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Between state-led and corporation-led co-productions: how has film co-production been exploited by states in Europe

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Co-production was developed by several European countries to revive their film industries and has become increasingly popular, spreading across the region and beyond. However, this scheme should be carefully examined as to whether it is truly beneficial to the film industry. In response, this paper proposes two new concepts, “corporation-led” and “state-led” co-productions by distinguishing them from the prevailing notion of “(international) co-production.” Corporation-led coproduction is to achieve the best outcome through the optimal utilization of production (or creative) factors and business activities. By contrast, state-led co-production has been used to enhance the national image and has been supported by financial incentives. As such, this type of co-production becomes a hindrance for the optimal utilization of production factors. All of these aspects can be found throughout the history of Europe’s co-production efforts. In the future, such an instrument should be redesigned in order to promote the film industry more effectively.

Keywords: co-production; European film industry; subsidy; cultural diversity; cultural paucity

Introduction

Co-production has become a popular approach among filmmakers toward producing successful and attractive movies. Notably, governments have shown increasing interest in co-production as they have sought to support this scheme through various incentives such as subsidies and tax reliefs, even including national treatment (dual nationality). As yet though, there has been little distinction about the different types of co-productions that exist, specifically those driven by the state and those supported by private companies. Such as oversight is addressed by this paper, which seeks to show how a distinction can be made by examining the history of co-productions.

At the end of World War II, Europe’s film industries were facing a number of hardships. Given this dire situation, co-production was seen in Europe as the answer toward solving the problems blighting its film industries. Notably, such an approach was perceived as having several important benefits, including: (1) sharing financial burdens and risks among partners, particularly with the help of government incentives, (2) expanding the market size by distributing films in more than one country, (3) advancing skills and technologies for filmmaking and related sectors through spillover and learning from partners, and (4) enhancing cultural diversity through cultural interaction among partners and/or

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introducing different styles of films to the market. Such views have not changed and continue to be prevalent to this day which helps to explain the popularity of their use.

If co-productions offer such advantages, then it should be expected that businesses operating in the film industry would actively embrace this regime. However, the reality is very different by country or even region as shown in Table 1. Based on the top twenty-five film producing countries, three immediate trends can be identified. First, co-production is prevalent in all nine European countries listed who in the past were at the center of the global film industry. Second, Canada and Mexico, both bordering the US which is the largest film industry in the world, are showing increasing interest in co-production. Last, in contrast to these groups of countries, Japan and Korea seem to be less interested in co-production despite their close proximity to the largest film market in the world, China. It should also be pointed out that co-production is generally perceived positively in Korea and Japan.

There can be various explanations for why Europe is taking the lead in co-productions; close regional integration among European countries, utilization of abundant production (or creative) factors, favorable co-production environment, or long experience in film production. Given the dominance of Hollywood, co-production can be a useful tool to enhance the competitiveness of the European film industry. However, the situation today in regards to co-productions reveals a confused picture reflecting the lack of understanding on what co-production actually is. An example of such confusion is shown in the following comparative case of two different types of coproduced films.

The first film is *Un Long Dimanche de Fiançailles* (*A Very Long Engagement*) which was released in 2004. Based on the novel by Sébastien Japrisot, this French blockbuster was directed by Jean-Pierre Jeunet, whose previous international hits include *Amélie* (*Le Fabuleux Destin d'Amélie Poulain*) which was released in 2001. This film describes the story of a French woman who is searching for the truth of what happened to her fiancé during World War I. It was filmed over the course of 18 months in France, spoken in the French language, and employed some 30 French actors, 500 French technicians, and 2,000 French extras (Hohoadji March 23, 2020). Although this was a "coproduced" film among several "French" companies, it was not officially recognized as a French film. In other words, this film did not benefit from dual nationality; therefore, no state subsidies were provided. This was because the film's main production company, 2003 Productions, is 34% owned by the French subsidiary of the Hollywood studio Warner Bros (Conseil d'État 2007); in other words, this is a true form of international co-production.

