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# Parleying Culture Against Trade: Hollywood's Affairs With Korea's Screen Quotas

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# "Parleying Culture Against Trade: Hollywood's Affairs With Korea's Screen Quotas"

#### **Abstract**

The rising Korean cinema has inspired a flurry of new understandings of the nation's media and cultural policies. However, there remains a gap in the historical factors leading to this phenomenon, regarding particularly Hollywood's long-term negotiations with import and screen quotas. This study charts Hollywood's export activities in Korea and analyzes differences between the US economic approach to film as 'goods' and Korean view of films as 'cultural expressions'. The Korean government's perseverance to safeguard film as cultural heritage and its ability to stand-up against relentless trade pressures from the US have led to the contemporary Korean cinema's tangible success. Ironically, a brood of American films, which flooded Korea after 1988, helped raise this tiger from its slumber and the subsequent spread of *Hallyu* the so-called Korean wave, across East Asia and the globe.

**Keywords:** Korean cinema, global Hollywood, motion pictures, political economy, Korean studies, screen quota, film policy

Recent flourishing scholarship concerning the rising success of the contemporary Korean cinema has (re)inscribed Korea's film history into the world history of national cinemas. Undoubtedly, there is work to do as evidenced by the glaring omission of Korea in *The* Oxford History of World Cinema (Nowell-Smith, 1996). Studies in English such as Lee and Choe (1998), Lee (2000), James and Kim (2002), Kim (2002), Min, Joo and Kwak (2003), Kim K. (2004), McHugh and Abelmann (2005), Shin and Stringer (2005), Yi (2005), Yecies (2005) and Jin (2006) provide fresh understandings of the New Korean Cinema boom – from both Korean and Western perspectives. Other studies such as Yim (2002) focus on the complex relationships between cultural identity and cultural policy, while Shim (2006) among others examines the global phenomenon of *Hallyu*: the Korean wave. Korea's accomplishments in the realms of implementing film policy, developing industry(ies), protecting culture and experimenting with genres has bequeathed the substance for these groundbreaking studies. Since the late 1990s, the South Korean (hereafter Korean) cinema has experienced unprecedented growth at home and across many parts of the globe. According to the Korean Film Council (KOFIC), 15.9 percent of all films screened in Korea in 1991 were locally-made films. In less than eight years, the domestic market share more than doubled to 39.7 percent in 1999 and tripled to 50.1 percent in 2001. Between January and June 2004 the domestic share of Korean films (ranked by country) reached heights of 62 percent (Jung, 2004), and in 2005 the industry maintained a steady market share of about 50 percent – an extraordinary triumph few other countries have ever achieved in their own market. Awe, respect and appreciation of the Korean cinema have never been higher. The New South Korean Cinema has ballooned into the hottest pan-Asian film industry, for which the world has been waiting since the fading of other Asian waves such as Japan (1960s), Hong Kong (1970s) and China (1980s).

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<sup>&</sup>lt;sup>1</sup> Large retrospectives have been honored recently at festivals such as Berlin, Cannes, New York, Toronto and Venice. Celebrating its 11<sup>th</sup> anniversary in October 2006, Pusan International Film Festival has become the largest showcase of Asian cinema. American film companies eagerly have sought remake rights for some of the highest-grossing comedies, dramas and horror films. Japanese importers are paying never-before-seen prices – between \$3 and \$8 million US dollars – for the exhibition rights of Korean films. In 1991 only 17 Korean films were exported while in 2004 distributors enjoyed a massive sales increase of nearly 200 films to 62 countries.

The Korean film industry's thriving activity, undisputed in academic, industry and popular media circles, contrasts with a sheer void in attention to the historical development of import quotas, including the Screen Quota System. This article analyzes the detailed chronology of Korean-American film trade history and argues Korea's Screen Quota System (hereafter SQS) has contributed centrally to a contemporary film boom. Hollywood's remarkable but understudied pursuit of Korea between the mid-1960s and mid-1990s offers a gripping story about one country's film industry pressured by international trade and US film industry export practices. Over time, despite relevant fears, US free trade policy has not squashed Korea's film industry but boosted it. This is significant because it challenges conventional understandings of Hollywood's global influence and Korea's negotiating abilities with cultural matters. With this in mind, there are lessons to be learned about the economic versus cultural approach to film within the context of free trade and other bilateral agreements. This trade history has significant cultural policy implications. Through the development and protection of film quotas, the Korean government has resisted (and only recently consented) to Hollywood's hegemony, that is, the American film industry's discursive and economic dominance.<sup>2</sup>

Studies within film, media and cultural studies such as Jarvie (1992), Higson and Maltby (1999), Miller (2001) and Schatz (2004) articulate the formation and continuance of Hollywood's hegemony. However, few studies inquire how film import quotas in Korea have limited the distribution and exhibition of foreign – mostly American – films, and how postliberation Korean governments have attempted to control the domestic exhibition market with the SQS. How have negotiations between the governments and film industry bodies shaped the landscape of screen quota debates? What price has Korea paid for resisting the liberalization of its film industry when the Motion Picture Export Association of America (MPEA) and Motion Picture Association of America (MPAA) first introduced the idea in the late 1960s and again in the mid-1970s and early 1980s? Despite fears of what cultural diversity advocates consider a US threat to national culture, how has Hollywood ironically raised this tiger from its slumber? The following analysis of press releases, trade articles, congressional archive materials, and correspondence between the MPEA, Office of US Trade Representative (USTR) and US Department of State (US-DOS) demonstrates how Hollywood's long-term obsession with the Korean market is a paradoxical attraction: one that proves a country's film industry can survive and in-deed outpace Hollywood's strength as an exporter of audio/visual 'goods' in their own market. Korea's parleying with Hollywood over time is an enviable achievement to film industries, arts and cultural advocates, and policymakers across the globe, proving the Korean cinema is worth fighting for.

