



Submission No 24

Inquiry into Australia's Relations with the Republic of Korea; and Developments on the Korean Peninsula

Organisation: Media, Entertainment & Arts Alliance

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SUBMISSION

BY

MEDIA ENTERTAINMENT AND ARTS ALLIANCE

TO THE

**JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND
TRADE**

REGARDING

AUSTRALIA'S RELATIONSHIP WITH THE REPUBLIC OF KOREA

JUNE 2005

The Media Entertainment and Arts Alliance

The Media Entertainment and Arts Alliance (Alliance) is the industrial and professional organisation representing the people who work in Australia's media and entertainment industries. Its membership includes journalists, artists, photographers, performers, symphony orchestra musicians and film, television and performing arts technicians.

Executive Summary

The Media Entertainment and Arts Alliance welcomes the opportunity to provide input into the Inquiry being undertaken by the Joint Standing Committee on Foreign Affairs, Defence and Trade into Australia's relationship with the Republic of Korea. The Alliance notes that the Committee will review trade and investment and social and cultural issues. It is these matters on which the Alliance will make comment.

The Alliance notes the vigorous trade negotiation agenda of the Federal Government and makes the following comments.

The Alliance considers that the nation's trade objectives are best achieved in the context of multilateral agreements such as the General Agreement on Trade in Services (GATS) and the General Agreement on Tariffs and Trade (GATT). The Alliance considers that Australia's trade objectives with the Republic of Korea will be best served in the context of the World Trade Organisation (WTO) and could be achieved through the course of the current Doha Round which is showing signs that some progress might be made.

However, given Australia's current trade agenda, the Alliance assumes that the Government might be minded to explore the possibility of a free trade agreement (FTA) with Korea. In the event Australia does proceed to negotiate a bilateral FTA with Korea, the Alliance favours a positive listing agreement – such as is the case with GATS and the recently signed FTA between Australia and Thailand.

Consistent with current Federal Government policy in respect of GATS, Australia's position in all positive listing FTAs must continue to be one where no commitments are made that might in any way impact on the Government's ability to give effect to its social and cultural objectives in respect of Australia's cultural industries now and into the future.

The Alliance is not supportive of negative listing agreements such as the Singapore Australia Free Trade Agreement (SAFTA) and the Australia United States Free Trade Agreement (AUSFTA). However, the Alliance considers that the Annex II reservations included in SAFTA in respect of Australia's cultural industries, by contrast with the Annex I and II reservations in the AUSFTA, provide appropriate protections for Australia's cultural industries to the extent possible in negative listing agreements, and consequently should serve as a model for all future bilateral negative listing FTAs. The Alliance is opposed to the concessions made in the AUSFTA wherein a broadly drafted comprehensive cultural exemption or reservation was not negotiated. The Alliance notes that the Government's position is that the AUSFTA is not to be considered a precedent for the negotiation of other bilateral FTAs.

Consequently, in the event the Government considers it appropriate to enter into a bilateral FTA with Korea, ideally a positive listing model will be utilised and no commitments made in respect of cultural industries or, in the event the negative listing model is pursued, the Alliance considers such an agreement must incorporate a clearly drafted broad based cultural exception or reservation that:

- is technology neutral;
- allows for the Government to introduce protective legislation in the future to accommodate technologies including delivery platforms under development or not yet invented;
- allows for the Government to make protective strategic interventions at any time and in any manner it believes appropriate to maintain, strengthen or enhance development, production and/or the delivery and distribution of any sector or aspect of the cultural industries;
- is self-judging and not subject to dispute;
- is not subject to standstill, roll-back, snap-back or ratchet provisions, and
- is able to override all provisions in the entirety of the agreement including any commitments that might be made in respect of e-commerce.

Additionally, the Alliance believes that an FTA with Korea must have a clearly drafted immigration exception or reservation that:

- incorporates current restrictions on temporary business entry in the entertainment and cultural sectors;
- allows for such changes as the Government may consider necessary now and in the future;
- is self-judging and not subject to dispute;
- is not subject to standstill, roll-back, snap-back or ratchet provisions,

and:

- incorporates protection, enhancement and enforcement of labour standards, and
- makes unlawful the use of reductions in domestic health, safety and labour standards to attract overseas investment.

As piracy is an issue for all those who trade in intellectual copyright, the Alliance recommends that Australia pursue the continued enhancement of copyright protection mechanisms in Korea.

The Alliance believes that in accordance with rising international concerns about the treatment of cultural industries in FTAs, it is now more than ever appropriate that Australia join the International Network on Cultural Policy (INCP) and lend this country's support to current UNESCO initiatives to develop an international instrument on cultural diversity that quarantines cultural industries from all trade agreements.

This submission aims simply to provide an overview of the cultural industries in Korea. Korea, like Australia, has provided support to its cultural industries by way of a complex matrix of mechanisms that include training, development, subsidy, levies, content standards and quotas.

The support mechanisms implemented by the Korean Government since 1993 have resulted in Korea having one of the most flourishing film industries anywhere in the world. It serves as a template for how small countries are able to establish industries in the face of the dominant international players.

Cultural policy in Korea

Portfolio responsibility for cultural policy has been housed in various ministries since Korea achieved independence from Japan. From 1948, carriage was with the Ministry of Information, moving to the Ministry of Public Information in 1961, the Ministry of Culture and Information in 1968, the Ministry of Culture in 1990, the Ministry of Culture and Sports in 1993 and finally, in 1998, to the Ministry of Culture and Tourism (MCT) at which point it acquired responsibility for print and broadcast media.

The Culture and Arts Promotion Law defines cultural industries as those where cultural, artistic and creative works are produced, performed, exhibited, purchased and distributed commercially. The Cultural Industry Bureau was established within the Ministry of Culture and Sports in 1994 in recognition of the importance of the cultural industries to the nation and as such requiring government intervention to ensure their viability. The cultural industries' trade deficit was considered to be of such significance that it required the development of government policy to address the imbalance. In 1995, foreign programs, principally from the United States accounted for 80% of the film and video market and 93.4% of the animation market resulting in a trade deficit of US\$330 million. As can be seen in the section of this submission covering the history of the film industry, once the screen quotas, already mandated at law, were enforced, the turnaround for the industry was dramatic.

In 2004, the MCT, in order to strengthen cultural and arts education, divided its Culture Industry Bureau into two sections – the Culture Industry Bureau and the Culture Media Bureau.

