Cultural diversity or return in investment?

*Disentangling the film co-production fund Eurimages*

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ABSTRACT

Discussions about how to foster cultural diversity have taken hold in the political, economic and academic realm, especially in Europe. The thesis critically analyzes the most important international documents for the preservation of cultural diversity; thus, it enunciates its crucial dimensions, retrieved from the empirical studies on the topic. Further, the thesis summarizes the discussions on free trade and protectionisms, and finally offers an overview of the European audiovisual situation, with particular attention to the Eurimages fund. The fund - established by the Council of Europe (CoE) in 1989 - aims to increase international film co-productions to enable the European audiovisual sector to become more competitive as well as preserve film cultural diversity. The research investigates the relationship between the allocation of the Eurimages fund and the economic, political and cultural characteristics of the CoE Member States during the period from 2014-2019; and whether, in turn, the fund has contributed to the preservation of the cultural diversity of the Member States. The results of the Weight Least Squares indicate that the economic, political and cultural characteristics of CoE Member States illustrate a significant correlation with the way Eurimages financed the applications during that period. In particular, language affinity, greater economic and political power showcase a positive relationship with the Eurimages awards. In this respect, the fund seems to fail to preserve Members' cultural diversity supplied in terms of balance, regarding the nationality of the major producing country and official language of the film.

KEYWORDS: Eurimages, cultural diversity, international film co-production, European audiovisual policies, international economics.
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Preface

I would like to dedicate this thesis to the precious ideal of Europe, which represents for me a historical incubator for artistic innovation and a cradle of cultural diversity. This basis for research originally stemmed from my passion for European films. As the market is dominated by American blockbusters, for a strong European sense of belonging there will be a greater need for increasing European cooperation between directors from different countries, both for economic and cultural reasons.

In truth, I could not have achieved my current level of research without the accurate and present support of Prof. Mazza, whom I would like to thank once again for its mentoring. I also extend my gratitude to Prof. Handke, who open my eyes on the economic aspects of cultural industries, and to EUR where I have experienced much personal and professional growth.

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I hope you enjoy reading this thesis.

Sebastiano Bertagni
1. Introduction

Since the beginning of the 1990s, the co-production of films has become a recurrent practice – especially in Europe - providing participating countries with a wider pool of creative, technical and financial resources as well as targeting international audiences (Schwartz, 2014). Despite this prevalent tendency, the vast majority of the film production in Europe remains domestic, continuing to demarcate the fragmentation of the European audiovisual market (Solaro, Personal communication, 2019). As a consequence, European legislative institutions established two main incentives to implement the willingness to cooperate between EU countries. These incentives entail the objectives to foster cultural diversity, as well as create a unique European audiovisual market where films can circulate across national borders.

The first incentive refers to the possibility of co-production to possess a national status in each of the producing countries, hence potentially opening the doors to national funding schemes that are reserved exclusively to domestic productions. The second incentive is related to the progressive intensification of the number of co-production European funds and the increase of their respective potential financing. Among them, the major fund is the Council of Europe’s (CoE) Eurimages fund, which has invested 600€ million in supporting more than 2000 European co-productions since its launch in 1989 (Eurimages, 2020). As globalization is also affecting the cultural sector and since the CoE is formed by members which possess different cultures and languages, fostering cultural diversity is a key asset for the Eurimages fund. In fact, the main aim of the fund is to spread the cultural diversity and values of each Member State through quality European films which can be widely distributed.

Although numerous academic researchers have deeply investigated cultural diversity, the concept remains a multifaceted phenomenon; therefore, it has led to heated political and economic discussions, as the thesis will extensively examine. For instance, according to the large majority of UNESCO Member States, cultural products must be treated differently from other commodities when it comes to trade since they entail crucial social and cultural values that are fundamental for national overall well-being. Conversely, countries such as the US find this credence as a form of protectionism which can the decrease the efficiency in trade, therefore, affect negatively the overall welfare; moreover, they consider the market the best mechanism to foster cultural
diversity, reflecting the best information available on user preferences. However, since US films dominate the European market, European supranational institutions are adopting protectionist strategies in order to protect and foster cultural diversity in film production, i.e. Eurimages fund which supports only co-production that involves at least one of the CoE Member States.

This intervention is guided by one of the fundamental principles of the foundation of the Charter of Fundamental Rights of the European Union (CFREU) and the Treaty on European Union, where it is underlined that the duty of European Institutions is to respect the cultural, linguistic and religious diversity between State Members. In fact, Eurimages preserves cultural diversity by enabling countries that possess a low audiovisual production capacity to express their voices through co-production, which represents the only way to create bigger film production value and distribution potential (Hammett-Jamart et al., 2019). Through cooperation and a greater circulation of films beyond national borders, countries can enjoy economies of scale of production and be competitive in the market. In this way, directors from different countries can showcase their cultural values, enabling neighbours to experience distinctive realities and visions; consequently, leading to the cultural and economic integration of countries towards a unique European cultural atmosphere, by respecting – as CFREU imposes - the cultural diversity of each member state. However, in order to effectively achieve the objective of fostering cultural diversity, the Eurimages fund firstly has to be distributed accordingly, meaning that it should not be influenced or favour productions from countries that possess larger markets, greater political or cultural power.

Extensive literature is dedicated to critically analyzing documents that threaten cultural diversity, e.g. the INCP Draft Convention and the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression, by providing useful insights on the limitations and imprecision that the respective guidelines entail. This is due to the fact that the phenomenon of cultural diversity encompasses different dimensions. While cultural diversity has been measured in some cultural industries, studies have not researched the role of film co-productions in this context. Film co-

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1 See Hayek (1945) on this topic.
3 Stirling, (1998); Ranaivoson, (2007)
4 Benhamou and Peltier (2007); Moreau and Peltier (2004),
productions are usually investigated only at the national levels rather than continental level, and the majority of them do not address the role they have in fostering cultural diversity. From the point of view of European policies, extensive literature concerns audiovisual policies and the consequent artistic collaboration between countries; however, the question whether the European cultural fund schemes are disproportionally benefitting a group of countries that possess greater economic and political power or cultural peculiarities has not yet been explored. Although similar research has studied the effect economics and political characteristics have on the allocation of the fund in the realm of research funds, international patent collaborations and structural funds, little literature concerns the European audiovisual public funds. Indeed, to the best of my knowledge, no research examines in a comprehensive manner the determinants of Eurimages co-production fund.

My research tries to understand how Eurimages is influenced by investigating the particular economic, political and cultural characteristics of the CoE Member States. After presenting descriptive statistics on Eurimages financing from 2014 to 2019, the thesis utilizes a Weight Least Squares (WLS) regression analysis to calculate the impact that each cultural, political and economic determinant has on the way Eurimages finances co-productions. The overall research question is:

To what extent have economic, political and cultural characteristics of the CoE Member States influenced the Eurimages co-production financing from 2014-2019?

This empirical work is importantly distinct from other research done so far for two main reasons. The first is that this research does not simply offer an empirical investigation of the allocation of funds and possible disparities, rather it will shed some light on possible imbalances caused by political, economic and cultural factors; therefore, it can partly assess the effectiveness of the fund to protect cultural diversity as further discussed across the chapters. Secondly, the thesis showcases an extensive literature review that

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5 e.g. Spain (Pardo, 2007), Turkey (Yilmazok, 2010)
6 Hammett-Jalmart et al., (2019); De Vick (2009)
7 Hoekman et al., (2013); Tsukada and Nagaoka, (2015)
8 Montobbio and Sterzi (2013)
9 Bouvet and Dall'Erba, (2010)
covers a wide range of topics, i.e. international trade, political economy, European cultural policies and aims, and Eurimages fund’s organigram and decision making. This all-encompassing use of theories provides the reader with a solid framework that facilitates the scrutiny of the results and the understanding of their implications in terms of cultural diversity.

The outline of the thesis displays five main chapters. The second chapter is divided into five sub-sections which elucidate different topics. The first subsection highlights three of the most relevant documents that threaten cultural diversity from a political perspective and clarifies their limitations in delineating accurate policies guidelines. The second subsection summarizes the international economics debates regarding free trade and protectionist policies, enunciating the general pros and cons and the rationale behind cultural protectionism. The third subsection delves into the current status of audiovisual (co-)production in Europe and explains the approach of European policies in addressing cultural diversity, with a brief interlude on the cultural and economic advantage and disadvantages of film co-productions. The fourth sub-section elucidates Eurimages fund’s aim, institutional organigram, decision making, and the way it is financed. The final sub-section illustrates the determinants of the allocation of European funds based on the literature on different fields; in parallel, it elucidates historical criticisms made towards Eurimages’ selection and financing process. This last literature review’s sub-section works as a hinge to the research design which constitutes the third chapter, where I explain the choice of using a WLS regression analysis, the variable description, the sources where I retrieved the information and descriptive statistics about some of the variables; the latter works as an introduction to the results, the fifth chapter of the thesis. The results are divided into 4 sub-sections: the first chapter illustrates the results of the economic variables used as a baseline, the second considers economic and political variables, the third considers the economic and cultural variables and the last illustrates the results of the Weighted Least Square method, with all the variables analyzed simultaneously. Finally, some conclusions will be drawn about the implication that these results have on cultural diversity as well as suggestions for further research.
2. Literature Review

2.1. Cultural diversity: a political debate

In our society, where communication and transportations costs are rapidly decreasing as a product of constant innovation in technologies, the commerce of cultural and information goods and services is gradually integrated into one borderless global economy; although globalization has had a positive effect in trade and welfare, international political debate is focusing on overcoming its potential threat to cultural diversity. It can be argued that globalization is creating a homogenous culture, not giving opportunities to minority and local culture to mature independently. For instance, the term “American cultural imperialism” (Bertrand, 1987) or “cultural hegemony” are just two examples of this credence that concerns politicians and international organizations such as UNESCO.

2.1.1 The INCP Draft Convention

It is undeniable that preserving each new local cultural expression is an impossible achievement - economic theories suggest that opportunity costs exist in each trade-off – therefore, the ways to preserve and foster cultural diversity have become a heated topic for political debate in modern times. By tracing the historical steps of this debate, in 1995 the Cultural Ministries of the countries involved in the World Trade Organization (WTO) established two independent international associations: the International Network of Cultural Policy (INCP) and the International Network for Cultural Diversity (INCD) (Acheson & Maule, 2004). The latter is a worldwide network composed of all parts of the cultural community, e.g. artists, NGOs and civil society institutions, aiming to counter the effects of globalization on worlds cultures; the former is a political organization constituted by Ministries of Culture of different countries that aims to develop strategies to foster cultural diversity. It is important to mention that in 2003 the INCP forged the first international document aiming to promote and preserve cultural diversity, the so-called “INCP Draft Convention”.

In this convention, since the first article, the document shows the difficulties in defining the complex phenomenon of cultural diversity as well as the impossibility to conceptualize efficient measures to foster it (Acheson & Maule, 2004). According to Acheson & Maule (2004), the definition of the concept lacks comprehensibility since the document states that “cultural diversity refers to the plurality and interaction of cultural expressions that
coexist in the world and thus enrich the common heritage of humanity” (cited in Acheson & Maule, 2004; p. 244). The inaccurate definition of the concept can lead countries to incorrectly justify carrying out any cultural policies that foster cultural diversity, even when these policies result in a decrease of overall welfare or disagree with the institutionalized agreement of free trade, i.e. GATT and GATS, as discussed in the chapter 2.3.3. Indeed, the document does not illustrate any guidelines or rules on which protectionism should be based, except one general obligation which can be easily pushed around since it remains too vague: "any measure taken by a Party to preserve or promote domestic cultural expression must respect the balance between the promotion of domestic cultural expression and openness to the cultural content of other parties" (cited in Acheson & Maule, 2004; p.246). Moreover, the article explains neither a guide nor a model to assess the effectiveness of cultural policies carried out by each country, leaving enough margin to self-defining rights, therefore leading to natural moral hazard problems in the international politic realm.

