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Chapter Three

Film and Globalization

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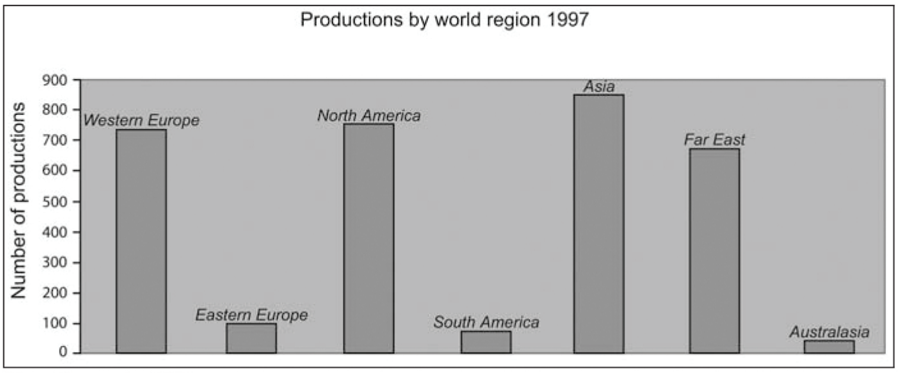
Non-US based people of color are the world's majority filmmakers, with diverse ideological projects and patterns of distribution. The various language groups in India produce about a thousand films a year and employ two and a half million people across the industry, while China's vast production, strong export trade and extraordinary filmmaking tradition brought in US$13.86 million in foreign sales between 1996 and 2000 (Anderson, 2000; Chinese film industry, 2001). Yet the story of film and globalization is largely a Hollywood one. The US industry's overseas receipts were US$6.6 billion in 1999 and US$6.4 billion in 2000 (the reduction was due to foreign-exchange depreciation rather than any drop in admissions [Groves, 2001b]).

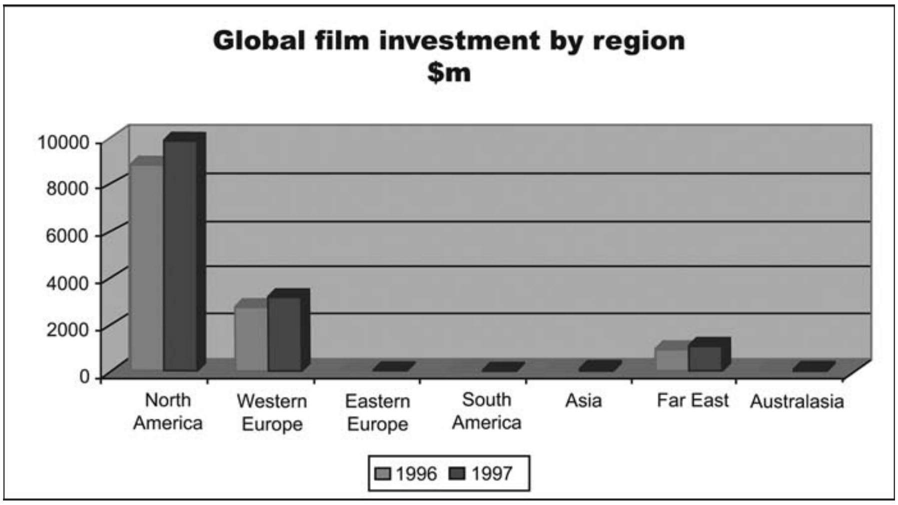


Note. Hancock, 1999.

1 Many thanks to Oliver Boyd-Barrett for his encouragement and helpful remarks on this Chapter. This Chapter includes extracts from *Global Hollywood 2* (Miller and Maxwell, 2005). edited by the authors for this book.

Feature films produced and coproduced in the major territories, 1996-1998						
	Feature Films Produced 1996	Of which are co-productions 1996	Feature Films Produced 1997	Of which are co-productions 1997	Feature Films Produced 1998	Of which are co-productions 1998
Australia	24	0	34	2	38	1
Brazil	41	0	30	0	40	0
Canada	53	16	60	28	64	32
China	22-Apr-04	21	88	12	80	6
France	133	60	163	77	182	81
Germany	64	22	61	14	119	30
Hong Kong	116	15	94	16	91	20
India	649	-	697	-	693	-
Italy	99	22	87	16	92	13
Japan	278	3	278	3	249	8
Spain	91	25	80	25	65	18
UK	111	52	108	40	87	-
USA	715	43	676	13	661	9
Rest of World	739	146	853	107	672	32
World Total	3,225	425	3,309	353	3,133	250

Note. www.netribution.co.uk.



Global film production and co-production levels

Los Angeles-New York culture and commerce – a.k.a. Hollywood – dominate screen entertainment around the globe, either directly or as an implied other, and the international success of US film since the First World War has been a model for its export of music, television, advertising, the Internet and sport. Shifts towards a neoliberal, multinational investment climate between 1990 and 2000 have reinforced Hollywood's dominance through the privatization of media ownership, a unified Western European market, openings in the former Soviet bloc, and the spread of satellite TV, the Web and the VCR, combined with deregulation of national broadcasting in Europe and Latin America. Today, US companies own between 40 per cent and 90 per cent of the movies shown in most parts of the world (Miller et al., 2005, pp. 9–10). As the table on the previous page indicates, it also attracts the vast majority of investment in cinema.

