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## **Showdown of the festivals: clashing entrepreneurships and post-communist management of culture**

By Dina Iordanova

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This article aims to analyse issues related to the post-communist management of culture where the withdrawal of a centralized approach to culture and its replacement with 'hands-off'- and 'laissez-faire'-type attitudes led to seedy clashes between budding

cultural entrepreneurs. It builds on a case study of the confrontation between two rival international film festivals that struggled for survival in the Czech Republic over a short period of time in the mid 1990s.<sup>1</sup>

The Karlovy Vary International Film Festival, located in a provincial Bohemian spa town, had been in existence for nearly 50 years and had functioned as the main festival of the Soviet bloc throughout the Cold War period. In 1995 it suddenly and secretively lost its prestigious A-category status to a newborn festival that was established in Prague and that, according to its supporters, was supposed to have a better economic and cultural viability.

For two summers – in 1995 and 1996 – the festivals ran side by side; the tensions of their contemporaneous existence were accompanied by a highly publicized bitter confrontation taking place within a flagrant regulatory vacuum. Most people involved with the Czech film industry had to take sides, and so did many members of the international film community. Ultimately, by learning how to operate in a business-like manner in the new environment, Karlovy Vary emerged as the winner. The organizers of the rival Prague fest were left with the tarnished reputation of ruthless commercial undertakers and gave up.

When I and my colleague Andrew J. Horton started looking into the history of the mid-1990s showdown between the two festivals we were warned that we would never be able to disentangle what actually happened and that the story we would hear from the parties involved might differ to the point of incompatibility. It was apparently a ‘huge ugly spat that everybody concerned just wanted to forget’.<sup>2</sup> And indeed, people were reluctant to recall the festival showdown and those who agreed to talk did not want to go

on record. Nonetheless, we thought that revisiting this nearly forgotten story would allow us to highlight some important issues of the bumpy post-communist transformation in managing the processes of cultural production and distribution, a process that has not yet ended.

The goals of this study are:

- To investigate an exemplary situation where the laissez-faire type of regulatory vacuity of post-communism gave rise to unsavoury entrepreneurial clashes.
- To see what lessons might have been learned when the abrupt post-communist regulatory vacuity stumbled upon the oddly contrasting overregulated universe of supranational accreditation for large international cultural events.
- To explore how left-wing nostalgia gave rise to a unique corporate identity for the Karlovy Vary film festival.
- To outline some of the inherent contradictions of the current understanding of film festivals (artistic showcase, alternative distribution network, industry marketplace or magnet for tourism) and to raise questions related to (over)regulation, economics and commercial exploitation of international cinema.

The discussion of clashing festival entrepreneurship in a context of an uncertain cultural climate and inadequate regulation will allow us to consider issues that go beyond the pure economic factors and reach to the intersection of art and commerce.

Investigating the showdown of the two festivals will reveal why, even if advantageous

from the point of view of cost-effectiveness and feasibility, the clear-cut commercial logic of the new festival lost out.

### ***Karlovy Vary vs. Golden Golem: clashing entrepreneurs?***

#### **1. Decline of Karlovy Vary**

The film festival at Karlovy Vary (aka Karlsbad), about 70 miles west of Prague, had been in existence since 1946 and is thus one of the oldest film festivals. Ever since its inception, it was the main film festival for the East Central European region; it held A-category status since 1956. Over the Cold War period Karlovy Vary was one of the key cultural events in the Soviet sphere, distributing a number of politically correct awards and attracting a host of ‘progressive’ international film-makers. After 1968 – a volatile period marked by the attempted liberalization of the Prague Spring, the ensuing Warsaw Pact military invasion and the subsequent launch of a ‘normalization’ process of repressive controls – the festival gradually lost its liberal appeal.

Around 1978, calls were made to transfer the festival to Prague, as the Czech capital would offer a bigger audience. However, as profitability was not the key concern of the state socialist management of culture, it was acknowledged that Prague had already a myriad of cultural events; the festival stayed in Karlovy Vary.

The early 1990s were difficult. In the years of communism, the festival had functioned as a biennial event, alternating with the festival in Moscow. In the aftermath of state socialism, however, these two cities were rapidly becoming centres of distinct cultural spheres: newly emancipated Czechoslovakia aspired to rejoin Europe while a

more Russia-centred cultural constellation was being formed around Moscow. No longer linked to its twin, in 1994 Karlovy Vary switched from a biennial to a yearly schedule.<sup>3</sup>

The Moscow–Karlovy Vary fall-out roughly coincided with another, more important split: at the end of 1993 former Czechoslovakia split into two countries (the Czech and Slovak Republics). In a generally uncertain context Karlovy Vary's high profile was endangered.

It was around that time when, haunted by a past reputation of excessive ideological control over culture, the Czech government undertook it to stop 'interfering'. The new radical 'hands-off' approach to culture went fairly deep and took the shape of funding withdrawal; if cultural events were to carry on, they had to promptly reinvent themselves as self-financing enterprises.

In this new regulatory climate, Karlovy Vary had to act promptly and transform itself into a privately run venture. The festival was soon registered as an independent foundation headed by charismatic actor Jiří Bartoška. Eva Zaoralová, former editor of the leading magazine *Film a doba*, came on board in 1994 as festival programmer. Slovak-born producer Rudolf Biermann joined in 1995 as a third key member of the executive. The team's priority was to attract sponsors and make sure that funds were in place to allow the festival to survive.

