

## INTERNATIONAL MOVEMENTS IN REVENUE FROM INTELLECTUAL PROPERTY IN THE EUROPEAN UNION 1983-1992

*Eurostat sets out the main changes in the European Union's international trade in audiovisual services and patent royalties recorded in the balance of payments in the period 1983-1992.*

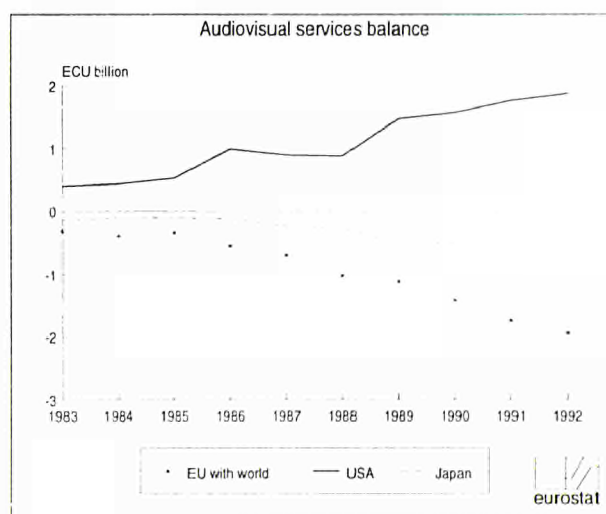
### AUDIOVISUAL SERVICES

Audiovisual services are defined as services provided in the form of picture and/or sound programmes. The transactions recorded are mainly the fees paid and royalties received for films and television broadcasts. These represent around 1% of the European Union's international trade in services in 1992. This sector is booming, and recent studies forecast that expenditure on audiovisual material and equipment in the European Union will double by the end of the century.

### A growing European Union deficit

The European Union's balance with the rest of the world has been in constant decline since 1983 (ECU -0.3 billion) to 1992 (ECU -1.9 billion). This heavy deficit stems from poor export growth over the period and a marked rise in imports. While imports rose by 260% between 1983 and 1992, exports grew by only 60%. The European market is still very permeable, while European products are hard pressed to find export markets. The

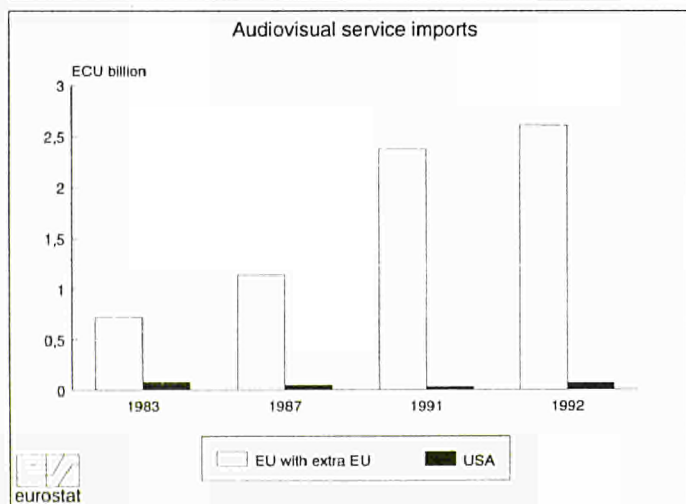
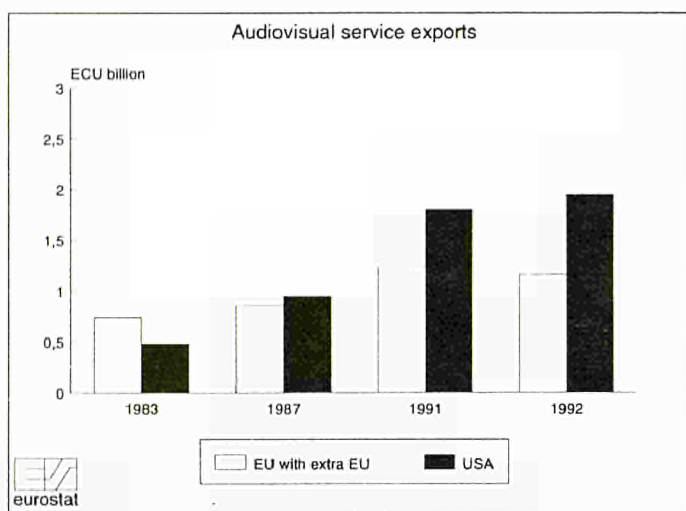
main reasons for the export difficulties are that the potential market for a product often depends on the number of people who speak the language and have cultural ties, as well as their level of income. The European Union incorporates a huge range of languages and cultures. Thus, France mainly exports to the French-speaking countries, Spain to South America, and these export areas yield meagre returns.



