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The Korean film industry: a “game changer”

Introduction

Sweden and Korea have a very different approach to the film industry. Having a small domestic market, the Swedish film industry tends to see its comparative advantage in deepening its long tradition of producing “art movies” competing in festivals. In short, it has faced Hollywood dominance by cultivating different types of films. The Korean film industry has been impregnated with the US film tradition, with its first after-war generation of film-makers — contemporaries of Ingmar Bergman — working closely with US film-makers. Possessing a much larger population than Sweden, the Korean industry has not hesitated to face Hollywood dominance by producing blockbusters. During this process, it has enlarged its palette of films produced, as most recently illustrated by the 2019 Palme d’Or won by *Parasite*.

One could assess the success or the failure of these two industries by discussing their goals — opposing art movies and blockbusters. This paper takes another approach. Rather, it seeks to understand why some film industries achieve their goal better than others. As a result, it needs a wider comparison base than two countries: this is why it presents an economic picture of the development of the six largest film industries in the world (excluding India) and Sweden.

The paper is organized as follows. Section 1 provides a snapshot of the main economic performances of these seven film industries in 2018. It may be a surprise for many readers to learn that the Korean film industry

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pertains to the limited club of the world's largest industries. The surprise is even bigger as the Korean industry is shown to be "outperforming" all the other industries, including the US, in almost all dimensions conceivable — audience, number of films produced, etc. As this result is based on one year (2018) and could reflect an ephemeral situation, section 2 digs further by adopting a long-term perspective: it compares the same film industries over thirty years; a period long enough to ensure robust observations and conclusions. The "growth trajectories" of these seven industries confirm the progressive rise to outperformance of the Korean industry. Section 3 explores the three best candidates for explaining this remarkable result: the role of the opening of the Korean film market to foreign competition in 1988; the embrace of this market opening by the new Korean film companies which emerged in the 1990s; and the cautious Korean film policy in the 2000s-2010s which has avoided —so far— the excesses of the policies of other countries which, by the way, have often harmed the industries they were supposed to support.

Section 1. A snapshot in 2018

This section compares the performances of Korea's film industry with five film industries which are the world largest and most dynamic in 2018. It adds the Swedish film industry which offers an interesting case of a prestigious film tradition cultivated by a country with a small domestic market.

Table 1 organizes this comparison around four major dimensions. The first two deal with the demand and the supply of films in the national theatrical markets. The third dimension focuses on the policies — subsidies and regulations — which interfere the most with the functioning of the film markets in the late 2010s. The last dimension aims to introduce the "cultural quality" element which is an important concern in studies like this one.

The demand for films

The demand for films has two main components: the "overall" demand for all films —foreign and domestic — exhibited in a country and the demand for the country's domestic films. This paper measures both demands by the number of admissions—the number of movie-goers watching films. However, this indicator is biased when one compares countries with very different sizes of population as is the case in Table 1 — China's population is 27 and 140 times larger than Korea's and Sweden's, respectively. This problem is resolved by calculating the number of

admissions per capita (inhabitant) – the “frequmentation index”.

It is a reasonable proposition to consider that the larger the frequmentation index (or number of admissions), the more attractive the films screened. Table 1 shows that Korea has by far the highest frequmentation index among the countries selected. The difference is particularly striking with three countries: it is substantially larger than in the US, three times larger than in Japan, and 1.5 times larger than in France which is the country with the largest audience in Europe. The Swedish frequmentation index is among the lowest ones, suggesting a sluggish film market from the demand side. Indeed, this result per capita may be more worrisome for the Swedish theatrical market than the absolute size of the audience. For instance, New Zealand, a country twice as small as Sweden but with a very lively film industry has a frequmentation index of 3.3.

Table 1. The snapshot in 2018: Korean outperformance

		Korea	Japan	France	Britain	USA	China	Sweden
Demand: admissions in movie-theaters								
Overall demand	million admissions	217	169	197	177	1346	1720	16.4
Frequmentation index	per capita	4.2	1.3	2.9	2.7	3.8	1.3	1.6
Domestic films	million admissions	109	93	78	66	1300	1070	3.1
Frequmentation index	per capita	2.1	0.7	1.2	1.0	3.6	0.8	0.3
Domestic films share	% overall	50.2	54.8	39.5	37.4	96.6	62.2	18.7
Supply: production of domestic films [a]								
Nber films produced	unit	436	594	300	285	660	874	68
Production index	per capita	8.5	4.7	4.5	4.4	1.9	0.6	6.7
State support								
Domestic regulations (Services Trade Restrictiveness Index)								
Overall STRI	index	0.165	0.103	0.235	0.179	0.155	0.615	0.179
Financial support [b]	million USD	136	n.a.	582	785	1585	n.a.	n.a.
"Quality" of the films: OMDB ratings								
Average ratings	rating	6.39	n.a.	5.97	6.39	6.35	n.a.	n.a.