The self-financing era of the mid-1990s was plagued by financial duress and low attendance figures. During that period the festival's budget was about \$1.4–\$1.5 million (circa 40–43 million Czech crowns (CZK)). Some sponsors, however, failed to fulfil their pledges; the organizing foundation regularly ran 15%–20% budget shortfalls, yet support

requests made to the government remained without response. One of the main festival sponsors, the Škoda auto works, withdrew.

The troubles climaxed in early 1995 when it was made known that, after nearly 40 years, Karlovy Vary's A-category rating had been taken away and transferred to a new international festival that was being launched in Prague. The announcement triggered shock waves among the film community both within and outside the Czech Republic.

## **2. Prague Golem rising**

Why a new festival? Why Prague? Many plausible reasons were quoted, all referencing the uplifting spirit of the Velvet Revolution and the city's booming status as a favoured destination with a sizeable and vibrant community of nearly 50,000 American ex-pats. Locating a film festival in Prague could be particularly significant from this point of view.

One of the active figures of the Prague festival project, LA-based producer Evzen Kolar, declared that the new fest intended to function as a 'bridge between independent filmmaking [*sic*] in both America and Europe'.<sup>4</sup> Locally, the festival was perceived to be of importance for Czech entrepreneurs who wanted to strengthen their international contacts.

The new festival was called Golden Golem, after the mythical creature of the sixteenth-century Prague ghetto; it was to award a 'Golem' statuette. A foundation, Golden Golem, was promptly registered and an administrative council appointed. The new festival's general sponsor was to be car manufacturer Škoda (who, until then, had been the main financial pillar for Karlovy Vary), as well as Česká spořitelna bank and

insurer Česká pojišťovna. Publicity for the Prague fest created the impression that Karlovy Vary would be wrapping up soon anyhow and its next step was a transitional move to Prague. Prague supporters even claimed that, as Karlovy Vary had only existed as a biennial festival, Golden Golem was entering a 'clean field'.

The situation was aggravated by the 'defection' of veteran film director Antonín Moskalyk, who had acted as Karlovy Vary president up until 1994 and who, in a context of overall uncertainty and financial trouble, resurfaced at the centre of efforts to start the Prague festival. Moskalyk's leverage helped to convert sponsors who had up to then funded Karlovy Vary (Holloway 1995). Besides Moskalyk, key figures of the Golden Golem foundation were Karlovy Vary's former manager Stanislav Šafr, and eventually Jan Knoflíček, a chief executive officer of Krátky Film and head of the Union of Czech Film Producers. Michael Kocáb, a popular rock star and Velvet Revolution hero, became an honorary president.

Golden Golem's projected budget was never revealed, yet it was believed to be bigger than the \$1.2 million budget of Karlovy Vary. The festival was to be headquartered at Prague's Culture Palace; screenings were to be held at five other cinemas around town from 9 to 17 June, closing about two weeks before Karlovy Vary (which was to run from 30 June to 8 July), an orchestrated timing that clearly aimed to put the veteran festival out of business. Yet, 'spokespeople then and now denied that the festivals were ever really pitted against one another, and that the only competition was for local financial sponsors' (Gray 1997).

Long before the Prague opening, networking with American reporters was plugged in to ensure that the festival was hyped up in the international trade press.

*Hollywood Reporter* proclaimed it an immediate success, defining it as an event where the ‘real focus is networking’ (Ulmer 1995).

Everything seemed promising for Prague. That is, until the furore and the showdown over the A-category status came about. No one could have possibly predicted that a much-lauded launch of a new film festival could trigger fierce resistance from a seasoned yet compromised cultural event like Karlovy Vary.

### **3. A-category showdown**

The coveted A-category for film festivals is determined by the Paris-based International Federation of Film Producers’ Associations, FIAPF, which, in the words of their chief executive, acts ‘as the quality control organization for the fast growing number of international film festivals’ (Moullier 2003).

FIAPF operates a film-festival franchise of sorts: it allocates territories to film festivals around the world (no more than one festival per country and no more than two A-festivals per region). It also makes sure there is no overlap in the dates of A-festivals. Today, FIAPF accreditation is given to about 50 international festivals, of which 12 are in the A-category.<sup>5</sup> An A-festival must run for at least nine days; it should not specialize but should cover all aspects of film-making; a feature competition with at least fourteen films without genre limitations is a requirement. Only films that have not played at another festival can compete at an A-category festival, a requirement that results in fierce rivalry between the A-category festivals for attracting good-quality films.

FIAPF executives were alarmed to learn that the Czech government was withdrawing funding and putting Karlovy Vary’s very existence in immediate danger. ‘FIAPF’s policy in such cases is to ask local producers which event they prefer and



which should be Category A,' a FIAPF representative said (Gaydos 1994). They turned to the Czech association that had acted proactively, the Union of Czech Film Producers (UCP), headed by Jan Knoflíček, an economist and film bureaucrat from Krátky Film, whose advice to FIAPF was to select the Golden Golem. Soon thereafter Knoflíček became chairman of the Golden Golem Foundation (Kellner 1995).

Golden Golem had asked for the A-category status as early as October 1994, two months before the UCP had actually joined FIAPF ('Zlaty Golem' 1995).<sup>6</sup> The end of state control over culture in the post-communist Czech republic meant that the government no longer produced or distributed films, nor did it participate in the organization and financing of film festivals. Therefore, UCP insisted, it was entirely up to the Union to choose the location for the festival. On 8 December, UCP's board recommended that the A-category status be given to Golden Golem, a decision subsequently confirmed by FIAPF.