2.1.2. The UNESCO Convention

The INCP Draft Convention represented the initial document leading to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression (CCD) of 2005. In the CCD convention incipit, it is stated that “the diversity of cultural contents and artistic expressions shall be the subject of an international convention” (UNESCO, 2005; p.15) due to the increasing perception of the negative impact that economic globalization was having on cultural diversity. The structure of the Convention follows two main objectives: first, to make countries recognize the bi-fold nature of cultural goods and services (economic and cultural); second, to allow each member country to find their own way to promote domestic cultural diversity supplied and consumed through national cultural policies (Graber, 2008). According to Graber (2008), the Convention of UNESCO – like the one of INCP - is quite unclear in delineating the guidelines for national policymakers; consequently, the absence of clarity leaves enough space to carry out illicit cultural policies aimed at increasing national protectionism rather than protecting cultural diversity. According to Graber (2008), the CCD Convention’s rights and obligations can be categorized into groups, based on the following three pillars. The first one concerns the legitimation of the Parties’ sovereignty in cultural policies (art.5 and 6); the second one concerns the list of incentives for the Parties to act in order to
foster cultural diversity in their territories (art.7 and 11); the third pillar concerns the incentive to cooperate between Parties to create a fertile ground for co-production and co-distribution, which in turn can enhance cultural diversity (art.12 and 19). In particular, Art.6 states that countries “may adopt measures aimed at protecting and promoting the diversity of cultural expressions within its territory”, such as “public financial assistance” and “opportunities […] for the creation, production, dissemination, distribution, and enjoyment of […] domestic cultural activities, goods, and services” (Voon, 2006: p. 4). By reading the article, it can be easily perceived that the list of mentioned measures is quite broad - and yet non-exhaustive - and unclear, providing room for cultural protectionism practices to flourish (Graber, 2008). Moreover, for the sake of the thesis, it should be mentioned that in articles 3, 12 and 19, international cooperation is considered as a mean to foster cultural diversity. Indeed, the CCD encourages countries to collaborate to increase the possibility of being involved in co-productions, which, according to Voon (2006), contributes to the preservation of diversity in cultural expression. This is the belief on which, as we will discuss in the chapter 2.4, European policies are based. In particular since 1989 the Council of Europe - aligned with the aforementioned CCD articles - tries to increase international film co-production between State Members through the so-called Eurimages fund for co-production.

2.1.3. Investing in Cultural Diversity and Intercultural Dialogue World Report

In its most recent publication, the UNESCO’s World Report “Investing in Cultural Diversity and Intercultural Dialogue” (2009), it would seem that UNESCO understands the difficulties in treating cultural diversity at a universal political level. The aim of the report seems to make decision-makers (politicians, policy makers, cultural workers) aware of the complexity of the phenomenon, rather than provide universal solutions to increase cultural diversity. Indeed, by enumerating the positive externalities of cultural diversity, UNESCO’s publication tries to convince the various stakeholders to invest in it for the sake of national and social welfare. For instance, the document considers cultural diversity as a driver for the sustainable economic growth of a country, therefore it is stated that “diversity must henceforth be considered as a starting point rather than an obstacle to overcome” (UNESCO, 2009; p.V). The world report also illustrates the nature and spill-overs of cultural diversity which “should be defined as the capacity to maintain the
dynamic of change in all of us” (p.7). Indeed, the innovative aspect of the UNESCO World Report approach is that it considers cultural diversity as a dynamic phenomenon that constantly challenges cultural identity. In the document, it implicitly advocates that people should be able to distinguish and tolerate diversity and weaken the creation of stereotypes or prejudices, as well as avoid the erosion of numerous modes of life and expressions (UNESCO, 2009). In this respect, cultural diversity could be interpreted as a way to establish and confirm democracy, as suggested by Atkinson & Bernier (2000).

2.2. Cultural Diversity: an academic perspective

2.2.1. Importance of cultural diversity
As suggested in the UNESCO World Report, cultural diversity represents a fundamental resource for our globalized world. This credence has been based not only on political documents, but also on economic research. From a micro-economic point of view, Rosen (2002) advocates that diversity not only represents a fundamental ground for the creation of new ideas and inspiration but also gives individuals the possibility to maximize their utility thanks to a plethora of consumption opportunities. From a macro-economic perspective, Hoskins et al. (2004) argue that countries with a higher level of diversity in their industries are automatically more flexible to external turbulence and less dependent from other countries’ supply; conversely, countries with extreme overspecialization are vulnerable to financial changes or technological innovation, which may lead to product obsolescence (Hoskins et al., 2004). Related to this concept of economic flexibility, the study of Ottaviano and Peri (2006) suggests that cultural diversity is a valid means of fostering productivity, measured in wages and rental prices of their houses. In their research, Ottaviano and Peri (2006) show empirical evidence that the higher the cultural diversity in US cities, the higher the productivity of the natives. The intuition would be that multiculturalism stimulates people to think 'outside the box' and deal with the situation in a non-standardized way.

2.2.2. Diversity and its dimensions
Reading the two World Report of UNESCO of 2005 and 2009, as well as the first INCP Draft Convention, we can ascertain that cultural diversity is not a homogenous concept.

10 See infra Ottaviano and Peri (2006) on this issue.
During the years, it has changed its definition, nature, and dimensions. Before delving into the European policies towards the preservation of cultural diversity, it is useful to demarcate the different dimensions of cultural diversity retrieved from the literature on the topic.

To begin with, cultural diversity has two main dimensions that are occasionally overlooked in reports and political debates: diversity in supply and diversity in demand (Eaton and Lipsey, 1989). The former is characterized by the differentiation of cultural goods and services produced and supplied. A high level of cultural diversity supplied can trigger a market characterized by monopolistic competition and a high level of product differentiation. On the other hand, cultural diversity in demand entails the consumption of different cultural products; this is connected to consumer preferences and tastes. The demarcation between diversity supplied and in demand is particularly important for the cultural sector, since the production of cultural goods and services cannot be considered as a goal per se without the respective consumption. Although Caves (2000) suggests that cultural industries overproduce to have a better chance to maximize product success due to the "nobody knows principle" - cultural diversity supplied plays the same role as the one consumed in economic analysis. To underline the importance of considering diversity in supply and demand at the same level, it is worth mentioning Argan (2003) who affirms that "the art historian who made the history of art only by considering artists would behave like a historian of the economy who considered as economic operators only the producers and not the consumers" (p.345). Less important for the sake of the essay, but still noteworthy are other categories of cultural diversity; namely, diversity of product, producer and consumer diversity (Ranaivoson, 2007). Product diversity is the differentiation between the different cultural products, e.g. songs, albums, CDs. Producer diversity (or diversity of the market participants) refers to the degree of differentiation of the producers or distributors at every stage of the production and consumption process; for instance, the nationality of the artists, the location of the distributors, etc. Consumer diversity refers to the level of differentiation of the consumers, which is connected with

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It is worth to notice that there is a difference between cultural diversity in demand and demanded cultural diversity. Demanded cultural diversity is what consumers desire to consume despite what is already supplied. It is then difficult to assess as you should what people want in terms of diversity in supply rather than the potential demand.
the diversity of cultural identities (nationalities, ethnic), gender, beliefs and habits; therefore, it is linked to the differences between consumer preferences.

Thanks to research carried out in different fields - i.e. technology and biodiversity (Stirling, 1998) - Moreau and Peltier (2004) were the first to finally conceptualize three fundamental dimensions of cultural diversity: disparity, variety, and balance (see Figure 1). These three dimensions are necessary conditions to the existence of the phenomenon of cultural diversity; however, each on their own is not sufficient: if variety changes, it does not automatically imply the alteration of balance (Moreau & Peltier, 2004). From this premise it is important to define each dimension separately and mention some examples of how the different dimensions can be measured in the film industry. To this end, we follow the research conducted by Benhamou and Peltier (2007) on the book industry in France.

Firstly, variety refers to the number of distinctive variations of the cultural products according to a specific categorization. For example, Benhamou and Peltier (2007) take books as a unit of analysis of their research; consequently, they stated that the number of titles convey a valid signal of diversity supplied, meaning the larger the number of book titles the higher its diversity supplied. Likewise, in the film industry, we can consider films as units of analysis: each film distributed represents a variation of the product according to the category of "film".

Secondly, balance is the distribution of variants across the range covered, meaning the proportion of distribution of different categories of films. For instance, in the film industry this can be related to the proportion of national films in comparison to European and international ones. The higher the distribution of different variants of films, the larger its supply balance; the same applies on the demand side: the higher the number of different variants consumed, the larger its balance.

Lastly, the disparity is the most difficult dimension to assess precisely due to its qualitative nature; according to its definition, the level of disparity is attributed to the difference in nature between the cultural products (Moreau & Peltier, 2004). In other words, if films are our units of analysis, the higher the differences in contents between films – e.g. genres - the greater its disparity. As already mentioned, the difficulty in assessing the latter dimension is because there are no strict, specific and measurable boundaries between film contents or genres. Conversely, it is quite hard to label films nowadays, due to the cross-fertilization and prosumer phenomenon (Canova, 2000).
It is important to bear in mind that the aforementioned framework is not a strict universal scheme on how to disentangle the phenomenon of cultural diversity. As stated by Ranaivoson (2013, p.5), “diversity may have different meanings according to the categorization used, which itself depends on the problem analyzed. Diversity may which itself depends on the problem analyzed”!12. For instance, the French quota that obliged a transmission of 40% or 35% “French-language works” for national broadcasting services entails a different categorization of indicators - i.e. country of origin or language - in comparison to the investigation of cultural diversity of films produced across countries that might consider the diversity of genre as a leading indicator. The next chapter illustrate some of the fundamental empirical research on the topic of cultural diversity.

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12 In this regard, Ranaivoson (2007) gives a clear overview of the possible variables and indicators to take into consideration according to the focus of the analysis.
2.2.3. **Empirical analysis on cultural diversity**

The research of Hotelling (1929) is the first economic study that tries to analyze diversity supplied in the market. Ottaviano & Thisse (2002) considered it the source of inspiration for posthumous theoretical research (Lancaster, 1979, d’Aspremont et al. 1979); in fact, Hotelling (1929) subtly asked fundamental questions regarding the level of diversity in the market and why it is necessary to promote diversity. In binary competitive situations, Hotelling’s Law (1929) observes that two suppliers in a linear and delimited market will find it individually rational to avoid differentiation even though it would be socially efficient; therefore, they tend to produce similar products. For instance, let suppose one long street where consumers are spread equally and two cinema owners that decide where to build their film theatre. Naturally, the cinema owners want to maximize his/her market share of costumers. The socially optimal solution would be that the two film theatres are positioned one-quarter of the way along the street from each end. In this way, customers are attracted in equal proportion to the two cinemas and they do not have to walk more than a quarter of the street length to reach the cinema. This does not happen because the two cinema owners had the incentive to place their cinema in the middle of the street; therefore, attracting most of the audience. What Hotelling’s law predicts is that the two cinemas will naturally be pulled toward a common middle ground; in this way, reaching the so-called “Nash equilibrium”, the point where neither of the cinema owners would improve their audience share by deviating from the current position.

From this classic economic law, researchers have been investigating cultural diversity applying its main three dimensions in a wide range of cultural industries and different countries. The cross-national analysis of Moreau and Peltier (2004) assesses the level of cultural diversity in the film industry in different European countries as well as in the US. The authors consider the variety and balance of both supplied and consumed diversity and taking as units of analysis geographical origin and film. For what concerns supplied variety, they restrict the units of analysis to “film” produced, while for the demand side they consider the theatrical admission per capita. In terms of balance, to analyze the geographical origin of films, the authors use the Herfindahl-Hirschmann index (HHI) to

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13 The Herfindahl-Hirschmann index is an index measuring market concentration. It is established by adding the square of the market shares of each company that acts in the field taken into consideration. The stronger the HHI, the more concentrated the production in a specific sector (its maximum is 10,000, when a single company operates in the market with a total concentration of the market); on the other
assess the concentration of theatrical tickets sold and film screenings; as a result, the higher the HH index’s outcome, the lower the balance diversity.