Notes: [a] Year 2017. [b] Year 2016. Sixty percent of the British tax relief has been added to tax relief from US States. Sources: Demand: national sources (see Chart 1); Production: UNESCO-UIS website (access April 4, 2019), except KOFIC for Korea; State support: OECD (2019) for overall STRI and Parc and Messerlin (2018) for financial support; Quality: The Open Movie Database ratings for the years 2010-2015.

Turning to the demand for domestic films, Table 1 shows again Korea outperforming all the other countries—except the US, which is not surprising since the US movie-goers watch almost exclusively Hollywood-made movies (the US demand for domestic films is estimated to be 95

percent of the US overall demand). The Swedish frequentation index is again very low. The fact that the Korean frequentation index is the highest for *both* the overall and the domestic demand is an important feature to explain the attractiveness of the Korean movies. It means that Korean movie-goers are highly exposed to films from different origins: since they can compare a wide variety of films, they constitute a tough jury on a daily basis and at home for the Korean film-makers. They are the best incentive to produce attractive films, and a critical component of the progressive and sustained success of Korea's film industry in the long run that is shown in section 2.

Table 1 also presents the share of the admissions for domestic films in all the admissions — the “market share” of the domestic films. It does so because this indicator is the most frequently mentioned in the public debate, and not mentioning it would have puzzled readers. However, this indicator is very ambiguous and easy to misinterpret — hence this marginal reference in this paper. For instance, a high share is often interpreted as the sign of a successful film industry. However, a high share does also exist when the audience for domestic films is low and when the audience for foreign films is lower — a situation which globally reflects a serious lack of vitality of the theatrical market of the country at stake. That said, this market share is much higher in Korea than in Europe. The fact that it is exceeded by China's share reflects the huge protection of the Chinese domestic market. The higher US share is due to a host of reasons — some legitimate, others much less so (it is beyond the scope of this paper to look at these good and bad reasons).

The supply of domestic films

The second dimension for assessing the performance of a film industry is the number of domestic films produced. Table 1 provides the number of films as reported by the UNESCO database. As for the demand dimension, the absolute number of films produced is biased because it depends on the size of the population: large countries are doomed to be large producers. It seems more reasonable to assume that the desire and skills to shoot movies are statistically similar among populations of the same size. In this context, it makes sense to calculate the “production index”, that is, the number of domestic films produced per capita. A large production index reflects the fact that a country has been able to create an economic, legal and cultural environment more conducive to film production than those with a lower production index.

In Table 1, Korea outperforms the other countries in this dimension. Interestingly, Sweden exhibits a very high production per capita. There are many possible factors for explaining the large difference between the low frequentation indexes and the high production index of Sweden. For instance, it could be the type of movies produced — art movies are on average less expensive than blockbusters. Or it could be the types of incentives provided by the Swedish subsidy scheme. It would be very interesting to explore this issue in depth.

Public policies

The above results cannot yet be interpreted as showing the unambiguous success of the Korean film industry because they could have been artificially achieved with the support of public policies. In this brief snapshot of the situation in 2018, public policies are divided into two broad categories.

First, there are the domestic laws and other legal texts regulating the film industry and market. The capacity of a country to offer the largest set of well-designed regulations is critical for its domestic producers. A detailed review of all these regulations can be done with the OECD database on the Services Trade Restrictiveness Index (STRI) (OECD 2019). This index has been defined in such a way that, by construction, the higher the STRI the more protected the market. In other words, the lower the STRI index of a country in Table 1, the friendlier to film production its regulations. Based on the “overall” STRI which aggregates all the regulations which conceivably have an impact on the film industry, the Korean STRI is among the lowest ones, Japan being the only country with a significantly lower index while Sweden is in the lowest tier of the European countries.

The second group of measures — financial support which includes subsidies, tax relief schemes and specialized financial funds — has taken a preeminent place in the film policies during the last two decades. Table 1 shows the amount (in US dollars) of this support in 2016 estimated for the four countries for which comprehensive information has been collected (Parc and Messerlin 2018). The Korean film industry emerges by far as the least subsidized, especially if one takes into account the fact that it is larger than the European industries. Table 1 deserves three more remarks. A substantial proportion of the British financial support is granted under the form of tax reliefs to Hollywood films. These studios are thus much more subsidized than suggested by the sole estimates of the tax reliefs granted by the US. By contrast, the Korean financial support

has been overestimated in Table 1 to the extent that it includes specialized financial funds operating on the basis of private profitability.

