GLOBALIZATION AND CULTURAL DIPLOMACY

Art, Culture & the National Agenda
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CENTER FOR ARTS AND CULTURE
Art, Culture & the National Agenda
Issue Paper
The Center for Arts and Culture is an independent not-for-profit organization dedicated to examining critical issues in cultural policy. The Center initiated, in the Spring of 2000, a project called Art, Culture and the National Agenda. With generous support from a number of foundations, the Center solicited background papers on arts and cultural issues from dozens of scholars and practitioners over an 18-month period. The aim of Art, Culture and the National Agenda is to explore a roster of cultural issues that affect the nation's well-being -- issues that should be on the horizon of policymakers, public and private, and at national, state and local levels.

This issue paper, Globalization and Cultural Diplomacy, is the fourth in the Art, Culture and the National Agenda series. Written by Dr. Harvey Feigenbaum from George Washington University, Globalization and Cultural Diplomacy looks at trade, cultural diplomacy, and foreign policy implications of globalization. This issue paper, like others in the series, reflects the opinions and research of its author, who was informed by commissioned background papers and the assistance of the Center's Research Advisory Council. The paper does not necessarily represent the views of all those associated with the Center.
The Art, Culture and the National Agenda project was supported by the Robert Sterling Clark Foundation, the Nathan Cummings Foundation, the Thomas S. Kenan Institute for the Arts, the Ford Foundation, the Open Society Institute, the David and Lucile Packard Foundation, the Rockefeller Foundation, and the Andy Warhol Foundation for the Visual Arts. We are grateful for the time and resources provided by each of these foundations.

We would like to thank, in particular, Harvey Feigenbaum for his hard work in producing this issue paper. We also thank Research Advisory Council member William Glade, of the University of Texas, for his advice and counsel in the paper’s development. Finally, we thank the following individuals for their contribution in providing necessary background information for Globalization and Cultural Diplomacy:

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Additional information about the Center and the Art, Culture and the National Agenda project can be found on the Center’s web site at www.culturalpolicy.org.

Since the terrorist attacks of September 11, 2001, our national conversation has assumed a new tenor. Americans now better understand how culture affects the way we are viewed by some people in other parts of the world. As we struggle to recover from the attacks, we must ask how we can nourish a truer picture of American values, American culture, and American democracy. The Center for Arts and Culture hopes that this issue paper will contribute to a deeper understanding of culture’s role in global interactions, and that its proposals will spur the federal government to devote additional resources and attention to the critical contributions of culture in the conduct of foreign affairs.

Gigi Bradford
Executive Director

November 2001
EXECUTIVE SUMMARY

Culture can be the glue that binds civil societies; it can provide for the common assumptions which undergird markets, laws and regulations. Conversely, cultural divisions can tear a society apart, and make its markets, laws and regulations unworkable, at least in part. Thus, the configuration and production of culture is a legitimate concern of public policy, for it comprises both public and private goods. Additionally, understanding the culture of other peoples and nations is essential to international cooperation and successful commerce in today’s increasingly global markets.

Cultural products and services are increasingly important to American competitiveness, as national and global economies are more and more based on information and the means of its exchange. This issue paper focuses on the significance of globalization and its policy implications for education, the regulation of intellectual property and monopolies, and the financing of new creative enterprises.

The nation states of the world have moved from the bi-polar system of the Cold War to a global system -- integrating markets, nation states, and technologies to a degree never witnessed before. Globalization has stimulated world-wide growth, and for some, incomes are rising at unprecedented rates. But there is a backlash from those who have been, or think they have been, left behind. For some people, local, regional, or national cultures seem to be eroding under the pressure of global markets.
The United States tends to dominate international trade in cultural goods and services. Even though a number of the world’s major cultural producers and distributors are not owned by Americans, the predominance of U.S. content results in tension between U.S. foreign economic and trade objectives and the desire of other countries to preserve their cultural identities and foster indigenous cultural industries. Historically, U.S. government policies have tended to favor free trade in cultural products and services. Other nations, however, have restricted such trade because they are concerned by the dominance of U.S. cultural goods and services, particularly in the audio-visual sector.

Outside of commercial trade in cultural goods and services, the U.S. government has a long-term commitment to promoting mutual understanding by fostering international cultural relations. U.S. government programs to this end have taken the form of exchanges, on the one hand, and public diplomacy, on the other. Exchanges allow people from different countries and cultures to get to know and understand each other. Public diplomacy, in the service of which cultural diplomacy has sometimes been enlisted, gets America’s word out – in a hopefully persuasive way to hopefully receptive publics in other nations.

This paper suggests:

America’s trade advantages in cultural products and services can be maintained even if the U.S. is less adamant about opposing cultural exceptions to free trade. The technologies of direct broadcast satellites and digital compression tend to moderate or even blunt the impact of cultural protectionism. Moreover, maintaining diverse sources of cultural products and services, on a global as well as national level, provides value added for American consumers and producers while allowing other countries to produce their distinctive cultures as a valued public good.

