

## **Eastern Europe's Cinema Industries Since 1989**

Dina Iordanova

A decade's worth of East European transition allows us to sum up important lessons from the stormy and profound changes in cultural administration. The pattern of changes has been similar throughout all East European countries: sharp decrease in government funding, empty studios eager to attract foreign film crews, the disappearance of domestic films from the wide screen, armies of idle film professionals. The following article reviews just what has changed in financing and studios during the past ten years.

The East European cultural industries were the first to suffer massive cuts and withdrawal of secure funding early in the 1990s. Cinema was affected most notably. Financing for film production changed profoundly, being awarded to competing individual films by state committees rather than through semi-autonomous film units. There was a significant drop in the number of movies produced between 1991 and 1993. More recently, however, a greater number of features are being released annually. In some countries, the output came back to normal numbers fairly quickly (Czech Republic) while in others the decline persists (Bulgaria).<sup>1</sup> The crumbling production routines caused a creativity crisis in many filmmakers. Problems included unregulated and therefore unfair competition, a deepening generation gap, and decline in feature, documentary and animation output.

The concurrent crisis in distribution and exhibition led to a sharp drop in box office indicators for all productions carrying an East European label. The abolishment of the centralized management of culture divorced the domestic film production from exhibitors and distributors, and earlier distribution networks, domestically and internationally, were ruined before new ones had come into being. Most of the new private distributors that subsequently emerged chose to abide strictly by market rules and to work with Hollywood box-office winners rather than play the losing card of domestic ones. Moreover, there was a decline in the overall number of admissions purchased as ticket prices became non affordable for many.

The volatility in East European cinema coincided with a clearly articulated period of insecurity in West European cultural policies, driven by a growing anti-American sentiment. The establishment of such pan-European funding bodies as Media and Eurimage came as a reaction to the overwhelming triumph of commercialism in cinema. The share of international subsidies for filmmaking in poverty- stricken Eastern European studios quickly increased as the concept of 'national cinema' gave way to a 'new European' one.

For a while, East European filmmakers seemed to be losing their domestic audience. The years when people would go to the cinemas to see national film productions seemed to have passed beyond retrieval. Filmmakers were in trouble identifying whom they addressed in their works – if they tried to appeal to the volatile mass taste, they faced the overwhelming competition of imported mass culture. If they decided to address a more sophisticated audience, they were doomed to not be able to reach it, as in an underdeveloped market economy distributors and exhibitors were not interested in researching and targeting scattered pockets of potential viewers.

Toward the end of the 1990s, however, some national productions came near the top of domestic box office figures. Films such as Jan Sverak's *The Ride* (1994) and *Kolya* (1996) in

the Czech Republic, and Martin Sulik's *The Garden* in Slovakia (1994) climbed to the top of box office charts. The most notable case is the one of Serbia where all three top grossing films for 1998 were domestic productions – Emir Kusturica's *Black Cat, White Cat*, Srdjan Dragojevic's *Wounds*, and Goran Paskaljevic's *Powder Keg*.

Not only at home, but also internationally, many East European films enjoyed a significant critical acclaim (*Kolya, Underground, Before the Rain*). In fact, if one looks carefully at the number of festival prizes awarded to films from Eastern Europe, it would not be difficult to show that the 1990s have been the most successful decade for East European filmmaking ever. Thus, I am far from sharing the opinion that East European cinema as an art form is under- going a major crisis. If there is a crisis, it is one that is characteristic of European cinema in general, affecting its Western and Eastern counterparts alike, a crisis of identity in an era that marks the end of national cinemas.

Here I will focus on issues of the transformation in pro- duction financing in East European film industries, leaving aside for now the equally important questions of distribution and exhibition. I will discuss the consequences of the substitution of film units with independent producers, and then will point at the new mechanisms in state subsidies, the role of television as co-producer in feature filmmaking, the arrangements for cross-border and co-productions, as well as the emerging private investments.

During communist times it was more or less a matter of personal politics for filmmakers to secure funds for their films. In the times of transition that followed many found themselves unprepared to deal with the new funding situation. A new type of dependency – the market one – is replacing the political dependency of the past. Filmmakers now learn with various degrees of success to adjust to the new reality and to do extensive homework before taking their projects to the funding bodies.

