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TEXT

TAGS: BEXP, FR

SUBJECT: EUROPEAN QUOTAS AND THE AMERICAN TV INDUSTRY

REF: (A) PARIS 7043; (B) PARIS 16577;
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NAZI WAR CRIMES DISCLOSURE ACT
DATE 2001 2007

1. SUMMARY: THE EUROPEAN PARLIAMENT HAS ENDORSED THE
RECOMMENDATION MADE BY THE COUNCIL OF MINISTERS ON THE
ISSUE OF "TELEVISION SANS FRONTIERS" (TELEVISION
WITHOUT FRONTIERS), THAT THE MEMBERS OF THE COMMUNITY
SHOULD TRY TO RESERVE TO EUROPEAN PROGRAMS THE MAJORITY
OF BROADCAST TIME WHERE PRACTICABLE AND APPROPRIATE.
WE REPORT BELOW SOME OF THE PRESS COMMENT LEADING UP TO
THE DECISION, AND SOME REACTIONS FROM AMERICAN FIRMS IN

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THE TELEVISION PRODUCTION INDUSTRY TOWARDS THE ISSUE OF POSSIBLE RESTRICTIVE BROADCAST QUOTAS. END SUMMARY.

2. THE COUNCIL OF MINISTERS IN APRIL APPROVED A COMPROMISE POSITION FOR THE EUROPEAN PARLIAMENT ON THE ISSUE OF THE AMOUNT OF NON-EUROPEAN TELEVISION PROGRAMS TO BE PERMITTED ON EUROPEAN AIRWAVES. THE COUNCIL REJECTED A POSITION ORIGINALLY ADVANCED AND SUPPORTED BY THE FRENCH FOR A QUOTA REQUIRING 60 PERCENT EUROPEAN PROGRAMS, INSTEAD RECOMMENDING THAT EEC MEMBERS TRY, BY ALL POSSIBLE AND APPROPRIATE MEANS TO ENSURE A MAJORITY OF EUROPEAN PROGRAMS WHERE PRACTICABLE. THIS ISSUE HAS ATTRACTED GREAT ATTENTION AND DEBATE IN THE MEDIA, AND AMONG THE AMERICAN FILM AND TELEVISION INDUSTRY FIRMS ON WHOM IT WOULD HAVE THE GREATEST IMPACT. WE WOULD LIKE TO CITE SOME PRESS REPORTS AND OUR CONVERSATIONS WITH U.S. TELEVISION PEOPLE AT THE MIP-TV EXHIBITION IN CANNES IN LATE APRIL, TO PROVIDE WASHINGTON WITH SOME OF THE ATMOSPHERICS IN FRANCE ON THE ISSUE.

3. PER REFTELS, THE ISSUE IS WHETHER THE EEC SHOULD IMPOSE A QUOTA ON IMPORT OF NON-EUROPEAN (READ AMERICAN AND JAPANESE) TV PROGRAMS. THE FRENCH PREVIOUSLY SOUGHT A STANDARD OF 60 PERCENT OF ALL BROADCASTS BEING OF EUROPEAN ORIGIN; EC MINISTERS HOWEVER PREFERRED TO RECOMMEND A MAJORITY OF EUROPEAN-ORIGIN PROGRAMS WHERE PRACTICABLE. ALTHOUGH ONE OF THE PROPONENTS OF THE MORE RESTRICTIVE POSITION, FRANCE APPARENTLY INSTRUCTED MINISTER FOR EUROPEAN AFFAIRS EDITH CRESSON TO VOTE IN BRUSSELS LAST MONTH FOR THE COMPROMISE.