The second film reveals an interesting contrast with the previous one. The movie series *Taken* starring Liam Neeson is internationally well known. They were released in 2008, 2012, and 2015 and were successively directed by French directors while Luc Besson, one of the most influential figures in French cinema, was the producer for the movie series. The story itself is about a retired CIA agent who fights various villains in order to protect his family. English is the main language in these films and they feature English-speaking actors from Australia, England, Northern Ireland, Scotland, and the US. In addition, this series is mostly set in the US as well as a few other international locations including Paris. As a result, the majority of audiences around the world have never considered that these films are French. Regardless of these facts, this film was recognized as a French production and has therefore received state subsidies.

This inconsistent approach toward providing subsides becomes even more pronounced when examining how co-productions are defined. The United Nations Educational, Scientific and Cultural Organization (UNESCO 2020) defines co-production as a "feature film produced involving financial participation of one or more producers of national origin and

Table 1. Number of films produced and share of coproduced films: Top twenty-five countries.

Rankings		2017		2016		2015		2014		2013	
		(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
1	China	874	–	853	–	686	–	618	–	638	–
2	USA	660	–	656	20.3%	663	–	649	–	738	12.7%
3	Japan	594	–	610	–	581	–	615	–	591	–
4	Korea	494	–	339	–	269	–	248	–	207	–
5	France	300	41.0%	283	43.8%	300	47.3%	258	41.1%	270	43.0%
6	UK	285	6.3%	317	9.1%	298	12.4%	339	12.1%	241	30.7%
7	Spain	241	17.4%	254	15.7%	255	22.4%	216	19.4%	231	24.7%
8	Germany	233	32.6%	244	39.8%	226	39.4%	229	35.8%	223	39.5%
9	Argentina	220	17.3%	199	17.6%	182	23.6%	172	25.0%	168	12.5%
10	Mexico	176	29.5%	162	27.8%	140	31.4%	130	20.0%	126	7.1%
11	Italy	173	15.0%	165	21.8%	185	15.1%	201	10.4%	167	17.4%
12	Brazil	160	13.8%	142	9.2%	129	5.4%	114	12.3%	129	15.5%
13	Turkey	148	5.4%	135	5.2%	137	–	109	–	85	8.2%
14	Russia	128	–	138	–	121	–	124	–	139	–
15	Switzerland	118	41.5%	109	37.6%	102	37.3%	110	37.3%	103	40.8%
16	Indonesia	117	–	124	–	114	–	109	–	97	–
17	Iran	98	–	90	–	85	–	82	–	87	–
18	Netherlands	92	50.0%	85	47.1%	87	100%	87	100.0%	68	32.0%
19	Canada	92	17.4%	105	17.1%	103	–	94	28.7%	93	21.5%
20	Uzbekistan	92	–	81	–	47	–	57	–	53	–
21	Belgium	87	78.2%	81	71.6%	69	69.6%	73	76.7%	70	75.7%
22	Greece	85	27.1%	73	30.1%	42	21.4%	43	25.6%	69	–
23	Malaysia	85	5.9%	110	9.1%	80	–	81	–	71	–
24	UAE	85	–	69	–	11	–	6	–	–	–
25	Thailand	80	–	–	–	–	–	–	–	–	–

Notes: (1) Rankings are based on the number of films produced in 2017. (2) (A)-number of films produced; (B)-share of coproduced films. (3) This data does not include certain countries such as India or Nigeria although they do produce a large number of films. (4) "–" means that either these countries have not shared data on co-production although it has been recorded that some of them coproduced films or the production number is marginal.
Source: UNESCO Institute for Statistics (2020).

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that co-production automatically involves an international setting. Instead of providing an explicit distinction with their functionalities, most studies simply highlight the dual nationality of films and the corresponding benefits from government subsidies under international co-production. Among the few studies, the European Audiovisual Observatory and the Council of Europe (2018) affirm that

> […] the main reason … is that the resulting work will be considered "national" in all countries involved in the co-production and will therefore be eligible for public funding in all of those countries. In order to achieve this, the co-production must be "official," that is, an international co-production which follows the rules of a co-production agreement (be it bilateral or multilateral) […].

In brief, through an agreement, coproduced works can enjoy national treatment and access to subsidies provided by the signatory countries. In this paper, it is labeled as "Type 1."