In a study devoted to the recent cinema of former Yugoslavia, Andrew Horton outlined several tendencies he had observed: a proliferation of smaller production companies, many consisting only of a few filmmakers, which work in conjunction with larger studios on a film-by-film basis; an increased commerce between film and television production and the development of a made-for-video film market of cheap, swiftly shot genre movies; and an increased number of international co-productions.<sup>2</sup>

It can be claimed that these characteristics apply to the situation in film production in most countries of the former East bloc. Across Eastern Europe, tax laws are still to be revised to work to the filmmaker's advantage, a number of legal issues affecting operating matters are still to be sorted out, and mechanisms to allow for potential profits to be accounted for and safeguarded are only gradually coming into place. Workshops, funded most often by the Media II programme of the EC and offered in various Western European countries, are aimed at teaching East European filmmakers and producers the basics about the anatomy of a film agreement – production checklists, financing contracts, loan sources, subsidy mechanisms, distribution/sales agreements, and insurance issues. Let's revisit some of these basic elements in the changing conditions for film financing.

### **From the film unit to the producer**

Under the system introduced in the early 1960s, the film units within the studios of the East bloc functioned as the basic film production entity. The units, usually led by a well-established director, comprised several directors, as well as screenwriters, cameramen, set and costume designers, and sometimes even actors, all salaried employees who only received bonuses upon the completion and the release of a new film. Traditional producer's functions include securing funding – but it was already there, and bringing together the creative team

(writer, designer, DP, director, and cast) – but within the units it was more or less clear who was working with whom. With all funding coming centrally from the State budget in the form of annual grants and with a semi-autonomous status of the units, there was no need for a producer. Many people involved in the filmmaking process did not even need to know the exact cost of the productions they were involved in – their salaries were not in danger whatever the number of admissions generated by their films; smashing box office records would not make them millionaires either.

In the new times, even a film that has been granted a state subsidy is ultimately financed from a patchwork of funding sources, like grants, loans and investments. Thus the figure of the producer becomes of increasing importance. The producer, whose role is to create the budget and then balance it by acting as an intermediary between finance and talent, is rapidly gaining a crucial position in the filmmaking process. As a result of the changing structure of film financing, the demand for competent producers far outweighs the supply, and there is growing recognition of the fact that the producer is at least as important as the director.

In this changing context the attention of East European- born Western producers, like Hungarian-born Canadian Robert Lantos (Alliance) or Romanian-born French Marin Karmitz became crucial figures to those in Eastern Europe who wanted to make films for audiences wider than their own countries. Karmitz, for example, while being the executive producer for films by the Taviani Brothers (*Good Morning, Babylon*, 1987), and most recent films of Claude Chabrol, also produced Russian *Taxi Blues* (1990) by Pavel Loungin and the *Three Colours* trilogy of Kieslowski (1993-95). Karmitz is the man behind the successful re-launch of Romanian director Lucian Pintilie, having acted as producer on his latest films *Too Late* (1996) and *Last Stop Paradise* (1998). Robert Lantos, who is the man behind most recent works of prominent Canadians like Atom Egoyan and David Cronenberg, is the executive

producer of the new Istvan Szabo Austro-Hungarian Holocaust epic, *The Taste of Sunshine* (Canada/Hungary, 1999).

The established Western-based producers aside, many East Europeans enter the game. In the Czech republic, actor Jiri Bartoska, recently announced he is about to wear the hat of a film producer. Many actors and directors act as producers for their own films – like Czech Jan Sverak who co-produced his award-winning *Kolya* (1996), Polish actor Olaf Lubasenko, who produced his own directorial debut, *Sting* (1997), and Slovak director Martin Sulik, whose company is called Titanic. Trade magazine Variety recently reported on the activities of a new producer, Severyn Ashkenaz, a Polish-born American, who entered film production in his native country after a career as a real estate developer in Los Angeles and became the founding president of Creative Management Co., a talent agency in Poland and of CMC Pictures, the company's production arm. A meeting of Ashkenaz with production executives from various Tinseltown companies was reported as an effort to attract more Hollywood production to his country. The main advantage of production in Poland Ashkenaz has cited are production costs of 40 cents to the dollar (i.e. savings of 60%). Other incentives for shooting in Poland Ashkenaz has listed are bison herds, horses, several hundred castles, qualified stunt people, three studios and a special low airfare arrangement with LOT.<sup>3</sup>

### **State subsidies**

Throughout the region, state funding for film has been replaced by public funding bodies that grant subsidies on a per project basis. Most of the boards and commissions that came into being have only limited funds at their disposal, and award anywhere between 50% to 10 % of the estimated project costs. High inflation rate further affects the nominal value of the grant which often ends up covering a lower percentage of the production costs than initially estimated.

