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# **Rethinking Media Flow under Globalisation:**

**Rising Korean Wave and Korean TV and Film Policy Since 1980s**

by

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**A thesis submitted in partial fulfilment of the requirements for  
the degree of Doctor of Philosophy in Cultural Policy Studies**

**University of Warwick, Centre for Cultural Policy Studies**

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## ABSTRACT

The rising popularity of Korean contents in Asia known as Hanryu ('Korean Wave'), which was partly supported by Korean cultural policy, has many implications with regard to cultural policy in periphery countries under globalisation and the open-door versus cultural diversity debate. This thesis assesses how recent cultural opening under globalisation in Korea has affected Korea's cultural industries both quantitatively in terms of economic performance and qualitatively in terms of cultural content, identity and diversity. These questions are examined in the context of the changing relationship between the cultural industries and cultural policy in Korea since the end of the 1990s. The research draws upon statistical data, historical material and interviews.

By researching how the Korean experience has developed, this thesis attempts to look at Hanryu not just as a phenomenon in its own right, but also considers the secondary impact of this phenomenon on perceptions of culture and identity. In particular the thesis considers Hanryu in terms of the cultural influence on neighbouring countries manifest through tourism and a new interest in Korean

language and culture. Such cultural effects are less easily measured than economic data but are important to an understanding of causes and effects of Hanryu. Finally this thesis places the Korean experience in the broader context of cultural policy in periphery countries responding to globalisation and the relationship between national cultural policy and the global cultural economy.

It is still too early to reach conclusions on the future of Korean cultural industries based simply on the recent trends. However, since the mid 1990s, the Korean cultural industries have been transformed dramatically. Cultural policy has contributed to this trend and strengthened the competitiveness of Korea's cultural industries. At the same time the thesis considers some of the limitations and criticisms of Hanryu, including potential loss of cultural diversity and an anti-Korean backlash in some other Asian countries.

The Korean cultural industries have benefited from imitating the Hollywood system and developing a distinctive hybrid cultural content and business model. This has made possible an alternative approach to policy and management which lies between two extremes of protectionism and free market ideology. The thesis



comments on some of the difficulties and limitations in sustaining such a balance and concludes by considering the sustainability of Hanryu both in Korea and in the broader Asian context.

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**PART I. INTRODUCTION AND  
METHODOLOGY**

## **Chapter 1. The Korean Wave: a New Trend in Media Flow?**

### **1.1 The Korean Wave as a Counter-Flow**

According to various literatures on the globalisation of culture, the centre expands into the periphery, especially with regard to cultural imperialism, but recent research (Chadha and Kavoori 2000; Cunningham and Jacka 1996) has argued that the periphery itself collides, responds and hybridises. Not to mention that ‘power shifts, empires crumble’ in the entertainment industry, as the *Hollywood Reporter* (Nov. 18, 2003) recently claimed. There have been some different trends which may not be big but certainly are visible.

Korea has long history of struggle against U.S. cultural dominance, like many other countries around the world. However, the recent experience of Korean pop culture differs greatly from what it was in the past. Since the end of the 1990s, Korean pop culture, including TV programmes and films, has been exported to Asian countries such as Japan, Hong Kong, China, Taiwan, Vietnam and Thailand with great popularity, and recently even to Europe and the USA. This

unexpected cultural wave happened not only overseas but also in the domestic market. In this context, this thesis will examine the present situation and the implications of the Korean Wave as an example of a counter-flow under globalisation. In subsequent chapters, we need to explore what exactly happened to Korean cultural products since 2000. Then, this thesis will analyze the implication of Korean Wave under globalisation and the chances and challenges of Korean way in cultural policy.

This thesis has been divided into three distinct parts. Part I consists of chapters 1 and 2 and is intended as an introduction to the research topic. Chapter 1 provides an overview of the Hanryu phenomenon and related issues concerning globalisation and cultural policy. It also outlines the design and structure of this thesis and the research methodology. Chapter 2 will serve as a literature review to put the Korean cultural industry's special case in global context.

In Part II, I will set out the background for this research beginning with a brief review of the history of the Korean TV and film industry in chapter 3. In chapter 4, I will provide an overview the development of Korean cultural policy

focusing on how cultural policy has been changed since Kim Dae-jung regime responding to globalisation. Some big issues such as Hollywood's direct distribution and Korean market openness to Japanese mass culture will be highlighted. Chapters 5, 6 and 7, which constitute the analytical part of this thesis (Part III), will elaborate on how certain Korean mass cultural forms generate the possibility of imagining a regional identity, as well as certain side effects.