## United States' dominance

The United States gained most from the European Union's growing deficit. The U.S. surplus with the European Union climbed from ECU +0.5 billion in 1986 to ECU +1.1 billion in 1992, and its surplus with the world from ECU +0.5 billion in 1983 to ECU +1.9 billion in 1992 (American source). Japan's balance contracted slightly, from ECU -0.14 billion in 1983 to ECU -0.45 billion in 1992 (Japanese source).

The European Union is the leading importer of American audiovisual products: around 60% of U.S. exports went to the European Union in 1992 (American source). The United States' cover rate vis-à-vis the European Union is 278% (Eurostat source). Other than in distribution, the European audiovisual industry is still very fragmented. The United States industry, on the other hand, is very concentrated. Moreover, American production and distribution companies are established in Europe, which facilitates exports, but this trend is rarely matched on the other side of the Atlantic. The top American companies formed an export cartel (over 50 years ago), the MPEAA (the Motion Picture Export Association of America) which is now established in over 50 countries and in Brussels in particular.



## Internal market develops while exports outside the Union are virtually stagnant

Trade within the Union has shown sustained development. In external trade, on the other hand, imports alone have grown.

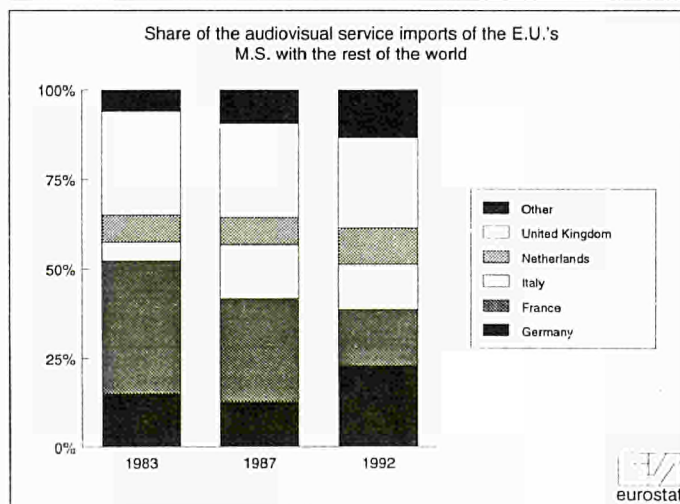
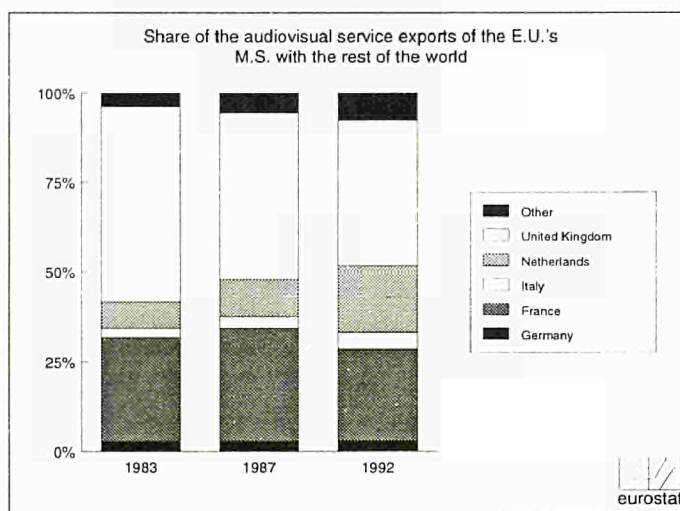
Comparison of the European Union's average flows in the period 1983-1987 and in the period 1988-1992 is highly significant in this regard:

-exports within and outside the Union rose by 49%, mainly due to intra-Union trade, where exports gained 81% between the two periods, while exports outside the Union rose by only 18%.