The distinction of international co-production made by the European Audiovisual Observatory and the Council of Europe (2018) infers that another opposite form must also exist, co-production between non-signatory countries. We label this form as "Type 2" in this paper. What about the same process among companies from the same country? This is labeled as "Type 3" in this paper. In fact, as this paper will show, the subtle distinction between Types 1, 2, and 3 is key toward showing where the fundamental problems with co-production arise from.

For distinction, Renaud and Litman (1985) coined the terms "co-production strategy" and "international co-production." The first is based on the US experience in the late 1970s and early 1980s where its film companies had minimized foreign input while preferring in-house production or coproducing films with domestic companies; which can be translated as Types 2 and/or 3. The term "international co-production" is used to highlight the fact that these US companies have worked with foreign companies as a way to address specific needs. Therefore, this can be treated as Types 1 and 2. In other words, the fine line for this distinction is the "internationalization" of the filmmaking business, not the official co-production agreement, although it is somewhat unclear.

To help make a better distinction, Baltruschat (2013) introduces the concepts, "official" and "non-official" co-productions which can be distinguished by whether or not there is a formal inter-government agreement; thus, these are Types 1 and 2 respectively. When (domestic and foreign) companies produce a film together under official co-production, then such a production can obtain dual nationality. The focus for Baltruschat's distinction is on the government's initiative, which highlights the importance of Type 1 co-production and is close to the prevailing concept (or definition) on co-production. However, her distinction ignores completely Type 3 co-production.

The above analysis presents two areas to investigate more. First, there has to be specific reasons for why governments offer financial incentives under a Type 1 scenario despite the alleged benefits of such an arrangement. Second, why have Types 2 and 3 not been evidently so prevalent in both the literature and in practice? A new concept or definition would help toward addressing these issues, enrich the existing studies, and provide useful implications for both academic and practical use.

Development of a new concept for co-production

In internationalization theory, corporate internationalization is regarded as a natural reaction to enhance the efficiency and better performance of the business. Ideally, companies will seek to process all their business under one roof in order to minimize possible transaction costs. However, in reality corporate efficiency and performance can be hindered by a diverse range of obstacles caused by endogenous and exogenous factors within the corporation and/or market. This induces companies to overcome such shortcomings by seeking out complementary assets from other entities. If these assets are unavailable at home or the efficiency is still considerably low, companies will seek them abroad (Moon and Roehl 2001; Parc and Jung 2018).

Operations-wise, there is little debate among companies as to whether they should go international or not. Simply, co-operation with others, regardless of their origin, entirely depends on corporate will in order to optimize the utilization of factors while reducing production costs in the “free” market. If applied to the film industry, co-production should be mostly led by companies. Yet, governments often intervene in the free market to pursue their own vision, philosophy, or policy. These government-led initiatives ([un]intentionally) induce or push companies to seek alternative ways of doing business or even bypass their efforts altogether. Hence, the corporation-led case is similar to Types 2 and 3 whereas the state-led one is closer to Type 1.

Based on existing studies and the critical review presented in the previous section, this paper introduces two new concepts, “corporation-led co-production” and “state-led co-production.” Corporation-led co-production exists between partners regardless of their nationality, which is similar to the form identified by Renaud and Litman. In this case, the most important point is that the will of the corporation for co-production is at the center; hence similar to Types 2 and 3.

State-led co-production, on the other hand, looks similar to corporation-led co-production and theoretically the nationality of partners are not important. However, in contrast to corporation-led co-production, initiatives and guidelines (or permission) from the government often have a heavy influence on various business activities or even override the will of the corporation; therefore, it is more related to Type 1. In theory, state-led co-production between domestic companies can happen; but governments are generally not concerned about this approach and offer very few incentives in this case.[1] As a consequence, participants usually have different nationalities and this creates more of an “international” aspect which helps to explain the common usage of the term “international co-production.”

Finally, the term “co-production” is a higher level arrangement that encompasses both corporation-led and state-led co-productions; this would suggest that “co-production” can refer to any type of co-operation *per se* among any entity. While the distinction of Baltruschat (2013) and Renaud and Litman (1985) have one variable, either official agreement or internationalization, the approach presented in this section has two variables, official agreement among signatories and the will of business for optimal utilization of production (or creative) factors and various related activities. This typology is presented in Figure 1.