In chapter 5, the conditions which made possible the recent success of Korean pop culture will be examined in the context of theories on media flow. In chapter 6, this thesis will delve into the nature of Korean cultural products and how they can appeal to other peoples in Asia given that both content (consumer-side) and industry infrastructure (provider-side) have been rearranged. Finally, in chapter 7, I will examine the impact and implications of government policy in the TV and film industry. Doing so will inform us of the role of government in the Korean wave. Through this process, the major arguments this research addresses may be summarised as follows:

- Does national cultural policy still have a critical role to play in a world

which is tending to be unified by the process of dismantling barriers to trade and cultural flows under globalisation?

- Can we say that the recent success of Korean cultural products resulted from government policy?
- What does the Korean experience imply in terms of world cultural flow?
- Can we explore an alternative model of cultural flow with regard to the Korean case?

To clarify further, this thesis consists of three major parts (Introductory, Background and History and Analysis), in which each of the following is developed:

- An outline of the key issues and characteristics of Hanryu and a brief literature review of theories of cultural flow (Chapters 1 and 2)
- An examination of the development of cultural policy in the Korean TV and film industry in response to globalisation (Chapters 3 and 4)
- Analysis of the Korean experience as a periphery nation challenging global trend (Chapters 5, 6 and 7)
- An exploration of the possibility of a cultural bloc as a regional centre in the global cultural economy (Chapter 8)

Before examining the causes and effects of this boom, this chapter, which is intended as an introduction and for raising questions, is going to examine other trends, define phenomenon of Koran Wave and explain the methodology of this thesis setting out methods and structure in more detail.

## 1.2 Overview of the Korean Wave in Pop Culture

Trends of counter flows have led to the creation of sub-centres of audiovisual production in the peripheries. As Hannerz (1996: 16) argues, 'the structure of centre-periphery relationships has many tiers.' Here, a sub-centres model could be denoted as tiers in Hannerz's terminology. For example, Mexico and Brazil for Latin America, Hong Kong for the Chinese-speaking populations of Asia, Egypt for the Arab world, and India for the Indian populations of Africa and Asia. These regional sub-centres are mediated critically and appropriated socially and culturally in the contexts they infiltrate (Lull, 2000: 230). Furthermore, with the development of local adaptations and hybridisation, even 'contra-flows' or 'counter-flows' (Boyd-Barrett and Kishan Thussu, 1992) have resulted. Mexico and Brazil, for example, have exported their programmes to the U.S. as well as to other Latin countries.

However, the successes of these sub-centres can be seen to be owed mainly to geo-linguistic markets based on the same languages and ethnic diaspora. Here, Sinclair's argument (1996: 26) is worth noting. He elaborates that these



countries, as sub-centres, have three things in common: 'first, their relevance to the geo-linguistic region hypothesis, that is, the broad proposition that export markets will develop amongst countries which share a similar language and culture.' The second thing he points out is that sub-centres have histories of colonisation. The colonial legacy has been formative and consequential for the contemporary markets of cultural products.

For example, with the competitive advantage of language and, in a sense, diasporic roots originated from colonial history, Canada and Australia have been successful exporters of media products in spite of relatively small market size and their postcolonial status in their modern histories (ibid.: 12). The geo-linguistic region in such cases goes far beyond the immediate geographic clustering to include the respective diasporic communities on other continents. As well as the Chinese and Arab diasporas, for instance, there is also the Indian, which has created substantial markets in Europe, North America, Africa, Asia and the Pacific (Brown et. al, 1994; Castles 1995; Cohen 1997).

Third, these markets of sub-centres have certain unique characteristics as well as

common ones. In this respect, Hannerz (1996: 12-13) mentions that sub-centres in the periphery may 'base their production on meanings and forms wholly internal to the region, or they may operate as cultural brokers, translating influences from their first-tier centres into something more adapted to regional conditions', a phenomenon known as hybridisation. Essentially, global cultural interaction leads to the creation of hybrid forms, which contain unique and universal elements at the same time (Lull, 2000: 230). As such, Sinclair and Hannerz's examination above provides a good insight into the sub-centre in periphery and its media flow.