-imports from within and outside the Union rose by 91%. Imports from outside the Union grew slightly faster than intra-Union trade (96% as against 81%).

Recent developments on the audiovisual industry's markets in Europe have not gained any foothold on the high-potential markets of the United States and Japan.

## European Union Member States' market shares with the rest of the world change





The United Kingdom is still the market leader in trade in audiovisual services. However, its relative share in the European Union is declining as the other Member States advance. The most striking developments are a growing

German deficit as exports all but stagnate and imports rise, growing trade from the Netherlands, and Spanish imports outstripping exports.

## Audiovisual services

		ECU million									
		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
<b>E.U.</b>	Credit with extra	737	834	1000	739	855	748	915	997	1235	1161
	Debit with extra	722	933	1040	938	1138	1246	1442	1850	2372	2602
	Net with world (1)	-325	-406	-346	-550	-696	-1018	-1114	-1415	-1740	-1942
	Asymmetry intra-Union	-340	-307	-306	-350	-413	-520	-587	-562	-603	-501
<b>USA</b>	Credit with world	480	658	626	1088	949	929	1534	1636	1800	1949
	Debit with world	76	219	94	89	45	41	49	54	30	69
	Net with world	404	439	532	999	904	888	1485	1582	1770	1880
<b>Japan</b>	Net with world	-145	-105	-109	-120	-243	-276	-513	-493	-384	-449

(1) see methodological note



		ECU million									
Net with world		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
<b>European Union</b>		-325	-406	-346	-550	-696	-1018	-1114	-1415	-1740	-1942
incl.:	<b>B.L.E.U.</b>	-22	0	-16	-25	-13	-11	-23	-82	-80	-52
	<b>Denmark</b>	-6	-7	-7	-7	-8	-9	-10	-11	-11	-12
	<b>Germany</b>	-173	-185	-168	-211	-210	-314	-334	-582	-790	-840
	<b>Spain</b>	-36	-38	-45	-60	-61	-85	-109	-184	-263	-286
	<b>France</b>	-119	-135	-90	-129	-163	-190	-130	-27	-155	-207
	<b>Italy</b>	-108	-144	-183	-127	-259	-307	-386	-326	-432	-349
	<b>Netherlands</b>	-6	-57	-68	-80	-36	-90	-116	-77	28	-108
	<b>United Kingdom</b>	157	171	243	113	94	48	76	-38	63	19



## General background data in 1991 Worldwide cinema industry

	D	E	F	I	UK	EU	USA	Japan
Number of films produced	72.0	64.0	156.0	129.0	51.0	499.0	435.0	230.0
Audience (million)	106.9	79.1	117.4	88.6	100.6	566.0	981.9	138.3
Number of films viewed per capita	1.7	2.0	2.1	1.5	1.7	1.7	3.9	1.1
Domestic films (%)	13.6	11.0	30.6	24.0	5.5	17.0	97.0	41.9
USA films	80.2	68.7	58.0	68.0	93.0	73.0	97.0	55.2

Sources : CNC (Centre National Cinématographique), EUROSTAT



## PATENT ROYALTIES

This heading covers transactions linked to trade in technical know-how and commercial marks protected by licences and patents. Certain Member States only record licences and royalties, and others include patents granted.

It does not represent all trade in technology; some revenue is included in investment income. Trade between a parent company and its subsidiaries may include income from technology transfers and be recorded as investment income.