So on 22 December 1994, FIAPF awarded the A-category to the new festival in Prague. The news caused a furore among the Czech film community. Karlovy Vary executives described the circumstances under which FIAPF's decision was made as 'mysterious' (Priollet 1995).

Nobody had tried to 'snatch' the A-category status from Karlovy Vary, Prague supporters claimed; their A-category status was likely to be lost anyhow ('Zlaty Golem' 1995). In a way, Golden Golem was simply on standby to step in and save the day.

Today, people involved in the festival showdown are reluctant to revisit this controversial period; it is no longer possible to reconstruct a fully accurate picture of events. Even back then the Czech media had likened the case to a detective story. Why

was the A-category standing so important to the Prague supporters? Apparently, Prague felt it needed the A-category accreditation in order to secure sponsorships: sponsors only want to back high-profile festivals, so the A-standing was perceived as a key financial prerequisite.

Two areas remain particularly vague. The first one concerns a mysterious document. After receiving two applications for A-category festivals from the Czechs in the autumn of 1994, FIAPF had sought the opinion of the Czech Ministry of Culture. In response, they claimed that a letter dated 8 November 1994 informed them that ‘the Czech government does not organize, does not finance and does not participate in film production and distribution and also does not participate in organizing film festivals held in the Czech Republic,’ and that festivals ‘continue to be the affair of private organizations’. Having been given this clear indication of the government’s new ‘hands-off’ approach, FIAPF sought the opinion of the Union of Producers, who recommended the Prague fest. Later, however, Deputy Culture Minister Michal Procop claimed no explicit FIAPF query on the festival issue had ever been received by his office. He insisted that the quote was taken from an unrelated letter that had nothing to do with festivals but concerned solely UCP’s membership application to FIAPF (Kellner 1995). According to the Czech Telegraph Agency, the widely quoted excerpts had come from a leaked draft document that had never been approved or officially sent but remained on file at the Ministry (‘FIAPF led astray’ 1995).

The second shady area relates to the extraordinary decision of FIAPF to grant the prestigious A-category to a brand-new festival without any probationary period. According to FIAPF’s chief executive:

To receive a FIAPF accreditation, a new festival must first show evidence of compliance with the standards laid out in the FIAPF regulations for international film festivals. [...] New applicants first receive affiliate status for an initial period of two years, during which their commitment to the regulation is assessed. (Moullier 2003)

One is left wondering what could have triggered such an unprecedented move. A plausible explanation could be that FIAPF was led to believe that it was not about choosing between a reputable festival institution and a new enterprise (which effectively meant shutting down the recognized one) but about transferring the existing festival from a provincial to a more central location. I would even speculate that there may have been some considerations about Karlovy Vary's communist pedigree, a flawed image that could easily be shed off if swapped for the untarnished and emancipated standing of Prague.

By January 1995 it was clear that both festivals would run side by side in the summer. Such close calendar proximity would inevitably make the two festivals play off against each other with possible disastrous consequences and financial disadvantages. Culture Minister Pavel Tigrid, a veteran dissident intellectual who had returned from exile, tried mediating and called on representatives of the rival festivals to try reaching an agreement. A series of meetings between groups (led by Jiří Bartoška for the Karlovy Vary festival and Jan Knoflíček for Golden Golem) seeking a mutually acceptable solution took place throughout January. The proposed compromise (which was rejected

soon thereafter) was that Karlovy Vary would be held for one last time in 1995 and then, in 1996, it would relay to Prague. Such an arrangement, however, would imply a temporary restoration of A-category status to Karlovy Vary, something that FIAPF would not consider. Another proposal (also deemed unacceptable) counted on amalgamating the two foundations' funds to create a peripatetic festival based in Karlovy Vary for five days and in Prague for another five. A third possible scenario envisaged that Karlovy Vary became a specialist event, drop the competition and pursue a dedicated theme, thus yielding the lead to Prague as a generalist A-category festival. 'We're trying to help Karlovy Vary find an identity as a festival for more specialized films,' Prague fest's Knoflíček said (Ulmer 1995).

Tensions continued well into 1995. FIAPF kept sending letters asking the foundations to settle; at one point they even threatened that the A-category may go to another East European country altogether. Nonetheless both festivals continued feverish preparations and worked hard on arranging high-profile publicity deals involving the presence of American stars and industry representatives (often declining to name who precisely had agreed to attend in order to keep the rivals in the dark).

The A-category status given to Prague was formally confirmed on 3 May 1995, about a month before the festival's official opening date.

#### **4. Prague: a short-lived victory**

It did not take long for the Prague backers to realize that the festival's A-category status was in fact a disadvantage. It meant compliance with overregulation from FIAPF, effectively restricting what the festival was allowed to programme. The organizers

experienced real difficulties to bring in good films for the competition, provided they were to compete for not yet screened titles against far more established international festivals (where the better films would normally be submitted). After only two editions it became apparent that, facing a range of difficulties in programming, organization, publicity and finance, the Prague venture would not survive.

The bickering around the A-category had resulted in a wave of negative feeling: already by the festival's first edition in 1995, it was coming across as a hard-nosed venture that had set out to destroy the venerable Karlovy Vary for the sake of a momentous hype.

