

# Overcoming the Incoherent 'Grand Maneuver' in the French Film and TV Markets: Lessons from the Experiences in France and Korea

Jimmy Parc 

Sciences Po Paris and

Seoul National University

Patrick Messerlin

Sciences Po Paris

Special Issue Article

## Abstract

In 1989, the Member States of the European Union integrated their TV markets together in order to create a larger and more open 'single TV market' through the Television without Frontiers Directive. The French film industry used this opportunity to extract additional revenues by implementing TV quotas and strengthening the *chronologie des médias*. This paper examines the impact of these two measures on the French film and TV industries and shows how they were incoherent. In contrast to the expectations of the French film industry, these measures have induced it to produce less attractive films and burdened the TV industry with increased regulatory costs. While the government poured massive subsidies into the filmmaking sector, this endeavor has not been able to significantly improve the attractiveness of French films. In this regard, the Korean film industry offers valuable lessons. Since the late 1990s, the Korean government has significantly reduced its level of protectionism and scaled back its intervention in the industry. Crucially, business has been the main engine to produce attractive films that can compete with Hollywood films in the open market. For the French film industry, the findings in this paper suggest which direction its *Grandes Manœuvres* should pursue.

In the 1980s, the television (TV) market emerged as an important source of revenue for Hollywood often making up for the losses brought on by films that had flopped at the box office. Even successful films could earn additional revenues which made home entertainment a win-win situation for the Hollywood studios. By the late 1980s, this industry had become well developed in the United States as the price of videotapes had come down and cable TV subscriptions were increasing among households. Soon, TV became the dominant force in the US audiovisual landscape; in 1990, it represented 43 per cent of the global earnings for Hollywood studios, compared to 29 per cent for movie theaters (Epstein, 2010). In fact, this 'revolution' changed the management structure among Hollywood studios as new executives with backgrounds in the TV industry began to replace the film moguls (Epstein, 2010).

In Europe, this transformation was seen as inescapable and there were fears that this would also lead to the continued dominance of Hollywood in their markets. As a result, the Member States of the European Union (EU) sought to mirror this trend as quickly as possible in order to enhance their competitiveness. Although they recognized the TV industry as a potentially lucrative source of revenue, their efforts were restrained by the fact that in the late 1980s

many TV stations in Europe were state-owned and/or controlled by outdated national regulations. Given the complicated bureaucracy associated with these institutions, it would take a full decade for this process of privatization and modernization to be fully implemented. In the meantime, the idea of creating a 'single European TV market' was pursued as a way to speed up change in this sector and the 'Television without Frontiers' (TVWF) Directive was implemented in 1989. It is notable that this process was largely led by the state and not by business as had happened in the US.

Thirty years have passed since the launch of this initiative in the European TV market which makes for a good time to assess its results and understand its true impact. Did this policy initiative help to improve the situation for Europe's film industries? And to what extent did it enhance the competitiveness of these film companies in their home market *vis-à-vis* Hollywood? Such an appraisal though is difficult to approach from a broad European level given that each Member State has had a significantly different view on how to interpret and implement key provisions of the TVWF Directive.

Given this challenge, it would be more effective to explore the case of France, a country which adopted an

extreme position during the negotiations on the TVWF Directive by insisting on strict quotas for the broadcast of EU and non-EU films on TV. It is noteworthy here to mention that since 1989 successive French governments have also reinforced three main domestic policies toward its film and TV industries: increasing the level of subsidies, strengthening the existing *chronologie des médias* or the mandatory film exhibition period which extends from movie theaters to streaming platforms, and tightening regulations on broadcasting slots for films on TV.<sup>1</sup> This paper seeks to analyze the impact of these measures upon the French film industry over the last thirty years.

Examining such a case by comparing France with a country that has a comparable size of film market – in terms of film production and admission numbers – but without the aforementioned measures would be more meaningful and help provide important context to this assessment. In this respect, the most suitable example would be Korea, a market that meets all these conditions (Messerlin and Parc, 2014, 2017; Parc and Messerlin, 2018). It does not enforce regulations on the broadcasting of films on TV, rather it has followed a similar path with the US 'home entertainment' industry. Thus, we see that the Korean film industry is more business-orientated and has faced little government intervention since the late 1990s.

The comparison between France and Korea is all the more interesting as the Korean film market has grown very fast and has even outperformed the French film market despite its smaller population: as of 2019, France has 67.0 million while Korea has 51.5 million. The numbers on these two film industries speak for themselves. Over the last three decades the Korean film market has caught up with its French counterpart; it amounted to only 20 per cent in 1989, 50 per cent in 2000, 80 per cent in 2010, and 142 per cent in 2018. Crucially though, until 2007, the Korean film industry did not receive any significant amount of subsidies which is in stark contrast to France. Even after this date, the amount of subsidies has been significantly smaller than what the French film industry enjoys (Messerlin and Parc, 2017). In this regard, the puzzling stagnacy of the French film industry under the TVWF Directive, particularly with the aforementioned regulations, deserves to be thoroughly analyzed.

In addressing the differences between these two approaches, this paper is organized as follows. The first section analyzes the main features of the TVWF Directive and, more importantly, the way in which France has implemented them. The second section examines the true effects of the so-called 'TV quotas' by comparing the long-term evolution of the French and Korean film markets. The third section scrutinizes the regulatory costs of these TV quotas. The fourth section analyzes the subsidies on the French film and TV industries and evaluates their financial costs. The fifth section explores the core issue on how to enhance the competitiveness of the French film industry through a comparison with the Korean film industry. Last, the conclusion summarizes the key implications from the analyses.

