

# Audiovisual Industry Seminar

WTO, Geneva, Wednesday 4 July 2001

Speech

on

*The audiovisual sector in another part of the world*

by

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*Hyungjin Kim, International Institute of Cultural Content, Republic of Korea*

Good afternoon, ladies and gentlemen.

My name is Hyungjin Kim from Coalition for Cultural Diversity in Moving Images in Korea.

First I want to thank all the European organizations here for inviting us to participate in this Audiovisual Seminar, and for organizing this outstanding event.

I am honored to be a member of this panel and have this chance to explore audiovisual sector in Korea with you today.

Today's seminar addresses one of the most important issues of our time: the audiovisual sector in the 21<sup>st</sup> century. With the integration of world trade and cross-border proliferation of electronic communication, the audiovisual sector is changing rapidly.

I will devote the majority of this presentation to the screen quota system in Korea in relation to importance of cultural diversity

First, let me explain about the current situation of Korean film industry

All the statistics today show a clear trend toward recovery of Korean film industry. (Here, "film" means cinema for theaters.) For example, the number of moviegoers in Korea for this past decade has increased by more than 15%. Considering the fact that growth rate of whole population during the same period was only 8% as well as the fact that other channels in the entertainment business such as TV and internet has been remarkably successful during the same period, we are impressed by the performance of film industry in Korea.

Koreans' love affair with our film is impressive as well. In 1990, Korean film claimed only 20.2% and 19.3% of total market in terms of number of moviegoers and gross ticket sales respectively. However, in 2000, the percentages were increased to 35% each and we are seeing continuation of this positive trend.

But we are not just talking about quantitative success. The quality of Korean films is significantly improved, too. The number of Korean films participating in major international film festivals has increased by 50% last year than the prior year. In 1999, Korea exported 58 movies earning about three (3) million US dollars. Last year, the sales figure increased by 200% even though only 38 movies were exported. This means that the average price for exported Korean movies has been dramatically soared. In short, quantity and quality has been improved.

How could it be possible? You may say it was possible due to the economic improvement of Korea. Also, Korean peoples' high level of love and pride on Korean culture may be the reason. However, as we are seeing different trends in other countries that achieved significant economic success just like Korea, there may be more reason other than these ones.

Maybe we can find answer in the area of institutional measures by government. But we are not talking about subsidy, as subsidy in film industry in Korea has been relatively insignificant.. We are talking about the screen quota. Korea is one of the few countries in Asia that enforce so-called "screen quota system". The screen quota system requires Korean movie theaters to show Korean films for at least 146 days each year. Normally the number is reduced to 106 days by the Korean government.

Likewise, in broadcasting airtime, Korea applies a quota system, too. The minimum amount varies from time to time. Currently, the network TV should air at least 25 percent of domestic films out of total air-time for films.

Korea's success story proves that it is possible for the developing countries to revive domestic cultural industry by imposing adequate measures.

Let's talk out details.

Korean people choose screen quota for the following reasons:

First, we believe it is imperative to maintain and develop our traditional culture. Cultural industries are needed to preserve culture, traditions, and language. Preserving a country's culture promotes its sovereign equality and protects human rights by enabling its people to celebrate and maintain their cultural integrity. In this century, as the film industry becomes key factor in the national culture in general, we need to preserve and develop film industry for the next generation of Korea.

Second, I would like to talk about the right to differ and right to exist. We respect worldwide efforts to preserve species diversity through protection of animals like whales and dolphins. Preserving diversity is critical not only in nature but in society. Throughout the history of humankind, countries have learned precious lesson to recognize and respect each other's diversity in religion, race and culture in hard ways through terrible wars and tragic ethnic conflicts. Now, we believe diverse society is better than monolithic one and our belief is shared by most of countries.

For example, with the affirmative action, U.S. government is taking special steps to ensure adequate representation of racial minorities in the society. Also, the supreme court of the United States has stressed that the government has a compelling interest to maintain diversity in society.

Those efforts show clear advantage of having diverse culture rather than monolithic culture anywhere. Namely, enhancing the understanding of diversity is a means for all of us to prosper together. Of course, recognizing differences is not free. It may be expensive and difficult to achieve, but it is worth it.

We do not want to standardize everything in worldwide scale for the sake of free trade. We neither say all countries should convert to metric system abolishing milege system nor we insist to abolish federal system in some countries at once even though those systems can be the obstacles in the international trade. Rather, we respect the cultural and political differences among nations.

By imposing the screen quota, we are not asking 100% of domestic market share. We are asking just the minimum level of opportunity to expose our audiovisual products to local audiences for the balanced development of global culture industry. We advocates co-existence and cultural exchange rather than annihilation and isolation. Therefore, we hope all countries adopt a policy to keep market share of audiovisual contents from a certain foreign country under 50% of the total domestic market.