#### Birth of the Film Quota

It is true today, as it was yesterday, that reciprocal trade has made the United States the greatest international trader in the world's history. The very core of our success is reciprocity. If we do not buy, we cannot possibly sell. And if we do not sell, no economist

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<sup>&</sup>lt;sup>2</sup> Other countries such as Mexico and Taiwan, which have surrendered their screen quota restrictions, have witnessed a sharp decline in their respective domestic film industries. For example, in the late 1980s, prior to the Mexican government signing the North American Free Trade Agreement (NAFTA in 1994), the number of Mexican films reached about 100 per year. Yet, after joining NAFTA, the US required Mexico to reduce its film import quotas, resulting in the apparent decimation of the local production industry. The number of films produced between 1995-2002 ranged from 14 to 27 – with a record low of 10 in 1998. See Kim (2003: 89).

from Adam Smith to John Maynard Keynes could concoct the miracle drugs that would save our skins. – Eric Johnston (1958: 740), President of MPEA and MPAA

Import quotas in Korea date back to Japanese colonial regulations enacted on 1 August 1918 when numbers of domestic (Korean and Japanese) and foreign films were monitored closely (Yecies and Shim, 2003). Since the late 1920s, Universal, Paramount, United Artists, MGM and RKO – controlling members of the Motion Picture Producers and Distributors Association of America (MPPDAA) – directly distributed films in Seoul. Between 1926 and 1936, or the 'first golden age of American cinema in Korea' (Yecies, 2005), more than 6,700 American silent and talkie films were submitted to the Government-General of Ch sen's film censorship apparatus. Musical and gangster/crime films were prolific.<sup>3</sup> The colonial censorship apparatus approved nearly all of these films with minimal censorship changes. Films were simply units of trade, and Korea was nurtured as a lucrative market in Hollywood's global expansion campaign – at least until the late 1930s when the Government-General of Ch sen began banning foreign film imports and controlling the whole of the film industry in order to serve Japan's military agenda in the escalating war in North China. During the War film stock became a valuable raw material and film prints were seen as ideological agents created and diffused by the 'enemy'. In June 1945, immediately after World War II ended, the largest American producer-distributors formed a foreign sales division of the MPPDAA called the MPEA (MPEA, 1945). The MPEA aimed to increase its member companies' foreign revenues, to counter restrictive foreign trade and taxation barriers, and to spread American ideology (and American-made products) worldwide, especially in liberated and occupied countries such as Germany, Japan and Korea. Hollywood distributors were eager to expedite their films back to Korea after Japan squeezed them out between 1939 and 1945. Restrictive import quotas, which mirrored Japanese colonial regulations, ceased during the occupying US Army Military Government in Korea (USAMGIK, 1945-8). During this time, US films were distributed by the Central Motion Picture Exchange (CMPE), a semi-government organisation that assisted with USAMGIK's cultural reorientation program. After 1948, the CMPE began representing MPEA member companies as their sole commercial distributor. Korean audiences cherished musicals and slap-stick comedies, but detested violence, mystery and cruelty (Bruns, 1949:2). Although Korea's 96 cinemas contained outdated equipment, a brand-new generation of cinemagoers was born in the post-liberation era. During the Korean War, many cinemas closed in the wake of destruction, but after the conflict Korea was a "ripe field for American pictures" because, in the words of one Warner Bros. executive, "the aftermath of war in any country leaves a great need for relaxation and entertainment" (Cohen, 1953). MPEA's long-awaited return to the Korean market had begun, and so too did its troubles resume. Historically, the MPEA has been successful at toppling trade restrictions in nearly all cases of resistance to Hollywood's hegemony inside and outside of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) negotiations, with notable exceptions of France, Canada and, of course, Korea.

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<sup>&</sup>lt;sup>3</sup> According to archive documents in the United Artists collection at the State Historical Society of Wisconsin, some of the Warner Bros.—First National Pictures, which received censorship approval in 1934 and were screened, include: *Footlight Parade, Gold Diggers of 1933, Captured, I Am a Fugitive from a Chain Gang, 42<sup>nd</sup> Street, Crowd Roars, Winner Take All, Fashions, Son of a Sailor, Tiger Shark, Central Air Port, Frisco Jenny, Little Giant, and Last Flight (Series 1F Box 5-5,). These were visually entertaining sound films with narratives that Korean (and Japanese) audiences easily could appreciate. Hollywood films were not dubbed into the local language; it was standard practice to add Korean (and/or Japanese) subtitles and explanatory notes to most prints (<i>Film Daily Year Book of Motion Pictures*, 1938).