Other ministries, including the Ministries of Information and Communications, Foreign Affairs and Trade, Education, and Health and Welfare, also carry some responsibilities for cultural development. The Korean Culture and Arts Foundation is the national funding institution for the development of arts and culture.

The MCT accounts for 1.06% of the government's total budget. It is responsible for the promotion of culture, arts education, cultural industries, religious affairs, preservation and conservation of cultural heritage, national historic sites and natural treasures, youth affairs, tourism, sports, language, international cultural exchange, media, and overseas public relations. Its goals are:

- “To educate Korean people to be cultural and creative citizens
- “To create a leisurely and unique society in which leisure and work are in harmony and where people can express their cultural identity
- “To create a dynamic cultural nation that represents various local cultures.”¹

¹ Ministry of Culture and Tourism, see online at www.mtc.go.kr.

The MCT's predecessor promulgated the Government's "Cultural Welfare" program, recognising the importance of culture for the development of the nation and in 1997 launched its Cultural Vision 2000 under the banner *New Century for Culture is Coming*. Cultural Vision 2000 was designed to provide people from all walks of life opportunities to participate in the cultural life of the nation and to emphasise that culture will play an important role in the 21st century. Specifically, it looks to "fostering cultural education to produce creative members of society; expansion of the government support to creative works which enhance the economic progress; preservation and modernization of traditional culture; encouraging of cultural industry; establishing national cultural identity in time for the unification, and a strengthening of cultural diplomacy."²

Key cultural organisations include the Office of Cultural Properties, the National Academy of the Arts, the Korean National University of the Arts, the National Academy of the Korean Language, the National Library, the National Theatre, the National Museum of Contemporary Art, the National Centre for Korean Traditional Performing Arts and the National Folk Museum.

The Korean Culture and Arts Foundation was established in accordance with the Culture and Arts Promotion Act in 1973 as a national funding institution to support cultural activities and artists. Culture and arts are defined as "literature, fine arts, music, dance, theatre, film, entertainment, traditional music, photography, language, and publishing."³ Policies are developed for each of these sectors and research and creative activities in each sector supported by the Foundation.

Funding is sourced from surcharges applied to admission fees to cinemas, theatres, historical sites, art galleries, royal palaces and museums. Funding is augmented by donations, government appropriation, and from the "Broadcasting Development Fund that is raised from profits from broadcasting advertisement."⁴

The Foundation's budget for 1997 was 51 billion won (US\$53 million), from which expenditure grants were made to professional artists, producers and arts organisations.

The National Academy of Arts was established to contribute to the creation and development of national culture by guaranteeing the freedom of artistic expression and by promoting the status of artists. It sponsors exhibitions, speeches and seminars by members of the Academy and international arts symposiums.

The Korean National Institute of the Arts was established in 1991. It comprises Schools of Music, Drama, Film, Video and Advanced Media, Dance and Art.

The National Academy of the Korean Language was founded by Presidential decree in 1990 to contribute to the development of Korean language culture and to inform national language policy.

The first national theatre company in Asia, The National Theatre of Korea was established in 1950 with a view to preserving traditional performance forms as well as promoting contemporary performance. Its sister companies are the National Drama Company of Korea, the National Changgeuk Company of Korea, the National Dance Company of Korea and the National Orchestra Company of Korea.⁵

The work of the National Centre for Korean Traditional Performing Arts includes researching and preserving Korean traditional music and traditional instruments. It also publishes traditional music scores and research papers. A central plank of its undertakings is the presentation of regular concerts including touring obligations nationally and internationally.⁶ It is an organisation with one of the longest lineages of any arts institution in the world, able to trace its origins back 1,400 years to "the institute called Eumseongseo during the reign of Queen Jindeok of the kingdom of Silla. The succeeding kingdom of Goryeo had two national music institutes which were combined in the early part of the Joseon Dynasty into Jangagwon or 'Music Affairs Institute', which continued to be responsible for all music, song and dance performed at major national celebrations, and for the training

² *Cultural Policy – Korea*, APRCCN, available online at www.culturelink.or.kr.

³ *Ibid.*

⁴ *Ibid.*

⁵ Sources: *Cultural Policy – Korea*, APRCCN, available online at www.culturelink.or.kr, and The National Theatre of Korea, see online at www.ntok.go.kr.

⁶ Sources: National Centre for Korean Traditional Performing Arts, see online at www.ncktpa.go.kr and *Cultural Policy – Korea*, APRCCN, see online at www.culturelink.or.kr.

of musicians and the composition of new music. This institute managed to survive the order of the Japanese occupation. During the Korean War, on April 10, 1951, the present center was opened in Busan.”⁷

The Seoul Arts Centre is a comprehensive arts complex comprising the Opera House, Music House, Hangaram Art Museum, Seoul Calligraphy Arts Museum and Arts Library (Design Museum). Opening in 1988, its average annual attendance during the 1990s was 10 million.⁸

Since the system of local government was established in 1995, local governments have been active in developing their own cultural policies and administrative structures to foster and promote indigenous culture reflecting the values and needs of the community. Provincial governments have assumed a degree of direct responsibility for delivery of cultural activities in provincial areas with physical building infrastructure – performing arts centres, libraries, museums and so on – being financed at the provincial level.

In 1996, the Korean publishing industry accounted for six per cent of the global market, making Korea one of the ten largest publishing countries in the world, with 12,458 publishing companies and 5,000 printing houses producing 26,664 titles. The market is principally led by school reference book publishing and children’s books. 8,724 periodicals were published in 1997 including 126 dailies, 2,561 weeklies and 3,376 monthlies. With the environment for domestic publishing becoming more difficult in an increasingly globalised environment, in the late 1990s, the government established a Publication Information Industrial Park identifying publishing as a national strategic industry.

In 1995 the Korean domestic music recording industry had a turnover of 400 billion won (US\$516.3 million) making it the eighth largest market in the world and second largest after Japan in Asia. Domestic companies had a 63% market share. In the same year the Korean computer game market had a market value of 500 billion won (US\$645.4 million).

Interestingly, statistics for 1996 reveal that 72.2% of the population over the age of 15 read newspapers and their areas of interest were, in order, the economy, culture, sports, social issues and politics.

