

Current Conditions and Prospects for the Japanese Content Industry

By Hamano Yasuki

The Young Report

The US copyright industry accounted for 5.24% of the nation's GDP in 2001. When business related to the copyright industry such as distribution and sales are included, this industry's GDP share rises to 7.75%, creating 8 million jobs in the United States. It grew by an annual average of 7.01% during the period from 1977 to 2001. The amount of export sales is actually greater than domestic sales, and according to estimates by the US Department of Commerce, it has become the largest American industry, exceeding the chemical, automobile and aviation industries.

The role of the "Young Report" is great. As a prescription for regaining international competitiveness at the end of the 20th century, the Industrial Competitiveness Council of the Reagan Administration produced the Young Report in 1985, which recommended reinforcing protections for intellectual property rights. Although the Reagan Administration did not promote new policies based on the report's advice, it

was after this report that the copyright industry became the sector of the US economy with the most remarkable growth. Subsequent administrations placed importance on the copyright business after Reagan and the Young Report, but there is also a long history behind this.

In 1917, when the United States entered World War I, President Woodrow Wilson immediately assembled the "Creel Committee" or the Committee on Public Information to rally public support for joining the war. The committee was named after its Chairman George Creel, who fervently advocated the "Gospel of Americanism," and the committee justified and promoted the export of American information. Creel used new media to carry out what France, Britain and other European countries had done as part of their colonial policies.

By the beginning of the 1920s, it became clear that the export of American films had caused a surge in sales of US products such as clothing, automobiles, furniture and machinery.

Based on the slogan, "Trade follows film," the US House of Representatives established the Motion Picture Section in the Bureau of Foreign and Domestic Commerce in 1926 and the then Secretary of Commerce, Herbert Hoover, later to become President, was put in charge of films. The government became a sponsor of film exports, and films came to be considered as a medium for promoting American products in general.

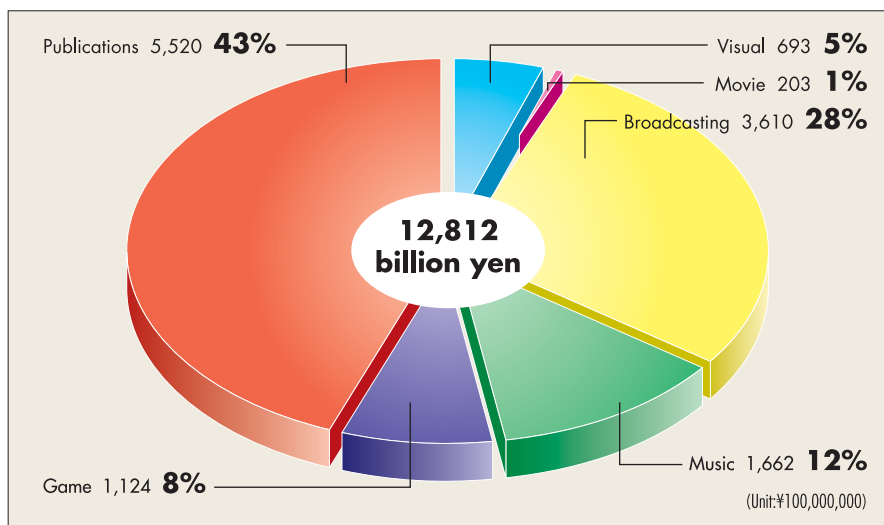
In order to promote film exports, the next year, the government began to issue frequent reports relating to films in other countries through the Motion Picture Section. This data became the reference source enabling Hollywood to obtain a monopoly on the world's cinema screens. In an era when no other country had accurate data on film markets and image culture, only Hollywood was able to devise overseas marketing plans based on this data with governmental support. The reports continued to be prepared until the Democratic Party came to power under Roosevelt. As a result of these efforts, the share of American films in the international market went from 75% in 1930, to 90%. Even today, Hollywood monopolizes screens around the world, helping US pop culture to conquer the universe.

Europe, Asia and Japan

In my book, *Hyogen no Bijinesu* (The Expression Business; published by the University of Tokyo Press), using total domestic content sales around the world, I calculated that United States accounts for almost half of the world content market. However, since there is also US-made content like Hollywood movies that have an overwhelming share in every country, there is no doubt that US-made content accounts for a majority of the world market.