America’s long term international competitiveness in the “Knowledge Economy” will depend on improved education, modernized regulation of intellectual property and knowledge monopolies, and micro-financing of small, creative enterprises. These efforts will need to concentrate, in part, on the cultural ingredients intrinsic to the Knowledge Economy.

The U.S. may be able to live with some cultural exceptions through existing flexibilities in the General Agreement on Trade Services (GATS), but there is also no need to adopt a pose of rigid opposition to the forms of exception advocated by the Europeans and Canadians. Generally speaking, the US should show more sympathy with the cultural dilemmas that other countries experience in the face of American popular culture.

State Department programs in support of educational and cultural affairs, on the one hand, and public diplomacy, on the other, must be kept carefully distinct, even though they are fundamentally compatible. Furthermore, both cultural exchanges and public diplomacy need the resources and administrative muscle to carry out
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The International Marketplace

The end of World War II set the stage for dramatic changes in the world – politically, economically, and culturally. Yet, it would take almost half a century for these changes to play out. In the West, political, economic, and cultural nationalism became discredited. On the other hand, in the developing world – whether newly emerging states from ex-colonies or long independent countries – nationalism in all its forms spread and intensified. In these developing countries, governments resorted to a multitude of controls, regulations, and promotional policies that supported state-managed industrialization and restricted international trade and investment.

In addition, a large portion of the world parted company with the open societies of the West and their preferred trade and investment policies. Centrally planned economies were installed in the Soviet sphere, on the Chinese mainland, and elsewhere. Political pluralism was systematically eliminated in these countries. And, cultural imports were controlled and held to a minimum, while cultural exports were harnessed to expansionist political aims.

their particular mandates. Cultural offices abroad need to be tailored to fit each country’s specific situation and be staffed with Americans of high achievement. Distinguished university professors, arts and educational administrators, journalists, trade union officials, and artists should be recruited for temporary assignments. U.S. government programs should facilitate exchanges for their long-term intellectual, artistic, and educational value, rather than tie them to often transient policy objectives.
Notwithstanding these factors, the United States was able to use its post-war industrial preeminence and influence to construct, with the support of the International Monetary Fund and the World Bank, a world economy with generally diminishing trade and investment barriers and open markets. Although the process of trade liberalization launched by the industrially advanced countries was long, often laborious, and fraught with contradictions, it nonetheless continued through the eight consecutive rounds of negotiations that composed the General Agreement on Tariffs and Trade (GATT) and that culminated in the establishment of the World Trade Organization (WTO). Exchange of goods (and increasingly services) skyrocketed, creating previously unknown levels of wealth and prosperity for many.

Alongside the institutional framework provided first by the GATT and then by the WTO, regional arrangements, such as those that eventuated in the European Union and the Southern Cone Common Market (Mercosur) in Latin America, were harbingers of the development of a global economy. By the 1980s, even the developing countries were turning to the kind of market-based policies that the advanced nations had been espousing. The collapse of communism after 1989 further extended the reach of this system to the countries of Central and Eastern Europe. A decade or so earlier, a shift in Chinese economic policy had gradually opened a large portion of Asia to growing participation in world markets.

In economic terms, the huge increase in the volume of trade went hand in hand with major changes in the organization of economic production. With barriers to trade effectively dismantled and technological changes dramatically facilitating transport and communications, companies could locate each stage of production in areas where factor costs were cheapest, allowing them to optimize sales of finished goods in the most lucrative markets. This expansion of trade, together with the geographical integration of production, came to be a significant piece of what came to be known as "globalization."

As Margaret Wyszomirski points out, globalization is a "process in the works."

Economically, globalization is seen—variously—as a process by which business expands into markets around the world; as the increasing integration of world markets and the parceling out of different stages of production to areas with the most obvious competitive advantage; or the increasing interdependence of business and financial systems.

Technologically, the internationalization of communications, media, and information delivery and distribution systems both supports and drives the emerging global economy. Multinational and transnational communication and media corporations use wireless, fiber optic, and web-based technologies to manage and market their products globally. The Internet and associated activities have made information access easier and faster than ever before. And technology keeps evolving at a rapid pace.  

Globalization is clearly about more than commerce. Thomas Friedman notes in *The Lexus and the Olive Tree*: "Globalization...is the overarching international
system shaping the domestic politics and foreign relations of virtually every country...” It “involves the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before - in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is also producing a powerful backlash from those brutalized or left behind...” We have gone from “How big is your missile?” to “How fast is your modem?” We have gone from a variety of economic ideologies to a choice between “free market vanilla and North Korea.”

Many stress the benefits of this new world order - increased efficiency, development, and income, as the newly industrialized countries expand their export markets and attract inward investment. By and large, globalization has been received positively by national governments, and in some quarters enthusiastically. Standards of living are, by and large, higher.