Third, screen quota is for fair competition. Some consider cultural products as one of the commercial merchandises. We disagree. However, for the sake of argument, let's assume that film can be governed by fair competition laws of the developed countries, just like other goods. Some espouse the strictly economic comparative advantage theory free of governmental intervention. This theory says that it is most efficient for countries to trade goods they can most efficiently produce, and that the absence of consumer choice is inefficient.

However, Completely unfettered free trade is not the efficient reality, even from a pure economic perspective. To promote and preserve fair competition, some times government intervention is necessary, because the existence of monopolies contradicts the very essence of free enterprise by threatening the efficiency of market, reducing innovation slowing economic growth, and subjecting society to the will of a "small handful of dominant market players.

Anti-trust laws as well as fair competition laws are enforced to provide an opportunity to compete to all players in the market. If the market is dominated by a few market players, the beauty of market economy is threatened. This belief is universal. We are told that Americans have a strong concern on the centralization of power because a monopoly could infringe on individual rights and the equal rights of citizens.

Historically, the U.S. government has showed it strong commitment against monopoly by dividing big corporations such as AT&T and Standard Oil. Currently, U.S. government is suing Microsoft to lessen the dominant market power of the company. We respect such commitment of U.S. government against market monopoly.

Now, lets talk about the cultural industry.

In cultural industry, market forces, in the absence of barriers like screen quota, are not sufficient to protect domestic industries. In many cases, small domestic producers simply cannot compete with foreign competitors who have enormous amount of initial investment and a lower cost per unit, amortized over much larger markets. As a result, domestic cultural industries are collapsing rapidly since they cannot reach certain level of size required to survive.

We consider this clearly an unfair competition in violation of the very basic of WTO principles. Now you see that the screen quota is for the right to exist as well as right to be differ.

Those who argue that Korean film industry can commercially survive and prosper without screen quota should answer the following question with yes. Is the domestic film industry commercially viable in most of the countries in Asia and Latin America where screen quota has been rare? I leave the answer for your own judgment. We need screen quota just like we need anti-trust laws and fair competition laws.

Fourth, maintaining fair competition is particularly important in this so-called era of revolution of information technology. The emerging digital technologies are changing audiovisual industries throughout the world. Most importantly, the technology expands the exposure opportunity to the audiovisual product by adding DVD, internet broadcasting and satellite broadcasting to the traditional distribution channels.

In fact, as we are entering into a new revolutionary era of information technology, the importance of protective system such as screen quota is becoming more important than ever. The very nature of borderless business of internet threatens the survival of local industries including culture industry in developing countries because of relatively lower level of technical disadvantages.

Further, in this era, capital-intensive products that can realize economies of scale in worldwide market clearly enjoy competitive advantages over local products. Without adequate protection by the government, small- sized market players can be driven out of the market.

Fifth, some may argue that screen quota system is impractical as it is hard to enforce in the era of internet. Yes, as times goes by, different cultures are coming closer to each other. It is getting hard to identify nationality of contents. Nonetheless, we ask those people to leave the practicality issue to each government. It is too early to render any judgment on that issue yet.

Throughout the history of humankind, human race has eventually overcome many obstacles which looked unbeatable at first. Even today, no matter how difficult it is to wage a full scale war against illegal drugs in some countries, as you know, this is the kind of war government cannot easily give up.

Likewise, we will not give up our efforts to preserve and protect cultural diversity in the cyberworld.

Whether it is technically possible or not, in reality, government often regulates through rules that structure, instead of ban, certain activities in internet in order to balance the need for the Government to meet legitimate community concerns about the integrity and legality of contents. This feature of law-as-organizer (instead of law-as-prosciber) is nothing new.

For example, the United States has imposed many forms of contents based- online restriction, by statutory regulations and the judiciary decisions to serve the government interest such as Children's Online Privacy Protection Act, and Digital Millennium Copyright Act.

Sixth, some argue that subsidy is the more efficient way to promote cultural diversity than screen quota. However, subsidies also have limited utility. Governments must have money in order to provide subsidies. Revenues must be raised, with the attendant social costs of distortionary taxes or fiscal deficits.

Subsidies will only be effective where price alone determines demand. Also, only price elastic goods can be subsidized under the WTO Agreement on Subsidies and Countervailing Measures. Additionally, subsidies may limit the freedom and objectivity of products subsidized.

But we are not saying subsidy is inefficient or useless. We are only arguing that the policy tools to achieve the government goals should be left to each country. As seen before, In the case of Korean film industry, we are true believers of screen quota system.

In conclusion, for the reasons mentioned above, the screen quota system has been and shall be enforced in Korea. It is for diversity and enrichment of global culture in audiovisual sector. Screen quota is about human right to exist and to differ. At this time, we would like to propose to establish an international organization to promote and protect species diversity issue in this audiovisual sector. We are ready to take leading role in the formation of the new organization. We hope to build or strengthen a global organization to oppose any new agreement that could jeopardize the ability of all countries to promote indigenous cultural expression.

Thank you for your kind attention, and I conclude my prepared remarks and join you in enjoying the Seminar. At this point, I once again thank all the European Organizations for inviting us in this wonderful seminar

Thank you.