Under corporation-led co-production, the entire responsibility for a film project is on companies. Simply, they must enhance their efficiency to produce the best work possible. In this way, companies will utilize production (or creative) factors strategically regardless of where they are from. If needed, these companies will work with their international counterparts or even alone while utilizing international factors of production to manufacture attractive films. Here, the share of contribution among partners cannot always be equal to each other, but varies. In addition, obtaining dual nationality is not the primary concern in this case, rather it is about business optimization. This type of co-production is based on market function and, therefore, is more business-friendly.

State-led co-production requires official international treaties or agreements to form linkages and government incentives are often provided. Such a system is labeled as

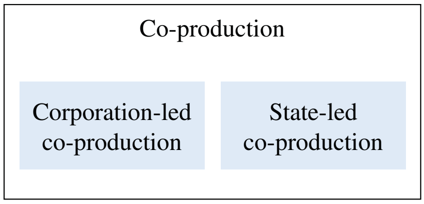

Figure 1. New typologies for co-production.

"international co-production." In order to benefit from these incentives, film companies will seek to pass the minimum qualification established by the signatories of an international agreement. This has the effect in some cases of transforming corporation-led co-production into a state-led one. However, as this qualification is rather arbitrary it can be constituted as a form of "red tape." In fact, it can even create unexpected disturbance in the market as it is not focused on creating a more business-friendly environment, but rather seeks to ensure administrative efficiency. This arbitrary intervention often demands equal contribution among partners due to dual nationality and revenue sharing. These can hinder the optimization of production factors to produce films.

This new typology helps explain more systematically the pros and cons of co-production that have been identified in the existing literature and provides more logical explanations for why film companies have exploited "international co-production." Despite this new concept, there remain two questions. First, why do governments continue to promote this "state-led" co-production despite the number of negative effects that may arise as mentioned before? Second, how long ago was corporation-led co-production in existence given that it is considered to be a natural reaction among companies?

In this regard, it is interesting to analyze all of these issues with a focus on the co-production experience in Europe where this regime has been in operation for a long period of time. In the next section, the history of co-production in Europe is scrutinized in order to show the distinction between state-led and corporation-led co-productions as well as the background and rationales behind them. For this, a number of selective cases are presented in order to provide a clearer understanding of these issues.

History of co-production in Europe

Beginning of corporation-led co-production: "Film Europe Movement" (1904–1929)

It is generally known that co-production has its origins in the Franco-Italian Co-Production Agreement signed in 1949. In fact, this can be considered as a continuum of the "experimental" co-production agreement established between France and Italy in October 1946 (Jäckel 2003a, 2003b). Hammett-Jamart, Mitric, and Redvall (2019), however, argue that co-production was already evident in Europe during the 1920s.

Nonetheless, traces of corporation-led co-production dates back much earlier. A prominent example in this case is the subsidiary of the French Gaumont Film Company, Gaumont-British Picture Corporation which produced *The Blacksmith's Daughter* in 1904 (Hawkridge 1996). This company even established the Lime Grove Studios in West London in 1915 solely for film production (BBC 2019). Carou (2004) and Fondation Jérôme Seydoux-Pathé (2012) also delineate that Pathé, once the world's largest film equipment and production company, participated in the co-production of US films such as *Les Mystères de New York* (*The Exploits of Elaine*) in 1914. These corporation-led

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example is Czech actress Anny Ondra who performed widely in the UK. All of these efforts through the Film Europe Movement, in fact, seemed to have been effective. The production of European films increased and its market share vis-à-vis US films increased visibly in France, Germany, and the UK throughout the 1920s (Thompson 1987).

Unfortunately, the Film Europe Movement and the heyday of European films did not last long as Germany's economic situation became worse. The main film production company UFA encountered its own financial difficulties and had to receive loans from Paramount and Metro-Goldwyn-Mayer (MGM) under what was known as the Parufamet Treaty. Due to this loan arrangement, the joint distribution company Parufamet was founded in 1925 for films produced by the signatories. This treaty did not ameliorate the financial situation of UFA, and Parufamet became an effective channel to distribute US films in Germany (Braun 2002). Eventually, the first wave of international co-production that was initiated by corporation and known as the Film Europe Movement was shattered by the early 1930s. This marked the beginning of the Great Depression, the introduction of sound films known as "talkies" in Europe in 1929, and more importantly the emergence of the Nazi regime in Germany.