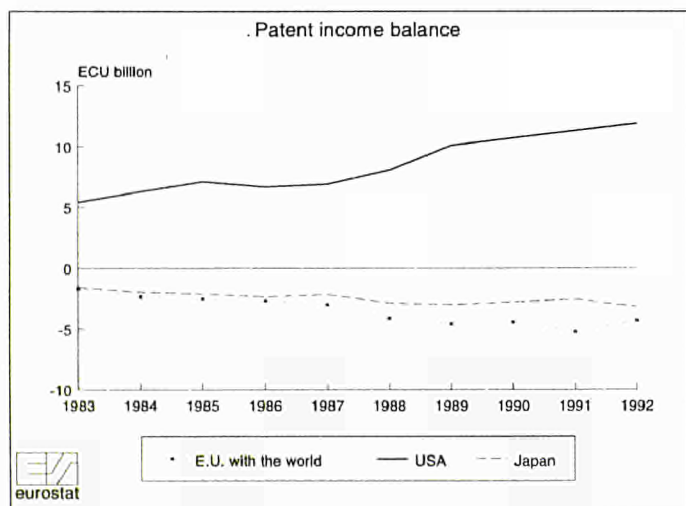
In 1992, these transactions represented around 3% of the European Union's international trade in services.

### Heavy European Union deficit settles

The deficit on patent revenue is one of the largest recorded in the European Union's services balance. Between 1983 and 1988, the European Union's balance with the world deteriorated from ECU -1.7 billion to ECU -4.1 billion. Changes in the balance between 1988 and 1992 barely aggravated the deficit, which in 1992 was ECU -4.3 billion.

In 1992, the European Union's balance with the United States accounted for almost the entire deficit with the world (approximately ECU -4 billion). Its balance with Japan is in surplus (approximately ECU 0.3 billion).

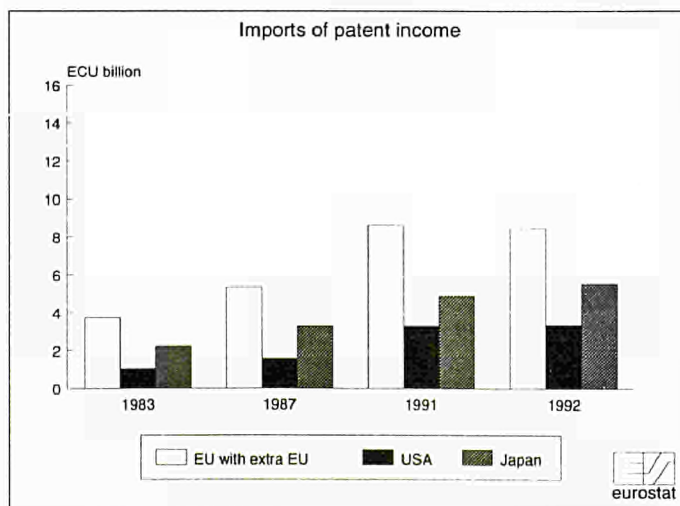
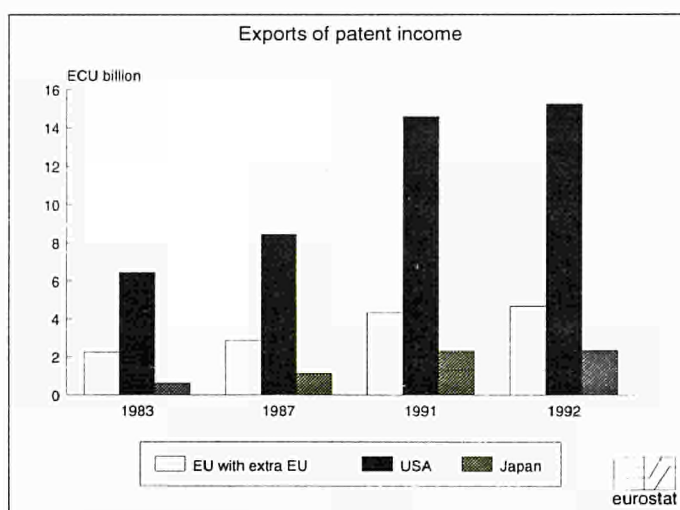
The GATT agreements should secure increased protection of intellectual property in the developing countries. These should make for an increase in technology trade and thus improve European Unions revenues from patents and/or investment with the developing countries.