“Quality” of the domestic production

The last dimension to be explored concerns the “quality” of the films produced. One should envisage the possibility that Korean outperformance could have been achieved at the cost of a systematically lower “quality” of its domestic films compared to its main competitors. One should argue that this possibility is not consistent with a country which has the highest frequentation index per capita for *both* the overall and domestic demand. However, providing some direct evidence on the relative “quality” dimension of the domestic production of the various countries is a useful task, though difficult because quality is a very subjective matter.

Table 1 relies on a definition of “quality” based on the ratings given by movie-goers to platforms specialized in the film industry — The Open Movie Database in this case. It is arguably a limited definition of quality which should be completed by other indicators. Table 1 shows that Korean films have received an average rating comparable to the ratings of the British and US films, and higher than the ratings of French films. In other words, taking into account the quality of the films does not change the assessment of an outperforming Korean film industry.

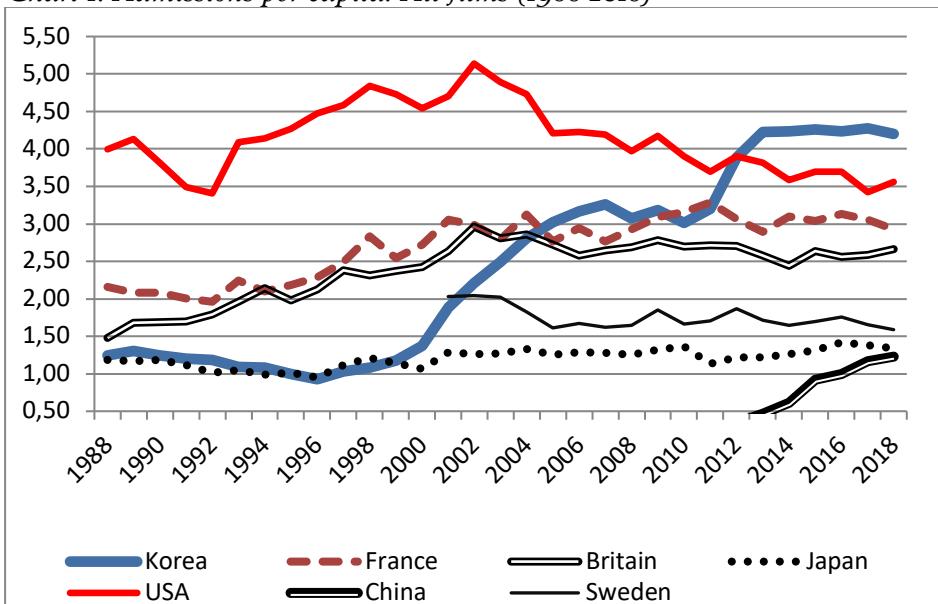
Section 2. Growth trajectories (1988-2018)

It could be the case that the year 2018 was exceptional for the Korean film industry. Hence, there is a need to have a period of observation long enough to confirm the above results. The film business is a volatile industry, and evidence based on a few years is still sensitive to the choice of the initial and final years (this is a weakness of many film studies to rely on too short periods for delivering robust results). Such a long period is all the more desirable because the performance trajectory of the Korean film industry did not occur in a stable environment: during the last thirty years, the world film market has been profoundly reshaped. Finally, this long-term information offers precious indications on when and how the Korean film industry has emerged from its dire conditions of the 1970s-1980s analyzed by Parc (2014, 2017). This section covers thus the last thirty years 1988-2018 (2002-2018 for Sweden), a period long enough to avoid serious shortfalls.

The growth trajectories of the overall demand

Chart 1 presents the growth trajectories of the admissions per capita for all the films (overall demand) for the countries selected. First of all, it confirms that the assessment of a Korean “outperforming” in a global context is not limited to 2018, but is the result of three decades of continuous progress. In fact, the Korean admissions per capita have begun to outperform those of all the countries selected for a decade. Since 2006, they are on average 1.2, 1.4 and 2.9 times higher than those of France, Britain and Japan, respectively (China being a special case). Even more remarkably, since 2012 they are on average roughly 1.2 times higher than the US ones: Korea is the only country to have done so, the US having been the undisputed leader in this respect of the world film industry since the Second World War. It is noteworthy that calculations based on box office revenues (rather than on admissions) per capita confirm all these relative evolutions — though to a slightly less spectacular extent because, as it should be expected, the evolution of the admissions prices has softened the evolution of the number of admissions.

Chart 1. Admissions per capita: All films (1988-2018)



Data sources: China: KOFIC (various issues) and Sohu (2019); France: CNC (various issues); Britain: BFI (various issues) and CNC; Japan: MPPAJ; Korea: KOFIC (various issues); the USA: Mojo Box Office; Sweden: Swedish Film Institute. Authors' calculations.