Critics worry, however, about the impact of globalization on workers and the environment, and public protests at meetings of the World Trade Association in Seattle and Genoa are a measure of their concerns. Some argue that the rise of manufacturing in developing economies has occurred at the expense of labor in the developed countries. It is suggested that the loss of low and semiskilled jobs in advanced countries has left the more poorly educated in those countries in precarious circumstances, without the training to compete for new jobs in the high technology industries.

On the other hand, recent low unemployment rates in the United States would appear to cut against the argument that most workers are not better off. And many of the poor in the developing world are much better off. Still the onset of recession may activate the persisting concern that liberalized trade may worsen income distribution in both advanced and developing economies. Even so, so long as world trade is expanding, there appears to be some reduction of poverty in the developing world.

Other critics see globalization as undermining environmental and worker protections. Firms in advanced countries with these protections see themselves at a competitive disadvantage in relation to rivals from countries with less costly regulations. Some academics with no obvious political ox to gore stress that the tendency toward globalized production allows economic actors to escape not only the control of governments, but also the discipline of markets. As Prakash and Hart point out:

In an international economy, cross-national trade and investment flows are regulated by the state, or supra-national institutions established by states. In contrast, production in a global economy is organized in cross-border networks or value-chains largely out of the control of states. Since a significant proportion of cross border trade takes place within firms, cross-border networks supersede resource allocation by markets as well.

On the other hand, Friedman argues:

[T]hanks in large part to increasing globalization more than one quarter of humanity is
society and economy, including specialists at the World Bank, argues that the cultural wealth of nations is key to the New Economy. She urges that this cultural wealth can no longer be regarded as something fixed, inherited, and mass distributed, but as a measure of the vitality, knowledge, energy, and dynamism in the production of ideas... The challenge for every nation is not how to prescribe an environment of protection for a received body of art and tradition, but how to construct one of creative explosion and innovation in all areas of the arts and sciences.

The pursuit of knowledge and the encouragement of creativity, while related, are not identical. Nor is the venue for these efforts limited to higher education. The entire educational sector is crucial. As Venturelli argues:

Basic literacy skills and imitative learning adequate for following instructions on the assembly line, the workshop, or desktop terminal are simply inadequate to the demand of a creative and innovative society. Not basic education, but advanced intellectual and creative skills that emphasize interdisciplinary and independent thinking, should be required at earlier stages of the educational process and extend from preschool to grad school.

The “Creative Economy” (as Venturelli calls it) has another set of issues concerning intellectual property laws and practices. “The nation that can accurately balance ‘fair use’ with property rights in expression will experience unforeseen and unpredictable spurts...
if some have viewed the economic impact of globalization with a jaundiced eye, the cultural impact of the phenomenon has been even more disquieting to others. Changes in the economy are linked with other aspects of a society: e.g., social and political structures, the organization of civil society, preferences and beliefs, patterns of consumption, and the repertory of cultural expression.

Communications technologies are speeding up globalization and affecting cultural differences. Treasured features of societies and their cultural expressions are undergoing profound changes. This has led a number of countries to express concern that culture is becoming "too global," in the sense that it is becoming too homogenized.

For a European or Canadian the impact of cultural globalization is clear: one need simply flick on one's television, purchase a CD, thumb through the "Amusements" section of the daily newspaper, or walk past the local McDonald's. The problem for many Europeans, Canadians, and Latin Americans, to say nothing of millions in the Islamic world, is that globalization means Americanization. The uniformity of mass cultural offerings around the world has led cultural critics to see globalization as an international orientation toward the worst aspects of mass consumption and American cultural products pitched to the lowest common denominator.

These critics are not completely wrong. Popular culture (including software), according to some reckonings, rivals aviation and agriculture as one of
the size and aggressiveness of American cultural industries such as movies, television, and publishing have, in various periods and among certain audiences, stimulated a strong sense of fear about the ‘Americanization’ of Canada.\[13\]

There have been similar reactions in France, Korea, Norway, Australia,\[14\] and other countries.

This fear of dominance by U.S. art and culture is compounded by the American approach to cultural trade. Sensitivity to the cultural concerns of our allies is not our strong suit. In the American view, Europeans or Canadians should put up no barriers to the entry of “cultural products” any more than they should be allowed to discriminate against other types of traded goods. Michael Boskin, chief economics advisor to President George H. W. Bush, famously noted that there was no difference between “silicon chips and potato chips,” and cultural goods and services should be viewed in the same way.\[15\] This position rankles our trading partners. As Mulcahy notes:

In Canada (as in many European nations), culture is an expression of national identity, and as such is to be promoted and protected as a public responsibility. To the degree to which culture for Americans is about the profit-making entertainment industry and for Canadians about the politics of national identity, there should be little doubt about the propensity for mutual misunderstanding concerning any exempt status for cultural industries in free-trade agreements.\[16\]

The result has been a series of efforts by many
Thus, the issue is not simply the protection of a country’s culture, although this is perhaps both the most emotional element of these policies and the best argument politically. Cultural protectionism has an economic purpose as well. Some would suggest that economics are the principal purpose. And, beyond the cultural industries themselves, Shalini Venturelli argues that the cultural sector will become the leading edge of most economies in the 21st Century, as the “Information Economy” becomes the “Creative Economy.”