This chapter examines the international success of Hollywood since the First World War and the ideological and economic power that the US film industry has endeavored to exert over other nations – partly for profit, and partly in the service of US foreign policy. We present an overview of Hollywood's commanding position in international film trade, the history of its ascendance, and an assessment of the intersecting political and economic interests that have sustained this dominance domestically and internationally, ending with a consideration of globalized cultural labor markets, illustrated by a case study of the Mexican film industry. Contrary to the conventional view, which sees Hollywood's success resting on free-market efficiency and narrative transparency, we argue that its commanding position has been held for nearly a century thanks to various forms of aid and protection from the state, across all levels of governance.

Global overview

The 1990 Academy Awards took as their theme the international significance of the cinema at a key moment in the decline of European state socialism that simultaneously promised total US military hegemony and new ideological markets provided by deregulation and technology. In celebration of these opportunities, the Oscars were jointly presented via satellite links from Britain, Australia, the future Russia, Argentina and Japan (Acland, 2003, p. 8). Ten years later, at the 2000 Academy Awards, three of the five candidates for Best Picture were filmed outside the US. And something else global happened that went almost unnoticed: Ernst & Young released its annual *Guide to International Film Production*, which outlined tax incentives available to Hollywood companies that spent over US$10 billion a year in overseas location shooting (Global investing, 2001). Covering forty countries, the report explained "corporate, personal and indirect tax issues; the pitfalls of filming and marketing abroad; locations of foreign public and private financing sources and a list of resources to help with local film production" (Guide, 2000). The next year, none of the nominees for Best Picture were filmed in Hollywood, and three were made outside the US (Wicker, 2003, p. 471).

By 2000, Hollywood's proportion of the world market was twice as great as 1990, and the European film industry was one-ninth of its size in 1945. In 2000, most "star-driven event films" from Hollywood obtained more revenue overseas than domestically, with eighteen movies accumulating over US$100 million internationally, figures not attained by even one film from any other national cinema (Groves, 2000). For 2001 and 2002, all the top twenty films in the world were from the US (apart from co-production conceits, such as that *Scooby-Doo* is Australian, *Bridget Jones's Diary* British and the *Lord of the Rings* trilogy New Zealand/Aotearoan). Between 1996 and 2002, of the most remunerative twenty films released in Europe, each one was from the US, with the exception of *Notting Hill* and some co-productions that used British studios, such as the Bond franchise. In 2002, Hollywood box office overall increased by 13.2 per cent, the biggest growth in two decades. International revenue was US$9.64 billion, up 20 per cent on 2001 (European Audiovisual Observatory, 2003, pp. 9, 25, 4, 11; Calder, 2003).

The balance of textual trade was not always as it is today: France sold a dozen films a week to the US early in the twentieth century, and in 1914, most movies and much movie-making technology in North America were imported, while Italy and France dominated exhibition in Latin America. International filmmakers controlled the business, maintaining openness to women directors and producers (Cherneff, 1991, p. 435). On the other hand, the US film production company Vitagraph was producing two negatives for every reel by 1907, one for European and one for domestic use, and China was receiving US films from 1897. And there were related developments, via what Richard Abel (1999) calls the "Americanization" of the domestic market, a process aided by the legal codification of film as intellectual property and mysterious confiscations of French equipment by US customs (Grantham, 2000, p. 44). By 1909, Yanqui companies could rely on the local market to recoup costs, and were tailoring export prices to meet other markets. Between 1915 and 1916, US exports rose from 36 million feet of film to 159 million feet, as competing film industries were decimated by war, while imports fell from 16 million feet before hostilities broke out, to 7 million by the mid-1920s. As the feature film took off during those years, Hollywood began to sell to Asia and Latin America, almost wiping out Brazilian production, for example, by purchasing local distributors.

From 1919, overseas receipts were factored into Hollywood budgets. In the 1920s, Hollywood's leading export sites were Britain, Australia, Argentina and Brazil, where the US Government institutionalized commercial attachés in its embassies. In return, supposedly non-interventionist Republican administrations of the day routinely drew on US finance, film, and industry to achieve political objectives (Miller et al., 2005, pp. 60–64). There was a symbiosis between industrial and ideological interests.

From the 1920s to the 1940s, vertically integrated industrialization took the form of a studio system that in some ways made and distributed films like car manufacturers made and distributed jalopies, through rationalised techniques of mass production, albeit with ancillary specialist industries, with the latter responsible for innovation and the former for standardization (Mezias and Mezias, 2000, pp. 307, 320). The 1940s saw the system undermined by governmental trust-busting, televisualization and suburbanization: the state called on Hollywood to divest ownership of theaters, even as the spread of television and housing away from city centers diminished box-office receipts.

The World Market

The world market grew in importance for Hollywood during the 1950s:

Global Film Market in 1949

Global Film Market in 1949

Site	US market share
Europe	56
South America	64
Mexico and Central America	75
Africa	62
Pacific	75
Middle East	52
Far East	47

Note. Adapted from Schatz, 1997, p. 303.