In the same year, local drama was the most popular programming on television at 37.1%, followed by news at 32.8%, entertainment at 11.5% and sports at 8.9%. The two chief causes for dissatisfaction with television were the number of commercials (27.4%) and the same type of programming being broadcast at the same time across networks at 21.8%.

In response to research that indicated 44.9% of the population were dissatisfied with how they were able to manage their leisure hours (chief causes being economic at 39.2% and lack of time at 29.8%), in 1996 the MCS developed their Cultural Welfare Implementation Plan. The Plan focussed on the importance of quality of life and recommended that more facilities for cultural and sports activities should be funded by government along with the establishment of a cultural welfare fund.

Arts and culture in Korea – relevant legislation

Culture and Arts Promotion Act (1972)
Screen Arts Promotion Act (1996)
Performing Arts Act (1961)
Film Promotion Act (1995)
Recording and Video Act (1991)
Local Cultural Centre Promotion Act (1994)
Cultural Property Protection Act (1982)
Museum and Art Gallery Promotion Act (1991)
Traditional Building Preservation Act (1984)
Independence Hall Act (1986)
Periodicals Registration Act (1987)
Library and Reading Promoting Act (1994)
Overseas Publication Import and Distribution Act (1973)

⁷ National Centre for Korean Traditional Performing Arts, see online at www.ncktpa.go.kr

⁸ Sources: *Cultural Policy – Korea*, APRCCN, see online at www.culturelink.or.kr and the Seoul Arts Centre, see online at www.sac.or.kr.

Publishing and Printing Registration Act (1961)
Broadcasting Act (1987)
Cable TV Act (1991)
Cable TV Operation Act (1986)
Korea Broadcasting System Corporation Act (1987)
Korea Broadcasting Advertisement Corporation Act (1980)
Broadcasting Culture Promotion Association Act (1988)
Traditional Temple Preservation Act (1987)
Hyangkyo (Confucian temple and school belonging it) Property Act (1962)
Copyright Act (1986)
Computer Program Protection Act (1986)

Source: Asia-Pacific Regional Centre of the Culturelink Network⁹

Korean Film Council

The Korean Film Council was founded in 1973 in accordance with Article 7 of the Korean Film Promotion Law to improve the quality of Korean films and promote the industry. Originally known as the Korean Motion Picture Promotion Corporation, it became the Korean Film Council (KOFIC) in May 1999.

KOFIC has launched a number of investment initiatives that include forming investment unions and providing financial loans and investments to induce private investment in the production of Korean films.

According to KOFIC, "Investment unions can be understood as being film-related funds. Investment unions are designed to create specialized funds of a certain size that are mutually financed by venture capital, film capital, regular investors, and public funds (the investments made by KOFIC fall into this category). KOFIC invests up to 20% of the fund total in order to induce individual investors participation in the film industry. These investment corporations are based on the principle of assuring a certain number of investors in order to reduce the risk to the investors and to be able to diversify investments. KOFIC holds, in cooperation with the Film Investors' Council, in depth explanations of films in order to attract investors."

As completion guarantees are not common in the Korean industry, many producers have found difficulty securing bank loans. Consequently, KOFIC make loans available at lower interest rates than those that can be secured from banks.

KOFIC also provides direct investment. While able to invest up to 50% of total production costs, typically KOFIC restricts its investments to 25% of total costs. KOFIC allows private sector investors to recoup in preferred position, recovering its investment only once other investors have recovered their investment.

KOFIC also raised funds for the development of Korean films, such funds being administered by the Film Promotion Finance Association. The fund was raised using the Korean Culture and Arts Promotion Fund by way of a levy on cinema tickets and from government appropriation.

Further, "While Korea does not have a video tax like the ones found in France or Germany, it does have a broadcasting tax that is levied based on the broadcasting fee for watching publicly broadcasted programs and commercials."¹⁰

In addition to support for commercial films, KOFIC also operates a range of support programs for low budget art films, independent films, shorts and animated films. Funds for independent and short films are provided as grants rather than by way of investment or loans.

The Korean film industry¹¹

⁹ Available online at www.culturelink.or.kr.

¹⁰ Source: KOFIC, see online at www.kofic.or.kr.

¹¹ Source: Korean Film, see online at www.koreanfilm.org.

Not one complete Korean film produced before 1940 survives today, the result of neglect or the devastation of the Korean War. However, it appears that approximately 160 feature films were produced in the years between 1923, when the first film is believed to have been produced, and the end of World War II. Despite their popularity, Japanese censorship hampered the development of the Korean industry. The Japanese government required all films screened in Korea – local and foreign – to be approved and police to be present in cinemas for all screenings. During the 1930s, censorship was toughened and virtually the only films to reach screens were melodramas, costume dramas and those with pro-Japanese storylines. When Japan invaded China, the industry in Korea was subsumed within the Japanese propaganda machine. In 1942, Korean language films were banned. When in 1945 Korea was liberated from colonization by Japan, filmmakers were finally able to explore their own culture on film but, with equipment in decrepit condition and film stock in short supply, only a small number were produced. However, their newly found freedom was brought to an abrupt halt with the outbreak of civil war resulting in the division of the country. The U.S. governing authority in the South also decided to leave in place the censorship regime established by the Japanese, a particular concern for those filmmakers whose content might be considered political in nature.