Emergence of state-led coproduction: sound films and World War II (1930–1945)

Facing economic difficulties during the Great Depression, the countries of Europe focused more on their own home market as they pursued protectionist policies. In such an environment, these governments became dedicated to increasing exports while adopting measures to reduce imports. The film industry was no exception. This trend was further "helped" by Germany where the number of film production companies significantly reduced following a number of bankruptcies and mergers. For example, there were 83 companies in 1929, but this fell to 49 by 1934 (Thompson 1987). Such a limited number of film companies made it easier for the Nazis to control and manipulate the industry. Soon, the whole film industry was nationalized and its operations vertically integrated in order to produce propaganda films. Given the political situation at the time, the other countries in Europe began to import fewer German films.

As a consequence, the strong influence of the German film industry weakened in Europe. Despite its decreased market size and income, Nazi Germany managed to develop its film industry and produce propaganda films by mobilizing its financial muscle (Welch 1983). There were a number of coproduced films with France, Italy, and the US around this period, but from the second half of the 1930s the number of co-productions had reduced and were limited to its allies, countries under its occupation, or neutral states during World War II. In other words, the state-led aspect in co-production became more accentuated.

Another significant change came with the introduction of sound films in 1929 which transformed completely the landscape of Europe's film industries. In contrast with silent films, talkies clearly revealed the nationality of the performers as the audience could for the first time hear the language used. As the European film industry adopted this sound technology, the language difference accentuated more the reality of its fragmented market. Although talkies created divisions in Europe, several countries considered this technology as a useful barrier to protect their local markets. To take advantage of this new environment, the countries of continental Europe sought to confine English-speaking US films to the UK while seeking out new opportunities of their own (Harle 1931).

In this respect, France believed that French-speaking films would be popular in francophone countries and sought to orientate its film industry in that direction. Despite major investment to achieve success, this development was rather limited since the francophone markets in Europe were too small while those in Africa and other parts of the world were largely under-developed (Quoted in Thompson [1987], originally from Courtade [1978, 117]). In addition, these large companies that had many foreign subsidiaries went bankrupt or endured financial difficulties due to management errors in the early years of sound films. Further problems also arose from the severe competition among the big French companies within the limited domestic market. With an increase in the number of imported US films, the French film industry in the end became internationally weak (Borde 1983). Such an outcome pushed France to focus more on its home market through small and medium sized companies. In fact, it was through this effort that it managed to achieve some meaningful domestic development during this period. With this new inward focus, corporation-led co-production ventures with other foreign companies decreased. At the same time, France introduced dubbing quotas for foreign films released in French to protect its industry.

The situation with the Italian film industry was similar to France; it too focused on the domestic market. However, the industry endured a dramatic change in fortune. In the past, it had supplied half of the US market, but had rapidly become marginal by the 1910s (Bakker 2005). Around that time, due to the dominance of French and US films and their distribution companies, Italian films were rarely screened and the failure to implement verticalization led the industry into crisis by 1909 (Brunetta 2009). Further compounding these difficulties, a great number of Italian talent within the film industry left for the US following the outbreak of World War I. Although Italian film companies sought to achieve industrial consolidation and vertical integration as a response, these efforts mostly failed (Ricci 2008). In 1926, the major Italian conglomerate Unione Cinematografica Italiana (UCI) went into bankruptcy after experiencing financial difficulties. Part of the cause for this decline was the establishment of MGM's Italian distribution office in 1923, which helped to consolidate the penetration of US films in the country (Nicoli 2016; Ricci 2008).

Despite these difficulties, Italy managed to make significant strides for its film industry in the 1930s. The government introduced regulations in 1933 that forbid Italian films to be dubbed into a foreign language while all imported films had to be dubbed into Italian (Morris 1992). In 1934, the government created the Direzione Generale per le Cinematografia (General Directorate for Cinema) and opened the film studio complex, Cinecittà, where the whole process of filmmaking could be undertaken under one roof. Although the Fascist government during this period offered significant support to develop its film industry, unlike Germany, it never completely dominated its film industry (Bondanella 2012). In fact, all of these state-led efforts to strengthen the film industry helped to bring in foreign studios to produce films in Rome as they took advantage of these policies, notably those from Hollywood who worked through co-production; thus there was a degree of change from corporation-led co-production to the state-led one.