In the basis of his argument, I would like to elaborate on the fact that the sub-centres tend to have a sizeable and sustainable market for their cultural products. Back up by successful domestic market, cultural products can travel abroad sustainably. Economy of scale in a sizeable market tends to give a country an advantage for exporting to other countries. The exception here is Hong Kong, where a relatively small domestic market is nevertheless compensated for by the immediate proximity of its huge diasporic market in mainland China, Taiwan and Singapore. This Chinese speaking market serves a similar function to the

strong domestic market in sub-centres such as Mexico, India and Brazil, providing a commercial base for exporting into other markets.

In other regional centres such as Mexico, India and Brazil, which have big domestic markets, the diasporic market played an important role in the germinal stages of their development of foreign markets. Another strong powerhouse in East Asia apart from Hong Kong is Japan, which has had considerable success in exporting its animations, so called 'Japanimation', as well as its TV dramas (Mowlana and Rad, 1992). However, Japan cannot be said to be a sub-centre, but should rather be considered much closer to the centre in world media flow in terms of its scale of economy and its influencing power. This unexpected cultural wave happened not only overseas but also in the domestic market.

Thus, the boom of Korean soap operas and films in Asian countries cannot be explained by the geo-linguistic market theory, which is based on geographic and linguistic factors. With a language unique to its peninsula, Korea has been an importer of Western media products for a long time, and was, unofficially, a big consumer of Japanese pop culture despite the fact that the import of Japanese

cultural products was banned from 1945 to 1998. The question remains, then, how and by what kind of theory this trend can be explained. Some people may say that this renaissance of Korean pop culture is just a temporary trend and cannot last (*Korea Herald*, Dec. 29, 2004). Indeed, it is still rather early to assess adequately the extent and vitality of the export 'career' of Korea's cultural products because the popularity of Korean cultural products is a recent development and the total revenue earned from their export is relatively small in comparison with that of the cultural industries of major countries such as the U.S., Japan and the U.K. Even so, this trend in Korea, which has been suddenly and strongly influencing other Asian countries, is unusual and cannot be explained by the existing theories.

In particular, Korea has provided a radical model of rapid transition from a wholly protectionist policy towards a policy of 'cultural opening' since the late 1990s. This is exactly when the Korean wave in popular culture began. Now, the country's small but dynamic cultural industry has attracted international attention. In this context, there exists a basic question about whether the Korean wave is influenced by or has resulted from Korean cultural policy towards

globalisation. In *Transnational Connections* (1996: 6), Hannerz pinpoints that the actors in world trade under globalisation seem to have changed from nation states to transnational conglomerates.

Here, the underlying assumption is that the shift towards market dominance by transnational and multinational companies is inevitable and that nation states have become increasingly powerless and hence irrelevant. In this context, we have to rethink the universal validity of government involvement in cultural industries. Thus, this thesis will examine the present situation and the implications of the Korean wave as an example of a counter-flow under globalisation. Accordingly, we need to explore what exactly happened to Korean cultural products since 2000.

In subsequent chapters, this thesis will consider various trends, both external and internal, which might have had an impact on the recent boom in Korean films and TV industries overseas. Before examining the causes of this boom, this chapter, which is intended as an introduction and for raising questions, is going to examine when and how the Korean wave started and how it has influenced

industries in and outside of Korea. This will be followed by details of the methodology used in order to explain how the research has been approached.

### **1.2.1 Definition and Development of the Korean Wave ‘Hanryu’**

Unlike a decade ago, Koreans now seem to have a healthy appetite for their own culture. Korea is one of only three countries in the world where the market share of local films is greater than that of Hollywood (*Yonhap News Agency*, Jan. 28, 2005), and its television networks broadcast foreign programmes only around midnight, leaving Korean shows free to sweep the ratings (*Korea Times*, Nov. 29, 2001). A series of films, soap operas and pop idols, after their conquests at home, have made successful landings on markets abroad, particularly in neighbouring Asian countries. The new word ‘*Hanryu*’ (‘Korean wave’ in English) was born in this context. Examples of some of the film and television productions associated with Hanryu are included in chapter 6.

Of course, Hanryu did not come about overnight. Broadly speaking, it can be said that the popularity of Korean pop music and television soap operas in China and Taiwan was the start of the Korean wave abroad. Films joined this boom

quite recently. The outbreak of Hanryu can be traced back to 1997, when the Korean TV drama, *What Is Love All About*, broadcast on state-run Chinese television, CCTV, set the stage for Hanryu in China, following an MBC-TV drama, *Jealous*, which was imported as the first popular cultural product from South Korea in 1993 (*Korea Times*, April 6, 2004).