A study considering all three dimensions described above is Farchy and Ranaivoson (2011), which assesses the diversity in the TV channels in France, Turkey, and the UK. More important for the sake of our thesis is Benhamou and Peltier (2007) that illustrates the bases on which cultural diversity in the publishing industry should be assessed. According to the authors, research should measure the diversity consumed, produced and distributed by analyzing the three dimensions (variety, balance and disparity) for each, when data are available. In their research - which distinguishes the same dimensions of diversity and tools of Moreau & Peltier (2004) - Benhamou and Peltier (2011) use a method proposed by Dyen et al. (1992) to assess disparities in languages - the Dyen Matrix of Linguistic Distances14 - and demonstrate whether or not languages share some root affinity or not and how they differ from each other.

2.3. An open economics discussion

2.3.1. Free trade or protectionism?

Everyone agrees on the fact that cultural diversity should be preserved and fostered in the interest of global societies. However, the best strategy to accomplish this goal seems difficult to identify. In fact, in the realm of international trade and politics, opinions are quite dissimilar. On the one hand, some economists and politicians support free trade, i.e. the US and Israel, and they are firmly convinced that governments should adopt duties or quotas only in very specific circumstances; on the other hand, experts reckon that cultural protectionism policies are efficient when they try to protect national culture from

hand, the value of the index decreases as market shares are distributed more equitably and when there are more participating companies, for example, two companies with 50% each give an index of 5,000 points, while for one case of 5 companies, each with 20% of the market, the index is 2,000; however, if one company has 40% of the market and the other 4 only 15% each, the index rises to 2,500.

14 Dyen et al. investigated the historical connection between Indo-European languages, by calculating the variety of the speeches of the languages that share the same family; they do so thanks to a quantitative study of "cognition" – the descendant from a common ancestor belonging to the language family – among their vocabularies. The results of this study convey in the formulation of the so-called Dyen matrix which showcases the linguistic distances between the languages.
globalization. It should be mentioned that protectionism policies can also hide an ulterior motive, other than fostering cultural diversity; as Hoskins et al. (2004) stated, they can be used as a “smokescreen for unjustifiable protection” (p.234). Therefore, before proceeding any further, it is crucial to understand international economics theories that explain the reasons and the benefits of free trade between countries and why conversely some countries adopt cultural protectionism policies.

2.3.2. Intra and inter-industry trade theories
To begin with, there are two main theories to explain international trade: the ones that underline the differences between countries as the main driver of trade and explain inter-industry trade, and the ones that emphasize economies of scale and product differentiation which explicate intra-industry trade. In the first group of theories, countries can display differences in terms of natural resources, labor skills, know-how or technologies that lead to a comparative productive advantage for countries, while the returns to scale are considered constant (Krugman et al., 2018). While in the second group, the underlined assumption relies on the absence of perfect competition and differences between countries a priori; countries should specialize in a limited number of products which can be produced more efficiently than others, thanks to the economies of scale. Through exchanges, countries are able to consume a full range of goods (Krugman et al. 2018).

Although the following models are not fully explanatory, they are useful to understand the causes and effects of trade between countries. The famous Ricardian model is at the foundation of the first group of theories. It is based on the assumption that trade arises because of differences in relative labour productivity between countries (Ricardo, 1821). Two crucial economic concepts create the theoretical framework of the model: the comparative advantage and opportunity costs. Between two or more countries, the country with lower opportunity cost in the production of a certain product possesses a comparative advantage in that product compared with the other country; for instance, the US producing high budget films and Italy producing wine. According to Ricardo

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15 For instance, almost 30 years ago, the French Government decided to install a quota on radio transmission to decrease the American cultural power, therefore, promoting and protecting the cultural diversity of French and European works.
(1821), countries specialize in producing those goods in which they possess a comparative advantage and then trade and import the remaining goods. A striking result is that the set of possible production and consumption is larger than in the situation where each country produces all the goods and services by itself.

In parallel to the traditional view that countries trade because they possess different characteristics, reality shows that not only does trade take place between countries that do not showcase different resources in production, but the majority of the trade is intra-industry, meaning trade within industries based upon rather similar - but not equal - products. In this context, one country is at the same time an importer and exporter as in the case of the trade of film in Europe. Germany exports its film to France and imports French film, and France does the same with Spain, etc. Although Davis (1995) tries to elucidate the rationale behind intra-industry trade with small changes in comparative advantage, Helpman and Krugman states: “intra-industry […] it is hard to explain from the point of view of conventional trade analysis” (Helmpn and Krugman, 1985; p.6), making the Ricardian model and the aforementioned concept of comparative advantage and opportunity cost unconvincing arguments in describing the trade within industries. This unexplained but easily observable phenomenon led Helmpn and Krugman (1985) to conceptualize “the new trade theory” which is certainly important for explaining how countries are specializing on supplying some specific product on which they can benefit from economies of scales, returns to scale\(^{16}\) and from network effects. In this way, some firms can become dominant in a market, leading to a form of monopolistic competition where they compete not only on price but also on branding and quality of products that are similar, leading to the supply of a plethora of similar products that can satisfy the different preferences of the consumers. From an economic geography perspective, the industry that benefits from economies of scale in production tend to cluster in a specific area. For instance, Hollywood studios in Southern Carolina during the 1920s represents a clear example (Scott, 2005): thanks to the advantages of the agglomeration economy (Marshall, 1890) they were able to conquer the European market and start their cultural hegemony in the film industry.

The different aforementioned theories demonstrate that free trade leads to substantial gains especially concerning the expansion of consumption possibilities. Accordingly,

\(^{16}\) Return of scale means the rate of increase in outputs related to the increase in inputs.
obstacles to free trade such as quotas, tariffs or export subsidies can lead, not only to rent-seeking activities, but also to the creation of an inefficient distortion in the economic optimal gain of trade, influencing negatively both the demand and the supply side, consequently reducing the overall national welfare. From an economic perspective free trade seems to be the solution for efficiently dealing with cultural diversity, however they might not take into consideration important arguments illustrated in the next chapter.

2.3.3. Arguments for cultural protectionism
Free trade paradigm is characterized by one main concept: the cost-benefit analysis with consumer and producer surplus (Krugman et al., 2018). This analysis, however, does not take into consideration the social benefit of producing certain goods, i.e. positive externalities and social or cultural spill-overs. In this context, some countries have difficulties in allocating resources efficiently in order to sustain the supply of specific products that entail positive externalities, consequently displaying domestic market failures (Krugman et al., 2018). According to different scholars, this argument represents one of the valid justifications against free trade. The idea that governments should intervene to overcome internal market failure - therefore intervening also in external economic relations – aiming to increase the national welfare, is often called the "theory of the second-best" (Lipsey & Lancaster, 1956). The term underlines the fact that optimal welfare cannot be satisfied by the market alone; consequently, introducing a second market distortion may lead to a more efficient outcome in comparison to the first situation (Lipsey & Lancaster, 1956). This theory applies specifically in the case of trade of cultural goods and services, such as films. In 1993 the General Agreement on Tariffs and Trade (GATT) introduced the political concept of “cultural exception” (Hudec, 1993; p.40) thanks to the diplomatic pressure of the French government. The term “cultural exception” refers to the fact that cultural goods and services are different from commodities such as oil or carbon, since they entail cultural and social values; therefore, possessing an exceptional status in international trade agreements. The purpose of this “exception” is to protect the elements of national culture and improve social welfare, as Hoskins et al. (2004) clearly state, "many countries argue that

flourishing cultural industries are essential to the preservation of their distinctive values and way of life hence well-being of nation” (Hoskins et al., 2004; p.324). Hence, producer and consumer surplus are unexhaustive arguments to sustain free trade policies when it comes to cultural goods and services.

In parallel to market failure arguments, Hoskins et al. (2004) illustrate three other main situations that apply to every industry – including the cultural ones – where governments should intervene with protectionist policies. The first justification is related to the concept of infant industries. Industries that are too small to benefit from economies of scale or scope should be temporarily protected in order to give them the possibility to grow, and consequently having adequately reduced production costs to be competitive in the world market. A clear example is represented by the European film industry, which cannot exploit economies of scale due to cultural and linguistic barriers that lead to an absence of a large domestic market. According to the situation expressed by Hoskins et al. (2004), European legislative institutions are legitimate in their espousing of protectionist audiovisual policies in order to protect their industries from the imports from other countries - namely the US. The second situation according to Hoskins et al. (2004) is related to the concept of national security: a high level of dependency means economic instability since every change in the market can be drastic for the domestic economy; therefore, when countries are too dependent on imports and domestic supply fails to satisfy demand, protectionism policies are rational to preserve national security. It can be argued that the last example might not apply for the cultural industries since they are not fundamental for the security of a nation; however, if we consider national security as national cultural identity, aligned with the suggestion of Baughn and Buchanan (2001), national cultural production represents an essential asset for overall national welfare; hence, it has to be preserved. The last situation where protectionism is justified and desired is when it is trying to fight a practice called “dumping” that occurs when countries export products at an artificially low price. However, this situation does not apply to trade in goods that are nonrival in consumption such as films.

From another perspective, Baughn and Buchanan (2001) suggest that free trade might not be the most efficient paradigm for international commerce of cultural goods and services, since it could lead to phenomena such as potential economic domination of foreign cultural industries, cultural contamination, and homogenization (Baughn and
Buchanan, 2001). Indeed, Chu-Shore (2009) found empirical evidence that free trade leads to homogenization of supply. This result sheds some light not only on the correctness of the “cultural exception” concept but also on the inefficiency of free international trade in fostering cultural diversity. In fact, in the concluding remarks, Chu-Shore (2009) states that a “country should seek to support and protect them [product of unique value] from the homogenizing influence of trade, even where there is no infant industry justification for such protection” (p.45). This sentence firmly justifies governmental intervention in order to protect cultural diversity; in this regard, it is worth mentioning the research of Moreau and Peltier (2004) in which they find empirical evidence of the efficiency of public subsidies in creating a high level of diversity in the film industry across different countries. However, it is important to underline that public subsidies are not always the most effective strategies in the cultural realm, since they do not always lead to an efficient allocation of resources - as the research of Baughn and Buchanan (2001) correctly points out.

2.3.3. Without a universal path

It is still an open subject of international economic research, and scholars do not agree on which are the most efficient methods to maintaining a high level of cultural diversity: does protectionism and cultural diversity policies jeopardize efficiency? Should we leave to free trade this responsibility? In the current world we can see examples of both. On the one hand, countries such as India are encouraging free trade. The results are quite promising since its reform in the 1990s, India has been balancing cultural diversity supplied with the process of globalization; as Shi (2013) demonstrates, the liberalization of the film trade - instead of crowding out the domestic film production – substantially increases its exports (Shi, 2013). Conversely, European countries have adopted different strategies during the years in order to increase the competitiveness of the national cultural sector, following the vision of government intervention. For instance, the aforementioned French quota on the broadcasting services. It is important to note that European cultural policy that tries to foster cultural diversity is inclined towards a protectionist approach. For example, public subsidies that support film production that are accessible only for the CoE Members, i.e. Eurimages, as discussed in the next chapter.
It is important to underline that all the situations where protectionism might be justified entail moral hazard problems where politicians use these arguments as justification to promote the domestic industry rather than cultural diversity. In fact, one of the main problems with protectionism is that it is politically difficult to remove (Fajgelbaum et al., 2020). Initially, governments might establish new policies to protect and foster cultural diversity; since these policies have a positive impact on domestic cultural production and consumption, often they remain present even though cultural diversity is already protected. Consequently, when the protectionism policies become a permanent structure of national cultural policies, they may weaken the incentives to increase efficiency in cultural production and trade.

2.4. The European cultural policy approach

2.4.1. The focus on diversity

Different from the US market, the European film market is fragmented in different national market, which differ in languages, culture, and preferences (Solaro, Personal Communications, 2019). Therefore, cultural diversity represents a crucial concern in European cultural policies as well as representing the fundamental basis of the European Union itself. In art. 22 of the Charter of Fundamental Rights of the European Union (CFREU) (European Parliament, 2000), as well as art. 6 of the Treaty on European Union (European Union, 1992), it is clearly stated that European Institutions must respect the cultural, linguistic and religious diversity between State Members. In the policies of the European Union, cultural diversity possesses two different identities. Firstly, the EU aims to preserve the cultural characters of each EU Member State, what de Witte (2008) called "diversity-as-distinctiveness". Secondly, the EU wishes to increase the interactions among EU countries in order to strengthen the cultural exchanges, therefore reaching a fair level of “diversity-as-pluralism” (de Witte, 2008).

