Chapter 1: Puzzles

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CHAPTER 1

PUZZLES

Filmed entertainment is commerce. Imported feature films claim a large chunk of the $100 billion spent on movie tickets and home video worldwide. To turn profits, today’s blockbusters bank on sales abroad. Television generates even more riches, almost $250 billion.1 While daily programming retains a local flavor, the revenue spinners are movies and hit series, which can reach a global market. The World Trade Organization (WTO) values world trade in audiovisual services at $35 billion, but this figure omits the dominant forms of exchange—royalties, license fees, and sales through foreign affiliates.2 In the big business of entertainment, foreign revenues are crucial to bankroll expensive production and marketing budgets, premium wages for creators and technicians, and lavish profits for media companies.

Filmed entertainment is also culture. Movies and television programs spread ideas and cultural influences. They transmit social norms, moral values, and political messages; depict heroes, villains, role models, victims, misfits, and outcasts; and convey attitudes about lifestyles, behavior, relationships, religion, family, authority, beauty, sexuality, violence, and aggression. Through these portrayals, filmed entertainment reproduces and relays the social context of its creators, propagating the beliefs, customs, and symbols of a people.

As trade brings societies into contact, commerce and culture often collide. At times, this clash ignites conflict. Commercial gain propels the globalization of film and television because there is money to be made. However, when this commerce is perceived to threaten cultural values, autonomy, traditions—and above all, I will argue, _______________________


investment, livelihoods, or lifework—resistance happens.

This book is about politics—the politics that unfold within and between nations from the clash of commerce and culture. My focus is two arenas of political discord in the globalization of entertainment: international and national. At the international level, film and television have been intractable problems in the trading system. Deadlock over trade rules for audiovisual media nearly derailed the historic Uruguay Round negotiations in 1993, a standoff that persists in the WTO. But these quarrels only continue a longstanding dispute. At the founding of the General Agreement on Tariffs and Trade (GATT) in 1947, special terms for films were not settled until days before the treaty was signed. Movies were even a sore point in the first trade talks in the League of Nations, a forgotten opening chapter in the trade-culture conflict.

Beneath these disputes sits domestic conflict. At the national level, producers, performers, and technicians in some countries push to restrict imported entertainment. Occasionally these movements create their own drama: raucous convocations of film professionals from Britain to Brazil; street demonstrations in Rome, Paris, and other capitals; head-shaving protests and hunger strikes in Seoul. Whether staged as mass action or pressure-group politics, these campaigns aim to persuade government to limit foreign access to the nation’s screens. But film and television are divisive at the domestic as at the international level. Conflict arises because cinema operators and television stations dislike encroachments on their managerial freedom. These divided loyalties cause friction in national politics.

Animating discord at these two levels is the peculiarity of filmed entertainment, at once commercial good and cultural expression. As commodities, movies and television programs are made and marketed for their pleasure value. As cultural symbols, they spread ideas and influences. This duality joins the commercial and the cultural in one package: there is the prospect of growing rich, and the potential to move minds.
Issues and Arguments

The book’s central point is to demonstrate the primacy of interests in the politics of trade in filmed entertainment. What I call “filmed entertainment,” namely movies, television, and video, is often labeled “cultural goods” for the reasons just described: they carry cultural ideas and beliefs, and hence represent “vectors of identity, values and meaning,” to quote the United Nations Educational, Scientific and Cultural Organization (UNESCO 2001). This label implies that controls on trade are about the defense of local cultures. Yet whenever appeals are made to protect a country’s entertainment, stakeholders in domestic production tend to be the leading standard bearers. That is not to say that pleas issued on cultural grounds can be dismissed as garden-variety protectionism. Nor do I dispute that the circulation of cultural goods can have wider social impact. Yet states hardly ever take action against foreign entertainment, I contend, without powerful domestic stakeholders at the forefront.

This emphasis on interests informs two additional claims. One is that the globalization of filmed entertainment does not touch every country or culture to the same extent. Rather, it has generally stirred the greatest controversies in places close in cultural proximity to the United States—the Anglophone world, Western Europe, and other areas in this cultural vicinity. Farther away, this trade has drawn less overall attention, even as English-language comprehension and American mass culture push into new frontiers. This pattern, I argue, is understandable in terms of cultural similarity and difference, and I explain it using the concept of “cultural proximity.” Entertainment industries in culturally close areas are the most heavily exposed to commercial rivalry from the United States, and domestic interests in these countries tend to mobilize against imports more insistently than in culturally distant countries. Cultural proximity is a difficult concept indeed to operationalize. A novel method of comparison—the extent of shared ancestry in the languages spoken in different countries, drawn from linguistic family trees—provides a handle on this problem. My yardstick cannot capture every
channel through which cultural relationships affect trade, nor does it account for every aspect of each case. Yet I maintain that it illuminates quite a bit about trade politics in filmed entertainment across a broad cross-section of countries and international negotiations over the past century.