A Short History of Korean Film

by Darcy Paquet

- 1903 – First public screening of a film in Korea (the exact year is debated).
- 1910 – Korea is formally annexed by Japan, after years of effective colonization.
- 1919 – First Korean film, a kinodrama (play with motion picture inserts) named *Uirijeok Gutu*.
- 1923 – First silent film, *Plighted Love Under the Moon* directed by Yun Baek-nam.
- 1926 – *Arirang* by Na Un-Kyu.
- 1935 – First sound film, *Ch'unhyang-jon* directed by Lee Myung-woo.
- 1937 – Japan invades China; the Korean film industry is converted into a propaganda machine.
- 1945 – Japan surrenders to the Allied Forces; Korea regains independence, but is soon divided in two.
- 1949 – Korea's first color film, *The Women's Diary* by Hong Seong-gi.
- 1950 – War starts on the Korean Peninsula.
- 1953 – Cease-fire agreement signed at P'anmunjom.
- 1960 – *The Housemaid*, directed by Kim Ki-young.
- 1961 – *Obaltan*, directed by Yu Hyun-mok.
- 1961 – *The Houseguest and My Mother*, directed by Shin Sang-ok.
- 1973 – Establishment of Korean Motion Picture Promotion Corporation (KMPPC).
- 1974 – Establishment of Korean Film Archive.
- 1979 – Military dictator Park Chung-Hee is assassinated.
- 1980 – Kwangju Massacre.
- 1981 – *Mandala*, directed by Im Kwon-taek.
- 1988 – Hollywood studios allowed to open first branch office (UIP) in Korea.
- 1992 – *Marriage Story* is the first film financed by a member of the chaebol (Samsung).
- 1993 – Democratization spreads in Korea under new president Kim Young-sam.
- 1993 – *Sopyonje*, directed by Im Kwon-taek.
- 1997 – Opening of Namyangju Cinema Complex outside of Seoul.
- 1999 – *Shiri*, directed by Kang Jae-Gyu, kicks off commercial boom.
- 2001 – Local market share tops 50%, boom in overseas sales.
- 2004 – *Silmido* and *Tae Guk Gi* become the first films to sell 10 million tickets.

During the years of the Korean War, filmmaking all but ceased but some filmmakers moved to the southern cities of Busan and Daegu, where auteur filmmaker Shin Sang-ok produced his first film, *Evil Night*, in 1952, of which no prints now exist.

In 1953, hoping to kick start the film industry, President Syngman Rhee declared cinema to be exempt from all taxes. Foreign aid programs provided South Korea with film technology and equipment replacing that destroyed during the war. The industry made a quick recovery and commercially successful films followed with *Chunhyang-jeon* (1955) and *Madame Freedom* (1956). Underpinned by tax concessions and buoyed by enthusiastic audiences, production went from 18 films in 1954 to 111 in 1959. The late fifties are considered the early years of the golden age of Korean cinema.

Number of Films Produced between 1950 and 1959

1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
5	5	6	6	18	15	30	37	74	111

Source: *Traces of Korean Cinema from 1945 to 1959* (2003), Korean Film Archive¹²

With television still in its infancy, the cinema was the pre-eminent entertainment medium. The sixties produced a new generation of filmmakers who went on to make some of the country's most important films.

The fifties ended with the student-led protests that ultimately toppled the Syngman Rhee government in 1960. Freedom of expression was allowed and films like Kim Ki-young's *The Housemaid* and Yu Hyun-mok's *Obaltan* were produced. But a mere 13 months later, in May 1961, Park Chung Hee came to power in a military coup and would lead the country until his assassination in 1979.

In 1962, the Park regime introduced the Motion Picture Law, requiring film companies to own their own studios and equipment, setting minimum numbers of actors and directors under contract and mandating a production output of 15 films annually. Within the year, the number of production companies plummeted from 71 to 16 and soon after to four. The Motion Picture Law allowed film companies to import one foreign film for every three local films produced, creating intense pressure on directors to work quickly. For instance, Kim Soo-yong shot ten feature films in 1967, including his masterpiece *Mist*. What the Law did not guarantee, however, was the release of all films so rushed through production. Strict censorship resulted in many films being banned or delayed for reasons of political or social content. Shin Sang-ok, who made one of the classics of Korean cinema with *The Dream*, produced two films a year during the 1960s. After making more than 80 films, he was mysteriously "kidnapped" and taken to North Korea in the late 1970s to produce films for Kim Jong Il. Eight years later he escaped to America where he subsequently produced *The Three Ninjas* and its sequels under the name Simon Sheen.

By the end of the sixties, imported films had dropped from 208 in 1960 to 79 in 1969 while production of local films soared from 92 in 1960 to 229 in 1969.

Industry Trends from 1960 to 1969

Year	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Local films	92	86	113	144	147	189	136	172	212	229
Imports	208	105	79	66	51	64	85	64	63	79

Source: *The History of Korean Cinema* (1988), Lee Young-il and Choi Young-chol.¹³

The robust industry of the sixties was almost destroyed during the seventies by harsh censorship and constant interference from a government seeking to use cinema as a vehicle for the promotion of government policy. The Quality Films Record System was introduced in 1973 allowing companies producing 'quality films' – those that portrayed the government's views about national identity – rights to import and distribute overseas films. The same year, the Korean Motion Picture Promotion Corporation (the precursor to the Korean Film Council) was established to bolster the local industry and the following year the Korean Film Archive was founded. However, by then the industry was in a long decline that would not be reversed for years. By the end of the decade production had plummeted to 96 films from 209 produced in 1970. MBC-TV was launched in August 1969 and audiences turned their backs on the cinema in droves in favour of television. Nonetheless, notwithstanding the blandness of much of the output of the seventies, some directors managed to produce highly original films, a handful of which "feel more modern and relevant today than they likely did in the era in which they were produced."¹⁴

Industry Trends from 1970 to 1979

Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Korean films	209	202	122	125	141	94	134	101	117	96
Imports	61	82	63	60	39	35	43	42	31	33

Source: Korean Film Council (KOFIC)¹⁵

¹² Cited in Korean Film, see online at www.koreanfilm.org.

¹³ Cited in Korean Film, see online at www.koreanfilm.org.

¹⁴ Korean Film, see online at www.koreanfilm.org.

¹⁵ Cited in Korean Film, see online at www.koreanfilm.org.

A change in government at the beginning of the eighties brought with it a more tolerant attitude towards sexuality, leading to a wave of soft pornography and erotic features such as the *Madame Aema* series. Political and social content, however, remained highly constrained until Seoul hosted the Olympics in 1988, after which time censorship eased a little allowing mildly political content such as that in Park Kwang-su's *Chilsu and Mansu*. Although the decade saw the emergence of a new generation of directors with some of their work gaining attention at international festivals, box office takings for local films remained low. Throughout the decade no Korean film achieved the box office high achieved by *Winter Woman* in 1977. Meanwhile an illegal, independent filmmaking movement gathered strength and produced works such as *Oh! Country of Dreams* made in 1989.

Industry Trends from 1980 to 1989

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Korean films	91	87	97	91	81	80	73	90	87	110
Imports	39	31	29	26	26	30	51	85	175	24

Source: Korean Film Council (KOFIC).

Finally, in 1993 the military dictatorship came to an end with Korea's first democratically elected president, Kim Young-sam, taking office, bringing wide-ranging changes to the country.