Vertical integration through ownership of production, distribution and exhibition was outlawed domestically, but not on a global scale. Peter Lev (2003, p. 148) offers an interesting study of 1951's *Strangers on a Train*. It cost US$1,568,246 and after three years had earned US$1,691,213 in the US and US$86,541 in Canada. Overseas, the key source of revenue was Britain (US$365,000), but it brought in over US$20,000 from ten other countries across four continents. These receipts made the film safely profitable. Fifty years later, the situation was more varied and complex still for anyone seeking to track the life of the film commodity. Estimates of how *Pearl Harbor* (2001) would eventually make a profit illustrate the complex dependence of domestic and international sales across formats. Its US$475 million budget was to be returned over eight to ten years like this:

- 22 per cent from US theatres
- 22 per cent from international theatres
- 22 per cent from US video and DVD sales
- 14 per cent from international video and DVD sales
- 12 per cent from domestic television
- 8 per cent from international television

(DiPersio & Bardach, 2001).

Britain and Latin America were Hollywood's most lucrative importers until the 1970s.

In both cases, economic downturn and the failure to invest in new theaters diminished attendance. US government and industry set up new cartels to market films everywhere, with special agencies created for Anglophone and Francophone Africa. Hollywood's American Motion Picture Export Company of Africa, for example, dominated cinema sales to former British colonies from the 1960s, when the continent screened about 350 films a year, perhaps half of them from the US (Miller et al., 2005, pp. 63–64).

In 1980, the US film industry relied on exports for the same proportion of its annual income as it did in 1950 – about one third – a steady rate over three decades, disrupted by a few aberrant moments such as 1946 and 1965, when foreign revenue accounted for over 50 per cent of Hollywood's sales as domestic movie going plummeted. Since the mid-1980s, Japan has been a critical source of Hollywood's revenue, providing 10–20 per cent of worldwide grosses on blockbuster releases, while 96 per cent of the Taiwanese box office and 78 per cent of the Thai go to Hollywood (Cook, 2000, p. 21; Hayes, 2001; Klein, 2003). Great potential growth lies in this region, as China and India account for over two-thirds of film screens around the world (Guider, 2000). In 1999 in India, of the 154 films released in Hindi, the dominant language of entertainment, 16 were dubbed US titles (Ganti, 2002, p. 298). The benchmark for a successful Hollywood release there has ballooned almost 1000 per cent over the past seven years, from US$100,000 to US$1 million. By 2015, Asia could be responsible for 60 per cent of Hollywood box-office revenue (Major, 1997).

Hollywood is especially optimistic about the market potential of China's 65,000 film theatres, and India's 12,000, despite severe restrictions on imports since the Chinese revolution (1949) and Indian independence (1947) (European Audiovisual Observatory, 2003, p. 44). While total US revenues from the People's Republic of China are low because only twenty movies can be imported each year, many expect that a large percentage of its 1.3 billion people, who are used to a steady stream of pirated media product, will become "conventional" consumers. In January 2001, half of Shanghai's theatrical takings came from five of its 130 venues, and 80 per cent of their screenings came from Hollywood (Groves, 2001b; Chinese film, 2001).

Consider the depiction (facing page) of Hollywood's market share of imported features in 1999.

Measured in box-office receipts, Europe is still Hollywood's most valuable territory. In 1985, 41 per cent of film tickets bought in Western Europe were for Hollywood fare. Ten years later, that proportion was 75 per cent. Overall revenue there in 1997 was half the US figure, but twice that of Asia and four times larger than Latin America. In 1999, 65 per cent of US film and tape rental exports were to Western Europe, 17.4 per cent to Asia and the Pacific, 13 per cent to Latin America and 2.3 per cent to the Middle East and Africa (Scott, 2002, p. 970). The majors collected over 60 per cent of their box-office revenues from outside the US in the top five European markets, and Hollywood's share of the market in 1996 ranged from 45–55 per cent in France, Italy and Spain to 70–80 per cent in Germany and the UK. In 1997, the balance of

Consider this depiction of Hollywood's market share of imported features in 1999:

Site	Total imports	US imports
Algeria	26	21
Azerbaijan	47	42
Bolivia	118	102
Bulgaria	149	118
Canada	383	204
Colombia	222	126
Croatia	67	57
Cyprus	118	107
Czech Republic	135	84
Denmark	176	95
Estonia	79	57
Germany	347	134
Iceland	191	158
India	203	
Ireland	161	111
Kenya	389	
Latvia	118	86
Lebanon	557	455
Libyan Arab Jamahiriya	39	21
Lithuania	109	73
Macao	345	
Mauritius	232	
Mexico	306	203
New Zealand	191	133
Niacragua	140	140
Norway	232	123
Pakistan	61	38
Panama	143	134
Poland	140	93
Portugal	166	118
Republic of Korea	297	200
Republic of Moldova	110	48
Romania	105	72
Russia	127	63
Slovakia	130	81
Slovenia	96	67
Spain	397	216
Sweden	210	108
Macedonia	26	23
Tunisia	88	60
Ukraine	105	76
Zimbabwe	36	26

Note. Adapted from UNESCO, 2000a—not all territories supplied comprehens film trade between the US and Europe favoured the former by a third (UNESCO, 2000b).