4. WE CANNOT ADDRESS THE REACTION IN OTHER EUROPEAN COUNTRIES, BUT FRENCH INDUSTRY AND MEDIA HAVE BEEN VOCAL IN SUPPORT OF STIFF QUOTAS, AND AGAINST THE INVASION OF AMERICAN AND OTHER NON-EUROPEAN PROGRAMS. JACK LANG, MINISTER OF CULTURE AND COMMUNICATION, IN OPENING THE MIP-TV (MARCHE INTERNATIONALE DES PROGRAMMES DE TELEVISION) IN CANNES ON APRIL 22, PLEADED FOR EQUAL RELATIONS BETWEEN EUROPE AND THE U.S, AND ACCORDING TO FRENCH NEWSPAPERS, REOPENED THE DEBATE BETWEEN EUROPE AND AMERICA ON THE DEFENSE OF CULTURAL IDENTITIES AND THE VIRTUES OF PROTECTIONISM. IN THE 25 MAY FIGARO GAULLIST DEPUTY DENIS BAODOUIN SAID THIS DIRECTIVE SACRIFICES FRANCE ON THE ALTER OF THE GRAND MARKET, AND ONE FRENCH PRODUCER EVEN SPOKE OF A "CULTURAL MUNICH".

5. ON MONDAY, MAY 22, A SPECIAL TRAIN WAS ORGANIZED TO GO FROM PARIS TO STRASBOURG TO LOBBY THE EUROPEAN PARLIAMENT ON THE PROPOSED TELEVISION POLICY. BAPTIZED "LE TRAIN DE LA CULTURE" (THE TRAIN OF CULTURE), IT WAS EXPECTED BY ORGANIZERS TO CARRY 500 PERSONS ON THE FIVE-HOUR TRIP TO STRASBOURG, WHERE A RALLY WAS TO TAKE PLACE AT THE NATIONAL THEATRE. DURING THE VOYAGE, ORGANIZERS PLANNED DEBATES ON CINEMA, THEATRE, MUSIC, ART, AND DESIGN. THE TRAIN WAS ORGANIZED BY JACK RALITE, A COMMUNIST MINISTER DURING FRANCOIS MITTERAND'S FIRST PRESIDENTIAL TERM, AND ATTRACTED

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SUPPORT FROM SOME OF THE LEADING LIGHTS IN THE FRENCH FILM AND TELEVISION INDUSTRY.

6. THE LE MONDE OF WEDNESDAY, 24 MAY, REPORTED THAT THE TRAIN DE LA CULTURE LEFT PARIS WITH LESS ARTISTS THAN HOPED, ALTHOUGH THEY DID MANAGE TO DELIVER THEIR MESSAGE TO THE PARLIAMENT. AND THE PARLIAMENT APPEARS TO HAVE NOT BEEN MOVED BY THE EMOTION, HYPERBOLE AND HIGHLY CHARGED LANGUAGE. COMMISSIONER OF AUDIOVISUAL AFFAIRS JEAN DONDELINGER RECALLED THAT THE INTENT OF

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THE DIRECTIVE WAS TO HELP PROMOTE EUROPEAN TV INDUSTRY BY GIVING EEC PROGRAMMING A EUROPEAN DIMENSION. DONDELINGER CONSIDERS IT IMPOSSIBLE TO CORRECT CULTURAL PROBLEMS BY SIMPLE QUOTAS; "THAT WOULD BE A CULTURAL MAGINOT LINE WITH NO PROMISE OF A BRILLIANT FUTURE".

7. AN INTERNATIONAL HERALD TRIBUNE ARTICLE MAY 22 (REF B) ON TELEVISION PROGRAMS AND PROTECTIONISM QUOTED VARIOUS FRENCH TV INDUSTRY PERSONALITIES WHO SEE THE PROBLEM AS CAUSED BY THE MEDIOCRE (AND OFTEN DEPLORABLE) QUALITY OF FRENCH TV. NEVERTHELESS, FRENCH INDUSTRY FEELS THAT WITHOUT SIGNIFICANT PROTECTION AND RESTRICTIONS ON MARKET ACCESS, THAT QUALITY WILL DECCINE EVEN FURTHER. WITH THE FUTURE OF FRENCH TELEVISION CLOSELY TIED TO THE FUTURE OF THE FRENCH FILM INDUSTRY (MANY FEATURE FILMS ARE PARTLY FINANCED BY SALES TO TV), THEY WORRY THAT UNRESTRICTED ACCESS TO FRENCH TV COULD KILL THE FRENCH FILM INDUSTRY.