In a world where innovation is crucial, where the providers of “content” become the key producers for the Internet and other media, where creativity has multiple applications, cultural industries that might have been merely luxuries in an earlier era become more central.

As Frances Cairncross concludes in The Death of Distance, the fear of being overwhelmed by the output of Hollywood is “greatest in Europe.” Two trends, she says, worry Europeans: “the collapse of the local movie industries and the rise of American imports.”

Cairncross points out that, by the early 1990s, the box office take of European-made films in their home market had dropped to one-sixth of its 1957 level in real terms. And, this was so notwithstanding the fact that European films cost on average 10 percent of what American films cost and were 80 percent subsidized by the State. As Angus Finney in The State of European Cinema quotes British film producer David Puttnam: “If we make a film that nobody comes to see, who do we seek to blame?” Finney also quotes French actress Jeanne Moreau: “If carpenters made chairs the way that [French] screenwriters produce scripts, we would all be sitting on the floor.”

In the Bush Administration’s 2001 International Trade Legislative Agenda, the intent is for the US to achieve greater trade liberalization for all service sectors. Article XX(f) of the General Agreement on Trade and Tariffs (GATT) provides an exemption from all GATT obligations where a country imposes trade barriers to preserve treasures of historic, artistic, or archaeological significance to a country’s heritage. Thus, countries are at liberty to restrict access to their “treasures.”

The principal cultural trade disputes involve what are called “audiovisual and related services” which include theatrical motion pictures, television, home video entertainment, transmission services, and recorded music. This is an essentially commercial arena in which there have been long standing disputes, particularly with the Europeans and Canadians. There are few real trade disputes in the
not-for-profit part of the arts sector, although labor union induced immigration restrictions on foreign artists in U.S. productions impede the ability of U.S. producers to develop the best possible fare.

By the conclusion of the Uruguay Round in 1995, the European Union (EU) had withdrawn its market access commitment which the US had sought. The final General Agreement on Trade Services (GATS) did not contain a “cultural exception” as the EU desired. In addition to the United States, eleven other countries (Hong Kong, India, Israel, Japan, Kenya, South Korea, Malaysia, Mexico, Nicaragua, Singapore, and Thailand) ensured continued access to their markets. Prior to the North American Free Trade Agreement (NAFTA), the Canada-U.S. Free-Trade Agreement contained provisions that applied to all three NAFTA countries (Canada, Mexico, and the U.S.) whereby trade in cultural goods and services could have been restricted, providing any country affected by such measures applied counter-measures of equivalent commercial effect.

The Office of the US Trade Representative argues that: access to international markets is necessary to recoup high production costs; that the GATS has flexibility to accommodate special cultural concerns (including the possibility of partial as opposed to full commitments to it); and that the GATS does not prevent governments from subsidizing audiovisual services on a non-discriminatory basis (with the subsidies open to foreign as well as domestic producers). The U.S. says it is seeking “negotiated commitments for the audiovisual sector that establish clear, dependable, and predictable trade rules with due account taken of the sector’s specific sensitivities.”

The bottom line here appears to be a mixed one. On the one hand, American audiovisual content dominates world audiences because world audiences like it. It does so without direct subsidy. On the other hand, European and the Canadian governments have created restrictions on the free entry of foreign cultural products for what they deem larger national goals. Yet, much of their own heavily subsidized content has little broad appeal, even in their own countries. Further, communications technology is challenging the capacities of governments everywhere to enforce such restrictions, and in any case, most other countries lack the vast domestic primary and secondary markets from which they might recoup a substantial percentage of their investments in such endeavors.

Culture and International Relations

The tension between trade and culture should lead us to examine more broadly the role of culture in the international relations of the United States. Culture has been important to America’s relations with the rest of the world in a number of ways. While the stakes for trade in cultural goods and services have risen, access to, and understanding of, the cultures of others offer as many opportunities for cooperation as for conflict. Culture’s capacity to foster understanding among peoples is especially true in the area of educational exchange and cultural diplomacy. Our oldest relations with Europe and Latin America have been cultural.

William Glade, of the University of Texas at Austin, writes:
Of the two sets of policies [educational exchange and cultural diplomacy], trans-border educational interactions are much older, dating back to the late 1700s when newly established learned societies, in the spirit of the age, institutionalized communication between their members and those of similar organizations in Europe and Latin America. Benjamin Franklin, for instance, was the first American selected for membership in the Spanish Academy of History, and the American Philosophical Society (est. 1743) was the first learned society to elect Europeans and Spanish Americans as corresponding members. Before the mid-1800s, many privileged Americans, or those with the requisite calling, set off for Europe to write, paint, perform, and to study the humanities, the visual arts, music, and architecture. By 1900, American universities and museums were sponsoring overseas expeditions, some to the Mediterranean littoral, others to Latin America where American artists and writers were already roaming with easel and pen.