Second, Chart 1 shows that this skyrocketing growth of the Korean film industry has occurred in a world film industry under tremendous tensions. The most important one is the decline of the admissions per capita in the US market which is almost entirely due to the fall (20 percent between 2002 and 2018) of the total number of admissions (the US population has not changed much over these years). This is a challenging situation for the US studios since the US overall demand is basically a demand for US films. It increases the pressures on the US film industry tremendously to open new markets overseas or to keep open those already open. Hence, the Hollywood studios have been increasingly aggressive when negotiating access to foreign markets. The best illustrations of these mounting tensions have been the tense relations between the US and Korea in 1988 and in 2007 (see next section), and those with China today.

Chart 1 reveals a last Korean specificity. The trajectories of the other countries exhibit many ups and downs which correspond to a few mega-hits. By contrast, the Korean trajectory exhibits a few “inflection” points (years 1988-1990, 1997-1999, 2006-2008 and 2014-2016) which are separated by long periods of sustained growth (1996-2006, 2010-2014) which in fact reflect numerous mega-hits. This remarkable time pattern is very useful for pointing out the best candidates to explain the forces driving the Korean growth trajectory since 1980 examined in section 3.

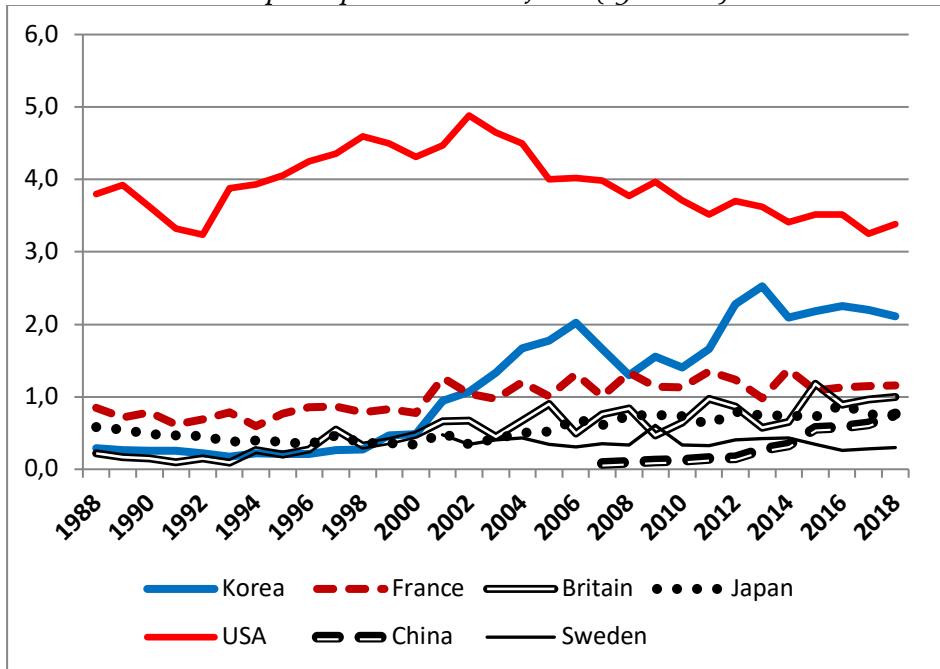
The contribution of domestic films to Korean outperformance

Dividing the overall demand into the demand for foreign and domestic films has an additional benefit: it gives a sense of whether the Korean success has been entirely driven by the demand for one of these two types of films, or not. To be driven by the demand of only one kind of film would raise doubts on whether the whole outperforming process has been an opportunity for increasing the cultural diversity of the Korean theatrical market. Table 1 offers a first clue to this question: in 2018, Korea was the only country to exhibit high frequentation indexes for *both* types of films. What follows generalizes this hint on cultural diversity by showing that it has been a permanent and growing element of the Korean growth trajectory since the 1990s.

Chart 2 presents the evolution of the number of admissions per capita for the domestic films. It provides two important results. First, it shows that the Korean film industry has outperformed the other countries in the demand for domestic films (the only country that Korea does not outperform is the US, but it is for systemic reasons already evoked).

Second, it shows a very similar growth trajectory for the Korean overall demand and the Korean demand of domestic films. This similarity is important for the policy debate: it means that the Korean film market which was largely dominated by US movies until the early-1990s has witnessed a first source of “cultural diversity” with the development of its initially weaker component: the demand for domestic films. It is noteworthy that the Korean trajectories in charts 2 and 3 are relatively similar. The low volatility between two inflection points of the Korean demand of domestic films is particularly impressive: it means that the Korean film industry has been able to produce mega-hits at a sustained rate among two inflection points. The only difference between the two charts is the inflection point of the years 2006-2008 which is much more pronounced in the case of the domestic films. Parc (2017) has shown that this does not reflect a decline of the demand for Korean films, but rather a pause in the investments caused by the hesitations of the Korean film-makers on the kind of films to produce after almost a decade of uninterrupted block-busters.