In 1997, Korean dance music was aired on a frequency borrowed from a local FM station in Beijing. This represented significant progress because the Korean music charts started to be regularly broadcast on Chinese-language TV and radio stations, which implies that they were not only aimed at Koreans living in China. Backed up by that regular broadcasting, sales of albums containing popular South Korean dance music from bands such as H.O.T. and NRG topped the Chinese charts (*Korea Times*, Aug. 23, 2001; *New York Times*, Jan. 10, 2006).

As Korean soap operas and popular songs became massive hits, the Chinese media called the trend ‘*Hanryu syndrome*’ (*China Daily*, Nov. 8, 2001), which alludes to the title of a promotional Korean music CD. The CD, *Hanryu*, was made as part of the Culture and Tourism Ministry’s effort to promote Korean culture in China and contained Chinese language songs performed by famous

South Korean singers to appeal to local people. The CD became a big hit. Now, *Hanryu* has become a phrase to describe the wide popularity of Korean pop culture among its neighbours in Asia such as China, Taiwan, Vietnam, Singapore and so on. The word was even introduced into a contemporary Chinese Dictionary (Kim Jong-sung, 2003).

Thus, in essence, *Hanryu* means spreading South Korean popular culture including films, soap operas, computer games and popular songs throughout Asia and beyond, reinforcing the country's growing reputation as an Asian hub for the cultural industries. The term Hanryu has become synonymous with Korean pop culture in other Asian countries (See notes in Appendices). As seen above, in a sense, Korean wave was originated from government promotion of Korean cultural products for foreigners which is not directly related to Korean diaspora.

South Korean fever has even played a role in the image changes that have been visible on some Beijing streets in recent years. According to the *Yonhap News Agency* (Aug. 10, 2001), 'the Huawei central shopping district is flooded with local youths who have dyed hair that resembles that of their South Korean idols.



Many shops display clothes, footwear, accessories and posters carrying pictures of South Korean pop stars.' In reaction to this Korean wave in China, Chinese dailies have carried headlines like '*Hanryu Sweeps China*', reminiscent of U.S. headlines which announced a British invasion when the Beatles landed there in the Sixties. This was notably the case in 2001 when Korean boy band H.O.T. held a concert in a Beijing gymnasium filled with tens of thousands of screaming Chinese fans (*China Daily*, Nov. 8, 2001). Recently, thousands of Chinese teenagers have begun visiting Korea every year to attend concerts by local pop singers, meet their idols and visit TV drama locations.

Thus, since 1997, the popularity of Korean pop culture has been palpable right across China. Taiwan is another emerging market for Korean TV dramas and films. The origin of Korean fever in Taiwan also stemmed from Korean pop songs and TV dramas. A successful concert by Clon, a South Korean dance duo, in March 1998 led to an increase in its album sales in Taiwan to more than 400,000 copies. In 2000, Clon outsold Britney Spears, the Backstreet Boys and almost all other artists (*The Far Eastern Economic Review*, Oct. 18, 2001).

Korean TV dramas in particular, such as *What Is Love All About?*, have been aired with such immense popularity that a number of Taiwanese programme producers have begun imitating the Korean style. Around the same time, broadcasts of the Korean soap opera *Autumn Fairy Tale* also grabbed huge attention among the Taiwanese, with Korean dramas being aired on three broadcasting stations and seven cable networks. The hero and heroine of *Autumn Fairy Tale*, Song Seung-hun and Song Hye-gyo became stars overnight and fans have even started undertaking pilgrimages to locations in Korea where the TV drama was shot.

Quite recently, even the Korean epic drama '*Daejangguem*' experienced large success despite the fact that its storyline was based around the Chosun dynasty in Korean history, which could make it difficult to understand for a foreign audience (*People's Daily*, Sep. 3, 2005; *China Daily*, Oct. 16, 2005). Recently, many cable TV companies in Asian countries have been airing Korean TV programmes. For example, in August 2005, Chinese station SCTV launched the first prime time TV slot in China dedicated to Korean soap operas (*Mydaily*, Aug. 25, 2005).

