



INTERNATIONAL
TRADE
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2016 Top Markets Report **Media and Entertainment**

A Market Assessment Tool for U.S. Exporters

October 2016



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Executive Summary

The 2016 Top Markets Report for Media & Entertainment provides a review of seven global licensing and export markets and two regions across four broad sectors: book publishing, filmed entertainment, music, and video games. This report was compiled through consultations with key industry stakeholders, meticulous analysis of known trade data and economic indicators, leading industry research, as well as trade and regulatory and policy environments across more than 25 countries. The author devised a complex methodology to test the robustness of each market, and then narrowed the list of markets down to the top seven.

Of the top seven markets, the UK ranked first, followed by China, Canada, India, Brazil, Mexico and Germany. As the research was conducted prior to the “Brexit” decision, the report may need revisions as we learn more about the impact of this major event. These seven markets can generally be segmented into two main groupings. One segment would be described as established trading partners with a strong local M&E industry and with stable economies which support growth prospects for these sectors. The second segment is composed of emerging markets with extremely high growth rates in multiple sectors, yet the markets contain a good level of risk.

The report also includes an assessment of regional trading markets for the M&E sectors. The Nordic overview, including Denmark, Finland, Norway and Sweden, shows a dynamic digital region with pockets of opportunities, albeit smaller markets when compared to the top seven. In light of the Trans-Pacific Partnership (TPP) negotiations, the report reviews prominent TPP markets, including Australia, Canada, Chile, Japan, Malaysia, New Zealand, Mexico, Peru, Singapore, the United States, and Vietnam, and highlights opportunities in both the emerging and more established economies. The regional overview also describes how U.S. exporters and licensors in the creative industries can expand their global presence.

The media and entertainment sectors are simultaneously benefitting from and being challenged by digital tools and platforms. On the one hand, it is easier than ever before to produce, distribute and consume content, and the technology behind these sectors is truly revolutionizing how we live in the 21st Century. The policies and regulations governing these sectors are struggling to keep pace and remain relevant, and many governments are protecting their markets. Consumers want more content faster, easier and cheaper – and some are taking it for free. Industry leaders are looking at ways to offer interesting and relevant content to different demographics, while respecting copyrights, privacy and local laws. Producers are identifying platforms and revenue streams for monetizing the demand to the maximum extent possible.

Most of the countries studied in this report, including the United States, are reviewing copyright and IP (Intellectual Property) law as well as technology and telecommunications regulations that affect the Internet and digital economy. In trade policy terms, The United States remains the most liberal audio-visual market, and Americans are known for their entrepreneurial spirit and strengths in the creative sectors. Yet many U.S. businesses are not taking advantage of opportunities for overseas expansion.

The M&E report aims to stimulate thinking and activity in the private sector about trade opportunities, job creation, and the U.S.’ unique contributions to culture. The report also expands awareness of how U.S. law makers and government export promotion services can be a partner in identifying new or extended opportunities to licensing and exporting creative content and related products. The report does not cover every single aspect of trade for these sectors. In some instances, parts of a sector are only briefly discussed due to current expertise, focus or bandwidth of ITA’s client services. As this is just a starting point for the discussion, the authors welcome feedback on this report.

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Overview and Key Findings



This is the second edition of the *Media and Entertainment Top Markets Report* that projects export and licensing opportunities through 2019 in seven countries – Brazil, Canada, China,

Germany, India, Mexico and the United Kingdom – and two additional trading regions. This edition includes an assessment of the impact of the Trans-Pacific Partnership (TPP) and opportunities in 10 of the 11 markets for U.S. exports. Lastly, a snapshot of four Nordic countries was included due to interesting developments in those digital markets. Twenty-seven markets were evaluated in order to develop this report. This report highlights opportunities for U.S. exporters and notes important developments in digital licensing in the Media & Entertainment (M&E) sector. The report also identifies trends in the rapidly evolving digital media and entertainment industry in the United States. It analyzes the continued growth of the industry in select global markets, the drivers of future export competitiveness, and the impact of intellectual property policies and piracy on growth. The report focuses on four sub-sectors in the field of media and entertainment: filmed entertainment (film, television and video); music; publishing and video games, with an emphasis on digital media and licensing; and to a lesser degree, the physical marketplace and product exports.

Demonstrating major contributions of uniquely American culture, the United States boasts the largest global share of M&E earnings for film, music, book publishing and video games. In 2016, China will become the second largest market, followed by Japan, Germany and the United Kingdom. The U.S. M&E market represents a third of the global industry and will reach approximately \$771 billion by 2019, up from \$632 billion in 2015, according to the 2015 - 2019 Entertainment & Media Outlook by PriceWaterhouseCoopers (PwC).

This report discusses segments of the M&E sector of businesses that produce and distribute motion pictures, television programs and commercials along

with streaming content, music and audio recordings, broadcast, radio, book publishing, and video games.

U.S. Media & Entertainment Landscape

As a marketplace, the United States is larger than Asia, Europe, Latin America or the Middle East-North Africa for media and entertainment.¹ The U.S. M&E industry is concentrated on the two coasts: in the greater Los Angeles community and in New York City, with regional hubs for each of the four sub-sectors in this report. Increasingly, there is convergence between the entertainment, media and communications, and high-tech industries, and therefore, existing hubs are expanding, and new hubs are evolving.

Filmed Entertainment

The U.S. filmed entertainment sector enjoyed a trade surplus of \$16.3 billion in 2014 (latest available data) and is the most lucrative filmed entertainment territory in both global production and consumption. As a global leader, U.S. industry hubs are concentrated in Hollywood and Los Angeles, California, and New York City, with a cluster of smaller hubs across several states that specialize in production facilities, filming incentives (for both domestic and foreign firms), and hubs for sub-sectors that produce film, TV or digital streaming content. Many foreign industry representatives also maintain offices in these cities.

The U.S. film industry posted \$10.3 billion in revenues in 2015, with box office receipts growing at a steady rate of 7 percent over 2014 when the industry experienced a decline, while streaming grew 15 percent in 2015; by 2019 both sectors will be valued at \$12.6 billion, according to PwC. Streaming of electronic home video grew over 13 percent in 2015 to \$4.4 billion.

While Hollywood still produces impressive blockbusters, major funding is more difficult to come by, and the industry is simultaneously moving to many different formats as consumers no longer rush to the cinema to see a movie. Consumers can now watch films on multiple devices any time they wish to do so and practically anywhere in the world.

Consumers want an experience, and they want to take that experience with them to share and discuss on social media.

Many of the leading motion picture studios are part of larger media conglomerates that often include television, video and streaming services, music services, newspaper, cable, and magazine segments, and many of these constitute online content. The industry offers attractive possibilities for foreign investors, both large and small, and provides film production and related tax incentives.

Across all creative content sectors, there are opportunities for investment and growth both in (1) partnerships, production and tax discounts in many U.S. states and (2) the creation of TV formats and content for streaming. With the shift toward digital production and distribution, foreign firms are seeking out U.S. digital and animation expertise in all new formats. Drawing on formidable strengths, the U.S. film industry has a proven ability to produce blockbuster movies that generate hundreds of millions of dollars, including revenues from distribution across strong domestic and international networks. Success in the industry is based on creativity and financing, and the industry is largely self-regulated. For example, the Motion Picture Association of America rates movies by age-appropriate content according to a voluntary system,ⁱ and the government does not generally interfere in the film production and distribution business in the United States.

Music

The U.S. recording industry (including concerts and touring) will continue to experience slow growth after decline or tenuous growth in the preceding seven years - from \$15 billion in 2015 to \$15.8 billion by 2019. The story about the music industry is complicated. Live and digital streaming music are growing by 4.5 percent to \$8.7 billion and 11.2 percent to \$1.9 billion, respectively, during the research period. This is a reflection of consumer interest in major festivals like Coachella and other live performances where tickets are sold, as well as streaming music on demand, anywhere, anytime. The consumer continues to impact trends while artists and businesses seek to monetize consumer preference. Physical music sales will decline from \$2

billion to \$1.4 billion by 2019, and mobile music will decline from \$46 to \$16 million – a trend seen elsewhere in the world. There are interesting developments in the streaming market since (U.S.) Apple Music joined the streaming music services business last year and now has half the amount of subscribers as (Swedish) Spotify. Although Spotify is still the largest streaming service in the market, this is generally good for competition.

While the United States is still the largest global music market and it is essential for a company interested in global operations to establish a presence in the highly diverse U.S. music market, competition is strong from European and Asian markets. With the digital revolution in this sector, winners and losers have emerged. The latest conversation centers on the “value gap” created by digital platforms and multichannel networks that offer content for free while utilizing copyright exemptions; some see this as an infringement and loss of revenues for content creators who are unable to monetize their legitimate content, while others see it as free mass marketing online, which in turn should yield significant income over the long haul. It is a tension between tech giants and creative industries. Major music hubs are concentrated in Los Angeles, New York City, Nashville and Miami. While NYC and LA represent the industry broadly, Nashville’s music industry is centered on the country genre, while Miami’s industry is centered on Latin, electronic dance music and hip-hop.

Publishing

Book publishing reached \$60 billion in 2015, including professional, educational and consumer segments. Consumer books cover the largest sector, and while education books have the highest growth in the United States, this varies by country.

The U.S. publishing sector is the largest in the world and three times as large as Germany’s, for example. By 2019, digital publishing will account for 45 percent of all publishing. Print publishing is declining rapidly in the United States and in most parts of the world, as indicated by the demise of the major book store chains. Interestingly, Amazon has now opened physical book stores (for both physical and e-books) as the industry explores what consumers want most -- a digital or physical experience.

E-books and eReaders have not taken off at the speed expected. Consumers like devices that have multiple capabilities so that they can read, listen to music or the news, and maybe even stream a favorite show, while texting all at the same time.

Video Games

The global video game industry has evolved to become a \$100 billion industry that is constantly innovating and bringing new applications to market. The traditional gaming sector includes video games on PCs and game consoles that can connect to TVs and have portable hardware. Today's consumer has access to multiple devices, whether mobile or tablets and more, to access and play video games. The sector also comprises the physical (disc-based), digital games, online games, various subscription services and downloaded games, mobile games, and virtual reality and augmented reality (VR/AR).

The industry has evolved quickly in the social and casual gaming sector, where live competitions have become massively popular and e-sports is a popular trend. Electronic sports, also known as esports or e-sports, includes competitive (video) gaming, professional (video) gaming, and pro-gaming, where the players play against each other like in a chess game, with a live audience, whether in huge stadiums or online. Esports has rapidly developed a cult following and is expected to post earnings at around \$621 million in 2016.

The U.S. games sector is witnessing a high growth period and constitutes a big industry on the West Coast of the United States, with California and Washington leading the way, followed by Texas and New York, with major game developer hubs in Massachusetts, Illinois, Florida, Oregon, Colorado and Pennsylvania.

The international marketplace offers opportunities to sell digital games across multiple platforms, including digital console, digital PC, mobile and online games, whereas physical PC games are in decline worldwide (but still earn good money even

as demand shrinks from the heyday of physical gaming).

Key Insights for 2016

- Consumer as Creator & Industry Driver
- Technology facilitates Development
- Industry is Surprisingly 'Analogue'
- Devices as Industry Drivers
- Streaming & Video: OTT/VOD
- Augmented & Virtual Reality
- Multichannel Networks
- Convergence of Industry
- Some Physical Markets Still Survive
- Piracy Persists

In 2016, a few trends are standouts. Consumers are increasingly creating content and concepts that become popular on YouTube or other multichannel networks, which have earned many a creative novice global (online) fame overnight. Consumers also keep an estimated five devices or media applications running at any given time. Included in those five are the following media sources, pages, apps and devices described in this list of what consumers visit either via desktops or on their mobile:

<http://www.smartinsights.com/mobile-marketing/mobile-marketing-analytics/mobile-marketing-statistics/>.

In the chart below, you can see the hours and minutes U.S. consumers spend on various platforms per day, according to the following age groups: Millennials (18-34), Generation X (35-49) and Baby Boomers (50-67).ⁱⁱ For example, baby boomers still enjoy listening to AM/FM radio, while millennials spend much more time on game consoles than baby boomers do. Millennials are arguably more comfortable with multimedia devices than baby boomers that grew up on traditional print and analogue TV media. It is one illustration of the digital era and how consumers in any age group are adopting new technologies that enable them to contribute to and affect trends in the media and entertainment sectors.

Chart: “Hours and Minutes spent by Consumers on Media and Entertainment”
Nielsen Insights 2016¹



MONTHLY TIME SPENT BY MEDIUM AMONG USERS, (HH:MM)

	MILLENNIALS		GENERATION X		BABY BOOMERS	
	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015
Live+DVR/Time-shifted TV	103:53	95:39	136:32	132:49	182:14	184:01
DVR/Time-shifted TV	20:29	18:02	25:37	25:01	28:38	28:20
AM/FM Radio	52:32	51:01	63:22	61:55	69:08	68:51
DVD/Blu-Ray Device	12:10	13:00	9:43	9:25	9:21	9:23
Game Console	31:49	37:36	13:34	17:02	10:36	12:07
Multimedia Device	26:19	30:33	19:14	22:13	17:54	20:50
Internet on a PC	33:57	42:13	38:33	41:59	32:16	39:32
Video on a PC	15:24	17:49	12:14	13:42	8:30	9:44
App/Web on a Smartphone	54:03	57:51	51:52	53:08	38:17	39:34
Video on a Smartphone	2:30	3:09	1:36	1:54	1:01	1:22

Read as: In Q4 2015 Millennials spent 51 hours and 1 minute per month listening to AM/FM radio.
Source: Nielsen

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Consumers also want quick access to media and entertainment and the ability to share with ease. While the content matters, the technology platform matters equally, as does the software or networks that enable the transfer. Consumers seek meaningful content, so localization and keeping it locally relevant is as critical as ever.ⁱⁱⁱ This is key for any exporter or licensor. It is not enough to translate your content in to a local language; the content has to be culturally relevant as well.

Technology and digital expansion facilitates the development and distribution of the various sectors, although the industry is surprisingly ‘analogue.’ To date, the media and entertainment sectors are not as nimble as the platforms they operate on and their technology counterparts, whether it be small or large companies, like Google or Amazon.

The proliferation of devices to consume content on and get access to subscription or streaming services has caused a major disruption in the global M&E market place – and in some or demographic groups, consumers have completely cut the cord (i.e. no phone landlines, no cable subscriptions, no physical newspapers or books). This has had an impact on the entire business model, from production to distribution, to subscribership and viewership, especially on certain traditional media, and has boosted digital media channels and device sales.

Similarly, filmed entertainment and video content have affected the offerings of streaming services, which have disrupted traditional TV and film sectors. Consumers can access and view content anytime and anywhere. This practice has disrupted older business models that rely on ticket sales at the box office or subscriptions to TV services and have been replaced

by Internet TV streaming services, as is the case worldwide, or pirated content in many markets.

Augmented and virtual reality has become the latest trend not only within the videogame industry, but on television, in movies, online, and in other non-entertainment sectors, such as education and healthcare. The boundaries of reality are being tested. There is an unprecedented convergence of M&E sectors leading to new channels and challenges for business executives, creators and artists who seek to monetize the use of M&E services and content.

Although the industry is strongly trending toward digital production, distribution and consumption, some countries still have a strong physical market. This translates into excellent export opportunities for the M&E sectors that still produce books, CDs, consoles and DVDs, but the trends vary. Certain markets have a short term demand for physical M&E products in certain sectors, and while other markets may see growth in physical, digital is growing much faster. Some of these countries have more traditional local market stalls where physical is traded, but increasingly consumers seek out smart phones and the content that comes with it. Piracy continues to plague the industry.

International Intellectual Property Alliance

The IIPA is a private sector coalition, formed in 1984, of trade associations representing U.S. copyright-based industries working to improve international protection and enforcement of copyrighted materials and to open foreign markets closed by piracy and other market access barriers.

IIPA's five member associations appear below and represent over 3,200 U.S. companies producing and distributing materials protected by copyright laws throughout the world—computer and video games for video game consoles, personal computers, and the Internet; theatrical films, television programs, DVDs and home video and digital representations of audiovisual works; music, records, CDs, and audiocassettes; and fiction and non-fiction books, education instructional and assessment materials, and professional and scholarly journals, databases and software in all formats.

Members of the IIPA include Association of American Publishers, Entertainment Software Association, Independent Film & Television Alliance, Motion Picture Association of America, and the Recording Industry Association of America.

The IIPA offers detailed explanation of M&E industry concerns in their 2016 Special 301 Report, available to the public.

Visit: www.iipa.com

A Glance at the Top Seven Media & Entertainment Export & Licensing Markets

1) *United Kingdom*

The United Kingdom landed in the top export spot in this report as it is one of the largest and more robust M&E marketplaces with steady, reliable growth; relatively fewer trade barriers; and as an English speaking country, easy for American exporters to navigate.

2) *China*

China came in second and may have come in first due to the sheer size of the market and market potential were it not for the fact there are serious market access barriers due to censorship rules on cultural content sectors, including Internet, TV, film, music, radio, text messaging, games, newspapers, books and print media; significant import restrictions; joint projects that have foreign direct investment (FDI) caps; and co-production requirements for Sino-foreign partnership, which renders the final product or service (i.e. film) more than 50 percent Chinese.

3) *Canada*

Canada ranked as the third top market given the size of the market, the long standing and significant trade relationship, and the close proximity to the United States, as well as a well-developed professional sector that makes trading easier and more efficient for U.S. exporters. However, there are also trade barriers for American businesses in Canada.

4) *India*

In the fourth slot, India offers a growing middle class of high-tech savvy consumers and a new president who has promised to grow innovation sectors. This is also a very challenging marketplace, with trade barriers and high piracy threats and uncertain implementation of laws that govern the M&E sectors.

5) *Brazil*

Ranked number five, Brazil is one of the most desirable markets presently for U.S. M&E firms. This is also a large and growing marketplace, with remarkably difficult business practices. It was chosen despite numerous trade barriers

and very high taxation on foreign M&E providers, because Americans wish to trade in this market and U.S. content and industry know-how are in very high demand.

6) *Mexico*

The sixth top market is Mexico, which has a booming M&E sector in addition to being America's immediate neighbor and the second largest media market in Latin America. As a developing economy, there are many challenges for U.S. businesses, but for early adopters and Spanish language content, there is a lot of opportunity, especially on TV and streaming sites.

7) *Germany*

As the last of the top seven markets in 2016, Germany was added due to its sophisticated, global market business place that is also highly digitally enabled. While the regulatory environment is onerous for U.S. businesses, it has the potential for reliable and solid business deals in a marketplace that values brands and quality, which U.S. firms are known to deliver.

Introducing the Trans-Pacific Partnership (TPP) Media & Entertainment Export & Licensing Markets

Excluding the United States and Brunei (the latter is not discussed in this report due to insufficient data available), there are 10 TPP partner countries constituting a potential \$308 billion M&E market in 2016. As a result of the Agreement, increased intellectual property rights protections and more open distribution channels as well as increased access to smartphones and broadband will benefit M&E sectors in all 12 TPP markets, including the United States and Brunei.

Snapshot of Four Nordic Media & Entertainment Export & Licensing Markets

The Nordic countries researched for this report are Denmark, Finland, Norway and Sweden. These are smaller but robust markets for certain segments of M&E export and licensing opportunities. These markets will be worth approximately \$11.7 billion by 2019, up from \$9.8 billion in 2014.^{iv v} There is growth potential for multiple sectors within the entertainment industries in each of the Nordic

countries, yet these markets can be expensive to do business in and are mature with high penetration rates in each subsector.

The Four Sector Studies in the Top Markets Report

Filmed Entertainment

For the purpose of this report, filmed entertainment refers broadly to film production, movie-going, video on demand and traditional television. The transition to digital production, distribution and consumption is radically changing filmed entertainment consumption behaviors, with varying results and opportunities for U.S. businesses in each market. Filmed entertainment is rapidly moving towards digital streaming and satellite models, and movies or movie-going as we knew it 10, 20 or 30 years ago will soon be a case for the history books. There are good growth trajectories in TV production and licensing, especially for streaming content in all of seven top markets.

Many of the top 25 markets offer film incentives, such as tax credits, in an effort to lure U.S. film production overseas. However, smaller studios are advised to consider language, local players, infrastructure, professional labor, and regulatory, cultural and other matters when filming in some emerging economies.

Movie-going is extremely popular in emerging markets such as Brazil, China and India, and in the more developed markets, there is a leveling off for box office receipts as consumers also opt to view movies on personal devices in addition to visiting movie theaters. Depending on the source consulted, all of the seven top markets are amongst the top 10 to 20 countries in spending on movies worldwide.

Music

The music industry is always challenged to monetize and has good growth potential in several markets but is persistently challenged by losses due to piracy, which are difficult to quantify, and by consumers who wish to listen to music on multiple devices for free. The industry is asking itself how it can compete with free.

Music intersects with technology, creating a tug and

pull in the industry between the Internet and social media giants that promote and market music for free and streaming services. Some criticize the tech giants for not remunerating artists sufficiently, as witnessed in the high profile case where Taylor Swift withdrew her music from Spotify entirely. Many of the top markets have regulatory environments that protect local creative content in the name of protecting culture and language but at the expense of growth in the marketplace. There is a lot of volatility in the music sector, and innovators are seeking the next big trend that will once and for all settle the issue of monetization and paying for copyright content.

Mobile music has seen a spectacular fall in most markets and no longer promises strong sales, although ringtones and ring back tones are still popular in some markets. Mobile music is on the decline in every market studied for this report, with the exception of China, the Netherlands, South Korea and Turkey. It is hard to say if the mobile growth trends will sustain other than in China and the Netherlands, which reported very good growth trajectories despite major growth in streaming or downloading music. In the context of mobile production, mobile film and video production and the use of mobile in entertainment sectors are on the rise worldwide.

Publishing

Between 2015 and 2019, publishing will grow at about 1.3 percent to reach \$128.3 billion and will be led by India, which is emerging as the 10th largest book market. Nigeria and Peru will see higher growth in education publishing as their governments invest in education, as will be the case for many markets. Sales of educational books will outpace consumer and professional books. Digital continues to grow with less contraction in the print sector. In any case, printed materials are still preferred for sharing in classrooms and are still sold as used books.

E-readers have not become as popular as analysts predicted because many consumers and students still prefer the physical book. Instead, tablets are driving digital publishing, as the portability of tablets has made them an instrumental tool in growing digital publishing across consumer, educational and

scientific books, so consumers can access a large selection of content at any time.

The United States, the United Kingdom, Singapore and South Korea will see e-books soar to 40 percent of publishing revenues due to the high rates of tablet access and ownership in those markets. As has been the case for several years, print and audio book revenues will continue to decline, but the physical industry still enjoys 70 percent of total publishing revenues.

Video Games

The game sector is growing dramatically in nearly every market, and unless regulators decide to put the brakes on, the industry is set to take a bite out of global M&E revenues. Revenue growth for the video game industry is growing faster than the filmed entertainment and music sectors in North America, Asia Pacific, Latin America, Western Europe and the Middle East-North Africa, although there are some variations by country. Only in Central and Eastern Europe does filmed entertainment lead over games and only by a small margin. The games sector is expected to see very strong growth in the Eastern European markets as well.

Figure 1 Projected TOP 25 MEDIA & ENTERTAINMENT MARKETS 2015 - 2019*

1. United Kingdom	6. Mexico	11. Russia	16. Sweden	22. Israel
2. China	7. Germany	12. Italy	17. South Africa	23. Norway
3. Canada	8. France	13. Japan	18. Switzerland	24. South Korea
4. India	9. Australia	14. Spain	19. Argentina	25. Singapore
5. Brazil	10. Colombia	15. Turkey	20. Netherlands	25. Kenya

*U.S. Department of Commerce, International Trade Administration

Top Ten Entertainment Trends for the 21st Century*

New digital technologies will reshape the economics, production, distribution, and marketing of the entertainment industry.

Traditional media enterprises must learn to adapt new Internet and computer technologies to maintain competitiveness.

The convergence of the Internet with TVs, telephones, kiosks, autos, and wireless devices will create many new media channels.

On-demand interactive entertainment content that is personalized for our preferences will be a standard feature.

Advanced virtual reality bundled with digital agents and holographic entertainment worlds will transform our experience of entertainment.

Movie theaters will receive digital broadcasts and satellite downloads of movies, video conferencing, and other interactive programming.

Faster, smarter and more powerful multimedia communications devices will enhance our capacity for producing and distributing entertainment.

Digital TV will provide new programs where we will experience real-time participation with the media content, personalities, and shows.

Edutainment, the merger of entertainment and education, will offer a new genre of programming that will be greatly in demand.

Nontraditional entertainment producers, will change the industry, offering new products, channels, and innovations.

**Source: Institute of Global Futures*

Top Markets Methodology

The 2016 M&E top markets study explores seven markets and analyzes growth projections over a five year period from 2015 to 2019, utilizing data principally from PwC's Global Entertainment & Media Outlook report of the same period, unless otherwise stated in the endnotes. Additional information sources in the report include trade association reports, U.S. Department of Commerce export data, management consulting industry guides, information garnered from meetings, trade negotiations, bilateral meetings with foreign counterparts, export projects conducted directly with industry partners and business leaders, financial news sources, and other industry publications.

The ITA's domestic and global offices were consulted for industry, business and IP insights in each of the seven countries, TPP and Nordic markets researched, as well as trends in the United States. The public report has been reviewed by business partners who have experience with trade in M&E sectors and work closely with ITA on export projects and trade policy.

Please note: this report is not an assessment of how foreign markets view their own cultural content industries. Nor is it a report that analyzes trends identified by foreign governments of their own markets or a measure of how popular domestic content is in each country. ITA respects each market's unique characteristics and analysis, which may vary from research presented here.

Determining 27 Top Markets

The report methodology includes an in-depth analysis of revenue growth and trends across four subsectors: filmed entertainment (which includes film, television streaming and Internet TV), music, book publishing and video games, with an emphasis on digital expansion. Absent robust export data for each subsector, the 27 countries were ranked on growth, known or expected trade barriers, overall market conditions and the size of the population (with an eye towards consumer purchasing power), the size of the M&E marketplace, piracy rates and the ability of governments to stem piracy, and

regional comparisons to derive the robustness of a particular country against another in a given region. The list of 27 countries began with an early assessment of 40 markets, and from this research, the seven top markets were identified. In addition, due to the conclusion of TPP negotiations in 2015, the ITA wishes to present opportunities in select M&E sectors in this market research. The author also highlights opportunities in four of the Nordic countries as the research indicates that there are pockets of growth in those highly digital markets that also have stable economies and strong consumer purchasing parity.