Chart 2. Admissions per capita: Domestic films (1988-2018)

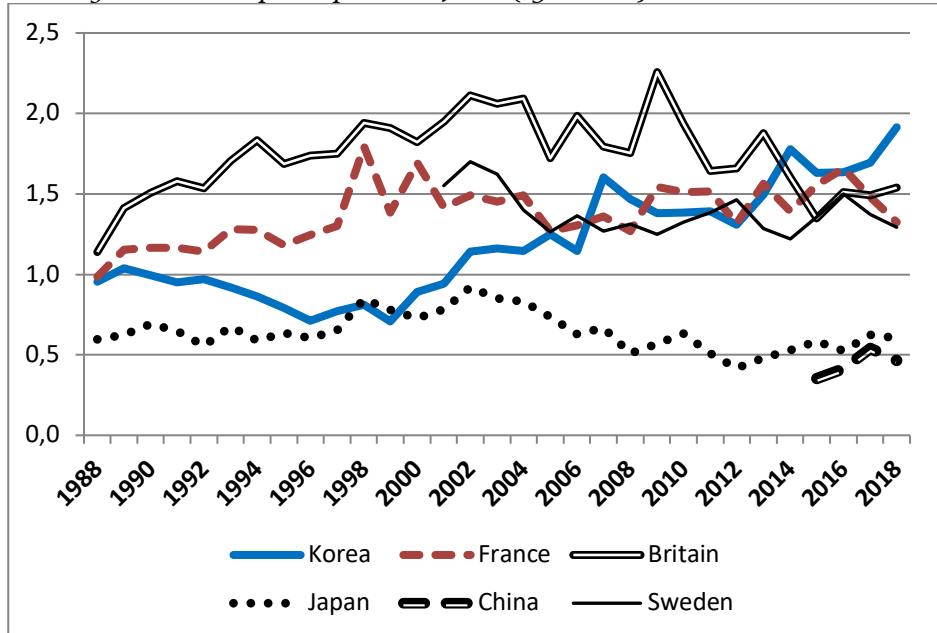


Data sources: see Chart 1.

The contribution of foreign films to Korean outperformance

Chart 3 focuses on the demand for US films which best captures the reactions of the countries' movie-goers to Hollywood dominance. It does not show the demand of US films in the US (already shown in chart 2) because it makes it much clearer to see the differences among the six remaining countries. Unlike charts 1 and 2, it relies on data that have needed some approximations because, except France and China to some extent, the countries selected do not provide data on the demand of US films distinct from those of all the foreign films. For example, Korea reports data on US films as distinct from those for foreign films only since 2011. Fortunately, the approximations made do not much change the picture because US films are such a large portion of the foreign films. Moreover, these approximations have been made with a "conservative" approach which has consisted of systematically over-estimating the growth trajectories of US films in all the countries for the last fifteen years. As this is the period for which one has distinct data for US and foreign films in the case of Korea, and as one is interested in Korean outperformance, such biases are not a problem since they would lead to underestimate it.

Chart 3 Admissions per capita: US films (1980-2018)



Data sources: see Chart 1.

Again, Korea stands apart in Chart 3 on three accounts. First, it outperforms all the countries since the mid-2010s, including those (Britain) for which our approximation in terms of data has notably inflated their growth trajectory. Second, the Korean performance trajectory continues to grow until 2018, contrary to those of the other countries that tend to decline since the 2000s. In short, Korea continues to be a growing market for US films — a specificity that it shares with China. Lastly, Chart 3 shows again the same inflection points, with the sustainability of the Korean trajectory between two inflection points very similar for the overall demand and the demand for domestic films but only until 2008. After this year, the demand for US films in Korea shows a volatility more similar to the one of the other selected countries.

Section 3. The key drivers of the Korean outperformance

The dramatic changes shown in section 2 raise the following question: did they occur because Korea has implemented all the usual recommendations for facing Hollywood dominance, that is, raising barriers at the borders, such as import quotas, or behind the borders, such as screen quotas, and subsidizing domestic films? What follows shows that it is not the case. In fact, Korea did exactly the contrary: it opened its domestic market in 1988, relaxed its barriers behind the borders in 2007 and run since the 2010s the lowest subsidy scheme among the countries with the largest film industries.

