Pact's chief executive, the trade body that represents the interest of UK-based film and TV producers, confirmed:

> So we wanted to move away from the traditional European model, which is very inward-looking and often dominated by debates around subsidies and cultural issues. We actually wanted to take a more entrepreneurial view of what the sector was for, what it could do. […] So what we wanted to do was arrive at arrangements which incentivised producers to become more international because a) they get growth, b) they become more diverse as businesses and c) ultimately content will become global (McVay, interview 2009).

Albeit not GVC-oriented, the UK broadcasting policy has built a regulatory framework that has enabled local firms to participate, and in many cases thrive, in the global TV content GVC. In turn, Britain has developed a strong reputation as a place to develop, exploit and protect IP in the TV industry, attracting considerable foreign direct investment. Many European or American media firms have invested in the UK production sector, or established a British base, in order to take full advantage of the UK rights position (Chalaby, 2012, 2016c; see also Andrea Esser's piece in this issue). Most other European countries do not seem to be following suit, and until they are willing to confront the narrow interests of the chain's lead firms, they will continue to carry a multi-billion dollars deficit vis-à-vis the USA in the audiovisual sector.

The local broadcasting ecology matters

The second lesson from the UK is that format creation and development rests on the *entire* broadcasting ecology. The British broadcasting system strikes a delicate balance between competition and diversity, and rewards, as much as it possibly can, innovation and risk-taking. It is certainly a competitive TV marketplace but with broadcasters relying on distinctive business models (e.g. pay-TV subscription for Sky, license fee income for the BBC and advertising for ITV), revenues flow from a variety of sources. The system's ecology is so designed that competition encourages innovation and does not prohibit risk-taking.

Some public-service channels have set out to take risks, such as Channel 4, a testing ground where countless ideas have been tried over the years. It claims that it is 'the only broadcaster in the world to source its programming entirely from external production companies' and that its approach to risk-taking is unique (Oliver & Ohlbaum, 2014: 23). Indeed, it commissions more new programme titles per year than any other channel (350 on average between 2008 and 2013), and the first-run commissioned hours represented 29 per cent of its total schedule for the same period, a higher proportion than any other channel (Oliver & Ohlbaum, 2014: 84-5). BBC 3, an online channel, has also been conceived as a nurturing place for talent and programmes and many of its dramas have since been adapted for the US market (Chalaby, 2016a).

When such a balance does not exist, the incentives for taking risks disappear and broadcasters revert to their default position: conservatism. In many European nations, public service broadcasters (PSBs) that are struggling with dwindling revenues and commercial stations that strive to preserve their audience share are both content with acquiring cast-iron formats with proven track records. As Ed Waller writes: ‘The entire edifice of the international format business relies on some networks taking on high levels of risk so that others further down the line, in other countries, don’t have to – but pay for the privilege’ (Waller, 2013). Format exporters are in those countries where broadcasters have to take the risks others are not incentivized to assume. It is no coincidence that format exporting nations, such as the Netherlands and Israel, have broadcasting systems that are similarly competitive.

Piecemeal measures to encourage exports tend not to work and a country must adopt media regulation that take into account the growth of value chains. Subsidies, such as the European Union’s international co-production funding, can be expensive to run and have a limited impact as long as local media firms have no incentives to export. As discussed above in the context of the Communications Act 2003, the best export incentives are market-driven. In sum, if policy makers want to improve their country’s position in the TV format global value chain chain, *policy makers must fashion a local eco-system that rewards risk-taking and is entrepreneurial in scope in order to foster creativity and innovation.*

Harnessing the benefits of trade

When developing countries implemented an *import substitution industrialization* (ISI) strategy, they restricted imports through levies and protectionist barriers. In the context of growing GVCs, this strategy is counter-productive, as nations need to import intermediate goods in order to export products. In the current era, ‘the main emphasis is on how to use traded intermediates to capture more value in GVCs’ (Milberg *et al*., 2014: 155). Research shows that in several value chains original equipment manufacturers (OEMs) have learnt key skills from the firms they supplied. In East Asia for instance, several OEMs have used their skills to make the shift to original brand name manufacturing (OBM) (Gereffi, 1999; Gereffi *et al*., 2005). The same process has been taking place in the TV content GVC.