Although the Treaty text does not explicitly express any preference for the two different interpretations, de Witte (2008) concludes that the EU constitutional structure seems to foster cultural diversity more in terms of pluralism, by incentivizing cooperation between countries (de Witte, 2008). While European legislative institutions do not possess an unequivocal cultural competency – placed in a middle road between supranational power and decentralization (Psychogiopoulou, 2006) - they have been elaborating on a wide range of actions, i.e. policies, programs, funds, focusing on increasing collaboration
between countries. It is important to mention that these supranational funds are not antagonists of the different national cultural policies, indeed they work as a complement rather than a substitute (Psychogiopoulou, 2006). In the audiovisual sector, the numerous European public funds, ranging from international film co-productions to Europa Cinema Network\textsuperscript{18}, try to foster European cultural diversity in supply and in demand. In particular, EU initiatives aim to foster diversity in terms of balance, meaning an equal distribution and consumption of domestic or European non-national films\textsuperscript{19} in comparison to imported films from other continents, namely the US, which have been dominating the consumption of film in every European country\textsuperscript{20}. In this context, European co-productions play a crucial role not only in increasing the diversity balance supplied, but also in increasing its variety in terms of new films. Furthermore, involving directors of different nationalities can lead the way to the creation of new cinematographic genres, increasing cultural diversity in terms of disparity.

2.4.2. International co-productions in Europe

The first international collaborations in the film industry started during the end of the 1920s and the beginning of the 1930s, with the Film Europe movement (Higson & Maltby, 1999). The international film co-productions that we know of today commenced just after WWII when France and Italy signed the first official co-production treaty (Jäckel, 1996). Since then, two incentives have led to an increase in the number of co-productions between EU countries. The first refers to the fact that international co-productions display, legally speaking, two or more “nationalities”, meaning that they are certified to have national treatment regarding public support or tax deductions and incentives. This applies to all the co-producing countries involved in the collaboration as

\textsuperscript{18} Mainly funded by MEDIA Europe, ECN represent a cinema network constituted of film theaters that has a majority of European films in their program. ECN gives financial support to film theaters for a principally non-national European programming.

\textsuperscript{19} “A European film is considered a national film in the country participating in the MEDIA / Creative Europe programme whose residents/citizens participated for the majority in the elaboration of the film. It is considered non-national in all other countries” (European Audiovisual Observatory, 2017, p.5).

\textsuperscript{20} As a matter of fact: “of the films released in cinemas from 2005-2014, 64% were European films. Yet European films represented on average 33% of audiences, whilst US films represented 65%” (European Audiovisual Observatory, 2017; p.32).
explained in Figure 2. And since there has been an increase in national public funds across Europe for film production - which reached 270 different funds in 2016 with a total amount of €2.53 billion annually (Kanzler & Talavera, 2016) - this potential financial pool represents a strong incentive to collaborate. The second incentive is related to the increase of supranational funds and initiatives aiming to trigger international co-production between EU Member States. Among them, the major fund is the Council of Europe’s Eurimages fund, which is examined in detail in chapter 2.5 and which constitutes the focus of this research.

**Figure 2: Policy incentives for international film co-production**

It should be mentioned that in the European Convention on Cinematographic co-production (ECCO), co-productions are not only considered as “an instrument of creation and expression of cultural diversity on a European scale”, but also a “new driving force" (p.4) to underline both the cultural and economic benefits of co-productions. In fact, since Hollywood films dominate much of the European film market, European film producers
have been facing difficulties in raising enough money to develop their films and then distributing them into film theatres. As Doyle (2002) clarifies, the unfavourable box-office position and payment structure of the film investment had led "to structural cycles of low investments and limited success" for European filmmakers (Doyle, 2002; p. 114). In other words, investors in European films are not easily recouping their money, leading European filmmakers to be even more dependent on national subsidies, which in turn can crowd out the willingness to invest from third parties. Supranational funds, such as Eurimages try to contribute towards a remedy of this situation. As the Czech producer, Kallista argues, nowadays co-productions are the only possible strategies to adopt when producing films in Europe: “the European film needs to somehow compete with American films. I don’t mean in themes, but more in quality and that also means in the budget. So, you then really need more co-production parties to become involved in the project” (cited in Steinhart, 2006; 45).

2.4.3. Cultural and economic aspects of co-productions

2.4.3.1. Benefits

In economic terms, although co-productions represent on average 22% of EU film production, they represent the 55% of EU non-national film exports and circulate more than 100% national productions. In addition, co-productions represent a means for lower volume-producing countries, e.g. Switzerland, Latvia, Hungary, Greece, to produce and export their films. In fact, European countries without an established film industry are able to lower the cost of production; and thanks to a free intra-industry trade between EU countries, they can start enjoying network effects or economies of scale by benefitting from their partners’ markets, therefore strengthening the overall competitiveness of the sector.

It is also important to mention the positive cultural implications of this practice. Co-production is a cooperation that plays a crucial role not only at an artistic level, in terms of human and skill exchange, but also as "an instrument of creation and expression of cultural diversity” (European Commission, 1992; p.22). As Bondebjerg and Redvall (2015) suggest: "the more producers […] work together across borders creating European networks, the more audiences are confronted with not just national and American film but also a broad variety of European film, the bigger the chance that European diversity becomes a part of our everyday life” (p.3). From an abstract point of view, throughout co-
productions, each county contributes - not only economically but also culturally - to the “shared good”21 of Europe (Klamer, 2017). Since Europe is “an identity, an idea, an ideal” (Europa Nostra, 2014), each country must to contribute to it in order to valorize it. By increasing the film cultural diversity both in supply and in demand, European countries can work towards fostering a common cultural European identity, forged by shared values and visions. As the anthropologist Damien Stankiewicz states "to create the conditions of a veritable united Europe, it isn't enough to have a currency, an army corps, and legal directives […] What is necessary is a common imagination. To think of Europe together. So that Germans, French, Italians, Spanish, and all others, even the English, learn to look at the world and to think the world together" (Stankiewicz, 2017; p.3).

2.4.3.2. Disadvantages
Conversely, international co-productions can be costly in terms of communication, coordination and shooting costs since they can be considered as “global pipelines” or “extra-local linkages” (Bathelt et al., 2004) from an economic geography perspective. Another disadvantage of co-productions can occur when national interests remain dominant and the success is measured in national terms; for instance, Macnab (2009) reported on the complaints from Italy and the Netherlands regarding the low national 'return on investments’ of the Eurimages financing. Selznick (2000) identified another problem related to the collaboration between countries that occurs when “co-production is determined by the necessities of funding rather than the desire of the makers to work together” (p.22). Consequently, producers might agree on basic shared cultural values, without stimulating their cultural identity; thus, co-productions do not reach their objective to promote and foster cultural diversity, rather they are seen from the producers as a means to achieve market performances.

2.5. The focus: Eurimages fund
2.5.1. Facts and figures
The fund became operative in 1989 and its aim is to support European film co-productions. Since its establishment, the fund has financed 2063 European co-productions,

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21 According to Klamer “the practice of a shared good consists of all activities and interactions that are directed at generating, sustaining and valorizing the good” (p.85).
with an overall fund of more than €600 million (Eurimages, 2020). The majority of European funds, e.g. MEDIA program, focus on aspects that regard phases of pre- and post-production, i.e. training, film festivals, distribution. Eurimages, on the other hand, reserves its 89% for co-productions between its members (De Vick, 2009). It is important to underline that in 1989 the fund included 12 EU Member States, while now more than 39 countries can apply, including non-European Associate members such as Canada and Argentina.

The Eurimages fund belongs to all the CoE’s activities that are part of the "democracy" pillar; more precisely, Eurimages falls into the category of democratic participation, since “the objective is that professionals from member States’ film industry disseminate common values and cultural diversity through original quality films which are widely distributed” (Council of Europe, 2020; p. 126). By investing in the co-productions, the Eurimages aims to increase and defend cultural diversity as well as freedom of creation and expression; therefore, playing a crucial role in strengthening the pluralism of views and finally the European democracy.

Besides being a supplement source of financial support, Eurimages award represents a significant signal of quality for film distributors and cinephiles and helps to reduce the typical asymmetric information characteristic for the consumption of experience goods such as films. This phenomenon is demonstrated by such great success that the co-productions meet at some of the most prestigious European film festivals, i.e. Venice, Cannes, Berlin, Locarno, Annecy and CPH:DOX.

2.5.2. Eligibility criteria
Eurimages funds documentary films, features, and animation with a minimum length of 70 minutes, with a maximum award of €500,000 for all of the three genres. However, there are some prerequisites that the applicants must showcase: firstly, films have to “involve at least two independent producers of the Member States, of which at least one is a member state of Council of Europe” (Eurimages, 2020; p.7); meaning, if a Canadian film production company applies for Eurimages support, the production has to involve at least one member of the CoE, e.g. Germany or Italy. Secondly, the co-productions have to adhere by and respect the national legislation and/or multilateral treaties. Thirdly, the co-production structure must respect two budget guidelines, i.e. in the case of multilateral collaboration “the participation of the majority co-producer must not exceed 70% of the
total co-production budget and the participation of each minority co-producer must not be lower than 10%” (Eurimages, 2020; p.8). These numbers are slightly different in terms of bilateral co-production, which are 80% and 20% respectively.

2.5.3. Institutional organigram

The organizational structure of the fund includes the President, the Board of Management, the co-production working groups, the Bureau and the Secretariat. The Board of Management is constituted by representatives of each Member State appointed by the country itself. The majority of the representatives belong to national political institutions, e.g. functionaries of the Ministry of Culture or Foreign Affairs. The responsibility of the Board is to regulate the policy of Eurimages, determine the criteria for support, and finally decide which projects to award with the financial support. Moreover, the Board of Management nominates the President between the people propositioned by the representatives of each member state.

The President is in charge for four years which can be renewed; however, the President should in principle be re-elected only once and the election requires a two-thirds majority of the votes. The current President – the French Catherine Trautmann - is in charge of being the Eurimages representative in audiovisual policy matters in the European institutions, as well as engaging with film professionals and handling the discussions during the plenary sessions of the Board of Management.

The Secretariat is the body that implements the pronouncements taken by the Board of Management. It is under the authority of the current (Italian) Executive Director Roberto Olla and under the accountability of the Secretary-General of the Council of Europe. The Secretariat assesses the applications, keeps contacts with film professionals, e.g. producers and directors, ensures the follow-ups of support agreements, and finally, prepares meetings for the Board. It also represents the point of reference for applicants that seek clarification and advice.

Another crucial body in the Eurimages organigram is the “co-production working groups”. These groups are composed of a limited number of Board representatives of at

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least 12 Member States, with different compositions for each meeting which secures geographical diversity and gender equality.

Lastly, the Bureau is formed by the President, two Vice-Presidents and four Board Members as well as a representative of the Secretariat. The Bureau is mainly in charge of preparing the budget guidelines and the annual policy meetings of the board, but it also determines the amount awardable to each application and assisting the President in directing the work of the board.

2.5.4. Decision-making process

The application follows a common path. Firstly, the applications need to meet several of the aforementioned criteria for eligibility and it takes usually three weeks for the Secretariat to check them. If an application is deemed to be eligible, independent readers set to work to evaluate the quality of the script and produce a report. At the same time, representatives and members of the Board of Management study the applications in detail. After seven weeks of scrutiny, it is the turn of the co-production working groups. Their task is to examine all the applications and submit a list of recommendations to the Board of Management. At this stage, heated debates can arise as the Board meets in plenary sessions where - after comparative analysis – they vote on each one of the applications. Their choice is based on a careful assessment of multiple criteria, i.e. quality and originality of the script, vision, and style of the director; however, important selection criteria also include “circulation potential (festivals, distribution, audience)” and “adherence to the values and aims of the Council of Europe”. At the end of the plenary sessions, the winners are announced: in general, between 15 to 20 projects are supported per session (almost 50% of the eligible applications) and the process repeats every quarter of the year.