#### Reformation of the Screen Quota, 1961-84

We are free traders. I guess next to John Wayne, Kirk Douglas, and Robert Redford, Adam Smith is one of our favorite people, at least insofar as a free market is concerned. We believe that free trade is the only salvation that we are going to have in dealing with countries around the world. The minute anybody tries to erect trade barriers, there is a viral contagion effect which spreads all over the world, and suddenly you find yourself faced with all kinds of problems that you wish you did not have. – Jack Valenti (1977:210), President of the MPEA and MPAA

Formal and permanent film regulations were enacted by President Park Chung-hee's administration in 1962 with the Motion Picture Law (MPL). After decades of regulations left in place by the Government-General and USAMGIK, this was Korea's first real post-colonial film policy and true beginning of a strong proclivity toward state protection of Korean culture as national treasure. During Park's military dictatorship (1961-79), the MPL systematized policies for all producers, distributors and exhibitors, showcasing the government's preferred direction for the domestic film industry and the country – namely that of industrialization and modernization. Though it is difficult to know all of the external factors that influenced the Ministry of Public Information's (MPI's) creation of the MPL, it followed protectionist quotas enacted by Australia (1936-69), Britain (1948) and West Germany (early 1950s), and set a trend for countries such as Argentina (1962-3), Japan (1964), Italy (1965), and France and Spain (1960s-1970s) (Schnitman, 1984; Moran, 1994). In January 1965 Korea's Ministry of Commerce and Industry revealed Public Notice No. 3297, regulating the importation of foreign films, among other commodities. Foreign film rentals were limited to a total of \$75,000 US dollars per fiscal quarter (US-DOS, 1965), hampering theoretically-reciprocal trade between the US and Korea.

Korea's contemporary SQS originated directly from the MPL, which in 1966 required every cinema to exhibit domestic films for a minimum of 90 days each year – guaranteeing screen time but not box-office performance. The MPI further protected the distribution and exhibition of Korean films by establishing an annual quota, often referred to as an embargo, of imported films. Import quotas were established at the onset of each year, limiting the number of foreign films screened annually to about one-third of domestic films. In this way, the Park government widened the Korean cinema as part of the country's larger cultural sector. Throughout the 1960s, the MPEA via the US-DOS monitored Korean trade regulations with continued interest. By this time, Korea was one of 70 markets that MPEA member companies had their eyes on, and one of 117 countries where American films were shown.

Jack Valenti, one of the primary protagonists in this study, became the President of the MPEA and MPAA (formerly the MPPDAA) in 1966, the same year Korea's SQS was born. The MPEA benefited greatly from the appointment of Valenti because of his political experience with the White House, dating back to John F. Kennedy's administration. Valenti had friends in high places. On 1 June 1966 Jack Valenti resigned as Special Assistant to President Lyndon B. Johnson and accepted the top position in the MPAA. Though he was no longer working in the White House, Valenti's new position kept him in frequent contact with President Richard M. Nixon and former President Johnson. Income generated from foreign markets around this time represented about half of Hollywood's total film rental income. The magnitude of the MPEA and Valenti's job reflected the size of the organization – more than 700 foreign offices employed over 16,000 people. No other industry in the US systematically equipped itself with this level of foreign intelligence, utilizing a 'sharp-edged industry intelligence system' with 'swift communication' to data-mine any and all information

impacting on the distribution and exhibition of US films (Valenti, 1968: 2). During his 38-year reign as President of the MPAA-MPEA (1966-2004), Valenti created a mini State Department, utilizing field offices throughout the world to negotiate directly with high-ranking government, non-government and film industry leaders. Negotiations also occurred on American soil, lobbying various arms of the US government to prolong economic and trade agreements with countries like Korea until they consented to annihilate import barriers to the US film industry.

By 1968 the US-DOS began seeing Korea as a 'promising and challenging' market and the 'surprise package of the Far East' because its imports had reached almost one billion dollars (US-DOS, 1968). Korea was rapidly becoming a viable market for goods manufactured in the US. Despite the concrete limitations on the distribution and exhibition of foreign films mentioned above, Valenti continued to seek consent from the Korean government to directly distribute American films in Korea; the MPEA desired liberal access to the Korean market just as it desired liberal access to all other foreign markets. At the same time, the MPEA wanted Korea to reduce the incidence of film smuggling and piracy. Countries such as Korea, Taiwan, Saudi Arabia, China and India were thought not to be enforcing international copyright laws, and US film, television, video, computer software, book publishing and music industries apparently were losing millions of dollars (US-DOS, 1973; Weiler 1975). In order to achieve further market penetration, the MPEA needed to topple Korea's robust trade barriers, which in 1965 allowed only 53 imported films. Hence, Valenti began urging, that is, lobbying the US-DOS to intensify its support of the American film industry.

MPEA member companies were dissatisfied with some of the 'unauthorized' Korean ways of conducting business. In particular, a number of import licenses, which the MPL issued on a quota basis, were being sold to non-approved importers on the so-called black market for around \$20,000 to \$30,000 US dollars (Variety, 1966: 143). Import licenses were precious because they provided Korean producers and exhibitors with valuable opportunities to make a load of money from screening US films, which were extremely popular during the 1960s. The Park government treated import licenses as a valuable commodity, awarding them to producers whose top films won domestic and international awards, or whose annual output reached the highest levels. The MPEA complained that the unofficial and seemingly liberal exchange or trading of import licenses between Korean producers circumvented the MPL. On the one hand, correcting the 'deficiencies' of the film law probably required better policing. On the other hand, Korean producers, directors and ministerial officials simply accepted that a percentage of film business was conducted in this way. However, in reality, this practice probably changed the players on the ground too swiftly, making it difficult for the MPEA to maximize the smooth and regular exhibition of US films in a tightly-controlled policy environment. At any rate, the MPEA was fixed on smashing the monopoly of film importation and control of print rental prices held by a small number of dealers government-licensed production companies in the Korean Film Producers Association. The MPEA needed a man on the inside.