## The Television without Frontiers Directive of 1989

When launched in 1989, the ultimate objective of the TVWF Directive was to create an integrated TV market across Europe and included the mandate to enable the 'mutual recognition' of broadcasting licenses among EU Member States.<sup>2</sup> In other words, a broadcaster would not require an additional license to broadcast in another Member State as they would be operating under the national laws of their home country which are subject to the minimum requirements set out by the TVWF Directive. Later, these basic principles were extended to video-on-demand (VoD) services in 2010.

The TVWF Directive was a huge success. Attracted by the enlarged TV market in the EU, large amounts of investment poured into the related industries from both Member States and non-EU countries. Since the launch of the TVWF Directive, the number of TV channels operating in the EU grew from around 550 in 1990 to roughly 1,200 in 1995 and even 7,000 in 2014 while the market has increased on average by 18.5 per cent annually (Olsberg-SPI, 2016).

The TVWF Directive was also seen as an opportunity to enlarge the market for the film industries. However, several countries led by France were opposed to this approach toward an open and integrated market which would entail greater competition among an enlarged number of rivals. France finally persuaded the other Member States that a provision (Article 4) be included in the Directive to ensure that channels in the EU are required to 'reserve for European works a majority proportion of their transmission time, excluding the time appointed to news, sports events, games, advertising and telex services' – the so-called 'TV quotas'. Defining precisely the term 'majority proportion' led to more disputes among the Member States and even within the countries themselves – including France. It was finally agreed that the TV quotas grant 40 per cent of the film transmission time to domestic works and 20 per cent to the works from other EU countries, which leaves just 40 per cent for works from the rest of the world (for further details, see Grantham, 2003).

During these negotiations, many Member States, including Germany and the United Kingdom, realized that their domestic film industries would be unable to meet such a demand for films on TV. Instead of seeking to artificially boost the supply of films, they simply decided to ignore or apply loosely the TV quotas. Eventually, these EU countries negotiated an 'escape' clause in Article 4 stating that the quotas should only be applied 'where practicable and by appropriate means,' and that the proportion of which should be achieved on the basis of 'suitable criteria'.

At the time, the TV quotas seemed to be a diplomatic success for the French film industry and were very much celebrated. But thirty years on, the question needs to be asked: how effective have they been? This paper shows that they have actually led to three unexpected negative effects. First, the French film companies who distribute and even produce films from outside of either France or the EU began to feel the strain as these quotas limited the additional

revenues that they would have expected from the unrestricted screening of their films.

Second, the TV channels themselves began to suffer as the *chronologie des médias* have only served to accelerate the shift among French audiences away from the nation's TV stations to other international outlets in order to watch US films. This has been particularly noticeable with the advent of the Internet and other digital platforms since the late 1990s.

Third, French policy-makers hoped that by limiting the access of US films to French TV, the nation's films would fill the gap left behind. However, the TV quotas have created an 'artificial' shortage of French films on TV screens as the domestic film industry has been unable to produce a sufficient amount of attractive films. Thus, only a handful of attractive French films have been aired repeatedly over years to the extent that French audiences are losing interest in domestic films.

### TV quotas: a pyrrhic victory

While the French film industry was pursuing the path of 'protectionism,' the Korean film industry was embarking upon liberalization. The Korea-US Film Agreements in 1985 and 1988 opened up the Korean film market to Hollywood by abolishing import quotas and permitted Hollywood studios to distribute their films directly to Korean movie theaters.<sup>3</sup> Given that the Korean film market was only 20 per cent of its French counterpart in 1989, it is interesting to compare the different paths undertaken by these two film industries up to 2005, the year before the screen quota cut came into force in Korea and created new dynamics. In this analysis, the two film industries are compared by considering the number of domestic films released and then the average revenues generated per film. The number of films released and produced is a barometer that is often used to measure the dynamism of the industry while the average

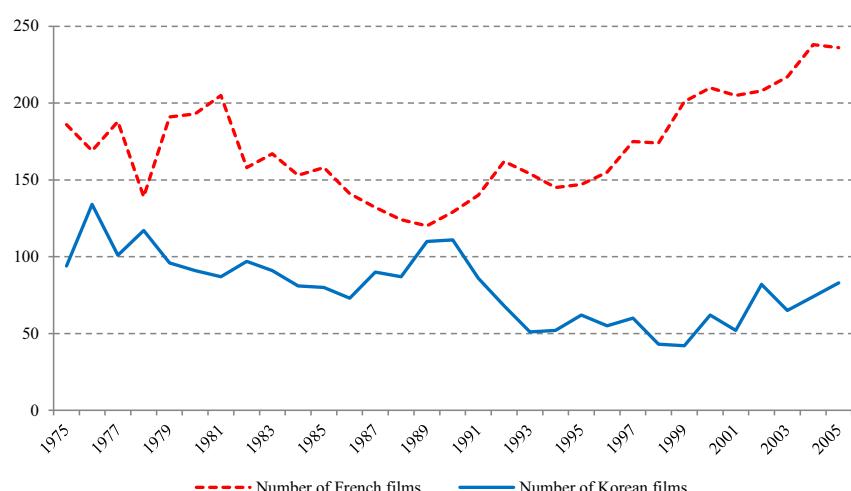
revenues per film signify the attractiveness of films among audiences.