8. MANY FRENCH CONSUMERS AS WELL FEEL THE ISSUE IS NOT PROTECTIONISM, BUT CULTURAL IDENTITY; THOSE CITED OR QUOTED IN THE IHT ARTICLE ARE NOT ANTI-AMERICAN. MARCEL OPHULS, RENOWNED FRENCH DIRECTOR OF "THE SORROW AND THE PITY" AND "HOTEL TERMINUS: THE LIFE AND TIMES OF KLAUS BARBIE", HIMSELF FEELS THAT "TELEVISION AND MOVIES HAVE TO DO WITH LANGUAGE AND CULTURE AND CREATIVITY. FRENCH TELEVISION IS ABOMINABLE...BUT WE DON'T WANT GERALDO RIVERA EITHER, DO WE?".

9. WITH JACK LANG'S OPENING SPEECH SETTING THE TONE,

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PROTECTIONISM WAS VERY MUCH AT THE FORE AT THE MIP-TV EXHIBITION IN CANNES IN APRIL 1989. A NUMBER OF FRENCH AND EUROPEAN TV PRODUCERS COMPLAINED THEN THAT ACCESS TO THE U.S. MARKET WAS SEVERELY RESTRICTED AND THAT THE VERY SMALL PORTION OF FOREIGN PROGRAMS ON AMERICAN TV DEMONSTRATES DEFINITE PROTECTIONIST ACTIVITIES. U.S. PRODUCERS HOWEVER DEFENDED THE LOW FIGURES ON THE GROUNDS THAT THE U.S. STATIONS DEMAND CERTAIN STANDARDS OF QUALITY OR CERTAIN FORMULA OF ACTION, FORMAT, OR PRESENTATION, THAT EUROPEAN PRODUCERS SIMPLY COULD NOT MATCH. THE U.S. PRODUCERS INSIST OUR MARKET IS COMPLETELY OPEN, BUT DISTRIBUTORS AND TV NETWORKS MUST CHOOSE ONLY THOSE SHOWS LIKELY TO SUCCEED AND MAKE PROFIT FOR THE STATIONS AND THEIR SPONSORS.

10. JENN-MARIE MACABREY, LOS ANGELES CORRESPONDENT OF THE TRIBUNE DE L'EXPANSION, IN AN ARTICLE ON 30 MAY, EXAMINED THE PROBLEMS FACING PRODUCERS. SALES OF U.S. PROGRAMS OVERSEAS, HE SAID, ROSE 63 PERCENT FROM 1986 TO 1988; UNIVERSAL PICTURES NOW EARNS 40 TO 45 PERCENT OF ITS REVENUES FROM COUNTRIES OTHER THAN THE U.S. OR CANADA, AND EXPECTS THAT TO RISE TO OVER 55 PERCENT BY 1992. MACABREY ATTRIBUTES THIS TO THE PRIVATISATIONS AND CREATION OF NEW CHANNELS THROUGHOUT EUROPE, A TREND WHICH WILL CONTINUE INTO THE FUTURE. CLEARLY THE U.S. PRODUCERS CANNOT AFFORD TO LOSE THAT MARKET.

11. ON THE OTHER HAND, MACABREY PUNCTURED THE ARGUMENT THAT THE U.S. MARKET IS PROTECTIONIST, CITING SEVERAL EUROPEAN PRODUCERS - DINO DE LAURENTIS, CARLO PONTI, DAVID PUTNAM - WHO HAVE DONE VERY WELL THERE. THE PROBLEM COMES FROM EUROPEANS WHO DO NOT MAKE THEIR FILMS FOR A GLOBAL DISTRIBUTION, WHEREAS THE AMERICANS ALWAYS SEEK WAYS TO INCREASE THE WORLD MARKETABILITY OF A PRODUCT: USING EUROPEAN ACTORS LIKE SEAN CONNERY OR ISABELLA ADJANI, REMOVING SCENES THAT ARE TOO NARROWLY AMERICAN, AND OTHER DEVICES DESIGNED TO INCREASE SALES.