The country case studies and rankings of the seven top markets are based on the following criteria:

- Export flows to the extent data is available and comparable across the top markets, including the historic trade relationship with the United States
- Copyright infringement and intellectual property rights readiness in each market
- Internet access, broadband penetration and their reliability as distribution channels
- Digital licensing and distribution growth potential
- Trade or market entry barriers including import quotas, cultural and content restrictions, withholding of box office receipt payouts and other payment matters, tax structures, foreign investment limits, unfair customs valuation, other protectionist measures, camcording, illegal file sharing, and piracy
- Other aspects of doing business in global markets, such as joint ventures, co-production, monetization and licensing requirements
- The overall trading environment, as well as infrastructure readiness and economic development
- Consolidation or convergence across M&E sectors
- Consumer behaviors and trends and the digital revolution, including growth of the middle class with purchasing power (especially in emerging markets)
- Ways in which the USG can support global licensing for creative content sectors.

2015 - 2019 Ranking of 27 Top Markets for Media & Entertainment			
Export & Licensing Prospects	Rank	Country	Market
Strong Prospects	1	UK	Larger Market, Large Share
	2	China	Larger Market, Growing Share
	3	Canada	Larger Market, Large Share
	4	India	Emerging Market, Growing Share
	5	Brazil	Emerging Market, Growing Share
	6	Mexico	Emerging Market, Growing Share
	7	Germany	Larger Market, Growing Share
Moderate Export Growth	8	France	Larger Market, Smaller Share
	9	Australia	Larger Market, Less Certain Growth
	10	Colombia	Moderate Market, Smaller Share
	11	Russia	Moderate Market, Growing Share
	12	Italy	Moderate Market, Growing Share
Less Certain Export Growth	13	Japan	Moderate Market, Less Certain Growth
	14	Spain	Smaller Market, Less Certain Growth
	15	Turkey	Smaller Market, Less Certain Growth
	16	Sweden	Smaller Market, Growing Share
	17	South Africa	Smaller Market, Growing Share
	18	Switzerland	Smaller Market, Smaller Share
	19	Argentina	Small to Larger, Moderate Growth
	20	Netherlands	Smaller Market, Smaller Share
Small Markets, Strong growth in Certain Sectors	21	Israel	Emerging Market, Growing Share
	22	Norway	Smaller Market, Growing Share
	23	South Korea	Smaller Market, Growing Share
	24	Singapore	Emerging Market, Smaller Share
	25	Kenya	Smaller Market, Less Certain Growth
	26	Nigeria	Emerging Market, Less Certain Growth
	27	Vietnam	Emerging Market, Less Certain Growth

Determining Seven Top Markets

U.S. media and entertainment content, know-how, and business acumen are in high demand worldwide. This is partially witnessed by the desire of many foreign companies and artists to enter the U.S. marketplace and is demonstrated by large scale joint ventures in foreign markets with U.S. M&E players in a leading role. U.S. products and services are known for high-quality productions and the American brand.

Hollywood, for example, is a place, a brand, a business center and the creative hub of the global filmed entertainment industry, which evokes images of glamour, red carpets and world class entertainment – both for American and foreign consumers and businesses.

The United States also has the most open content market worldwide, or the least restricted from a trade perspective, although it is not always easy for foreign entrants to comprehend the varying state regulations in addition to federal laws that govern licensing and business practices. On the other hand, U.S. content is sometimes shunned by markets that wish to protect or build their own robust M&E marketplace. The U.S. M&E industry faces significant barriers in foreign markets, some of which are discussed under each country case study.

To identify the top 27 export markets, a list of 36 countries were reviewed, and an assessment was made of the following factors: the digital media landscape; growth in broadband or Internet access; box office revenues; TV and electronic home video subscriptions; over the top streaming services; digital music streaming and downloads; physical music; video games on digital consoles, PCs, online, mobile, alternate and virtual reality; as well as known trade barriers, piracy rates and economic development factors across the 36 countries.

The list of 40 was then narrowed to 27, based on growth in one sub-sector but losses in others, and considering the current political environment making growth prospects more tenuous in an otherwise robust M&E market, such as in Russia. In other cases, the country's entertainment sector and imports of M&E to said market were found to be either too small or too nascent to warrant robust

returns at this time for U.S. exporters who enjoy the largest and most relatively sophisticated domestic M&E marketplace in the world.

While arguably the last 10 countries on the list of 27 are largely considered sophisticated global players, the *overall market* is too small, too protected or too young to yield returns in at least one significant subsector or more in comparison to others on the list.

The seven top markets are found in Europe, North America and Asia. Four of the seven top markets in this report are considered emerging economies with tremendous growth potential (in alphabetic order): Brazil, China, India and Mexico; three are more established economies with proven and, arguably, more stable growth opportunities: Canada, Germany and the United Kingdom. While sales or export revenues may be higher in the developed markets, the growth rates may be exponentially higher in the emerging markets selected as top markets in this report.

Middle East/North African (MENA) markets were eliminated in the early analysis regardless of possible strong trade in other sectors, primarily due to the small size of the markets, challenges with doing business in certain markets and the fact that they are just now developing their M&E sectors domestically. Yet, there are promising developments in South Africa, Kenya, Nigeria, the United Arab Emirates and other markets that will likely be explored in future Top Markets reports. Some of the MENA countries restrict creative content and free speech, are governed by sharia law, and have other market access restrictions on investment and trade that make it less attractive compared to other markets at this time for U.S. content providers. That said, many of these markets are eager to collaborate with U.S. M&E companies, and it is possible there will be good opportunities to bring U.S. technology transfer, know-how and skills to said markets in the near term. Such deals could present another measure of M&E exporting as these markets continue to evolve.

Argentina is experiencing good growth in M&E sectors but has one of the most protectionist markets of U.S. trading partners, making it virtually impossible for U.S. exporters to rely on deals in that

country at this time. Japan is also seeing solid growth and is a large M&E marketplace, but it is expensive to do business there, and American exporters, especially small companies, may opt for less expensive markets, such as Mexico.

France has a rich cultural history and interesting M&E trends along with a large M&E sector, yet the strong cultural values may create challenges for U.S. entrants. Language and copyright issues further complicate trade between U.S. and French M&E sectors. However, there is very strong desire for U.S. content and know-how in France, as there is in much of the world.

Australia is also a solid M&E marketplace, albeit a bit fragmented due to the size of the country. It is far from global distribution centers and from the United States, making it more challenging and possibly more costly for U.S. distributors and exporters to travel and ship M&E content and merchandise than to certain other countries.

Israel, Italy, Netherlands and Spain are experienced trade partners but smaller markets, each with various trade barriers, but all very much interested in U.S. content and thereby more likely export targets of the very large corporations or small firms with a unique genre or content particularly popular in those countries.

The more established markets in Europe, North America and Asia have larger markets but slower percentage growth compared to many developing economies; nonetheless, many represent billion dollar exports and M&E revenue growth markets. Even where physical product is declining, there is still a large market, such as the music industry in Japan or publishing in India.

Observations on Intellectual Property & Copyrights for the Creative Content Sectors

All 27 markets are affected by serious content piracy, and many are rife with illegal music file sharing and camcording (*i.e.*, illegal recording) in theaters, as well as a proliferation of set-top boxes with pirated content, especially, but not limited to, Asian markets.

Most of the markets reviewed here with the highest M&E revenues are also markets with extremely high piracy rates and are listed in the submissions by the International Intellectual Property Alliance, which represents more than 3,200 M&E industry companies, in connection with the Special 301 report by USTR. There appears to be a correlation between piracy and growth, contrary to what one might imagine, as can be seen from the data used in this research provided by PwC and market analysis by the IIPA and other industry analysis. If there is in fact a direct correlation, the reasons could be that the more companies and content enter a market, the more it is pirated or copied and dispersed and the more the companies fight to maintain a legitimate market place.

Another theory is that the more established, larger markets have historically enjoyed very robust physical sales, and while they are transitioning to digital market places, they still lead in M&E revenues, despite high piracy rates. The gap between high physical sales and the increasing revenues from digital trade is expected to narrow over the next 10 years. Further information on the three subsectors and more in-depth industry analysis is offered elsewhere in this report.

Country Case Studies

To illustrate the breadth of opportunities in foreign markets, ITA selected seven countries for detailed case studies (in alphabetic order): Brazil (5), Canada (3), China (2), Germany (7), India (4), Mexico (6) and the United Kingdom (1).

Since each M&E subsector is different, ITA also included in the report sector snapshots that highlight particular challenges and opportunities in each subsector as well as sector specific rankings.

New in the 2016 report is an assessment of opportunities in 10 of the 12 Trans-Pacific Partnership (TPP) markets (excluding the U.S. and Brunei) and a snap shot of four of the Nordic markets.

ITA's recommendations are meant to provide suggestions for exporting and licensing to these markets, and U.S. businesses are advised to consult with their local U.S. Export Assistance Center and consider current political and economic events when planning to export, license or expand into global markets.

Brazil

Brazil is the wealthiest nation in Latin America, although this year Mexico and Argentina have registered higher GDP per capita, and the current recession is curbing the economic growth among the Brazilian middle class. In 2015, Brazil boasted a \$48.4 billion M&E industry, which is expected to grow to \$71 billion in 2019. It is twice as large as Mexico's M&E industry. The August 2016 Olympics (and the 2014 World Cup) spurred growth for entertainment venues and companies providing live music, animation and media tools, but the current political and economic situation will curb growth.

Overall Rank

5

Ranking of the Brazilian M&E Sectors 2016

1. **Filmed Entertainment**
2. **Music**
3. **Publishing**
4. **Video Games**

Brazil ranks fifth on ITA's list of top M&E export markets in 2016. U.S. exporters are expected to be particularly competitive in filmed entertainment and music but will have to remain vigilant to protect copyrights and market share. Brazil is still developing its international licensing system, and while opportunities abound as Brazilians are just as eager to share their creative talent as they are to learn about U.S. M&E trends, trade barriers make market entry a challenge.

Exporters are advised to have a local attorney who speaks Portuguese to provide tax and licensing law expertise and to help navigate the copyright laws, which have been in flux in recent years. Fraudulent payment systems and scams are other concerns for U.S. businesses in this marketplace.

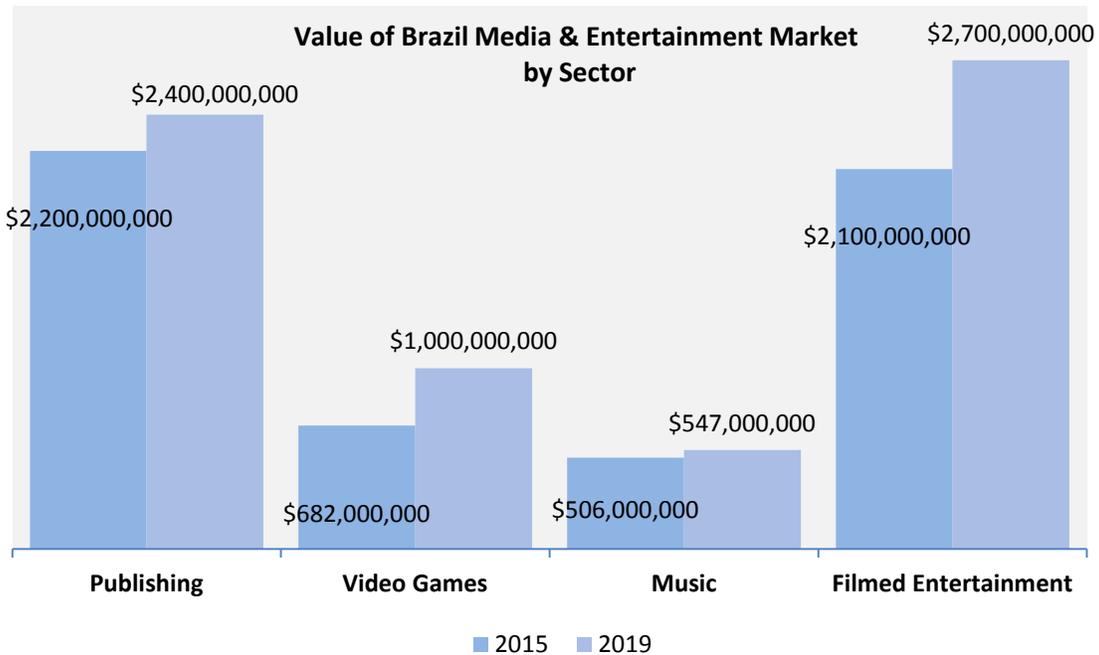
Nonetheless, it is a vibrant entertainment marketplace. The film industry is well developed, while television is more localized, and games are growing both for digital consoles and online. Music is a vital cultural force in Brazil, and there is demand for American jazz and electronic/trance, among other genres, in the Brazilian marketplace.

Overview of the M&E Market

Brazil is Latin America's largest media market and the only Portuguese-speaking country on the continent. Brazil has thousands of radio stations and hundreds of TV channels, both very influential media with highly concentrated ownership that are tightly regulated by the government.¹⁵

The government is implementing its digital TV transition and was slotted to switch off analog in 2016, but the government has decided to hold off until 2018, after the Olympics has concluded^{vi}. Presently, more than 30 percent of Brazilian households subscribe to pay-TV. Globo, Brazil's cable giant, counts almost half of the country's population as its viewership and offers pay-TV stations, magazines, radio, film production and newspapers, although the bulk of Globo's \$6.3 billion (2013) fortune comes from its broadcast network, which airs telenovelas (soap operas) that are popular throughout the continent. Globo is not only the largest Brazilian media company but also the largest in Latin America.¹⁶

Steve Solot, President of Rio Film Commission, confirms that despite the country's general economic deceleration, the film and, especially, TV industries are surging, boosting demand for content in all audiovisual segments. The Brazilian government has announced its support for the film industry, and box office receipts are growing rapidly but could be at risk due to weak economic development and the major sporting events that take place during the time of year typically associated with high movie attendance in Brazil.



The Brazilian music industry is very diverse and localized, and certain genres of foreign music are more popular than others for export purposes, such as jazz, trance and lounge, rock, and folk, especially as many Brazilians begin to listen to and purchase music in foreign languages. American music is popular in Brazil, but Brazilian music is the most popular, as many still prefer to listen to music in Portuguese. Brazilians are digitally savvy, with 91 million people online. Consumers are easy to reach via online marketing campaigns. Among social media trends, YouTube is extremely popular.

Challenges Facing U.S. M&E Exporters

Copyright industries doing business in Brazil face significant Internet piracy, as do products in the entertainment sector, such as CDs; DVDs; and other media carrying pirated music, movies, TV programming and video games. Circumvention devices that allow access to video game consoles are a problem for all copyright sectors.

That said, the industry faces roughly the same amount of Internet piracy as is found in any other middle income country, and Brazilians consume pirated DVDs and engage in illegal downloading. The activity is driven by high costs and taxes on

entertainment and lack of a full catalogue offering to the public, some of which is a governmental problem, and some of which is caused by the industry. Problems with enforcement for illegal downloads are being addressed this year in a pending and long-awaited new copyright law. Brazil has significantly improved enforcement against hard goods piracy over the past five years, which includes DVDs/CDs. The new copyright bill will likely also contain express “fair use” exceptions and limitations.

Opportunities for U.S. Companies

U.S. companies willing to invest in the Brazilian market and build personal relationships with businesses in Brazil stand a fair chance at doing repeat business in this relationship-driven economy. The creative industry has always been vibrant in Brazil, and now the country is focused on building a world class M&E sector, a process that was intensified by the FIFA World Cup 2014 and in anticipation of the 2016 Rio Olympics. The 2016 Olympics offer opportunities for M&E companies with entertainment and event services, theme parks and related entertainment, live music acts, apps, and filmed entertainment.

Filmed Entertainment

The Brazilian filmed entertainment sector is slated to reach \$2.7 billion by 2019, up from \$2.2 billion in 2015, at a robust 6.1 percent growth rate.^{vii} Box office revenues will reach \$1.16 billion, growing 8.5 percent during the same five-year period.^{viii} The Brazilian government reports box office revenue grew for the ninth consecutive year in 2015 to reach \$773 million (8.5 percent) while admissions will increase to 195.4 million in 2019, a significant rise from 152.0 million in 2014.

It may be challenging to translate English content into Portuguese, although many movies are also dubbed. The fastest growth will be in electronic home video, which will rise at an impressive 15.4 percent to \$676 million in 2019 (from \$330 million in 2014), which will represent 24 percent of total filmed entertainment revenues.^{ix} Over-the-top (OTT) streaming will experience a large increase in revenues to \$191 million in 2019, a marked revision downward from last year's prediction of \$363 million in 2018 but still strong.^x Through-TV-subscription revenues will almost double to reach \$485 million by 2019 (up from \$250 million in 2014).¹⁹ Content for TV and DVD, along with digital streaming and subscription services, still offers good growth opportunities in Brazil, especially for content that is localized or offers new genres.

The Brazilian government has dedicated many resources to grow the domestic filmed entertainment sector. In 2014, then President Rousseff announced \$470 million in film and TV incentives aimed at cinema expansion under a project titled "A Cinema Near You." This project is funded by the federal government and managed by the National Film Agency, Ancine, and its Audiovisual Sector Fund (FSA) in cooperation with the National Development Bank (BNDES). Both Rio and Sao Paulo governments also offer film funding and marketing for the domestic industry, via RioFilme and SPcine. While this bodes well for the local economy, it can also open doors for U.S. producers to partner with Brazilian producers of television series and films for TV, who will have access to additional production funds, which in turn could be beneficial in terms of translation of subtitles on content and generally for contractual interpretation.

Brazil's audiovisual regulatory environment is complex and favors national content and production. Although there is a vast array of production incentives for national content in every format, there is no specific foreign production incentive. However, U.S. producers can partner with a Brazilian company to access local production funds. Federal regulations for audiovisual projects overseen by Ancine have been criticized by local producers as overly bureaucratic and slow, hindering the production process.

Despite rapid growth of transactional and, especially, subscription-based video-on-demand (VOD) services (both foreign and national), the federal government has issued a levy on VOD services that may restrict expansion of services catalogs to mostly highly commercial films which can cover the cost of the levy. The Ancine Regulatory Agenda 2015-16, published March 13, includes this item.²⁰

Television

Subscription TV offers excellent growth opportunities for companies that are willing to navigate the quota and taxation requirements levied on foreign providers.²¹ In 2012, the Brazilian government implemented a domestic quota for pay-TV (Law 12.485), which mandated new local content quotas for pay-TV channels and thereby created enormous demand for independently produced national content to be acquired or co-produced by channels in order to fulfill the quotas. While U.S. producers can partner with local companies to produce series and TV movies, this represents a serious trade barrier.

Pay-TV penetration was only 29.5 percent in 2014 in approximately 19 million homes, according to The National Telecommunications Agency (Anatel,) and is expected to grow 36.7 percent through 2019, dominated by Net Serviços (cable) and Via Embratel (satellite).^{xi} Both are backed by Telmex, a dominant Mexican telecommunications provider with a strong presence across Latin America. PwC analysts suggest the satellite TV sector will see robust growth from 16.5 percent to 20.7 percent of television households, and IPTV is expected to expand beyond approximately 600,000 households in 2013 to 2.3 million in 2018, representing excellent opportunities

for U.S. exporters. It is worth noting the latter will represent about 3.1 percent of TV households.

Music

When working with the music business in Brazil, it is important to understand the local culture and how the industry is represented in two distinct communities. One represents the traditional music industry, including the major labels, music publishers and radio. The other represents the independent sector, which is strongly influencing the direction of the emerging and new Brazilian music industry, represented by young managers, do-it-yourself (DIY) artists, indie labels, indie music festivals and social media.

Exporters will need to know which segment they are targeting when entering the market and plan on meeting with buyers in person to build the relationship. For Brazilians, this is very much a relationship industry. Fortunately for U.S. exporters, most people working in the music industry speak English and often Spanish in addition to their native Portuguese. Radio is still the most powerful medium to expose new music and gain attention for new releases in Brazil, and television is also a very important medium, with social media and online tools following closely behind TV.

Music sales across Latin America grew by only 1.4 percent in 2013, and digital sales accounted for 35 percent of revenues. Brazil and Mexico dominate the market and together account for 70 percent of recorded music income in the region, although 2013 brought declines in both Brazil's and Mexico's music markets.²² By 2014, Brazil recorded \$500 million in revenue, with a 1.8 percent forecasted growth rate to reach \$547 million in 2019, signaling better times in the future. Recorded digital music sales peaked in 2014 at \$295 million and could fall by as much as 1.9 percent through 2019 to \$267.^{xii} Digital streaming music will be an important part of the industry's future over the forecasted period with the launch of Spotify in 2014 joining other companies in the streaming music business.^{xiii} In 2014, the digital streaming market was \$62 million, which had risen 30 percent from 2013 and is forecasted to grow to \$83 million at a rate of 6.2 percent through 2019.^{xiv}

These developments signal strong opportunities for U.S. labels across a broad swath of genres. Subscription services are on the rise. While mobile music (with ring and ring-back tones in particular) sets the tone for early digital music development, it is now in decline with competition from new music services and wider broadband penetration, especially in urban centers. Illegal file sharing remains problematic as Brazil's copyright law is being revised but may not gain significant ground, possibly for years to come, due to changing political players and multiple agencies involved with law making.²³

The Ministry of Culture has publically announced the Copyright Bill will be released this year. As mentioned previously, Spotify and similar services are flourishing (and for perspective, so is Netflix, representing another creative content sector), and experts believe Brazilians are likely to halt illegal downloads and file sharing once costs become more reasonable. Licensing of digital music and participation in music festivals hold the highest potential for music exporters in the short run, until the industry is better protected by more robust anti-piracy laws.

Video Games

Brazil has the second largest game market in Latin America after Mexico, worth \$484 million (2015), and is expected to grow 11.9 percent over the coming years to \$746 million by 2019.^{xv} It will then boast 38.9 percent of the region's total video games consumers, surpassing Mexico's video game market by a small margin.^{xvi} Sales of game consoles will increase at a rate of 11.6 percent to reach \$324 million in 2019 (from \$188 million in 2014) despite the almost 90 percent import taxation on consoles, which encourages illegal trade and stifles growth in legitimate video games and consoles.²⁴ In addition to taxes, there are high tariffs, and given the downturn in the Brazilian economy, no improvements are expected in the immediate future to reduce the fiscal and regulatory burdens across many sectors.

Social media is accredited with being a major driver for this sector, and online games are tremendously popular. The apparently sudden growth in traditional gaming, when other markets are witnessing a

decline, especially in console gaming, has to do with the import tax situation. Consoles and console games are significantly more expensive in Brazil than in other territories and could retail for \$60 in the United States but over \$100 in Brazil, and they arrive in the store long after their release date. The increase in digital formats bypasses the traditional tariff and taxation channels altogether. This has led to a sudden opening up of the market, meaning earlier availability of more affordable, comparably priced games and services for Brazilian consumers. Free-to-play mobile and online games will grow, thanks to the high cost of video games, which will also lead to high advertisement revenues in the market place.

New technologies will help stem piracy in the console sector, such as consoles with improved methods for detection and blocking that prevent play of pirated games on consoles, along with next-generation consoles equipped with anti-piracy software and newer games that offer in-game downloads and multiplayer gameplay, which must connect to official servers to verify legitimacy before allowing access to the games.

Lastly, the Brasil Game Show (BGS) will take place in Sao Paulo from September 1 to 5, 2016. More information is available at: <http://www.brasilgameshow.com.br/>.

Publishing

In 2015, total book publishing revenue was worth \$2.2 billion and will experience a modest growth trajectory to reach \$2.4 billion by 2019.^{xvii} While e-books will expand during the forecasted period, print books will remain the most popular way to read a book. The Brazilian government is promoting reading through programs such as the National Reading Incentive, which will help drive the popularity of both print and e-books.^{xviii}

As with most top markets, the e-book markets will witness the most impressive growth with consumer e-books at 35 percent, more than quadrupling in size from \$44 million in 2014 to \$197 in 2019.^{xix} Educational e-books will grow at a rate of 23.2 percent from \$2 million to \$4 million but will represent only 0.6 percent of the total revenues for educational books due to a low tablet penetration

rate of the market.^{xx} Professional e-books will grow 11.5 percent through 2019 to reach \$63 million.^{xxi}

Major international publishers like Penguin Random House recognize the important growth potential of Brazil as an emerging economy and have invested in local publishers. For the time being, brick-and-mortar stores will continue to play the most important role in the Brazilian publishing sector. One important consequence of the reliance on brick-and-mortar stores is that small and medium sized publishers are afraid of putting themselves out of business by pricing their digital books much lower than their print books and undercut themselves. Therefore, the Brazilian market is unique in that it is seeing publishers price their digital books at a similar price to their print books, which is not necessarily the best way to encourage growth in e-books.^{xxii}

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Brazil.

- Typical buyers, licensors and distributors of M&E in Brazil might include state and federal government, small and medium sized private companies, and large domestic or multinational corporations.
- Preferred business strategies to enter/expand in the market might include finding a distribution partner and setting up an office in country with local partners to comply with local import regulations.
- Common trade barriers to enter/expand in the market might include that most businesses have set up their own regional or local office in country. It is a cost of doing business in the local market and required by law. There are high taxes on FDI and complex licensing procedures in Brazil.
- U.S. Department of Commerce Country Commercial Guide: <http://www.export.gov/ccg/brazil090732.asp>
Other Market Research: <http://www.mpa.org/the-brazilian-film-industry-thoughts-on-innovation-and-regulation/#.VzCD8sv2bIU>
- American Chamber of Commerce in Brazil: <http://www.amcham.com.br/en>

- Government Agency: Ministry of Culture, Fundação Biblioteca Nacional – <http://bn.br;enwww.cultura.gov.br>

Industry Trade Associations

Film/TV

- *Brazilian TV Producers Association* – <http://braziliantvproducers.com/en/>
- *Rio Film Commission* – <http://www.riofilmcommission.com/>

Music

- *Brazilian Association of Independent Music* – <http://abmi.com.br/website/index.php>

Publishing

- Brazilian Book Chamber - <http://www.cbl.org.br>
- National Union of Book Publishers (SNEL) – <http://www.snel.org.br>
- Brazilian ISBN Agency - <http://www.isbn.bn.br>

Video Games

- *Brazilian Association of Video Game and Audiovisual* - <http://ubveq.org.br/>
- *ACI Games* - <http://www.acigames.com.br/>
- *ABRAGAMES – Brazilian Association of Electronic Game Developers* - <http://www.abragames.org/>

Trade Shows

Film/TV

- Rio Film Festival – <http://www.festivaldoriorio.com.br/en/>
- Rio Content Market – <http://riocontentmarket.com/>

Music

- Rio Music Buzz – <http://www.abmi.com.br/circulares/RELATORIO%20Rio%20Music%20Buzz%202015.pdf>

Publishing

- 14th Paraty International Literary Festival (FLIP), Date: June 29 – July 3, 2016, Paraty, RJ, Brazil – http://www.flip.org.br/?idioma_new=1
- Bienal Internacional do Livro de São Paulo 2016, August 26 – September 4, 2016, Sao Paulo, SP, Brazil – <http://www.bienaldolivros.com.br/en/Home/>
- Bienal Internacional do Livro Rio 2017, August 31 – September 10, 2017, Rio de Janeiro, RJ, Brazil – <http://www.bienaldolivro.com.br/en/>
- Bienal do Livro de Minas 2018 Juiz de Fora / Belo Horizonte MG, Brazil – <http://www.bienaldolivrominas.com.br/>

Video Games

- *Brasil Game Show (BGS)* - <http://www.brasilgameshow.com.br/>

Canada

The Canadian M&E industry will grow at a respectable 5.2 percent CAGR during 2015 to 2019, from \$47.8 billion to \$58.5 billion.¹ Canada is well positioned as an M&E leader with extra value added offerings in filming and co-production incentives for foreign investors, a vibrant game developer’s marketplace, and a strong focus on copyrights to build the foundation for a robust music sector. Canada’s switch to a digital M&E sector is driven by an increase in broadband penetration at 86.8 percent in 2015 - below full capacity but second among the G8 countries. Canada invests heavily in its domestic creative economy, and besides implementing content restrictions to protect the domestic market, large subsidies are provided to startups and artists, representing competition for U.S. entrants.