This conclusion has extremely important policy implications. It radically challenges the conventional recipes on what constitutes the best film policy, at a time when it is clear that these recipes have not worked well in the countries that have implemented them during the last fifty decades. In other words, Korea emerges as a “game changer” that other countries should look at carefully when designing — or re-designing — their own film policies. This section explores briefly the three aspects evoked above.

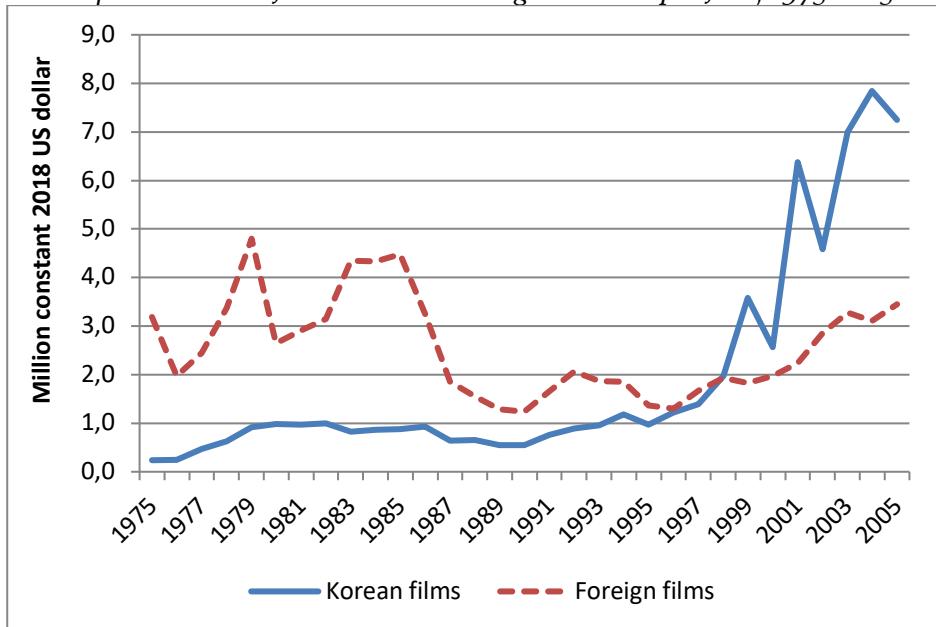
Opening the market

In 1986 and 1988, the Korean government signed two film agreements with the US which widely opened the doors of the domestic film market to Hollywood studios. It did so very reluctantly, but the US left Korea no option: would the agreements not be signed, then the US would take strong protectionist measures against the booming Korean industrial exports to the US that were transforming Korea into an advanced developed economy. What follows shows that, unexpectedly and ironically, the

Korean diplomatic defeat was the source of the huge economic success of the Korean film industry; and the US diplomatic success has been an economic setback for the US studios in Korea.

From 1958 to 1986, Korea was enforcing a tight import quota which, as shown by Parc (2014, 2017), has choked the domestic production of high quality films, and created huge unjustified rents for Korean film importers and contributed to the decline of the whole film industry. The Korea-US Film Agreements eliminated this quota by allowing subsidiaries of US studios to distribute their films directly without being forced to go through Korean importers. Chart 4 unveils the decisive changes in the Korean film market situation before and after the film agreements by focusing on the average revenue per Korean and foreign (more than 90 percent being earned by US) films. This indicator captures the “attractiveness” of the films of different origins for the Korean movie-goers: the higher the average revenue per film from a given origin, the higher its revealed attractiveness.

Chart 4. The Korean film markets: average revenues per film, 1975-2005



Source: KOFIC. Author's calculations.

Because of the import quota, the very few US films imported in Korea before 1986 (on average 33 per year during the decade 1975-1985) were

those which had already shown their attractiveness in the rest of the world. Chart 4 shows that indeed, they were also highly valued by Korean movie-goers. Meanwhile, the domestic distortions created by the import quota regime has made the Korean film industry able to produce only hastily made films in large quantities: as shown in Chart 4, their average revenue per film was low — three to four times lower than for US film. In 1986, the perspective of importing foreign films more freely materialized with the first film agreement, immediately boosting the number of films imported (initially mostly from Hong Kong). In 1988, the second film agreement confirmed the full elimination of the quota, allowing the US studios to export many more films.

However, such a sudden glut of foreign films has saturated Korean movie-goers accustomed so far to watching only the best of foreign productions (Parc 2017). Korean movie-goers became increasingly disappointed by the foreign, including US, films. Chart 4 shows the sharp fall of the average revenue per foreign film within a few years (1986-1990), an evolution that has lasted for ten more years.