Who receives funding and who gets the chance to work is an important issue, and it cannot be denied that there are instances of preferential treatment. Fights over alleged unfairness in funding awards re-emerge in the media of Eastern Europe nearly every year. The issues of funding are also debated during stormy meetings of the respective unions of filmmakers. Even in Western Europe film production is largely subsidized. With Eastern European countries now open to the same market pressures, it has become imperative for government involvement to continue. However, it has proven a burden for the new governments to maintain sufficient funding levels for the film industry.

The emerging funding schemes differ slightly from country to country. The situation in Central East Europe was surveyed by Bjorn Ingvaldstadt in 1995, who outlined a similar picture across the region.<sup>4</sup> Nearly all Polish films produced after 1989 have received a \$250,000 government grant, awarded by the Ministry of Culture on the basis of submitted script proposals. In Hungary the total subsidies allocated for both 1991 and 1992 have been 11 million forint per year, but one needs to take into account the 30% inflation which significantly has lessened the worth of the subsidies. Toward the end of the 1990s, three funding bodies award subsidies to Hungarian film projects – the Motion Picture Foundation of Hungary, the National Cultural Foundation, and the Millennium Fund. The MPFH is the most important and prestigious body, receiving direct funding from the state budget, taking autonomous decisions, and providing up to 20% of the projected film budget. In the Czech Republic, the Film Fund for the Development of Czech Cinema awards grants to individual projects, but the award covers only up to 30% of a given film's budget, making it a requirement for filmmakers to look for co-production partners, EC funding, and private investment. Approximately half of the films in production were receiving government funding, either from the national fund or from various EC sources.

In Bulgaria, the re-structuring of the film industry mostly took the shape of reallocation of funding powers from the ministry of culture to a newly created National Film Center (NFC), and a public commission of filmmakers that gives funding to selected film projects. The commission is supposed to distribute the awards based on the merits of the projects, and in 1996 it became notorious for rejecting all the projects that were presented, thus effectively contributing to the minuscule output numbers of this nation's current cinema.<sup>5</sup>

Television is becoming an increasingly important funding source. TV involvement in productions becomes particularly desirable given the fact that films financed by television are guaranteed to be shown (and hopefully seen) by a nation-wide audience. In compliance with Polish content quota requirements, the two state-run channels in Poland have continued production activities, and production funds are allocated to projects by a commission currently under the direction of screenwriter Macej Karpinski. Most Czech and Slovak films are receiving some form of funding from television as well.

The channels have been exchanging film funding for future broadcast rights, as narrative films are considered to be a particularly attractive feature for their prime-time programming slots. The involvement of television stations in production, however, has resulted in some controversies. This is the case, for example, of the involvement of the Milosevic-controlled Radio-TV-Serbia in the production of Emir Kusturica's *Underground* (1995) a film which was officially released as a French-German-Hungarian co-production and which was nevertheless believed to have some shady deals in its financing. RTS claimed it had provided only 'services in kind' with no firmly set value attached, in exchange they had acquired the right to broadcast the movie. According to some journalists, 5% financing was coming from Radio-TV Serbia. Other sources quoted a figure of \$10,000,000 that RTS had put toward production costs. The CiBY executive claimed that no direct financial participation was in



place, and that it was a pre-sale deal. Director Kusturica himself claimed that the services rendered by RTS did not have monetary value at all but rather consisted of lending studios and equipment in exchange to the right to show the film on Serbian television. Indeed, the film was serialized for RTS and aired in six parts in the summer of 1995.<sup>6</sup>

In the Czech Republic, the controversial involvement of the even more controversial TV enterprise NOVA which announced plans to film a novel by the late Bohumil Hrabal led to a noisy and well publicized clash between veteran director Jiri Menzel and TV NOVA's producer in 1998. 40% of TV Nova's programs are domestically produced, and the number of feature film productions is growing, making it the second biggest producer of films in the Czech Republic after Barrandov.<sup>7</sup>

Cross-border productions and co-productions International financing for film is increasingly becoming the major component in every East European film production industry. The form of this financing is most often grants (or loans) and investment on rare occasions. France is the main partner for Hungary, Romania, and the Czech Republic; Poland's primary co-production partner is Germany, while in the Balkan region one observes a number of regional co-productions involving Greece.