Overall Rank

3

Ranking of the Canadian M&E Sectors 2016

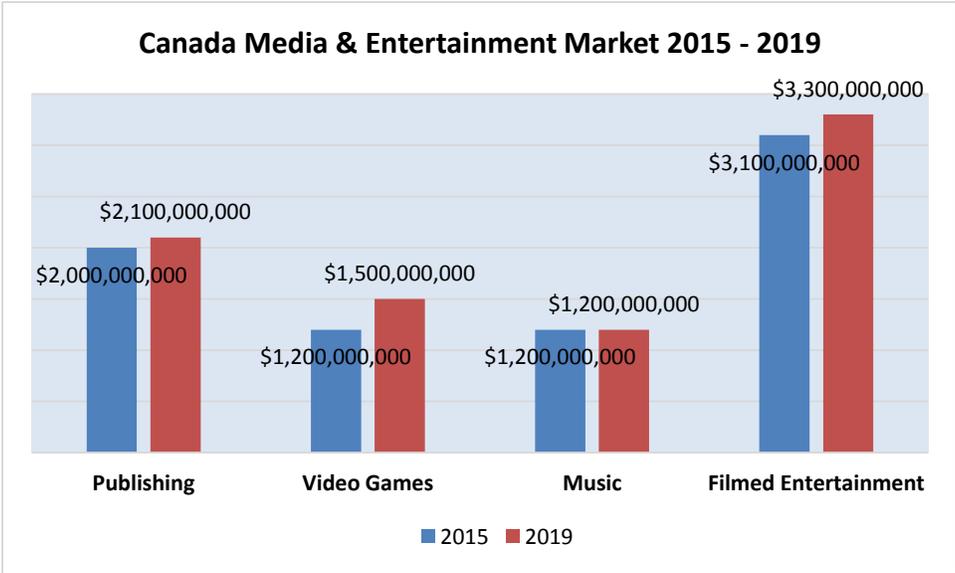
1. Video
2. Filmed Entertainment
3. Publishing
4. Music

Canada ranks third on ITA’s list of top M&E export markets. There is strong demand for U.S. M&E content in Canada, while at the same time the government is serious about protecting local creative heritage, skills and languages. Canada and the United States are each other’s main trading partner with strong commercial ties.

silent film star Mary Pickford, through the golden years of film and music with Christopher Plummer, Donald Sutherland, Glenn Ford, Norma Shearer and Robert Goulet to Alanis Morissette, Anne Murray, Assassin’s Creed, Bryan Adams, Dan Aykroyd, Eugene Levy, Howie Mandel, Jason Priestley, Jim Carrey, Justin Bieber, Keanu Reeves, Matthew Perry, Michael J. Fox, Nia Vardalos, Ryan Gosling, Ryan Reynolds, Sarah McLachlan, Seth Rogan, Shania Twain, Pamela Anderson, Paul Anka, Peter Jennings, William Shatner and many other Canadian M&E exports; Americans also enjoy notable acts like Cirque de Soleil, Celine Deon and Michael Buble - just to mention a few.

The United States has groomed many a famous Canadian entertainer as their own as far back as

With a large economy, highly educated population, and strong high-tech and media sectors, it is no



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

surprise that Canada ranks third on the top markets list. U.S. exporters will do well in filmed entertainment, including filming, co-production and distribution of movies, as well as licensing television content for OTT/streaming. Digital music downloads and streaming music are growing at a steady pace, although taxation and cost of business can be prohibitive vis-à-vis the U.S. dollar. The games sector is flourishing, and Canada is known as second in the world for gaming development. U.S. exporters may easily find collaborative or new opportunities in the Canadian market to match the high-tech expertise and R&D found in the U.S. marketplace.

Overview of the Market

The strong services trade with Canada sets the stage for robust M&E exports to flourish, although it is also a relatively heavily regulated market. Canada provides some of the most impressive subsidies to its creative sectors, which in turn create a slew of barriers to foreign investors and, in an effort to protect culture, also create barriers to M&E entrants.

The Canadian Radio and Telecommunications Commission (CRTC) regulates radio, television, broadcast distribution undertakings (cable, satellite and IPTV television services), most telecommunication services, wireless services and Internet Service Providers (ISPs). The CRTC reports to Parliament through the Minister of Canadian Heritage (the federal agency responsible for culture, media, sports and the arts in Canada and that also regulates Canadian content requirements for media). Innovation, Science and Economic Development Canada (formerly Industry Canada) also plays a role from the technical side.

On April 22, 2016, Canadian Heritage announced that they will begin a major review of Canada's cultural industries involving everything from regulations including the Broadcasting Act to the CRTC, Canadian content regulations and funding for cultural industries.

Filmed entertainment is geared towards North American consumers, and there are many cooperative arrangements and opportunities between the two countries in the film industry. The CRTC regulates music broadcasting. The Canadian

Academy of Recording Arts and Sciences administers Canada's music industry awards, the Juno Awards, which is similar to the U.S. Grammys.

Opportunities for U.S. Companies

Filmed Entertainment

Canada's filmed entertainment market will grow at a modest 1.9 percent from 2015 and 2019, from \$3.1 to \$3.4 billion, and by 2019, box office revenues will constitute 42 percent of film earnings.^{xxiii} The U.S. filmed entertainment industry enjoys a robust relationship with Canada. While Canada holds co-production treaties with over 50 countries, the United States conducts joint projects without such an official agreement, and both tax and filming incentives are available. OTT and streaming content will grow at 17.4 percent during this period.^{xxiv} While physical home video will continue to decline, it will still constitute a \$976 million market in 2019, TV subscriptions will experience a slow and stagnant growth, staying close to \$7.6 billion from 2015 to 2019.^{xxv}

Netflix is expanding rapidly and faces competition from Canadian cable company competitors like Shomi and CraveTVVideo. Rental kiosk company Digiboo is establishing itself in the Canadian market, signaling growth opportunities both for digital content and physical rentals. Cineplex is operating successfully in the market as well, offering digital rentals. Canadians are increasingly choosing TV series over feature films, and movies are more often viewed on TV rather than at the theaters.

Consumers are accessing content on-demand across multiple platforms. There is also a disparity between demand for French versus English language content, which warrants further exploration and could signal good growth opportunities for U.S. content creators of English filmed entertainment if they target the right market segment. The Canadian government requires 60 percent of televised content to be Canadian, and Canadian broadcasters have to spend 30 percent of their revenues on Canadian programs.

Music

The Canadian music industry will experience nominal growth at just over 1 percent during the period from

2015 to 2019 from \$1.1115 billion to \$1.1159 billion.^{xxvi} Modest growth opportunities can be found in digital music, as streaming is expected to grow by 18.9 percent as Canadians adopt on-demand or web radio streaming services and online music video services. Digital downloads, in a marked revision from last year's report, will decrease by 8.8 percent, aligning the market with a trend experienced in many other top market countries.^{xxvii} Digital revenues shrank 5.7 percent from 2014 to 2015, to reach \$207 million or 17 percent of Canada's music revenues, and falls behind physical revenues, which declined by 5.6 percent.^{xxviii} Content restrictions are in place for radio play; 35 percent of radio content must be Canadian, and 30 percent of radio play between 6am and 6pm Monday through Friday must be Canadian content. Further regulations concerning music play can be found on the Canadian Radio-TV and CRTC's website.

Games

Video games are set to reach \$1.5 billion in 2019 (4.6 percent growth) from \$1.2 billion in 2015.^{xxix} Growth has been spurred by mobile gaming and game consoles as well as in related advertising revenues. While computer games are declining (digital PC games will grow 7.0 percent, but physical PC games will decline 6.4 percent during the same time), console sales constituted 57 percent of the 2014 market and, unlike in other developed economies, will remain robust, growing 3.1 percent by 2019.^{xxx} Digital console games will outgrow physical games at 14 percent between 2015 and 2019, demonstrating the shift from physical to digital distribution and consumer demand for digital.^{xxxi} App-based games continue to grow and "84 % of Canadian video game companies are actively working on products or services for mobile platforms," signaling intense focus and opportunities in the mobile sector.^{xxxii}

Publishing

In 2015, the publishing sector reached \$1.95 billion and is set to increase to \$2.12 billion by 2019 at a growth rate of 1.7 percent.^{xxxiii} Canadians are avid readers and purchase both electronic and print books, and the decline in the print books purchases signals the movement toward to e-books.^{xxxiv} In 2015, consumer e-books constituted \$266 million in revenues for the publishing industry with a growth

of 8.5 percent by 2019, increasing the market size to \$401 million.^{xxxv} Over the same period, professional e-books will grow 10.5 percent and increase from \$85 million to \$135 million.^{xxxvi}

Education e-books will grow at an explosive 21.1 percent from 2015 to 2019 with revenues increasing from \$143 million in 2015 to \$372 million in 2019.^{xxxvii} The significant growth in the e-books subsector of Canada's book publishing industry indicates that it has reached maturity and consumers will continue to make the switch over from more expensive print books to lower cost e-books. Nevertheless, the print books/audio remains popular and, in 2015, consisted of nearly 75 percent of the total publishing sector in Canada.^{xxxviii}

Challenges Facing U.S. M&E Exporters

There is significant demand for U.S. content in Canada, and U.S. exporters have a lot of opportunities in the market. However, online infringement is high and enforcement action weaker than expected considering the advanced marketplace. There have been complaints of illegal and uncompensated retransmission of TV content and unfair discrimination against music public performance, which are both presently being discussed by the two governments and industry representatives.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Canada.

- Typical buyers, licensors and distributors of M&E in Canada might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include that as we move closer to a digital media based economy, it is important to note that while the privately held companies will host data on overseas servers, public sector organizations are still wary about doing so. In fact, the provincial

governments of British Columbia and Nova Scotia have legislation that prohibits the storage of data outside of Canada. Many U.S. multinational vendors have set up their own regional or local office(s) in country. It is a cost of doing business in the local market. Companies should expect some significant competition from local vendors.

- [U.S. Department of Commerce Country Commercial Guide](#)
- [American Chamber of Commerce in Canada](#)

Industry Trade Associations:

- [Entertainment Software Association of Canada](#)
- [Canadian Association of Broadcasters](#)
- [Alliance of Canadian Cinema, Television and Radio Artists \(ACTRA\)](#)
- [Canadian Country Music Association](#)
- [Canadian Independent Music Association](#)
- [Canadian Media Producers Association](#)
- [Motion Pictures Association Canada](#)
- [Music Canada](#)
- [Society of Composers, Authors and Music](#)

[Publishers of Canada \(SOCAN\)](#)

Government Agencies:

- [Canadian Heritage](#)
- [Canadian Radio-Television and Telecommunications Commission \(CRTC\)](#)
- [Innovation, Science and Economic Development Canada](#)
- [Ontario Media Development Corporation \(OMDC\)](#)
- [Telefilm Canada](#)

Trade Shows:

- [Banff World Media Festival](#)
- [Canadian Music Week](#)
- [Giant Screen Cinema Association \(GSCA\) International Conference & Trade Show](#)
- [Montreal International Game Summit](#)
- [Show Canada](#)
- [Toronto International Film Festival \(TIFF\)](#)

China

China's M&E industry is on track to reach \$242.2 billion by 2019.¹ China has the second largest economy in the world, powered by state-owned enterprises (67 are listed on the Fortune Global 500). The population of 1.3 billion has more than 600 million Internet users and 500 million mobile Internet users. Wi-Fi is widespread and free, but free speech is curtailed and Internet sites are monitored and blocked for offensive content. China's growing affluent middle class is seeking quality and diversity of entertainment products and services. The government has put its weight behind promoting culture and is building movie theaters at a furious pace, now standing at 23,600 screens (compared to 40,000 in the United States) and more than 3,700 theaters and growing and with an estimated 60 million movie goers, there are excellent M&E growth opportunities in the world's most populous country.

Overall Rank

2

Ranking of the Chinese M&E Sectors 2016

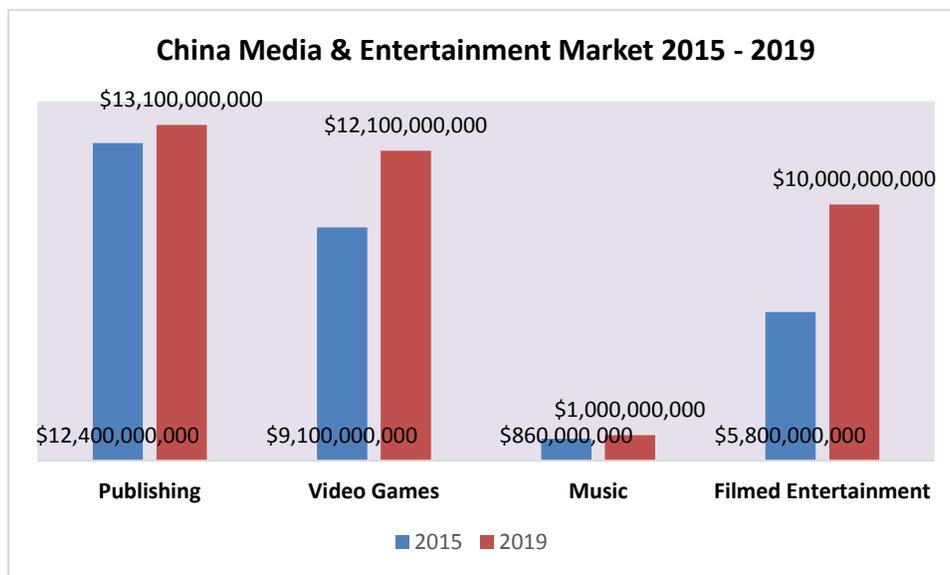
1. **Filmed Entertainment**
2. **Video Games**
3. **Publishing**
4. **Music**

China ranks second on ITA's list of top M&E export markets by sheer size. China offers a powerful, large market place and the government is making sure the entertainment industry is rising to the challenge to match global markets and offerings for its vast consumer base. However, trade barriers such as content restrictions and rules for Chinese ownership limit how U.S. exporters can access and trade in this market, hence it ranks second. U.S. film producers

and distributors can enter coproduction agreements or other entrusted production agreements to bring U.S. content to film and TV viewers, both in theaters and online.

The music industry is growing and is equally challenging to enter due to regulatory restrictions and state mandated censorship approval. Demand for Western music, while popular (especially American music), has not developed to the same degree as K-pop (Korean pop music), and Chinese opera and other local content is still very dominant in the Chinese marketplace.

The games sector is also booming, and both digital console and online games are facing robust growth



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

in the next five years, presenting excellent opportunities for U.S. exporters who would like to enter the marketplace with a Chinese partner. With 13 percent of the world's global mobile revenues, a new trend has emerged with games spreading due to the popularity of mobile chat apps.³⁰ Piracy plagues China, and the government is working to improve copyright and IP protections.

Overview of M&E Market

China's M&E market is growing faster than the overall economy as the government has strategically invested in M&E and the growing middle class consumer base can afford to spend on entertainment. The Chinese government has emphasized training in the Chinese M&E industry and has increasingly made capital available to the cultural and entertainment sectors, while cautiously allowing foreigners to invest, such as creating an M&E investment fund in collaboration with Singapore and a media project with U.S. media conglomerate Time Warner.

In addition, both the U.S. and China view this industry focus as a "soft power" tool in a five-year plan to grow the domestic industry and increase China's global influence as well as their image abroad.^{xxxix} There is high demand and consumption of mobile games and filmed entertainment, and some experts advise new exporters to start investing in second or third-tier cities that have established international business ties and active ports before venturing to the capital, Beijing, and so-called first-tier cities, like Shanghai, that are more competitive.

Opportunities for U.S. Companies

Filmed Entertainment

China's filmed entertainment sector is expected to grow 14.5 percent by 2019 to reach just under \$10 billion, nearly doubling from \$5.8 billion in 2015.^{xl} This growth is due to China's policies to stimulate the sector, build its domestic movie production and digital theaters, and expand the role of co-productions, as well as addressing their quota system and increasing revenue sharing imports. According to the Los Angeles Times and Artisan Gateway (a leading film and cinema consulting firm in Asia), box office receipts increased 48.3 percent to

\$6.8 billion by year end of 2015.^{xli} This enormous growth is the largest jump in the past five years, and 61 percent of it was generated by Chinese films, as American share of the market has continued to decline.^{xlii} Chinese screens increased by more than 9,000 in 2015, bringing the total amount of movie theaters to 32,000.^{xliii}

China boasts the second largest theatrical market worldwide after the United States, and box office revenues are on a meteoric rise and are expected to reach \$8.8 billion (15.5 percent) by 2019. Filmed entertainment is a main driver for the entertainment sector in China, and the government has invested a tremendous amount in new mega theaters and entertainment complexes, collaboration with U.S. media and entertainment conglomerates, and co-productions with foreign entities and domestic film production.

In 2014, 67 foreign films were released in China; 33 of those were released on a flat-fee basis and 34 on revenue-sharing basis, meeting the full quota of films.³³ The U.S.–China film deal of 2012 allows for 14 additional movie imports of new format films in 3D or animation on a revenue sharing basis. China's overall import quota on a revenue sharing basis now stands at 34 films annually for all countries. Co-production is gaining in popularity, and several major Hollywood studios as well as indie film makers engage in these deals with China. In 2015, foreign films held 45.5 percent market share, in large part due to the success of the U.S. blockbuster *Transformers: Age of Extinction*.

Whether importing or co-producing, foreign firms interested in working with China will have to understand how to address State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (SAPPRFT), regulations for the industry, including cultural and content restrictions, a quota system for foreign films, and garnering data and earnings from unclear box office reporting. There are two major modes of co-production in China: joint production (collaboration) and assisted production (entrusted production). Joint production, or "co-pro," is considered a domestic film and not subject to the quota and will also be at least 51 percent Chinese-owned. In an entrusted production agreement, the foreign party

puts up 100 percent of the capital; the Chinese side produces the film, but it counts as a foreign film under the import quota.

U.S. exporters and licensors also face a marketplace with widespread piracy of creative content and are advised to conduct a cost-benefit assessment prior to entering the market. The Department of Commerce offers IPR resources specific to the Chinese market, which is available on www.stopfakes.com. In addition, the China Film Group (CFG) controls distribution of imported movies, and investors will have to either use a joint partnership or hire U.S. or local experts to help maneuver the bureaucracy. Either way, a Chinese entity must be approved for “film distribution” in order to distribute foreign movies. While CFG has such an approval, other Chinese entities may also be approved.

It is a must to speak Chinese or have a local representative who is fluent in Chinese (Mandarin on the mainland) when doing business in China. U.S. producers and exporters will compete for the online generation in China with the “BATs,” namely the three Internet giants in China: Baidu, Alibaba and Tencent, which have all moved into film production.³⁴

Dalian Wanda Group, China’s largest cinema owner and commercial real estate developer, which acquired the U.S. company AMC in 2012, is building a movie studio to rival Hollywood studios in Qingdao, a major port city in eastern China, with a \$160 million fund to attract producers.³⁵ Qingdao Oriental Movie Metropolis, an enormous film studio development owned by the Dalian Wanda Group, is set to open in April 2017. The complex will include a theme park and entertainment center, a 4,000-room resort-hotel complex, a shopping mall, a 300-berth yacht club, a celebrity wax museum, and a hospital. Wanda Studios Qingdao is going to be one of the largest and most technologically advanced feature-film-production facilities in the world, encompassing 30 sound stages; an enormous, temperature-controlled underwater stage; a green-screen-equipped outdoor stage that is still larger at 56,000 square feet; a permanent facsimile of a New York City street; and much more.

China has the largest cable TV market in the world with 216 million subscribers. Via the media giants Tencent, Baidu, LeTV and Youku Tudou, Through-TV-subscription revenues are projected to reach \$462 million in revenues by 2019, up from \$314 million in 2015 (13.4 percent).^{xliv} Electronic home video is expected to reach \$480 million (16.6 percent), driven by smartphone and mobile expansion. OTT and streaming will grow at a fast clip of 16.6 percent from \$166 million to \$291 million during 2015 to 2019, a significant revision downward from the 2013 to 2018 predictions.^{xlv} Nevertheless, China is the largest IPTV market in the world, yet this sector is also under siege from piracy.

Effective April 1, 2016, SAPPRFT requires foreign films and TV series to register for a “publication license” in order to show content and stream online.^{xlvi} Imported TV series also have to be reviewed by China’s censorship authority in their entirety before streaming on the Internet. This has a huge impact on weekly shows. Programs that were not registered by March 31 will be removed from VOD platforms. Finally, a recent 30 percent limit on foreign TV shows and films has been implemented, creating challenges for U.S. industry and raising questions in the context of the 2012 film agreement, which promised to make the process of importing films easier and more transparent.

Music

China’s \$860 million (2015) music market is dominated by local content and is expected to reach \$1 billion in 2019 (5.9 percent). Of this, recorded music will grow 5.3 percent to reach \$759 million, led by digital revenues and mobile devices. By 2009, digital had substantially surpassed physical recorded music, and in 2015, the ratio was \$625 million digital to \$16 million in physical revenues.^{xlvii} This is expected to expand to approximately a ratio of 75:1, or \$750 million digital and only \$9 million physical recorded music revenues, by 2019.^{xlviii}

In contrast to most music markets globally, including any of the top markets in this report, mobile is king at \$482 million, dwarfing both streaming services (\$95 million in 2015, expected to reach \$138 million by 2019) and digital downloads, which will remain

steady at \$15 million during 2015 to 2019.^{xlix} The live music market is growing, reached \$219 million in 2015 and should expand to \$290 million by 2019, presenting performance and touring opportunities for bands that are able to connect with state and festival organizers for a slot for foreign entertainers.

Piracy of creative content is a very significant problem. The USTR reports that 99 percent of music downloads constituted illegal file sharing in its annual Special Report, where China remains on the Priority Watch List of countries with the most rampant piracy rates.³⁷

Video Games

China has the third largest video game market in the world after the United States, with Japan coming in second and the UK fourth.^l The Chinese games sector posted \$9.1 billion in revenues in 2015 and should grow to \$12.2 billion by 2019.^{li} Recently, China ended the ban on the sale of game consoles, such as Xbox and PlayStation, but circumvention devices are proliferating, presenting challenges for new and existing entrants to that market segment. Roughly 345 million Chinese play online games (close to the size of the entire U.S. population), which accounts for the bulk of the industry revenues and has spurred growth in Internet services revenues. Approximately 65 percent of gamers play online games, versus 16 percent on browsers and four percent on PCs. The sector will also generate game-related ad revenues of \$399 million by 2019, up from \$244 million in 2015.

Publishing

China has the third largest publishing sector for exporters after the United States and Germany.^{lii} However, publishing companies are state-controlled and censored by the Chinese government. While censorship may be seen as a major trade barrier to Western publishers, some authors choose censorship of their works in order to target one of the largest markets in the world.^{liii} Total publishing revenue was \$12.4 billion in 2015 and is slated to increase slowly but surely to \$13.1 billion by 2019.^{liv}

The most important subindustry in China's publishing sector is educational e-books, which, while a small part of the total publishing market, are

set to explode in growth at 39.6 percent annually from 2015 to 2019, to reach \$57 million – up from \$10 million in 2014 and \$20 million in 2015.^{lv} However, traditional print textbooks still dominate the publishing market with a whopping \$5.5 billion in revenues in 2015 and a slight decline percentage wise to remain at roughly \$5.5 billion by 2019.^{lvi} The Chinese government is the principle buyer of educational books as the penetration rate of tablets and e-readers in schools are low given the cost for students.^{lvii}

Consumer and professional e-books comprise the remainder of the publishing market with similar characteristics to the educational subsector. The print book market is significantly larger than the e-book versions, with professional print books in 2015 totaling nearly \$2 billion and consumer print books totaling \$4.2 billion in 2015. The consumer and professional e-book publishing segments are primed to grow over the 2015 to 2019 period at a rate of 27.6 percent and 11.7 percent respectively, so there are opportunities for U.S. exporters in these two subsectors.^{lviii} While tablets are not yet prolific, the movement towards e-readers is best demonstrated by the expected decline in consumer print books by 1.4 percent through 2019, from \$4.2 billion to \$4.0 billion during the same period as popularity in tablets continues to rise.^{lix}

Challenges Facing U.S. M&E Exporters

China remains on the U.S. Special 301 Priority Watch List for IPR due to heavy piracy, especially online, on mobile devices, and from the proliferation of media or set-top box piracy. Rogue manufacturers can access, pre-load and store unauthorized content, including pay TV, movies, music, books and games, and sell them cheaply to users who seek access to premium content without paying subscription or market prices. Consumers can also download content from a multitude of illegal sites, onto set-top boxes or other devices. The set-top boxes are sold all over Asia, including markets where much of the content is not even legally licensed, creating deep losses to rights owners and M&E firms. Pay-TV and signal theft is also on the rise, and illegal camcording of movies in theaters is widespread.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in China.