Historical evidence of the benefits of trade are strong: four of today's leading format exporters – Britain, Holland, Israel and Japan – share one last feature: all these countries were, and in certain respects remain, heavy importers of American television fare. Since the 1950s, the UK has been among the USA's top TV export market. From game shows to TV series, there has always been a TV buyer in this country willing to sign a licence contract for US content. In Holland, companies like Endemol cut their teeth on US game shows, some of which contained a reality element that became the firm's trademark. Israel is also a big importer of US content and the savviness of the local audience raised on a diet of US programming is often cited as a factor for 'driving demand for edgy local content' (Waller, 2010). Even Japan (one of four countries with a positive trade balance in the format business) owes its prowess in the game show genre to a strong US cultural influence in the aftermath of the Second World War (Ishita, 2000: 29-30). Proximity and familiarity with the birthplace of commercial TV creates producers, commissioners and audiences who understand the semiotics of commercial television.

In particular, the format trade has played an essential role in helping local producers to hone their skills in recent years. Evidence demonstrates that local production communities have learnt from imported formats, enabling them to upskill more rapidly than if they were left to their own device. As Armoza summarizes: 'We started by bringing formats to Israel and producing them locally, and then we began developing our own. The next stage was to give our shows to others to distribute, but we know the formats so we can best do the work ourselves' (in Jenkinson, 2007). Armoza himself learnt the trade from Sony and Action Time, a British company that specialized in game shows. As a whole, the format trade enabled 'the Israeli creative industry to engage in a creative dialogue with international companies… the dialogue between international companies bringing their knowledge and their culture and their ambitions and the culture and ambitions of the Israelis kind of pushed the industry forward. So working with international format is certainly a way that can help any TV industry to develop and improve' (Armoza, interview 2016).

Turkey has emerged as a major TV content exporter and has achieved renown for its TV series. But it has begun to make inroads in the format business too. Turkish formats, such as *Keep Your Light Shining*, *Showtime*, *Talent Hunters* or *Shopping Monsters*, air in several markets and Global Agency has become a well established format distributor. Its CEO, Izzet Pinto, a former literary agent who readily acknowledges that he was unaware of what a TV format was ten years ago, states that being involved in the trade was a great education:

> It taught me what clients are looking for, what kind of structures are needed, it helped me to understand the mathematics of a format, because any good idea should have good mathematics, otherwise it's just an idea without a structure, and a format needs a good structure, so of course it helped me' (Pinto, interview 2016).

As seen earlier, tough local conditions are slowing down the development of TV producers in the Middle East. Even there, however, the format trade has made a positive contribution, helping to improve TV production values. Sleiman Abou Zeid considers that directing MasterChef Arabia was a turning point in his career:

> What we learn when we work on international formats is a lot, really a lot. First of all, it's all about the details. When you work on an international format, you have the bible of the programme, you have to go into details - it's very important to pay attention to these details. You have to work within a system. You cannot say, OK, today I'm going to work this way and tomorrow the other way. No, you do not have this freedom. It's not like independent movies, you have, as a director, the final cut, no, it's a format, you have to obey it; you have to go by the format. So it's very interesting to work within a system and you learn a lot about how you determine responsibilities, because there are many people involved and everyone is in charge of a fraction of the job and they all have to work in parallel so that you can have a product at the end. With an international format, you also have contact with directors and producers from different countries where you have an exchange of ideas, of style of work, of ways of doing things. It's very enriching (Abou Zeid, interview 2016).

Bibles and flying producers bring with them skills, knowledge and techniques that can be transferred to other shows, as Duncan Irvine, Africa's leading TV format producer, confirms:

> I think where it's had the biggest benefit is that every time we make one of those shows all the crew and the people who work on it and so a production manager or a line producer, or anybody who's working on a show, they learn so much in terms of working on that show and I think that that's where we've seen a massive advantage in the sense that they then move on to other shows and they take a lot of that learning

> with them into other shows, so I think that's by far been the biggest advantage (Irvine, interview 2016).

The format trade benefit viewers who can enjoy great concepts of TV shows adapted to their culture, but it is also a boon to the local TV industry because it enables producers to get involved in the TV content global value chain. Specifically, local producers get an opportunity to use incoming IP to hone their skills and, local conditions permitting, create and export their own programmes.

Towards GVC-oriented policies in the broadcasting sector?