Unaffected by global problems such as environmental issue, or a worldwide

Figure 1 Total Content Market in Japan 2003



Source: *The Content Industry in Japan 2004*, Digital Content Association of Japan

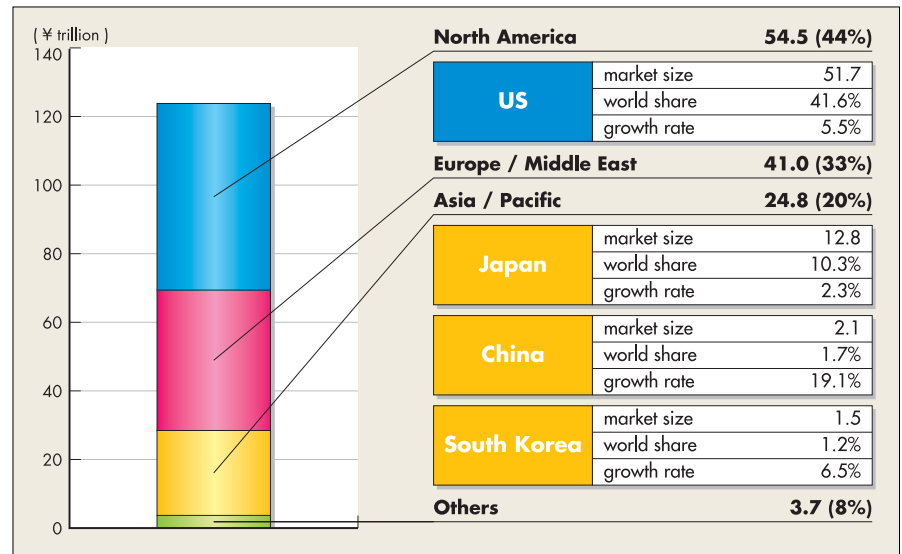
economic slump, the content industry continues to grow in every country, and has gained recognition as a key industry for the 21st century. With the rise of China as the world's factory, other countries are facing the same problems that the United States had at the end of the 20th century, and now need to restructure their industries. There is also a continuing shift in cultural values from a focus on labor toward self-realization and enjoyment. Not only can the content industry help provide these to consumers, but the process of content creation itself is also a form of self-realization and self-expression. The industry is therefore seen as a source to create attractive employment opportunities.

In Asia, the term "content industry" is generally used, although it is usually called the "copyright industry" in the United States, or the "creative industry" in Europe. The copyright industry also includes computer software and information processing services, while the creative industry encompasses such fields as design and art.

In Japan, the Fundamental Law for the Promotion of Culture and Arts was proposed by the Agency for Cultural Affairs, and established in 2002. The Ministry of Economy, Trade and Industry set up the Study Group for International Strategy of Media Content Industry, while the Ministry of Internal Affairs and Communications established a Forum on Information Communication Software in 2003. After the release of the "Strategic Program for the Creation, Protection and Exploitation of Intellectual Property," the Japanese version of the Young Report, by the Cabinet's Strategic Council on Intellectual Property in July 2003, a task force on content was established.

In the private sector, the Entertainment Content Industry subcommittee was set up by Nippon Keidanren (Japan Business Federation). Following this, the Liberal Democratic Party of Japan Content Diet Member League was formed. The Content Promotion Law or the Law Concerning

Figure 2 World Share of Content Market (2002)



Sources: Adjusted from PRICE WATERHOUSE COOPERS and Global Entertainment & Media Outlook 2002-2006

the Promotion of Creation, Protection and Exploitation of Content, was also put into effect in June 2004. As part of the joint government and industry efforts, the Joint Industry-University Education Program for Content Creation Science was set up at the University of Tokyo in October 2004, and many other universities have followed suit. Clearly, content industry promotion has been gaining momentum in Japan.

■ Animation

For a long time in Japan, content has been ignored as an economic resource and export industry. The only cultural industry established with the goal of exports has been the animation industry. In 1948, Toei Animation was established as the first real animation production company in Japan. Okawa Hiroshi, then president of the company, noted in 1956, "Unlike the Japanese movie industry, which lacks international appeal due to the linguistic barriers, we expect to break into the overseas markets by captivating audiences with illustration and action of animation." The Japanese commercial animation industry intended to be an export industry from its outset. Therefore, it is no accident that Japanese animation has

achieved such international competitiveness today.