12. AT THE RECEPTION ORGANIZED BY THE EMBASSY FOR THE AMERICAN EXHIBITORS AT THE MIP-TV, COMATT HAD THE CHANCE TO DISCUSS WITH SEVERAL THEIR VIEWS OF THE ISSUE, THE QUOTAS, AND WHAT THE USG COULD AND SHOULD DO TO ASSIST THEM. THE CONSENSUS OF OPINION WAS ESSENTIALLY DIVIDED IN TWO - THOSE VERY CONCERNED ABOUT THE IMPLICATIONS, AND THOSE CONFIDENT THAT MARKET CONDITIONS WOULD PREVENT ANY STRONG MOVE TOWARDS PROTECTIONISM FOR AT LEAST SEVERAL YEARS.

13. SMALLER U.S. PRODUCERS ARE WORRIED THAT THEY WOULD BE AMONG THE FIRST TO FEEL THE BLOW IF THE AX SHOULD

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FALL. THEY UNDERSTAND THE CULTURAL IDENTITY ISSUE BUT SEE THE OVERSEAS MARKET AS AN ESSENTIAL PART OF THEIR SALES AND MARKETING STRATEGIES. FOR MANY, THE AVERAGE TV PROGRAM PRODUCTION COSTS ARE COVERED BY ITS SALES IN THE U.S. MARKET, BUT PROFITS BEGIN ONLY WITH SALES OVERSEAS. CLOSING THOSE MARKETS RISKS LOSING THIS PROFIT AND THE INDUSTRY RECEIVES A VERY SEVERE BLOW.

14. OTHER COMPANIES, ESPECIALLY THE MAJOR FIRMS, ARE MORE SANGUINE. MEL HARRIS, PRESIDENT OF PARAMOUNT TV, FOR EXAMPLE, WHOSE VIEWS WERE SHARED BY SEVERAL COMPANIES WE MET, FELT THAT THE EXPLOSION OF GROWTH IN COMMERCIAL TV MARKETS IN FRANCE, THE U.K. AND MOST OTHER EUROPEAN COUNTRIES, MEANT THAT GOVERNMENTS COULD NOT OVERCOME THE MARKET FORCES DEMANDING NEW AND QUALITY PROGRAMS. TV STATIONS, IN A FIERCE STRUGGLE FOR MARKET SHARE AND SPONSORS, MUST GET PROGRAMS THAT MAXIMIZE THEIR CHANCE OF ATTRACTING THE VIEWERS WHO ARE KEY TO THEIR SUCCESS. HARRIS ALSO FELT CO-PRODUCTIONS BETWEEN U.S. AND FOREIGN COMPANIES, WHICH MANY U.S. FIRMS ARE ALREADY CONSIDERING, WOULD FURTHER REMOVE THE PROTECTIONIST THREAT, ALTHOUGH FOREIGN COMPANIES HAD TO FOLLOW U.S. STANDARDS TO HAVE A PRODUCT MARKETABLE ALL OVER THE WORLD.

15. THE LOCAL REPRESENTATIVE OF ANOTHER MAJOR U.S. TV DISTRIBUTOR AMPLIFIED THIS ATTITUDE TOWARDS THE MARKET, FEELING THE EUROPEANS WOULD CUT THEIR OWN THROATS BY TRYING TO SUPPORT AND FOSTER A HOME-GROWN TV INDUSTRY. IN THE LONG TERM, HE FINDS IT INEVITABLE FOR U.S. FIRMS TO WORK MORE CLOSELY WITH COUNTERPARTS IN EUROPE OR IN OTHER PARTS OF THE WORLD, BUT UNTIL THOSE ARRANGEMENTS CAN BE SET AND VARIOUS PROJECTS BEGUN, THE NATURAL CHOICE, AND OFTEN THE ONLY CHOICE, IS TV PROGRAMS FROM ESTABLISHED MARKETS LIKE THE U.S.

