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REVIEW



## What does *Emily in Paris* say about the “Netflix quota” and the “Netflix tax”?

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When the Netflix series *Emily in Paris* was released in October 2020, it was widely watched among audiences around the world. In its first week, it was listed as one of the top ten most watched shows, and almost 58 million people globally streamed this series in the first month after its release (Netflix, 2021). The story features a girl who moves from Chicago to Paris for work, and provides an American’s point of view on French lifestyle and includes many typical examples of culture clash. With such a set up, it naturally drew criticism about how it resorted to stereotypes about French culture. However, beyond these clichés, there was little focus in the media on what this series says about the current state of Europe’s audiovisual sector.

In this respect, it is worth examining what the producers of the series revealed in an interview about its production. Specifically, they explained that this series was mainly shot on location in Paris rather than New York. The major consideration behind this decision was finance and budget according to Stephen Joel Brown, one of the producers of the series (Dalton, 2021, 00:08:45). Elaborating further, producer Raphaël Benoiel revealed that shooting in France was less expensive than doing so in New York because of the subsidies offered by the French government (Dalton, 2021, 00:04:00; 00:09:36). He added that the production was further supported by the city of Paris (Dalton, 2021, 00:22:40).

As well as filming on location, Benoiel, who runs the company Firststep Production, stated that 99 percent of the crew for this specific series was French (Dalton, 2021, 00:44:04). This would suggest then that the French audiovisual sector has received a certain level of (financial and non-financial) benefits from hosting this American drama series in its country. However, as this “made-in-France” American drama series received a significant amount of French public support, the calculation for the true benefits that France received to assist such a series is more complicated.

Such a cost–benefit assessment of *Emily in Paris* for France comes across as even more convoluted when considering the fact that the European Parliament passed legislation to boost the region’s audiovisual services in October 2018. This piece of legislation stirred a hot debate as it implemented a 30 percent content quota for European productions upon streaming service providers. In passing the so called “Netflix quota,” its backers justified it as a way to support cultural diversity within the European audiovisual sector. In a sense it

was an effort to fight back against the dominance in the European streaming market by American companies such as Amazon Prime and Netflix, who are considered to be only interested in distributing American content.

Alongside the quota, video-on-demand platforms have also been asked to contribute to the development of European audiovisual productions, either by investing directly in content or by contributing to national funds (European Parliament, 2018), which is known as the “Netflix tax.” Given that these two protectionist measures mainly target the American streaming giants, it is important to consider whether these measures can truly help the European audiovisual sector achieve the stated goal of cultural diversity or if it ends up distorting the market. Before addressing this issue, we should establish a few clarifications.

First, regarding the Netflix quota, it is not clear what “European” content truly means. Is it the location of production or the nationality of the production companies? Should *Emily in Paris* be considered European content due to its production location or non-European content as the company that produced it is American?<sup>1</sup> Another debatable example is the film *Gravity* (2013). This film describes the story of two American astronauts seeking a safe way back to Earth after their space shuttle encountered serious damage. Despite the US-centered plot of the film, it won Best British Film at the British Academy of Film and Television Arts (BAFTA) Awards in 2014 because it was filmed at Pinewood Studios in the United Kingdom (Parc, 2020b).

From these examples, it is clear that the location of production does not really contribute to cultural diversity as this factor does not limit the production of the content, New York can be made to look like Paris or Pinewood can be set up as an American space shuttle. Moreover, this trend can put European production companies in a difficult situation where they are in direct competition with their international counterparts in Europe. Such a situation then only serves to reinforce co-productions and runaway productions with foreign companies or sub-contracting of European companies by their foreign counterparts for these types of work. Here it should be noted that despite the prevalence of these policy measure over many years, they have not achieved their goal to significantly improve cultural diversity in the European audiovisual industry (Johnson-Yale, 2017; Parc, 2020a).

Second, the effectiveness of the Netflix tax is also in question as the use of the investment and/or the national fund derived from this tax is at odds with the Netflix quota. For the sake of simplicity, three assumptions are possible in this regard for the production of “European” content while putting quality aside: (1) the investment/fund goes to big budget titles, (2) the investment/fund goes to low budget titles, or (3) the investment/fund goes to a mixture of both big and low budget titles.

When the investment/fund goes to big budget titles, the number of new European titles can be reduced as the amount of the investment/fund is limited. At the same time, in order to respect the 30 percent quota, the number of newly released non-European titles in streaming catalogues will be reduced as well. On the other end, when the investment/fund goes to low budget titles or to a mixture, there will be a greater number of new European titles when compared with the expected outcome of the first assumption. This may seem like a good outcome, but as the overall number of titles increases so too does the number of non-European ones. Simply, the problem here is that the focus of this policy tool is neither on the quality nor on the quantity but on the ratio, which misses

the point. Given that the average person has only a limited amount of time in the day to watch programmes, attractiveness (or quality) should be the more important factor.

When the number of movies and TV series filmed among the 27 Member States of the European Union during the period 2015–2019 is analyzed, it is evident that the total number of new European content has declined by 16.3 percent since the Netflix quota entered into force in December 2018 (see Table 1); data for 2020 was not included as the COVID-19 global pandemic has significantly distorted the analysis on this trend. If this trend continues, coupled with the pandemic that has hindered local production, new European titles will continue to be low. This will also limit or reduce the total number of new non-European titles in catalogues in order to abide by the 30 percent quota ratio; or old European titles which have not been available on Netflix would be added in order to increase the number of (old and/or new) non-European titles. In the end, the victims of this regulation are European consumers who pay the same amount in subscription fees, or sometimes even more, but have access to a smaller number of new titles.