Pan-European film funding bodies such as Media 95 and Euroimage award funds to Eastern European projects in a competition with others from the West of Europe. Initially, in the early 1990s, the Media programme served as an umbrella agency for a number of different funding initiatives. It subsequently evolved into Media 95 (and then Media II) which has awarded grants and loans to a large number of East Central European projects. Euroimages operates under a similar mandate. These agencies use the categories of minority and majority participation in a film production to describe the type of their involvement in any given feature film project.

An example of co-production is the first Bosnian movie shot after the war. Ademir Kenovic's *Perfect Circle* (1996) was made with grants scraped together from the Soros Fund, Pro-Helvetia, and Rotterdam's international film festival's Hubert Bals Fund. Macedonian *Before the Rain*, which had the participation of the Macedonian Ministry of Culture, would not happen if it were not for funding received from French and British sources. The UK-French-Czech co-production *The Life And Extraordinary Adventures of Private Chonkin* (1994), directed by Oscar-winner Jirí Menzel, was a unique adaptation of Vladimir Voinovich's Soviet satirical novel.

Some Euro-funded initiatives, however, end up as weak 'Europuddings.' Some of the funding criteria strengthen this risk, like for example the requirement of Euroimage that each project reflects a cross-cultural European content. This requirement resulted in artificially attached elements that essentially ruined the film *The Black Swallow* (Bulgaria-France, 1994, dir. George Dyulgerov). Telling the story of a Bulgarian gypsy girl, the film included an implausible and therefore ridiculous subplot about a French teenager recovering at a Bulgarian spa after a car crash.

Co-productions, however, are quite a different thing from the cross-border productions, which are largely foreign undertakings using local facilities and extras. The East European country which provides the latter is not listed as participating once the film is released. An example of cross-border production is French Luc Besson's feature *Joan of Arc*, shot in the summer of 1998 in a Czech area near the Polish and Slovak borders, where a medieval bridge and town were constructed by Prague International Films (the Czech representative of Gaumont). The set construction created around 400 temporary jobs, and even larger numbers of local people were employed as extras.<sup>8</sup>

Romania attracted several cross-border productions focusing on the Gypsies – some parts of Tony Gatlif’s musical *Latcho Drom* (France, 1994) were set in Romania, and so was the next feature of the director, *Gadjo Dilo* (France, 1997), shot in its entirety on location in Vallacchia. Alan Saffron, an Australian-born entertainment entrepreneur and founder of Mastermind Entertainment, a production company involved in low-budget projects, was shooting in 1998 a feature called *Bury Me Standing*, budgeted at US\$5 million.<sup>9</sup>

While Bulgaria has a low number of co-productions (corresponding to general low output numbers), the country still gets a fair share of co-productions. Even if Sofia has not become as popular a shooting site as Prague, it nonetheless has managed to attract a number of international co-productions. HBO produced *Crisis in the Kremlin* in 1992, in which Sofia stood in for Vilnius. In Italian *Elvjs and Marilyn* (1998) Sofia stood in for scenes which were supposedly taking place in Budapest. Bernardo Bertolucci has used some of the Boyana studio facilities in the filming of his *Little Buddha* (1993). Israeli Menahem Golan shot his *Armstrong* in Sofia in the summer of 1996, and Greek Michalis Cacoyannis shot scenes for *Varya* in Sofia in the summer of 1998, an Onassis Foundation produced adaptation of Chekhov’s *Cherry Orchard* with English actors Alan Bates and Catherine Cartlidge, and Charlotte Rampling. The project that achieved most publicity in Bulgaria, however, was the gigantic set for the 1995 Cannes winner, Emir Kusturica’s *Underground*, built in Plovdiv by Chaplain Films: a production that created temporary jobs for many unemployed workers at the city’s bankrupt plant for metal constructions.<sup>10</sup>

In the early 1990s, the king of low-budget movies, US producer Roger Corman, made a number of films going back and forth between Bulgaria and Romania. He would fly in a crew of four-five Westerners – a director, a camera-man, and two-three actors, and rent all the other services locally, as well as cast local actors in the supporting roles.