Figure 1 compares the number of films released by France and Korea since 1976 in order to trace their evolution. The two industries have faced the same slow but despairing decline in this number up to the late 1980s. Interestingly, the TVWF Directive of 1989 and the Film Agreements of 1985 and 1988 brought diametrically opposite paths for each side. The artificial shortage created by the TV quotas was perceived by the French film industry as an opportunity to increase the number of films produced and released. Thus, there is an immediate and unflagging increase in the number of French films after 1989. By contrast, the Korean film market experienced stagnancy after the short-lived surge during the years 1985–1990. It is important to emphasize here that the number of films produced in Korea began to increase after 1999 and that today Korea produces and releases more films than France (UNESCO Institute for Statistics, 2020).

When it comes to average revenues per film, the comparative outcome of French and Korean films is noteworthy as shown in Figure 2. After 1991, the average revenues per French film has stagnated at a historically low level. For Korea, the average revenues for domestic films has grown since the early 1990s at a rate which has become higher than in France. The average revenues per film in Korea was one-fourth of the figure in France for 1985, roughly half in 1995, but 1.4 times higher in 2000, and 3.4 times higher in 2005. In other words, facing mostly the same competitors – Hollywood blockbusters – the Korean film industry has been able to produce more attractive films than its French counterpart.

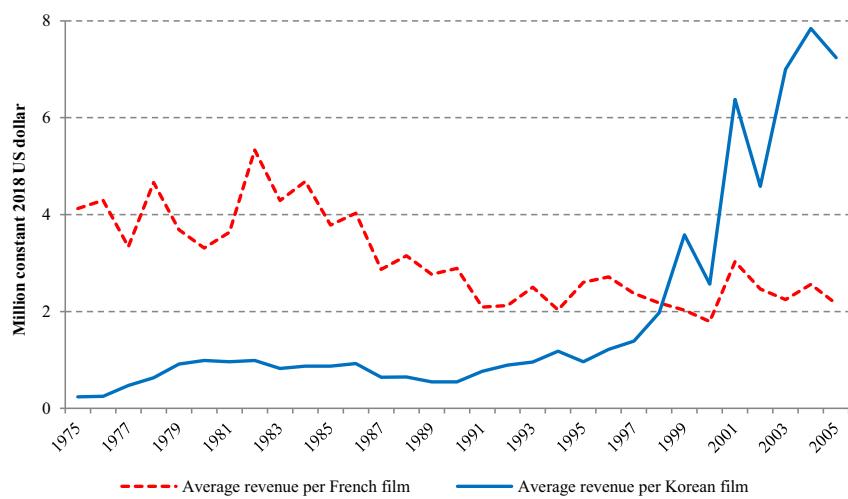
For those who believe that the TV quotas have put the French film industry in a favorable situation, it is rather surprising to see such a reversed outcome; particularly given the fact that Korea opened up its market to Hollywood as France was closing its doors. In examining the Korean film industry during this period, Parc (2017, 2019) argues that it

Figure 1. Number of films: France and Korea, 1975–2005



Sources: Centre national du cinéma et de l'image animée (CNC, various issues), Korean Film Council (KOFIC, various issues).

Figure 2. Average revenues per film: France and Korea, 1975–2005



Sources: CNC (various issues), KOFIC (various issues).

has experienced significant changes in its industrial structure to produce attractive films that were able to be in competition with Hollywood films in the domestic market. To this end, the large Korean conglomerates or *chaebols* have been heavily involved in this process for their own interests. This then raises the question, what happened to the French film industry under these TV quotas? The next section addresses this issue.

### Regulatory costs: TV quotas

The introduction of TV quotas has had an unexpected outcome: it has deepened the conflict between the French film companies and the TV networks which has been ongoing since the late 1970s. With French audiences preferring to watch films at home instead of visiting movie theaters, there was a massive decline in admissions. In fact, this trend was not French-specific but can be found across the world, including in Korea.

Under these circumstances, the TV quotas for films brought about two largely unanticipated difficulties. First, as mentioned before, French film production companies had to produce more films than before in order to meet the new demand. In fact, when the TWWF Directive was being discussed, a few figures from the TV industry were initially opposed to the proposed quotas (Grantham, 2003); however, their views have been largely ignored by French policy-makers, thus the film industry embarked upon their *Grandes Manœuvres*. In such a declining film market, producing more films only served to disperse investments in film production far too much which led to a deterioration in the quality of its films. Second, the French TV stations could not exhibit all the non-EU films that had already been imported for movie theaters. Given that the average share of the US films alone shown by French movie theaters is 57.6 per cent, it can be judged that a large number of foreign films were

already imported to France. It can also be easily assumed that there were a large number of viewers who were waiting for these US films to be shown on TV. However, the quota of 40 per cent hindered the full utilization of these films that had already been screened at movie theaters from being broadcasted on TV.