Likewise, the Korean wave has hit the regional centres of Asia like Hong Kong, Singapore and even Japan. In Japan, Hanryu occurred first in pop music with BoA, a 15-year-old Korean singer who created a sensation in Japan as her debut album, *Listen to My Heart*, rose to the top of the Japanese music chart, Oricon in 2002 (*Financial Times*, Feb. 8, 2003; *Korea Times*, March 1, 2005). Later in the film industry, *Swiri* was the start of the Korean boom. *Swiri*, the first Korean film to be exported to Japan, earned USD 1.3 million when it first opened on 36 screens in Japan in 1999.

This represented over a third of the production costs for the film. As the film became an unprecedented hit at the Japanese box office, it was shown at over 127 screens across Japan, attracting more than a million viewers. Shortly later, JSA (Joint Security Area) set an export record of USD 2 million and was released on 230 screens throughout Japan. This advance on the Japanese market continued with the recognition of the marketability of Korean films and the success of *Swiri* and JSA in 2000 being followed by films like *Friend and My Wife is a Gangster* in 2001. These films attained high-priced contracts in the export market with their domestic box office successes serving as stepping

stones to international sales.

With regard to TV drama, in 2002, a purely Korean television drama, *All About Eve*, was the first Korean production to be broadcast by a major Japanese network since the television drama *Friends*, co-produced by Korean broadcast station MBC and Japanese broadcast station Fuji, was aired as part of an earlier cultural exchange programme in 2002. Due to these successes, cultural exports from South Korea to Japan have nearly doubled since 1998, especially movies, video games and television programmes (*New York Times*, Feb. 22, 2004; BBC News, Dec. 13, 2004).

According to research by the Korea Foundation for Asian Culture Exchange (KOFACE), as of August 11th 2005, 23 channels in Japan including, terrestrial, cable and satellite channels, have been broadcasting around sixty Korean soap operas in total (see table in appendices). It is evident that the role of the Japanese market has been immense in the rise of the export unit price of Korean cultural products in other markets and for the growth of the overall actual sales. Now it seems that Japan has developed an appetite for all things Korean, like many

other Asian countries. This phenomenon is a new trend that has been sweeping Japan in such areas as food, movies, the Korean language, and computer software games (ibid.). Following the new, rising popularity of Korean films and dramas in Japan and China, Southeast Asian countries like Vietnam and Singapore have also been influenced by the Korean wave. Korean soap operas and films have also had a warm reception there. It has been said whether you are in Singapore, China or Taiwan, it is hard to turn on the TV and avoid Korean dramas (*Korea Times*, Nov. 29, 2001).