The key role of the Korean film companies in the renaissance of Korean cinema

Turning to the Korean films, their average revenue per film declined further from 1986 to 1990, before a modest improvement starting only in 1995 — ten years later. If it took so much time and effort for the Korean film industry to get the benefits from the film agreements, it is because the Korean film companies needed to make profound changes of strategies. This could not be done overnight — in sharp contrast with the Hollywood studios which could increase their film exports to Korea almost instantly by taping in their stock of movies. In fact, the Korean companies did not immediately realize the full extent of the changes required by an open film market: until 1991, they reacted to the fast-growing number of foreign films by increasing the number of Korean films — hence unable to improve their attractiveness enough.

It is only after 1991 that Korean film producers shifted to a new strategy: the number of their films declined by 25 percent from 1991 to 1999. Meanwhile, their attractiveness increased steadily after 1995, strongly until 1998 before showing a skyrocketing increase until the mid-2000s. In 2005, the revenue per Korean film was more than eight times its level in 1992 — whereas the revenue per US film was 1.6 times its 1992 level.

In other words, the primary reason for the long-term success of the film agreements is undeniably the strategies of the Korean film companies themselves — the film agreements have only been the trigger. What makes the Korean case unique is also the “instrument” of this change: it has been the entry, in the mid 1990s, of huge conglomerates — the “chaebols”, such as Samsung, Lotte or Daewoo — in the film market in which they had no major stake before. No other Asian country shares this feature. For instance, the same largest firms dominated the Japanese film industry since the 1920s, 1930s and 1951 (Shochiku, Toho and Toei, respectively).

The 1986-1988 film agreements negotiations have probably had a role in this interest: they made the chaebols aware of the huge rents grabbed by Korean film importers, and hence of the profit opportunities which could be earned in the film market. This turn of events has been facilitated by an internal evolution of the chaebols. As they were becoming very large, they needed to re-organize their activities in different branches relatively independent from each other. This context has opened the opportunity to create branches specialized in entertainment, often associated with consumer goods and services, such as cosmetics and health. Activities in the film industry could be more easily included in these new branches.

That said, it is important to underline that the success of this “new” Korean film industry was not a smooth process. The thirteen block-busters from 1999 to 2007 which have best illustrated the renaissance of the Korean film industry have been counter-balanced by no less than seventeen big failures during the same period (Russell 2008). One should add the usual volatility of any film market, the huge external disturbances, such as the 1997 Asian crisis, and the fact that the large, powerful and aggressively competitive chaebols’ entertainment branches were quick to make alliances and separations, and to change their targets and strategies if they did not work well. In these conditions, it is not surprising that many of these investments failed during the process.

Although many chaebols’ entertainment branches had to close their film business, they have made two huge contributions to the renaissance of the Korean film industry. First, they were not prisoners of the old way to do film business in Korea. In particular, they were interested in film production, not only in film distribution. They did not hesitate in investing in foreign studios — such as CJ CGV in DreamWorks — in order to learn how to run a modern film production company. Such investments in the most advanced studios of developed countries by firms from an

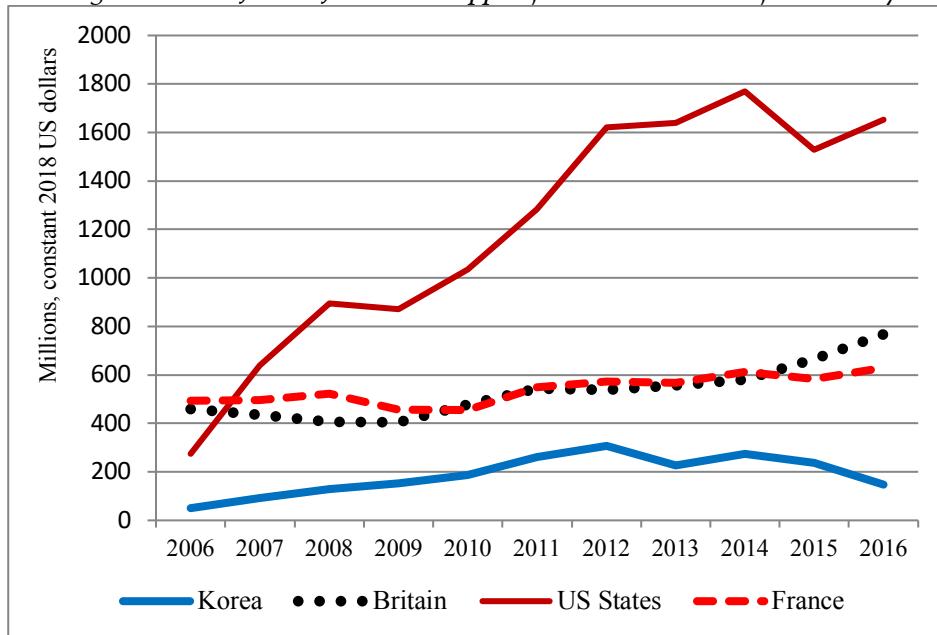
emerging economy as a way to acquire skills and other assets from the rest of the world were a very rare move by the mid-1990s, as thoroughly analyzed by Parc (2019). Second, the chaebols' entertainment branches have generated the many skills (marketing, finance, accounting, etc.) that were lacking in the traditional Korean film industry. They were also open to a vertical integration approach — being present in all the segments of the film industry (production, distribution, movie-theaters) — which gives a strategic advantage in terms of information on what is going on in the whole industry, as well as in terms of internal reallocation of resources in case of external shocks. This intimate knowledge has reduced the risk of key bottlenecks, as best illustrated by the almost “synchronized” growth of the number of screens and the number of audiences for the Korean mega-hits from 1999 to 2007.