Under strong pressure from the *Bureau de liaison des industries cinématographiques* – the lobby group coordinating all the trade unions within the French film industry – the nation's policy-makers believed that they could only solve this dilemma by frequently refining and tightening the *chronologie des medias*. Introduced in 1982, this regulation was an attempt to 'balance' the relations between movie theaters and TV stations by requiring a mandatory time sequence for the release of new films through different outlets or 'windows' – such as movie theaters, videos, DVDs, and TV. It stipulated that films must be first released at movie theaters for a few months before being progressively released across other outlets according to the strict timetable produced.<sup>4</sup>

With an increasing number of VoD services in the 2000s, French policy-makers have sought to create new release schedules in an attempt to 're-balance' the relations between TV channels and VoD service providers. The timetable used between 2009 and 2018 listed eight different windows while the version used today has ten. Some windows are defined in coded terms: for instance, the sixth window consists of 'free-to-air TV who have invested at least 3.2 per cent of their turnover for the funding of European works' (Journal Officiel de la République Française, 2019). As a result, today, it takes 36 months for a film to be released via subscribed VoD service providers (Amazon Prime, Disney+, and Netflix) and 44 months for free VoD service providers, which are the two most popular outlets today.

The *chronologie des médias* particularly hurts the producers of under-performing films who once at the box office

are stuck for four months without any chance to access other outlets to recoup their losses. With such negative effects from these regulations, this outcome raises the question, how is the French film industry able to produce a large number of films despite such low revenues? Messerlin and Parc (2017), Messerlin and Vanderschelden (2018), and Parc and Messerlin (2018) all argue that the answer is subsidies. The next section addresses this issue.

### Financial costs: subsidies

Increasing the number of French films produced despite declining revenues per film has been possible with the help of massive subsidies. Initially, there was little interest in TV quotas among French TV stations as their core business is not about making films (Grantham, 2003). Despite this, the French government and the TV industry managed to strike a deal: TV stations agreed to support the filmmaking business by pre-purchasing films or coproducing films; in exchange, they became eligible for massive government subsidies. Between 1989 and 2005, subsidies to the French filmmaking sector increased by 160 per cent. Furthermore, the average share of film subsidies during the period of 1980–1989 in the box office revenues for French films jumped from 35 per cent – hence before the adoption of the TVWF Directive – to 69 per cent for the years 1989–2005. At first glance, it is clear that the provision of massive subsidies has been effective in boosting the French film industry. However, such an evolution requires further scrutiny.

The most accurate measure of an industry's performance is its 'value added'. This is defined as the value of the products or services sold in the market by an industry minus the inputs that are needed in order to produce its goods or services. For instance, the value of filmmaking includes inputs such as travel expenses for shooting films at various locations, the rental of equipment, and other costs. The value added of the film industry excludes these inputs of goods and services because they have been produced by other sectors, such as airlines and hotel services, not by the film industry *per se*.

In 2013, *Inspection générale des finances* (Inspectorate General of Finances, IGF) – one of the key auditing bodies for the French government – released a joint report with *Inspection générale des affaires culturelles* (Inspectorate General of Cultural Affairs, IGAC). This report has provided the most detailed account on subsidies in the French film and TV industries for the year 2012, which unfortunately has not been updated since. *Institut national de la statistique et des études économiques* (National Institute of Statistics and Economic Studies, INSEE) has also published information regarding the value added in the film and TV industries for the same year. This paper analyzes the true contribution of subsidies to the French film and TV industries by calculating the share of subsidies in the value added of these two industries. This share is labeled as 'subsidy rate': it is considered as one of the key indicators that demonstrates the ability of an industry to develop its own capacities. If the rate is

higher, it is indicative that the TV industry is less capable to function properly without state support.

### The subsidy rate in the French film industry

INSEE (2013) divides the value added of the French film industry into four main segments: production, post-production, distribution, and exhibition (see column (1) of Table 1). As the data only reports the value added for France, it does not distinguish between the contributions made by domestic or foreign entities. In other words, INSEE overestimates the size of what constitutes as the 'true' French film industry. Therefore, in order to eliminate the contribution of foreign entities, two key steps are used. First, according to Centre national du cinéma et de l'image animée (CNC) (2012) the share of foreign entities in the production and post-production segments is around 24 per cent.<sup>5</sup> Therefore, the 'truly' French value added of these two segments should be at the level of 0.76 (1–0.24) of their corresponding values presented in column (1), as shown in lines A and B in column (2).

Second, regarding the distribution and exhibition segments, the admission share of French films in 2012 was roughly 40 per cent (CNC, 2014). Therefore, the 'truly' French value added of these two segments is shown in lines C and D of column (2) which is 0.4 times of the value added shown for these lines in column (2). Combined, these adjustments for the four segments suggest that the more accurate estimate of the total value added generated by 'truly' French films is only €1.7 billion, not

**Table 1.** Value added and subsidy rate in the French film industry, 2012 (mil. €)

Activities in the film industry <sup>a</sup>	Value added 'made in France'	'Truly' French value added	Subsidies
	(1)	(2)	(3)
A. Production of films	1,273	967	
B. Post-production	499	380	
C. Distribution of films	526	210	
D. Exhibition of films	444	178	
E. Total value added	2,742	1,735	
F. Government-related subsidies			476
G. Labor subsidies ( <i>intermittents</i> ) <sup>b</sup>			200
H. Total subsidies			676
I. Subsidy rate (in % of value added)	24.7	39.0	

Notes: a. The codes of the segments (French industrial nomenclature NAF rev.2 2008 with 732 basic activities) are 5911C, 5912Z, 5913A and 5914Z for the lines A, B, C and D, respectively. These codes ensure that the data are not overlapping; b. Subsidy component of the specific unemployment regime of the *intermittents du spectacle*.