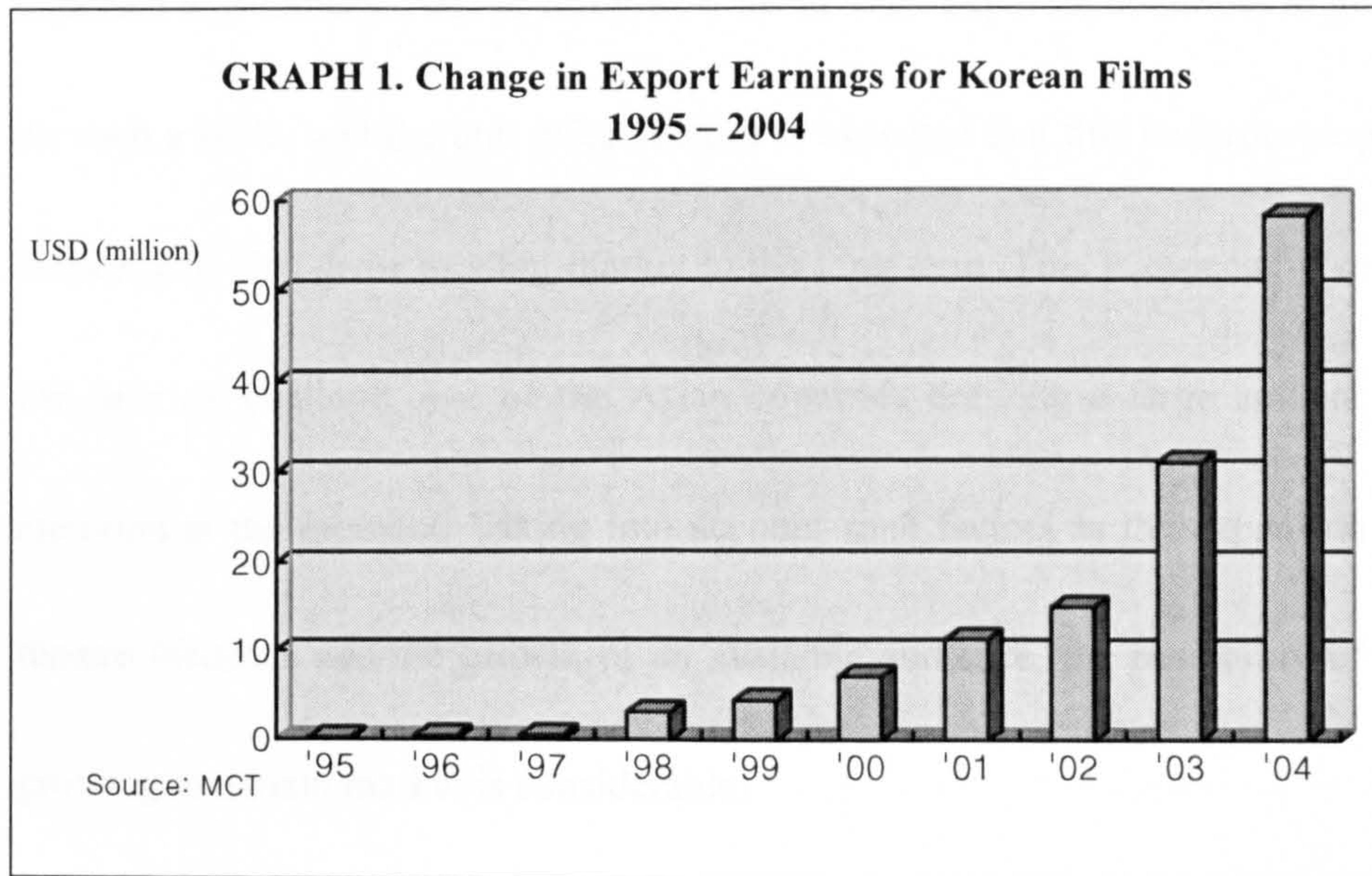
Korean TV dramas are among the highest-rated shows on Vietnamese television. As is the case in Taiwan and China, Korean TV dramas are so popular that they have influenced local fashion and culture in Vietnam. As in Huawei street in Beijing, on the streets of Ho Chi Minh City and Hanoi, fashion-conscious young Vietnamese can be seen dressed in Korean fashion with young trendy women adopting the makeup styles and products of Korea (BBC, Oct. 24, 2003; *Chicago Tribune*, Dec. 27, 2005). However, some people wonder whether Hanryu will last or whether it will disappear shortly as a frenzied fad. Responding to such pessimism, Corrado G. M. Letta (*Korea Times*, Feb. 22,

2004) argues that Korean pop culture is continuing to make waves elsewhere around Asia in various fields of the cultural industry. He points out that the 'Korean actress Kim Hee-sun is the most popular actress in China beating Chinese actresses, and Korean dramas *Autumn Fairy Tale* and *Winter Love Story* are the two most popular TV dramas throughout Asia.

Besides, Korean movies are gaining a growing popularity on international screens, and the blockbuster *Taegukgi* clearly demonstrates Korean cultural products' success abroad. All these facts are good signs that the Korean wave will continue' (ibid). In a sense, his argument is convincing. Unlike the past in Japan, where awareness of Korean culture was limited to an appreciation of a few Korean Trot (Korean traditional folk song which is similar to the Japanese traditional folk song, Enka) singers, this time there is a much wider appeal and appreciation for all things Korean.

Meanwhile, the Korean Film Commission reported that the total amount earned from exported films in 2001 equalled USD 11,249,573 for over 102 films,

which represented a huge increase in comparison with the USD 200,000 earned in 1995. Additionally, in 2004, the total amount reached to USD 58 million as seen in graph above.