- Typical buyers, licensors and distributors of M&E in China might include state and federal government and select private companies depending on the sector.
- Preferred business strategies to enter/expand in the market might include identifying local partners and co-production companies for distribution and to assist with content and other requirements.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have either a regional or local presence in country. Companies should expect some significant challenges with content restriction and State government overview of M&E sectors.
- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/china090765.asp>

Industry Trade Associations:

- The Publishers Association of China
<http://www.pac.org.cn/>
- China Audio-video and Digital Publishing Association
<http://www.chinaav.org/>
- American Chamber of Commerce in China:
<http://www.amchamchina.org/>

Government Agencies:

- State Administration of Press, Publication, Radio, Film and Television (SAPPRFT)

<http://www.sapprft.gov.cn>

Trade Shows:

Filmed Entertainment

- Beijing International Film Festival April 16 – 23, 2016 <http://www.bjiff.com/enHome/>
- Shanghai International Film Festival June 17 – 23, 2016 <http://www.siff.net/festival-2016>
- Taipei Film Festival June 30 - July 16 2016
<http://eng.taifeiff.org.tw/Content.aspx?FwebID=113eab9d-8fae-4e6e-9ed9-06b9dd2f0648>
- Qingdao International Film Festival Launching Fall 2017 (Dates TBD)
- Hong Kong Filmart March 13 – 16 2017
http://www.hktdc.com/fair/hkfilmart-en/s/4121-General_Information/Hong-Kong-International-Film---TV-Market--FILMART-/Fair-Details.html

Music

- YinYang Music Festival September 15 – 17, 2016
<http://www.yinyangmusicfestival.com/>

Publishing

- Beijing International Book Fair, Aug 24 - 28, 2016, Beijing, China: <http://bibf.net/EN>
- China Shanghai International Children's Book Fair, Nov 18 – 20, 2016, Shanghai, China:
<http://www.ccbookfair.com/en/>

Video Games

- China Joy July 28 – 31, 2016, Shanghai, China:
<http://en2016.chinajoy.net/>

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Germany

Germany's M&E industry will grow from \$113.2 billion in 2015 to \$121.9 billion by 2016 and is the third largest entertainment market in the world after the United States and China. It is a digitally-forward and media rich market place with a love of culture and books. Germany's real GDP is set to grow 1.5 percent between 2014 and 2019; the World Bank ranked Germany 14th in its ease of doing business survey for 2015. It has the second largest trade show market worldwide, including Gamescom and Frankfurt Book Fair, which are the largest globally in each sector. TV is the largest of the M&E sectors discussed in this report, followed by books, film, video games and music¹.

Overall Rank

7

Ranking of the German M&E Sectors 2016

1. Video Games
2. Filmed Entertainment
3. Publishing
4. Music

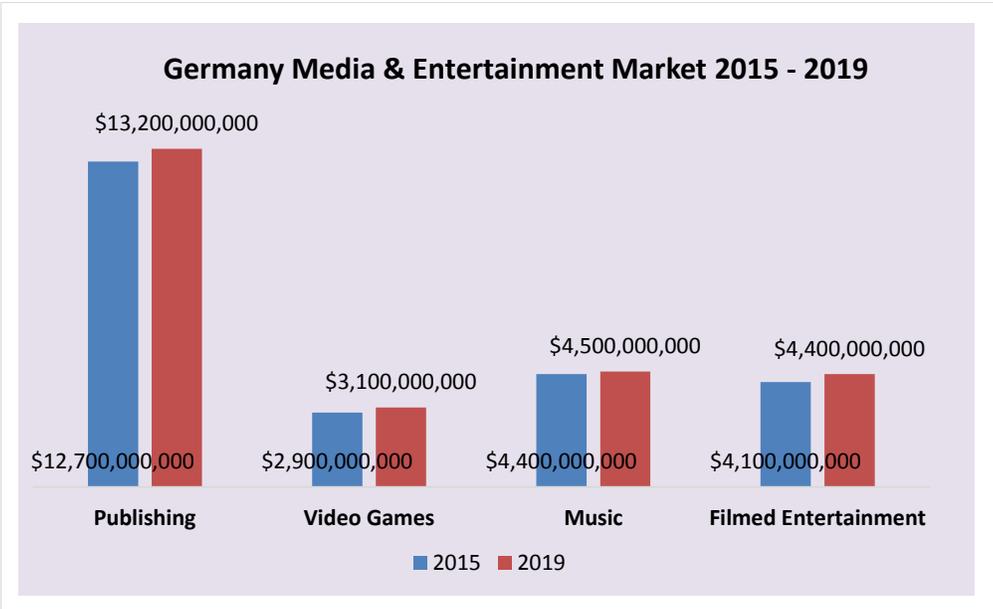
Germany ranks seventh on the Top Markets list. Positive factors such as a strong economy and strong growth across the digital content sectors are offset by the relative slower growth trajectories projected for individual M&E sectors, including an almost universal decline in sales of physical entertainment and the high cost of doing business in general. Germany is supported in the top markets group due to its stronger economic forecast compared to other markets in this research. Germany is the largest B2B market in Europe and the second-largest worldwide

after the United States.

Overview of M&E Market

Amongst the four broad M&E sectors researched, book publishing and TV subscriptions are the largest media market segments in Germany at \$12.7 and \$12.4 billion respectively. TV is growing more than twice as fast as publishing and is expected to be the strongest segment by 2019, but the real story is about the digital sectors and new platforms, such as video on demand and video games and eSports.

With electronic professional books growing at 11.5 percent, e-education at 14.2 percent and e-consumer at 19.5 percent, a whole new industry is emerging to support a highly digitally enabled



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

society that has the resources and the education and knowledge to take full advantage of new technology developments and modes of accessing and viewing content. This does not mean Germans are turning away from hard copy books; the country boasts 3,500 book stores, more book stores per capita than in the United States.

The one digital sector which is not fully developed and holds huge potential for U.S. content and licensing providers for is video on demand and electronic home video. As Europe's largest music market, physical sales still prevail and are expected to hover around \$1 billion by 2019 despite the worldwide move to digital and streaming music services, which has a 28 percent growth trajectory from 2015 to 2019. Digital PC games and microtransactional games online are leading the way as popular video games, and by 2019, microtransactional online console games will account for half of PC game revenues. However, five years from now, the physical console game sector, declining as it is, will still hold a much higher value at over \$1 billion, while microtransactional online consoles will nearly double to \$202 million.

Opportunities for U.S. Companies

Filmed Entertainment

The filmed entertainment sector, which includes movies and box office revenues, film production, video distribution, electronic home video and more, will grow at a sluggish pace between 2015 and 2019 to reach \$4.4 billion, up from \$4 billion in 2014. It is symbolic for Germans to have exceeded the €1 billion mark and remain there. Filmed entertainment took a double hit in 2014 as Germany's iconic soccer (i.e. football) fans tuned in to see Germany win the Cup and from a shortage of blockbusters on the market.

Both U.S. and German films are highly successful in theatres, demonstrating appetite for both Hollywood blockbusters and European indie flicks with arguably more Continental themes that tend towards a more serious script than some of the commercial blockbusters. Box office revenues will reach \$1.6 billion by 2019 (3 percent CAGR), but in a trend seen across mature, Western markets where the physical sectors are experiencing serious

declines, this will still be less than the total physical home video market at \$1.8 billion in 2019.

Over the top streaming (OTT) is making serious inroads, including via TV subscriptions, growing at up to 20 percent during the years researched. Specifically, the market measured \$398 million in 2015 (from \$319 million in 2014) and will reach \$682 million by 2019.

Given the erstwhile digitally forward marketplace, electronic home video is lagging behind physical and will reach \$853 million in 2019, under half of the physical home video revenues that year. The majority of these revenues will come from OTT/streaming to reach \$682 million by 2019, significantly up from \$319 million in 2014. Of those earnings, TV on demand will rise 20.6 percent from \$126 million in 2014 to \$321 million in 2019, and SVOD will reach \$360 million by 2019, up from \$193 million in 2014, a CAGR of 13.3 percent.

In 2013, only 25 percent of German homes had video on demand (VOD) – compared with 80 percent of U.S. homes – which explains the data and highlights excellent opportunities for U.S. licensors, producers and distributors to enter the German market. Netflix launched in 2014. With 29.4 million broadband homes and an under-developed pay-TV market, this could be a very lucrative market for subsidiary service providers and other content providers. German pay-TV platform Sky Deutschland is a direct competitor to Netflix, however, and is creating its own original content. So, the jury is out on exactly how successful other entrants will be. In addition, Sky Europe reaches 20 million viewers on the continent and is growing, presenting additional competition to U.S. entrants. Another pan-European distributor in the German market is French-owned Wild Bunch.

Germany is also a prolific film co-production market, and the German government subsidizes the industry. In addition, Germany has seven film funds investing in film production. The upside is the market is flush with professional workers and local talent to support international partners and projects.

Music

Germany's music market was valued at \$4.4 billion in

2014, with a relatively small increase expected at roughly half a percentage point to reach \$4.5 billion in 2019. This is Europe's largest music market, although the UK is considered among industry experts to be the most influential market in Europe for musicians – as is the U.S. market for new artist discovery. Germany has a resilient physical music retail sector, something that has largely disappeared in the United States. Physical recorded music accounted for about a third of the German market at \$1.4 billion in 2014, and this segment is declining and is expected to post at \$1 billion in 2019, thanks to the devoted consumers of CDs and vinyl.

Music Licensing in Germany

The way Germany handles music licensing and music publishing rights is sometimes seen as an obstacle for further market growth and a hindrance to market entry. As a trustee accredited by the government, the "Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte" (Association for musical performance and copyrights – GEMA; www.gema.de) claims that it attempts to ensure that anyone who composes music, writes music lyrics or publishes works of music receives reasonable payment whenever such works are performed in public, broadcast, reproduced or used in any other way. While GEMA recognizes that this right to receive adequate payment is regulated worldwide by national copyright laws and international agreements, it sees itself as a member-driven association ensuring the right for adequate payment for its members.

As of this date, the dispute between GEMA and YouTube, which centers around the question of whether YouTube is a streaming provider of music and as such would have to pay license fees to authors of music via GEMA, is still ongoing and will be decided in German courts.

Digital recorded music revenues reached \$511 million in 2014, compared with \$934 million in the UK. It is expected to rise to \$904 million by 2019 and is a very strong growth trajectory that will correspond to 47.3 percent of total recorded music revenue in Germany. Streaming revenues were at \$165 million in 2014, expected to reach \$573 million in 2019, when it will account for 63.3 percent of Germany's digital recorded music revenues.

Streaming data from paid-subscription services were integrated into the Federal Music Industry Association (BVMI) official singles charts at the beginning of 2014. The live music market posted roughly \$2.5 billion in revenues and is growing exponentially. By 2019, this segment of the industry should reach \$2.65 billion. "Initiative Musik" is funded by the government to assist the German industry with domestic and overseas export projects.

Publishing

Germany is the second largest book market in the world after the United States and is the second largest market in Europe after the UK for English language books. Culturally, printed books are a deep-rooted part of German life. The German publishing sector offers a high degree of quality and diversity, and market performance is stable overall. In fact, more books are published worldwide in the German language each year than in any other language with the exception of English and Chinese. According to the German Publishers and Booksellers Association (Börsenverein des Deutschen Buchhandels, www.boersenverein.de), Germany published 87,314 new titles and translations into more than 40 languages in 2014.

The book market in Germany is evolving. Publishers are grounded in the print sector while also developing digital publishing strategies, and physical bookstores are still performing consistently better than online trade. In Germany, 49.2 percent of books are sold through traditional book stores that do not have an e-commerce presence. Publishers selling directly are the second-largest distribution channel at 20.4 percent of the market, followed by online sales at 16.2 percent, other sales outlets at 9.9 percent, mail order at 1.7 percent, and department stores and book clubs at 1.3 percent each.

Market segments include fiction (32.4 percent), children's and young adult books (15.8 percent), advice/guide books (14.9 percent), science books (11.2 percent), non-fiction (10.1 percent), educational books (9.2 percent), and travel books (6.5 percent). German-language books imported from Germany also dominate book sales in Switzerland and Austria, where more than 80 percent of publications sold are imported. By 2019, total consumer book revenues are expected to grow

to \$7.11 billion in Germany (compared to \$6.55 billion in 2014), and consumers are expected to read more books on smartphones, tablets and e-readers.

E-Books

The German e-book market is one of the most profitable in the world. In 2014, e-books accounted for 8 percent of all book sales and are expected to increase to 15.7 percent by 2019, according to PwC. A quarter of the German population reads e-books on a daily basis. Overall, the industry appears positive and confident, despite a 2.2 percent dip in sales in 2014. The decline is attributed to the lack of bestsellers. In 2014, the top 10 bestsellers on the book market generated 20.2 percent less than in 2013. Germans use more varieties of hardware than North Americans for reading e-books: statistically, 41 percent of Germans use laptops to read, followed by 38 percent smartphones usage, compared to typical e-readers usage such as the Kindle, Kobo or Tolino. The private user market for e-books is dominated by fiction, which accounted for 84 percent of all e-book sales in 2014.

One deterrent to buying e-books in Germany is that they cost just a few euros less than the print version. In Germany, publishers decide the price of all books, including e-books. The book market is governed by the “Buchpreisbindung” (the fixed book price agreement), which means that every book has a fixed price and that there are no discounts for big chains or online sales.

Print books are predicted to remain the format of choice for German educators. E-books have gained little traction in the German educational book market with just 2.6 percent of total educational book revenues. Print books are likely to remain the format of choice for German educators. Some 87 percent of German students learn English as a second language in school, according to 2013 Eurostat data. Approximately eight million school children are enrolled in English language courses, and all primary schools in Germany are now required to provide foreign language courses as part of their main curriculum starting in third grade. English is the most widely spoken foreign language in Germany. According to a study by the European Commission, over half of Germans age 15 and older are able to converse in English. This puts Germany well ahead of

the European average for this age group and creates a robust English-language book market place.

Publishing export and licensing guidance:

The number of rights and licenses sold remained stable in 2014 with 6,443 licenses sold worldwide, compared to 6,466 in 2013. China licensed the most German books with 983 licenses, followed far behind by English-language titles in second place with 450 licenses. Children’s and young adult titles were the most popular with 2,362 licenses sold (36.7 percent), followed by fiction with 1,197 licenses (18.6 percent).

Sales of U.S. books in Germany fall behind those of UK books by a relatively wide margin. Several factors contribute to this: the UK is an English-speaking market in close proximity to Germany and partially as a result of the creation of the EU’s single market in 1993 and the resulting trade advantages for the UK. British materials are used in German classrooms consistently at the elementary and intermediate level, and only at the advanced levels are teachers and students free to choose their reading material. Another contributing factor may be the gradual and ongoing reduction of an American military presence in Germany.

Literary agents in Germany, as in the United States, are often the most successful way to source a buyer/distributor/licensor in the German market. There is a special section at the Frankfurt Book Fair just for agents, where licensing and translation rights are bought and sold (LitAg Center/Rights Center). The Fair is the largest for the publishing industry worldwide, and the Commercial Service of ITA offers international partner search, B2B matchmaking, and Gold and Platinum Key Services at the fair every October.

Video Games

Germany has a robust and dynamic video game sector with revenues expected to reach \$3.2 billion by 2019, up from \$2.85 billion in 2014. Unlike many other markets, German gamers seem willing to pay relatively high prices for their video game products, with price comparison sites suggesting that console games cost as much as 20 percent more in Germany than elsewhere in the region, while PC titles cost up to 33 percent more. Germany is active in game

development and publishing with companies such as Crytek, Bigpoint Games, Travian Games, Gameforge, Ubisoft Blue Byte and Nintendo of Europe based in the country.

In addition to traditional platforms, Germany has a number of social and casual game developers. German game developer Innogames earned over \$100 million in 2014 after switching from developing browser-based games to app-based mobile games.

Germany's PC market is the second largest in Europe after the UK. PC games revenue will reach \$1.08 billion by 2019, up from \$968 million in 2014 as digital distribution and online/microtransaction games become more popular. With the rise of Steam and Origin and fewer PC games sold in stores, sell-through revenues have declined substantially. In addition, the free-to-play model is very attractive to consumers – such as World of Tanks and League of Legends. As a result of these developments, the digital PC games sector will jump from \$460 million in 2014 to \$603 million by 2019, when this revenue will account for 56 percent of total PC gaming revenues. This trend is not unique to Germany; it is very similar in the United States and worldwide.

The free-to-play model is driving revenue increases in social/casual gaming. App-based social/casual gaming brings in the largest revenue share (\$84 million in 2014) in this category, and free-to-play is clearly very popular. These games are primarily enabled by high smartphone and tablet ownership rates and have attracted different demographics than gamers on traditional platforms. App developers have tapped in to monetization models, which will support growth at a rate of 8.4 percent up to \$126 million by 2019.

Browser-based gaming is on the decline in Germany as social gaming, in particular, transfers to app-based iterations and social networking increasingly takes place on mobile devices. Browser-based social/casual gaming revenue reached a peak in 2013, at \$28 million, and declined in 2014. By 2019, it will have decreased further to \$26 million as the migration to app-based gaming continues. Nonetheless, that number still translates into an impressive market.

Total social/casual gaming revenue will increase

from \$112 million in 2014 to \$152 million in 2019, a CAGR of 6.3 percent over the forecast period. Revenue for these kinds of games largely depends on the size of the audience playing them since very few players will purchase items in-game. Despite developers becoming more sophisticated in their monetization models, conversion rates will remain low, and games will rely on reducing churn and recruiting new players to grow revenues. Across the entire market, revenue increases will be gained by drawing in players who have not tried social/casual gaming before, such as those buying their first smartphone or tablet, as well as convincing those existing paying players to spend more money on social/casual, either in one game or in smaller amounts across larger numbers of games.

Germany hosts one of the world's largest video game trade shows, Gamescom, which takes place every August in Cologne. In 2015, Gamescom organizer Koelnmesse reported that more than 345,000 visitors attended from 96 countries. Among the group were 35,200 trade visitors, while more than 700,800 exhibitors showcased their products.

Challenges Facing U.S. M&E Exporters

Challenges in this market lie within copyright law and rights management. Also, there is a high cost of doing business in Germany with its famously high standards and emphasis on brands and top quality.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Germany.

- Typical buyers, licensors and distributors of M&E in Germany might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include that most multinational German vendors have set up their own regional or local office in country. It is a cost of doing business in the local market as many potential

clients, especially federal government agencies, insist on their data remaining in Germany. Companies should expect some significant competition from local vendors.

- U.S. Department of Commerce Country Commercial Guide:
www.export.gov/ccg/germany090798.asp

Industry Associations

- American Chamber of Commerce in Germany
www.amcham.de
- FFA-Filmförderungsanstalt – German Federal Film Board
www.ffa.de/ffa-overview-1.html
- Organization for the Voluntary Self-regulation / Film Classification Board of the German Film Industry
www.spio-fsk.de/?seitid=1&tid=1
- Bundesverband Musikindustrie
www.musikindustrie.de/
- *Industry Association Börsenverein des deutschen Buchhandels*
www.boersenverein.de/de/394814
- *Industry Association: GAME Bundesverband e.V.*
<http://game-bundesverband.de/>
- *Bundesverband Interaktive Unterhaltungssoftware*
www.biu-online.de/en/start.html
- German Trade Association of Interactive Entertainment Software (BIU):
- The Federal Government Commissioner for Culture and the Media of the German Federal Government
www.bundesregierung.de/Content/DE/Anlagen/BKM/2014-11-06-english-summary.pdf;jsessionid=9DA39E7B0E91F328185C66F6F8343299.s7t2?blob=publicationFile&v=1

Trade Shows

Filmed Entertainment

- Berlinale, February 9-19, 2017
www.berlinale.de/en
- Cinec München, September 17-19, 2016
www.cinec.de/en/

Music

- Musikmesse Frankfurt, April 5-8 2017
<http://musik.messefrankfurt.com/frankfurt/en/besucher/willkommen.html>

Publishing

- Frankfurt Book Fair, October 19-23, 2016
www.bookfair.com

- Leipzig Book Fair, March 23-26, 2017
www.leipziger-buchmesse.com/?language=en

Video Games

- Gamescom Köln, August 17-21, 2016
www.gamescom.de/gamescom/index-8.php
- Dreamhack Leipzig, January 13-15, 2017
<http://dreamhack-leipzig.de>

India

India's vibrant M&E industry, known as Bollywood (which technically refers to the North Indian film industry but is used universally to describe India's entertainment industry), is expected to grow to \$41.4 billion (10.5 percent CAGR) by 2019, led by digital sectors. The country will outpace M&E spending across the Asia Pacific as well as globally through 2018, due to Internet advertising, video games and Internet access growth (but surprisingly not as much from content spending) – as well as a robust book publishing sector. Nominal GDP in India will grow at 14 percent during the same period, thanks to a growing economy and middle class, with rapid urbanization (35 percent of the population will live in urban areas by 2017), which creates demand for M&E services. Bollywood (the Hindi language film industry based in Mumbai, India) and Kollywood (the Tamil language film industry based in Chennai, Tamil Nadu) outshine the rest of the world by producing the most films globally, although the U.S. exports the most movies.

Overall Rank

4

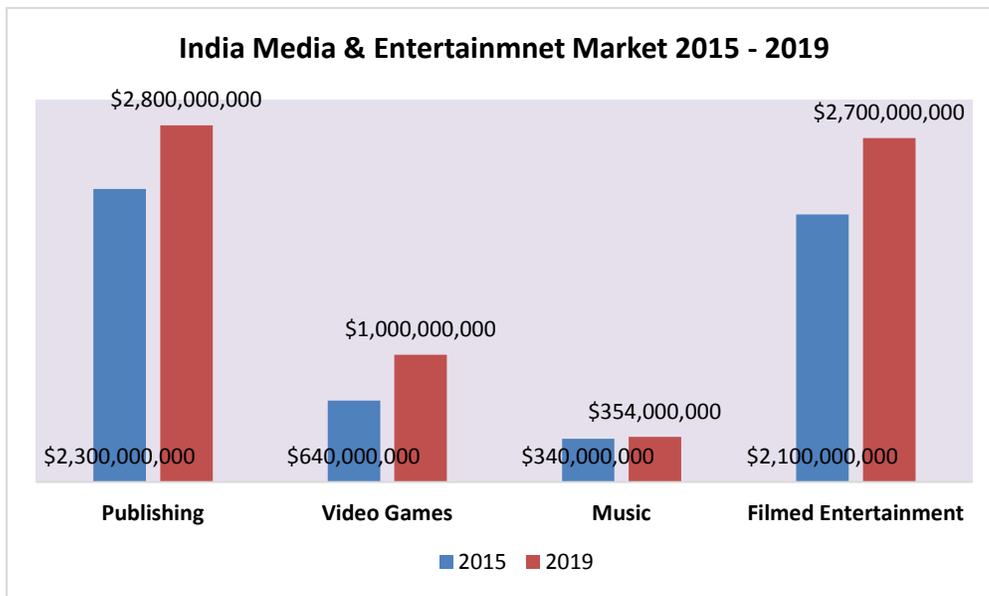
Ranking of the India M&E Sectors 2016

1. Filmed Entertainment
2. Video Games
3. Publishing
4. Music

India ranks fourth on ITA's list of top M&E export markets and is expected to show robust growth in all subsectors, with one exception, online video games, which will grow but not at the same speed as the other sub-categories discussed here. Although Bollywood is a major entertainment industry power

player and a generator of a lot of popular music in India, it is not as easy for foreigners to break into the Indian marketplace. There is tremendous demand for U.S. content, but many access it for free. There are many languages and regional dialects in India, and Indians predominantly seek out local content, but there is robust demand for anything associated with American M&E sectors.

The over-the-top streaming sector is developing rapidly and presents excellent opportunities for U.S. companies that can hire a local agent who speak



* Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

the language(s) and will handle the A-Z's of doing business in India. There are opportunities in the market, but it will take significant expertise to protect your investment and monetize the growing middle class consumer population. Global investment analysts contend that the Indian market will experience excellent growth, which signals investor confidence in the market, yet for the creative sectors to benefit, there must be robust copyright protection. Opening the sector to further FDI would bring in new capital, technology and content, improving the market for the consumer and industry.

Overview of M&E Market

The \$25 billion India M&E industry is dominated by film, television and Internet access and is expected to grow at a 10.5 percent rate between 2014 and 2019. India has the third largest Internet market after the United States and China, with 302 million Internet users, but reigns supreme with 900 million mobile users. Television penetration is at 65 percent today and will grow another 7 percent by 2017 and, along with AGV (animation, gaming and VFX – visual effects) will lead industry growth. India has digitized cable TV, and direct-to-home (DTH) subscriptions are rising.³⁸

Movie-going is the national pastime next to watching cricket, and multiplexes are being built at a rapid rate. Radio and music remain a prominent source of revenue, and future growth is likely to result from digitization of distribution methods as a means to reach a larger number of consumers more efficiently. India's Prime Minister is dedicated to a 'Creative India; Innovative India,' a slogan used in the forthcoming national IPR policy; and creating a 'Digital India' by 2019.³⁹

However, some experts caution that innovation in India will not only come simply as a result of increased capital investments but with institutional change that addresses corruption, educational levels, intellectual property protection and high taxation.

In the 2014 Global Innovation Index Report,⁴⁰ India scores low points on government effectiveness, regulatory quality and ICT access.⁴¹ So while FDI is increasing, the infrastructure and human capital to

translate this into an innovation economy still needs development and intervention by the government.

There is incredible growth in digital sectors, but it remains to be seen how robust the opportunities will be for U.S. exporters over the long haul due to inconsistencies in how the Indian market operates and the inability of the government to stem piracy. Nonetheless, there is a lot of enthusiasm in the Indian business community to trade with U.S. companies, and U.S. content is ever popular among millennials and middle class with purchasing power. The Government of India notes that increases in FDI, higher broadband penetration, and the increased use of 3G and portable devices will spur growth in M&E sectors.⁴²

Opportunities for U.S. Companies

Filmed Entertainment

Filmed entertainment will grow 8.1 percent to \$2.9 billion in 2019.^{ix} There are opportunities for joint projects and local language content across India. Box office revenues and movie attendance are rising, and multiplexes continue to be built while 3-D and animation skills are needed, offering very good opportunities for U.S. firms with new format expertise in the film sector. Home video such as over-the-top (OTT) streaming and subscriptions for TV and e-videos are rising dramatically, offering U.S. licensors tremendous opportunity if they can navigate the licensing regime and rampant piracy.

India's TV market is set to expand to 165.3 million households at a rate of 1.9 percent by 2019, expanding from the current 150.1 million subscriptions in 2014. The country has a robust and large broadcasting and distribution sector, with approximately 796 satellite TV channels; 6,000 multi-system operators; 60,000 local cable operators; 7 DTH operators and 4 IPTV service providers. TV penetration in India is about 65 percent and is expected to reach 72 percent by 2017,⁴³ and with the digitization of cable TV in India which was just finalized over four-stages, the direct-to-home (DTH) subscriptions are growing rapidly, driven by content innovation and product offerings, offering very good prospects for U.S. licensors.

The greatest growth in the filmed entertainment industry will come from OTT movie-streaming services. Local OTT providers include BIFFlix, Spuul, BOXTV, and ErosNow. India is emerging as the teleport hub of Asia, and 86 teleport permissions have been issued by the Ministry of Information and Broadcasting.