Between 1968 and 1970, while serving as the International Relations Officer for the United Nations Command/United States Forces Korea, Mr. Cha Yun was hired by the MPEA as its primary local representative (Cha, 2003). As the liaison between the MPEA and Korean government, it was Mr. Cha's role to convince the Park administration of the long-term benefits of liberalizing the film market and opening it up to more US films. In his negotiations, Mr. Cha proposed: non-transferable import licenses for film distributors, annual import of at least 100 US films, a local MPEA office in Korea, and payment in local currency (Won) if and when dollars were not available (US-DOS, 1970). Both Valenti and Mr. Cha knew that this request would come with a price, but the MPEA was willing to pay for these

things because they guaranteed increased access to the large audiences of what McHugh and Abelmann (2005) have called Korea's golden age of melodrama cinema. In order to sweeten negotiations the MPEA proposed to divert a percentage of its profits to the Korean film industry and to offer Korean filmmakers technical training, helping the local industry develop global standards. One key negotiating strategy for getting the government on side was offering to donate funds to Park Chung-hee's pet May 16 Scholarship Foundation. To his credit, Mr. Cha maintained that the liberalization of the Korean film industry, that is, the development of efficiency as well as an increase in the number of imported US films, would lead to greater competition and quality of Korean films. As discussed shortly, we now know that these flow-on effects were entirely possible because they have in fact happened.

Throughout the late 1960s, the Ministry of Culture and Public Information (MCPI) – formerly known as the Ministry of Public Information – was amicable toward MPEA concerns, agreeing in principle to most requests. Further, the MCPI expressed urgency about holding a new round of negotiations to explore avenues for technical and export training for the domestic film industry. As Shim (2006) observes, Korean popular culture had minimal export facility before the late 1990s. Increasing Korea's film exports from the 1960s was seen as a proactive strategy for cultural development and expansion of the Korean cinema. During this time, US films were first imported to offices in Japan and then inefficiently re-negotiated by middlemen for the Korean market. In other words, Korean importers were unable to deal directly with MPEA member companies. An MPEA office in Seoul would streamline the distribution process, and potentially offer importers lower print rental prices – at least this was the golden carrot the MPEA dangled in front of the Korean government. In turn, foreign currency consumption could be lowered, and redirected towards the development of the domestic film industry. However, the MCPI failed to see the rationale behind importing upwards of 100 US films per year. We may never know if President Park fully trusted the MPEA, or if he believed Koreans were prepared socially and culturally to be inundated further with ideology found in American films. In any case, Park maintained the spirit of the MPL, which protected the Korean film industry from the inside by rewarding productivity and anti-communism and propaganda genre films. Yet, in 1970, albeit for a short time, the MCPI unexpectedly reduced the required screening days for domestic films to a minimum of 30, which probably appeased the MPEA. When the MPEA decided to get tough with foreign markets around this time, Korea was overlooked because the playing field for Hollywood films was sufficiently level. In June 1971, on behalf of the MPEA, President Nixon established the Council on International Economic Policy Operations Group, which developed the "Action Program to Assist the Motion Picture Industry" and sent high-level delegations to foreign markets (The White House, 1971). The program demonstrated President Nixon's commitment to intensifying GATT discussions concerning trade barriers to the US film industry, and to influencing bilateral trade agreements involving the Invisibles Code, a guideline that aimed to liberalize the film trade and expand rental income of US films in foreign markets. Valenti was using his sphere of influence to persuade the US government to punish countries with hostile and/or prohibitive film quotas. Britain was the first target because it was the largest market for English language films. Argentina, Australia, Brazil, France, Italy, Spain and Turkey followed because they were all markets in the early 1970s that failed to offer favourable tariffs to US films.

In 1973 revisions to the MPL facilitated the formation of the Korean Motion Picture Promotion Corporation (KMPPC) – a non-profit film industry support organization – as a way of further developing the film industry. The total number of imported films dropped from 60 in 1973 to 39 in 1974. For the first time, Koreans had a semi-autonomous national film industry body of their own. Under the new law, the MCPI increased screening days of domestic films to a minimum of 121 days, guaranteeing a one-third screening ratio of

domestic to foreign films. This bold attempt to protect the local cinema resisted potentiallyunwanted advances from American film interests, suggesting President Park's anti-American attitude. All the same, government and film industry representatives could not agree on a single approach to protect the domestic market and limit imports. As discussed shortly, the MPEA exploited these internal incongruities. Throughout the middle and late 1970s the Korean film industry experienced a dark period of inactivity – inversely linked to its productivity in the 1960s, which enabled Park to boast Korea had a robust domestic film industry. However, an overabundance of 'quota quickies' eventually led to a sharp decline in quality, plunging the Korean cinema into a so-called dark age. Korea left MPEA's radar screens for the time being because the distribution market had shrunk significantly within this larger downturn; only between 31 and 43 foreign films were imported annually. Back in the US other looming issues were drawing MPEA's attention; Valenti (1976) focused on carving out a promising future for American films on cable TV. In 1979, President Park was assassinated, and negotiations between Korea and the US government and MPEA lulled. Nevertheless, advancing opportunities for imported films, including direct distribution, remained a concern for the MPEA.