Sources: INSEE (2013); IGF and IGAC (2013).

€2.7 billion which is significantly below the amount that is generally believed.

IGF and IGAC (2013) provide the most exhaustive information on all the subsidies or equivalents such as fiscal rebates of all kinds, granted by the French government to the entire film industry. Its overall amount is €0.5 billion as shown in line F in column (3). However, this information cannot be split for each of the four film industry segments. Besides these subsidies, one should not overlook *intermittents du spectacle* or labor subsidies granted to part-time workers under a special unemployment regime (line G in column (3)). These labor subsidies amount to €0.4 billion for the film and TV industries together (Gille, 2013); half of this amount has been arbitrarily allocated to the film industry and the other is for the TV industry. Therefore, the total amount of subsidies granted to the French film industry reaches almost €0.7 billion (line H in column (3)).

To sum up, the subsidy rate in the French film industry ranges between 24.7 and 39.0 per cent (line I). This percentage is massive when compared with other French cultural industries, such as museums (13 per cent), live performances (9 per cent), visual arts (2 per cent), and books (0.8 per cent) (IGF-IGAC, 2013). In fact, the subsidy rate in the French film industry is likely to be higher than 39 per cent if one takes into consideration that around (or even more) 40 per cent of French films are coproduced (UNESCO Institute for Statistics, 2020). This would suggest that there must be a larger percentage of foreign investment; hence, it may actually be higher than the estimate presented in this paper.

### The subsidy rate in the French TV industry

By using the data from the same sources, this section delves into the contribution of subsidies to the value added of the

French TV industry related to activities in production, distribution, and exhibition of films. The method used in the previous section is used again; (1) calculate the value added generated by the 'truly' French TV industry; and (2) calculate the contribution of subsidies in the value added to the TV industry – the subsidy rate. The higher the rate, the more the TV industry is unable to function without state support.

INSEE (2013) divides the value added of the French TV industry into three main segments (see Table 2); (1) the production of films (for movie theaters and TV) and programs (for TV only); (2) the distribution activities of the general TV channels that broadcast films and TV series as well as news, sports, entertainment, and children's programs; and (3) the distribution activities of the thematic TV channels that specialize in broadcasting either news, sport events, talk shows, or other specific programs (see column (1)). For each of these three segments, it is necessary to estimate the size of the 'truly' French TV industry by excluding the contribution of foreign entities related to filmmaking.

It is important to note that assessing the value added and subsidies in the TV industry is more complex than for the film industry because of the presence of state-owned French TV channels. Since 2009, French law stipulated that revenues generated from the broadcasting of commercial advertisements are restricted for state-owned TV channels. To make up for these losses, they instead receive a lump-sum of funds from the government. As these funds cannot be split between the different types of TV activities, such as filmmaking, news, sports, shows, and other programs, this paper adopts two alternative approaches for this analysis. The first one relies on all the TV activities without distinction of the specific funds that support filmmaking; hence it is based on the largest estimates of value added and subsidies. The second approach is focused only on the filmmaking activities

**Table 2.** Value added and subsidy rate in the French TV industry, 2012 (mil. €)

Activities in the TV industry <sup>a</sup>	Value added 'made in France' (1)	'Truly' French value added (2)	TV 'aided' value added' (3)	Subsidies		
				Entire industry (4)	TV	TV 'aided' value added (5)
A. Production of films/programs for TV	2,460	2,288				
B. Distribution: general TV channels	3,214	2,604				
C. Distribution: thematic TV channels	410	410				
D. Total value added	6,085	5,224	1,144			
E. Government-related subsidies <sup>b</sup>				5,006	613	
F. Labor subsidies ( <i>intermittents</i> ) <sup>c</sup>				200	200	
G. Total subsidies				5,206	813	
H. Subsidy rate (% of total value added)	85.6	99.7	71.1			

Notes: The codes of these French activities (in nomenclature NAF rev.2 2008 with 732 basic activities) are 5911A, 6020A and 6020B, respectively; these codes ensure that the data used are not overlapping; The dotations en fonds propres for state-owned TV channels are included in column 4; Subsidy component of the specific unemployment regime of the *intermittents du spectacle*.

Sources: INSEE (2013); IGF and IGAC (2013).

of the TV sector, with the corresponding value added and subsidies.

The first alternative approach leads to the following results. The share of French investments in the production of films and other programs is 93 per cent (CNC, 2012). Based upon this figure, the truly French value added in this segment should be adjusted at the 93 per cent level; thus, €2.3 billion as presented in line A in column [2]. Regarding film distribution through the general TV channels, adjustments are based on the viewing time of the French audience: 31 per cent for watching films of all nationalities and 69 per cent for other TV programs (CNC, 2012). As roughly 40 per cent of the films are qualified as French, the viewing time devoted specifically to French films is 12 per cent ( $0.31 \times 0.40$ ). In terms of the other TV programs such as news, sports, and entertainment of general TV channels, they have been assumed to be entirely truly French in Table 2. Based upon this, the final result is shown in line B in column (2). With the distribution through thematic TV channels, as there is no detailed information, this paper (conservatively) assumes that all these activities are truly French as shown in line C in column (2). Combined, these adjustments suggest that the value added of the truly French TV industry is only €5.3 billion, instead of €6.1 billion, as shown in line D in column (2).