The introduction of talkies seemed to help France and Italy to develop their own film industries further. In particular, the French and Italian governments introduced dubbing quotas to limit the import of foreign films, specifically those from the US. Given that producing films in different foreign languages was costly, they expected that this constraint would reduce the number of imported US films. Initially, this seemed to be the case, but the US film industry had embraced this technology earlier than Europe and therefore had the advantage. With its advanced sound technology, US film companies began to penetrate further the European markets with multiple language versions (MLVs) of films, which could be considered a form of co-production in a broad sense.

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The dominance of US companies in Europe was further enhanced following the introduction of three post-war policies; Marshall Plan, government financial aid, and the Franco-Italian Co-Production Agreement. Although it is well known that Marshall Plan was instituted after World War II to revive the economies of Western Europe, the other component of this grand strategy related to the film industry is less known. Under the title of "The Marshall Plan Film Campaign," this program was tasked with the distribution of US films in Europe and the production of "European" films as part of a bigger effort to influence the views among Europeans toward the US and communism (Ellwood 2003; Hemsing 1994; Schulberg and Pena 2004). This effort induced US film companies to participate more in the region's filmmaking business.

In order to ensure the effectiveness of Europe's economic recovery program, it was prohibited for US companies and their subsidiaries to take the profits generated in Europe back to the US which created the "frozen fund" issue (Johnson-Yale 2017). This led these companies to pass their profits on to their subsidiaries for the purpose of producing more films in Europe. Such an outcome was contrary to the expectations among policymakers that these frozen funds would actually be reinvested into Europe's film production. This frozen fund issue later led to co-productions becoming runaway productions;[2] hence the "various benefits" offered by co-production for these European counterparts have been limited.

With the film sector being France's second largest industry in the early 1940s (Bellos 1999), the French government and its people wanted to protect it for economic reasons. Therefore, France joined in this "subsidy" flow in 1948 when the Blum–Byrnes Agreement was amended.[3] In the end, a significant amount of government aid was made available to the three large European film markets, France, Italy, and the UK for film production; it should be noted that Italy and the UK had already begun its subsidy program in the 1930s. As many of the US subsidiaries were considered as local companies (Renaud and Litman 1985), most of them were able to benefit from these local subsidies by exploiting the state-led co-production program.

Faced with the dominance of US films in the mid-1940s, European countries sought a way to increase their film production and quality. In this regard, France and Italy agreed in 1946 to coproduce ten films in Italy and five films in France while sharing the production costs. Some even hoped to open up a common market for French and Italian films at that time (Jäckel 2003a). As the initial phase of this state-led co-production was considered to be successful, it led to the official signing of the Franco-Italian Co-Production Agreement in 1949. Notably, in order to promote this agreement, the French and Italian governments even allocated subsidies for co-production; thus state-led. In other words, this was a similar process to building up the principle of most-favored nation (MFN) status between two countries against foreign countries, specifically the US.

As this agreement appeared to be making a great contribution to the rebuilding of the two film industries in terms of production, this approach was soon mimicked in other countries across Europe. And with the development of this state-led co-production program, it was even offered national treatment. As with previous policy instruments, US companies and their subsidiaries did not miss this opportunity. Since their subsidiaries had already been disguised as European entities, they were able to benefit from this state-led co-production program. As a result, US companies were able to accrue subsidies from three countries which helped to cover up to 80 percent of film production costs (Guback 1974). In particular, as Italy sought to be at the center of the European film industry by offering more attractive financial incentives and greater flexibility since the 1950s

(Jäckel 2003a; Mattelart 2009), it became a more favorable destination in terms of runaway productions for US film companies.

This state-led co-production increased US intervention in the European film industry, which stood in contrast to Europe's initial aims. Without solving this problem, European co-productions that were principally state-led, continued to further evolve. For example, the European Convention on Cinematographic Co-production from 1992 allowed for the participation of non-signatory countries, such as the US, so long as the overall project promotes a European identity. At the same time, however, it limits the financial contribution of non-signatories to 30 percent of the total budget (Council of Europe 1992). This convention has further developed and this state-led co-production still exists. Due to these benefits, corporation-led co-productions can easily be transformed into state-led co-productions. Given this outcome, maybe it is the time to think more carefully about co-production by distinguishing corporation-led and state-led co-productions.