During General Chun Doo-hwan's presidency (1980-8), Korea's cultural approach to film reached new heights as the government attempted to uplift and protect the arts, and as Yim (2002: 40) observes, to forge a new cultural identity. In 1981 the number of required screening days for domestic films was raised to a minimum of 165 days – Korea's highest quota yet. According to statistics found in Korean Cinema, the total number of all foreign film imports between 1982 and 1984 was minimal – recorded as 23-7 per year. US distributors' frustration elevated to a new peak, and a turning point occurred within larger US-Korea trade relations. By making the restriction of US films an issue of blocking economic trade, the MPEA aligned its campaign with the US government's counter-trade restrictive policies. Korea was now on the MPEA's hit list, which jeopardized bilateral trade talks between US and Korea. The Korean government took careful notice. In July 1984, Screen International reported the Korean government was terminating its film import quota while liberalising the domestic production system. The announcement had a timely effect – lifting the foreign film embargo potentially placated the MPEA and simultaneously increased Korea's chances of maintaining 'Normal Trade Relations' (NTR) status (formerly known as Most Favored-Nation status) with the US. Chun's government was about to sacrifice part of the Korean film industry in order to guarantee lower tariffs for Korean autos, computer parts, and telecommunications equipment when entering the US. Pouncing on Korea with new might, the MPEA went further than trying to lift the foreign film embargo.

#### Culture Between the Trade Wars, 1985-8

... if you will pardon me reaching to a great Hollywood script writer named William Shakespeare, I would let him set the theme for what I am about to say to you very briefly. In Richard II, Shakespeare has the King cry out in anguish: 'For God's sake, let us sit upon the ground and tell sad stories of the death of kings, let us talk of graves and worms and epitaphs.' Mr. Chairman, unless this Congress with some unshakable resolve shoves some steel in the spine of our trade laws and makes them stick, we will soon be telling sad stories of the death of our export trades, and we will have the gloomy task of composing our own epitaphs. – Jack Valenti (1986: 989)

On 11 September 1985, after more than a decade of paltry numbers of imported films, MPEA member companies stepped up the fight against Korea's screen quotas by filing a formal complaint with the USTR under Section 301 of the US Trade Act (*San Francisco Chronicle*, 1985). This procedure was invoked in situations in which a foreign policy or practice

restricted US commerce, giving the US President power to penalize any country failing to open or to liberalize its markets for US commodities. The USTR, which develops trade policies between the US and foreign nations, welcomed MPEA's claims of 'unreasonable' and 'discriminatory' limitations on film distribution because its core job was to open world markets for US goods and services. Amid its victimization cries the MPEA reiterated its demands: increased numbers of imported (US) films, liberalization of import and rental licenses, establishment of direct distribution offices, reduced cash deposits (less than \$800,000 USD) required for each foreign film, and a reduction in compulsory cash 'contributions' (less than \$170,000 USD) to the film industry development fund for each imported film title (Pagano, 1985). Film quotas were seen to be obstructing MPEA's 'right' to greater access. It is not surprising, then, that the MPEA was using the USTR and its expert negotiation tactics to influence amendments to the MPL, which the Korean government said were coming soon. 4 MPEA grumbles came at an opportune time because of the new prospects for contemporary art and international cultural exchange opened by President Chun's Ministry of Culture and Information. In the lead-up to the 1988 Seoul Olympics increased government spending on arts and culture grew by leaps and bounds, which diverted attention away from the military dictatorship and created an improved image of Chun's regime. An open window for the direct distribution of US films – closed since 1961 – was potentially about to be forced wide open.

In October 1985 the MPEA withdrew its formal complaints against the Korean government (Variety, 1985). One month later, the Ministry of Culture and Information, through an expected amendment to the MPL, proposed to reduce the minimum number of screening days for domestic films from an all-time high of 165 to 146, and to provide an additional 28-day reduction of the SOS on a special-needs basis. It also promised US film companies could open direct distribution offices and service cinemas, TV stations and videotape rental businesses without restraint. Once modified, the MPL would also allow Korean producerdistributors to import one foreign film for every four they made (MPEA, 1988). Effectively, this would have given the Korean film industry a protective bastion for the creation and expression of Korean culture. Despite congenial intentions between the US and Korea, the round of negotiations in 1985 failed to produce the outcome the MPEA was looking for; the Korean government had decided to safeguard the domestic film industry further by not yielding to MPEA demands. In late 1986 the Korean legislature aborted liberal agreements made in 1985. Once again the MPEA was denied full access to the Korean market, one of the world's fastest-developing film markets, predicted to yield upwards of 40 million USD in rental billings (Park with Segers, 1988). The giant MPEA and US government's economic approach to films as goods was weakened before the much smaller Korean government and film industry's view of film as national culture worthy of protecting at all cost.