Turning to subsidies, this first approach includes the *dotations en fonds propres* or the lump-sum of 'annual funds for investment' granted by the government to the state-owned TV channels; €5.0 billion as shown in line E in column (4). This is in addition to the rest of the labor subsidies which is €0.2 billion (see line F in columns (4)). Therefore, the total subsidies granted to the French TV industry is around €5.2 billion which equates to the subsidy rate ranging from 85.6 to 99.7 per cent of the value added as shown in line H.

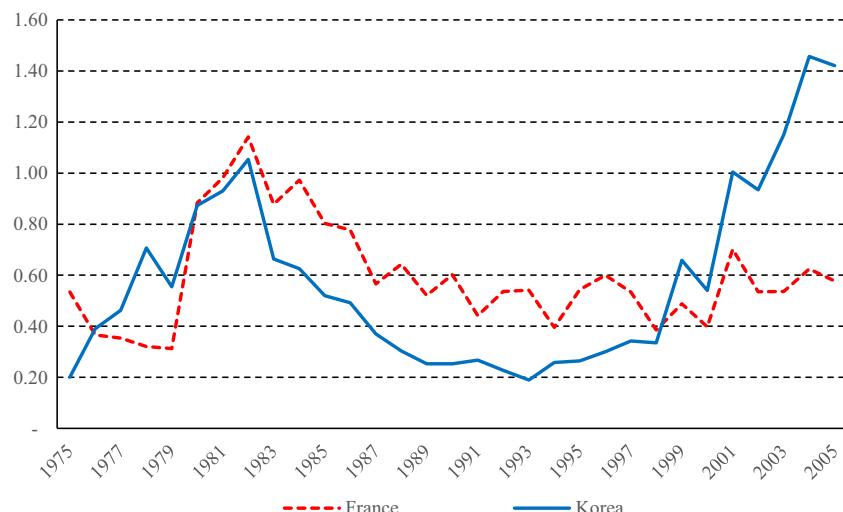
The second alternative approach is to put aside the complications due to state-ownership and rely instead on the estimate of 'aided' production of TV 'fiction works' such as films or the equivalents which are calculated every year on the basis of the hours broadcasted that CNC supports. In 2012, this 'aided' production accounted for about €1.3 billion (CNC, 2012). One can derive the 'aided' value added from the 'aided' production as INSEE (2013) reports that the value added for this case is about 90 per cent. Therefore, the 'aided' value added of TV works is roughly €1.1 billion ( $\text{€1.3 billion} \times 0.9$ ) as shown in line D in column (3).

In order to estimate the subsidies granted to the 'aided' value added, the most conservative way (as above) is to subtract the *dotations en fonds propres* and the fiscal tax reliefs for low-income people and senior citizens; they are around €3.9 billion and €0.5 billion respectively (IGF and IGAC, 2013). Therefore, the subsidies allocated to the 'aided' value added of TV works' is roughly €0.6 billion (= €5 billion – €3.9 billion – €0.5 billion) (line E in column (5)) to which the labor subsidies (€0.2 billion) must be added. As a result, the subsidies provided to the 'aided' value added is €0.8 billion in total. The resulting alternative subsidy rate based on this 'aided production of TV works' approach is about 71.1 per cent (line H in column (3)).

### Where's Wally? Finding the key factor

As analyzed before, the TV quota provision of the TVWF Directive has in fact put the French film industry in a bad position. Furthermore, government subsidies – the remedy used to overcome this situation – have not been effective enough to address these difficulties. What therefore can be done to turn this situation around? It may seem like looking for 'Wally'; however, the core factor that can help improve

Figure 3. Relative attractiveness of films: Korea vs. France (1975–2005)



Sources: CNC (various issues), KOFIC (various issues).

Note: Standard deviations for number of admissions during the period of 1989–2005 are as follows: French films in France-12.45, foreign films in France-17.28, Korean films in Korea-25.56, and foreign films in Korea-8.33.

the French film industry can be easily found when comparing the attractiveness of French and Korean films.

Figure 3 presents the indexes for the relative attractiveness of films from France and Korea. It is defined by the number of admissions for domestic films with respect to the number of admissions for foreign films. The stitched line in Figure 3 represents the attractiveness index of French films whereas the solid line is the same for those from Korea. If the value of the index is below 1.0, it means that the general audience finds foreign films more attractive than domestic ones. If the value is over 1.0, however, then the opposite is true, the general audience finds local films more attractive. Despite the fact that the share of US titles among foreign films in Korea is higher than it is in France, the implications that we can draw from Figure 3 remain the same.

Since 1983, the attractiveness index for France has remained below 1.0, which means that France has, in general, never been able to produce attractive films that could draw in a larger domestic audience. As this index is a relative one, it is interesting to calculate the standard deviation – a measure of the amount of variation or dispersion – of admissions for both domestic and foreign films in France. During the period of 1989–2005, the standard deviation of admissions for French films (12.4) was not much different from that of foreign films (17.2). Given that French films are less attractive than foreign films as shown in Figure 3, the close standard deviations of the two groups of films signify that there has been no significant change in terms of their relative attractiveness among these two groups. In other words, the combination of TV quotas and film subsidies has not been effective enough to enhance the attractiveness of French films.