A report published by the United Nations Conference on Trade and Development (UNCTAD) states that participation in GVCs, with some caveats, benefit developing countries, and that "experience over the past 20 years shows that, as countries increase their participation in GVCs, their growth rates tend to increase as well (UNCTAD, 2013: 151). Additional benefits include 'value added creation, employment generation and potential for learning and productivity growth' (UNCTAD, 2013: 148) (see Table 3).

Local firms' involvement in the TV content global value chain brings several of the benefits highlighted in Table 3. A thriving independent TV content production sector adds value to a domestic economy and leads to the creation of skilled and creative jobs. It can improve the trade balance before even exporting a single show simply by producing more local programmes and helping broadcasters rely less on foreign finished tapes. The benefits drawn from knowledge transfer were highlighted by all our interviewees.

Table 3: Development impact of GVCs: Selected highlights of findings

Impact areas	*Selected highlights of findings*
Local value capture	• GVC participation can generate value added in domestic economies and can contribute to faster GDP growth.
Job creation, income generation and employment quality	• GVC participation tends to lead to job creation in developing countries and to higher employment growth, even if GVC participation depends on imported contents in exports. GVC participation tends to have, with variations by country and industry, a positive effect on the employment of women. • GVC participation can lead to increases in both skilled and unskilled employment; skill levels vary with the value added of activities.
Technology dissemination and skills building	• Knowledge transfer from TNCs to local firms operating in GVCs depends on knowledge complexity and codifiability, on the nature of inter-firm relationships and value chain governance, and on absorptive capacities.
Social and environmental impacts	• GVCs can serve as a mechanism for transferring international best practices in social and environmental efforts, e.g. through the use of CSR standards. Implementation of standards below the first tier of the supply chain remains a challenge.
Upgrading and building long-term productive capabilities	• GVCs can offer longer-term development opportunities if local firms manage to increase productivity and upgrade to activities with higher value added in GVCs. • At the country level, successful GVC upgrading paths involve not only growing participation in GVCs but also the creation of higher domestic value added and the gradual expansion of participation in GVCs of increasing technological sophistication.

Source: UNCTAD, 2013: 149

This brings the final issue raised by this paper: how would a set of GVC-oriented policies for the broadcasting industry look like? There is no set answer as each country face different issues according to their development stage, size and shape of the domestic media market and presence in the TV content value chain. However, any GVC-oriented policy in this sector should be grounded on three building blocks:

First, such policy must use IP laws to incentivize creativity, as the UK legislator did by ensuring that TV producers benefit from their work. This entails that IP rights are upheld and protected. In developing countries, however, the issue goes beyond the thorny relationship between broadcasters and producers, as there are question marks about the fairness and usefulness of the global IP regime itself.

The TRIPS Agreement, which came into effect in January 1995, binds the WTO members into the most comprehensive multilateral agreement on intellectual property (WTO, 2016). To many observers, however, it instigated an IP regime that is iniquitous and favours developed countries, strenghtening Western multinationals' ability to harvest royalties from their patents and copyrighted work worldwide (e.g. Olwan, 2013: 99-151). Sean Pager argues, however, that these views are too negative and that developing countries can benefit from IP rights, notably to develop their creative industries. Developing nations should not merely be seen as IP consumers but IP producers who need the protection IP laws confer:

> Rather than rejecting IP rights as an alien appendage foisted upon them by external pressure, developing countries should consider their positive, yet unrealized, potential to function as engines of domestic innovation. Authors and inventors in developing countries deserve the same opportunity, enshrined in human rights law, to benefit from their creativity as their developed-world counterparts. Moreover, there are compelling reasons for supporting homegrown innovation as a pathway to sustainable development; increased technology transfer from developed countries is no substitute (Pager, 2012: 235).

Our small case study supports these views. In the current IP situation of the world format trading system, developing nations pay a double price: while broadcasters are obliged to respect the Western IP that is locked in the big TV brands, they happily trample over the rights of local producers. Without the protection and incentives an efficient IP regime can offer, TV producers in developing countries are locked in a vicious cycle of low investment and poor creativity and stand little chance of emerging from the shadow of the global TV production majors.