In addition, many Member States of the European Union offer tax incentives such as tax rebates, tax exemptions, and subsidies to international productions for the simple fact that the filming is done in Europe such as the case of *Emily in Paris*. When the Netflix tax contributes largely to local investment or the national fund, international production companies will do their best to take full advantage of these financial contributions by exhaustively implementing various strategies such as producing “European” titles or

**Table 1.** The Number of European Contents and Annual Growth Rate (AGR).

| Country      | 2015         | 2016         | AGR (2016-2015) | 2017         | AGR (2017-2016) | 2018         | AGR (2018-2017) | 2019         | AGR (2019-2018) |
|--------------|--------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|
| Austria      | 95           | 84           | -11.6           | 76           | -9.5            | 62           | -18.4           | 56           | -9.7            |
| Belgium      | 146          | 168          | 15.1            | 174          | 3.6             | 156          | -10.3           | 137          | -12.2           |
| Bulgaria     | 20           | 16           | -20.0           | 15           | -6.3            | 14           | -6.7            | 12           | -14.3           |
| Croatia      | 16           | 16           | 0.0             | 14           | -12.5           | 17           | 21.4            | 7            | -58.8           |
| Cyprus       | 2            | 2            | 0.0             | 1            | -50.0           | 3            | 200.0           | 0            | -100.0          |
| Czechia      | 72           | 73           | 1.4             | 70           | -4.1            | 82           | 17.1            | 84           | +2.4            |
| Denmark      | 95           | 63           | -33.7           | 97           | 54.0            | 101          | 4.1             | 65           | -35.6           |
| Estonia      | 9            | 6            | -33.3           | 8            | 33.3            | 13           | 62.5            | 8            | -38.5           |
| Finland      | 36           | 51           | 41.7            | 56           | 9.8             | 46           | -17.9           | 34           | -26.1           |
| France       | 593          | 611          | 3.0             | 607          | -0.7            | 564          | -7.1            | 500          | -11.4           |
| Germany      | 619          | 589          | -4.8            | 564          | -4.2            | 504          | -10.6           | 429          | -14.9           |
| Greece       | 22           | 21           | -4.5            | 16           | -23.8           | 20           | 25.0            | 13           | -35.0           |
| Hungary      | 27           | 29           | 7.4             | 25           | -13.8           | 31           | 24.0            | 22           | -29.0           |
| Ireland      | 57           | 65           | 14.0            | 49           | -24.6           | 54           | 10.2            | 30           | -44.4           |
| Italy        | 202          | 221          | 9.4             | 230          | 4.1             | 213          | -7.4            | 175          | -17.8           |
| Latvia       | 4            | 7            | 75.0            | 11           | 57.1            | 12           | 9.1             | 11           | -8.3            |
| Lithuania    | 12           | 5            | -58.3           | 22           | 340.0           | 14           | -36.4           | 9            | -35.7           |
| Luxembourg   | 10           | 15           | 50.0            | 13           | -13.3           | 16           | 23.1            | 18           | +12.5           |
| Malta        | 2            | 5            | 150.0           | 3            | -40.0           | 2            | -33.3           | 3            | +50.0           |
| Netherlands  | 122          | 138          | 13.1            | 113          | -18.1           | 120          | 6.2             | 109          | -9.2            |
| Poland       | 64           | 72           | 12.5            | 94           | 30.6            | 95           | 1.1             | 66           | -30.5           |
| Portugal     | 24           | 32           | 33.3            | 35           | 9.4             | 26           | -25.7           | 25           | -3.9            |
| Romania      | 32           | 32           | 0.0             | 24           | -25.0           | 32           | 33.3            | 24           | -25.0           |
| Slovakia     | 23           | 23           | 0.0             | 28           | 21.7            | 32           | 14.3            | 31           | -3.1            |
| Slovenia     | 6            | 7            | 16.7            | 5            | -28.6           | 7            | 40.0            | 4            | -42.9           |
| Spain        | 254          | 253          | -0.4            | 268          | 5.9             | 259          | -3.4            | 213          | -17.8           |
| Sweden       | 103          | 101          | -1.9            | 119          | 17.8            | 114          | -4.2            | 98           | -14.0           |
| <b>Total</b> | <b>2,667</b> | <b>2,705</b> | <b>1.4</b>      | <b>2,737</b> | <b>1.2</b>      | <b>2,609</b> | <b>-4.7</b>     | <b>2,183</b> | <b>-16.3</b>    |

Data source: Lumiere VOD.

engaging in co-productions. In the end, the Netflix quota and the Netflix tax will foster a favourable environment for international companies, notably the American giants.

In fact, Europe experienced a very similar situation in the period after World War II. The “exploitation” in Europe during that time by Hollywood studios was caused by the large subsidies provided by European countries. Further disruption was created by regulations that prohibited US companies and their subsidiaries from taking the profits generated in Europe back to the US, which created the “frozen fund” issue (Guback, 1974; Parc, 2020a; Parc and Messerlin, 2021). Europe has poured much effort to preserve its history that is the basis of its cultural diversity, but it seems that Europe has not taken this as an opportunity to learn from its past mistakes. Perhaps the European Union should reconsider the way in which it categorizes what is European content or at least revise the laws on funding European productions.

## Note

1. Lumiere VOD is a directory of European works (film and TV content) available through on-demand services in Europe. It should be noted here that when one searches for *Emily in Paris*, it surprisingly does not appear in the Lumiere VOD directory, leaving one to assume that it is not considered a European work.

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