The media coverage was unfriendly; some of the journalists present at press conferences were openly confrontational. The festival cinemas were scattered all over the city thus resulting in location problems; the monumental Culture Palace was an uninviting headquarters; the festival had no focal point, no adequate socializing opportunities and no character of its own. Further complications were linked to venues and last-minute participant withdrawals, as well as to mysterious incidents that could even be interpreted as sabotage (in one instance, for example, all chairs disappeared from the site of a press conference). To top it all, in breach of A-category rules, the jury could not agree and did not award a prize. A number of the sponsors did not honour commitments, leading to problems with insurance and to the collapse of the Golden Golem foundation later in 1995.

Prague organizers suspected that each and every gaffe was a result of a conspiracy; this resulted in declining financial support, as 'with the public opinion of the

Prague festival at such a low level, corporations were not exactly lining up to sponsor this social pariah' (Gray 1997).

In view of the dismal performance of the first event in 1995 it was surprising that a second one materialized at all. As soon as it became clear that Golden Golem had failed, several Prague backers registered a new enterprise, Bohemia Promotions, a private stockholding company whose partners included Plsen Credit Bank, car manufacturer Škoda, and travel agency Čedok, later joined by new shareholders and strong sponsors (such as United Distillers and Unilever). This time the funds for the \$2.2 million (60 million CZK) budget were secured up front.

Jury president for the 1996 edition was actor Max von Sydow, and guests included Polish directors Wajda and Zanussi as well as British director Peter Greenaway; there was a production opportunities market and a variety of concurrent panels. Yet, the press remained antagonistic and public opinion unsympathetic. Even then some of the core personnel at the Prague film festival tried planning a third event, but it soon transpired that it was not going to happen.

Late in 1996 the producers' organization made a recommendation to restore A-category status to Karlovy Vary. FIAPF confirmed it on 25 April 1997. Some of the staff at the Prague fest were given jobs at Krátky Film, some others were able to transfer (or move back) to Karlovy Vary. A public reconciliation between Prague supporter rock-musician Kocáb and Karlovy Vary's Bartoška took place in 1996.

## 5. Karlovy Vary: a tough cookie

Ironically, the heavy-handed snagging of the A-category status brought a surge of support for Karlovy Vary. Winning the support of the international industry crowd and the empathy of audiences appeared to have been the most important element in securing the victory. As a result, the government changed its attitude and begun displaying public affection for Karlovy Vary.

Besides the people who were publicly engaged with the festival, organizations like Barrandov studios and Bonton distributors publicly renounced UCP, the producers' organization that had backed Prague. Further support came from veteran directors like Jiří Menzel, from alternative film and television producers' organizations, and from high-profile émigré directors like Milos Forman. President Vaclav Havel and then Foreign Minister Vaclav Klaus now spoke in favour of Karlovy Vary; the latter even opened the 1996 fest.

The most important manifestation of allegiance, however, came from journalists. FIPRESCI, the international organization of film critics, stood firmly behind the festival, and so did the majority of Czech journalists. They stressed Karlovy Vary's role as an important cultural institution where film history had been made, whilst the Prague fest was increasingly being portrayed as one pursuing an overtly commercial approach. This coverage played a decisive role in turning the public's opinion in favour of Karlovy Vary.

Even after its formal 'victory' over the competitors, Karlovy Vary had a somewhat bumpy ride: in 1998 there was the temporary dismissal of key team members, in 1999 some of the sponsors again pulled out causing a serious deficit and a drop in attendance by 20%. Overall, however, the festival managed to maintain good attendance

figures and kept attracting significant numbers of foreign journalists who covered it widely in the international media.

The showdown had taught Karlovy Vary a lesson: the festival had now learned to operate in a competitive environment and had realized the importance of cultivating a non-commercial image (which effectively became its corporate identity) while simultaneously elegantly handling all matters related to its commercial viability. As part of the process, the festival had radically changed its strategy in fundraising and promotion. First of all it secured a budget increase of about 25%. In 1996 the budget was set at about \$1.85 million (circa 55 million CZK), which was still less than Prague's budget (around \$2.2 million or circa 66 million CZK), yet it was an important step forward.

After several years of denying financial support for the festival, the government contributed \$330,000 to the Karlovy Vary budget. Another \$145,000 came from local authorities. In comparison, the 1995 state contribution had been only \$30,000 (around 850,000 CZK), about twelve times less than what the festival had asked for (Kondros 1996). In 1998 state support was set at \$179,000 (around 5.4 million CZK), corresponding to less than 10% of the festival's \$2.6 million budget (around 78 million CZK).

While before 1989 the festival funding was granted entirely by the government, today the bulk of the funding comes from private commercial sponsors and a fraction from ticket sales (which are heavily subsidized to allow for better student access). In comparison, only about 10% of Berlinale revenues come from ticket sales (Kosslick 2003).



By way of further comparison, one could look at the budget make-up of some other cultural organizations that rely on a similar combination of financing sources. According to data from July 1994, the Rome Opera was receiving 93% of its funding from the public sector, 7% from box office and 1% from the private sector; for Paris Bastille Opera the same correlation was 66%, 30% and 4%; while for New York's Metropolitan Opera the figures were, respectively, 2%, 67% and 31% (Gordon 2003). It is easy to see that in the case of the Karlovy Vary festival the budgeting is closer to the US model (as seen in the case of Metropolitan Opera) rather than the European public subsidy model.

More importantly, however, in 1996 the advertising budget was increased ten-fold (Kondros 1996). Now more than a quarter of the budget, nearly \$500,000, was spent on international and domestic promotion. The number of accredited international journalists and other foreign guests substantially increased.