By the mid-1800s, too, American missionaries were fanning out over Asia and the Middle East, sending the earliest foreign students back to the States. ...After World War I, bilateral and multilateral assistance programs poured resources into institution building in education, thereby providing expanded opportunities for students and established scholars to move across borders.22

The most important advance in educational exchange took place after the Second World War under the auspices of the program initiated by Senator J. William Fulbright. It is perhaps the most prestigious program of its kind. Although the participation of the arts in these exchanges has been overshadowed by exchanges in the social sciences and the humanities, the latter having been strengthened by government’s concurrent promotion of American Studies abroad, other exchange programs have been initiated to provide for a modest increase in resources available to exchanges involving the arts.

The Fulbright and related exchange programs contribute not only to a genuine opening up of the participating countries; they also have had a beneficial economic impact. Richard J. Arndt, longtime diplomat and former president of the Fulbright Association, has noted that the “dividends for American society and the economy are not always obvious, since ‘investment will not pay off in foreign relations terms for a decade or two…’”23 But they do pay off:

students return to their countries and begin almost immediately to shape attitudes, create new demands, launch new needs and open new markets for U.S. experience and products....Cultural exchanges are certainly not designed to boost the economy, but economic advantage—like propaganda—flows as a natural by-product.24

The U.S. government’s strategy has almost always been to provide seed money and to encourage the principal burden of the exchange to be taken over by the private sector—for reasons quite different from those that have driven cultural diplomacy. Thus it is
no surprise that from the dawn of the 20th Century the biggest players have been large foundations, non-profit organizations, and academic institutions. Glade notes:

Not long into the twentieth century, missionary funders were joined (then overshadowed) by secular foundations in promoting educational development and exchanges. The first, the Rockefeller Foundation, was only a year old when in 1914 it set up the China Medical Board to introduce Western medicine. 25

A multitude of other good works followed, as foundations funded education, research, artistic touring companies and international exchanges of all kinds. Coupled to the fact that constant flows of immigrants continuously added to the American cultural mix, nongovernmental educational exchanges were the most important cultural link between the U.S. and the rest of the world until the period preceding World War II.

Of central importance for the long-term configuration of international cultural relations was the growing involvement, in the inter-war period, of learned societies and other institutions related to higher education. Indeed, this system — private, voluntary, supported by philanthropy, and juxtaposing idealistic objectives with an elite perspective that recast the old missionary impulse in secular terms — rested upon a variety of organizations and events.

Coming of age in the 1920s, this system of exchanges consisted of several intersecting networks that included the Institute for International Education under the leadership of the indomitable Elihu Root and Nicholas Murray Butler, the American Library Association, the American Council of Learned Societies, and the American branch of the Committee on Intellectual Cooperation of the League of Nations. The system also included initiatives that sprang, directly or indirectly, from such gatherings as the 1936 Inter-American Conference for the Maintenance of Peace. Indeed, it was out of this Inter-American Conference and the general aura of Pan Americanism surrounding the Good Neighbor Policy that the State Department, somewhat diffidently because of the pioneering role of the private sector in international cultural relations, went on to establish in 1938 its first Division of Cultural Relations. 26 Thus was the enlightened cosmopolitanism of the East Coast Establishment institutionalized into explicit public policy.

As World War II engulfed more and more countries, U.S. national security interests seemed, in fact, to require a more overt attention to cultural diplomacy. In particular, the attempted seduction by the Axis powers of our allies in Latin America led American decision makers to involve the cultural aspects of diplomacy as yet another means of counteracting the influence of Fascism in that region. This effort provided the basis for post-war uses of cultural diplomacy to support the spread of Western democratic notions. Glade states:

A course-altering decision was taken in 1938 when the Division of Cultural Relations was set up in the Department of State. Thus began the new function of cultural diplomacy, with which education exchanges were joined.
A secular replay of the old missionary impulse, cultural diplomacy was conceived as persuasively telling the story of America's cultural accomplishments, and social, political, and economic procedures, to the world—and, secondarily, promoting greater knowledge of foreign cultures.27

The new emphasis on cultural diplomacy was not an American innovation. France and Britain had begun their initiatives earlier, but as America became a global power, cultural diplomacy became an important part of U.S. foreign policy.