In 2003, Hollywood accounted for the preponderance of revenue in all major markets:

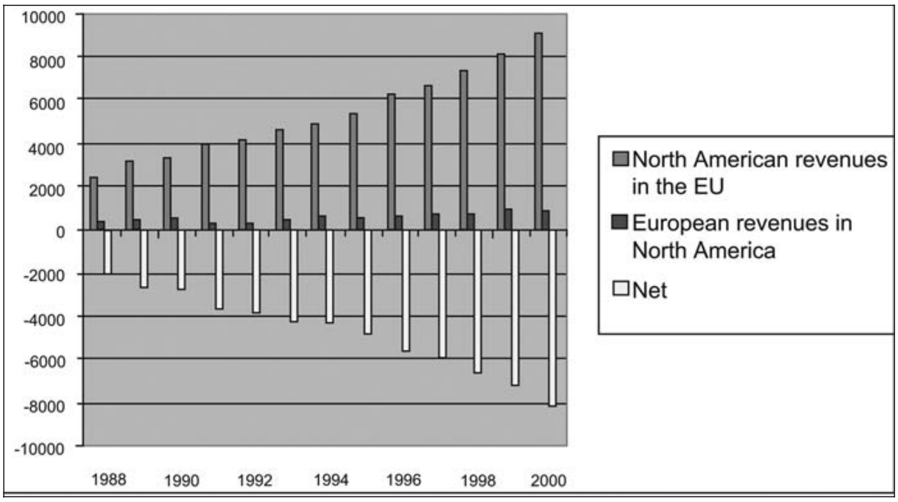
In 2003, Hollywood accounted for the preponderance of revenue in all major markets:

Site	US Market-share (%)
Britain	82
France	52
Italy	65
Spain	70
Netherlands	68
Australia	92
Russia	75

Note. Adapted from Guider et al., 2004.

Of course, theatrical exhibition comprises for barely a quarter of Hollywood's global revenues (29 per cent in 1999). Video provides 25 per cent and television 46 per cent of total revenues (Global media breakdown, 2001). The proportion of total video revenues mirrors theatrical box office – between 60 per cent and 80 per cent across Europe. Eurodata TV's analysis in 1999 of films on television found that fourteen Hollywood pictures drew the highest audiences in twenty-seven nations across all continents. And in 2000, US television drama alone accounted for almost 50 per cent of worldwide television exchange (Miller et al., 2005, pp. 22–28).

Estimates of the trade of audiovisual programs between European Union and North America (1988–2000) – US$ millions



Note. "The imbalance", 2002.

In 1995, 89 per cent of films screened on Brazil's cable channels were US imports, which occupied 61 per cent of time dedicated to cinema on Mexican TV, while in Egypt, Hollywood has surpassed Arab national cinemas both theatrically and in video rental during the last twenty years (Miller et al., 2005, p. 22). When cable and satellite opened up in the Middle East across the 1990s, there was a scramble both to "secure access to Western content" and "Arabize existing Western shows", with US film channels extremely potent contributors, including an Arabic Disney channel of dubbed "family" fare. By 1999, Disney was selling US$100 million a month in the Middle East (Sakr, 2001, pp. 93–94), and in 2002 Viacom's Showtime offered 10 new program channels through Nilesat. From its earliest days in the 1960s, Malaysian television relied on US films for content. The trend has never let up and dominates prime time. The same is true in Sri Lanka and the Philippines, where local films are rarely seen on television. In 1974, the Soviet Union imported 5 per cent of its film programming on TV and in 1984, 8 per cent; but Russia imported 60 per cent in 1997, much of it from the US. These figures reflect changing local arrangements, such as increases in local TV production (most nations), departure of colonial rulers (Hong Kong), and the proliferation of channels following deregulation (Germany, Britain, Italy, France, Spain and Belgium had 14 TV stations in 1980, one of which was private, and 36 in 1990, with 19 private) (Miller *et al.*, 2005, pp. 22–23).

Hollywood and the State

For all its policy rhetoric of pure competition and big-stick "diplomacy" against foreign governments' film subsidies, quotas, and lax protection of US intellectual property, the US government has devoted massive resources to generate and sustain 'private-sector' film in the interests of ideology and money, and the industry has responded in commercial and ideological kind. All in all, this represents a wide array of subsidies, regulations and domestic market protections that neither media studies nor the media-reform movement have yet to subject to a full critical analysis and financial accounting. In this section, we outline Hollywood's dependence on federal, state and local government aid.

The US government has a long history of direct participation in film production and control (Hearon, 1938; Hays, 1927, p. 50). As early as 1912, Hollywood exporters were aware that where their films traveled, demand was created for other US goods; and that films had ideological implications, as well. The State Department set up a motion-picture section in 1916. During the First World War, films from the Central Powers were banned across the US. Immediately afterwards, the Department of the Interior recruited the industry to its policy of "Americanization" of immigrants (Walsh, 1997, p. 10). In 1918, Congress passed the Webb-Pomerene Act, which permitted overseas cinema trusts that were illegal domestically. This enabled an international distribution cartel for the next forty years. Export prices and terms of trade were centrally determined by the Motion Picture Export Association of America (MPEAA), which also worked to ensure blind bidding and block booking – methods by which a distributor obliges theater owners to exhibit unseen films and accept a package of movies on all-or-nothing terms (you want Spielberg, you take Van Damme).

Commerce Secretary Herbert Hoover praised the industry in the 1920s for putting forward "intellectual ideas and national ideals", for its trade earnings, "and as a powerful influence on behalf of American goods" (Bjork & Grantham, 2000, p. 53). Will Hays, head of the Motion Picture Association of America (MPAA) worked closely with Hoover to ensure that the studios operated as an overseas distribution cartel to deal with recalcitrant foreign powers, asserted "Trade follows the film" (pp. 37–38), and advised the J. Walter Thompson advertising agency in 1930 that "every foot of American film sells $1.00 worth of manufactured products some place in the world" (Trumpbour, 2002, p. 17). Joseph P. Kennedy, one of the Eastern-establishment moguls, acknowledged that "films were serving as silent salesmen for other products of American industry" (Hays, 1927, p. 6).