However, the lifting of restrictions on the direct distribution of foreign films in 1988 had resulted in a dramatic surge in the number of Hollywood films released in Korea. Local films suffered even further, with Korean cinema accounting for only 15.9% of the market in 1993, the lowest level since the revival of the film industry in the mid-1950s. Film production slumped from 121 films in 1991 to 63 in 1993, resulting in calls for the enforcement of the Screen Quota System. Although the quota system had been in place for years, it had not been vigorously enforced. Its enforcement from 1993 is considered to have prevented the complete collapse of the local industry. The quota obliges Korean cinemas to screen Korean features for 146 days a year with a default mechanism that allows, under certain circumstances, the threshold to drop to 106 days a year.

In what was otherwise a time of bad news stories, veteran director Im Kwon-taek's *Sopyonje*, broke all box office records for a local production in 1993, and in so doing achieving the fourth highest box office for a film in the first half of the nineties.

At the same time, the *chaebol* – Korea's large business conglomerates – turned their attention to the film industry, anxious to produce content for the VCRs being made by their electronics divisions. Samsung was the first to establish its own film division, with the release of the hit *Marriage Story* in 1992. In time, these conglomerates transformed the structure of the industry, introducing a vertically integrated system wherein the finance, production, distribution, exhibition and video release of films was controlled by a single company. Although many *chaebol* abandoned the industry after the 1997 financial crisis, major conglomerates like CJ, Lotte and Orion Group remain the industry's most powerful players today.

Industry Trends from 1990 to 1995

Year	1990	1991	1992	1993	1994	1995
Korean films	111	121	96	63	65	64
Imports	276	256	319	347	382	359

Source: Korean Film Council (KOFIC).

1996 saw impressive debut films from directors who would become the giants of the industry, including Hong Sang-soo and Kim Ki-duk. And, for the first time since 1993, two films, *The Letter* and *The Contact* achieved more than 600,000 admissions each. It also saw the launching of the Pusan International Film Festival. A startling success, the festival provided an excellent platform on which to showcase Korean cinema to local and international audiences. The following year, Lee Chang-dong made his debut feature, *Green Fish*. A former novelist, his 2002 film *Oasis* won him the award for Best Director at the Venice Film Festival. Lee went on to serve as Korea's Minister for Culture and Tourism from 2003 to 2004.

1999 is now seen as a turning point in the industry, the year that saw a marked jump in the box office performance of local films. Kang Je-gyu's *Shiri* broke the box office record held by *Titanic* and was followed by other hits including *Attack the Gas Station* and *Tell Me Something*. Embraced by

audiences, their success emboldened production companies, giving them confidence to take risks and to mount big budget genre films previously not produced in Korea. Sales companies like Mirovision and Cineclick Asia took Korean films to international markets opening up new revenue streams for investors. However, the term “big” needs defining. *Shiri*’s big budget was US\$5 million, hardly big by comparison with the productions it outgrossed like *The Matrix*, *Titanic*, *Star Wars* and *Toy Story*. With domestic box office receipts exceeding US\$60 million, it was hugely successful for Samsung Entertainment and whetted investors’ appetites for more.

The success of 1999 was matched in the following years with a healthy output of genre blockbusters alongside a raft of critically acclaimed low budget art house films. By 2002, Korean films captured the lion’s share of the local market, outperforming American imports. However, despite a number of box office successes, the spectacular failure of a few big budget genre films caused nervousness and the departure from the industry of some investors. While 2003 dawned with a degree of pessimism in the industry, it proved to be the one of the best years of all time, creatively and commercially. And in 2004, *Silmido* (released in the last week of 2003) and *Taegukgi* both broke the previously only dreamed about barrier of ten million admissions, while Park Chan-wook won the Palme D’or at the Cannes Film Festival for *Old Boy*.

In an interesting approach to convergence, in 1999 Korean producers used web sites to do more than promote their forthcoming films. They used them to raise investment, creating what became known as “netizen” funds. Originally conceived as a marketing tool, netizen funds were designed to make marketing web sites more interactive, to finance offline promotional events and press screenings to which the funds’ contributors would receive special invitations, thus strengthening the relationship between the audience and the films. The concept proved extraordinarily popular. In 1999, the initial offering for *The Foul King* drew 464 investors committing a total of 101 million won (\$77,500), about one twelfth of the total budget. Most investors committed less than \$77 each. “When the film debuted in February 2000 it was a smash hit, propelled along in part by enthusiastic word-of-mouth marketing by the fund’s contributors (68% of whom were in their twenties, the film’s major target audience).”¹⁶ It went on to out-gross all but two of the year’s Hollywood releases, earning investors a 97% return.

By 2001, the rate at which Korean netizens were committing funds had reached dizzying speeds. “On March 12th, two weeks prior to its scheduled release, the gangster film *Friend* raised 100 million won (\$77,000) from 190 online investors in one minute. On May 21st, a month before its release date, action-comedy *Kick the Moon* raised 150 million won (\$115,000) in only ten seconds.”¹⁷

Clearly, not all films return their budgets and once netizens discovered that films also make losses, calls were made for regulation of the funds.

New funds have since emerged using differing models. Internet companies like Sammani.com and Daum.net “pioneered an alternate model for the funds, based on the stock market. Marketed purely as an investment tool, Simmani’s netizen funds are made available in a limited initial offering several weeks prior to a film’s release, for investments as small as 10,000 won (\$7.75). For the duration of the fund’s terms, which lasts until three months after the film’s release on video, investors may freely trade shares at prices set by the market.”¹⁸ Simmani’s Enter Fund, its film investment service that enables netizens to invest, is one of a range of new online services operated by the company that established the first Korean internet search engine in 1996.¹⁹

Finally freed from Japanese colonisation, prohibitive censorship, distortive film regulation and government intervention, it was not until the late 1990s that Korea was able to demonstrate that, with a stable economic environment, a supportive government and sensible supportive government film policy, it could produce films that would appeal to local audiences, capable of outperforming imported films from the United States. A combination of enforced cinema quotas, tax concessions, public sector investment, cinema ticket levies, government support for both project development and the development of careers have allowed the Korean industry to achieve the critical mass necessary for an industry to flourish. Like cinema industries around the world, only a minority of feature films make

¹⁶ *Netizen Funds*, Darcy Paquet, available online at <http://koreanfilm.org/netizen.html>. The article available online is an expanded version of an article which was published in *Screen International* on 2 November 2001.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ See About Simmani at http://www.dacom.net/e_site/aboutus/subsidiaries/simmani.html.

profits for their investors. Yet Korea has been able to demonstrate that where an industry can operate within a framework that allows it to build production to a critical mass the industry is able to sustain itself and compete successfully with American films.