The origins of the U.S. State Department’s first forays into cultural diplomacy involved both the short-term attempt to counter Axis propaganda and longer range support for exchanges. The exchange effort was conceived as increasing the receptivity of others to our propaganda effort. But these two aspects of cultural diplomacy should not be confused. Kevin Mulcahy writes:

\[\text{Exchanges must be distinguished from propaganda. Both are legitimate activities of governments as they seek to project their interests abroad. Propaganda has an admittedly negative connotation, but as used here simply refers to the range of information and psychological activities (such as films, news stories and broadcasts) that seek to explain to other people what American foreign policy is about. Such informational diplomacy has an explicit, immediate political content; cultural diplomacy does not: its methods are indirect and its goals are long-range. Informational diplomacy uses the techniques of public relations (and sometimes psychological warfare) while cultural diplomacy is rooted in education and example. In sum, cultural diplomacy rests on the premise that allowing American cultural activities and leaders to speak for themselves abroad is the best advertising for the virtues of a free society. That the goal is political—projecting a favorable image of American society abroad—must be appreciated; but, that the methods of cultural diplomacy—the free exchange of ideas, events, and peoples—are [in some sense] nonpolitical has been less well-understood and perhaps even less appreciated.}\]

The inter-mixture of these two aspects of America’s foreign cultural relations has aggravated some of the trade tensions mentioned above. The situation is complicated further by the fact that the participating institutions and individuals generally bring still other objectives to the table. Supporting a U.S. cultural presence as part of America’s overall Cold War strategy led many Europeans and Latin Americans to suspect that any cultural activities involving Americans, no matter how innocent, were linked to the CIA. In some part, the fears that many of our friends express about Americanization may be linked to these earlier suspicions.
POLICY PROPOSALS

American interests, in the context of globalization, can be optimally promoted if we adopt an activist stance in public policies involving the arts and culture. This requires, first, an understanding of how culture affects our relations with other countries and our competitiveness in the world economy. Second, we need to acknowledge our allies' concerns about culture when negotiating our international economic interests. Finally, we need to be attentive to how we organize our cultural diplomacy.

Culture and the New Economy

America's international competitiveness will depend on the capacity of its people and its institutions to manage the intrinsic elements of the New Economy. The US currently enjoys a lead over others. But that economic advantage will dissipate if we do not continue and enhance our individual and corporate capacities to invent and manage creatively intellectual and cultural assets.

Education. Advanced intellectual and creative skills, emphasizing interdisciplinary and independent thinking, need to be taught beginning in pre-school and continuing through graduate school. The methods for doing this (including testing) need to be evaluated in the classroom. Education in, and through, the arts can be instrumental in reaching this national goal.

Intellectual Property. There is a historic balance between the rights of "fair use" with those of "ownership" in U.S. Copyright Law. This balance may have eroded as the major copyright owners have secured increased rights to lock up access to their property for longer periods and in expanded circumstances. Congress needs to examine the practical results that now ensue from its enactment of the Digital Millennium Copyright Act of 1998.

Financing. There is a need to expand the availability of credit for smaller enterprises that often spur the new technologies and business models of the future. The federal government should examine its current programs to see whether new creative enterprises are accomplishing optimal results in relation to the stimulation of capital for these purposes.

Preventing monopolies. Competitiveness depends on free and open markets. Anti-trust and other regulatory policies developed in an industrial age need to be examined in order to determine whether they are assuring fair and open pipelines for a variety of intellectual and cultural content, particularly in light of the large conglomerates that dominate distribution channels, and in some instances production, in the electronic, audio/visual, and print media.

Culture and Trade

The United States has tended to view cultural products and services in the same way as other traded
goods and services. This has been the U.S. policy in multilateral and bilateral trade negotiations. We may wish to re-examine this policy.\textsuperscript{29} The American entertainment industry’s general competitiveness, new technologies, and the policies of other countries may well neutralize protectionist measures even if we accede, as we often must, to excepting cultural products and services from free trade agreements. Moving in the direction of the Europeans and others would remove a source of irritation while not necessarily damaging our general trade interests, at least in culture. Such movement might, however, create negative precedents in other areas where we seek free trade in services.

The two technologies most likely to vitiate cultural protectionism are direct broadcast satellites (DBS) and digital compression. These technologies will essentially make it impossible for countries to limit the number of U.S.-produced programs shown in prime time. Such limits were, of course, already problematic: is a television show produced by TriStar Television (owned by Japan’s SONY corporation, but located in California) American or Japanese?\textsuperscript{30} Even if one could clearly define the national origin of such products, the days of television quotas could soon be over.

Available for over a decade, DBS allows consumers to put up a satellite dish not much larger than a dinner plate, and receive programming from a number of private companies. For many European and Asian subscribers, these DBS companies are often based in countries different from those of their customers. They offer mixed programming, with much of it, due to price and customer demand, coming from Hollywood.

The European Commission permits national enforcement of quotas legitimized by its “Television without Borders” Directive. And, European courts have extended the reach of national quota legislation to satellites. But the reality is different. There is very little a country can do to prevent DBS transmissions. Jamming transmissions, a practice associated with non-democratic governments, has become onerous politically.

The second technology that favors Hollywood involves digital compression, which greatly reduces the amount of information that needs to be carried on a television spectrum. This technology expands the capacity many hundreds of times, making possible “television on demand.” Viewers are able to choose a program or film from a library and to be able to see it at anytime. National quota legislation in the face of “television on demand,” could well become meaningless as the technology proliferates.