By 1998 Karlovy Vary affiliates were in possession of significant business acumen; a limited partnership company called Film Service and co-owned by festival director Bartoška and general manager Rudolf Biermann came in place to provide services for the next five years.<sup>7</sup> The festival's budget was established at around \$2.5 million (\$2.7 million in 1997, nearly double of the \$1.35 million of the early 1990s). The festival's main prize was raised to \$20,000; a number of other cash awards were introduced. Later on the city also made investments in further developing the hotel base and the film theatres in town; in 2001 the town received a \$600,000 facelift. A special marketing strategy was developed in order to attract younger audiences. Czech TV now pays for exclusive broadcasting rights.

Securing sponsorships became a top priority and the festival scored significant success with backers like Becherovka, Chemapol and the Pilsner Urquell brewery. Having secured domestic support, the festival then signed up a range of foreign sponsors and was particularly successful in enlisting the support of multinationals like McDonalds, Pepsi-Cola, Phillip Morris, Mercedes-Benz, and DHL.

Today, Karlovy Vary is run jointly by actor Jiří Bartoška and programme director Eva Zaoralová. While Zaoralová remains the festival's main figure on the artistic side, Bartoška takes care of the business. They describe their partnership as 'an ideal marriage' in which each one of them has their 'own bedroom' and during the festival they mostly stay out of each other's way.

## **6. Some lessons**

Today there is a consensus that the whole clash of the festivals was a sheer nonsense. Everybody involved in the conflict knew that hosting two analogous events within a single summer month was the least desirable scenario and would harm both festivals.<sup>8</sup>

Yet, there is an element of truth in the conclusion that Karlovy Vary 'could not have achieved its present glory without the threat of the usurping Prague festival' (Gray 1997). The Prague threat made Karlovy Vary raise standards, to increase the variety of sidebars and become a really top-rate event. Many films purchased by Czech distributors are first seen here, thus the festival 'admirably fulfils the worthwhile cultural goals it set itself: to become a kind of alternative distribution circuit' (Wellner-Pospíšil 2001: 348).

Part of the festival's reinvention was to promote itself as an atmospheric cultural event, intentionally distinct from larger festivals where big-film business is overtly

paraded on the red carpet. There was also the ‘nostalgia’ component, mostly perpetuated by western journalists who took the opportunity to display respect for a long-standing tradition. It was a positive experience for many of them who, even though vocal on issues of common cultural concern, rarely manage to make much difference in their own countries; the Karlovy Vary controversy was a welcome opportunity to have their voice heard and show that their presence matters, that it is they who ‘make’ the festival.

Ultimately, however, it was all self-deception. The real battle was not one between art and commerce nor between refined tradition and disrespectful free enterprise. The atmospheric and nostalgic character of Karlovy Vary also became its consciously cultivated corporate identity. The battle was between two events that depended almost entirely on commercial sponsors in a callous laissez-faire environment where the government, previously controlling, was seeking a way out.

All festivals face economic pressures, and Karlovy Vary’s survival was as much a lesson in cultural finance and media savvy as it was in cultural management. Disguised as a triumph of art-house sophistication over insolent connives, Karlovy Vary’s victory was, in fact, a conquest of a correspondingly mercantile nature. Prague’s Bohemia Promotions, now defunct, was essentially the same privately operated event service enterprise as Karlovy Vary’s Film Service. The showdown of the festivals was not much more than a brawl of clashing entrepreneurships. The real question was not *if* commercialism would prevail but *whose*.

### ***What are film festivals for?***

Film festivals – and there are a lot of them these days – are generally started for one of two reasons: cultural or commercial. At the furthest end of the cultural spectrum, a festival is almost a Platonic ideal: the pure dream of a single cinephile translated into an annual programme. At the other end there's a whole range of events born out of a desire by a town's director of tourism to fill the smart hotels at the beginning or end of the season. (Mr Busy 2003: 10)

With respect to Europe, the festival circuit, I want to claim, has become the key force and power grid in the film business, with wide-reaching consequences for the respective functioning of the other elements (authorship, production, exhibition, cultural prestige and recognition) pertaining to the cinema and to the film culture. (Elsaesser 2005: 83)

Money invested in a film festival is never lost. It falls largely back on the local economy and provides an indispensable podium for an art and the industry behind it. (Moritz de Hadeln (2000: 540), former Berlinale director)

## **1. The unruly world of film festivals**

Over the past two decades there has been a significant proliferation of new film festivals around the world; it proves impossible to have a firm figure on the number of festivals currently in existence. A conservative estimate sets it at over 500 (Stringer 2001), FIAPF

counts about 700 festivals (Moullier 2003), while others believe that ‘an outlandish-sounding *New York Times* estimate of more than thousand fests around the world might not be as wild as it seems’ (Turan 2002: 2). More importantly, there is a consensus that not only the number of festivals, but also their importance, has increased significantly over the past quarter of a century.

But what are all these festivals for? Are they important as celebrations of cinematic art, do they provide alternative venues or do they rather function as a marketplace? Or maybe they are meant to help cities boost their tourist turnover?

