

## Empirical Project 1: Trade and Intellectual Property Rights

A recent Wall Street Journal article (Wed. Jan 10 - Asia Edition), written by Fowler and Qin reports the following box-office sales of U.S. and Chinese movies:

*"China's box-office receipts grew 32% last year to a record \$336 million, according to the country's film regulator, rounding out a banner year for moviegoing across eastern Asia -- and one in which domestic films trumped Hollywood fare in the region's top markets.*

*The balance was tipped by both strong local offerings and government protections. In Japan, the region's largest and most-mature movie market, at more than \$1.7 billion, home-grown films outsold Hollywood fare for the first time in more than 20 years. In South Korea, local films also dominated, even as the country relaxed some longstanding quotas designed to protect the domestic industry. In Seoul alone, box-office receipts totaled \$192 million from January to November, a 20% increase from a year earlier.*

*The international competition is a challenge for Hollywood, which increasingly relies on international box-office receipts to recoup production costs. At the same time, in an era of growing piracy of movies online and on disc, any cinema-going is welcome."*

The United States is a big net-exporter of movies worldwide. As a result, a big concern to the U.S. in recent trade negotiations has been copyright protection and there is huge concern with illegal pirating of films in China. In this sense, the film industry has been portrayed as a victim of globalization.

But the movie industry has also been touted as a villain in globalization in the following sense.

"Hollywood" movies are so popular that they swamp markets in other countries and lead local filmmakers in those industries to stop making films. In this sense, we lose diversity because of a large market leader "taking over the world."

**ASSIGNMENT:** Address the following questions with data analysis, media quotes, and/or other evidence to back up your answers. As with all of these assignments, make sure to appropriately document your sources of information.

- A) What do you think are the "sources" of comparative advantage for the U.S. in the production of making movies?
- B) What is the volume of U.S. movie exports (particularly as a percent of total exports)? Who are the biggest importers of U.S. movies?
- C) What have been the trends in the last 5-10 years in U.S. exports and imports of movies? Are we gaining greater comparative advantage or losing comparative advantage over time. Will Hollywood movies eventually have 100% of world market share?
- D) How big is the issue of "pirating" of movies? Are there estimates of the losses the industry incurs from pirating in other countries, such as China?
- E) What do you think about arguments that American culture is destroying diversity across the world? You may want to read the relevant chapter in Jagdish Bhagwati's recent book, *In Defense of Globalization*, that addresses the interactions of globalization and culture.

**RESTRICTIONS:** Can have a maximum of three students handing in a joint project. Report cannot be longer than 4 pages of text (double-spaced) with an extra page allowed for charts and graphs.