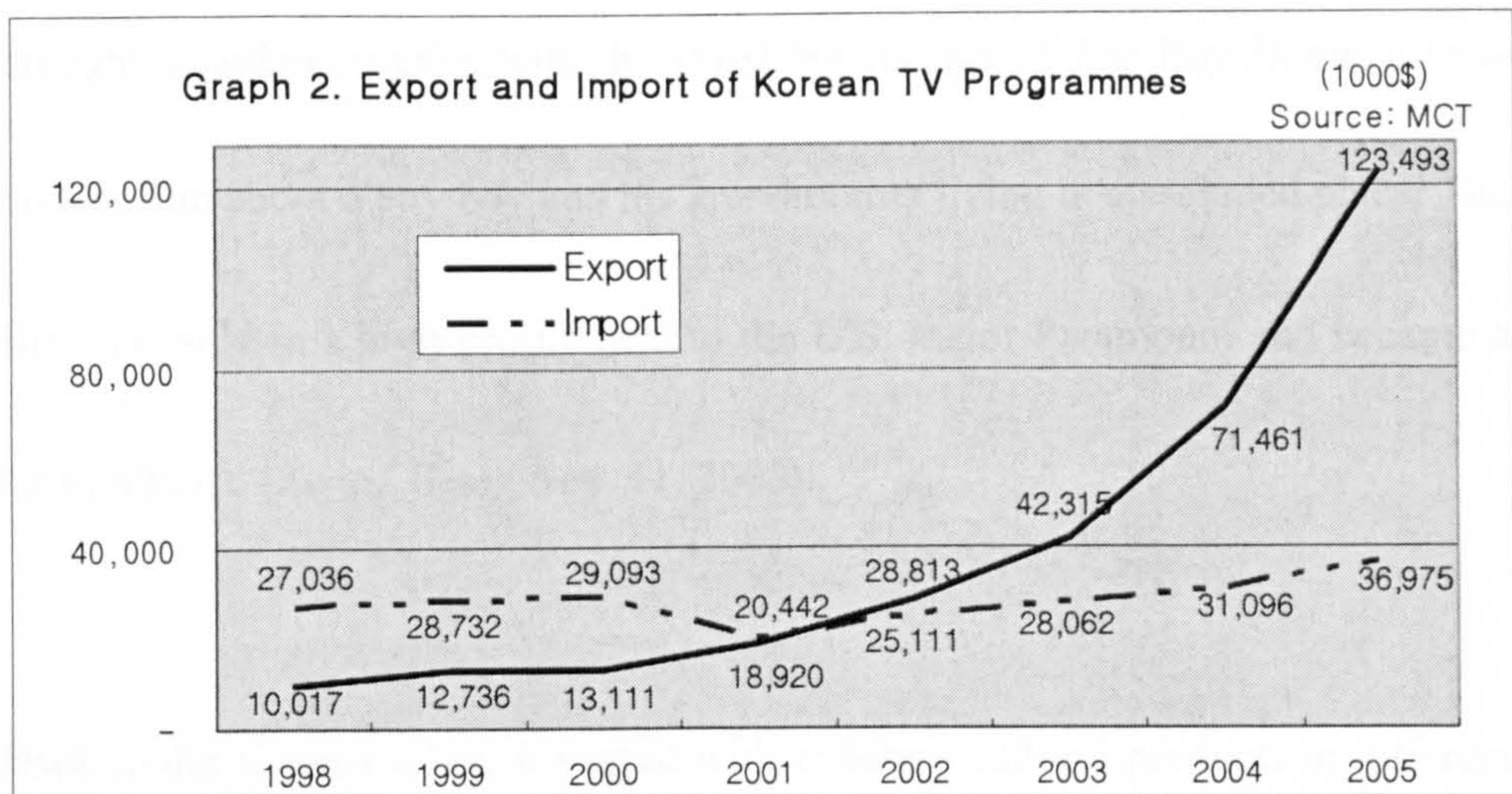
Northeast and Southeast Asia account for 73% of the total export amount and the amount exported to Japan alone occupies 51% of the total. If we look at the number of exported films, it is evident that the Southeast Asian market is the strongest. As the market was not initially that big, and the degree of recognition of Korean films was low, the unit export unit price was at first not very high, and neither was the total amount exported.

However, as the demand for films based on the local popularity of such cultural products as TV series has continued to grow, the major companies are now increasingly importing Korean films. Although the export unit price of films exported to Southeast Asia is still low, if the amount exported continues to grow on such a scale, and the unit price rises, it is expected that this underdeveloped market will also grow to a big market in the long term. This is especially so in the case of Thailand, one of the Asian countries drawing a large amount of attention at the moment. Taking into account such factors as the expansion of theatre facilities and the growth of an available audience, the possibility of its growing to a main market is considerable.