For good reason, Hollywood lobbyists in the 1920s and '30s came to regard the US Departments of State and Commerce as their "message boys". The State Department undertook market research and shared business intelligence. The Commerce Department pressured other countries to permit cinema free access and favorable terms of trade. In 1927, Paramount-Famous-Lasky executive Sidney R. Kent proudly referred to films as "silent propaganda" (1927, p. 208), and by the 1940s, the MPEAA was naming itself "the little State Department". As a reward, a 30 per cent tax on box office was imposed on imported films during the inter-War period (Greenwald, 1952, p. 46).

Also in the 1940s, the US opened an Office of the Coordinator of Inter-American Affairs (OCIAA). Its most visible program was the Motion Picture Division, headed by John Hay Whitney, co-producer of *Gone with the Wind* and future secret agent and front man for the CIA's news service, Forum World Features (Saunders, 1999, pp. 311–312). Whitney brought in public-relations specialists and noted filmmakers like Luis Buñuel to analyse the propaganda value of German and Japanese films, in particular their use of ethnic stereotypes. He was behind the distribution of *Simón Bolívar* and the production of *Saludos Amigos* and *The Three Caballeros*. Whitney sought to formulate a program for revising Hollywood movies, which were obstacles to gaining solidarity from Latin Americans for the US war efforts; for example, the Office had a film reshot because it showed Mexican children shoeless in the street (Powdermaker, 1950, p. 71). In some cases, the OCIAA paid production costs in exchange for free prints to distribute in US embassies and consulates across Latin America. Whitney even accompanied Walt Disney and the star of his film, Donald Duck, who made a guest appearance in Rio de Janeiro, preparing the way for post-War success in opening the Brazilian market to extensive Disney merchandise (Kahn, 1981, p. 145; Reis, 2001, pp. 89–90).

Producer William Wanger (1950) trumpeted the meshing of what he called "Donald Duck and Diplomacy" as "a Marshall Plan for ideas ... a veritable celluloid Athens" that meant the state needed Hollywood "more than ... the H bomb" (pp. 444, 446)

– this from a man who had hailed Mussolini as "a marvelous man" in 1936 (Trumpbour, 2002, p. 37). During the invasion of Europe in 1944 and 1945, the military closed Axis films, shuttered their industry, and insisted on the release of US movies. The *quid pro quo* for the Marshall Plan was the abolition of customs restrictions, amongst which were limits on film imports (Trumpbour, 2002, pp. 63, 3–4, 62, 98; Pauwels & Loisen, 2003, p. 293). In the case of Japan, the occupation immediately changed the face of cinema. When theaters reopened for the first time after the US dropped its atomic bombs, all films and posters with war themes were removed. Previously censored Hollywood texts went on-screen. The occupying troops immediately established the Information Dissemination Section (soon to become the Civilian Information and Education Section) in its Psychological Warfare Branch, to imbue the local population with guilt, and "teach American values" through movies (High, 2003, pp. 503–504). The new MPAA/MPEAA head Eric Johnston, fresh from his prior post as Secretary of Commerce, celebrated these celluloid "messengers from a free country". President Harry Truman agreed, referring to movies as "ambassadors of goodwill" (Johnston, 1950; also see Hozic, 2001, p. 77).

In the 1950s, with the Cold War underway, the CIA's Psychological Warfare Workshop employed future Watergate criminal E. Howard Hunt, who clandestinely funded the rights purchase and production of *Animal Farm* and *1984*, texts that sought to identify authoritarianism with state socialism (Cohen, 2003). On a more routine basis, the United States Information Service, located all over the world as part of Cold-War expansion, had a lending library of films as a key part if its public diplomacy (Lazarsfeld, 1950, p. xi). In 1961, union official H. O'Neil Shanks told a Congressional House Subcommittee that movies were "a valuable national asset … vital to our national interest and security … [a] reply to the cold war attacks of our Soviet adversaries" (Ulich & Simmons, 2001, pp. 359–360). A 1964 report from the Legislative Research Service to the House Committee on Foreign Affairs explained that "the US ideological effort has become more important than ever" because "The Communist movement is working actively to bring … underdeveloped lands under Communist control" (Legislative Research Service 1964, p. 1). It included John F Kennedy's instruction to the US Information Agency that it use film and television, *inter alia*, to propagandize (p. 9), and noted that the government had paid for 226 film centers in 106 countries with 7,541 projectors (p. 19). Four decades later, union officials soberly intoned: "Although the Cold War is no longer a reason to protect cultural identity, today US-produced pictures are still a conduit through which our values, such as democracy and freedom, are promoted" (Ulich & Simmons, 2001, p. 365).

The US film industry has been aided through decades of tax-credit schemes, State and Commerce Department representation, Small Business Administration financing through loans and support of independents, the Informational Media Guaranty Program's currency assistance, a vast array of state, regional and city film commissions coordinated by "Film US", and hidden subsidies to the film industry via reduced local taxes, free provision of police services and the blocking of public streets (Miller et al., 2005, pp. 96–104).