My last major claim is that the politics of trade in filmed entertainment is a struggle between contending domestic groups. When vested interests in film or television production appeal for government assistance, stakeholders in the delivery of programming fight back. This conflict between production and exhibition shapes national policy, and the outcome of these political struggles decides whether or not access to foreign entertainment is restricted. Because production, for reasons I will explain, tends to expand more than exhibition as markets grow in size, trade protection is most typical of big countries. Joining this inference with my earlier claim about cultural proximity, I suggest that trade in filmed entertainment is not generally a problem everywhere—it arouses the greatest concern in large countries culturally contiguous to the United States. These are the states that have been the most insistent about special trade rules to accommodate culture in the GATT and the WTO, by and large.

Analytically, these claims provide a novel way of explaining trade controversies, past and present. American entertainment, chapter 2 details, has been a forceful presence for the past century and the United States has constantly pushed to open markets to these exports. Several countries have resisted this pressure, resistance that is often substantiated and understood in cultural terms, as chapter 3 describes. Hollywood studios and their diplomatic representatives—today the U.S. Trade Representative (USTR), in earlier times the State Department—have long maligned any and all regulation abroad as blatant protectionism. Scholarly studies instead often set champions of local cultures against corporate Hollywood and the U.S. government in a battle over national autonomy.
versus free trade.³ In neither storyline is it possible to tell why imported entertainment is more of a concern in some places than in others; both perspectives miss that national policy toward filmed entertainment is negotiated and contested in a domestic political arena—a key point that is rarely apprehended in the hue and cry over the subject.⁴ The emphasis on country size and cultural proximity distinguishes this study from past scholarship.

My analytical approach also unlocks new answers to empirical puzzles. Two principal puzzles guide the inquiry. Internationally, some countries have demanded a “cultural exception” in the GATT-WTO regime; others have accepted binding trade rules for movies and television. Why? Nationally, some countries have been more inclined than others to regulate and restrain foreign entertainment. Again, why? The two puzzles share a common thread: both patterns reflect an underlying domestic politics of trade and culture. My aim is to capture the politics in a general framework to make sense of these curious patterns at the international and national levels.

The argument is worked out in chapter 4, which maps the interplay of commerce and culture: the size of a country’s market and its cultural ties to the United States, the largest market of all. In large countries, entertainment industries are more commercially viable. By extension, producers in these countries tend to be larger in size and number, more highly mobilized, and politically stronger. Cultural distance regulates how highly exposed they are to foreign competition. The closer the cultural proximity to the United States—for the past century the nucleus of global entertainment—the stronger the market pressures these industries face. Thus, a country’s position in the production and


⁴ Others who suggest that domestic politics factors into these disputes are Cowen 2002; Singh 2010.
exchange of filmed entertainment catalyzes domestic interests in the promotion of local fare.

At the international level, these two factors, large markets and cultural proximity, pinpoint the principal sources of agitation to incorporate culture into trade rules. Chapter 5 examines the positions states have taken on this issue in four rounds of multilateral negotiations from the 1920s to the 1990s. Time and again, this analysis finds, representatives from larger countries with cultural proximity to the United States have clamored the loudest for exceptional treatment for culture.

Nationally, market size and cultural proximity shape the political balance between production and exhibition. Inside domestic systems, those holding financial and emotional stakes in the entertainment business routinely organize to have a say in policy toward the industry; civic and consumer groups, which are not similarly invested, are but secondary participants in these debates. State policy therefore typically reduces to a tug-of-war between branches of the trade. As a general rule, the larger the market, the stronger the production sector; the culturally closer the country is to the United States, the more threatened producers feel and the harder they push for measures to favor homegrown entertainment. How this plays out depends, at least in part, on whether the national market is in expansion or decline. Market growth empowers producers to push for support and it also relaxes distributional tensions, because exhibitors can still prosper even if the state compels them to screen national content. Market contraction, however, weakens producers and intensifies distributional conflict as the losses deepen.