The Government of India has supported the growth of this sector with various initiatives, such as digitizing the cable distribution sector to attract greater institutional funding and increasing the FDI limit from 74 percent to 100 percent in cable and DTH satellite platforms. Today, 100 percent FDI is permitted in film and advertising as well as TV broadcasting.

Music

Live music (14 percent), digital downloads (2.0 percent) and streaming (4.2 percent) have strong growth trajectories, but sales of physical music are declining heavily. Overall music revenues will reach \$354 million (0.86 percent) by 2019, and there is plenty of room for growth, including in live music performances. Although live music is growing, neighboring countries draw larger and more frequent acts, such as in Singapore, Malaysia and Japan. The market could develop more music arenas and music festivals, and this is a potential growth area for U.S. investors.

Large brand names are targeting younger consumers with music online. There are concerns regarding illegal file sharing due to low income levels and a proliferation of content online that is easily accessed. Weak IPR laws and copyright enforcement contribute to the challenges, which have led to dramatic increase in illegal downloading of music. However, there is also an upside for legitimate distribution and downloads.

Although the FM radio sector has expanded by opening 338 licenses for private investment, only 24 percent FDI is permitted in the radio broadcast industry. The government has implemented e-auctions for FM radio licenses, and there is a multi-year process underway to implement new FM radio channels, which could offer market opportunities for new entrants from the United States.

Video Games

Video games will grow 12.9 percent to \$1.02 billion, with the highest growth in mobile, consoles and advertising.^{lxi} App-based game revenues will reach \$473 million by 2019 (17 percent), constituting 46 percent of India's total game revenues, and continue to be the fastest growing game segment.^{lxii} Rapid smart phone penetration has been a major driver of mobile and online games. There are good opportunities for U.S. game developers to enter this market segment and forge partnerships with Indian game developers. Sony and Microsoft dominate the console and PC marketplace with PlayStation and Xbox 360.

Mobile Applications

The rapid expansion of the smartphone market is an important factor to consider when analyzing the export potential for M&E content to India. Smartphones in India are slowly becoming affordable with prices dropping to less than \$100. By 2017, smartphones will constitute 60 percent of the Internet-enabled device market. The proliferation of 4G technology will allow for greater access to mobile Internet platforms and better content quality.

Publishing

The Indian book publishing market is set to grow to \$2.85 billion at a 5.3 percent growth rate through 2019.^{lxiii} The market for publishing shows excellent growth potential for publishers, and unlike in many other markets, print book publishers will continue to see opportunities in the Indian market. Consumer print books will increase from \$215 million in 2014 to \$259 million in 2019 at a steady 3.9 percent rate, contrary to the trend of negative growth observed in many other markets. The reason for this trend is that tablet penetration is still low but will rise from 1 percent to 8 percent of the population from 2014 to 2019. Currently, e-books only account for 4 percent of consumer book revenues.^{lxiv}

A small e-book market can be attributed to the fact that credit card ownership is not common, and the typical mode of purchasing e-books is with a credit card.^{lxv} Nevertheless, e-books for consumer,

profession and education will all realize growth throughout the forecasted period. Consumer e-books will increase from \$23 million to \$219 million at an astounding rate of 57.5 percent per year.^{lxvi} Professional e-book revenue is predicted to grow from a 2014 market value of \$13 million to a 2019 value of \$21 million at a rate of 11.2 percent.^{lxvii} Educational e-books in 2014 were \$17 million and will grow to \$68 million at a rate of 32.9 percent.^{lxviii} These statistics show a very young and small e-book publishing market set to grow at a fast rate. However, because the market began so small, it will not contribute to more than 10 percent of total publishing revenue in 2019.^{lxix}

The Indian publishing market is composed of 19,000 publishers that produce 90,000 books each year and are typically small, mom-and-pop type businesses.^{lxx} Notable large publishing houses include Penguin Random House India, Hachette India, Harper Collins India, Tata McGraw-Hill and Rupa & Co.^{lxxi} As India's middle class continues to expand, publishers can take advantage of this growth and of an English speaking population that is educated and begins to crave content on-demand more and more.

The market will continue to present good export opportunities for publishers. However, as with many other markets, piracy continues to plague the print and e-book publishing market, as Indians can access many titles by illegally downloading copies on the internet. Illegal downloading hurts both the print book and the e-book market. Finally, as is common in other top market prospects, the print book market will begin to see consumers migrate to e-books, which will cause the print book market to suffer reduced rates of growth over the forecasted period, a trend that is unlikely to subside going forward.^{lxxii}

Challenges Facing U.S. M&E Exporters

There is a commitment from the highest levels of government to the digital economy. While exporters can do business in an environment rife with piracy, a weak professional and distribution infrastructure, and sometimes questionable financial transaction dealings, anyone working there will learn to appreciate that India will remain a land of contrasts. The country is growing and wishes to correct piracy, yet enforcement is inconsistent and the laws are not keeping up with global standards. International

Intellectual Property Alliance (IIPA) member companies report serious online and mobile piracy, illegal file sharing of music, camcording in theaters, and rampant signal piracy of pay TV content.⁴⁴ Market access barriers abound as well. Yet, it is a huge marketplace. In this market, it will be important for U.S. exporters to avail themselves of IPR tools and local representatives who speak the language(s) and are well-connected in the relevant industry sub-sector.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in India.

- Typical buyers, licensors and distributors of M&E in India might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include identifying local distributors and partners and setting up an office in country.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have set up their own regional or local office in country. Companies should expect some significant competition from local vendors, and piracy is a perennial threat.
- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/india090814.asp>

Industry Trade Associations

- Confederation of Indian Industry
<http://www.ciionline.org>
- Federation of Indian Chambers of Commerce and Industry <http://www.ficci.com>
- Broadcast Society of India
<http://www.besindia.com>
- Cable Quest <http://www.cable-quest.in>
- Broadcast & Film
<http://www.broadcastandfilm.com>
- Association of Publishers in India (API):
www.publishers.org.in
- Federation of Indian Publishers:
www.fipindia.org
- Federation of Publishers' & Booksellers' Associations in India: www.fpbai.org

- American Chamber of Commerce in India:
<http://www.amchamindia.com/>

Government Agencies

- Ministry of Information and Broadcasting:
<http://www.mib.nic.in>
- Telecom Regulatory Authority of India:
<http://www.t.rai.gov.in>
- National Library: www.nationallibrary.gov.in
- Deputy Registrar of Copyrights:
www.copyright.gov.in
- Indian Reprographic Rights Organization (IRRO):
www.irro.org.in
- National Book Trust: www.nbtindia.org.in
- Department of Education, Government of India:
www.education.nic.in
- Directorate General of Foreign Trade (DGFT):
www.dgft.gov.in
- Central Board of Excise & Customs:
www.cbec.gov.in
- The Central Board of Film Certification (often referred to as the Censor Board) is a statutory censorship and classification body under the Ministry of Information and Broadcasting, Government of India. It is tasked with "regulating the public exhibition of films under the provisions of the Cinematograph Act 1952". It assigns certifications to films, television shows, television ads, and publications for exhibition, sale or hire in India. Films can be publicly exhibited in India only after they are certified by the Board, including films shown on television. <http://cbfcindia.gov.in/>

Trade Shows

Filmed Entertainment

- Broadcast India 2016, Mumbai - October 20-22, 2016, <https://www.broadcastindiashow.com>
- FICCI Frames, Mumbai - March 2017 (DatesTBC), <http://www.ficci-frames.com/>
- Indywood Interactions 2016, Hyderabad – September 24-27, 2016, www.indywood.co.in
- Convergence India 2017, New Delhi – February 8-10, 2017, <http://www.convergenceindia.org/>

Music

Music Export May 2017 (Dates to be Confirmed)

Palm Expo May Mumbai June 1- 3, 2017

<http://www.palmexpo.in/>

Publishing

- New Delhi World Book Fair, Jan. 9-17, 2016,
www.newdelhiworldbookfair.gov.in
- International Kolkata Book Fair, Jan.27 – Feb.7, 2016, www.kolkatabookfair.net

Video Games

- Indian Games Expo, Mumbai, November 14 – 15, 2016 <http://gamesexpo.in/>

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Mexico

Mexico's M&E industry is set to grow at a CAGR of 6.7 percent to reach \$35.5 billion by 2019. The nominal GDP growth at 7.0 percent with an increasing household consumption, urbanization and broadband penetration (to reach 75 percent in 2018) signals a larger consumer base for M&E sectors. In 2010, the Mexican government launched a \$20 million film tax incentive program aimed at encouraging both domestic production and foreign investment in the filmed entertainment sector. Piracy is a significant challenge, and neither the legal framework nor enforcement is particularly effective in protecting creative content, and therefore this is a major policy focus for both governments.

Overall Rank

6

Ranking of the Mexican M&E Sectors 2016

1. Filmed Entertainment
2. Publishing
3. Video Games
4. Music

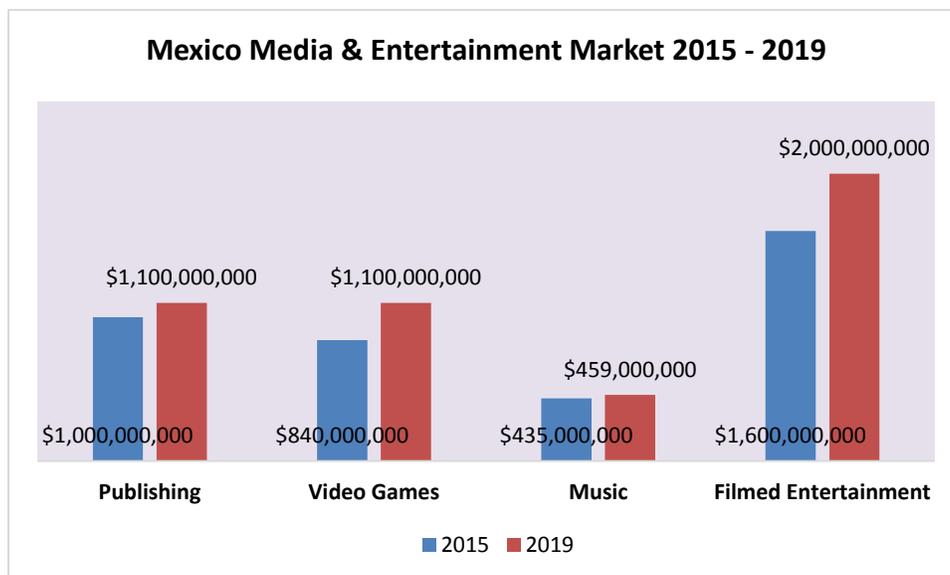
Mexico ranks sixth on ITA's list of top media and entertainment export markets in part due to its proximity to the United States and in part due to its proximity to Brazil. The two powerhouses, Brazil and Mexico, dominate M&E across Latin America. As a NAFTA partner, Mexico has much untapped potential for exporters in these sectors. The two largest growth sectors continue to be over-the-top streaming and digital console games.

There are especially good opportunities for American producers that can deliver Spanish language content

or M&E tailored to cultural preferences in the demanding telenovela marketplace. This holds true for publishing and all of the other sectors. Music is already so vibrant in Latin America, and there is taste for U.S. content, but it will vary by region and population, requiring close scrutiny of the marketplace by each licensor. Piracy is so ingrained in society that it is challenging to encourage legitimate consumption of music. The film industry is large, and while there have been many joint projects, one concern for U.S. producers is safety of crew and equipment. The video games sector is growing in leaps and bounds, although it is unclear where U.S. programmers, producers and licensors can gain best access.

Overview of M&E Market

As a NAFTA partner, Mexico is an attractive market



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2019

for U.S. businesses, and the country is trying to develop its exhibition industry as part of a broader economic plan to encourage commerce and tourism. Mexico's revenue from trade shows will reach \$368 million in 2019. U.S.-based Reed Exhibitions has recently made inroads into the predominantly Mexican-owned exhibition sector by acquiring two major trade M&E related industry shows, boding well for the U.S. sector, as this will create more opportunities in the Mexican marketplace to meet Mexican and other international partners, buyers, licensors and distributors than ever before available.

Partnering with a major organization, like Reed, that has vast experience with M&E sectors can create the sense the Mexican market is ready to invest in resources to build infrastructure that will support investments from M&E companies. Mexican entertainers and industry leaders are bringing their international success home in a move to build the domestic sectors, and the increased knowledge of how M&E business is conducted in global markets will be advantageous to U.S. partners entering this market.⁴⁵ With strong broadband penetration and more than 50 percent of the population owning smart phones, or 65 million connections, digital M&E sectors are set to see new growth.

Piracy in physical and digital M&E segments is rampant, constituting a serious threat. At the same time, demand for U.S. content is so strong in Mexico that many jokingly lament, "so close to America, so far from God;" in the case of this industry, it might just be a good thing for both parties.

Opportunities for U.S. Companies

Filmed Entertainment

The robust Mexican film and television market will grow to \$2.1 billion (5.9 percent). That growth is attributed in part to a 2013 bill that allows greater competition for broadcast TV and telecommunications and a new national TV network auctioned in 2015. A second network, which will tentatively be auctioned in October 2016, is expected to continue this trend. By 2019, box office revenues should reach \$1.2 billion, up from \$944 million in 2014 (5.2 percent).^{lxxiii} The film industry has experienced a surge in recent years after

decades of low growth. U.S. blockbusters still dominate Mexican movie theaters, but the burgeoning domestic film production market is taking hold. There is excellent opportunity for U.S. producers who would like to collaborate with local film and TV producers, especially with Spanish-language content.

In 2013, the Mexican government introduced a reform bill to increase telco and broadcast TV competition, and the market place responded very favorably. Digital home video is growing rapidly, as it is in most of the world, and will overtake physical by 2017. Netflix was an early entrant that helped with this trend in Mexico and spurred a surge in local OTT providers such as Claro Video, Blim and TotalMovie. Revenues will reach \$511 million in 2019 (16.1 percent growth from 2015), but over-the-top and streaming will really lead the growth with a whopping 91.4 percent to reach \$89 million by 2019.^{lxxiv} TV subscriptions will grow at a slower rate yet earn higher revenues at \$422 million by 2019 (91.4 percent).^{lxxv}

Music

Mexico has Latin America's second largest music market after Brazil and will reach \$459 million in 2019 (1.1 percent), a significant downward revision from 2014's forecast of \$539 million by 2018 (3.6 percent).^{lxxvi} The expansion in digital recorded music and Internet-enabled devices has offset losses from CD sales. Downloads, while still popular, are facing a decline in market size to \$33 million (down 6.9 percent) by 2019, down from \$47 million in 2014.^{lxxvii} Subscription services are growing exponentially, with every major service operating in the country. Streaming services will grow 4.1 percent to constitute almost a half of digital recorded music sales by 2019.^{lxxviii}

Live music is larger in Mexico than anywhere in Latin America and will reach \$316 million in 2019.^{lxxix} Corporacion Interamericana de Entretenimiento (CIE) is the largest concert venue in Mexico and is also the exclusive distribution partner in Mexico for global concert promoter Live Nation. There is excellent export potential for live performances⁴⁶ and in the subscription service arena.

Piracy is a perennial problem in Mexico. U.S. investors are advised to seek counsel on how to best protect content, as it is a fact of doing business in Mexico. The Mexican government is working to stem both physical and digital piracy as are Mexican music industry leaders such as Multimusic, Mexico's leading music content broker for independent artists.⁴⁷ AMPROFON is a trade association in Mexico that represents 70 percent of the music market (labels and producers), awards certificates for music releases, and is also an associate member of the International Federation of Phonographic Industry (IFPI).

Games

Video games are growing fast from \$742 million in 2015 to \$879 million (4.5 percent) by 2019 and are very much part of Mexico's modern culture.⁴⁸ This is also the largest games market in Latin America with combined consumer revenues constituting 81 percent of the industry. Consoles earned \$341 million and app-based games \$151 million (2014).^{lxxx} Both physical and digital consoles are growing; the former being unusual compared to most other top markets.

Online games are also gaining in popularity to reach \$123 million by 2019 at a solid 10.1 percent growth rate.^{lxxxi} Social/casual games (formerly mobile-based gaming) will grow by 6.3 percent to \$281 million. A significant amount of this increase will be driven by the widespread popularity and ease of access, which are attractive to a broader range of people than PC and console games. There are good growth prospects for brands seeking to collaborate with game licensing.⁴⁹

Publishing

The Mexican book publishing sector is set to increase from \$1 billion in 2015 to \$1.1 billion in 2019 at a growth rate of 2.8 percent.^{lxxxii} Professional e-books will grow from \$26 million in 2015 to \$40 million at a growth rate of 11.5 percent.^{lxxxiii} Consumer e-books will generate sales of \$28 million in 2015 and are slated to increase to \$91 million in 2019 at a rate of 37.6 percent. Educational e-books made up just \$3 million dollars of publishing revenue in 2015 but will double to \$6 million by 2019.^{lxxxiv}

The increase in the penetration of tablets and e-book readers will contribute to the growth in these sectors, specifically with the increase in ownership of smartphone devices.^{lxxxv} Educational books are supported by the government through grants to small- and medium-sized publishers.^{lxxxvi} E-books are slated to make up 12 percent of the total book publishing sector in Mexico by 2019, representing an increase of 8 percent over 2014 when e-books only made up 4 percent of the total publishing market.^{lxxxvii}

The growth of the e-book sector presents export opportunities for U.S. publishers, especially those that can produce final products in Spanish. Furthermore, print books enjoy a benefit that prohibits their discounting within the first 18 months of the book's publication, driving profits for publishers.^{lxxxviii} Between support for small- and medium-sized publishers from the current Mexican government and the expansion of the e-book markets as well as the educational and professional print markets through 2019, the market is in a good position for U.S. publishers to successfully export their content.

Challenges Facing U.S. M&E Exporters

Mexico is a large market, and there are opportunities for U.S. exports, especially Latin channels and Spanish language content but also English content. The government continuously cracks down on physical piracy but has not been very effective in protecting intellectual property in the digital environment. The major obstacles to effective enforcement of IP crimes in the digital environment are (1) a need for an improved legal framework to address IP crimes in the digital environment; (2) a need for more expertise by law enforcement to investigate and prosecute digital crimes; (3) a need for more priority and focus to these types of crimes; and (4) enhanced judiciary expertise to adequately adjudicate these cases.

With regard to the current legal framework, Mexico has not fully implemented the World Intellectual Property Organization (WIPO) Internet Treaties, and copyright law reform has stalled in the shadows of the Trans-Pacific Partnership negotiations, according

to the 2016 Special 301 Report.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Mexico.

- Typical buyers, licensors and distributors of M&E in Mexico might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have set up their own regional or local office in country. It is a cost of doing business in the local market, as many potential clients, especially federal government agencies, insist on their data remaining in Mexico. Companies should expect some significant competition from local vendors -----
- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/mexico090857.asp>

Industry Trade Associations

- National Publishing Industry Association (Caniem) <http://www.caniem.com>
- Mexican Center for Copyright's Protection and Promotion (Cempro)
<http://www.cempro.com.mx>
- American Chamber of Commerce in Mexico:
<http://www.amcham.com.mx/>

Government Agencies

- INDAUTOR (National Copyright Institute)
Address: Puebla 143, Piso 5, Colonia Roma Norte
Point of Contact: Manuel Guerra Zamarro,
Director General
Telephone: 3601.8270
Email: mguerra@nube.sep.gob.mx
Website: www.indautor.gob.mx/
- The National Institute of Statistics, Geography and Information Technology (Inegi)
<http://www.inegi.gob.mx>
- IMPI (Mexican Institute of Industrial Property)
Address: Periférico Sur No. 3106, Colonia

Jardines del Pedregal

Point of Contact: Miguel Angel Margáin, Director General

Telephone: 5624.0400

Email: mmargain@impi.gob.mx

Website: www.impi.gob.mx

- PGR-UEIDDAPI (Specialized Unit for the Investigation of Crimes against Intellectual Property of the Attorney General's Office)
Address: Insurgentes Sur No. 235, 1er Piso, Colonia Roma Norte
Point of Contact: Arturo Ancona García López,
Head of UEIDDAPI
Telephone: 5346.4423
Email: arturo.ancona@pgr.gob.mx
Website: www.pgr.gob.mx/Subprocuradurias/sei/df/Paginas/default.aspx

Trade Shows

Music

- Sound Check Expo for Music is held every year during March www.soundcheckexpo.com.mx

Publishing

- Feria Internacional del Libro – Monterrey
October 10-18, 2016 <http://fil.mty.itesm.mx/>
- Feria Internacional del Libro de Guadalajara (Guadalajara International Book Fair) November 26- December 3, 2016. The Guadalajara International Book Fair is the most important publishing gathering in Ibero America:
http://fil.com.mx/ingles/i_default.asp

Video Games

- Electronic Game Show – in Guadalajara (May) and Mexico City – Dates TBC
<http://electronicgameshow.com/>

Industry Trade Associations

Film/TV

- MPA (Motion Picture Association)
Address: Patriotismo #229, 8th floor,
office 303, San Pedro de los Pinos
Point of Contact: Ana María Magaña,
Managing Director
Telephone: 2881.0419
Email: AnaMaria_Magana@mpaa.org
Website: www.mpaa.org

Music

- Mexican Society of Phonograms:
www.somexfon.com
- Mexican Association of Music
Producers: AMPROFON
- (Mexican Association of Phonogram
and Videogram Producers)
Address: La Fontaine 42, Polanco
Point of Contact: Gilda Gonzalez,
Director General
Telephone: 5281.6035
Email: ggonzalez@amprofon.com.mx
Website: www.amprofon.com.mx

Video Games

- Name: ESA (Entertainment Software
Association)
Address: Carretera México-Toluca 5420,
Piso 19, El Yaqui, Cuajimalpa
Point of Contact: Kiyoshi Tsuru, Legal
Representative
Telephone: 5652.2021
Email: ktsuru@tmilaw.com.mx
Website: www.theesa.com

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United Kingdom

The British M&E market will expand to \$106 billion by 2019, growing at a steady 3 percent CAGR, from \$93 billion in 2015.¹ Digital video entertainment is forecast to grow rapidly with the proliferation of viewing devices, and in late 2014, the United Kingdom boasted 48 million smartphone connections as well as two million smart TVs and 14 million tablets in use. International film productions contributed 81 percent of the film-spend in the United Kingdom, and the UK government offers lucrative tax incentives for domestic feature films, UK TV drama, video games and animation. The UK government is actively pursuing collaboration and investments from China, and the two nations penned a co-pro deal in 2014. The video games sector is growing exponentially, from consoles to mobile to online games, but PC games are in decline.¹ E-books make up a significant part of the UK's total revenue for publishing at nearly 22 percent of the market's total value.¹ UK officials have stepped up enforcement and cooperation with the private sector in recent years to combat piracy of creative content.

Overall Rank

1

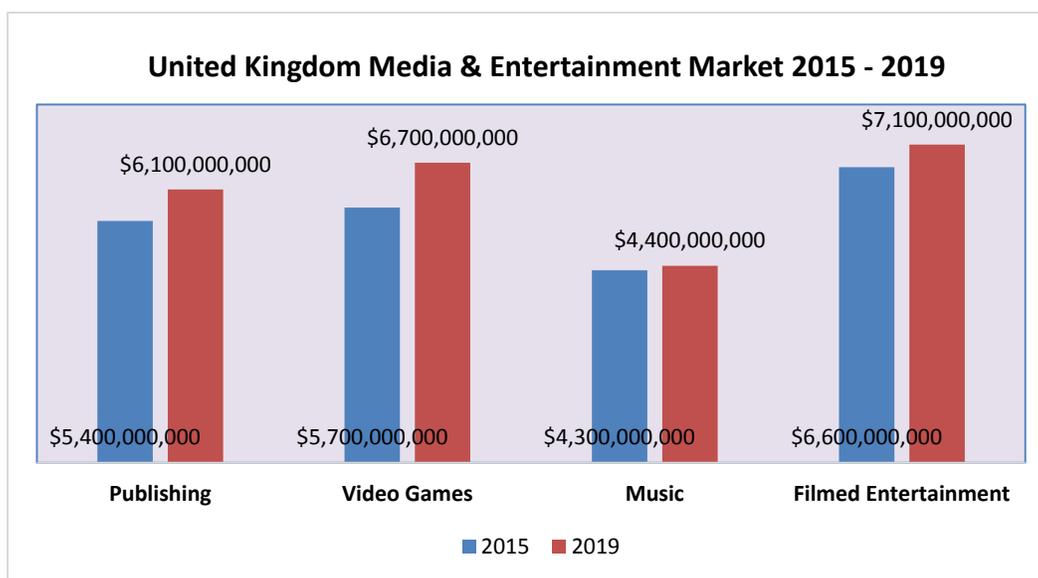
Ranking of the UK M&E Sectors 2016

1. Video Games
2. Filmed Entertainment
3. Publishing
4. Music

The United Kingdom ranks first on ITA's list of top M&E export markets. The UK entertainment industry is growing three times faster than the overall economy and, as a longstanding U.S. trading partner, garners the top spot for U.S. M&E exporters in 2016. The overall digital M&E market will see steady growth through 2019, but three areas are standouts.

Over-the-top (OTT) streaming will make a big jump and more than double to reach \$1.3 billion by 2019 while total electronic home video revenue will triple to \$1.8 billion in 2019.^{xxxx}

Both countries are fans of each other's TV content and barring any unforeseen regulatory hurdles, licensing, distribution and even production of content for TV and OTT presents strong growth for U.S. exporters and licensors to the UK market. Digital music downloads are growing despite an otherwise heavily pirated global music market, signaling that consumers are willing to pay for downloads. Music



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

streaming services have caught on in the United Kingdom. The game sector is also thriving, with excellent opportunities in digital console games and very good growth in online games.

Overview of M&E Market

The United Kingdom is a top entertainment market and one of the largest film, TV and music markets in the world, and the British government provides hefty subsidies to these sectors to grow the domestic industry. Three companies dominate the British theatrical industry; Cineworld, Vue and Odeon account for the six largest theaters and 85 percent of the business, according to the Cinema Exhibitors Association.

The United Kingdom has digitized most of its theaters; 95.2 percent of the country's 3,858 screens were digital by mid-2013. The Federation Against Copyright Theft, or FACT, has mobilized industry and government to tackle the considerable online piracy of filmed entertainment but is hampered by the costs involved with computer forensic analysis. The Police Intellectual Property Crime Unit (PIPCU) of the London Police Department has launched high profile campaigns to educate the public and pursue cases in the digital and physical piracy markets for all creative content sectors. The UK government is also supporting the Creative Content UK project between rights holders and ISPs to deal with IP infringement online.