However, industries in Japan consist mainly of making manufactured products, and sectors like animation have not been treated as an industry, nor recognized as a cultural product. Since cultural administration and its activities in Japan have been strongly influenced by European refinement, only forms of "high culture" are recognized as cultural assets. Animation and video games, which are accepted overseas, are excluded from the realm of cultural assets.

France and other European nations have used the approach of introducing their high culture to the wealthy or privileged classes in other countries and then allowing time for it to trickle down to the lower classes. The United States however, as I stated earlier, acting in concert with the increase of income and leisure time of the average citizen, has been able to disseminate its culture quickly and massively with its pop culture. The former example represents the 19th century model of the industrialization of culture, while the latter is the 20th century model.

The cultural administration in Japan follows the 19th century model. It focuses on high culture in the form of traditional Japanese arts such as *Noh*, *Bunraku* (puppetry), *Kabuki*, *Gagaku*

(ancient court music), classical dance, *Ikebana* and tea ceremony. Animation has been excluded since it is not one of these traditional arts. Ironically, many of these arts were never considered to be high culture when they were created.

In the 21st century, Japanese society has finally recognized animation as an art form, now that it is a source of international economic competitiveness and a cultural resource highly popular overseas. We often hear the expression, “the lost decade,” to describe the recent prolonged economic slump, but for the Japanese animation industry, the last decade has been more than fabulous. The term “*anime*” is now recognized worldwide as the common word to describe Japanese animation, and distinguishes it from similar products from other countries.

According to statistics, the Japanese market for culture, in the broader sense, exceeds ¥40 trillion, and is a huge industry rivaling food products or healthcare.

Domestic and International Markets

A survey of the Japan Foundation Japanese-Language Institute shows overseas institutions providing Japanese language education have tripled over 10 years to 19,130 in 1998. These institutions have indicated that in the 1980s students wanted to learn Japanese due to an interest in the strong Japanese economy, but after the collapse of the bubble economy more of them were interested in Japanese music and animation.

Also according to a JETRO survey, the market for Japanese animation in the United States was estimated about ¥4.36 billion in 2002. This accounts for 3.5% of the total exports from Japan to the United States, and is 3.2 times greater than the export value of Japanese steel products to the United States.

The box office sales from *Spirited Away*, released in 2001, reached ¥30.4 billion. Although it was assisted by the increase in the number of cineplex the-

aters, which can make a hit into a huge one, the film single-handedly earned the majority of the proceeds for all Japanese movies combined that year. When *Spirited Away* was broadcasted TV in January 2003, it grabbed an audience share of 46.9% even though it had already achieved record sales in video and DVD formats. This broke all records for a Japanese production, including the previous record-holder, *The Fox in the Quest of the Northern Sun*, which aired in August 1979 with an audience share of 44.7%.

The Japanese animated film, *Ghost in the Shell* (1995), was number-one on the list of video sales in *The Billboard* magazine on Aug. 24, 1997 in the United States. In 2002, animation accounted for eight of the top 10 films in Japan by box office proceeds, including *Totoko Hamutaro*. It is no exaggeration to say that animation has become the flagship of Japanese film.

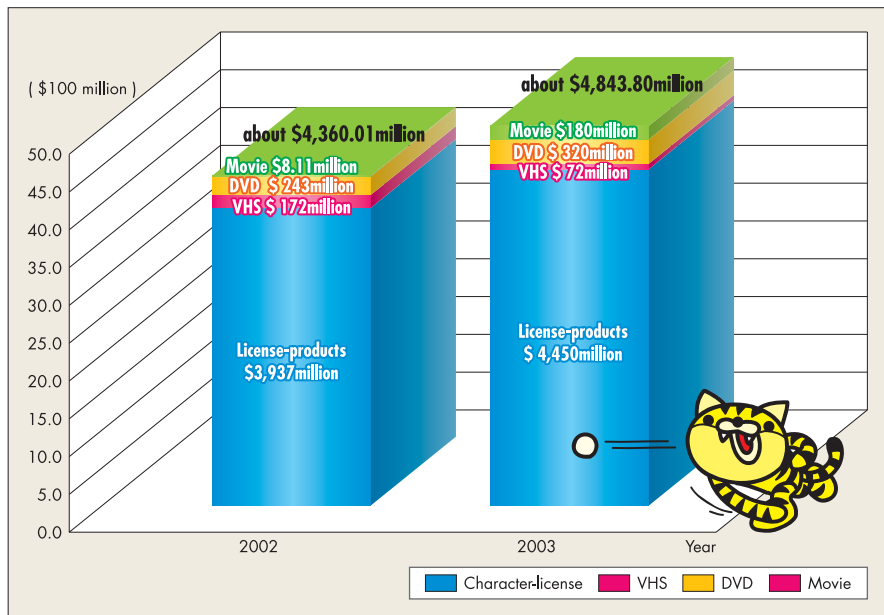
In addition to its commercial success, *Spirited Away* became the first animated film to receive the top Golden Bear prize, at the 52nd Berlin International Film Festival. It was also the first time that an animated film took the top prize at three major international film festivals. Finally, it received the Oscar for Best Animated Feature Film at the 75th Academy Awards.