Having originated in the late 1940s, by 2000, the number of publicly-funded US film and television commissions stood at 205, though some were closed due to Bush administration budget cuts. In 2002, there were 56 film offices across California alone. The work of state and municipal film commissions represents a major subsidy: exemption from sales tax on all production consumables, rentals and purchases (New York City); a 5 per cent rebate on wages, first-class airfares and free accommodation for producers, tax-free accommodation for workers, and tax-avoidance schemes (Minnesota); reimbursement for public personnel costs, permit and equipment fees (California); and aid in constructing studio sites (North Carolina). The Californian State Government offers everything from free services to a major wage tax credit via its "Film California First Program", which was due to begin a new tax credit in 2004 until this was overturned at the appropriations stage due to the state's deficit (Miller et al., 2005, pp. 96–97).

Miami is a stunning example of such pump-priming. Through very deliberate public policy, it was transformed into the third-largest audiovisual production hub in the US after Los Angeles and New York, and perhaps the largest *for* Latin America. The Miami Beach Enterprise Zone offers incentives to businesses expanding or relocating there that include Property Tax Credits, tax credits on wages paid to Enterprise Zone residents and Sales Tax Refunds. The Façade Renovation Grant program provides matching grants to qualifying businesses for the rehabilitation of storefronts and the correction of interior code violations. As a consequence of this promotional activity, the Miami entertainment industries generated about US$2 billion in 1997, more than any entertainment capital in Latin America, and boasted a workforce of 10,000 employees. By 2000, volume had increased to US$2.5 billion. To diminish the difficulties that producers and film companies encounter with the complicated bureaucracy of the numerous municipalities in the area, which have their own regulations, Miami-Dade's Film Commission led an initiative to draw more film and TV business to South Florida (Miller & Yúdice, 2002, p. 80).

Federally, Congress considered legislation in 1991 to limit foreign ownership of the culture industries to 50 per cent, a xenophobia that retreated along with the Japanese economy, but returned with runaway production to Canada. The House of Representatives continues to contemplate a bill from 2000 to provide subvention to low-budget films, new production-wage tax investments incentives or research-and-development tax credits regularly come before Congress and there is now a Congressional Entertainment Industry Taskforce dedicated to retaining cultural industry jobs in the US (Miller et al., 2005, p. 103).

Producers often raise foreign funds through overseas tax shelters – again, using the public weal. Nearly 20 per cent of the US$15 billion expended on Hollywood production in 2000 was, for example, German, based on tax subsidies and funds from its high-technology Neuer Markt – in 2001 the figure amounted to US$2 billion. In

2004, US cable-TV companies might politely receive callers from US film commissions seeking their business, but they were planning production in Canada, based on funds derived from annual rebate incentives for "the dentists of Hamburg". The domestic Export-Import Bank Film Production Guarantee Program of 2001 is only the latest incarnation of the state off-screen (Miller et al., 2005, p. 103).

No wonder that *Canadian Business* magazine – archly, and with a deeply endearing hypocrisy – refers to "Hollywood's welfare bums" (Chidley, 2000). Even Time's European business correspondent (Ledbetter, 2002) acknowledges the world-historical extent of cultural protectionism in the US, which applies across the entertainment spectrum – what William I. Greenwald half a century ago memorably named "the virtual embargo" (1952, p. 48).

While their mounting dominance is there for all to see, US governments and Hollywood businesses object when other countries assert rights to national self-determination on-screen via barriers to imports or subsidies to domestic industry. Consider the cosmic arrogance in then-MPA head Jack Valenti's 2003 letter to Vicente Fox, the President of Mexico, after that government had announced a levy of one peso on each film ticket in order to support local production. The tone is truly Olympian: "[T]he adoption of such a measure without previously consulting [the Association] could force us to cancel our backing for the Mexican film industry … this also would cause difficulties to our mutual relations" (de la Fuente & Goodridge, 2003).

The US government has the world on notice that it will use the notorious provisions of the 1974 Trade Act against any cultural protectionism it dislikes: Hong Kong is accused of what the US likes to call "piracy;" the European Union is targeted because of its wealth and continued insistence on public support for non-US screen alternatives; alleged video pirates in the PRC face beheading, even as the US claims to be watching Chinese human rights as part of most-favored nation treatment; government support for protests by Indonesian filmmakers against Hollywood invite threats of vast array of industrial sanctions; and South Korea is told to drop screen quotas as part of 1998–99 negotiations on a Bilateral Investment Treaty. Meanwhile, neoclassical economists support such high-handed "diplomacy" by making reactionary arguments against state subsidies undertaken in the name of cultural sovereignty because, allegedly *ipso facto*, such intervention impedes the free market and disadvantages other nations while stifling innovation. For his part, Valenti has argued that it is a "delusion" that governments can stimulate a thriving cinema industry (Miller et al., 2005, pp. 95, 103). These *laissez-faire* shibboleths and Hollywood fictions attack government assistance everywhere, but act clueless about the constitutive nature of US governmental assistance to Hollywood.

Military-entertainment-government-industry links are ongoing. Stephen Spielberg is a recipient of the Defense Department's Medal for Distinguished Public Service, Silicon Graphics feverishly designs software for use by the empire in both its military and cultural aspects, and virtual-reality research veers between soldierly and audience applications, much of it subsidized by the Federal Technology Reinvestment

Project and Advanced Technology Program (Directors Guild of America, 2000; Hozic, 2001, pp. 140–141, 148–151). This alliance was clearly evident in the way the film industry sprang into militaristic action in concert with Pentagon preferences after September 11, 2001, and even became a consultant on possible attacks. The University of Southern California's Institute for Creative Technologies uses military money and Hollywood directors to test out homicidal technologies and narrative scenarios. And with NASA struggling to renovate its image, who better to invite to a lunch than Hollywood producers, so they would script new texts featuring the Agency as a benign, exciting entity? Why not form a "White House-Hollywood Committee" while you're at it, to ensure coordination between the nations we bomb and the messages we export (Miller et al., 2005, p. 107)? After all, Valenti (2003) argued before Congress that film pirates were known to be funding global terrorism.