Foreign government officials responsible for telecommunications policy are also proving themselves to be allies of Hollywood. Since the 1980s, an international wave of privatizations\textsuperscript{31} has seen countries that had known only public service broadcasters, or a handful of independent channels, accommodate dozens of private companies offering television shows. These private companies are financed by advertising rather than by taxes.\textsuperscript{32} This proliferation of television broadcasters has resulted in a rapid increase in the number of channels, while the growth in the television watching audience has remained steady. Fewer viewers per channel means that markets have become fragmented. Confronted with diminished audiences on which to base their advertising rates, companies have
become sensitive to the cost of programming (known as the licensing fee).  

In a world of fragmented markets and shrinking advertising revenues, the U.S. has a clear advantage. While American films and television programs have much higher production (and marketing) costs than those of their foreign competitors, the licensing fees are actually cheaper. This is because U.S.-made products are amortized over much larger markets. America not only has a huge domestic primary market; it also has a broad secondary domestic market. Television shows are sold once to networks and a second time to local channels as reruns. Finally, both films and television shows are sold to a substantial international market. The only companies that can today readily distribute to the entire world market (and not just regions) are American.

In addition to the fact that we have little to lose economically, at least in the area of cultural products, we also have an historically given interest in a diversity of cultural products and services. Economists often see a heterogeneous population as simply adding to transaction costs. However, diversity can also be an advantage. Part of the reason for Hollywood’s success is not just that it produces for a huge domestic market. It also produces an extremely diverse market.

Discovering the kinds of stories that interest various combinations of midwesterners, southerners, Jewish urbanites, Latin immigrants, African- and Asian-Americans, is no mean feat. In Hollywood the task has become internalized, even though producers often think of their projects only in terms of whether or not they are good stories. Implicitly, a good story is one that can appeal to these diverse publics. The fortunate bonus effect is that these stories also appeal to many people outside the United States. This factor, along with the evident investment in production values, explains much of the success of American fare in foreign markets.

Diversity has also been beneficial as Hollywood draws much of its talent from around the world. It is a matter of conventional economics that the larger the pool of potential employees one can tap, the better the quality of the workers one can hire. This has recently been recognized by the U.S. networks, which have now made greater efforts to recruit minorities for both sides of the camera.

Cultural diversity on a global scale has real economic and non-economic advantages. It can encourage innovation. New ideas abroad can stimulate new ideas here. The “Western” The Magnificent Seven was a direct imitation of Kurosawa’s “Eastern” Seven Samurai. And, French comedies can become middle-brow American fare like Three Men and a Baby. Foreign films are, of course, most useful when they are different, when they set new trends. In countries where the tradition of film is art, rather than industry, innovation provides, at the very least, variety. Moreover, ideas from the art house often can get incorporated into the next round of commercial products from Hollywood. In this way, innovation that comes from abroad can end up benefiting U.S. producers and consumers.
Culture and International Relations

The area of cultural diplomacy is one where America has the luxury of building on success. What appears to be important, argue both Mulcahy and Arndt, is the need to reconcile the conflicts that occasionally arise from trying to accommodate both long-term and short-term goals. This conflict has become a greater challenge because the needs of public diplomacy and cultural diplomacy are not always complementary. In the latter half of the 20th century, the United States Information Agency dealt with both cultural and public diplomacy. In 1999, when the agency was folded back into the Department of State under the Office of Public Diplomacy, some called for a reconsideration of its purposes.

Dick Arndt asserts that:

The new office of educational and cultural affairs in State, under the Undersecretary for Public Diplomacy, must define its purposes and goals clearly and separately from those of Public Diplomacy. At the same time, the separate definitions of Public Diplomacy and its cultural-educational sibling must mesh.

And Mulcahy notes:

Ideally, the educational, cultural, and informational activities specialists formerly housed at the US Information Agency (USIA) should remain together as a distinct operating unit within the State Department, but the personnel and functions of USIA are being distributed among the department’s regional bureaus. Practitioners of cultural diplomacy form a corps of specialists with distinctive expertise in aesthetic and humanistic dimensions of foreign relations. This rich resource of knowledge about broad cross-cultural forces — not just in the arts and education but also in religion, ideology, the media, and popular culture — risks being diminished, with its functions distributed among line agencies principally concerned with immediate developments in regional politics.

The creation of the post of under secretary for public diplomacy could also be an opportunity to add a distinctive voice to the foreign policy making process. As a politically accountable senior State Department official responsible for an autonomous bureau of cultural and informational officers, the under secretary would be uniquely positioned to explain the cultural perspectives of foreign peoples to other policy makers and to the American people. With the advice of cultural and informational experts, the under secretary for public diplomacy could also “tell America’s story to the world” as well as “tell the world’s story to America.”

Richard Arndt notes the “deplorable decline in budgets” for the cultural dimension of diplomacy which peaked in constant dollars in 1966. He reports that all but a few American libraries abroad have been closed, that formal programs in the performing and visual arts have been dropped, that cultural centers are starving for support, that exchanges have held firm in the abstract but have done badly in constant dollar terms, that staffing of embassy cultural offices has been slashed, and that positions targeted to culture and education have been taken over by generalists.
History suggests ... a set of principles and values that emerge from the US experience of cultural diplomacy, public and private, since the 18th century. They are indispensable values, if a decent cultural diplomacy is to help link American culture and education with the world at large. In a restless period of irreversible globalization and interdependence, yet in a time of neo-nationalism as nationals seek identity in the post-colonial period, a decent cultural diplomacy will affect the welfare and the long-range security of our planet.  