Since MPEA's formation in 1945, its representatives have appeared frequently before the US Congress to speak against international trade blockades. Valenti's dramatic testimony and that of MPEA President Eric Johnston before him presented life and death scenarios, from which the American film and potentially all industries might suffer. Archive documents and

<sup>&</sup>lt;sup>4</sup> Throughout the 1980s the Performance Ethics Committee (PEC), Korea's primary censorship organization, was also 'hindering' the distribution of Hollywood films because it mandated only one foreign film could be censored at any given time. This was a key method to maintain centralized control over the dissemination of foreign media content. MPEA complaints were directed at the PEC's practice of taking 2-3 months to approve a foreign film – a process potentially equaling an annual screen quota of 4-6 films.

trade reports show throughout the mid-to-late 1980s, Valenti and the MPEA became increasingly frustrated with the Korean market, speaking at numerous congressional hearings; Valenti literally wanted to hit the Korean government 'across the head with a 2 by 4, that is, with a wooden plank (Valenti 1986: 1003). According to Valenti: 'Unless something is turned around to make sure that the old phrase 'no pain, no gain' must be an instruction given to foreign countries that if they persist in hedge rowing their borders, they are going to have some injury that they are not going to like' (Valenti 1986: 1004). Fussing over Korea made sense because it was seen as a 'potential sleeping giant for extracting license fees for indie English language films' (Hollinger, 1988a). In addition, about 40,000 US troops stationed in Korea were considered a patriotic bonus, that is, a sizeable, captive audience for American films (*Variety*, 1987b). The US government heard the influential testimony of Valenti and other industry leaders like him loud and clear, revamping trade laws in 1988 and giving the US government power to revoke a country's trade status if any American industry or commodity experienced ongoing trade barriers. Korea was a tiger in slumber about to be wakened.

In order to maintain trade status with the US, the newly-elected President Roh Tae-woo government (1988-93) capitulated to MPEA demands, ushering Hollywood distributors through an opening that had been closed tightly to insulate Korea from external – mostly ideological – influences. Yet, Korea became more Hollywood-friendly each time a new President came to power. According to MPL amendments enacted in 1987, MPEA member companies could open branch offices in Seoul and directly distribute Hollywood films. Twentieth Century Fox and United International Pictures (UIP) – a collaboration between Universal, Paramount and MGM/United Artists – were the first distributors to set up shop (Hollinger, 1988b). The Korean cinema was expanding from the outside in. Yet, the SQS during President Roh's administration remained fortified; his Ministry of Culture mandated that every cinema screen domestic films for a minimum of 106 days a year or 29 percent of total screening days. Although the integrity of the SQS had been preserved by the government's neoliberal economic and cultural policies, US distributors now had greater access to Korean audiences – a hostile foray that would soon encounter aggressive and highly-organized resistance.

## Snakes in the Dark, 1988-2006

Korea has the potential to become one of the largest markets for U.S. motion pictures in Asia, second only to Japan where U.S. motion picture companies now earn some \$500,000,000 annually. (Valenti, 1989: 256).

In September 1988, purposely around the time of the Olympic Games and shortly after UIP opened its direct-distribution office, hundreds of directors, producers, distributors, stars, cultural protection advocates, literary groups, opposition government party members, academics and film students protested against Hollywood majors' penetration of Korea by marching in the Myongdong 'peace district' area of Seoul. This was the first of many highly-organized events, seeking to raise the world's attention to the fight to protect Korea's film industry. There was no better time to speak to the world than during the Olympics, which was broadcast to millions and millions of homes. Protestors picketed in front of Seoul cinemas screening *Fatal Attraction*, a blatantly violent story about adultery. Red signs screamed: 'Yankee, go home' and 'Down With American Movies', drawing a frenzy of media attention (Park with Segers, 1988). Protests called for a boycott of *Fatal Attraction* and other directly-distributed American films because they were seen as a cultural invasion and a threat to Korea's national film industry. Of dire concern was the prospect of Korea's film industry

falling into the grip of US companies that would suck any and all profits out of the country. Korea was seen from the inside as a host to a foreign beast capable of stealing part of the country's livelihood. What these protests couldn't possibly see, however, was how the Rho government's approval of Hollywood's latest inroads to Korea would facilitate international cultural exchange and impact positively on Korean film culture in general and the whole of the film industry.

Strikers released snakes in two cinemas screening Fatal Attraction, hoping to scare away patrons who might not agree with the protest or understand its ramifications (Farhi, 1988; Kramer, 1988). Riot police kept protesters at bay as relations between the KMPPC, Ministry of Culture and MPEA heated to new levels. Valenti saw the boycott threats and the cries to close American film distribution offices as 'simply deplorable' (Variety, 1988), and believed Korea's film distributors were 'literally defying their government' and making it 'economically impossible for US exporters to operate distribution offices' (Associated Press, 1988; MPEA, 1988). In late September 1988, Valenti lodged a new round of complaints of 'unfair' trade with the USTR, once again accusing Korea of hindering the distribution of US films. Naturally the MPEA and other US industries had a definition of 'unfair' that few nations agreed with. The MPEA was doing everything it could to cement its access to the Korean market, which it considered a 'gold mine' (Segers, 1988). For the US, any country impeding the importation and distribution of American films prevented the US film and television industry from maintaining its \$1.2 billion a year in surplus balance of trade (cited in Valenti 1986: 989). For staunch supporters of Korea's film industry, there was fear US pictures would dominate the market. Initially it probably looked that way too because in 1985 only 30 foreign films were imported, while in 1988 the figure radically increased five-fold to 176. Threats from the US worked. After six weeks of intense negotiations, Valenti withdrew MPEA's formal complaints. President Rho's Ministry of Culture capitulated and granted the MPEA free and immediate access to Korea's film, television and videotape markets. Film quota restrictions were reduced, and censorship measures limiting the number of films and film prints were removed. Steps were taken to prevent demonstrations and boycotts of the direct distribution of US films in Seoul and other cities (Harris, 1988; MPAA, 1988). The Rho government had opened the floodgates for change, and the MPEA relentlessly barrelled forward with a brood of films - though much smaller in number than between 1926 and 1936.