Ten Top Films – 2003

All Films	Admissions: Admissions:		Release Date	Weeks
	Nationwide	Seoul		
1 Silmido (Korea)	11,074,000	3,262,000	Dec 24*	15
2 Return of the King (NZ/US)	5,960,000	1,978,409	Dec 17*	8
3 Memories of Murder (Korea)	5,101,645	1,912,369	Apr 25	12
4 My Tutor Friend (Korea)	4,809,871	1,622,064	Feb 7	10
5 The Matrix Reloaded (US)	3,600,000	1,500,000	May 23	7
6 Untold Scandal (Korea)	3,345,268	1,293,642	Oct 2	7
7 Old Boy (Korea)	3,260,000	1,170,000	Nov 21*	9
8 Oh! Brothers (Korea)	3,125,256	948,604	Sep 5	6
9 A Tale of Two Sisters (Korea)	3,110,000	1,000,471	Jun 13	5
10 Once Upon a Time in a Battlefield (Korea)	2,835,000	923,000	Oct 17	6

* Includes tickets sold in 2004. Source: Korean Film Council (KOFIC).

Market share: Korean 53.5%, Imports 46.5% (nationwide)
 Films released: Korean – 65, Imported – 175
 Total attendance: 119.5m admissions
 Number of screens: 1,132 (end of 2003)
 Exchange rate (2003): 1,194 won/US dollar
 Average ticket price: 6,226 won (US\$5.21)
 Exports to other countries: US\$30,979,000 (Japan: 45%)
 Average budget: 2.84bn won + 1.34bn p&a costs

Despite the successes of recent years, the road ahead is not necessarily secure.

Negotiations for a Korea-United States Bilateral Investment Treaty were suspended in 1999 when the United States could not persuade the Korean Government to repeal the screen quotas. In January 1999 and December 2000 the National Assembly passed resolutions stating that a relaxation would not be considered unless Korean films achieved a market share above 40%. Since 2001, Korean films have maintained a market share just under 50% and, in 2003, the Roh Moo-hyun government indicated it was prepared to consider resolving the stalemate with the United States. Still meeting strong opposition to repealing the quota, during the first half of 2004 the United States amended its request to a reduction from 146 days to 73 days. Signs that the Korean Government might be amenable came in the middle of last year when the newly appointed Minister for Culture Chung Dong-chea spoke in support of a reduction in the National Assembly in July. His comments followed similar statements made a month earlier by President Roh Moo-hyun and former Minister for Culture (and former film director) Lee Chang-dong.

Hugely controversial, it prompted industry protests by practitioners concerned that the quota was in large part responsible for the resurgence of the industry and continues to be an essential safety net for an industry that can never guarantee every year will deliver films that capture the majority of box office takings. In a move considered to acknowledge the politically sensitive nature of the issue, another Ministry official, Lee Jung-woo, explained the Ministry's position was to explore an "adjustment" rather than a "reduction" of the quota.²⁰ How long Korea is able to resist the United States remains to be seen.

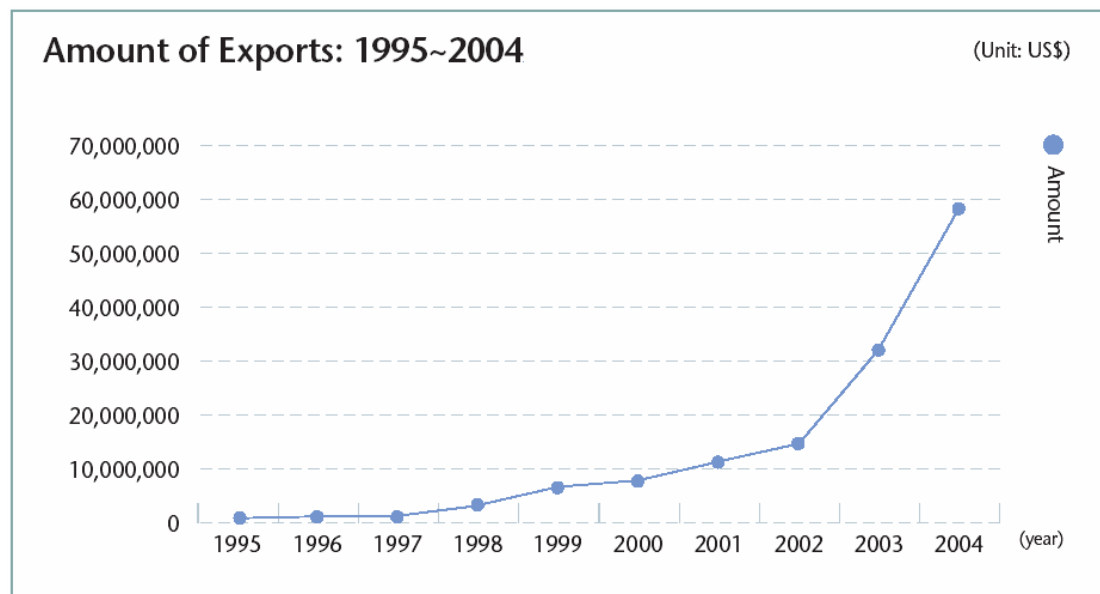
The United States argues "the quota discourages trade, cinema construction and the expansion of theatrical distribution in Korea."²¹ However, in the face of evidence to the contrary, the United States also argues that the quota "hurts the competitiveness of the Korean film industry."²² Since the screen

²⁰ Source: *A bitter fight to save screen quota*, JoongAng Daily, 4 August 2004.

²¹ Foreign Trade Barriers – Korea, United States Trade Representative, page 305, available online at www.ustr.gov.

²² Ibid.

quotas were rigorously enforced, not only has the Korean industry's share of its local market increased to hover around 50%, its export performance has also increased. In 2003, of the 240 films released in Korea, 65 were local. Yet those 65 films captured 53.3% of the box office. With these results, it is difficult to see how the quotas can be argued to be damaging for the Korean industry. What is certain is that prior to enforcement of the quotas, the industry was in a parlous state.