Globalization of cultural labor

From the 1950s, the studios increasingly looked to independent producers for more differentiated films that reduced labor costs through the use of project contracts. Unions were now "hiring halls". Meanwhile, the made-for-television movie became a source of staple funding from the mid-1960s. The studios had to maintain unused lots, and their libraries were no longer wanted by TV. When independents cut costs, these huge institutions increasingly seemed relics (Storper, 1994, pp. 205–209). A property-based industry, where beds, bars and stars were "owned" as assets, gave way to a knowledge-based one, with skills and networks the key (Miller & Shamsie, 1996). These were the conditions of existence for Hollywood to become global at the level of production and distribution as well as exhibition.

State intervention in the operations of global Hollywood has helped transform the international division of labor devoted to audiovisual production. Hollywood's proportion of productions shot overseas in the last decade accelerated from 7 per cent to 27 per cent, according to a study undertaken by the Monitor Group in 2000 for the Directors and Screen Actors Guilds. Eighty-one per cent of these runaway productions went to Canada for a total of 232 in 1998 compared to 63 in 1990, and 10 per cent to Britain and Australia. This latest runaway trend depends on countries that have the right skills, language, familiarity, business links and foreign-exchange rates. The vagaries of foreign exchange are crucial. The Canadian, Australian and British currencies declined by between 15 and 23 per cent against the US dollar across the 1990s, with the Australian and Canadian dollars undervalued against it by as much as 35 per cent and 15 per cent respectively in 2002 (Ulich & Simmons 2001, p. 365; Center for Entertainment Industry Data and Research, 2002).

For both commercial and cultural reasons, governments see positive as well as negative implications in this New International Division of Cultural Labor. Aware that 30 per cent of runaway budgets is spent on location, they seek ways to utilize the new internationalism to create or tend their own screen industries and tourism (Seguin, 2003). It is estimated that 250 jurisdictions vie for runaways (Gasher, 2002, p. 97).

Between 1990 and 1998, thirty-one national film commissions were set up across the globe, many to attract foreign capital (Guttridge, 1996). Fiji's Audio Visual Commission has a web site announcing its intention "to make Fiji the world's best country to produce and distribute audiovisual products" via "the world's best tax incentives". Toronto is abjectly promoted as "any-city USA", while Israel promises "a unique opportunity to cast actors and extras from its population representing ethnic types of Europeans, Africans or Asians of all ages and backgrounds" (Hozic, 2001, p. 88). Meanwhile, Dollywood Studios recently opened in the United Arab Emirates as a "neutral production house" whose avowed identity is post-national, as a means of making Dubai "the hub of [the] film industry" (Ahmed, 2003). Dollywood is the principal rival to the Egyptian Media Production City, established in the late 1990s as part of a Media Free Zone, free of taxes rather than the media, free of socialism (guarantees of no nationalization) and free of censorship (for texts not shown in Egypt).

Case study: Mexico

The US has been a crucial participant in Mexican filmmaking for sixty years. The "*Época de Oro*" of the 1940s and 1950s was built on Second World War infrastructure provided by the US to encourage anti-Fascist, pro-US propaganda (Robinson, 2000). Most notably, Mexico City's Churubusco Studios were constructed by RKO, Emilio Azcarraga (founder of Televisa) and Harry Wright in the 1940s as a place where RKO could invest in the local industry and reap the benefits of the Continental *hispano-hablante* market (Tegel, 2001b). In the 1960s and 1970s, *auteurs* such as John Huston and Sam Peckinpah filmed in Mexico for the scenery, and Richard Burton, Elizabeth Taylor and their attendant *paparazzi* turned Puerto Vallarta into a tourist destination (Tegel, 2001a). Durango was the site for over a hundred Westerns and genre films in the same decades, because it had non-unionized workers, and in the 1980s *Dune*, *Under the Volcano*, *Predator*, *License to Kill* and *Total Recall* were shot there. Runaway productions shifted for a while as other locations vied for studio attention, and complaints grew about bureaucracy, extortion and skill levels (Miller et al., 2005, pp. 163–164).

Mexico again became a key site for offshore production following the success of *Titanic*. During its production Churubusco was renovated and a National Film Commission was established, with satellites across the country's 31 states, offering everything from trips in governors' helicopters to many other, less exotic, services (Tegel, 2002 and 2001b). Restoring Mexico to the Hollywood map gained James Cameron the Order of the Aztec Eagle from a grateful government, which offers docile labor, minimal bureaucracy, a weak *peso*, many US-trained technicians and liaison services. The National Film Commission's web site states that almost 3,000 foreign productions were shot there between 1995 and 2002, from airline commercials to *The Mask of Zorro* and *Romeo and Juliet*, which saved 35 per cent on Italian prices. Plans have been announced for a new runaway studio in San Miguel de Allende, a favored retirement spot for Yanquis that also has a new golf course in development.

There will be six sound stages, putting it beyond anything else in the country and without the urban life of Mexico City to disturb anxious Anglos (San Miguelwood, 2004).