This framework clarifies why politics turn contentious in some places, while in others the same friction never materializes. The flourishing movie markets of the 1920s, chapter 6 explains, intensified political pressures against film imports—before the onset of sound gave movies a distinct nationality—but mainly where U.S. cultural fare cut the deepest inroads. Britain and the larger European countries swiftly turned to quotas, yet few restraints on foreign pictures appeared in culturally faraway places. From the 1950s
onward, however, television sent theatrical film exhibition into steep decline. As this market crashed, chapter 7 shows, theater owners mobilized in rebellion against quotas in the countries that had them.

The book uncovers these patterns using both texts and data. My intention is to advance clear propositions that are potentially falsifiable, though I do not test them statistically. Instead, I use historical narrative to account for variation across place and time, and to tell the fascinating and at times unknown stories of the strife that trade in culture has incited. Official documents and archival records form the backbone of the narrative. Wherever possible, I ground inferences in hard data. This data-informed narrative adds granularity to the stories told about the interplay of commerce and culture, while also solidifying my analysis of trade politics at the international and national levels.

**Plan of the Book**

The globalization of filmed entertainment poses two big puzzles. The first is that movies and television have been terribly contentious issues in the global trading system throughout their existence. The second is that access to foreign entertainment has been regulated since even before pictures had speech—actions repeatedly justified in terms of cultural necessity. However, these collisions of trade and culture have been particular, not universal. While several states have protected local production over the years, others have not; some, but not nearly all, have pushed for a cultural exception in multilateral trade rules. Making sense of why filmed entertainment is only sometimes so politically contentious requires a comparative investigation of varied outcomes across time and place.

The first part of the book places these puzzles in context and develops the analytical framework for solving them. Chapter 2 details the globalization of filmed entertainment since the first moving picture in 1895, and it identifies the major technological innovations driving this globalization. Chapter 3 unpacks cultural
rationales for state regulation of movies and television. Chapter 4 elaborates the central arguments about the politics of trade, which build from the interaction of commercial and cultural considerations in the preferences of domestic stakeholders. This analysis isolates the effects of market size and cultural proximity, and explains how they factor into state behavior at the international level and political struggles at the domestic level.

The second part of the book applies this framework to the dynamics of global rulemaking and national policymaking. These chapters detail the varied reactions within and across countries to the growth of trade in filmed entertainment over the past century. Chapter 5 examines four sets of trade negotiations to account for the disparate stances states have taken on trade rules for movies and television. The focus of Chapter 6 is film quotas—numerical limits on the market share of foreign movies—in the era before television. This analysis explains how market expansion empowered producers in a handful of large, culturally close countries to secure quotas early on, while culturally more distant countries refrained from imposing quotas even after sound. Chapter 7 investigates the collapse of theatrical movie exhibition after television. As cinema markets crashed, distributional conflicts intensified and in countries that had quotas, exhibitors rose up in protest. The decline of their primary market weakened the political clout of once-powerful film industries and in all except one deviant case, France, quotas were relaxed or even abolished.

The book’s findings have important implications for the present and future of cultural trade disputes, which chapter 8 lays out. Country size, it appears, matters now more than ever. Though production grows ever more internationalized and economies of scale are reputedly in decline at the hands of the digital revolution, Hollywood’s leading position remains unshaken and global trade in filmed entertainment, with but a few exceptions, continues to strongly favor large countries. Second, cultural difference is not the trade barrier it once was. Whereas American entertainment in earlier times made its greatest inroads in the Indo-European language sphere, faraway areas, especially in Asia,
are now more integrated into this trade. Cultural proximity is a moving target, without question—a dynamic that this study cannot fully capture—and technological advance have provided those with the money to exploit it ladders to climb over cultural obstacles that once were harder to pass.

At the international level, the 2005 UNESCO Convention on Cultural Diversity established a parallel regime for cultural goods, yet the WTO remains the primary forum for governing trade in filmed entertainment. Inside the WTO, coalitional alignments remain highly stable, exactly as the analytical framework expects. Much as the UNESCO Convention may have suggested America’s growing isolation, a group of ‘friends of audiovisual services,’ composed mainly of culturally more distant Asian economies, have joined in the push to liberalize entertainment trade—though predictably without much progress to date. At the domestic level, the collapse of theatrical film exhibition has shifted the focus of state regulation to television. Exhibition quotas at movie theaters are now a rarity, even in large economies, yet programming regulations for television have spread through very similar political processes as those seen in film industries in earlier times.

Illuminating politics at the junction of trade and culture first requires an understanding of how filmed entertainment became a global market. This is where the investigation begins.