There seems to be a growing consensus that nowadays festivals have become a ‘circuit’ of sorts and operate as an ‘alternative distribution network’ for world cinema beyond Hollywood. The ‘alternative distribution network’ phrase is coined by Toronto International Film Festival’s Piers Handling, who said: ‘A lot of work only gets shown now at festivals. A lot of foreign-language film that would get distribution ten years ago doesn’t get seen anymore’ (Turan 2002: 8). Mr Busy, *Sight and Sound*’s anonymous industry commentator, corroborates Handling’s view: ‘With a greater number of cinemas showing an ever narrower range of films, festivals are often the only place where the work of a promising young director can be seen by enough people to enable the director to find the money to make his or her next film’ (Mr Busy 2003: 10). To Marco Müller, formerly of Locarno IFF and now Venice IFF director, ‘festivals should reveal what the markets normally hide’. In his view, the role of festivals is also ‘to complement and answer what is lacking in the current cultural scene in films’ (Müller 2000).<sup>9</sup> Film scholar Thomas Elsaesser sees the festival network as an important node in the system of distribution of cinema. He speaks of ‘points of contact and comparison between the

increasingly globalized and interlocking “European” model of the festival circuit and the “Hollywood” model of world-wide marketing and distribution’ (Elsaesser 2005: 93).

While he acknowledges that the festival network is stiffened by the ranking system imposed by FIAPF, he nonetheless sees it branching out quite complexly, ‘with nodes and nerve endings’ with ‘capillary action and osmosis between the various layers’; thus ultimately ‘the system as a whole is highly porous and perforated’ (Elsaesser 2005: 87).

Once festivals begin to be seen as vital elements in a distribution chain, the programming activity is seen as a component of a cultural production circuit: no wonder that festivals nowadays are frequently picking up themes and sidebars from each other. If there is a Catherine Breillat sidebar at some of the big European festivals, for example, it is likely to see a variation of it scheduled at several of the smaller European festivals within the next year, and a few months later – at some of the American, Asian and Latin American festivals.<sup>10</sup> Big festivals enjoy the reputation of sites of cultural celebration, but this façade quickly fades away when one scrutinizes their tense and competitive environment. Seemingly secondary concerns like the rank of celebrities on the red carpet and the numbers of accredited journalists take over the art of cinema.

The ‘alternative distribution network’ of festivals is overcrowded; leading festivals are often in competition with each other even across borders. The twelve A-category festivals must each screen at least fourteen brand-new films, bringing the number of quality titles needed to satisfy the A-festival circuit competition to a total of at least 168 films annually. But usually only about 20–40 films are strong enough artistically, and it is those films that the big festivals vie to programme. ‘The big festivals have become like a bumpy conveyor belt, waiting for the films that are ready,’ says

Berlinale veteran Moritz de Hadeln (Rodier 2003: 1). Former Venice head, Alberto Barbera, believes that festival programmers' control over their own events is ever decreasing: 'All major festivals', Barbera writes, 'are starting to look like each other because their movie selections are largely determined by the same contingencies. They all choose among the same array of films. What determines their choices are just time factors and studio strategy decisions' (Hadeln 2000: 538).

A classical case of festivals that would be in fierce competition is the Canadian example – Montreal's Festival of World Cinema, until recently the only A-category status festival in North America, takes place in high summer and occasionally its dates are extremely close to the dates of the big festival in Toronto (in early September). Yet, as Turan (2002) has shown, the two festivals occupy different niche positions in the international circuit: while Toronto is a key showcase for films hopeful to find a North American distributor, Montreal is respected as a non-commercial celebration of cinematic art (Turan 2002: 172–80).

If we looked at the Prague–Karlovy Vary showdown in such a context, we would realize that their confrontation is powerfully overshadowed by more serious concerns about the competition between Karlovy Vary and Moscow in regional terms (as both festivals endeavour to showcase East European production), a 'turf war' of sorts that further expands to encompass festivals like the Berlinale and Thessaloniki (Greece). In terms of time-slot, Karlovy Vary is in direct competition with Locarno as both events take place over the same summer period and are disadvantaged by the fact that they have to make their competition selection among 'left-over' films that have not made it to Cannes in May and are not likely to make it to Venice at the end of August.

It is notable that it is a producer's organization, FIAPF (which represents producers but not distributors), that ultimately controls festivals, thus suggesting that producers regard the festival circuit as a 'direct' showcase for their output, a situation that leaves out the powerful intermediaries of distribution (producers do not have any similar levels of control over the mainstream distribution network or over the exhibition chains, for example). But if festivals are indeed seen as a key distribution locus, one needs to clarify what precisely is the relationship between producing and distributing here?

The organizers of the Prague festival operated out of the assumption that sponsorship mattered most and that the A-category status would guarantee it. Yet, a festival in Prague would have been attractive anyhow, even without the A-rating. In fact, other leading festivals lately have been questioning the meaning of the A-category. The festival in Montreal, for example, recently ventured into an open confrontation with FIAPF over its rigid procedures; its director Serge Losique renounced the A-category and declared it 'obsolete', pointing to the formidable reputation of the festival in Toronto which is not competitive and has only a third-category standing with FIAPF.<sup>11</sup> The festival in Rotterdam has also ignored FIAPF classification. Its previous director, Simon Field, has been outspoken about this: 'FIAPF would not deliver us any advantages that we could not negotiate for ourselves' (Timms and Seguin 2003: 2). The high-profile Sundance festival has neither held nor sought any accreditation from FIAPF.

And then, there is the issue of festivals as tools for tourism and image-making for their respective cities. The in-flight magazines of large airline companies, for example, regularly treat film festivals in the context of tourist opportunities and feature articles that cover cities and events side by side. The spectacular modern architecture of the



Berlinale's new headquarters on Potsdamer Platz is favoured among various print and broadcast media. In view of this growing importance of festivals for the local tourist economies, Stringer (2001: 140, 142) is right to insist that festivals should be treated 'as a constituent feature of today's global city' and as a tool that helps to 'rejuvenate the value of urban space through the mobilization of global interests'.