2.5.5. How Eurimages is financed

The Eurimages fund is part of the Council of Europe’s ordinary budget and it is mainly funded by Member States obligatory contributions. As article 9 of the Financial Regulations document (2019) states, "the contributions of the Fund's Member States and associate members shall be determined each year by their representatives on the Board of Management, duly authorized to that effect by their respective governments, according to a scale adopted by the Board of Management" (p.3). The obligatory contributions
represent the majority of the overall resources, e.g. in 2019 they reach 24,366€ million on the total budget of 26,338 € million. Besides the obligatory contributions, the fund consists of voluntary offerings from the Member States, as well as interest earned on the Fund's financial assets, private donations, and reimbursement of cancellation of support. Another important income of the fund is the reimbursement of the loan granted fund: when a film supported by Eurimages meets great success internationally or at the European Film Festivals, the Eurimages grant is gradually paid back according to contractual obligations. This sustainable financial strategy represents an incentive to support high-quality co-production as well as allowing Eurimages to fund new projects and maintain consistent quality in the European film production sector.

**Figure 3: Budget of Eurimages 2018**

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<th>2018 Budget (€)</th>
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<td>Operational Expenditure</td>
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<td>Programme Expenditure</td>
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<td><strong>TOT EXPENDITURE</strong></td>
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<td>Member Obligatory contributions</td>
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<td>Financial Products</td>
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<td>Other receipts</td>
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<td><strong>TOT RECEIPTS</strong></td>
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*Source: Council of Europe (2019)*

**2.6. Lights and shadows on the allocation of supranational funds**

The fragmentation of the European market is characterized by substantial economic and cultural differences between countries, which are also reflected in differences in political power of each Member States in the CoE. It can be argued that the Eurimages financing can be influenced by a plethora of Member States’ economic, cultural and political characteristics, although the fund is fighting for equal and neutral decision-making in allocating resources across countries.
2.6.1. Economic determinants

Not all EU countries offer the same levels of audiovisual national market, production subsidy and potential demand; therefore, as demonstrated by Hammett-Jamart & Redvall (2019), producers of the country with low production capacity are limited in attracting the same investments and funding as their partners from larger filmmaking countries. As a matter of fact, “more often than not, these producers find themselves in the minority co-producer position” (Hammett-Jamart & Redvall, 2019; p.345).

It is important to investigate whether or not these important characteristics also influence the allocation of Eurimages. As mentioned before, the fund aims to support quality co-production films and foster cultural diversity; however, Eurimages possesses the incentive to finance films that are more willing to meet success in terms of distribution and circulation across countries; consequently, it can be assumed that countries with greater market size and demand for film are more willing to be the favorite when it comes to funding. Several scholars suggest that economic characteristics of the countries play a significant role, not only in the formulation of new policies (Marks et al. 1996), but also in the allocation of European funds, i.e. Regional structural fund as demonstrated by Bouver, and Dall'Erba (2010).

Conversely, the credence that countries with greater economic power would attract a disproportionately large share of European public funds constitutes the main hypothesis of Hoekman et al.'s (2013) study, which investigates the allocation of European Research funds across EU countries. Although they primarily assert that the core “scientific” European region would have attracted most of the funds, they find empirical evidence that this was not the case, shedding light on the efficiency of the Framework Programme in creating a unique European Research Area and therefore increasing its competitiveness (Hoekman et al., 2013).

2.6.2. Political determinants

Economic factors play a crucial role in determining the allocation of EU funds; however, they are not the only ones. Films are products that are considered important from a political perspective, as Ryan and Kellner (1997) explained in their research: "Political interests in cinema are extremely powerful, because films become a part of a wider cultural representation keeping alive the social institutions by manipulating the common thought of what the world is and what it should be, and the psychological stands that form
a basis for building social reality one way or the other” (cited in Hıdıroğlu, 2016; p.14). In the realm of supranational public subsidies, political power can be exerted in two principal ways.

Firstly, possessing a high number of seats in the major European legislative institutions, i.e. Parliament, can lead a country to politically bargain (Drazen, 2002) in favor of national interests in the formulation of new policies as well as attract a larger portion of the allocation of European public fund. The research carried out by Rodden (2002) found empirical evidence that countries that showcase a greater relative number of seats per capita in the European Parliament collect a superior portion of subsidies from the EU budget. Aksoy (2010) has been inspired by the research of Rodden (2002) and extended the study by calculating the “voting power” considering the seats in the European Parliament, the presidency, and the number of votes in the Council (calculate based on the CoE voting’s system). He finds empirical evidence of a dynamic where a greater share of funding from EU public subsidies is allocated to the members that possess relatively superior voting power.

Secondly, country representatives that assume the role of president in European Institutions might use political power to access preferential treatment in terms of policy formulation and allocation of public funds, as suggested by Tallberg (2004). This is explained by the fact that, since the differences in economic and cultural characteristics trigger a high level of competition between CoE Member States, representatives might be interested in lobbying with the purpose of benefitting its own countries (Bodenstein & Kemmerling, 2011).

2.6.3. Cultural determinants
It is worth mentioning a famous judgment of Kabanda (2014): "where culture leads, the trade will follow" (p.4); as proof of this, it is empirically demonstrated that when two countries share the same language – as well as religion and colonial ties - their volume of

23 In this regard, it should be also noted that possessing a presidency in one of the European institutions does not include only concrete economic benefits, but also intangible cultural ones as Hix (1999) stated: "overall, Member States treat their term of holding the presidency as an opportunity to pursue their policy objectives […] However, Member States also like to be seen to have held 'good' presidencies” (p.66). In fact, a good presidency can lead to increase the trust and prestige of a country among the other Member states, therefore determining positive economic and political spill-overs.
trade exchange increases (Noland, 2005; Felbermayr & Toubal, 2010). In this regard, it is worth mentioning the research of Guiso, Sapienza and Zingales (2004) who find empirical evidence that cultural trust is a valid explanation of the international trade volume. Consequently, it can be argued that countries that share the same language are more willing to cooperate since it decreases transaction costs thanks to efficient communication between partners; for instance, France and Belgium and Austria and Germany. This assumption is found to be true in the research of Picci (2010) on the bilateral collaboration between European countries on patent applications; the same result is captured in Montobbio & Sterzi (2013) where, utilizing a gravity model, the authors demonstrate that sharing a common official language facilitates international technological collaboration between countries. The same gravity method – this time centered on the UK and USA – was applied in the research of Tsukada & Nagaoka (2015) which investigates the collaborations each country carried out with other countries. Their results demonstrate that the countries with higher scores in official English test have a positive impact with the probability of cooperating with the UK and US.

2.6.4. Eurimages historical criticisms
Throughout its existence, the Fund has been subjected to heavy criticism and conflict regarding the fund’s allocation of resource due to the organizational structure and the decision-making process. As a confirmation of this, the study of Zimmer et al. (2005) considers “financial distribution” as the central dimension of political conflicts in the CoE. Since the extension of the fund to countries such as Canada and Argentina, an immediate problem arose: some smaller countries could not access the fund equally compared to larger one. To generate democratic access, the CoE conceptualized the “European Convention on Cinematographic co-production” of 1992 (ECCO). The document laid the legal ground for dealing with multinational relations of all the States Parties in terms of co-production. The document represented a fundamental institutional structure for legalizing the assistance of co-production between the CoE Member States. In fact, due to the increase of co-productions and their global economic impact, the ECCO was revisited

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24 In international trade, the gravity equation is a model which makes possible to predict the volume of bilateral trade by the economic size of two countries (their GDP or GDP per capita in general) and by the distances which separates them. Tsukada & Nagaoka (2015) and Montobbio & Sterzi (2013) took language affinity as the distances between the countries involved in the collaboration.
in 2017 with special regard to the collaboration and participation with countries that do not belong to the EU as well as countries that possess a low audiovisual production capacity (Council of Europe 2017). In parallel to ECCO, the current organizational structure is the results of disputes that have been taking place over the years. Conflicts regarding the differentiation of competencies between the different groups (Secretariat, Board of Management, President) have seen heated especially during the early 2000s, with a special focus on the decision-making process, considered the suspect of strategic and geopolitical imbalances (BIPE Conseil, 1997), which led the Executive Director Gianni Massaro to resign from his office in 2002.

In parallel to external criticisms, internal conflicts arise within the bodies especially between members of the Board of Management, as De Vick (2009) testified by quoting one report which clearly stated: “Petty, internal conflict within the Board of Management and the emergence of interest groups and fiefdoms, in stark contrast to the institutional aims of the fund” (p.267). In this context, Eurimages was obliged in 2003 to find solutions to the serious problems regarding the voting system. The Board of Management – constituted by national representatives – previously had the power of assessing proposals; therefore, leading the representatives to seek the maximization of national interests, i.e. financing production coming from their countries. That is the reason why in 2004, Eurimages created and inserted the co-producing working groups in the decision-making process; in this way, since the groups are composed by external experts, the allocation of the fund is, at least is in principle, immune to national political interests.

2.6.5. *A spontaneous dilemma*

Considering the financing of the fund, the organizational structure and the decision-making process of Eurimages and its issues, a political dilemma arises. Does Eurimages aim to increase cultural diversity or support films that are more likely to be successful? In other words, should the fund focus on increasing cultural diversity supplied, therefore supporting co-production with countries that possess a low production capacity, or should it priorities countries with greater potential economic, political and cultural power?

The only relevant study (De Vick, 2009) that partly answer this question shows that since 1989 until 2006, the so-called “big 4” countries in terms of film production - namely Germany, Italy, Spain and France - have gained more than other countries in terms of Eurimages financial support; moreover, the author demonstrates that Switzerland and
Belgium have 20.7% and 16% “above average involvement in Eurimages projects” respectively (De Vick, 2009; p.274). At first glance, this result can be seen as a demonstration of the uneven allocation of resources. It could then be argued that Eurimages favours countries with greater distributional power rather than stimulate cultural diversity supplied in terms of country of origin. However, it is necessary to look past the surface of the numbers and carry out empirical research on whether or not Eurimages is influenced by political, cultural and economic characteristics of the Member States. This analysis, in turn, will shed some light on the effectiveness of the funds in fostering cultural diversity.
3. Research Design

This chapter outlines the methodology of the research used in this thesis. Firstly, the econometric method is described as well as the reasoning behind this choice. Further, the thesis describes the data collection process, by enumerating and elucidating the variables studied in the methodology, and highlighting those that need to be discarded, as well as the sources from which they were retrieved. Lastly, I address limitations of the overall research.

3.1 Method

This thesis aims to identify the determinants of the Council of Europe’s Eurimages funding. The research investigates and assesses the relationship that some macro-economic, political, and cultural characteristics of each Council of Europe Member States display with the Eurimages award from 2014 to 2019. In this way, the study intends to shed some light on the effectiveness of the fund in increasing cultural diversity supplied among the different members. The overall research question is the following:

How is Eurimages financing related to political, economic, and cultural characteristics of Council of Europe Member States?

In this regard, this thesis conceptualizes the following range of hypotheses divided by the categorization of variables – economic, political and cultural, respectively:

- **H1**: GDP per capita of the first producing country has a positive relationship with Eurimages financing. This hypothesis supports the claim motivated by Hammett-Jamart & Redvall (2019): countries with lower economic power are often involved as minor co-producers. Furthermore, it can be argued that countries with greater economic power – GDP per capita – possess a favourable position in accessing the fund, as conceived by Hoekman et al. (2013) regarding the allocation of European Research funds across EU countries.

- **H2**: Parliament seats and EU membership of the major producing country have a positive relationship with the Eurimages financing. Consequently, it may be expected that – although Eurimages internal policy fosters geopolitical balance in the allocation
of the awards – the number of seats in the European Parliament, as well as EU membership have a positive relationship with the Eurimages award. A vast number of research investigates the impact that political power has on the allocation of funds (Drazen, 2002; Bouver & dall’Erba, 2010; Bodenstein & Kemmerling, 2011; Sherrington, 2000; Tallberg, 2004).