Korean Film Observatory, No 14, Winter 2004-05, KOFIC, page 13²³

The other potential threat to the highly successful feature film industry is that pundits who speculate the industry's trajectory is mirroring that of another successful industry might be right.

"At the peak of its Golden Era between the mid-80s and the early-90s Hong Kong cinema was defending nearly half its domestic box office turf against Hollywood imports, thanks to an unusual concentration of mega-talents like John Woo, Chow Yun-Fat, Jackie Chan and Tsui Hark ... What's more, some Hong Kong kung-fu and gangster flicks outdrew Hollywood thrillers in many international markets.

"Hollywood's strategy for coping with the Hong Kong threat? Simple and devastatingly effective – buy up the biggest box-office draws. The result has been an epic shift: the top HK talents have been reduced mostly to coolie-ing on Hollywood formulaics while HK cinema has become a parched gulch with bounding tumbleweeds and half-hinged screen doors banging forlornly with every hot gust."²⁴

What the Hong Kong industry did not have was a robust framework of government regulation and support underpinning the industry, as is the case in Korea. When the most successful directors working in the industry departed, it collapsed. In the late nineties, the government established a film fund to support local production, but the industry is a mere shadow of its former self.

Although it is too early to determine whether Hollywood will seek to contract the stars of the Korean industry, most industries have not been immune to the attraction of work in major American films offers.

Indeed, Australia has a long track record in producing talented practitioners who, once they have been able to demonstrate their ability in the Australian industry, have been snapped up by Hollywood, notwithstanding the fact that a number return and make ongoing contributions to the local industry, for instance, directors Phil Noyce (*Rabbit Proof Fence*), and actors Nicole Kidman (*Moulin Rouge*), Hugo Weaving (*Peaches*), Cate Blanchett (in the soon to be released *Little Fish*) and Geoffrey Rush and Heath Ledger (in *Candy* which is currently in production).

²³ Available online at www.kofic.or.kr.

²⁴ *Corean (Korean) Cinema the New HK Cinema?* © 1999-2005 GoldSea, see online at <http://goldsea.com>

However, if Korea is able to resist United States' pressure to dismantle their quota system and keep the rest of the government industry support mechanisms in place, it will stand a far better chance of surviving the lure of the dollar and the challenge and opportunities offered on large scale Hollywood productions that precipitated the collapse of the Hong Kong industry.

The media in Korea

“Television is an influential medium; the major terrestrial networks command the lion's share of viewing and advertising revenue. Many South Koreans are connected to cable TV services and a digital satellite TV service, launched in 2002, competes for multichannel subscribers.

“Newspaper readership is high, and there are more than 100 daily titles with national or local coverage. The press often carries criticism of the government. Many newspapers are controlled or depend on advertising from the country's industrial conglomerates.

“Since Kim Dae-jung's summit in North Korea, South Korea's media have adopted a warmer tone towards the northern neighbour. But there have been cases of South Korean journalists being intimidated for giving favourable coverage to North Korea's communist leadership.

“The press

- Chosun Ilbo – private, English-language edition
- Dong-a Ilbo – private, English-language edition
- Korea Times – private, English-language
- Hankook Ilbo – private
- Hangyore Sinmun – daily
- JoongAng Ilbo – English-language edition
- Korea Daily News – private
- Korea Economic Daily
- Korea Herald – private, English-language
- Munhwa Ilbo
- Segye Times

“Television

- Korea Broadcasting System (KBS) – public, operates two networks
- Munhwa Broadcasting Corporation (MBC) – public
- Seoul Broadcasting System (SBS) – private
- Education Broadcasting System (EBS) – public, educational programmes
- Inchon Television (iTV) – private, Inchon-based
- Jeonju Television Corporation (JTV) – commercial, Jeonju-based
- American Forces Network Korea (AFN Korea) – TV for US military personnel, also watched by many Koreans
- SkyLife – digital satellite TV operator

“Radio

- Korea Broadcasting System (KBS) – public, operates six networks
- Radio Korea International – external broadcaster, operated by KBS
- Munhwa Broadcasting Corporation – public, operates MBC Radio and music-based MBC FM
- Seoul Broadcasting System – operates SBS-FM
- Christian Broadcasting System (CBS) – Christian network
- Buddhist Broadcasting System (BBS) – Buddhist network
- Far East Broadcasting Corporation (FEBC) – religious
- American Forces Network Korea (AFN Korea) – radio for US military personnel

“News agency

- Yonhap News Agency”

Source: *Country Profile – South Korea*, BBC²⁵

²⁵ Available online at http://news.bbc.co.uk/1/hi/world/asiapacific/country_profiles/1123668.stm. See also Korean Broadcasting Commission http://www.kbc.go.kr/english/common/korean_03.asp.

Advertising

Korea is among the world's twelve largest advertising markets. It is, however, an unusual one. Broadcast advertising time is sold exclusively through the state-sponsored Korea Broadcast Advertising Corporation (KOBACO). Legislation to end KOBACO's monopoly was passed in 1999 but its implementation has been delayed.

Not surprisingly, KOBACO's monopoly is of concern to some advertisers, particularly multinationals, and the United States has been lobbying heavily for reform including in respect of advertising claim substantiation requirements which the United States consider to be more onerous than in many other countries. "Efficacy claims for pharmaceuticals, over-the-counter medicines and cosmeceuticals are also not permitted."²⁶

Foreign Content Quota for Free to Air Terrestrial Television

Korea imposes what amounts to an 80% transmission quota for local programming by restricting the percentage of monthly broadcasting time allowed for imported programs to 20%. Annual quotas also apply for certain classes of programs. Specifically, foreign programming is limited to 75% for feature films, 55% for animated programs and 40% for popular music. Foreign investment is not permitted in terrestrial television broadcasting operations.²⁷

Foreign Content Quota for Cable Television

Korea restricts per channel airtime for most foreign programming to 50%. Annual quotas for feature films are set at 70% and for animation at 60%. Foreign ownership of cable television related system operators and program providers is restricted to 33% although this may increase to 49%. Network operators are limited to 49% and, for satellite broadcasts, foreign participation is limited to 33%.²⁸

Satellite Retransmission

Foreign retransmission channels are limited to ten per cent of the total number of operating channels. Korea also imposes restrictions on dubbing and local advertising for foreign retransmission channels. Specifically, voice overs in the Korea language are not allowed and local advertising is prohibited on retransmission channels.²⁹

²⁶ Foreign Trade Barriers – Korea, United States Trade Representative, page 305, available online at www.ustr.gov.