During the same period, the attractiveness index for Korean films has also remained below 1.0 for the period up to 2001, but this index has increased significantly thereafter. This shows that Korea has been able to produce more attractive films that can attract a larger share of the domestic audience. This improvement becomes even more evident when comparing the two standard deviations for admissions; 25.56 for Korean films compared to 8.33 for foreign films. The relatively low standard deviation for foreign films mirrors the fact that the choice to exhibit attractive foreign films has been well maintained. By contrast, the high standard deviation for Korean films illustrates the significant improvement of their attractiveness during the period 1989–2005. In other words, the increase in attractiveness of Korean films can be considered as encouraging, especially taking into account the fact that the subsidy level is significantly lower when compared with France (Messerlin and Parc, 2017; Parc and Messerlin, 2018).

Parc (2017, 2019) argues that instead of pursuing protectionist measures, the Korean government opened up its market during the period of 1985–1988. As a result, the Korean film industry underwent a process of restructuring by embracing the US filmmaking system of business verticalization which was helped by the participation of *chaebols*, an influx of private investment, and market-based competition. All of which is very different from the French *Grandes Manœuvres* which have failed to achieve their objectives.

## Conclusion

The EU Member States integrated their TV markets together in order to create a larger and more open 'single TV market' through the TVWF Directive of 1989. The French film industry used this opportunity to extract additional revenues by implementing TV quotas and strengthening the *chronologie des médias*. This paper examines the impact of these two measures on the French film and TV industries and shows how they were largely ineffective.

This paper provides three main results. First, the TV quotas limited the presence of Hollywood films on TV screens while expanding the access for domestic ones. However, contrary to such expectations, these quotas have induced the already weak French film companies to produce a vast number of less attractive films in order to meet the demands of the TV market. For the TV industry, the quotas have increased its financial burden as it has been unable to optimize the utilization of US films that have already been imported into France for the theaters.

Second, in order to ease this burden, the French government has constantly expanded and diversified the *chronologie des médias*. As a result, this policy instrument has only made it more difficult for the French film companies with under-performing productions at the box office to recoup their losses. Furthermore, the *chronologie des médias* has slowed down or even hindered the responsiveness of the French film industry to new technologies and global trends in the media industry.

Third, the French government has poured massive subsidies into its film and TV industries. More importantly, the subsidy rates in the film and TV industries are at least four to seven times higher, respectively, than in any other French cultural industry. The overall costs of this situation on the whole French economy are huge: more than one-third of the value added for French films comes from public transfers, whereas the market-based production process contributes to less than two-thirds of this value added. These proportions are even worse for the TV industry.

The main lesson from this paper is that protectionist measures bring about a number of unexpected negative effects that harm not only the industry in question, but also other related industries. Notably, the reaction of the French government and industry is limited and not responsive enough to new challenges brought on by any technological advancement such as digitization and globalization, or even unexpected situations like COVID-19.<sup>6</sup> This was clearly shown with the case of *Okja* (2017) which created controversy at the Cannes Film Festival in 2017 regarding the format of its premier release through Netflix.<sup>7</sup> Therefore, instead of intervention, the French government should focus more on fostering a business-friendly environment.

In this regard, the experience of the Korean film industry is meaningful. As the Korean government opened up its film market to the world, the country's companies have invested and developed the film industry for their own interest and profits. This has eventually worked out well and now contributes to form a positive brand name for Korea. *Parasite*,

the Korean film that won the *Palme d'Or* at the 2019 Cannes Film Festival and four awards (Best Picture, Best Director, Best Original Screenplay, and Best International Feature Film) at the 92nd Academy Awards, clearly illustrates the importance of business in the film industry.

If the French film industry truly wishes to enhance its competitiveness, it needs to broaden its view and look at other parts of the world where competitive film industries have emerged and enjoyed more success. It is clear what the future direction of *Grandes Manœuvres* should be, progressive liberalization and globalization.

## Funding

This work was supported by the Laboratory Program for Korean Studies through the Ministry of Education of the Republic of Korea and the Korean Studies Promotion Service of the Academy of Korean Studies (AKS-2015-LAB-2250003).

## Notes

1. For example, French TV is not permitted to show films on Wednesdays in order to encourage young people to go to movie theaters.
2. An EU 'Directive' lays down certain objectives that must be achieved by each Member State; however, each Member State is free to decide how to implement this directive into national law.
3. In Korea, screen quotas have existed since 1966 but only became the key protectionist measure from 1986. Later, it was cut by half in 2006. Many believe that these quotas were beneficial as they protected the Korean film industry; however, Parc (2017, 2019) argues that the screen quotas have not had any notable positive impact.
4. For further details, see CNC (2012).
5. The institution in charge of regulating the French film industry and granting the vast majority of the subsidies.
6. Refer to Sweeney (2020).
7. For further details, refer to Jamet (2017) and Guerrasio (2018).

## References

Centre National du Cinéma et de l'Image Animée (CNC). (various issues) *Annual Bilan*. Paris: CNC.

Centre National du Cinéma et de l'Image Animée (CNC) (2012) 'Chronologie des Médias: Analyse Détalée d'une Année de Sorties'. Available from: [https://www.cnc.fr/series-tv/etudes-et-rapports/etudes-prospectives/chronologie-des-medias-analyse-detailede-dune-annee-de-sorties\\_218119](https://www.cnc.fr/series-tv/etudes-et-rapports/etudes-prospectives/chronologie-des-medias-analyse-detailede-dune-annee-de-sorties_218119) [Accessed 12 February 2020].