- **H3**: Language affinity, prestige and the number of countries involved in co-production have a positive relationship with Eurimages financing. Several scholars have empirically demonstrated that cultural affinity increases the trade volume between two or more countries (Felbermayr & Toubal, 2010; Guiso, Sapienza and Zingales, 2004; Noland, 2005). More specifically, sharing the same official language affinity plays a crucial role in the probability of countries to cooperate, as the studies demonstrate in the field of research (Tsukada & Nagaoka, 2015), technology (Montobbio & Sterzi, 2013) and patent applications (Picci, 2010). Thus, it can be inferred that countries that share the same language are more willing to receive more of the funding. Moreover, the number of countries involved in the co-production is also expected to possess a positive relationship with the Eurimages fund.

Concerning the methodology, firstly, Ordinary Least Squares (OLS) model was utilized to test the relationship that economic, political and cultural variables had on the dependent one. The economic variables represented the baseline model, on which political variables were added further. Then, the model considered the economic and cultural variables only and finally, a unique linear regression model was carried out considering all the variables simultaneously. The problem concerning the heteroscedasticity of the variables, which as Bryman states (2016) lead OLS’s estimates of variance to be biased; therefore, leading to bias in the standard errors and coefficients. To test that the residual value does not increase with increasing values of independent variables - meaning that the independent variables do not affect the residual value - the absolute value of the Unstandardized residual of the regression model was calculated. Thus, it was used as a dependent variable. As a matter of fact, from the ANOVA test, the level of significance was lower than 1 percent, therefore, rejecting the null hypothesis that the variables are homoskedastic, accepting the hypothesis according to which the variables present heteroskedasticity problems.
At this point, a Weighted Least Squares (WLS) was used for the sake of the research. The WLS represents a special case of Generalised Least Squares (GLS), that is appropriate when the variances of the observed values do not showcase correlations, but they can be unequal, meaning that heteroscedasticity exists among the variables (Strutz, 2016). For the research, I follow the same approach aforementioned: the WLS with economic variables represented the baseline model; thus, the thesis analyzed economic variables alternately with political and cultural variables; finally, a unique WLS is carried out considering all the variables simultaneously.

Overall, the thesis takes into consideration ten independent variables and one dependent variable. Among the independent variables, regression analysis applies to interval scale data (Bryman, 2016), therefore, six dummy variables were used for the research. Moreover, the model includes five dummies for the year (@2015, @2016, @2017, @2018, @2019); these variables work as a fixed effect rather than variables relevant for the sake of the research.

3.2. Data

3.2.1. Variables description

The dependent variable of this thesis are the Eurimages financing of international co-productions from 2014 to 2019, with a total amount of 501 units of analysis 25. Necessary for the conceptualization of the independent variables, all the countries involved in the co-productions awarded by Eurimages were accounted. Alessia Sonaglioni, the Eurimages Feature project manager, confirmed that the order of producing countries present in the official Eurimages website reflects the financial importance of the countries involved in the co-productions. In addition to that, the first country nominated is the one that made the Eurimages application, therefore also the main contributors in terms of human capital. Regarding the independent variables, economic, political and cultural variables were conceptualized, as further examined (see Table 1).

25 In addition to the Eurimages award, I collect also non-relevant data for the method, but rather important for the descriptive statistics chapter (3.2.3): title of each international co-produced film, country of origin of the director and the genre of the film (feature, animation or documentary).
3.2.1.1. Economic variables

The economic dataset includes the GDP per capita of each Council of Europe Member State - plus Argentina, Jordan, and Armenia and two Observer States, i.e. Israel and Canada - from 2014 to 2019. Thus, the mean of the GDP per capita of each country during the period 2014-2019 were calculated; consequently, a further categorization was established based on the level of involvement in the co-production. *GDP per capita* represents the mean of GDP per capita of the country that acts for the major investor in the co-production from 2014 to 2019. *GDP per capita others* has been established to increase the validity of the model and conveys the mean of the means of GDP per capita of the second, third, fourth, and fifth producing country from the same period.

The aforementioned criteria of categorization of the GDP per capita’s means according to the importance of countries involved in the co-production also pertain to the variables GDP and Population. GDP and population have been utilized for the OLS regression; however, they have been discarded since the Pearson correlation result was too high to be included in a linear regression model (see Appendix C). For instance, the correlation between *GDP1* and *PO1* (=0.831); between *GDPOthers* and *POthers* (=0.937) and between *GDP2* and *PO2* (=0.952).

Moreover, the categorization based on the level of involvement of a country was the framework on which the variables regarding the total national box office of each country for each year (2014-2019) were established. After having converted them into a common currency (€), *NM1*, *NM2* and *NMOthers* were created; however, like before, these variables have not been considered since the correlation with the other political variables was over 80% (see Appendix D). This shed some light on the fact that the first producing country of the co-production awarded by Eurimages is prevalently a country that contributed financially to the fund as well as possessing a greater film market size, having a larger number of Parliament Seats during 2014-2019, holding the presidency of the fund and finally the country that has gained more prizes at the international film festivals during the period 2010-2019 (see 3.2.2.2 and 3.2.2.3 for the description of the variables).

Among the economic variables that had to be discarded due to unavailability of data rather than correlation problems, it is worth to mention the Eurimages applications that were not funded. It would have been relevant to investigate the percentage of applications...
denied and awarded, for each CoE Member State. In this way, it could have been relevant to apply a Probit or Logit model analysis investigating the probability of being financed by Eurimages based on the economic characteristics of the countries. This would have some implication on the effectiveness of Eurimages in fostering cultural diversity supplied in terms of major producing countries and the nationality of the director. Moreover, the acceptance rate would have shed some light on the potential unequal allocation of the fund and provide empirical evidence supporting the claim that countries with low audiovisual production capacity are often minority co-producers (Hammett-Jamart & Redvall, 2019).

Furthermore, it could have been pertinent to investigate the role of the national subsidy for each co-production awarded by Eurimages; this data would have allowed one to determine whether the awards can be considered a substitute or a complement in the financing of the co-productions; however, this research was discarded since retrieving information about the national funding for each co-production would have represented for the majority of cases an impossible achievement and a time-consuming activity.

3.2.2.2. Political variables

Political variables are crucially relevant to investigating the determinants of Eurimages financing from a political perspective. The division of countries based on their historical belonging to the EU leads to the creation of two variables. EU-15 contains the number of member countries in the European Union before the accession of ten candidate countries on 1 May 2004; namely, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom (European Commission, 2005). Furthermore, the variable FuturEU encompasses the six countries that represent the future membership of the European Union – namely, Turkey, Bosnia and Herzegovina, North Macedonia, Montenegro, Albania, and Serbia – and the countries that signed the Association Agreement – Jordan, Moldova, and Ukraine. These variables are relevant for two main reasons. Firstly, although the list of Council of Europe Member States entails almost twenty additional countries in comparison to the European Union, it is interesting to investigate whether belonging to the European Union has a positive relationship with the amount of Eurimages financing. The second is that the relationship that these variables share with the Eurimages award can shed some light on
the Eurimages contribution in increasing the collaboration between EU countries and non-EU countries.\footnote{In order to investigate the relationship between EU membership and Eurimages financing, three other variables were created. \textit{OutEU} contains countries such as Norway, Iceland, and Switzerland as well as Canada, Argentina, Armenia, Russia which are the Member States of the Council of Europe but not of the European Union. Moreover, the \textit{EU-28} contains Bulgaria, Croatia Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. For trimmer the model, therefore increasing its $R^2$, the variables have not been taking in consideration.}

A relevant political variable considered is \textit{ParliamentSeats} which denotes the seats by country in the European Parliament from 2014 to 2019. It can be argued that collinearity can arise when pondering the number of parliament seats and GDP per capita; however, the correlation between the two variables was less than 40%; therefore, permitting the consideration of the variable.

As happened for the economic variables too, some political variables had to be discarded due to correlation problems. Among them, it is worth mentioning the nationality of the Eurimages president. The two values correspond to France and Germany since the current president – the French Catherine Trautmann – was elected on the 1\textsuperscript{st} of January 2017, while the German Jobst Plog remained in charge until the 31\textsuperscript{st} December 2016. Besides, in order to investigate the equality in the distribution of the funds, it was interesting to consider the Member annual contributions to Eurimages as another political variable; this could have shed some light on the discussion of whether a country that contributes more to the funds automatically have the right to proportionately benefit from it. However, the annual contributions showcase a high correlation with both with \textit{ParlSeats} and \textit{President} (see Appendix D). This is explained by the fact that the values of \textit{President} correspond to the two major contributors to Eurimages as well as the countries that possess the higher number of seats in the Parliament: France and Germany.

Another variable created and not considered for the sake of the thesis regards the political and cultural alliances within Europe. This categorization has been chosen since countries that share strong political and commercial relationships are more willing to
cooperate; consequently, nine other dummy variables referring to the European regional Unions\(^{27}\) were created, which were discarded since a more trimmed model was required. Furthermore, it could have been relevant to investigate the impact that the Members of the aforementioned co-production working groups have on the amount awarded. Since they possess a substantial role in the award decision-making process, the variable would have uncovered the potential political power that representatives of the Member State chosen for the group would have had on the final decision on the awards; however, such data is not publicly published, and therefore impossible to be retrieved from any source, as the Eurimages administrator Nicolas Sayde personally ensured me.

3.2.2.3. Cultural variables

Cultural variables also play a crucial role in defining the determinants of Eurimages funding. The dummy variable *language* calculates whether or not all the producing countries involved in the production of the film speak the same language. In this regard, official language affinity has been considered— for instance, France and Belgium – with special regard to Switzerland and Luxembourg that both entail French and German as official languages and Italian in the case of the latter. Besides, the variable also includes countries that do not share the same language officially although they are similar; for instance, Serbian and Croatian and Dutch and Flemish.

To increase the robustness of the method, it was necessary to consider a dummy variable that entails the number of producing countries. Although the majority of co-production entails two main producers' countries, a significant number of co-productions entail the involvement of more than two countries. A significant portion of them showcase three

\(^{27}\) I chose this categorization since countries that share strong political and commercial relationships are more willing to cooperate. The variable *V4* contains all the co-production that involved exclusively the countries belonging to the Visegrad Group: Czech Republic, Slovakia, Poland and Hungary. The same applies for the following dummy. *Balts*: Latvia, Estonia and Lithuania; *Nordics*: Denmark, Finland, Iceland, Norway and Sweden; *Big 5*: France, Germany, Italy, UK and Spain; *GAS*: Germany, Austria and Switzerland; *Benelux*: the Netherlands, Belgium and Luxembourg; *BSEC* (Black Sea Economic Cooperation): Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, Ukraine and Serbia. *Yugosphere* - term coined by Judah (2009): Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro, Serbia, and Slovenia. *NOUnions* containing all the co-producing countries that do not belong to any of the aforementioned European regional unions.
producing countries, a smaller amount of four producing countries, and just a few films display five producing countries.

The variable *Prestige* estimates the cinematographic cultural prestige of each country, meaning the sum of the awards that a film or a director won at the major European film festivals (FF) since 2010. In this regard, the winners of main awards were collected, i.e. the Palme d'Or, Gran Prix and Prix de la mise en scène at the Cannes Film Festival; the Golden Bear for the Best Motion Picture and the Silver Bear for the Best Director at the Berlinale; the Golden Lion and the Silver Lion at the Venice FF; the Golden Leopard and the Leopard for the Best Direction at the Locarno FF. Since the Eurimages support documentary and animation co-productions too, the variables also contain the awards received as the best films at the Annecy International FF - one of the most prestigious animation FF in the world - as well as the sum of the CPH:DOX Awards at the Copenhagen International Documentary Festival – one of the most prestigious documentary FF.
<table>
<thead>
<tr>
<th>Nature</th>
<th>Category of variable</th>
<th>Name</th>
<th>Description</th>
<th>Measure</th>
<th>Sources</th>
<th>Expected impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent</td>
<td></td>
<td>Award</td>
<td>Amount of Eurimages funding for each co-production</td>
<td>€</td>
<td>Eurimages Official Website</td>
<td>+</td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td>GDP per capita of the first producer country</td>
<td>€</td>
<td>EUROSTAT + Worldometers</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>GDP per capita of the second producer country</td>
<td>€</td>
<td>EUROSTAT + Worldometers</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Independent</td>
<td></td>
<td>EU-15</td>
<td>Countries belonging to the EU-15, before the 1st of May 2004</td>
<td></td>
<td>European Parliament Official Website</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FuturEU</td>
<td>Candidates for future membership of the European Union + Association Agreement</td>
<td></td>
<td>European Parliament Official Website</td>
<td>+</td>
</tr>
<tr>
<td>Cultural</td>
<td></td>
<td>LanguageAffinity</td>
<td>Language affinity of each country involved in the co-production</td>
<td></td>
<td>Wikipedia</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prestige</td>
<td>Sum of the country's awards at the major European film</td>
<td></td>
<td>Film Festival official websites</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>n.3 / n.4 / n.5</td>
<td>Number of countries involved in the co-production</td>
<td></td>
<td>Eurimages Official Website</td>
<td>+</td>
</tr>
</tbody>
</table>
3.2.2. Sources

Eurimages' official website showcases all the information required for the creation of the dependent variable dataset as well as the dummy variable of the number of countries involved in the co-productions and the nationality of the president.