Ultimately, however, the question remains: which function of film festivals proves more important – marketing of new and alternative cinema (be it via an officially attached market or by providing opportunity for industry contacts) or fostering tourism?

## **2. More lessons**

If we are to revisit the Karlovy Vary vs. Prague controversy in this general festival context, we could draw further conclusions in two other spheres. The first one relates to issues of national cultural policy; the second one to the dual function of film festivals as an industry marketplace and tourist attraction.

The controversy explored in this case study would most likely not have evolved if it was not for the articulate 'hands-off' stance of the Czech government at the time. Their new post-communist approach was not dissimilar to the American *laissez-faire* model where the majority of funding comes from private commercial sponsors and is administered via foundations and where federal agencies only make small disbursements. However, there is no culture ministry in the United States of America, in the Czech case there was a ministry in place but one that was anxiously asserting that it did not have much of a role to play. The Czech culture policy model from the mid-1990s differed from other main models functioning throughout Europe: from the federal socialist model (e.g.

Germany) where the public policy is in the hands of local and regional authorities; from the 'arms-length' model of Scandinavia and the United Kingdom where the central government is formally in control but policies and finance are independently arranged; and from the French one where the Ministry of Culture has a centralized control and actively manages local cultural matters.

The Czech crisis was triggered by the abrupt abandonment of public support for cultural events, an attitude that marked the policies in most former eastern-bloc countries at the time. The way the crisis was handled by the Ministry of Culture suggested unwillingness for government-led harmonization and coordination of cultural agendas for the sake of a higher common cause. The result was a deadlock of cultural entrepreneurs, who collided in a domestic regulatory vacuum while simultaneously trying to conform within the complex system of regulation that dominated the international festival circuit. The lack of domestic leadership resulted in a stalemate that was left to commercial forces to resolve.

Things settled somewhat in the late 1990s. Within the funding structure of the Ministry of Culture, film is now considered part of media and is no longer categorized alongside the other arts, a situation that grants more adequate subsidies. Government support is given not only to Karlovy Vary but also to other domestic festivals such as Plzeň and Zlín. Since 2004, the Czech Republic is a fully-fledged member of the MEDIA programme of the European Union, opening access to European funding available to festivals and other initiatives.

The picture is more or less the same with the other film festivals across eastern Europe. Most of them now receive about 10% subsidies from the central government and

another 10% from local authorities, the rest is to be secured through commercial sponsorships. There are several bigger festivals in the region that operate on budgets in the range of \$200,000–\$500,000. Most festivals, however, function with significantly smaller budgets (in the range of \$20,000–\$50,000).

In comparison, about 60% of the Berlinale's \$10 million budget until recently came from central government subsidies (Kosslick 2003). In 2003, Berlusconi's government slashed about \$700,000 in subsidies or about 10% of the Venice Festival's total budget, a measure that jeopardized the very existence of the world's oldest festival.

Then, there is the question of a festival's function as a marketplace and/or as a tool for tourism. Faced with the realization that they may be missing out on possible business deals, Karlovy Vary opened a new film-industry office (a meeting point for industry representatives) and began publishing a film-industry guide. The belief was that this could lead to some territorial distribution deals, as well as help local film-makers secure financing. And while Czech and East European film-makers are seeking financing abroad, occasional independent US producers come to Europe to seek financing as well. But the Karlovy Vary attempt to run a film market in the late 1990s was largely seen as an 'embarrassing' experiment, as sales agents set up shop but no buyers came. In addition, the festival's attitude towards business interests has been volatile: in 1998 the market was seen as a means to drum up business in the region and get established as a place where distributors buy territorial rights to films; in 1999 setting up a market was deemed unaffordable. It did not take long to acknowledge that the Berlinale's booming European Film Market was turning other markets obsolete.

With major studios' interest in the Czech Republic and the greater region blossoming due to the number of large-scale runaway productions, Karlovy Vary came to function as a key meeting place for industry executives involved with the region. So even though no official market is now taking place, there are a number of business-related forums, panel discussions on law and taxation, on finance and marketing, all planned in tune with commercial demand.

On the other hand, there are considerations related to tourism. Supporters of the Prague festival had insisted that Prague was far more attractive than Karlovy Vary to foreign guests who wanted to see the Charles Bridge and the Prague Castle. Their opponents countered that, with or without a film festival, Prague's tourism was booming while Karlovy Vary's directly depended on the festival. The whole argument, of course, is indicative of the underlying economic thinking about festivals as tourism enterprises, a context in which the concern about cinema becomes secondary.

The argument that Prague was central and Karlovy Vary peripheral raised a whole range of issues related to the importance of location in culture. Prague had better international transport links, true. But what if Nice, next door to Cannes, decided to start a major festival in early June on the pretext that France's second-biggest airport is there and the city attracts more tourists? On the other hand, some argued that Prague was not suitable precisely because it was the capital; but then, are not festivals like Berlin, Tokyo and Cairo all taking place in the heart of capital cities? Karlovy Vary was 'out of the way', some said. But how much did this matter? In Latin America, for example, Havana's film festival, even muddled by financial difficulties and government interference, and facing major competition from rival festivals in Guadalajara (Mexico)

and Cartagena (Columbia), is expanding and still remains the key festival for the region (Turan 2002: 83). One can also point at a number of festivals that are located out of the way and still attract significant attention, such as the world-famous festival of silent cinema which takes place in a small town two hours commuting distance from the provincial Trieste airport in Italy. Similarly out of the way is the popular Midnight Sun festival that takes place beyond the Arctic Circle.