## U.S. main beneficiary from patent revenues

The United States' surplus with the rest of the world is constantly rising: from ECU +5.4 billion in 1983 it rose to +11.9 billion in 1992. Japan's deficit grew from ECU -1.6 billion in 1983 to -3.2 billion in 1992. These figures have to be placed in the context of their cover rates. Comparing the average cover rates for the period 1983-1987 with those for 1988-1992, the United States' rate deteriorated slightly from 556% to 494% and Japan's increased from 30% to 41%. As for the European Union, a deteriorating balance between the two periods was matched by falling cover rates (from 54% for 1983-1987 to 49% for 1988-1992).

The United States have held on to a dominant position in international patent payments. In 1992, the European Union accounts for over 50% of United States exports and Japan around 18%.





**External trade double internal trade, although internal is growing slightly faster than external.**

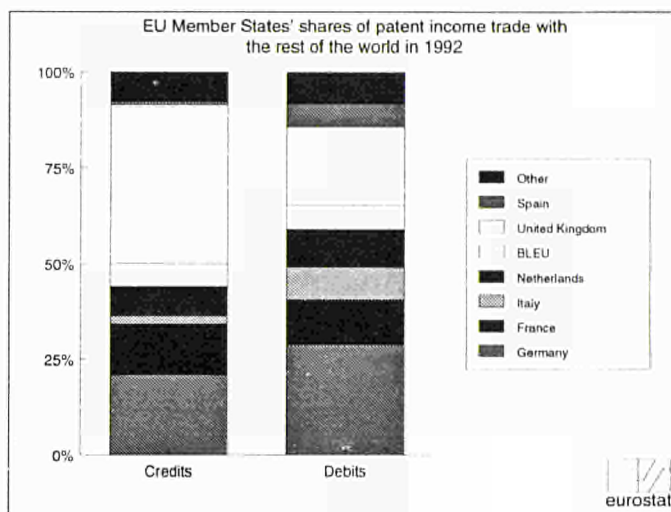
In the period 1988-1992, internal Union trade accounted for 32% of total internal and external trade. This represents a slight gain on the period 1983-1987, when trade within the Union accounted for 29% of total trade.

Comparing the average European Union flows between the two periods 1983-1987 and 1988-1992, exports within the Union rose by 87% as against 53% in external trade; imports within the Union rose by 87% and imports from outside the Union by 69%.

**European Union Member States' market shares with the rest of the world virtually stable**

With over 40% of European Union income, the United Kingdom is the main beneficiary of patent revenues, followed by Germany (21%) and France (13%). The main patent users are Germany, with 28% and the United Kingdom, with 20% of European Union imports.

The main change over the period 1983-1992 is Spain's increasing share of European Union imports, which rose from 2% in 1983 to 6% in 1992.



**Patent income**

		ECU million									
		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
<b>E.U.</b>	Credit with extra	2255	2456	2775	2596	2870	3274	3730	4109	4307	4667
	Debit with extra	3769	4488	4933	4849	5327	6555	7597	8096	8618	8442
	Net with world (1)	-1719	-2349	-2538	-2686	-2994	-4126	-4580	-4447	-5253	-4318
	Asymmetry intra-Union	-205	-317	-380	-433	-537	-845	-713	-460	-942	-543
<b>USA</b>	Credit with world	6453	7726	8584	8055	8445	-9828	12308	13132	14594	15234
	Debit with world	1057	1475	1527	1414	1585	1801	2241	2451	3318	3370
	Debit with world	5396	6251	7057	6640	6860	8027	10067	10681	11276	11864
<b>Japan</b>	Credit with world	639	881	947	921	1121	1384	1830	1946	2313	2352
	Debit with world	2226	2881	3094	3289	3305	4241	4833	4741	4888	5538
	Net with world	-1587	-2000	-2147	-2368	-2184	-2857	-3003	-2795	-2575	-3186