Recommendations

This paper suggests:

America’s trade advantages in cultural products and services can be maintained even if the US is less adamant about opposing cultural exceptions to free trade. The technologies of direct broadcast satellites and digital compression tend to moderate or even blunt the impact of cultural protectionism. Moreover, maintaining diverse sources of cultural products and services, on a global as well as national level, provides value added for American consumers and producers while allowing other countries to produce their distinctive cultures as a valued public good.

America’s long term international competitiveness in the “Knowledge Economy” will depend on improved education, modernized regulation of
intellectual property and knowledge monopolies, and micro-financing of small, creative enterprises. These efforts will need to concentrate, in part, on the cultural ingredients intrinsic to the Knowledge Economy.

The US may be able to live with some cultural exceptions through existing flexibilities in the General Agreement on Trade Services (GATS), but there is also no need to adopt a pose of rigid opposition to the forms of exception advocated by the Europeans and Canadians. Generally speaking, the US should show more sympathy with the cultural dilemmas that other countries experience in the face of American popular culture.

State Department programs in support of educational and cultural affairs, on the one hand, and public diplomacy, on the other, must be kept carefully distinct, even though they are fundamentally compatible. Furthermore, both cultural exchanges and public diplomacy need the resources and administrative muscle to carry out their particular mandates. Cultural offices abroad need to be tailored to fit each country’s specific situation and be staffed with Americans of high achievement. Distinguished university professors, arts and educational administrators, journalists, trade union officials, and artists should be recruited for temporary assignments. US government programs should facilitate exchanges for their long-term intellectual, artistic, and educational value, rather than tie them to often transient policy objectives.

NOTES


2 Thomas L. Friedman, The Lexus and the Olive Tree (Farrar Strauss Giroux 1999), pp. 7 and 9.

3 Id., p86.

4 Asseem Prakash and Jeffrey A. Hart, “Introduction,” Globalization and Governance (London and New York: Routledge, forthcoming), p. 4 (manuscript). As Coase and others have shown, however, the allocational processes internal to firms are indirectly constrained by markets as they are internalized chiefly when this lowers transaction costs to below market-generated outcomes.

5 Friedman, p.356.


7 Shalini Venturelli, “From the Information Economy to the Creative Economy: Moving Culture to the Center of International Public Policy,” paper prepared for the Center for Arts and Culture, p. 12.


9 Id., p.20.

10 Id., p.21.


15 There is considerable debate as to whether movies and TV shows are “products” or “services”. The latter designation obviates “local content” regulations. I am grateful to Chris Maule on this point.


17 Shalini Venturelli, “From the Information Economy to the Creative Economy: Moving Culture to the Center of International Public Policy,” paper prepared for the Center for Arts and Culture, pp. 14,15.


20 Ibid., 16.

21 STR Paper “Audiovisual and Related Services” (STR Web Site).


23 Richard Arndt, “Cultural Diplomacy and the Public Agenda,” paper prepared for the Center for Arts and Culture, p. 9.

24 Ibid.

25 Glade, p. 2.


27 Glade, pp. 3-4.


30 Even countries as sensitive to American production as France, gave up grouping films by country of origin in the Cannes Film Festival because of they are so frequently produced by people from more than one country. See Cari Beauchamp and Henri Béhar, Hollywood on the Riviera (New York: William Morrow, 1992).

31 For an analysis of the reason for this broad international movement, see Harvey B. Feigenbaum, Jeffrey R. Henig, and Chris Hamnett, Shrinking the State: the Political Underpinnings of Privatization (Cambridge, England: Cambridge University Press, 1998).

33 Not to be confused with Britain’s “television license,” which is a tax on households. Broadcasters pay the “licensing fee” to companies owning the rights to a program.

34 Farhi and Rosenfeld, op.cit.

35 I have been greatly impressed by the thoughts of my colleague Stephen C. Smith on this topic. Some of the argument below derives from his “Does America ‘Draw Strength from Diversity’? Economic Institutions and Cultural Heterogeneity,” Department of Economics, The George Washington University, June 1994, unpublished.

36 The Greco-French filmmaker Costa-Gavras expressed a similar idea to me in an interview with him in Paris, January 1999.

37 The world, however sees this as a form of “brain drain.”


40 Arndt, p. 12.

41 Mulcahy, “Cultural Diplomacy,” p. 15. The position of Undersecretary for Public Diplomacy and Public Affairs was established in the U.S. Department of State in October 1999.

42 Arndt, p. 13.

43 Mulcahy, “Cultural Diplomacy,” p. 16.

44 Arndt, p. 10.

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