²⁷ See Foreign Trade Barriers – Korea, United States Trade Representative, available online at www.ustr.gov.

²⁸ Ibid.

²⁹ Ibid.

Korean and Foreign Films Produced Imported and Released by Korea

Year	Korean Films Produced	Korean Films released	Foreign Films Imported	Foreign Films Released	Total No. of Films Released
1971	202	Not available	75	Not available	Not available
1972	122	Not available	74	Not available	Not available
1973	125	Not available	56	Not available	Not available
1974	141	Not available	41	Not available	Not available
1975	94	Not available	42	Not available	Not available
1976	134	Not available	43	Not available	Not available
1977	101	Not available	42	Not available	Not available
1978	117	Not available	34	Not available	Not available
1979	96	Not available	31	Not available	Not available
1980	91	Not available	41	Not available	Not available
1981	87	Not available	32	Not available	Not available
1982	97	Not available	27	Not available	Not available
1983	91	Not available	23	Not available	Not available
1984	81	Not available	27	Not available	Not available
1985	80	Not available	30	Not available	Not available
1986	73	Not available	50	Not available	Not available
1987	89	Not available	100	Not available	Not available
1988	87	Not available	248	Not available	Not available
1989	110	Not available	321	Not available	Not available
1990	111	Not available	309	Not available	Not available
1991	121	86	309	176	262
1992	96	68	360	201	269
1993	63	51	420	215	266
1994	65	52	381	238	290
1995	64	62	378	307	369
1996	65	55	483	320	375
1997	59	60	431	271	331
1998	43	43	296	244	287
1999	49	42	348	233	275
2000	59	62	404	277	339
2001	65	52	339	228	280
2002	78	82	262	192	274
2003	80	65	271	175	

- Short films and films released in the previous year are not included.
- The counted imported films are the actual imported films recognized by the Korea Media Rating Board, excluding films deemed unimportable under the import-recommendation system.

Source: Korean Film Council, available online at www.koreanfilm.or.kr/statistics/pop_statistics.asp?tabName=a

Market Share by Country for Films released in 1998 – 2003

Year	Section	Films Released	Market Share	Admissions	Admissions prev released films	Av. Admissions per film	Rate
1998	US films (direct distribution)	68	23.7%	11,858,733	0	174,393	52.9%
	US films	103	35.9%	4,347,233	0	42,206	19.4%
	China (including Hong Kong)	20	7%	508,411	0	25,421	2.3%
	Europe	44	15.3%	718,508	0	16,330	3.2%
	Japan	2	0.7%	95,548	0	47,774	0.4%
	Others	7	2.4%	88,623	0	12,660	0.8%
	Korean films	43	15%	4,779,537	0	111,152	21.3%
1999	US films	94	34.2%	2,309,359	0	24,568	9.6%
	Others	8	2.9%	150,775	0	18,847	0.6%
	Japan	4	1.5%	751,837	0	187,959	3.2%
	China (included Hong Kong)	19	6.9%	539,611	0	28,401	2.2%
	US films (direct distribution)	71	25.8%	11,243,169	0	158,354	46.7%
	Korean films	42	15.3%	8,610,437	0	205,010	35.8%
	Europe	37	13.5%	478,562	0	12,934	2%
2000	Japan	25	7.4%	2,020,690	0	78,977	7.4%
	Others	11	3.2%	273,829	0	24,894	1%
	Korean films	62	18.3%	8,799,953	0	148,509	32%
	US films (direct distribution)	80	23.6%	9,932,404	0	124,710	36.2%
	US films	93	27.4%	5,162,892	0	55,497	18.8%
	China (included Hong Kong)	33	9.7%	931,415	0	28,225	3.4%
	Europe	35	10.3%	342,132	0	9,504	1.2%
2001	US films (direct distribution)	60	21.9%	10,704,585	0	162,191	30.6%
	US films	77	26.9%	5,528,493	0	68,253	15.8%
	China (included Hong Kong)	14	5.3%	276,307	0	17,269	0.8%
	Europe	45	15.3%	1,824,380	0	39,660	5.2%
	Japan	24	9%	489,759	0	18,139	1.4%
	Others	8	2.7%	27,806	0	3,476	0.2%
	Korean films	52	18.9%	16,131,887	0	283,016	46.2%
2002	US films	57	20.8%	7,059,847	1,376,330	99,711	17.4%
	Others	18	6.6%	126,027	0	7,002	0.3%
	Japan	13	4.7%	1,322,292	5,991	101,254	3.2%
	China (included Hong Kong)	6	2.2%	572,608	0	95,435	1.4%
	US films (direct distribution)	74	27%	12,804,599	840,856	161,672	31.4%
	Korean films	82	29.9%	18,364,143	509,993	217,719	45%
	Europe	24	8.8%	518,213	64	18,910	1.3%
2003	Others	6	2.5%	62,591	0	10,432	0.1%
	Korean films	65	27.1%	21,780,462	1,168,364	317,109	49.6%
	US films (direct distribution)	68	28.3%	11,852,060	482,980	167,192	27%
	US films	44	18.3%	7,238,731	873,551	144,663	16.5%
	China (included Hong Kong)	10	4.2%	1,100,280	0	110,028	2.5%
	Europe	29	12.1%	650,097	2,742	22,323	1.5%
	Japan	18	7.5%	1,263,861	0	70,215	2.9%

The average admissions per film in 2002 and 2003 do not include the admissions for previously released films
The numbers in parentheses () at 'Others' indicate co-produced films. Source: Korean Film Council.

Production Costs of Korean Films by Year

Year	Average Production Costs	Net Production Costs	P&A Costs	Produced Films	Est. Total Yearly Production
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				Costs	
1996	10	9	1	65	650
1997	13	11	2	59	767
1998	15	12	3	43	645
1999	19	14	5	49	931
2000	22	15	7	59	1,269
2001	26	16	9	65	1,658
2002	37	25	13	78	2,902
2003	42	28	13	80	3,32

Unit: 100 million won

Source: Korean Film Council, available online at
http://www.koreanfilm.or.kr/statistics/pop_statistics.asp?tabName=c