Centre National du Cinéma et de l'Image Animée (CNC). (2014) *Réponse au Rapport de la Cour des Comptes*. 2 Avril 2014. Paris, France: CNC.

Epstein, E. J. (2010) *The Hollywood Economist: The Hidden Financial Reality behind the Movies*. Release 2.0. New York: Melville House Publishing.

Gille, J. P. (2013) Rapport d'information sur les Conditions d'emploi dans les Métiers Artistiques. Assemblée Nationale, No. 941. Available from <http://cpnefsv.org/sites/default/files/public/pdf/B-Documentation/reports/Rapport-M9%C3%A9tiers-artistiques%20s%C3%A9nat%202013.pdf> [Accessed 12 February 2020].

Grantham, B. (2003) 'Some Big Bourgeois Brothels', *Contexts for France's Culture Wars with Hollywood*. Luton: University of Luton Press.

Guerrasio, J. (2018) 'Netflix Hits Back at Cannes by Saying It Won't Screen Any Movies at the Festival', *Business Insider*, 11 April. Available from <https://www.businessinsider.fr/us/netflix-will-not-screen-any-movies-at-the-cannes-film-festival-2018-4> [Accessed 2 May 2020].

Inspection Générale des Finances et l'Inspection Générale des Affaires Culturelles. (2013) *L'apport de la Culture à l'économie en France*. Décembre, Ministère de l'Economie.

Institut National de la Statistique et des Études Économiques (INSEE). (2013) Available from <https://www.insee.fr/fr/metadonnees/source/serie/s1188> [Accessed 12 February 2020].

Jamet, C. (2017) 'Projection Infernale à Cannes pour Okja, le Film Polémique de Netflix', *Le Figaro*, 19 May. Available from: <https://www.lefigaro.fr/festival-de-cannes/2017/05/19/03011-20170519ARTFIG00111-projection-infernale-a-cannes-pour-okja-le-film-polemique-de-netflix.php> [Accessed 2 May 2020].

Journal Officiel de la République Française (2019) Arrêté du 25 Janvier 2019 Portant Extension de l'accord pour le Réaménagement de la Chronologie des Médias du 6 Septembre 2018 Ensemble son Avenant du 21 Décembre 2018. JORF no. 0035 10 février 2019 texte no 27. Available from: <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000038109708&categorieLien=id> [Accessed 19 March 2020].

Korean Film Council (KOFIC). (various issues) *Annual Report*. Seoul: Sanzinibook.

Messerlin, P. A. and Parc, J. (2014) 'The Effect of Screen Quotas and Subsidy Regime on Cultural Industry: A Case Study of French and Korean Film Industries', *Journal of International Business and Economy*, 15 (2), pp. 57–73.

Messerlin, P. A. and Parc, J. (2017) 'The Real Impact of Subsidies on the Film Industry (1970s–Present): Lessons from France and Korea', *Pacific Affairs*, 90 (1), pp. 51–75.

Messerlin, P. A. and Vanderschelden, I. (2018) 'France's Protected and Subsidised Film Industry: Is the Subsidy Scheme Living Up to Its Promises?', in P. C. Murschetz, R. Teichmann and M. Karmasin (eds.), *Handbook of State Aid for Film*. Cham: Springer, pp. 311–332.

Olsberg-SPI. (2016). Promoting Growth, Pluralism and Choice: The Country of Origin Principle and Europe's Audiovisual Sector. Report for the Commercial Broadcasters Association (COBA). March. Available from: [https://www.coba.org.uk/wp-content/uploads/2017/04/COBA\\_CoO\\_report\\_WEBpdf.pdf](https://www.coba.org.uk/wp-content/uploads/2017/04/COBA_CoO_report_WEBpdf.pdf). [Accessed 12 February 2020].

Parc, J. (2017) 'The Effects of Protection in Cultural Industries: The Case of the Korean Film Policies', *International Journal of Cultural Policy*, 23 (5), pp. 618–633.

Parc, J. (2019) 'Business Integration and its Impact on Film Industry: The Case of Korean Film Policies from the 1960s until the Present', *Business History*, <https://doi.org/10.1080/00076791.2019.1676234>.

Parc, J. and Messerlin, P. A. (2018) 'In Search of an Effective Trade Policy for the Film Industry: Lessons from Korea', *Journal of World Trade*, 52 (5), pp. 745–764.

Sweeney, M. (2020) 'Studios Bypass Cinemas with Lucrative Lockdown Premieres', *The Guardian*, 2 May. Available from: <https://www.theguardian.com/film/2020/may/02/studios-bypass-cinemas-with-lucrative-streaming-premieres-the-end> [Accessed 3 May 2020].

UNESCO Institute for Statistics (2020) 'Top 10 Coproducing Countries'. Available from: <http://data.uis.unesco.org/> [Accessed 12 February 2020].

## Author Information

**Jimmy Parc** is a visiting lecturer at Sciences Po Paris, France and a researcher at the Institute of Communication Research, Seoul National University, Korea. His current research focuses on the film and music industries which are faced with a changing business and trade environment as well as new challenges from digitization.

**Patrick Messerlin** is Professor Emeritus of economics at Sciences Po Paris, and Chairman of the Steering Committee of the European Centre for International Political Economy (ECIPE) in Brussels. His current research deals with economic and trade relations between Europe and East Asia, with a particular focus on cultural industries.