The result, usually direct-to-video output for the mass American market, was films like *Dracula Raising* (USA, 1993, Fred Gallo), made in Bulgaria with a Bulgarian actor in the role of Vlad the Impaler, or *Bloodlust: Sub-species III* (USA, 1994, Ted Nicolau) a derivative vampire flick shot in Romania. While giving temporary employment to local technicians and actors, these projects barely contributed much to the repute of the respective national cinema industries.

At the same time, attracting reputable Hollywood productions has been a rewarding experience for the Polish film community. Even though Poland was not listed as a producing country, bringing in director Steven Spielberg for location shooting of acclaimed *Schindler's List* in Krakow generated world-wide attention for the domestic film industry, and brought international recognition to set designers Allan Starski and Ewa Braun, and to cameraman Janusz Kaminski, who since also filmed Spielberg's *Saving Private Ryan* (1998).

### **Private financing**

Last but not least in financing sources are investments from abroad as well as the newly emerging private businesses within Eastern Europe. Various banks, insurance companies, and business groups have at one time or another invested in projects, mostly in the respective film industry of their own countries. Product placement becomes a practice, with the logo of a financial institution or a company appearing in the film to promote their activities. On occasion it has been said that films have been used for money laundering (e.g. Bulgarian/USA production *Bird of Prey*, 1995) but no legal action has been taken against any of the released films.

Western involvement is not as much on a per project basis, but rather through investments in studios, TV networks, distribution, and exhibition facilities. A growing number of reports, however, talk about Western private entrepreneurs investing in East European film

production companies as well. In 1998, for example, the Dow Jones/Wall Street Journal heiress Elizabeth Goth acquired a minority stake in a Czech production company, Stillking Films, a deal which was realized with the brokerage of a New York-based investment company.<sup>11</sup> Stillking Films, founded by Czech-based Americans, maintains a second bureau in Poland and plans an expansion to Hungary in the near future.

The versatile combination of subsidies, co-production arrangements, private investments, and deals with television stations have all contributed to the stabilization of production levels. The balance in output numbers, disturbed originally by the drastic cuts in centralized financing, was restored much faster than expected by critics and industry insiders. Eastern European filmmaking is catching up fast with its West European counterpart, and I expect that the production difficulties which both face will soon become largely identical. I expect that terms like mainstream, art-house and independent filmmaking, which are still mostly used when one speaks of the West, will soon become applicable to East European film production as well.

If we look strictly at the artistic output and ignore the issue of the transition in the industry, one can hardly speak of a new face of East European cinema, profoundly different from the one we knew before. We cannot claim that the old film culture has been destroyed and is now being replaced by a ruthlessly triumphant commercialism. State-financed propagandistic super productions have disappeared, now replaced by privately financed super productions like Jerzy Hoffman's *With Fire and Sword* (*Ogniem i mieczem*, Poland, 1999), budgeted at \$8 million, or Nikita Mikhalkov's *The Barber of Siberia* (1999), the most lavishly financed film outside Hollywood. The partisan action-adventures and the silly socialist comedies of communist times have disappeared, now replaced by mafia action-adventures and silly post-socialist comedies. The films focusing on the ethical concerns of everyday life, the so-called

cinema of moral anxiety, have disappeared, now replaced by the films focusing on drab everyday life and moral despair, the so-called post-communist *chernukha*.

In spite of commercialization, all East European countries continue making the same type of art films they were making before and continue releasing films dealing with traditional thematic spheres such as national history, Holocaust, war. The changes in ownership and control in filmmaking have not resulted in substantial change in artistic output, at least not for now. We will witness a decline in the number of East European commercial film ventures, as many failures have revealed that they cannot stand up to Hollywood competition. We will even see a tendency toward further strengthening of existing cinematic identities. ■

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## Notes

1 The peak years for film production seem to have been the mid-1980s. In 1985, for example, Czechoslovakia produced 50 films, Bulgaria 40, Poland 37, Yugoslavia 30, Romania 30, Hungary 21, and Albania 12. In comparison, during 1992 Czechoslovakia released 15 features, Bulgaria 3, Poland 8, Yugoslavia 3, Romania 12, Hungary 17, and Albania only one film. Film production figures from Vincendeau, Ginette (Ed.). *Encyclopaedia of European Cinema*. London: BFI, 1995.p.465.

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8 World Briefs. *Variety*, April, 1998.

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11 Meils, Cathy. 'Stillking Gets Cash Boost,' *Variety*, 23 April 1998.

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