Total proceeds from animation at the box office, on TV, and through software sales and rentals in Japan are just under ¥200 billion. Although this also includes proceeds from foreign animations, it is almost the same as the box office revenues earned by the Japanese film industry.

According to the Association of Japanese Animations, there are about 450 companies involved in animation production in Japan. Other research indicates that a majority of the companies are concentrated in the Tokyo area, and a full 80% are inside the city of Tokyo, with 77 companies in Nerima-ward and 71 in Suginami-ward.

According to materials released by the South Korean government in 1996, Japanese-produced animation accounts

Figure 3 Market Size of Japanese Anime in the US (2002-2003)



Sources: The Actual Conditions and Prospects of US-Anime Market 2003 (JETRO)
 Movie...BOXOFFICEMOJO
 Home Video...Nielsen Video Scan, Video Business
 Licensing...adjusted by JETRO, based on annual reports and accounts statements of each companies

for 65% of the world animation market. In statistics on cultural industry market size put out by the Ministry of Culture and Tourism in 1998, the animation market was worth \$73.6 billion compared to the live-action film market \$63 billion.

Public Diplomacy

Japanese cultural diplomacy has consisted merely of sending examples of traditional Japanese arts abroad – often “arts” that are difficult even for people in Japan to understand – and has made no effort to win the understanding of the country. It is obvious that cultural products that are not interesting to most Japanese will not be able to attract a lot of people in other countries. Walter F. Parkes, the producer of *The Ring*, the remake of Japanese film, stated that the current generation is the first generation of American children to be familiar with Japanese pop culture. Once they reach the age when they can pick their own movies, he said, they will naturally be interested in Japanese culture, in the same way that their parents’ generation loves Disney.

Peter van Ham, a Dutch national branding researcher, has advocated the use of animation for the brand of the Japanese nation. As he points out, animation is the first contact with Japanese culture for many overseas children.

Recently, public diplomacy has become increasingly important, including efforts to directly obtain the understanding of people using open communication channels and forming partnerships, rather than formal diplomatic methods. Japanese animation would be an extremely important resource for this kind of public diplomacy. Viewed from the perspective of soft power and “gross national cool,” it is no exaggeration to say that animation can contribute greatly to the influence of our national strength.

Animation also holds the potential to become a tourism resource. According to the 2003 first half activity report of the Tokuma Memorial Cultural Foundation for Animation, the Ghibli



Photo : The Mainichi Newspapers

Japanese anime attracts many people in the United States

Museum, Mitaka, opened in October 2001, featuring the works of Miyazaki Hayao, has seen a sharp increase in the number of overseas visitors. While 14,255 tickets were booked by visitors from overseas from April to September 2003, only 4,048 were sold to foreign visitors during the same period of the previous year. This represented an increase of 3.5 times despite the negative impacts of SARS and international terrorism. Visits by foreigners are also increasing at Mandarake, a shop that sells animation related products in Nakano, Tokyo (Nihon Keizai Shimbun: Nov. 24, 2003.)

However, as described in the report issued in April 2003 by the Koizumi Cabinet’s Japan Tourism Advisory Council, there are no good plans to attract foreign tourists, even though there are animation production locations that attract young people from around the world.

The international success of Japanese animation has shown it is possible to compete against the US content industry. Since each country is carefully supporting its own animation industry, many experts are predicting that

Japanese animation may soon be surpassed. Japanese industries often delays to create methodical systems due to depending on individual skills. Japan may not be able to maintain its superiority in the rapidly digitalized field of animation, unless it creates a system for content production and creator training similar to that of Hollywood. **J.S**

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