And then, one can point at examples that present the opposite scenario. While the Prague film festival perished, the South Korean film festival in Pusan, which was established under similar circumstances at the same time (with the Hong Kong fest in decline because of the 1997 Chinese hand-over) and which is equally 'out of the way', prospered and is today the pivotal festival showcase for the East Asian region even though it does not have (or seek) the A-category status.

Even if a festival would genuinely like to be non-commercial, it is impossible to hide behind the façade of high culture and disregard the film and tourism industries' interests: festivals are a place where culture and commerce intersect and must coexist. Most high-profile festivals, it is noted, have to 'straddle the cultural/commercial divide' (Mr Busy 2003). The case we looked at here was one of budding cultural entrepreneurs learning the basics of management in the company of unforthcoming post-communist policy-makers and diminishing public support for the arts. Karlovy Vary achieved what it wanted. Entrepreneurs in Prague were not left out in the cold, either: what they would get via the festival, namely the international contacts and the business, came to them anyhow via the success story of the Barrandov Studios and the arrival of intense runaway film business there. But that is another story.

So we ultimately come back to the question what are festivals for? What is their main function? To be a cultural event for the local population? To be a tool of glamour tourism? To be a showcase for international film art? To be a meeting place for industry people and a launch pad for new production and distribution deals? There is no evidence that Czech cinema would be doing any different with the festival in Prague than it is doing now, with Karlovy Vary; most likely it would still remain of secondary interest. Because, while festivals are still clarifying identity issues, they are still a long way from having established the viable alternative distribution network for international cinema that they could (hopefully) provide.

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## Notes

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I would like to acknowledge the assistance of research assistant Andrew J. Horton who worked on supplying detailed information and carried out interviews. He also provided regular coverage on the festivals in his online journal *Kinoeye* (<http://www.kinoeye.org/>).

2. Here I quote from researcher Andrew J. Horton, who conducted a series of interviews aimed to investigate the story of the festivals showdown.

3. While some solitary voices praised the Moscow festival in the late 1990s, on the festival circuit it remains with the reputation of a lavishly organized and yet low-profile event.

4. Quoted in *The Hollywood Reporter*, 9 May 1995.

5. Besides Karlovy Vary, the A-category festivals include Cannes, Berlin, Venice, San Sebastian, Moscow, Tokyo, Cairo, Mar del Plata (Argentina), Shanghai and, since 2002, Locarno. Montreal gave up on its A-status in 2003 but regained it in 2005.

6. At the time, there were two producers' organizations in the Czech Republic. The Union of Czech Film Producers (UCP), recognized by FIAPF, had 34 members; their most important member was Knoflíček's Krátky Film. The other organization was the Czech Association of Film Producers (APA, headed by Pavel Strnad), of a similar size but not a member of FIAPF; its best-known member was Barrandov Studios. UCP supported Prague; APA supported Karlovy Vary. Due to the split in the ranks of producers, after the festival controversy UCP lost in reputation, effectively letting APA gain in importance.

7. In response to a new law prohibiting foundations from running enterprises, the operation was effectively transferred from the festival foundation to the Film Service.

8. Recent developments (2003–05) with the two rival festivals in Montreal (the embattled Montreal World Film Festival (MWFF) led by Serge Losique and the newly established Festival International du Film de Montréal (FIFM) under the directorship of Moritz de Hadeln), taking place within about a month from each other, have provided a further vivid illustration of the disastrous effect of clashing cultural entrepreneurships and agendas.

9. It is beyond the purposes of this study to investigate the economic logic and viability of this 'festival-circuit-as-distribution' proposition. A closer scrutiny may reveal, however, that seeing festivals as an alternative distribution circuit is unlikely to endure rigorous economic scrutiny.

10. This is also true of the programming at leading cinematheques around the world that also function as a circuit. If the Munich cinematheque, for example, puts together a



Fassbinder retrospective, for the next two years the cinematheques at London, Paris, New York, Los Angeles, Mexico City, Toronto, Hong Kong and Tokyo will feature it.

11. Losique gave up on this position in 2005 and declared that FIAPF's accreditation is important as 'it gives you a stamp of legitimacy, a stamp of approval' (Seguin 2005).

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### **Suggested pull quotes**

'The film festival at Karlovy Vary (aka Karlsbad), about 70 miles west of Prague, had been in existence since 1946 and is thus one of the oldest film festivals. Ever since its inception, it was the main film festival for the East Central European region...'

'An A-festival must run for at least nine days; it should not specialize but cover all aspects of film-making; a feature competition with at least fourteen films without genre limitations is a requirement. Only films that have not played at another festival can compete at an A-category festival...'

'[Journalists] stressed Karlovy Vary's role as an important cultural institution where film history had been made, whilst the Prague fest was increasingly being portrayed as one pursuing an overtly commercial approach. This coverage played a decisive role in turning the public's opinion in favour of Karlovy Vary.'

‘The real battle was not one between art and commerce, nor between refined tradition and disrespectful free enterprise. The atmospheric and nostalgic character of Karlovy Vary also became its consciously cultivated corporate identity.’

‘The showdown of the festivals was not much more than a brawl of clashing entrepreneurships. The real question was not *if* commercialism would prevail but *whose*.’

‘Things settled somewhat in the late 1990s. Within the funding structure of the Ministry of Culture, film is now considered part of media and is no longer categorized alongside the other arts, a situation that grants more adequate subsidies.’