Local workers on *Titanic* in Rosarito, a maquiladora sixty miles south of the border that became Fox Baja Studios and then the theme park Foxploration, reported horrific levels of exploitation and mistreatment, as the state forced out a leftist union in favor of management stooges. Mexico's new film "union" even maintains an office in Los Angeles to reassure anxious industry mavens of its cooperativeness and to remain up-to-date on US pay rates – in order to undercut them. In the words of Film Commissioner Sergio Molina, extolling the virtues of local workers permitting the importation of LA expertise: "The local unions have made themselves very flexible in the past few years. It's all negotiable now." Another cruel irony of globalization: workers submerged at the end of the credits (or not listed at all) "owed" their livelihoods to a boat sunk by invisible ice and business *hubris*. And since the *Titanic* production, the local catch of fish has declined by one-third because of Fox's chlorination project, endangering the ongoing livelihood of people in Popotla. Meanwhile it was revealed that the overall cost of the film could have provided safe drinking water to 600,000 people for a year (Miller et al., 2005, pp. 164–165).

Pearl Harbor, *Kung Pow: Enter the Fist* and *Master and Commander: The Far Side of the World* are among runaways to Fox Baja (Goldsmith & O'Regan, 2003, p. 106). Why? Because in 1999, a union carpenter in Hollywood earned US$275 for eight hours, whereas a union carpenter in Mexico earned US$216 for fifty-five hours. Mexico became a "'maquiladora' for movies of the week" (Riley, 1999), in the same way that it is a low-cost cross-border site for automobile assembly. Tony Mark, the producer of HBO's *Starring Pancho Villa as Himself* put it this way: "They are prepared to bend over backwards for us. How could you not be impressed by that" (quoted in Tegel, 2002)? Mexico even offers non-*mestizaje* Mennonite extras, to compensate for the fact that otherwise, "the people look different" (Riley, 1999). When Durango stood in for Texas for TNT's *King of Texas*, it was actually a nice reversal of Yanqui imperialism's violent annexations, and Arizona and Sonora now coordinate efforts to attract film investment. Little wonder that despite his florid anti-runaway rhetoric as a candidate for the governorship of California, Arnold Schwarzenegger shot several films in Mexico, including *Collateral Damage*. Good deals inevitably attracted the rodents of Disney, who began their first Mexican film in 2003 via a joint venture with Admira from Spain, while Warners mounted productions with Coyoacan Films, and Televisa's Videocine and Columbia TriStar co-produced films for Mexico itself (de la Fuente & Goodridge, 2003).

The Mexican was partly shot in Real de Catorce, the first location in San Luis Potosí used by Hollywood. Much was made of the fact that the production invested US$10,000 on new water pipes and to tap a spring in an abandoned mine – doubtless so that its stars Brad Pitt and Julia Roberts would have the best *agua* each morning – and that the local grocer's sales increased 20 per cent during filming. Meanwhile, construction workers were paid US$12 a day to match Pitt and Roberts' US$40 million salaries. *Master and Commander*'s producers obtained a union contract that dissident members saw as an outrage. It mandated exposure of US workers in Mexico to occupational and safety risks without danger money, and stipulated special conditions below US standards (Miller et al., 2005, p. 165).

Not surprisingly, Rupert Murdoch (1998) cites approvingly the number of European workers invisibly employed in the making of *Titanic*: "this cross-border cultural co-operation is not the result of regulation, but market forces. It's the freedom to move capital, technology and talent around the world that adds value, invigorates ailing markets, creates new ones." National Public Radio reported that Rupert's very own Fox company was asking the Mexican Government to offer further financial incentives for runaways (broadcast of 24 March 2000), even as the privatization of the film industry during the 1990s had decimated local production. Overall, the present conjuncture is a screen testimony to the North American Free Trade Agreement, which has seen the average number of offshore productions in Mexico per year increase from seven to seventeen as the shipment of film stock and special-effects equipment is facilitated, especially for low-budget productions while local production spiraled downwards, from 747 films in the decade prior to the Treaty, to 212 in the decade since (Ugalde, 2004).

Conclusion

There is much left to learn about globalization and the film industry. Publicly-available research is currently hindered by "private-sector" Hollywood's audits being secreted away in the information vaults of their accounting offices, and proprietary research firms that sell their data at exorbitant prices. Without access to the full range of information on Hollywood's operations domestically and globally, we are left to contend with the myths of Hollywood's magic and its unique understanding of storytelling. The myth becomes legend in much writing about Hollywood's success, which asserts that the supposedly neutral mechanism of market competition exchanges materials at costs that ensure the most efficient people are producing, and their customers are content. It would be polite to call this a "model", for as an historical account, it is of no value. The US, France, Germany, Japan, Korea, China – each story of successful industrialization follows the same path: state subsidy, import taxation, high regulation, and welfare protection. *Then* there was liberalization, and as yet with unclear results. But the ongoing public subsidy of Hollywood is little discussed in this age of neo-liberalism; it is not supposed to exist. But it does, which means researchers and policy reformers must challenge information enclosures by asserting their right to investigate companies that use tax-levied money. For the time being, private corporate Hollywood remains largely unaccountable to the people of the U.S for this expenditure of public funds and totally unaccountable to the people of the world. Film and globalization remain largely preserves of US domination. We must all grapple with the fiction that this results from audience demand, painstakingly pointing out the fallacious nature of this self-serving fantasy.

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