16. WE NOTE THERE HAVE BEEN EUROPEAN CHARGES THAT AMERICANS ARE DUMPING TV PROGRAMS HERE AT PRICES NOT SUPPORTING THEIR COSTS. AS THEIR PROFITABILITY DEPENDS ON SELLING A PROGRAM IN A GLOBAL MARKET, U.S. PRODUCERS GRADUALLY RECOUP THEIR PRODUCTION COSTS, LITTLE BY LITTLE, IN VARIOUS MARKETS. AS NOTED ABOVE, SELLING PRICES IN THE U.S. GENERALLY COVER THE PRODUCTION COSTS BUT SELLING PRICES OVERSEAS GENERATE THE PROFITS ON A FILM OR TV SHOW. THIS GLOBAL MARKETING OF A PRODUCT MAKES IT DIFFICULT TO FIX A UNIT COST FOR EACH MARKET,

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AND MEASURES TO DETERMINE FAIR MARKET PRICE (AS FOR MANUFACTURED PRODUCTS) OF THE PAST ARE NOT VALID FOR SUCH REUSABLE COMMODITIES. NEVERTHELESS, THE ISSUE COULD POSE SOME DIFFICULTIES, AS THE ARGUMENT HAS A CERTAIN SUPERFICIAL AND VISCERAL ATTRACTION. HOWEVER, GIVEN THE TIE BETWEEN THE FRENCH FILM AND TELEVISION INDUSTRY AS NOTED ABOVE, IT COULD VERY WELL BE A CASE OF THE POT AND KETTLE BEING EQUALLY BLACK.

17. WHATEVER THEIR VIEWS TOWARDS THE ISSUE HOWEVER, ALL U.S. COMPANIES AGREED ON THE NEED FOR THE USG TO SUPPORT THEM AND THEIR MARKETING EFFORTS AS STRONGLY AS POSSIBLE IN EUROPE AND ELSEWHERE. WHILE MANY DISCOUNTED THE PASSAGE OF QUOTAS AND PROTECTIONIST LEGISLATION, ALL FEARED ITS CONSEQUENCES IF PASSED. THE MAJORITY SUPPORTED SUCH EFFORTS AS THE RECEPTION THE EMBASSY ARRANGED FOR THE AMERICAN FIRMS AT MIP-TV, WHICH SEND A CLEAR SIGNAL OF OUR SUPPORT TO ALL THE EUROPEAN GOVERNMENTS WATCHING. WE INTEND TO INCREASE OUR VIGILANCE ON THIS ISSUE, AND WORK WITH THE INDUSTRY TO FIND THE MOST APPROPRIATE WAYS TO CONTINUE PROVIDING USEFUL AND MEANINGFUL SUPPORT TO THIS IMPORTANT U.S. EXPORT REVENUE EARNER.

18. FYI: IN A BRIEFING FOR THE TAMPA BAY AREA SUPER TASK FORCE VISIT TO PARIS, MISSION LEADER CONGRESSMAN SAM GIBBONS FORCEFULLY RAISED THE ISSUE OF TV QUOTAS, SAYING THAT CONGRESS WOULD NOT TOLERATE ANY EFFORTS TO BLOCK OUR FIRMS FROM THESE MARKETS. HE WAS ADAMANT THAT THE CONGRESS WOULD REACT STRONGLY TO ANY SUCH OBSTACLES, AND ENCOURAGED US TO MAKE CLEAR TO FRENCH GOVERNMENT FIGURES THE DEPTH OF FEELING IN CONGRESS ON THIS ISSUE.

(USFCS PARIS/COMATT/RJMARRO) LISSFELT UNQUOTE

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