Opportunities for U.S. Companies

Filmed Entertainment

The United Kingdom's filmed entertainment sector was valued at \$6.7 billion in 2015 and is set to grow to \$7.1 billion by 2019 (1.9 percent), a decrease from the 2015 prediction for a 3.4 percent growth. According to Oxford Economics, this segment supports over 117,000 jobs (2012) and contributes over \$7 billion to the UK GDP. The United Kingdom held 5 percent of global box office receipts in 2014 at \$1.91 billion, grew to \$2.05 billion in 2015, and is expected to reach \$2.16 billion by 2019 (2.8 percent).^{xc} Box office receipts will reach \$2.31 billion by 2019, growing at 3.8 percent.^{xcii}

The six U.S. major motion picture studios dominate film distribution in the United Kingdom, but competition is strong from indie studios, signaling

opportunities for smaller U.S. distributors. According to the UK Film Distributor's Association, more than 120 companies release movies in the United Kingdom. Notably, the top 10 distributors accounted for 96.4 percent of the theatrical box office receipts and released 298 films out of a total of 790 in 2013 (latest available data).

Electronic home video will continue to grow exponentially from \$1.2 billion in 2015 to \$1.9 billion by 2019 (12.3 percent), with OTT leading the way with expected revenues of \$1.34 billion by 2019. Physical home video is contracting to only 58 percent of total home video revenues, down from 75 percent in 2014, despite an uptick in Blu-Ray and TV box-set spending that same year, while electronic home video will increase its market share from 24 percent to 42 percent of total home video revenues.^{xciii} Physical home video will nonetheless post larger revenues than total digital revenues, despite a negative 3.9 percent growth rate, to reach \$2.6 billion in 2019, as it still holds a larger share of the market segment.

Cable TV is in strong competition with the streaming sector, with major ad campaigns launched by industry giants Sky, Netflix and Amazon to engage British consumers with their services on PCs, mobile apps and game consoles. The competition is leading to opportunities for innovative firms in this space to either partner with larger U.S. or foreign corporations who need English speaking expertise or to bring value-added services from specialized small businesses to market.

Music

The UK music industry will experience very modest overall growth from 2015 through 2019 at a 0.7 percent growth rate to reach \$4.43 billion in revenues (down from \$4.65 billion in 2010). Live music constitutes more than half of the UK's music revenues and is expected to reach \$2.53 billion by 2019 at only a 0.2 percent growth over five years.

In September 2015, live music sales rose by 0.3 percent to just over \$2.51 billion. Digital streaming is expected to grow 39.4 percent to \$286 million but with dramatic declines in mobile music by 30.9 percent and physical at 5.4 percent to \$786 million.^{xciii} This pattern of falling physical sales is a global phenomenon, but UK music revenues are

higher than most European countries, with the exception of Germany which is estimated to reach \$4.55 billion by 2019 and 28 percent digital streaming growth over the five-year period measured here.^{xciv}

UK audiences rapidly signed up for subscription-based and ad-driven digital music streaming, and revenues rose 29 percent from 2012 to 2013 to reach \$117 million. Leading providers include Spotify, Deezer, Rdio, Xbox Music and Google Play Music All Access. As a result, digital streaming has now become a highly competitive market. Some analysts question whether UK audiences will stick with the current trend rather than opting to purchase and own music outright as opposed to accessing a catalogue of music online.

Games

The UK video games market will see decent growth of 4.1 percent between 2015 and 2019 to reach \$6.77 billion.^{xcv} According to Price Waterhouse Coopers, current projections show a value of \$6.5 billion in 2017, up from \$5.2 billion in 2012.^{xcvi} Unlike in many markets, game consoles sales remain robust, and half of total video games revenues are from consoles, which should experience a 3.8 percent growth during the five year period to reach \$3.3 billion.^{xcvii}

With the proliferation of smart phones and tablets, app-based games have been on a steep incline and should see 6.5 percent growth from \$1.01 billion in 2014 to \$1.40 billion in 2019.^{xcviii} However, browser-based online gaming is falling over the same period from \$270 million to \$252 million.^{xcix} The previous Top Markets report showed that digital console games would experience robust growth through 2018 to \$1.4 billion, but this trend has been revised downward to grow digital console games to only \$958 million by 2019.^c Still, this growth could promise excellent export or licensing deals to U.S. game developers. Another significant revision is the growth, rather than decline, of PC games from last year's report. Whereas, PC games were predicted to decline from 2013 to 2018 to \$327 million at a rate of 1.4 percent last year, they are now predicted to grow \$1.24 billion to \$1.42 billion over the same period with a 2.77 percent growth rate.^{ci}

Book Publishing

The UK is one of the most forward-looking markets for electronic books in the world with substantial growth predicted from 2014 to 2019.^{cii} Publishing is slated to grow at a modest 2.7 percent year-over-year from 2014 to 2019. The market will grow from \$5.4 billion in 2014 to \$6.1 billion in 2019. Currently, e-books represent approximately 22 percent of total book sales revenue and are slated for strong growth to compose nearly 47 percent in consumer, educational and professional books.^{ciii} E-books for consumers are predicted to more than double from their 2015 market size of \$933 million to \$1.90 billion at a 20 percent average growth rate through 2019.^{civ} While educational books lead the industry with a 22.9 percent growth rate, they comprised a much smaller market of \$273million in 2015, yet they are slated to grow to \$595 million by 2019 with a 22.9 percent growth rate, outpacing consumer books.^{cv} Professional e-books in 2014 made up \$221 million market predicted to grow at a rate of 11.4 percent to \$379 million by 2019.^{cvi}

This significant market growth in the e-book market creates opportunities for small- and medium-sized publishers to sell on the UK market as consumers move towards a preference for on-demand subscription e-reading services similar to Netflix for television content. Currently, leading subscription services include Amazon, Oyster, Bloomsbury, Open Road Media and Houghton Milton Harcourt, which have over 700,000 e-books available to consumers.^{cvi} Price plays an important role in the growth in popularity of e-books, as the average e-book costs \$3.00 to \$4.00, making them an attractive alternative to expensive print books.^{cvi}

As the UK education sector suffers budget cuts, educational e-books will become an important part of the curriculum due to their lower price and the rising use of tablets. The e-book education sector could be an excellent way for U.S. companies to enter the UK market, selling their products to schools.

While overall professional book publishing will only grow 0.1 percent through 2019, reaching a market revenue size of \$898.0 million to \$901.0 million, professional e-books will grow at a rate of 11.4 percent during the same period, representing a revenue increase from \$221 million in 2014 to \$379

million in 2019.^{ciX} The general trend in professional e-books is skewed towards careers that require a higher daily usage of the textbook and that are more likely to purchase a professional e-book such as doctors and lawyers, thus limiting the size of the market.^{CX}

Challenges Facing U.S. M&E Exporters

The biggest challenge for U.S. M&E exporters to the United Kingdom is the cost of doing business and competition from other trading partners in the marketplace, including UK government subsidized co-production and similar deals that bring foreign competitors into the market and could stifle U.S. competition. Historically, the two countries conduct significant trade with one another, especially in the entertainment industries. The industry is very large but growing at a relatively slower rate than many of the emerging economies.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in the UK.

- Typical buyers, licensors and distributors of M&E in the UK might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include identifying key buyers and distributors to the UK market and setting up an office in country.
- Common trade barriers to enter/expand in the market might include that most multinational vendors have set up their own regional or local office in country. It is a cost of doing business in the local market, as many potential clients, especially federal government agencies, insist on their data remaining in the UK. Companies should expect significant competition from local and pan-European vendors.
- U.S. Department of Commerce Country Commercial Guide:
<http://www.export.gov/ccg/unitedkingdom090963.asp>
- American Chamber of Commerce in the United Kingdom:
<http://www.chamber-commerce.net/dir/4475/American-Chamber-of-Commerce-of-the-United-Kingdom-in-London>

Government Agencies

- The Department of Culture, Media and Sport:
<https://www.gov.uk/government/organisations/department-for-culture-media-sport>
- Intellectual Property Office
<https://www.gov.uk/government/organisations/intellectual-property-office>

Industry Trade Associations

Film/TV

- Film Distributors' Association
<http://www.launchingfilms.com/>
- British Council Film
<http://film.britishcouncil.org/about-us/about-british-council-film>
- Pact UK
<http://www.pact.co.uk/Music>
- Music Industries Association
<http://www.mia.org.uk/>
- Music Publishers Association
<http://www.mpaonline.org.uk/>

Publishing

- The Publishers Association:
<http://www.publishers.org.uk/>
- The Booksellers Association:
<http://www.booksellers.org.uk/>
- Periodical Publishers Association:
<http://www.ppa.co.uk/>
- UK Association of Online Publishers:
<http://www.ukaop.org/>
- The British Library:
<http://www.bl.uk/>
- The Independent Publishers Guild:
<http://www.ipg.uk.com/>

Video Games

- UKie
<http://ukie.org.uk/>
- TIGA
<http://www.tiga.org/>

Trade Shows

Film/TV

- Film and TV BSC Expo
<http://www.bsceexpo.com/>
- BVE Expo
<http://www.bsceexpo.com/>
- TV Connect
<https://tvconnectevent.com/>
- The Media Production Show:

<http://mediaproductionsnow.com/>

Music

- MI Expo
<http://www.miexpo.org/>
- World Conference International Society for Music education
<http://www.isme2016glasgow.org/>
- Live UK Summit:
<http://www.liveuksummit.com/event.php>

Publishing

- London Book Fair
<http://www.londonbookfair.co.uk/>

Video Games

- Euro Gamer Show
<https://www.egx.net/egx>
- MGF London
<http://www.globalmgf.com/london/>
- EA Play
<http://www.ea.com/play2016/>

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The Trans-Pacific Partnership (TPP) Snapshot:

Opportunities for the U.S. Media and Entertainment Industry from the 2016 TPP

Introduction

Excluding the United States and Brunei, there are 10 TPP partner countries that hold the potential for \$308 billion in M&E revenues in 2016. The countries highlighted in this snapshot provide a broad slice of the media and entertainment markets in the Asia-Pacific region and represent both emerging and developed economies. In North America, explosive growth in the over-the-top (OTT) sector will set an important trend in Canada, Mexico and other South American countries, with opportunities for U.S. companies to capitalize on a growing tablet and smartphone market in the region. Australia, while a saturated market for streaming video and music, has ushered in U.S. streaming giant Netflix to compete with local competitors. Opportunities across the TPP countries for M&E companies abound as policymakers focus on creating an equitable, fair and accessible digital economy that protects intellectual property.

Business, Policy and Intellectual Property Impact

U.S. copyright holders and all M&E sectors in the Trans-Pacific Partnership countries will benefit from a more robust system of anti-piracy and effective intellectual property rights protections. Strong and effective IP protection and enforcement stand to greatly benefit U.S. copyright holders who license and trade in digital services and export physical M&E, such as books, music, movies, TV programs and video games. Increased protections will benefit U.S. companies by protecting their content to counter piracy from foreign firms or individuals. Likewise, increased access to smartphones and internet broadband will benefit the media and entertainment sectors by permitting customers to download content legally and consume it on their devices.

The TPP agreement greatly benefits U.S. M&E companies markets with robust growth rates, stronger anti-piracy protections, and unique opportunities for partnerships in licensing content.

Strong copyright protections in TPP markets for U.S. artists, creators, producers and businesses representing creative works help increase the distribution of legitimate works, which in turn

increase payments and royalties that are paid to legitimate businesses. Having strong IP and copyright protections helps the industry distribute and monetize content across all TPP countries. In addition, the TPP copyright provisions reflect the strong copyright protections and enforcement available in the United States as well as promoting balance in copyright systems through exceptions and limitations for legitimate purposes, such as news reporting, teaching, scholarship, research, criticism and comment.

Other results of the TPP agreement are more effective enforcement of intellectual property rights, which include civil and administrative procedures and remedies, as well as criminal enforcement, for U.S. businesses to enjoy better redress than ever before in order to ensure that the economic value of the M&E product or service will be protected. With these guarantees, artists and businesses are then better positioned to invest more in overseas markets than ever before, knowing there are redress mechanisms in place to capture legitimate earnings and protect their content or products.

An important facet of the TPP agreement is the prohibition of customs duties on digital products so that M&E businesses that distribute products electronically are not disadvantaged. A companion provision ensures that imports of digital products (music, movies, videos, games, e-books and related entertainment software) are not subject to discriminatory taxation, outright blocking or other forms of content discrimination.

The TPP ensures U.S. creative content is not subjected to forced tech-transfers. U.S. M&E firms are protected from handing over proprietary or source code to competitors or state-owned enterprises, and under this agreement, U.S. companies will not be required to substitute local technology into U.S. branded services in order to gain market access.

Importantly, the TPP promotes global interoperability, so U.S. companies are less likely to have to produce special hardware for each country in order to operate there. It promotes reasonable network access and competitive supply of telecommunications services, which enable

communications and the distribution of M&E content and services.

The TPP ensures a competitive digital marketplace so that small businesses, individuals and others can access and move data freely, with commensurate privacy protections; this in turn protects an open Internet and digital and online cross-border trade. This is essential for M&E industries in order to share, create and distribute content globally, which drives their industry and contributes greatly to the digital economy. Also, adopting consumer protection laws for the online environment, enabling trade, hindering unsolicited commercial email and increasing copyright awareness is fundamental to enhancing growth in the digital space for M&E companies. Similarly, so is reducing services trade barriers, including allowing fund transfers for cross-borders services and improving supply chains to aid and facilitate trade in M&E business and services.

Creative industries led by Hollywood account for more than \$500 billion and at least 3.2 percent of U.S. goods and services, according to a 2013 report by the U.S. Bureau of Economic Analysis and the National Endowment for the Arts, a first-ever estimate of the creative sector's contributions to U.S. gross domestic product (based on 2011 data, the most recent figures available). Consulting firm PricewaterhouseCoopers (PwC) values the U.S. M&E sectors at \$665 billion in 2016. Almost 40 million American jobs are attributable to IP-intensive industries.

Industry Trends

A few trends emerge across the TPP countries (with the exception of Brunei for which there is no comparable data) using revenue growth trends from *the PwC Annual Entertainment and Media Outlook* for 2016 across five media and entertainment subsectors: film, television, music, video games and book publishing.

For starters, **video games** (especially digital) are growing exponentially across the globe, and there is no exception in the TPP countries. Every country is seeing major growth in this sector. **Box office** receipts will grow in many markets, although domestic film production may be subject to domestic regulations and be better suited for co-productions and utilizing country subsidies for cultural industries. Digital content and over-the-top

streaming are making major inroads across TPP markets as **traditional TV**, broadcast and home **video** have evolved to **digital streaming** and

FILM	TV	MUSIC	VIDEO GAMES	PUB - LISHING
Australia	Australia	Australia	Australia	Australia
Canada	Chile	*Canada	Canada	New Zealand
Chile	Japan	*Japan	Chile	Vietnam
Japan	Mexico	Malaysia	Japan	
Mexico	New Zealand	*Mexico	Malaysia	
Peru	Peru	New Zealand	New Zealand	
Vietnam	Vietnam	*Singapore	Peru	
Note: Countries are listed in alphabetic order and are not ranked here.		*Vietnam	Singapore	
* = Live Music.			Vietnam	

subscription services. **Music** is growing slowly on a global scale, although there is a surge in live music and events in the countries indicated below across TPP markets. **Book publishing** is stagnating or witnessing slower growth (with some exceptions across sectors), although there is still growth in the physical book markets for the three countries listed above, while digital is growing, but e-books have not become a phenomenon as predicted earlier. Digital licensing is also growing in certain sectors.

Filmed Entertainment

The film and TV industry is undergoing fundamental changes that closely follow the global trends in media and entertainment. The most important change in the market structure is the decline of the physical video and television market as the principal medium for consuming content.^{cxii} This change has been fueled by an increase in content libraries and choice, rising affordability, and populations with more free time to dedicate to entertainment.^{cxii} Box office receipts will grow in many markets, although domestic film production may be subject to domestic regulations and be better suited for co-productions and utilizing country subsidies for cultural industries.

Digital content and over-the-top streaming are making major inroads across TPP markets, as traditional TV, broadcast and home video have

evolved to digital streaming and subscription services. The electronic home video revenue is quickly overtaking the physical filmed entertainment market with Japan leading the way. In 2015, Japan's electronic home video market is forecasted at \$632 million and expands to \$1.1 billion by 2019, growing at a 15.6 percent CAGR.^{cxiii}

Over-the-top (OTT) delivery services will be the principal mechanism for delivering filmed entertainment content to millions of users across a multitude of smart devices and tablet platforms. Mexico and Canada offer U.S. companies opportunities closer to home. In Canada, over-the-

“The TPP endeavors to secure fair, equitable and non-discriminatory market access opportunities for U.S. businesses that rely on intellectual property, such as media and entertainment sectors.”

top streaming will grow at a 17.4 percent compounded annual growth, and the market will increase from \$368 million to \$675 million, nearly doubling in size.^{cxiv} Mexico will experience explosive growth in the OTT sector at 91.4 percent CAGR from 2015 to 2019 from a nascent market size of \$7 million in 2015 to \$89 million in 2019.^{cxv}

The proximity to the U.S. makes Canada and Mexico attractive trading destinations, already under the scope of NAFTA and, with the Trans-Pacific Partnership, enjoys and an even greater harmonization of standards for labor, goods and services that should increase the ease of doing business for U.S. companies. The TPP will allow for U.S. companies to have greater access to partnerships with companies in these markets and improved IP and copyright protections and enforcement.

Australia is an important market for U.S. companies like Netflix, which launched there in 2014. Streaming services from local companies, including Presto and Quickflix, which offer over-the-top content to users across many devices, were already in the market, but the arrival of a U.S. provider created healthy competition.^{cxvi} The proliferation of tablets in the Australian consumer base has fueled the increase in demand for subscription video-on-demand (SVOD) services.^{cxvii} Competition will continue to be tough in Australia for SVOD companies, as there are only

approximately 5 million households able to physically access streaming services, making the market sustainable for two SVOD companies, most likely Netflix and Presto.^{cxviii} However, the industry is changing at a rapid pace and could go in different directions. U.S. businesses are advised to stay abreast of industry developments for one-off, advisory or investment opportunities in a sector where there is a clear advantage.

Music

Digital music streaming is trending across TPP markets as it is across the rest of the world, as consumers seek more options and services that are available anywhere at any time. The music industry is expanding rather slowly on a global scale, although there is a surge in live music and events across many TPP markets. The United States, Mexico, Japan and other markets have major festivals that are spurring the live music sector. Australia and New Zealand's digitally streamed music market will grow at a strong rate (Australia at 25 percent CAGR through 2019 to reach \$115 million and New Zealand at 21.7% CAGR to reach \$7 million by 2019).^{cxix}

U.S. companies have an advantage in the both the Australian and New Zealand markets as English speaking countries. U.S. and Australian artists are hugely popular in each other's countries, while New Zealand is slightly less well known, as it is a smaller market. The dance-music sector is a great example of how Australia and the United States both export music to each other with Australian DJs like Alison Wonderland, Thomas Jack and Will Sparks landing gigs at such prominent U.S. festivals such as Ultra Music Festival in Miami, Florida.^{cxx} Likewise, American DJs are very popular in Australia and New Zealand with many fans logging in and streaming their favorite artists over the internet, which is the most important platform for reaching a new generation of music aficionados on such a geographically distant continent.

Closer to home, Canada's digitally streaming music market is also notable for its tremendous growth (19.0 percent CAGR, \$59 million by 2019), and the TPP will afford both economies the ability to capture unrealized benefits in the digital music area as standardization of over-the-top delivered media services expand. Netflix also paved the way for these and related services in Canada, launching in

September of 2010, and has continued to grow at a strong clip, accounting for at least 10 percent of Canadian users.^{cxxi} New bundled music services such as Spotify, which launched in 2014, give Canadians a broad range of digitally streaming services to consume and present opportunities for U.S. music services to enter a receptive market.^{cxxii}

Video Games

Video games (especially digital) are growing exponentially across the globe, and there is no exception in the TPP countries. Every country is seeing major growth in this sector. The video games market is also part of the continuing trend of transitioning to digital downloading platforms in the TPP countries, with the Asian partner countries leading the way in growth: Japan (17.1 percent CAGR, \$707 million market by 2019), Malaysia (19.8 percent CAGR, \$38 million by 2019), Singapore (18.2 percent CAGR, \$28 million by 2019), and Vietnam (24.1 percent CAGR, \$14 million by 2019). These figures demonstrate the tremendous potential for U.S. companies to partner or license with in-country companies, even in the smaller Singaporean and Vietnamese markets.^{cxxiii}

An important aspect of the TPP related to the video games sector is the increased protection of copyright. The TPP will support a just and equal rules system to protect against counterfeiting and trademark infringement in the sector and promote non-discriminatory and fair access for U.S. companies in partner markets.^{cxxiv} The reality is that many of the strong growth countries for video games and other media and entertainment sectors are simultaneously considered high risk piracy and counterfeiting countries. For example, Mexico and Vietnam are respectively listed as the “Recommended Watch” and “Recommended Priority Watch” countries in a recommendation from the International Intellectual Property Alliance’s (IIAP) to the United States Trade Representative (USTR) published this year.^{cxxv} The TPP should hopefully create a more level playing field for U.S. companies that want to access the video games markets in some of these markets.

Publishing

The TPP countries trend towards the general global growth patterns for the publishing sector. This

means that the majority of growth will be driven by electronic consumer book publishing in countries with a high penetration of tablet ownership.^{cxxvi} Publishing is stagnating or witnessing slower growth, although there is still growth in the physical book markets for the three countries listed above, while digital is growing but e-books have not become the phenomenon predicted earlier.

Digital licensing is also growing in TPP countries, such as Australia (CAGR 15 percent, \$364 million by 2019), Chile (CAGR 41.9 percent, \$9 million by 2019), Malaysia (CAGR 35.9 percent, \$6 million by 2019), Mexico (CAGR 37.6 percent \$91 million by 2019), New Zealand (CAGR 18.7 percent, \$60 million by 2019), Peru (CAGR 40.5 percent, \$3 million by 2019), Singapore (CAGR 43.6 percent, \$83 million by 2019), and Vietnam (CAGR 39.3 percent, \$4 million by 2019), showing impressive growth rates over the period of 2015 to 2019.^{cxxvii} The correlation between high electronic consumer book rates and countries with higher levels of tablet penetration will continue to be the principal growth driving factor. Government support for publishing companies and bookstores is a secondary source of growth in some countries like Mexico that utilize minimum pricing floors for new books and major support in educational book spending.

A potential region for U.S. publishing companies to focus their resources on is the TPP countries in Latin America. Chile, Mexico and Peru are small markets but geographically closer to home than the Asia-Pacific countries. Chile has a very high tablet penetration rate which will help increase the readership of e-books to 23 percent of the total market, which is expected to be valued at \$9 million by 2019.^{cxxviii} Similarly, the Mexican market in e-consumer book readership is poised to expand to \$91 million by 2019 due to increased tablets and smartphone usage with the total consumer book market reaching \$557 million by 2019.^{cxxix} Already established channels of trade, including NAFTA and the TPP, make it easier for U.S. publishing companies to partner with publishing companies in country. In Peru, tablet penetration is only at 5 percent of the population but is set to grow to 19 percent by 2019, which will permit the populace more access to books online. Overall, these countries are set to increase their electronic consumer book growth via deeper and more ubiquitous access to mobile devices and tablets, which presents itself as a ripe opportunity

for U.S. publishing companies to enter the market.

Pivoting towards Asia, Malaysia, Singapore and Vietnam are three high growth markets in the e-consumer growth sector. While print book growth may falter slightly in through 2019, Malaysia will realize an increase in the size of its e-consumer book revenue from \$1 million to \$6 million at a 35.9 percent CAGR.

Similarly, Singapore's market for electronic consumer books and educational e-books also shows high growth rates of nearly 43.6% CAGR through 2019, again principally driven by an increase in tablet penetration and high rates of smartphone use.^{CXXX} Vietnam will remain a smaller and nascent market in

the publishing context growing from a \$1 million to \$4 million market by 2019.^{CXXXI} Although small markets, these countries will also gain from increased piracy protections that will protect U.S. companies intellectual property rights.

Overall, the digital side of M&E holds the highest potential across TPP markets and continued growth in consumer purchasing power, use of smartphones and tablets and robust Internet and broadband access will spur the growth trajectory in the new digital era for countries party to this historic trade agreement.

For more information on the TPP please visit:
<http://www.trade.gov/fta/tpp/>

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Nordic Region Snapshot

Denmark, Finland, Norway and Sweden

Media & Entertainment Sector Overview

The Nordic countries, Denmark, Finland, Norway and Sweden (for the purpose of this study), are smaller but robust markets for certain segments of media and entertainment (M&E) export and licensing opportunities. Combined, the M&E industries in these four countries are set to grow at an average of 3.3 percent from 2014 to 2019^{cxxxii} to reach \$11.7 billion, up from \$9.8 billion in 2014.^{cxxxiii} While there is growth potential for the entertainment industries in each of the Nordic countries, these markets are generally considered mature with high penetration rates in each subsector. Mature markets tend to be highly competitive with numerous domestic service providers of M&E content keeping prices low, which is beneficial to the customer. However, the Nordic economies tend to be more expensive with an emphasis on high quality products and services, and this will have to be factored into any entry or expansion plans into these markets.

U.S. exporters have an advantage with content produced in the English language. According to the English Proficiency Index 2015, the Nordic countries rate “very high” in their English language capacity across all categories (listening, reading, speaking and writing), fostering an environment conducive to consuming U.S.-made media and entertainment in its original format.^{cxxxiv} Finally, these countries have famously good governance, which makes them reliable and transparent trading partners for U.S. exporters of M&E content, products and services.