Economic characteristics of the EU Member States countries have been retrieved from Eurostat in combination with Worldometers for the data regarding the CoE countries that do not belong to the EU. For what concerns the national film market, the dataset consists of a combination of UNESCO Institute for Statistics (UNESCO UIS), International Union of Cinema (UNIC), and some data retrieved from countries' Ministry of Culture websites and statistics. The reason behind this mixture of sources is simply explained by the fact that not all of the data was available in only one website; for instance, UNESCO UIS did not assess all the 47 Council of Europe Member States' total box office; therefore, it was required to retrieve the data of the missing countries from other sources.

Political data was mainly retrieved from the website of the European Parliament, in particular, information regarding the number of parliament seats by countries and the differentiation between EU-15, EU-28, and the candidates for the future EU membership.

Regarding the cultural variables, for the creation of the dummy prestige, information was retrieved from the official websites of the different aforementioned Film Festivals. Besides, the articles of Judah (2009) represented the reference sources for the conceptualization of the dummy referring to the European regional Unions. Finally, the Wikipedia official language voice was utilized for assessing the language affinity between countries.

3.2.3. Descriptive statistics

Before delving into the analysis of the determinants of the Eurimages financing, it is important to showcase some general statistics about the fund. Regarding the dependent variable, Eurimages fund – a range of quantities was awarded from a minimum of 10,000€ to a maximum of 500,000€ - to 501 international co-productions in the period 2014 to 2019, with a mean of financing greater than 250,000€.

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
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<tbody>
<tr>
<td>N</td>
<td></td>
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</tbody>
</table>

46
Among the 501 co-productions, 83.6% (419) of them are feature films, 10.2% (51) documentaries, and 6% (30) animations. The remaining 0.2% (1) consist of one outsider film that was considered a film for children. The following pie chart visually describes these data.

Regarding the independent variables, an important statistic for the sake of this thesis is represented by the bar charts (see appendix A & B). The first depicts the percentage of each country as a major producing country in the co-productions from 2014-2019, while the second represents the percentage of the nationality of the film director. In the first table, it is important to underline the fact that France possesses the highest percentage of presence as a major producing country with 81 awards, 16.2% of the total amount, followed by Italy (34) and Germany (33). Surprisingly, Spain displays a smaller presence as a major producing country (23) than Belgium (27) and Romania (24) and the same amount as The Netherlands (23). This can be explained by the fact that relatively smaller countries tend to be more involved in co-productions, since they do not possess an established film industry. Among the countries with only one co-production as a major producing country are Argentina, Armenia, Cyprus, and Montenegro. The second table
showcases a similar pattern to the previous one since the origin of the director also often represents the main producing country, i.e. France has the highest percentage (12.8%) with 64 films guided by French directors, followed by Italy (37); however, it is important to underline that Belgium is the 3rd nationality with 29 directors, more than Germany (25), Spain (23), Romania (24) and The Netherlands (23).

Among the variables not considered in the study, it is important to illustrate some statistics to have a general overview of the allocation of the fund. Almost 60% (59.7) of the co-production was mainly produced by a country that belongs in the EU-15, while only 21.2% in the EU-28. Importantly, 13.4% of the major producing countries do not belong to the EU, and 5.8% of them are future candidates. In terms of regional alliances, it is important to underline that NOUnions represent the highest percentage (78.2%) meaning that 392 co-productions did not involve countries belonging to one of the political alliances mentioned before. However, among the most present, the Big5 represents 7% (35 co-productions) followed by the Nordics (3.6%) and the Benelux (2.6%).

Among the cultural variables, 51.9% of the co-productions showcase the involvement of only 2 producing countries, 37.9% illustrate the presence of 3 producing countries, 43 productions (8.6%) illustrate 4 producing countries and only 1.6% showcase 5 producing countries. Regarding languageaffinity, only 2.4% of international film co-productions involved producing countries that speak the same languages. For what concerns the cultural prestige, it is worth mentioning that France possesses the highest number of awards (23) followed by Italy (7), Romania (6), Belgium, Sweden, Denmark (all 5); conversely, 24 CoE countries have not received any of these prizes.

### 3.3. Limitations

To investigate the relationship of the economic, political and cultural characteristics of CoE Member States, several econometric methods could have been applied. For instance, Pooled OLS or random effect models. However, due to time constraints and the absence of the relevant SPSS package, these methods could have not been used to assess more accurate results.
4. Results

4.1. Economic results

The economic variables are used to build the baseline model (see Appendix E). The first Weight Least Square (WLS) model showcases Award as the dependent variable and \( GDP \) per capita \( Others \) and \( GDP \) per capita \( 1 \) as independent variables, to investigate the relationship that the economic characteristics of the CoE Member States have with the Eurimages financing. While the variables \( @2019, \ @2018, \ @2016 \ @2015 \) and \( @2017 \) belong to the dummy for the years – as explained in chapter 3.1– they work as a fixed effect, rather than variables relevant for the research. The baseline model seems to have a mediocre predictor: 27.1\% of the differences in Eurimages awards can be predicted based on CoE Member States’ GDP per capita involved in the co-production (\( R^2 = 0.271 \)). Concerning the coefficients and significance, both \( GDP \) per capita \( 1 \) and \( GDP \) per capita \( Others \) showcase both a strongly significant positive correlation, with a \( b^* = 0.355 \) and \( b^* = 0.236 \), respectively. Hence, with the increase in the values of \( GDP \) per capita \( 1 \) and \( GDP \) per capita \( Others \), the Eurimages awards increase too; these results are aligned with \( H_1 \), according to which GDP per capita has a positive and significant relationship with the Eurimages awards.

4.2. Economic and political results

We now add to the model the political variables to be analyzed in conjunction with the economic ones (see Appendix F). We find that the model makes a useful prediction for such analysis; moreover, its predictive power increases as both \( R^2 \) (= 0.312) and adjusted \( R^2 \) increase (=0.298). We see that the economic variables showcase the same strong significance as before. Interestingly, among the political variables, only \( ParlSeats \) shows a significant and positive correlation: \( b^* = 0.169 \). Thus, we can state that possessing seats in the European Parliament has a positive relationship with the Eurimages award, and thus, are in accordance with \( H_2 \). Conversely, \( EU-15 \) and \( FuturEU \) are not significant for the analysis.

4.3. Economic and cultural results

We now add to the model the cultural variables to be analyzed in conjunction with the economic ones (see Appendix G); to do so we exclude the political ones to highlight the correlation between economic and cultural variables alone. We find that the model
makes a useful prediction for such analysis; moreover, its predictive power increases as both $R^2 (=0.343)$ and adjusted $R^2$ increase ($=0.327$).

We see that the economic variables showcase the same strong significance as before. Interestingly, all the cultural variables are significant. Firstly, Languageaffinity has a positive correlation with the awards, $b^*=0.101$; sig $=0.016$). Secondly, Prestige showcases a positive correlation with the Eurimages financing ($b^*=0.089$; sig$=0.22$). Secondly, Prestige showcases a positive correlation with the Eurimages financing ($b^*=0.089$; sig$=0.22$), demonstrating that when the number of prizes at the most prestigious European film festivals increase, the Eurimages awards increase too. This demonstrates the effectiveness of the fund to support high quality film co-productions that are more likely to meet great success in terms of distribution. Moreover, n.3, n.4, n.5, which reflect the number of countries involved in the co-productions, showcases a positive significant relationship with the Eurimages fund. In particular, n.3, n.4 and n.5: $b^*=0.142$ (sig $=0.000$) when the movie is co-produced by three countries, $b^*=0.127$ (sig $=0.001$) for n.4, finally $b^*=0.144$ (sig $=0.000$) for n.5. All these results are in accordance with H3.

### 4.4. Results of the WLS model

We now add to the model all the aforementioned variables, without any exclusions. The WLS model showcases Award as the dependent variable and ParlSeats, n.3, @2015, n.5, GDP per capita Others, @2018, n.4, @2016, Languageaffinity, FuturEU, @2017, GDP per capital, Prestige, @2019, EU-15 as independent variables, to investigate the relationship that the economic, political and cultural characteristics of the CoE Member States have with the Eurimages financing. We find that the model makes a useful prediction for such analysis; moreover, its predictive power increases as both the $R^2 (=0.381)$ and adjusted $R^2 (=0.362)$ increase. This demonstrates the correctness of the choices of the variables considered, indicating that economic, political and cultural characteristics of CoE Member States play a significant role in the way Eurimages is allocated.

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>b,c</th>
</tr>
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<tbody>
<tr>
<td>Model</td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>R  Square</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

50
We see that the economic, political and cultural variables showcase similar significance as before, except *Prestige* which drastically increases in significance value (=0.975). Moreover, the significant variables maintain the same positive relationship, meaning that with the increase in their values, the Eurimages awards increase accordingly. These results are aligned with the three hypotheses conceptualized in chapter 3.1; therefore, accepting all of them. However, it should be mentioned that H₃ is partly accepted since the variable *prestige* - as aforementioned - is found to be not significant.

For what concerns H₁, the results shed some light on the effectiveness of the fund in assigning resources equally among countries, without penalizing the applicants based on the relative richness of the nation. It seems that in the choice of allocation of the support, the relative economic weight is relevant. The important role that the economy of the country plays in the allocation of the Eurimages fund is aligned with one of the aims of the funds to sustain films that are likely to be widely distributed; therefore, movies that are produced and circulate among countries with higher GDP per capita on average are more willing to meet great success in terms of box office; conversely, this
result entails a negative and noteworthy implication for cultural diversity. The economic weight is creating limitations to the cultural expression of CoE countries with relative weaker economies; by favouring richer countries, low film producing countries are limited in attracting the same resources, leading them to be involved as a minority co-producer rather than major producer, as suggested by Hammett-Jamart & Redvall (2019). Thus, Eurimages fails to preserve cultural diversity, in particular its dimension of balance of in terms of country of origin of the movie or director.

Regarding H2, the results uncover the effectiveness of the fund in being immune to the political power of each Member state: increasing the number of seats in the main legislative European institution led to an increase in the Eurimages financing; this means that the Fund fails in assuring an equal allocation of resources based on the quality of the applications; rather it is compelled by political bargaining. This is aligned with the finding of previous research on the allocation of EU public funds. These results entail crucial implications regarding cultural diversity since it denotes that countries with lower political power are discriminated against regarding their involvement in international movie co-production; hence, in this respect, Eurimages seems to fail to increase the balance of cultural diversity supplied in terms of country of origin of the film or nationality of the directors.

Concerning H3, the results are aligned with the theories according to which countries that share the same language are more willing to co-operate. This result entails negative implications in terms of cultural diversity in balance in terms of official languages of co-production; sharing the same language can lead to an increase in Eurimages award.

To conclude, the results of WLS model showcase negative implications concerning the diversity supplied especially in terms of balance: countries with smaller economic, political power and without language affinity with other Members States are less likely to be the major producing countries, and therefore spread their cultural values through films.