Discussion

Europe is known for its efforts to strengthen "cultural diversity," however its state-led co-production policies have been rather inconsistent. This is very noticeable when examining just a few films that have recently been produced through "co-production," specifically *Gravity* (2013), *X-Men: Days of Future Past* (2014), and *Lucy* (2014), as well as the movie series *Taken*. These films might bring economic value to the European film industry, but are the cultural values portrayed in these films any different from what appears in Hollywood films (Parc 2020). It is important to verify whether international audiences perceive of these films as part of European culture as the policies have sought to achieve. For example, should not *Un Long Dimanche de Fiançailles* be recognized as more suited to the European concept of culture? Even from a business perspective, this type of film is economically more beneficial as the large "foreign" investment behind its production has helped to support Europe's culture and economy.

Some would argue that films like *Un Long Dimanche de Fiançailles* are more complicated since they were undertaken through co-production between European countries and non-party countries, such as the US. Others may even argue that co-production among European participants will not cause many problems. In this regard, Gendrault (2013) documented an interesting example that happened in the early years of co-production. *La Chartreuse de Parme* (*La Certosa di Parma* or *The Charterhouse of Parma*, 1948) and *Le Carrefour des Passions* (*Gli uomini sono nemici* or *The Crossroads of Passion*, 1948) are both Franco-Italian co-produced works, the crew of the first film was entirely French whereas the presence of the French crew for the latter was much smaller (64). Thus, which one can be regarded as a French film and who takes the greater share of revenues? More importantly, can two countries producing one film truly contribute to cultural diversity or cultural "paucity" for the long term (Parc 2020)?

There are those who would argue that this is why there are concepts such as "majority," "minority," and "parity" co-productions based on the share of the actual contribution among the participants. If state-led co-production in Europe is to promote "European cinema," then why do such distinctions have to exist? Does this not clearly show that state-led co-production is purely administrative for subsidization and rather propaganda-orientated under the name of "culture"? This outsourcing that determines majority, minority, or parity should depend on business, not on the state.

Co-production, particularly a corporation-led one can enhance the competitiveness of the film industry. By contrast, state-led co-production, particularly with subsidies, can be

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Union and Nazi Germany. Furthermore, the Franco-Italian Co-Production Agreement reveals how state-led co-production unintentionally offered favorable conditions that were then easily exploited by external (foreign) entities. This stands greatly in contrast to what was its ultimate objective. It is no surprise then that this state-led coproduction has induced foreign companies to abuse the system as a way to avoid various protectionist measures while benefitting from local subsidies for co-production. In this case, the benefits of state-led co-production should be carefully evaluated and compared to assess whether its returns are better than if the same amount was invested in another industry. Therefore, such an instrument should be carefully redesigned in order to revive the film industry more effectively.

This new concept is very useful to advance related academic fields such as cultural studies, film studies, media studies, as well as business and management. While this paper focuses on the historical aspect of co-production, there is scope for further studies to deepen this concept and even assess and compare the effectiveness of these two co-productions as proper data sets become available.

By understanding these two concepts critically, European countries should look to policies that can make the industry more competitive and sustainable for the future by redesigning the current co-production regime. When the European film industry regains its international competitiveness as it did in the beginning, it will contribute toward true cultural diversity with healthy competition and interaction among the films industries of other countries. What the European film industry needs is not innovative policies to revive its films, but rather "innovative" ways to understand and observe the industry from a broader and more comprehensive perspective.

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Notes

1. A good example for this case is Canada's "interprovincial co-production." However, tangible amounts of tax credits can be offered.
2. In this case, runaway production refers to Hollywood studios shooting a US-financed film in a foreign country, which is then intended for distribution in the US market.
3. The Blum-Byrnes Agreement sought to erase French debt to the US in exchange for opening the French market to US products. However, the French public, notably people in the film industry, perceived this agreement as a threat to their nation's films. In the face of such opposition, the agreement was amended in 1948 which brought in import and dubbing quotas while government aid became eligible to support the film industry.

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