Filmed Entertainment

Keeping pace with global trends, sales of electronic home video services in the Nordic countries are expected to nearly double from \$92 million in 2015 to \$162 million in 2019.^{cxxxv} This growth is fueled by the Nordic conversion to digital and a major increase

in how the Nordics prefer to consume entertainment and, especially, demand for over-the-top content delivered through the internet. Even though Danes love to go to the movies, (buying 2.4 theater tickets per year) and Denmark has a relatively robust filmed entertainment market, the consumption of streamed content from online service will continue to grow exponentially in the coming years.^{cxxxvi} Box office revenues will grow in Denmark from \$148 million in 2015 to \$166 million in 2019.^{cxxxvii}

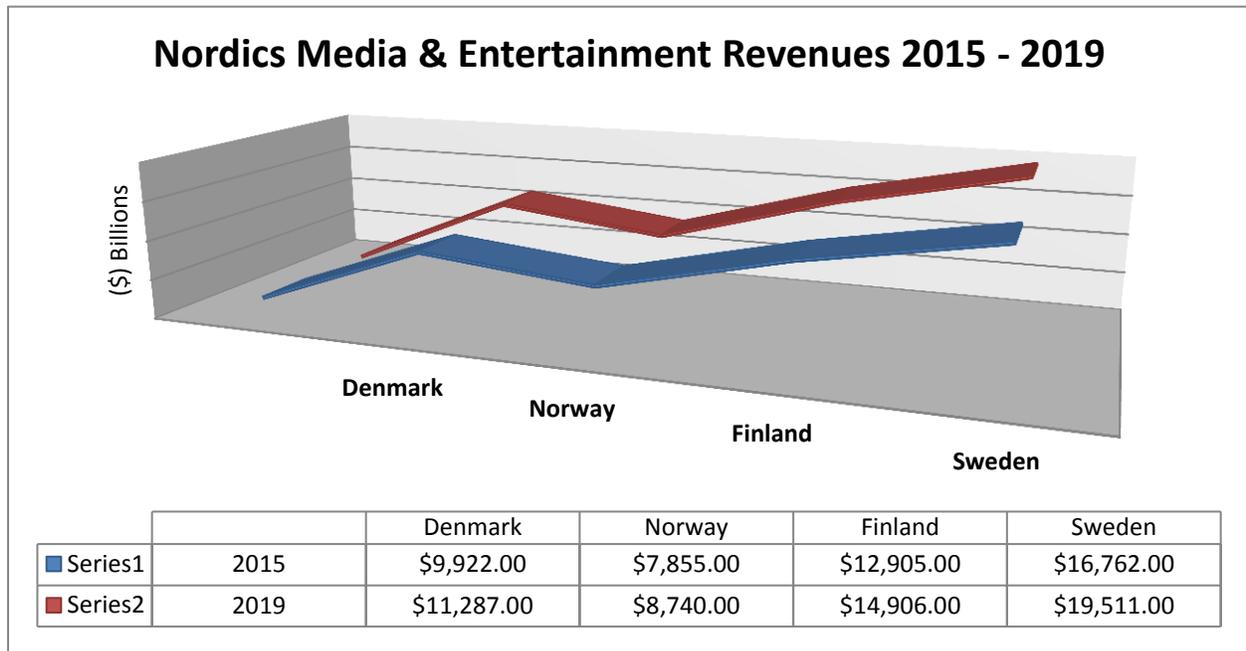
Over-the-top services will grow at a 17.5 percent rate year after year from \$59 million in 2015 to \$113 million in 2019, demonstrating the trend in the move to digital content and representing opportunities for U.S. streaming services such as Netflix.^{cxxxviii} This signals additional opportunities for film and TV producers and distributors who seek joint projects and distribution deals. Finland’s over-the-top content sector will experience tremendous growth from \$3 million to \$22 million over the 2015 through 2019 period. However, during the same period the government will emphasize local production of Finnish movies over foreign movies in a move that could present co-production opportunities or possibly have protectionist overtones and should be observed in the coming years for opportunities.^{cxxxix}

In Norway, electronic home video is going to grow at a whopping 19 percent per year from \$106 million in 2015 to \$212 million in 2019.^{cxl} Sweden’s electronic home video sector will expand at a rate of 12.6 percent through 2019 from \$110 million in 2015 to \$199 million in 2019.^{cxli} Both markets offer opportunities for U.S. companies to offer streaming services with the likes of Netflix and HBO Go already being offered in-country. Subscription TV markets are mature across the Nordic markets, averaging around 93 percent market penetration.^{cxlii}

Cable has been the mainstay of the Nordic countries for television programming but is on the decline, as saturated digitally enabled households prefer on-demand access to content through online video platforms such as Netflix, Chromecast and HBO Go.^{cxliii} Consumers seem content to pay for on-demand services, which signals future growth potential in the video on demand and electronic home video sectors, especially as physical video

music downloads are decreasing and mobile music never took off. Norway and Sweden are both experiencing good growth in the live music scene and also with streaming, but not the other sectors.

Sweden has been among the top three international music markets alongside the United Kingdom and the United States over the past few years, principally due to its innovations in music streaming and the



Source: PwC Data from the 2015- 2019 Entertainment & Media Outlook

demand continues to decline at nearly 10 percent throughout the region through 2019.^{cxliv} Nevertheless, there are limited opportunities for U.S. companies, as the highly saturated market forces companies to snag each other's customer base for new subscribers.

Music

The Nordic countries have established themselves as leaders in the uncharted universe of digital music. While physical music sales have declined rapidly, consumers have wholeheartedly embraced a digital agenda, and most Nordics consume music via streaming subscription services. At the same time, digital sales have not quite yet made up for physical losses in every market such as in Finland, where the only growth segment in the music market is for digital music streaming – struggling to close the gap created by losses from physical. Denmark's digital

evolution of Spotify, as well as being home to the many of the world's top song writers and DJs. Sweden, like the other Nordics, subsidize the arts and culture, including musicians and musical acts. Due to these many factors, Sweden reportedly exports the most music per capita in the world. These interesting developments come on the heels of the massive illegal file sharing problem Sweden and other countries faced a few years ago, made possible in no small part via Swedish music site Pirate Bay, which led to new laws to stem piracy^{cxlv}.

The Nordic markets were well positioned for the transition to streaming services due to a plethora of streaming music services being launched in the region, a highly educated and tech savvy population with expendable income, and the domination of major international streaming VoD brands like YouTube in the market.^{cxlvi} As a result, digital streaming music is showing a strong surge in growth

across all four Nordic countries, averaging 7.4 percent CAGR through 2019.^{cxlvii} Many small local and regional music streaming services offer potential investment opportunities for U.S. companies interested in buying out or establishing joint services. From an investment perspective, the Swedish streaming service Spotify raised half a billion dollars in 2015 after its seventh round of funding.^{cxlviii} While Spotify is the largest in the market, U.S. companies could arguably find niche opportunities. The festival market also offers U.S. booking companies and festival organizers an opportunity to partner with Nordic booking agencies. There are as many opportunities as there are festivals across the Nordic region for booking talent, supplying stage equipment, ticket sales and data analytics, and crowd control infrastructure that U.S. companies can take advantage of within these countries.

Video Games

The video games sector is growing, although at a modest pace across all four countries, averaging 3.7 percent CAGR through 2019, with Denmark showing the largest growth rate of 4.7 percent to reach \$230 million by the same year. Most notably, industry growth will be driven by increased sales in the social/casual gaming subsector in all four countries, with Sweden leading the way at a 6.7 percent CAGR through 2019 and the market reaching \$98 million in revenues.^{cxlix}

Sweden has established itself as the center of development and innovation in video games and is number four on the index of Global Talent Competitiveness, preceded only by Switzerland, Singapore and Denmark.^{cl} In Sweden, the free-to-play model utilizing in-game purchases will see the highest growth, driven by widespread ownership of tablets and smartphones. Also, smaller developers have relied on the concept of the digital store for their success. Applications like Steam allow users to download games, usually at a reduced price than in a brick-and-mortar store.^{cli}

Across the Nordic region, traditional console gaming and physical games will continue to lose ground in favor of digital downloads of video game content over our research period. This trend is expected to increase in the future as consumers of content continue to move away from owning physical

console games to acquiring them through a digital store on their computer.

Publishing

The consumer electronic book (e-books) market is increasingly accounting for the majority of what little growth the publishing sector will realize in the Nordic region. Norway has the largest consumer book market at \$678 million in 2016, forecasted to grow to \$694 million by 2019.^{clii} Also, Nordic governments subsidize prominent authors who receive income from the state for the writing and publishing of their books in order to encourage the profession. Across the region, the publishing market is transitioning from physical to a digital content market at a rapid pace but not without protest. For example, Norway has a policy in place that regulates the price of a book the first year after its publication, which has dis-incentivized large online book retailers, such as Amazon, from entering the market, favoring brick-and-mortar stores instead.^{cliii} The publishing markets in Denmark and Sweden are set to contract by 0.1 percent and 1.6 percent CAGR through 2019.^{cliv} As with any niche markets, this could create opportunities for U.S. publishers to access small pockets of the market with very motivated readers or create other opportunities, such as public speaking and education, and bringing the unique American culture to the Nordic region.

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Sector Snapshots

This section contains sector snapshots that summarize opportunities in each media and entertainment subsector. Each snapshot offers commentary on the relative competitive position of U.S. suppliers.

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Filmed Entertainment

Hollywood represents the iconic filmed entertainment industry, and while the U.S. marketplace remains the most valuable for production and consumption from a revenue perspective, film sectors and creative communities are thriving around the world. Both film and television are moving towards new digital models of consumption and distribution, and video has become a cheaper alternative to production while streaming services have overtaken traditional modes of accessing and viewing movies and TV shows. Movie theatres have to offer complementary services to compete with digital devices, free (including pirated) content and consumer's desire to access content 24/7. The golden age of film may have passed, but the saying still holds true: if you can make it in Hollywood you can make it anywhere. Filmed entertainment revenues will grow at a healthy 4.6 percent from 2015 to 2019 to reach \$35.3 billion in the United States, a slight downgrade over last year's predictions due to the 2014 decline, which had the industry reaching \$39.2 billion by 2018, expected due to the various ways to access movies in the new digital market.

Today's filmed entertainment industry has been affected by various market forces, including the recent economic downturn, the digital revolution with the high cost to transition to digital, relentless piracy of creative content and illegal camcording in theaters, as well as new revenue streams that compete with traditional entertainment models, and consumer-created content online. That is a lot of competition with which to contend. The movie industry has additionally been subject to reduced financing options and stricter scrutiny by investors in film projects, window compressions becoming necessary to comply with new digital formats that reduce the size of a movie file. This impacts how a film will be viewed on big screens, which compromises the creative integrity of films. The industry is also affected by reduced film slates, i.e. the number of films slated for production annually (original and sequels), and competition from global producers.

The digital transition is undeniable. Movie theatres are diversifying and, besides snacks and beverages, are offering dinner, special events, rewards and

merchandise to attract viewership. Traditionally, the industry consisted of multinational umbrella corporations, major studios, and independent studios or "indies;" today, self-published producers and consumer created content on multichannel networks engage in the filmed entertainment sector. There is more talk about content than movies in entertainment circles, and video and virtual reality are key players in the filmed entertainment marketplace in 2016.

Yet, the film industry is still dominated by the six U.S. motion picture studios, which form the base of the MPAA's membership, and a handful of so-called large independent studios, such as Lionsgate Films or the Weinstein Company, which together produce blockbusters that dominate worldwide charts. Indie studios are exponentially more challenged than the majors by financing limitations and piracy and have fewer resources to compete globally. Indies also have to depend on reliable licensing deals and pre-sales to compete, while the majors typically pre-finance and then do not have to worry about selling until the film is done. Part of the equation is also to attract famous actors, which acts as collateral towards funding risks; a would-be investor is more likely to generously fund a well-known star than an unknown newcomer.

The majors mostly rely on indies to produce films, tapping in to niche expertise and the nimble business environment in smaller firms that can react swiftly to market conditions, as they are less affected by a large corporate structure. Hollywood has perfected the trifecta of franchises, sequels and remakes to yield consistent box office returns. United States box office revenues will reach \$12.6 billion, growing 4 percent by 2019. Movie theater admissions are increasing very slowly due to competition from multiple viewing and consumption devices and formats in the digital and online arena. The MPAA estimates that the U.S. film industry supports nearly two million jobs and \$104 billion in wages across subsidiary industries as well as \$16.7 billion in public revenues and \$14.3 billion in exports.

There is a boom in the video sector; live entertainment and branding firms are creating live

content with music for consumption online, on streaming services and TV. There seems to be no end to the types of collaborations in creating unique content for online consumption.

U.S. films are viewed in 140 countries, but market barrier restrictions are plentiful, ranging from cultural content and censorship restrictions to

Top Filmed Entertainment Licensing Markets Export & 2015 - 2019		
Strong	1	China
Strong	2	United Kingdom
Moderate	3	Germany
Moderate	4	Canada
Moderate	5	India
Strong	6	Brazil
Moderate	7	Mexico

Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

import quotas, taxation, unfair customs valuation practices and protectionist measures, which are designed to grow domestic industries and keep foreign businesses at bay, and persistent and rampant piracy worldwide.

To stem piracy and disseminate best practices worldwide, the U.S. Government works with trading partners in bilateral and multilateral trade negotiations to address these matters – a process that is critical to protecting the sector but can take years to reach agreements on, as different markets consider culture, art and intellectual property sectors differently by law – and in popular culture.

Global Export Market Opportunities

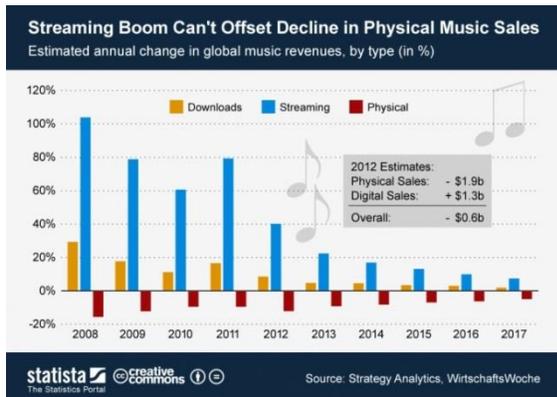
There, film industry offers a handful of top trade shows for business and trade, including the Cannes Film Festival, the American Film Market, Hong Kong Filmart, MIP COM, and a slew of major or smaller film festivals around the globe, such as the Toronto and Sundance Film Festivals. Small businesses typically have to decide how to budget for the year and sometimes can choose only one or two shows to attend. In addition to meeting buyers and distributors at trade shows, independents can attend festivals and utilize social media and traditional marketing tools to gain attention for their content. The U.S. Department of Commerce offers export and licensing advice and has a series of fee-based services to assist businesses with overseas projects.

Besides the six top markets, there are pockets of opportunities depending on the types of content being sold and the experience of the exporter with foreign trade. For example, both indies and majors can take advantage of co-pro arrangements with a host of European and Latin American nations, Canada, China, South Africa, and many other countries that offer formal agreements or tax incentives for the filmed entertainment industry. A note about Africa: Nigeria’s film industry is growing but primarily in mobile and digital, which some say may compromise on the quality of filmed entertainment but saves costs on physical space and equipment. Other emerging African film markets include the Ivory Coast and Kenya, but South Africa is considered the most robust film and TV market on the continent. TV content is in demand across a variety of European markets and is often required to be translated or dubbed to local languages.

The MPAA and Independent Film and Television Alliance (IFTA), as well as state government film commissions, offer resources about domestic and overseas filming opportunities.

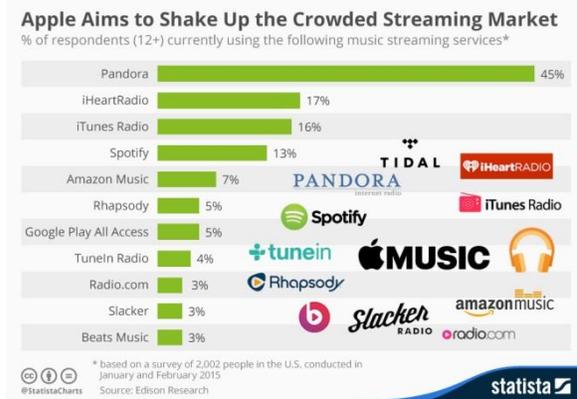
Music

Based on the 2015 study, the U.S. music market declined slightly from \$15.06 billion to \$15.01 billion from 2015 to 2016, but is projected to grow to \$15.84 by 2019. Digital music downloads are declining, yet digital streaming is growing by 11 percent a year and is expected to reach \$1.85 billion in 2018. Streaming will surpass downloads for the first time in 2018, accounting for 55.1 percent of digitally recorded music revenues by 2019. Live music has really taken off and was at \$9.3 billion in 2015, helping offset losses in other areas of the music industry; primarily ticket sales worth \$7.2 billion while the remainder was music sponsorship revenues. Physical music is hanging on life support. With sales of physical formats declining from \$2 billion to \$1.4 billion.



It is not great news for the music industry. First, recorded and live music growth is converging with the decline in recorded revenues worldwide and live music rising to almost offset the losses at a 0.8 percent CAGR over the forecast period. U.S. consumers spent more on digital formats in 2015 than on physical for the first time in 2015 – other countries are at the tipping point. Global digital music streaming revenue is slated to grow from \$3.4 billion in 2015 to \$5.4 billion by 2019.

It seems the industry is putting pressure on music subscriptions services to limit free access to music in an attempt to raise the value of music so that it can be monetized and artists and copyright owners can make a living from music. Subscription services argue that free tiers are key to bringing in new



listeners. In several Northern European markets, streaming accounts for the majority of spending on recorded music.

Technology will play a major role in the growth of live music revenues. Although live music revenue is set to rise in the next five years, income from ticket sales is forecast to grow faster than sponsorship revenue. Live music ticket sales revenue will generate US\$23.69 billion in 2019, compared with US\$20.51 billion in 2014, equivalent to a CAGR of 2.9 percent, aided by technological innovations. Smart wristbands made a major breakthrough in 2014 as they were rolled out at a number of live music events, particularly festivals. Fans have quickly taken to these new wearables that offer easy access to events as well as cashless on-site payments.

“The International Federation of Phonographic Industries (IFPI) estimates, based on comScore/Nielsen data, that 26 percent of internet users worldwide regularly access unlicensed services. This estimate applies only to desktop-based devices: it does not include the emerging and as yet unquantified threat of smartphone and tablet-based mobile piracy as consumers migrate to those devices. Digital piracy is the biggest single threat to the development of the licensed music sector and to investment in artists. Piracy undermines the licensed music business across many forms and channels: unlicensed streaming websites, peer-to-peer (P2P) file-sharing networks, cyberlockers and aggregators, unlicensed streaming and stream ripping and mobile applications.”⁵⁷

Top Music Licensing Markets		Export & 2015 - 2019
Strong	1	Germany
Strong	2	United Kingdom
Moderate	3	Canada
Moderate	4	Germany
Less Certain	5	Brazil
Less Certain	6	Mexico
Less Certain	7	India

Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

Global Export Market Opportunities

This report highlights opportunities in the Top Markets. It is challenging to predict growth markets, as the music industry is sensitive to technology and broadband capable markets, consumer spending capacity and a host of regulatory matters, including taxation, IPR laws (and enforcement of said laws) as well as the availability of devices in a given market.

It is generally accepted that the largest music trade show in the world is MIDEM, which is held annually in June in Cannes, France.

MIDEM is a major international B2B show with music, tech and brands converging to enter into licensing agreements and do business. One of the largest music industry events in the United States, South by Southwest (SXSW), is a set of film, interactive and music festivals and conferences that started out as a music only activity but now encompasses film, tech and music, drawing a global audience. The event is based in Austin, Texas and is held over a week and a half annually in April.

Throughout the year, there are a myriad of festivals and trade shows in the United States and globally, many of which focus on a particular market, region or genre of music. Many of the trade associations for this industry hold semiannual conferences. These events are critical for the fragmented music industry to network with colleagues and meet music managers, buyers, licensors and distributors as well

as aggregators in the tech, auto, airline and other businesses that facilitate, consume and license music.

The music business depends on copyright protections and certainty in legal markets. It is critical to understand that the industry is governed by two copyrights: a musical composition copyright and a sound recording copyright. This means that the notes and lyrics have one, *i.e.* the musical composition, and the recorded version has one, *i.e.*, the sound recording. This is important as determining who the copyright holders are determines who gets royalties and earns income from performances of musical recordings. This in turn complicates the income generation for musicians, labels and music publishers. There is also an ongoing debate between the recording industry, ISPs, technology giants and online digital firms over the Digital Millennium Copyright Act beyond the scope of this report that is widely discussed across media platforms, regarding how the industry monetizes.

Three major record companies and music publishers dominate the industry while independents are growing, as witnessed with the American Association of Independent Music and its global network in indie music associations worldwide. Live music and tours are handled by a small number of publicly owned companies and is on its way to become a corporate business. Their presence in new markets opens up new opportunities for major artists to perform in more countries. The organization of the live music sector at a national level can differ from country to country as some have live promoters' associations that lobby for their members, while others have no collective trade body.

Generally speaking, the biggest music markets are linked by a number of factors. Three major record companies and music publishers dominate their respective sectors, while live tours and events are handled by a small number of publicly owned companies. Such dominance in market share means any growth in national markets or at a regional level for recorded music and live will be largely determined by the actions of the dominant companies. For recorded music, the three majors are actively involved in sectors beyond music production and distribution with stakes in a number of the

music subscription services leading the access service charge. Live music is rapidly becoming a corporate business, and as the major live players continue to expand their reach through partnerships and company acquisitions, their presence in new markets opens up new opportunities for major artists to perform in more countries.

Given this market dominance of the majors and the live music corporate entities, it is challenging for smaller companies and artists to compete and to develop regional markets because the majors have such a strong presence. In addition, as these corporations are engaged in vertical sectors and subsidiary industries beyond music production and distribution, with stakes in music subscription services, there is a limited share for artists and independents.

Consumer attitudes also impact the industry, and as long as consumers believe they can access music for free, they are less likely to purchase it, whether it's a digital streaming service with tailored offerings or vinyl and cd's.

This report does not offer extensive analysis of music publishing and licensing, but it is critical to underscore the importance of understanding rights management as copyright laws and regulatory environments differ worldwide for the music industry, as does the ability of performance rights organizations (also known as collecting societies) to identify, collect and distribute royalties to their constituents.

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Video Games

The U.S. and global video games markets are growing at a break neck speed. The United States is expected to post earnings of \$19.6 billion by 2019, growing 5.5 percent from 2016 (\$16.8 billion), and global revenues will reach 93.2 billion, growing at a 5.6 percent rate from \$79.7 billion. The Entertainment Software Association reports that more than 60 percent of the U.S. population plays video games. About 40 percent of U.S. households expect to purchase a virtual reality headset by 2017. In 2013, 51 percent of U.S. households owned a game console. The games sector is the fastest growing sector after advertisement in the media and entertainment industry worldwide. Some countries are attempting to restrict use for younger people after reports of fatal behavior stemming from game addiction. With this rapid growth, the challenge for U.S. exporters will be to protect copyrighted material while identifying and taking advantage of licensing deals at the intersection of multiple content segments, such as games and music, promotional tools for movies using mobile and online games, and games used in education.

The 10 best-selling games of the year ^{clv}
1. Call of Duty: Black Ops III (Xbox One, PS4, 360, PS3, PC)
2. Madden NFL 16 (PS4, Xbox One, 360, PS3)
3. Fallout 4 (PS4, Xbox One, PC)
4. Star Wars: Battlefront (Xbox One, PS4, PC)
5. Grand Theft Auto V (PS4, Xbox One) 360, PS3, PC)
6. NBA 2K16 (PS4, Xbox One, 360, PS3)
7. Minecraft (360, Xbox One, PS3, PS4)
8. FIFA 16 (PS4, Xbox One, 360, PS3)
9. Mortal Kombat X (PS4, Xbox One)
10. Call of Duty: Advanced Warfare (Xbox One, PS4, 360, PS3, PC)

ITA's research indicates popular U.S. gaming trade shows with developers and other game companies include E3 in Los Angeles, GDC in San Francisco and Pax Prime in Seattle. Internationally, ChinaJoy in Shanghai; Gamescon in Cologne, Germany; and the Tokyo Game Show are respected in the industry as top networking shows to establish new partnerships and garner global attention, especially for new entrants or smaller distributors. [Please note that

listing of shows in this report does not imply USG endorsement of these shows, and this list is not comprehensive.]

Video games have become a \$100 billion industry that is constantly innovating and bringing new applications to market. The traditional gaming sector includes video games on PCs and games consoles that can connect to TVs and have portable hardware.

Today's consumer has access to multiple devices, whether mobile or tablets and more, to access and play video games. The sector also comprises the physical (disc-based), digital games, online games, various subscription services and downloaded games, mobile games, and virtual and augmented reality (VR/AR).

The industry has evolved quickly in the social and casual gaming sector where live competitions have become massively popular and e-Sports are the latest rage. Electronic sports, also known as esports or e-sports, includes competitive video gaming, professional video gaming and pro-gaming, where the players play against each other like in a chess game, with a live audience, whether in huge stadiums or online. Esports is evolving rapidly and is expected to post earnings at around \$621 million globally in 2016.

Augmented reality simulates artificial objects in the real environment; virtual reality creates an artificial environment to inhabit. In augmented reality, the computer uses sensors and algorithms to determine the position and orientation of a camera. AR technology then renders the 3D graphics as they would appear from the viewpoint of the camera, superimposing the computer-generated images over a user's view of the real world

Virtual reality, along with augmented reality, has emerged with futuristic programs for entertainment, shopping and healthcare. V/R is the use of digital technology to replace reality with a complete and 'realistic' immersive simulation, while A/R is the

interaction with computer-generated content overlaid on the real world. U.S. developers and scientists are producing cutting-edge solutions in healthcare, in the educational field and with online/mobile shopping using these games applications. All entertainment sectors have major developments with video games and use games as part of the film, television, music and video service offering. Consumers have a myriad of options for entertaining themselves with video games.

Top Video Games Licensing Markets		Export & 2015 - 2019
Less Certain	1	China
Strong	2	United Kingdom
Moderate	3	Germany
Moderate	4	Canada
Less Certain	5	Mexico
Moderate	6	Brazil
Less Certain	7	India

Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

Global Export Market Opportunities

Fifty percent of consumers identify as gamers worldwide, and the highest penetration is in China and the United States. Eighth Generation devices are leading (such as by Nintendo, Microsoft and Sony Computer Entertainment), and 80 percent of gamers still spend on traditional game consoles. eSports and Twitch are the #1 video game platform and the world's leading video platform and community for gamers with 45 million gamers logged on monthly. The eSport market is highly established in China and Brazil but is still growing in the United States, Mexico and the European Union (France, Germany and the United Kingdom). The most popular way to participate is either live, online, on TV or pre-recorded, and fans also follow eSports online just like major league football and other sports. Eighty-one percent of eSports fans are male, and 19 percent are women, but in the general video game population, women play as much games as men. The demographics change when you look at age groups, but 51 percent of young adults and millennials play

eSports.

PwC forecasts global video games will reach \$93 billion by 2019, up from \$75.4 billion in 2015. The fastest growing markets across four major regions are Argentina, Brazil, China, Denmark, Egypt, India, Indonesia, Israel, Kenya, Nigeria, Netherlands, Portugal, Philippines, Saudi Arabia, Turkey, UAE, and all of Central and Eastern Europe –although some of these are nascent and small markets. The largest markets are Brazil, China, Japan, Russia, South Korea and the United States. The largest market by 2019 will be the United States at \$19 billion and counting, followed by China, Japan, South Korea and the United Kingdom.

Top devices most frequent gamers use

- PC (56%)
- Dedicated Game Console (53%)
- Smartphone (36%)
- Wireless Device (31%)
- Dedicated Handheld System (17%)

*Source: ESA-Entertainment Software

App based games will reach \$19.8 billion by 2019, and console games will reach \$30.7 billion. The console industry is still strong, especially in developing economies where consumers cannot afford to buy the newest models, which keeps older models in demand and gamers trade used console games with one another. Physical consoles will grow at a much slower rate than digital console games.