29 See Felbermayr & Toubal (2010); Guiso, Sapienza and Zingales (2004); Noland (2005); Tsukada & Nagaoka (2015); Montobbio & Sterzi (2013) on this topic.
<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
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<td>(Constant)</td>
<td></td>
<td>102222.732</td>
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<tr>
<td></td>
<td>GDP per capita Others</td>
<td>1.818</td>
<td>.390</td>
<td>.193</td>
</tr>
<tr>
<td></td>
<td>GDP per capita @2015</td>
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</tr>
<tr>
<td></td>
<td>GDP per capita @2016</td>
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<tr>
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<td>GDP per capita @2017</td>
<td>-49160.274</td>
<td>16842.856</td>
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<td>GDP per capita @2018</td>
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</table>

a. Dependent Variable: Award
b. Weighted Least Squares Regression - Weighted by Weight

* $\alpha \leq 0.1$
** $\alpha \leq 0.05$
*** $\alpha \leq 0.01$

### Residuals Statistics

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
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<th>Mean</th>
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<td>Std. Predicted Value</td>
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</tr>
<tr>
<td>Std. Residual</td>
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<td>.</td>
<td>.</td>
<td>.</td>
<td>0</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Award
b. Weighted Least Squares Regression - Weighted by Weight
c. Not computed for Weighted Least Squares regression.
5. Conclusions and discussion

Mainly due to globalization, cultural diversity has been gaining importance within political and economic debates as well as in the academic world. Scholars have been deeply investigating how the concept of cultural diversity can be conceptualized in the different dimensions and how they can be measured empirically. As a result, they conceive three main dimensions: variety, balance and disparity which differs in terms of supply and demand. Unfortunately, these are only guidelines on how to measure cultural diversity, however, they do not represent a universal way of assessing the phenomenon, since it changes according to the problem analyzed (Ranaivoson, 2013). This dynamic nature of cultural diversity has been the cause of the difficulty in conceptualizing an international specific policy on the topic. The INCP Draft Convention (2003), the UNESCO Convention (2005) and the World Report (2009) investigated in chapter 2.1 – demonstrates the global importance in fostering cultural diversity; however, they all fail in providing clear policy guidelines to the national governments, leading to serious risks of moral hazard problems: countries could have taken advantage on the ambiguity of the documents, and therefore carry out national protectionism policies to support national cultural industries rather than foster cultural diversity.

Moreover, it is still the subject of an open economic debate concerning which approach between protectionism or free trade serves the cause of the preservation of cultural diversity. In the real world, we can see examples of both as explained in chapter 2.3.3.; however, the thesis considers European cultural policies inclined towards cultural protectionisms rather than free trade, according to the numerous European initiatives towards the preservation of “diversity-as-pluralism” (de Witte, 2008), the fundamental prerogative of the main European legislative institutions, i.e. CoE. For instance, public subsidies accessible only for the Member States.

The preservation of cultural diversity applies specifically to the audiovisual sector since the European market is fragmented into different cultures, languages, preferences and practices in film production. In this regard, film co-productions among CoE countries play a crucial role in increasing the cultural diversity supplied. In particular, the thesis focuses on the CoE’s Eurimages fund which incentivizes transnational cooperation. When CoE established the Eurimages fund in 1989, the aim was to ensure and foster cultural diversity supplied by maintaining a focus on the potential of
distribution power of the co-productions. The increasing collaboration between the Member States, although the majority of the film productions remain domestic, contributes to the consequent increment in film circulation among different countries. This is important for several reasons. Firstly, it contributes to overcoming the fragmentation of the European market, thanks to the increase of overall production capacity, especially for those countries with a weak audiovisual industry. This has important implications for the cultural diversity supplied in terms of balance and variety since it ensures that countries that have difficulties in making their voices heard through films - both for cultural and economic reasons - have now the possibility to distribute their visions and cultural values. Secondly, the fund aims to make European films more competitive in CoE countries, aligning with the European cultural policy objectives to strengthen the sense of European dimension by showcasing cultural values of each Member State.

The empirical research presented in the thesis, regarding how economic, political and cultural variables relate to Eurimages awards, has led to accepting all the three hypotheses. In fact, the thesis demonstrates that Eurimages awards from 2014 to 2019 have a positive and significant correlation with language affinity, GDP per capita and the number of Parliament Seats of the first producing country, as well as the number of countries involved in the co-production. These results shed some light on the effectiveness of the fund to achieve its main goal: spread cultural value and preserving the cultural diversity of the Member States. Eurimages somewhat fails in increasing the diversity balance in terms of nationality of the first country producer – since Eurimages awards were mainly allocated to co-productions involving countries with greater economic and political power and which speak the same language. It can correctly be argued that countries with greater economic power possess superior financial resources; therefore, they are the ones investing more in the co-productions, supporting the claim that countries with small economic power will often be involved as minor co-producers (Hammett-Jamart & Redvall, 2019). However, it is important to underline that these results seem consistent with a limited spread of cultural values of countries with smaller economies and political power and which do not share the same languages with other countries; therefore, the results seem to validate the potential ineffectiveness of Eurimages in preserving cultural diversity in terms of balance.
Although these results cannot fully explain how the Eurimages fund is influenced by economic, political and cultural characteristics of Member States, as well as the consequent implications for cultural diversity, these results can be relevant mainly for two target groups. The first relates to functionaries of the Eurimages organization, and especially those who work in establishing an equal and fair allocation of the fund. Secondly, these results are relevant more in general for policymakers in CoE that want to assess the effectiveness of their initiatives towards the preservation of cultural diversity.

It is important to mention that this research entails some specific limitations which can inspire further research on the topic. As argued by Benhamou and Peltier (2011), cultural diversity should be studied both in terms of supply and demand. The thesis presented focuses only on the supply side. Therefore, it would be relevant for further research to analyze the general consumption of international co-production awarded by Eurimages. Firstly, research should investigate how the film co-productions circulate among the CoE Member States in comparison to outright national films, by considering initiatives such as Europa Cinemas Network which gives financial support to cinemas which screen a high proportion of non-national European film in comparison to national ones. Secondly, it would be worth investigating the consumption patterns of film co-productions in comparison to domestic films in each of the CoE Member States, to assess cultural diversity consumed, specifically regarding its balance dimension, i.e. country of origin of the film. This would shed some light on the consumer preferences regarding non-national contents, which in turn can provide some indirect insights on the perceived European sense of belonging. Similar research can investigate whether Eurimages increases diversity in terms of film production companies or whether some of them has recurrent access to the fund. This would shed some light on the possible lobbying of a small group of companies, leading to crucial implication in terms of diversity of market participants.

30 In this context, film co-productions are considered non-national films even in the country that participates in the co-production.
References


Baudrillard, T., & Kemmerling, A. (2011). Ripples in a rising tide: Why some EU regions receive more structural funds than others. European Integration Online Papers, 16(1).


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University Press.


Appendix A: Percentage of the allocation of Eurimages awards for each major producing country (2014-2019)

Appendix B: Percentage of nationalities of the director (2014-2019)
### Appendix C: Pearson Correlation: Population and GDP

<table>
<thead>
<tr>
<th></th>
<th>PO1</th>
<th>GDP1</th>
<th>PO2</th>
<th>GDP2</th>
<th>POOthers</th>
<th>GDPother</th>
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<td></td>
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<td>.000</td>
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<tr>
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* $\alpha \leq 0.1$

** $\alpha \leq 0.05$

*** $\alpha \leq 0.01$
### Appendix D: Pearson Correlation: President, ParlSeats, Contribution, National Market

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<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
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<td><strong>N</strong></td>
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<table>
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* $\alpha \leq 0.1$  
** $\alpha \leq 0.05$  
*** $\alpha \leq 0.01$
### Appendix E: WLS Economic results

#### Model Summary

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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<td>1</td>
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a. Predictors: (Constant), @2019, GDP per capita Others, @2018, @2016, GDP per capita1, @2015, @2017  
b. Dependent Variable: Award  
c. Weighted Least Squares Regression - Weighted by ECONWeight

#### ANOVA

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<th>F</th>
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<td>493</td>
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<td>Total</td>
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a. Dependent Variable: Award  
b. Weighted Least Squares Regression - Weighted by ECONWeight  
c. Predictors: (Constant), @2019, GDP per capita Others, @2018, @2016, GDP per capita1, @2015, @2017

#### Coefficients

<table>
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<tr>
<th>Model</th>
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<th>Sig.</th>
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<tr>
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<td>.236</td>
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<td>.011**</td>
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<tr>
<td></td>
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a. Dependent Variable: Award
b. Weighted Least Squares Regression - Weighted by ECONWeight

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a. Dependent Variable: Award
b. Weighted Least Squares Regression - Weighted by ECONWeight
c. Not computed for Weighted Least Squares regression.

* $\alpha \leq 0.1$
** $\alpha \leq 0.05$
*** $\alpha \leq 0.01$
Appendix F: Economics and political results

<table>
<thead>
<tr>
<th>Model Summary&lt;sup&gt;b,c&lt;/sup&gt;</th>
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<tbody>
<tr>
<td>Model</td>
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a. Predictors: (Constant), ParlSeats, @2018, @2016, GDP per capita Others, @2015, FuturEU, @2017, GDP per capita1, @2019, EU-15

b. Dependent Variable: Award
c. Weighted Least Squares Regression - Weighted by PolitWeigh

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;a,b&lt;/sup&gt;</th>
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<tbody>
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a. Dependent Variable: Award

b. Weighted Least Squares Regression - Weighted by PolitWeigh
c. Predictors: (Constant), ParlSeats, @2018, @2016, GDP per capita Others, @2015, FuturEU, @2017, GDP per capita1, @2019, EU-15

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a,b&lt;/sup&gt;</th>
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<td>Model</td>
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<td>----------------</td>
</tr>
<tr>
<td>Predicted Value</td>
</tr>
<tr>
<td>Residual</td>
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<tr>
<td>Std. Predicted Value</td>
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<tr>
<td>Std. Residual</td>
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</table>

a. Dependent Variable: Award  
b. Weighted Least Squares Regression - Weighted by PolitWeigh  
* $\alpha \leq 0.1$  
** $\alpha \leq 0.05$  
*** $\alpha \leq 0.01$
Appendix G: Economic and cultural results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<tbody>
<tr>
<td>1</td>
<td>.586&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.343</td>
<td>.327</td>
<td>1.223</td>
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</table>

a. Predictors: (Constant), n.5, @2015, GDP per capita Others, n.4, @2018, Prestige, n.3, @2017, Language affinity, @2016, GDP per capita<sup>1</sup>, @2019

b. Dependent Variable: Award
c. Weighted Least Squares Regression - Weighted by CulturWeight

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>381.598</td>
<td>12</td>
<td>31.800</td>
<td>21.270</td>
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<td>Residual</td>
<td>729.595</td>
<td>488</td>
<td>1.495</td>
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</tr>
<tr>
<td></td>
<td>Total</td>
<td>1111.192</td>
<td>500</td>
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</table>

a. Dependent Variable: Award
b. Weighted Least Squares Regression - Weighted by CulturWeight
c. Predictors: (Constant), n.5, @2015, GDP per capita Others, n.4, @2018, Prestige, n.3, @2017, Language affinity, @2016, GDP per capita<sup>1</sup>, @2019

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
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<td>17438.865</td>
<td>6.408</td>
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<td></td>
<td>GDP per capita Others</td>
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<td>@2016</td>
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<td>17911.065</td>
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<td>@2018</td>
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<td>17096.608</td>
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<td>Prestige</td>
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<td>38655.599</td>
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<td>119544.758</td>
<td>31638.379</td>
<td>.144</td>
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</tbody>
</table>

- **a. Dependent Variable: Award**
- **b. Weighted Least Squares Regression - Weighted by CulturWeight**

* α ≤ 0.1  
** α ≤ 0.05  
*** α ≤ 0.01

<table>
<thead>
<tr>
<th>Residuals Statisticsa,b</th>
</tr>
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<tbody>
<tr>
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<tr>
<td>Predicted Value</td>
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<td>Residual</td>
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<tr>
<td>Std. Predicted Valuec</td>
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<td>Std. Residualc</td>
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</table>

- **a. Dependent Variable: Award**
- **b. Weighted Least Squares Regression - Weighted by CulturWeight**
- **c. Not computed for Weighted Least Squares regression.**