Throughout the 1990s the SQS remained intact as a law, though notable Korean scholars such as Cho (2003) have questioned its relevancy and efficacy. The number of imported films jumped from 264 in 1989 to 382 in 1994, and reached a peak of 402 in 1996 (Korean Cinema, 1998: 70; Korean Cinema, 2000: 265). Theoretically, the SQS protected domestic films regardless of their mass appeal (or lack thereof). Yet in reality some exhibitors refused to screen domestic films in numbers as required by the SQS; there was more money to be made by screening imported films. Hence the formation in 1993 of the Coalition for Cultural Diversity in Moving Images (CDMI, formerly known as the Screen Quota Watch Group), which aimed to ensure the survival of the SQS – as if it were the industry's most important safeguard. The CDMI emerged at a time when other countries, such as France, were mounting fervent opposition to incorporate 'audiovisual industries' in GATT. Since its formation, CDMI meticulously has calculated the total number of screening days for domestic films while actively participating in international meetings of cultural professional organizations (Yang, 2004). Along with the Korean Film Council (KOFIC, known as KMPPC before 1993) and thousands of other film industry people, CDMI has urged the Korean government to de-link the SQS, that is, remove culture from ongoing bilateral investment treaty negotiations with the US.

It is common knowledge that the MPEA/MPAA has continued its efforts to topple the SQS as it has done in many other countries. However, this has not been an easy task in Korea partly because the edges of Valenti's sharp intelligence system have dulled. From 25-28 March 1999, Valenti accompanied US Secretary of Commerce, William M. Daley, and 16 other American industry leaders to Korea on a business development mission. US-DOS archive documents reveal Valenti used obsolete statistics to convince the Kim Dae-jung government the SOS was damaging the Korean film industry by dragging down numbers of cinemagoers and cinemas as well as box office receipts. This so-called crisis could be alleviated and replaced with a 'renaissance' for the Korean cinema by organizing a series of training workshops and \$500 million USD dollars in US and Australian investments for new multiplexes, which Valenti was happy to facilitate. President Kim appreciated Valenti's good will, but in reality, there was no crisis; cinemas actually increased by 10 in the period 1997-8 and the number of cinemagoers exceeded 50 million for the same period (Korean Cinema, 2003: 320). Furthermore, no-one in the US (or Korea for that matter) could have possibly anticipated the extraordinary success of Kang Je-gyu's blockbuster Shiri (1999), which pulled \$25 million at the box office and outsold *Titanic* to become the then-top-selling Korean film of all time. One could argue the increase of imported films had helped to expand the Korean film industry. The Korean cinema rose on its tiger's paws to never-before-seen heights. By April 2000, Hollywood distributors were reportedly learning lessons from the Korean film industry and releasing US films at times that avoided vigorous competition from Korean blockbusters (Segers, 2000). In-deed the renaissance had come, but on Korean terms and in a Korean way.

# **Conclusion: Fatal Attractions in Everlasting Affairs**

Since its inception in 1945 MPEA-MPAA's sphere of influence has strengthened by Jack Valenti's ability to make cultural industry issues significant agenda items in larger international trade negotiations, such as GATT in the 1970s and 1980s, NAFTA in the 1990s, and more recent bilateral and free trade agreements. In Korea, since 1985, Valenti and the MPEA have embraced the USTR decision to hold SQS restrictions as a core bargaining chip in larger trade talks. That having been said, , the case study of the MPEA and US government's historical actions and reactions toward import and screen quotas in Korea is business as usual, because it is normally how the US resolves trade issues. The MPEA and thus American government's power to influence cultural matters, or the politics of culture, in foreign markets through trade avenues is overwhelming. The MPEA's success in prying open Korea over time has resulted from creating wedges of disagreement between different parts of the Korean government. For the Korean Ministry of Commerce and Ministry of Economics, the choice between an economic recovery package from the US and favourable tariff treatment for Korean goods, and protecting the local film industry is an easy one to make. For others such as the Ministry of Culture and Tourism and the whole of the Korean film industry, bilateral negotiations concerning Korea's economy are inappropriate places to leverage audiovisual industry quotas and protectionist cultural policies. This is not simply another example of Hollywood majors' supreme overseas campaign thoroughly illustrated by Vasey (1997), Jarvie (1992) and Thompson (1985) because it suggests the opening of Korea to US films in the late 1980s eventually (and ironically) helped the Korean cinema achieve international recognition for its success. For a considerable time the SQS remained a recognizable force in the protection and promotion of the Korean film industry and Korean culture more generally by forcing exhibitors to screen domestic films even when profits were unexpected.