Global digital distribution of traditional games will generate \$12.89 billion or 19.6 percent of traditional gaming revenue. The console market will still trade in physical games and due to the higher costs of digital video games and a lack of network infrastructure, especially in developing economies, will keep physical distribution relevant. With the proliferation of portable, handheld devices and tablets, the industry is growing at an incredible pace. Accessing the Japanese, Korean and Chinese markets will continue to be challenging due to protections in the marketplace, but partnerships and joint ventures look very favorable. Eastern European markets are growing their video game sectors, signaling opportunities for developments in several countries.

Markets with long-established traditional console and PC games will likely continue to be dominated by revenues in those fields; however, social and casual gaming revenue will grow to a \$22.5 billion market by 2019. Countries such as India and South Africa, for example, will see social and casual gaming revenue overtake traditional gaming revenues by 2019.

There is a silver lining for the video game sector in the United States, the United Kingdom, Japan and China where advertising income related to games will reach \$300 million by 2019, driven by a sophisticated local advertising ecosystem or a

massive potential audience.

Another interesting development is Cloud Gaming. With the proliferation in device connectivity and smartphones and a billion active tablet devices expected in the market by 2019, cloud streaming gaming services can begin. Similar to the video and music streaming services arena, the industry will need the right pricing model to both drive adoption and generate sufficient returns for platforms and publishers and robust IPR. It will also require speed, so broadband and mobile Internet infrastructure investments to support the required response times for interactivity will be crucial.

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Publishing

The U.S. book publishing market reached \$60 billion in 2015 measured across professional, educational and consumer genres. Consumer books cover the largest sector, but education books have the highest growth. The U.S. publishing sector is the largest in the world and three times as large as Germany's. By 2019, digital publishing will account for 45 percent of all publishing.

Print publishing is declining rapidly in the United States as witnessed by the demise of the major bookstore chains. Interestingly, Amazon has now opened physical book stores (for both physical and e-books) as the industry explores what consumers want most: a digital or physical experience. E-books and e-readers have not taken off at the speed expected; consumers like devices with multiple capabilities for reading, watching, listening, streaming and interacting.

Top Publishing Licensing Markets		Export &
2015 - 2019		
Strong	1	Germany
Moderate	2	China
Moderate	3	United Kingdom
Strong	4	India
Less Certain	5	Brazil
Less Certain	6	Canada
Less Certain	7	Mexico

Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

More than 68 percent of Americans own a smartphone, and roughly 45 percent own a tablet. Demographics make a difference in smartphone ownership; being young or wealthy puts the statistic in the 80 percentile. Only one in five adults owns an eReader. Many simply prefer the old-fashioned book. The United States has a prolific publishing sector with many world-renown authors. They too are now competing in a digital market place that encourages self-publishing and challenges the notion of what is a quality book and why you need a literary

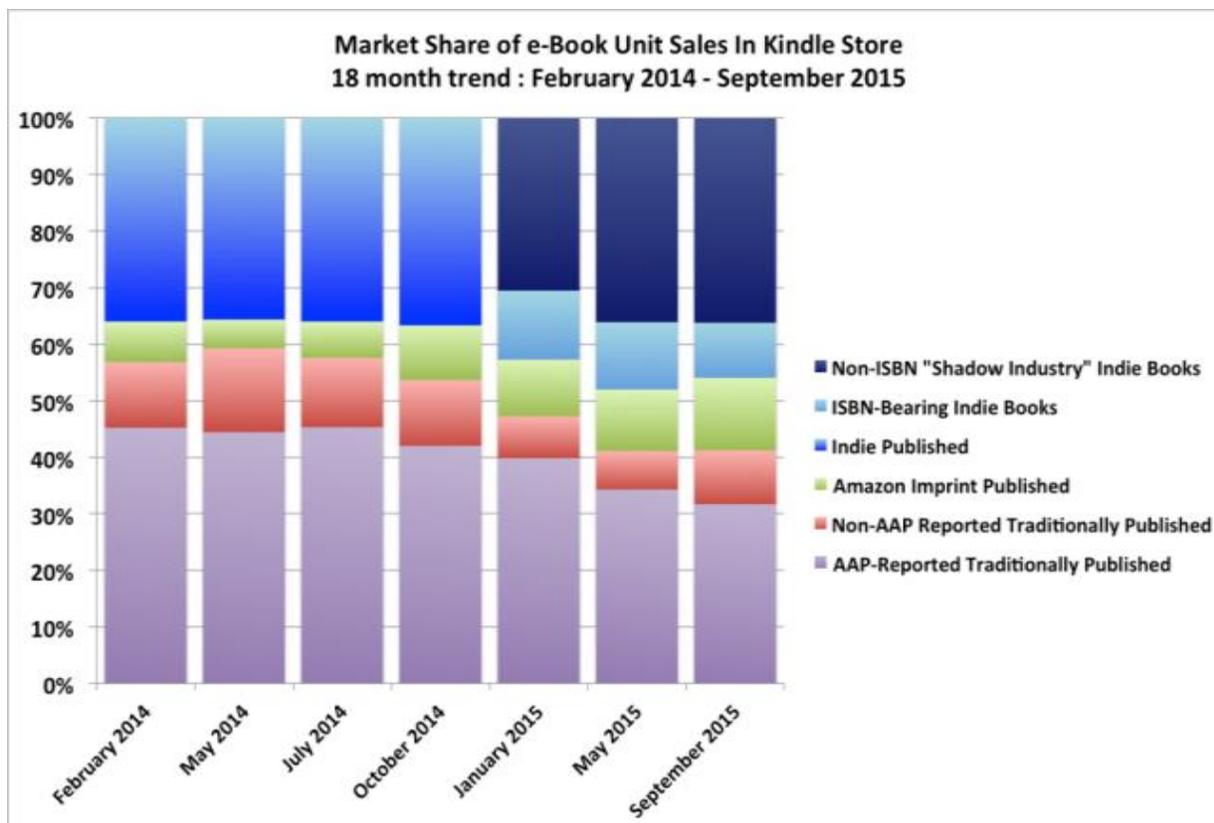
agent (the latter which is more unique to the United States than many of our trading partners around the world).

In 2014, e-books accounted for 27 percent of all book publishing revenue (across the three major sectors: consumer, educational and professional), and digital is expected to account for 45 percent of total books revenue.

Consumer books print and audio revenue has fallen, as a result of the marketplace disruption with the closing of physical book stores, from US\$14.1 billion in 2010 to \$9.9 billion in 2014, declining by 8.1percent to\$6.5 billion in 2019. In 2017, the market will be dominated by e-books, and by 2019, e-books will constitute 41 percent share of total consumer books revenues, which itself will reach \$16.06 billion in 2019. By 2019, digital will account for 45 percent of the US total books revenue.

E-books have also disrupted consumption patterns in the same way that digital content has disrupted the consumption of other media; consumers have binged on box sets since the launch of all-you-can-watch streaming sites, and readers are binging" on books. Consumers expect immediate access and seek instant gratification, just like with music and video content. Subscription services have come of age, and consumers like being able to quickly move to the next book in a series without having to visit a store or wait for a shipment to read it. This has affected business planning, and some publishers release e-books on shorter cycles. 2014 e-best-sellers included *The Fault in Our Stars*, *Gone Girl*, *Divergent* and *The Goldfinch*. More than 600,000 e-books are available via Amazon Kindle Unlimited and providers such as Bloomsbury, Open Road Medi, Houghton Mifflin Harcourt and Scribd.

E-books will expand at high rates across all sectors, however, consumer print and audio books registered at just under \$48 billion worldwide in 2015. This trend is not continuing, but it does underscore the fact there is still a strong physical book sector in certain markets and genres.



Source: Fortune Magazine¹

Self-publishing is attractive not only as it could expedite a book's release to the public; under traditional publishing deals, authors receive 15 percent in royalties after they have repaid their advance. Self-publishing on Amazon offers a royalty split of up to 70 percent with authors earning money from day one. It also comes with the risks of not being viewed as a professional release, get lost among hundreds of other self-published authors, and making little to no income from one's efforts.

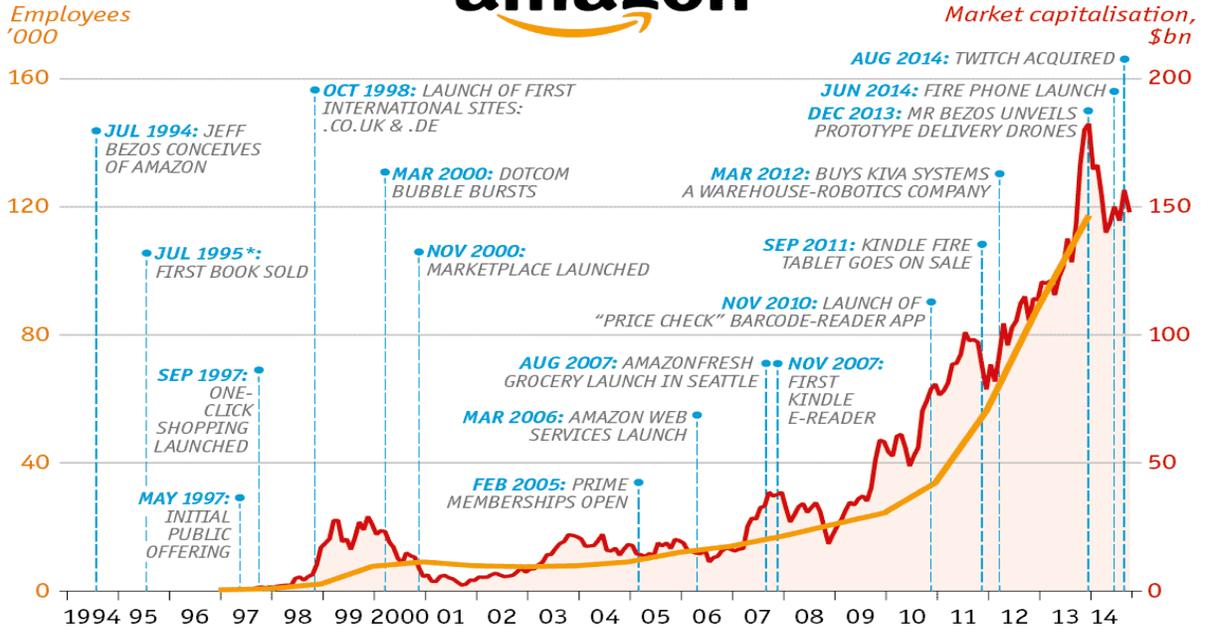
Total educational books will reach \$14.86 billion in 2019, up from \$12.67 billion in 2015, yet schools are challenged with limited budgets, and the cost of buying tablets and educational apps eats into book budgets. E-books in the education genre will grow from \$1.8 billion to \$3.8 billion by 2019 precisely because schools are investing in iPads and similar tools for students. College e-book revenues will reach \$3.08 billion in 2019. Europe, the Middle East and Africa constitute the largest publishing region globally, although it is growing the slowest of all. In

contrast, Latin America is growing the fastest worldwide despite being the smallest region for publishing globally.

Across the three publishing categories, EMEA is the largest market for consumer books, followed by Asia Pacific and North America. Latin America will see the strongest growth in total consumer books revenue over the next five years. North America is the largest market for educational books, followed by EMEA and then Asia Pacific. On the other hand, EMEA will remain the largest market for professional books followed by North America, Asia Pacific and Latin America. These positions will not change over the forecast period.

For more information on global publishing markets, please consult the [Global Media & Entertainment Team website](#) for the forthcoming 2016 U.S. Publishing Export & Licensing Guide that covers 15 global markets (due out June, 2016).

Following the direction of flow



Sources: Bloomberg; press reports

*Also reported as April

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Addendum: Resources for U.S. Exporters

The U.S. Government has numerous resources available to help U.S. exporters: from additional market research, to guides to export financing, to overseas trade missions, to staff around the country and the world. A few key resources are highlighted below. For additional information about services from the International Trade Administration (ITA), please visit www.export.gov.

Country Commercial Guides Written by U.S. Embassy trade experts worldwide, the *Country Commercial Guides* provide a starting point for what you need to know about exporting and doing business in a foreign market. The reports include sections addressing market overview, challenges, opportunities and entry strategies; political environment; selling U.S. products and services; trade regulations, customs and standards; and much more.

Basic Guide to Exporting *A Basic Guide to Exporting* addresses virtually every issue a company looking to export might face. Numerous sections, charts, lists and definitions throughout the book's 19 chapters provide in-depth information and solid advice about the key activities and issues relevant to any prospective exporter.

Trade Finance Guide: A Quick Reference for U.S. Exporters *Trade Finance Guide: A Quick Reference for U.S. Exporters* is designed to help U.S. companies, especially small and medium-sized enterprises, learn the basics of trade finance so that they can turn their export opportunities into actual sales and achieve the ultimate goal of getting paid on time for those sales. Concise, two-page chapters offer the basics of numerous financing techniques, from open accounts to forfaiting and government assisted foreign-buyer financing.

Trade Missions Department of Commerce trade missions are overseas programs for U.S. firms that wish to explore and pursue export opportunities by meeting directly with potential clients in local markets.

Trade missions include, among other activities, one-on-one meetings with foreign industry executives and government officials that are pre-screened to match specific business objectives.

Certified Trade Fairs The Department of Commerce's trade fair certification program endorses overseas trade shows that are reliable venues and good markets for U.S. firms to sell their products and services abroad. These shows serve as vital access vehicles for U.S. firms to enter and expand into foreign markets. The certified show/U.S. pavilion ensures a high-quality, multi-faceted opportunity for American companies to successfully market overseas. Among other benefits, certified trade fairs provide U.S. exhibitors with help facilitating contacts, market information, counseling and other services to enhance their marketing efforts.

International Buyer Program The International Buyer Program (IBP) brings thousands of international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows. Every year, the International Buyer Program results in millions of dollars in new business for U.S. companies by bringing pre-screened international buyers, representatives and distributors to selected shows. U.S. country and industry experts are on site at IBP shows to provide hands-on export counseling, market analysis and matchmaking services. Each IBP show also has an International Business Center where U.S. companies can meet privately with prospective international buyers, prospective sales representatives and business partners and obtain assistance from experienced ITA staff.

[The Advocacy Center](#) The Advocacy Center coordinates U.S. government interagency advocacy efforts on behalf of U.S. exporters that are bidding on public-sector contracts with overseas governments and government agencies. The Advocacy Center helps to ensure that sales of U.S. products and services have the best possible chance competing abroad. Advocacy assistance is wide and varied but often involves companies that want the U.S. Government to communicate a message to foreign governments or government-owned corporations on behalf of their commercial interest, typically in a competitive bid contest.

[U.S. Commercial Service](#) With offices throughout the United States and in U.S. Embassies and Consulates in nearly 80 countries, the U.S. Commercial Service utilizes its global network of trade professionals to connect U.S. companies with international buyers worldwide. Whether looking to make their first export sale or expand to additional international markets, companies will find the expertise they need to tap into lucrative opportunities and increase their bottom line. This includes trade counseling, actionable market intelligence, business matchmaking and commercial diplomacy.

Appendix 1: Industry Trade Associations, Industry Resources, and Sector Definitions

Select Industry Trade Associations & Performing Rights Organizations

- American Association of Independent Music (A2IM)
- American Association of Publishers
- American Society of Composers, Authors and Publishers (ASCAP) Broadcast Music, Inc. (BMI)
- Entertainment Software Association
- Confédération Internationale des Sociétés d'Auteurs et Compositeurs = The International Confederation of Societies of Authors and Composers (CISAC)
- International Federation of the Phonographic Industry (IFPI)
- Independent Film and Television Alliance (IFTA)
- International Intellectual Property Alliance (IIPA)
- Motion Picture Association of America (MPAA)
- National Association of Broadcasters (NAB)
- National Association of Television Program Executives (NATPE)
- National Music Publishers' Association (NMPA)
- Recording Industry Association of America (RIAA)
- Society of European Stage Authors and Composers (SESAC)
- SoundExchange

Select Industry Resources

- Billboard Magazine
- Digital Media Wire
- Game Informer
- Hollywood Reporter
- IFPI's annual Recording Industry in Numbers & Digital Music Report
- Nielsen
- PricewaterhouseCoopers Global Entertainment & Media Outlook
- Publishers Weekly
- Standard & Poor's Industry Surveys
- Variety

Sector Definitions

The research in this paper has relied on research from PwC's Entertainment & Media Outlook 2015-2019. PwC defines the industry sectors as follows:

Filmed Entertainment

- Filmed entertainment comprises cinema box office revenues, home video revenues; both digital and non-digital, and includes both consumer and advertising spending.
- Home video includes both electronic and physical home video of films, TV programming and other premium video content. Physical home video is split between rentals and sell-through and covers consumer spend on movies, TV programming and other premium filmed entertainment content, on DVD or Blu-ray.
- Rental revenue comprises spending on rentals of videos at video stores and other retail outlets along with

DVD or Blu-ray discs distributed by mail services.

- Electronic home video considers revenue from on-demand video services that offer premium filmed entertainment content (including movies, TV programming or other premium video content) either via a TV subscription provider, or an over-the-top (OTT)/streaming service (such as Netflix).
- Electronic home video through-TV-subscriptions comprises revenue from both video on demand (VOD) and pay per view (PPV) services provided by a TV provider as part of a TV subscription package or as an enhancement to that core package. This category excludes revenue from stand-alone operator OTT services that do not require a subscription, such as MTG's Viaplay or Sky's Now, but includes incremental revenue from "TV Everywhere" packages (such as Sky's Go) that bundle OTT with conventional pay-TV services.
- Electronic home video through OTT/streaming services comprises revenue from standalone services (such as Netflix) whose filmed entertainment content is accessed via a broadband or wireless Internet connection and is viewable on a PC, TV, tablet, smartphone or other device which bypasses TV subscription providers. These services are split between transactional video on demand (TVOD) and subscription video on demand (SVOD). Note that this category also includes revenue from stand-alone operator OTT services, such as MTG's Viaplay or Sky's Now, that do not require a subscription to a core TV service, but excludes revenue from operator "TV Everywhere" packages that bundle OTT with conventional pay-TV services.
- TVOD services (such as iTunes) deliver filmed entertainment content via the open Internet and do not require a subscription. SVOD services (such as Netflix) are also delivered over the open Internet but require a subscription.
- Cinema revenue comprises consumer spend at the box office for theatrical motion pictures and advertising spend at the cinema including on-screen adverts prior to the movie. It does not include revenue from merchandise or concessions. This revenue is non-digital and from both consumer and advertising spending.

Music

- Music is comprised of consumer spending on music, including both physical and digital recorded music and live music played at concerts, as well as revenue from sponsorship of live music, but does not include revenue from merchandise or concessions at live music events. This segment includes both digital and non-digital revenue and revenue from both consumer and advertising spending.
- The recorded music component comprises physical and digital. All consumer spend is measured at retail level, which can be substantially higher than the wholesale or trade value revenues sometimes reported. This segment includes both digital and non-digital revenue and is revenue from consumer spending.
- Physical recorded music covers any retail or online purchase of official physical albums (*i.e.*, CDs), single sound recordings or music videos. Digital recorded music considers the sale of any licensed music distributed digitally to connected devices (including PCs, tablets, smartphones and dedicated music players) and is split between streaming and downloads.
- Streaming comprises revenue from subscription and advertiser-supported streaming services (such as Spotify). Note that service providers do not break this revenue out into consumer and advertising components.
- Downloads include revenues from any licensed recorded music downloaded via app stores or licensed services (such as iTunes).
- Mobile music here refers to the purchase of ringtone and ring-back tones only. Revenues from music services that are delivered wirelessly to connected devices (such as Spotify) are included under digital.
- For live music, consumer spend on tickets is included along with sponsorship revenues. This segment is non-digital and represents revenue from consumer and advertising spending.
- The total number of music units sold at retail level, both physical and digital, includes both single tracks (as either physical or digital singles) and albums (either digital or physical).
- The number of individual music tracks sold digitally includes digital singles, albums and paid-for music

videos.

- The number of physical music units sold includes albums on CD, single sound recordings and paid-for music videos.

Publishing

- This segment comprises consumer, educational, professional and scientific books, including digital, ebooks and physical.

Video Games

- This segment comprises consumer video games software and services (not hardware or devices) across all platforms, including console, PC, online and mobile, as well as advertising via video games.
- Console games consider all revenue associated with playing games of any type on a games console (both in-home and handheld) including physical (disc-based) game sales at retail, digital game sales, additional downloadable content (DLC) and subscription services.
- PC games comprises physical (disc-based) and digital sales revenues from retail stores and digital download stores (such as Steam and Origin) and additional downloadable content.
- Online games include those games played on a PC, which require an Internet connection to play and include subscription MMOs, free to play MMOs, casual games and social games.
- Mobile games comprise all revenues associated with playing games on a mobile device (tablet or mobile phone), including digital games and app sales, subscription services and associated virtual items.
- Video games advertising comprises revenues from advertising built into games on any platform and access type, including in-game advertising. It does not include advertising delivered dynamically via the Internet. This revenue is non-digital and from advertising spending.

Appendix 2: Top Markets Media and Entertainment Exports 2010 - 2014^{clvi}

U.S. Exports and Imports of Audio-visual and related services and products by type, including: Movies and television programming, books and sound recordings, broadcasting and recording of live events, and 'other.'
Source: Department of Commerce, Bureau of Economic Analysis.

Table 2.1. U.S. Trade in Services, by Type of Service 2010 - 2014						
Bureau of Economic Analysis, October 15, 2015						
[Millions of dollars]						
Line		2010	2011	2012	2013	2014
1	Exports of Services	563,333	627,781	656,411	687,894	710,565
36	Audio-visual and related products	15886	17865	18715	18410	19414
37	Movies and television programming	13690	15195	15990	15846	16309
38	Books and sound recordings	1617	1903	1937	1664	1877
39	Broadcasting and recording of live events	579	767	788	900	1228
40	Other intellectual property	163	212	114	108	94
41	Telecommunications, computer, and information services	25038	29171	32510	35035	35885
42	Telecommunications services	10911	12424	13749	14471	13550
43	Computer services	8991	11361	12554	13779	15310
44	Information services	5137	5386	6207	6784	7025
45	Other business services	101029	112568	120382	121873	129514
69	Imports of services	409313	435761	452013	463700	477428
104	Audio-visual and related products	3627	3644	5472	5253	7643
105	Movies and television programming	1661	2101	2566	2438	3203
106	Books and sound recordings	913	1130	1382	2182	2789
107	Broadcasting and recording of live events	1053	413	1525	633	1651
108	Other intellectual property	214	458	91	128	114
109	Telecommunications, computer, and information services	29015	32756	32779	33812	33314
110	Telecommunications services	7986	7039	7169	7348	6656
111	Computer services	19407	23879	23865	24438	24386
112	Information services	1622	1839	1744	2026	2272

The above chart shows exports and imports of M&E sectors between 2010 and 2014.

For detailed trade data covering M&E sector ("audio visual") exports by intellectual property and by country, please visit the October 15, 2015 Bureau of Economic Analysis Table 2.2 that covers data for 2013 and 2014 at: [Table 2.2. U.S. Trade in Services, by Type of Service and by Country or Affiliation](#)

Appendix 3: About the Office of Digital Services Industries & Global Media & Entertainment Team*

The Office of Digital Services Industries (ODSI) is headquartered in Washington, D.C. in the Industry and Analysis (I&A) division of the International Trade Administration (ITA) at the U.S. Department of Commerce. ODSI specialists, organized under the two teams (1) Data Flows and Privacy and (2) Digital and Internet Services, work on a broad segment of the digital sector. The Data Flows and Privacy team works to promote policy frameworks to facilitate the free flow of data across borders for international trade. The team administers the U.S.-EU Privacy Shield and the U.S.-Swiss Safe Harbor Framework, and is leading efforts to implement the Asia Pacific Economic Cooperation Cross Border Privacy Rules System. The Digital and Internet Services team focuses on policy and commercial issues related to a wide range of evolving ICT services, including cloud computing software and applications, advanced communications services, and media and entertainment.

The Global Media & Entertainment Team⁵⁹ consists of 240 ITA specialists based throughout the International Trade Administration including the Washington, D.C. headquarters, U.S. Export Assistance Centers (“USEACs”) in the United States, and at U.S. Embassies and Consulates worldwide. It is a joint team between I&A and the Commercial Service (CS) divisions within ITA. **The Commercial Service**⁶⁰ assists and advocates for U.S. businesses in international markets to foster U.S. economic prosperity. Utilizing a network of trade promotion and policy professionals located in over 70 countries and 100 U.S. locations, CS promotes U.S. exports, especially among small and medium-sized enterprises, advances and protects U.S. commercial interests overseas, and attracts inward investment into the United States. **The Global Teams**⁶¹ aim to develop and share industry expertise and deliver large scale client outreach at leading trade events; share knowledge and provide industry and subject matter training; distribute industry and market intelligence to clients; and support an internal culture of innovation, integration and collaboration.

*Andrea DaSilva is the Global Team Leader for the Media & Entertainment Team. Based in Washington, D.C., she also serves as a Senior Policy Analyst for Media & Entertainment Industries in the Office of Digital Services Industries, International Trade Administration, at the U.S. Department of Commerce.

Appendix 4: Citations

- ¹ This figure includes multiple subsectors as defined by PwC: publishing of books and magazines, music and radio, film and television, games, Internet access, B2B and advertising in all sectors, as well as both digital and physical revenues for these sectors.
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- ⁴ <http://variety.com/2013/film/global/digital-cinema-conversion-nears-end-game-1200500975/> <http://www.etcentric.org/nearly-90-%of-worlds-cinema-screens-are-now-digital/>, <https://technology.ihc.com/527960/the-final-push-to-global-digital-cinema-conversion>
- ⁵ <http://www.metacritic.com/feature/game-publisher-rankings-for-2014-releases>
- ⁶ <http://www.diplomatie.gouv.fr/en/french-foreign-policy-1/economic-diplomacy/events-2134/article/france-is-second-in-the-world-for>
- ⁷ <http://www.gamesindustry.biz/articles/2015-04-16-dfc-will-sony-microsoft-remain-relevant-in-games-by-2019>
- ⁸ More on rights collecting bodies, royalty payments by licensees, and distribution of royalties to copyright owners may be found at The American Society of Composers, Authors and Publishers (ASCAP) : <http://www.ascap.com/licensing/licensingfaq.aspx#general>
- ⁹ https://www.riaa.com/toolsforparents.php?content_selector=legal-music-sites-new-music-resources
- ¹⁰ <http://www.whymusicmatters.org/>
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- ²⁴ International Intellectual Property Alliance (IIPA) 2015 Special 301 Report On Copyright Protection and Enforcement: Brasil. <http://www.iipa.com/rbc/2015/2015SPEC301BRAZIL.pdf>
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