A prudent film policy — so far

Since 1988, the successive Korean governments have adopted a stable and prudent film policy. Contrary to what has happened in a country like France, they have never reneged their existing commitments to open markets policy — offering a stable legal environment to the Korean film companies. There was no effort to reintroduce the import quota or a substitute; the screen quota was cut by half in 2008, though it is fair to say that this cut was inconsequential since the flourishing Korean film industry did not need such a quota; and above all a restrained policy in terms of financial support was adopted in 2007 and has followed since then.

Subsidies are today the most important component of the public support to the Korean film industry. However, compared to a few other total support schemes on which detailed information has been collected, the size of the Korean scheme is relatively modest and shows no sign of drifting away—contrary to what has been happening in Britain, France and the US, as shown by Chart 5. That said, the debate on the film subsidies should go beyond the overall amount of subsidies. Rather, it should focus on the “structure” of the subsidy schemes which depends on two essential pillars: the institutions and the instruments (the detailed forms of subsidies) these institutions are using.

Chart 5. Amount of total financial support, selected countries, 2006-2017



Source: Parc and Messerlin, 2018.

In this respect, it has been shown that subsidizing institutions with a large budget, ample degree of freedom and fiscal autonomy (the institution levies its own taxes and is in charge of granting support) are prone to grant without enough restraint the subsidies requested by the film industry (Messerlin 2019). This is because these features are not conducive to an approach that takes into account the following crucial factor: any subsidy is likely to trigger unexpected or unintended negative side effects, besides its expected positive impact on its narrow goal. Assessing the “net balance” of the benefits *and* costs of a subsidy is thus crucial. Such an assessment should be the core task of the subsidizing institutions. However, it is hard for them to do so when they will face the ire of the film industry on which they depend.

Indeed, a detailed comparison of the subsidizing institutions in France and Korea — the Korean Film Council, or KOFIC, and the French *Centre National de la Cinématographie et de l’Image Animée*, or CNC — suggests a much better governance in Korea: less fiscal autonomy combined with smaller budgets in Korea; large budgets and an economically unsound structure of subsidies, characterized by many “automatic” subsidies to film-makers rewarding the past rather than the future in France. In this

perspective, the Swedish Film Institute (SFI) represents an interesting experience to follow in the years to come. Until 2016, SFI resources were based on the same fiscal mechanism as CNC and KOFIC — a seat tax levied by the movie-theaters. Since 2017, SFI resources have been coming directly from the state budget. In other words, SFI fiscal autonomy has been much reduced, compared to the one enjoyed by CNC. One should also add a decision structure for granting subsidies which gives a key role to individual commissioners, rather than to large committees allowing “pork barrel” deals among the vested interests.

Conclusion

Thirty years ago, the Korean film industry was dying, captured by rent-seeking importers and unable to produce attractive films. Its renaissance has been triggered by opening the Korean market, despite a strong reluctance and skepticism at the beginning. It has been generated by the entry of large and innovative firms which have embraced the opportunities offered by learning from the rest of the world how to run film production and distribution, in particular from the Hollywood studios. It has been secured by a film policy which has remained of modest size. As a result, in less than three decades, the Korean industry has been able to outperform all the world's largest film industries in almost all dimensions possible — audience, number of films produced, state support, and quality of the films produced.

These results radically challenge the still prevailing view, according to which, facing Hollywood dominance and improving cultural diversity at home requires a high protection against US movies and strong financial support to domestic film producers. As a result, these thirty years need to be carefully analyzed by all the countries aspiring to develop a healthy film industry whatever their ultimate goal is — art movies or block-busters. In fact, the Korean experience suggests that a dynamic “commercial” industry may be a promising way to develop art movies.

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