(1) see methodological note

		ECU million									
		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Net with world		-1719	-2349	-2538	-2686	-2994	-4126	-4580	-4447	-5253	-4318
<b>European Union</b>		-1719	-2349	-2538	-2686	-2994	-4126	-4580	-4447	-5253	-4318
incl.:	<b>B.L.E.U.</b>	-176	-220	-283	-324	-387	-435	-392	-426	-414	-271
	<b>Denmark</b>	-3	-18	30	-14	-31	-59	-52	-50	-40	-66
	<b>Germany</b>	-662	-677	-786	-1022	-1126	-1248	-1527	-1431	-1906	-1955
	<b>Spain</b>	-151	-194	-270	-280	-304	-513	-589	-673	-722	-745
	<b>France</b>	-251	-446	-473	-416	-447	-705	-497	-279	-287	-393
	<b>Italy</b>	-472	-629	-618	-470	-381	-621	-533	-423	-1151	-753
	<b>Netherlands</b>	-192	-270	-497	-244	-315	-374	-673	-443	-631	-395
	<b>United Kingdom</b>	264	185	464	207	180	45	-37	-423	203	588

**Supporting data**  
**Patent's demand in 1988**

Countries	Registered in the country		Registered abroad	
	Total	Foreign patent (in%)	Total	Incl. USA (in %)
Belgium	33867	97.5	6003	0.4
Denmark	11080	89.2	7639	0.4
FR of Germany	84806	63.2	128026	8.5
Greece	13764	97.3	212	0.0
Spain	26251	93.0	2722	0.2
France	66095	81.2	53150	3.3
Ireland	3901	81.4	939	0.1
Italy	52939	61.7	25271	1.4
Netherlands	40115	93.6	20433	1.1
Portugal	2464	97.8	105	0.0
United Kingdom	79916	75.2	54926	4.0
USA	146904	48.8	200842	51.2
Japan	345239	10.6	101192	20.2

Source : OECD : Statistiques de base de la science et de la technologie, 1991

**Methodological note:** Theoretically, credits (exports) declared by the Member States vis-a-vis the European Union (internal market) should balance with the debits (imports) they declare. The Union should show a zero balance in internal trade. However, various problems generate a non-zero balance called asymmetry.

*This intra-Union asymmetry poses problems for interpreting data.*

*We considered that the balance on intra+extra Union could be interpreted as representing the balance with countries outside the European Union (with the rest of the world).*

*The Union's flows to Extra-Union (with the rest of the world) can be interpreted in terms of cover rates, as development over the period and in structural terms (Member States' contributions), on condition that the asymmetry is sufficiently regular over the period, i.e. that cancelling the asymmetry by various statistical methods does not affect the interpretation of the results. To be coherent with the assumption made about the balance (net) with the rest of the world, the European Union cover rates presented in the text are corrected for asymmetries, as are the percentages between the periods 1983-1987 and 1988-1992.*

Sources: Eurostat: International Trade in services -EUR12 from 1983 to 1992  
American : Survey of current business -Sept. 1993  
Japanese: Bank of Japan -Balance of Payments -Monthly -May 1994.

**Differences according to sources:** For 1992, the European Union's audiovisual services balance with the United States shows less than 5% difference between Eurostat's source and the American Source (Survey of current business). On the other hand, Eurostat records United States exports of around ECU 600 million against American imports from the European Union of around ECU 50 million. The Japanese Central Bank only gives the balance with the world.

For 1992 the European Union's balance with the United States on income from patents shows a difference of ECU 2 billion (Eurostat source: -4 billion; American source: -6 billion). The Japanese central bank only gives trade with the world.

Reference publication: International Trade in services -EUR 12 from 1983 to 1992 can be obtained from the Official Publications Office of the European Communities, L-2985 Luxembourg  
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