Korea's 'David and Goliath' story was spotlighted at the October 2005 General Conference of UNESCO meeting in Paris. The Korean case was used as one of the primary catalysts in the pursuit of an international policy instrument – the Convention on the Protection and

Promotion of the Diversity of Cultural Expression – designed to enable member nation states to reinforce cultural diversity and protect cultural contents and artistic expressions while facing international trade giants such as China and the US. After the meeting, advocates for cultural diversity in Korea were ecstatic because the UNESCO Convention reaffirmed their efforts to withstand economic imperatives to sacrifice the SQS in ongoing trade agreements with the US. However, the real-world effects of this UNESCO policy are yet to be seen, and may be of little help. In January 2006, three months after the UNESCO meeting, the Roh Moo-hyun government (2003 to present) halved the SQS after 40 years of pressure from the US. The American film industry hopes to benefit from the removal of half of a great thorn that has been disturbing its presence in the Asian market since the mid-1960s. While a vast majority of UNESCO member states have embraced an intangible notion of culture and the need for strong national cultural policy to protect it, the US has moved in the opposite direction arguing against the need for a country other than the US to protect its locally-produced cultural goods. This is a watershed moment that may or may not be host to the continuation of Korea's film boom.

In defence of the MPEA (and MPAA after they merged) the escalation of Hollywood films in Korea encouraged the birth of a new generation of cinemagoers among a host of other variables that have led to the roaring success of the contemporary Korean cinema. Along the way, the MPEA saw the Korean cinema as a highly-lucrative market – a point the Korean film industry and millions of Koreans began seeing for themselves after the box office smash Shiri. Yet, Hollywood's influential role in the domestic market has not been a fait accompli, and the so-called gold mine has had its share of challenges and obstacles, including the acquisition of screen time due to ongoing limitations of the SQS, building of additional and more modern (expensive) cinemas and high import duties, to name a few. Numerous protests in Korea have continued alongside political, economic and cultural negotiations. Former President Kim Dae-jung as well as President Roh Moo-hyun's government stalled bilateral trade talks by not readily signing agreements, and more than 700 advocates for the SQS, including high-profile producers, directors, actors and students from Korea and other international directors such as Roland Joffe, Agnes Varda, Jean-Luc Godard, Wong Kar-Wai and Ken Loach have protested what they consider 'U.S. cultural and economic imperialism' (Screen International, 1999; Schilling, 1999). The core debate surrounding the SQS is 'free vs. fair trade'. But questions of massive, long-term profits from film rentals, as evidenced by the research in this study, are on the minds of Hollywood distributors. Oddly, though perhaps not surprisingly, MPAA representatives such as Hugh Stephens, TimeWarner Senior Vice President of International Relations and Public Policy-Asia Pacific, have used the cultural diversity argument recently with the Chinese government to justify the need for more US films in China (Stephens, 2005). The Korean case is being used to demonstrate the benefits of increasing US film distributors' access to the Chinese market and to argue for further restructuring of China's domestic film industry. That is, the liberalization of Chinese film policy is being sold as the key for China to develop a robust, dynamic motion picture industry – as Korea has done. Clearly there are implications for both Korea and the US's future relationships with China in terms of film trade.

To the credit of Jack Valenti and the MPAA, one can argue the popularity and critical acclaim of contemporary Korean cinema has been a combined by-product of the MPL's attempts in 1985 to liberalize the market with free competition and freedom of expression regarding censorship, as well as Hollywood majors' aggressive efforts to develop overseas markets in the Asia-Pacific. That is, the increased distribution and exhibition of US films in Korea has had an enormous impact on local industry practices as well as the tens of millions of Koreans who now support their own films by watching them at the cinema. We will never know if this phenomenon could have happened earlier, for instance, in the late 1960s when

the MPEA first pleaded with the Park government to open Korea's heart to more American films. Suffice it to say, however, that if this had happened, Korea might be celebrating the Pusan International Film Festival's 40<sup>th</sup> anniversary in 2006. Perhaps it is not so ironic, then, that the liberalization of the Korean market and its opening to the direct distribution of foreign films has led to the rising strength of the contemporary Korean cinema. With the onslaught of foreign films since the late 1980s, new cinemas had to be built and a whole new generation of moviegoers was born. In the last decade the number of screens grew by 250 percent (from 577 in 1995 to 1451 in 2004) in order to meet this demand (*Korean Cinema*, 2005: 396). Unexpectedly, it was this new generation that has become a crucial variable, making Korean films popular in their own domestic market.

MPEA's relentless attempts to whittle away Korea's protectionist SQS to little or nothing constitute a complex affair with one of the few film industries that has persevered against the strength of the American film industry. Today, the Hollywood hegemony continues to apply intense pressures on the Korean film industry not only to limit the number of domestic films screened, but more importantly to create a completely unrestricted environment for the distribution of digital content. To this end, the halving of the SQS in mid-2006 shows the US has gained solid ground. Though future outcomes of free trade negotiations are uncertain, the history of cinema in Korea has proven the local film industry is an economic and cultural asset worth fighting for – for both sides of the negotiating table.

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