Second, a GVC-oriented broadcasting policy must not restrict international trade. Trade supports the cross-border flows of ideas and capital, and enables knowledge transfers to occur. Opening up borders also encourage competition which, ultimately, levels up production standards. Protectionist measures may offer temporary relief to local producers but not the incentives to export. In such circumstances, local firms are also less likely to reach international production standards. As Keane and Danjing Zhang explain in this issue, the Chinese government has imposed restrictions on format imports. According to Avi Armoza however, building up the creativity of the local TV production sector necessitates engagement with the international market (Armoza, interview 2016). The format trade is a two-way business, he explains, and you 'cannot build the business one way, you need to buy and sell' (ibid.).

Finally, a GVC-oriented policy need to take into account the global nature of the TV content value chain and help local firms position themselves accordingly. Governments should resist the temptation to build an entire value chain locally but rather find a way to encourage businesses to participate in the existing TV content GVC. Local TV producers will not be turned into global suppliers overnight but should first aim at the regional market and the growing South-South trade, as it is clearly the case in Latin America (see the Uribe-Jongbloed and Pis Diez piece in this issue). Once the right regulatory framework is in place, TV local businesses can decide which territories to prioritize, which content to push first and which distribution channels are most suited for their fare.

Conclusion

Critical political economists deplore the dominance of Western firms in the global media industry. According to Herman and McChesney, ‘the core tendencies of the global market itself […] tend to produce a highly uneven worldwide media system’ (Herman and McChesney, 1997: 64). While vertically-integrated conglomerates can take advantage of globalization, commercialization and technological advances to expand their empires, firms located in peripheral countries struggle to develop. Thus, for instance, ‘left to the global media market, sub-Saharan Africa’s media and communication systems will remain underdeveloped, and even wither’ (Herman and McChesney, 1997: 65).

But the US government cannot be blamed for taking care of its home-grown companies. By way of contrast, most governments around the world fail to take the measures that would enable them to build the capacity of their creative industries. There is no denying that the world media system present imbalances and that the lion’s share of the market stays firmly in Western hands, but who is to blame if Nollywood (the Nigerian film industry that has become the country’s largest private employer) loses 1 US$ billion every year to local and regional piracy (Pager, 2012: 263)? Whose role is it to enforce the copyright laws and create the incentives that would enable local producers to control their IP, turn them into assets, and establish a sustainable business model? When international organisations such as the World Bank, the OECD and WIPO step in the debate and advise developing countries to implement the steps to build a viable IP system, they are accused of following a Western agenda. But one of the key policy recommendations from the International Confederation of Authors and Composers Societies to build the creative economy is to ‘recognize the importance of IP and protection of copyright to the creative process’ (CISAC, 2014: 13). The organization cites several studies that report a positive correlation between the strength of IP rights in a country and economic development. Among them, an OECD review ‘found that for every 1% increase in copyright protection, there was an accompanying 6.8% increase in FDI’ (CISAC, 2014: 56). An UNCTAD report concurs, stating that ‘intellectual property provides incentives to creators and entrepreneurs in the form of a tradable economic asset – a copyright – that is instrumental for investing in the development, production and distribution of goods and services, in a market economy, that are largely based on human creativity (in CISAC 2014: 56-7).

It is the responsibility of emerging economies to take steps to build the capacity of their creative industries and increase the participation of local firms in GVCs. The paradox of the era of global markets is that local economic and political circumstances and policies have never mattered so much. The companies with the best chance to compete effectively are those from countries that have adapted their regulations and market conditions to a trade era driven by value chains. The policy initiatives suggested in this article can help local TV producers increase their participation in the global TV content market, and even though these measures will not redress all the imbalances in the world media system, they will go some way in levelling the field and give a chance to local firms to compete more effectively.

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[1] Although scripts have long been adapted, it is only in the last decade that drama joined the format revolution. Adaptations of observational documentaries (light-touch reality shows that are character-driven and not pre-structured by fixed format points, such as *The Real Housewives of Orange County* or *Benefits Street*) are also on the rise.

[2] Some economists, however, call this phenomenon “vertically specialised industrialisation’ as

international fragmentation of production has led to “vertical” patterns of trade in intermediate goods between companies or subsidiaries of multinational enterprises that specialise in a segment of the production process (Milberg et al., 2014: 153; Miroudot and Ragoussis, 2009).

[3] On the governance of global value chains, see Gereffi et al., 2005; Gereffi, and Fernandez-Stark, 2011.

[4] Israeli independent TV producers are lobbying the government, arguing that broadcasters should only be allowed to acquire the broadcasting rights, like in the UK (Armoza, 2016 interview).