As for TV soap operas, thanks to this Korean wave in Asian countries, the three major television networks, Korean Broadcasting System (KBS), Munwha Broadcasting Co. (MBC) and Seoul Broadcasting System (SBS), which own most of the licences for Korean TV dramas, reportedly earned USD 20 million through the export of their drama series abroad in 2002, an increase of USD 6 million in 2001 (MCT 2003). Moreover, in 2005 the total export amount of



Korean TV programmes became over \$100million as you can see below (MCT 2006; *Variety*, Jan. 23, 2006).



The companies attributed the increase in earnings to the expansion of the international market for domestic soap operas into countries such as Taiwan, Singapore, Thailand, Indonesia, Malaysia and South America, as well as Japan (*Korea Times*, Dec. 29, 2002; *Korea Times*, Sep. 11, 2005). *Swiri*, the start of Hanryu in film, ranked highest at Hong Kong box offices for three consecutive weeks in 1999. Moreover, when distributed in the U.S. by American distributor IDP, *Swiri* earned gross profits of nearly a hundred thousand dollars. The success of *Swiri* overseas was followed by other Korean films such as *My Sassy Girl* and *JSA* in 2002. Earlier, in 1999, a psychological thriller called *Tell Me Something*

topped the box office in Hong Kong, beating strong Hollywood competitors such as *Sleepy Hollow* and *Hurricane Carter* (*Variety*, Jan. 9, 2002). The year 2002 brought a further surprise with the smashing success of *The Way Home*, a low-budget film about a city boy and his grandmother living in a secluded place. The film was sold in a high profile deal to the U.S. major Paramount and became a hit in Mexico (*Korea Times*, Sep. 11, 2005).

Back to the Korean wave, it started with different cultural products in different countries as seen above but spread to encompass a variety of cultural products being exported at the same or similar time, which is a critical characteristic in the distribution of cultural products. That is to say, though every country in Asia has a broadly common reception for the Korean wave, each has a slightly different flavour. This is because each country has a different ethos and based on this, their audiences decode and respond to cultural products in different ways (Silj, 1988; Liebes and Katz, 1990). For example, in Taiwan, *Daejangguem* had the best reception of any Korean drama, whereas in Japan, *Winter Sonata* was most popular. In recent times, the range of Hanryu has been expanding to fashion, food and travel. The trend soon spread out from the mainland to Taiwan,

Hong Kong, affecting ethnic Chinese in other Asian countries and eventually Japan, leading all these Asian peoples to be fascinated by not only Korean music and drama, but also its films, food and fashion.

### 1.2.2 The Impact of 'Hanryu'

Having looked in detail over what has happened recently to Korean cultural products overseas, we now need to elaborate the implications of the trend under globalisation. Put simply, the Hanryu trend may be explored by examining the trade in cultural products (exports of TV programmes and films), but it is not the only way. To be sure, the increase in the trade in cultural products such as songs, programmes and films based on hard quantitative data is a fundamental factor in exploring this trend. When it comes to the actual export sales of these cultural products, Korea's recent boom can be eclipsed in comparison with that of major powerhouses such as the U.K., Germany and, needless to say, that of the U.S. However, there are other critical factors which should be taken into account, like indirect or direct investment, the export of talent and facilities, and the upgrading of the national image.

In this context, one edition of *Business Week* (June 9, 2003) noted the changed relationship between Japan and Korea: 'Japan, once the teacher of analogue technology and cultural products to Korea, is now being embarrassed by its former pupil with Korea's rapid advancement in digital technology and cultural industry.' Now, various Japanese mass communication organisations study and prepare reports on the trend-setting Korean IT industry (*Korea Times*, Aug. 1, 2001). Likewise, considering Korea's situation as a peripheral import country not long ago, the recent success of Korean pop culture is worth particular mention. Indeed, Korean films and soap operas are flourishing as never before in markets abroad.

In previous sections I have considered the direct, quantitative impacts which can easily be measure in numbers. In this section, I am looking at indirect, qualitative impacts of Hanryu. There are indirect indicators of cultural change changing foreign attitudes to Korea and Korean culture / language reflected in: movement of tourists (esp. from countries formerly hostile or indifferent to Korea such as Japan and Taiwan); adoption of Korean language and language classes; international critical acclaim for Korean cultural products especially

film; employment of Korean artists in neighbouring countries, not only in film / music but in other sectors of the economy via advertising.

First, as seen above, Hanryu is not just spreading culture out of Korea, but also drawing people in. The number of tourists travelling to Korea has been increasing sharply because of the number of visitors who wish to attend concerts or visit locations where films and television dramas were shot. Hanryu has resulted in particular in an increase in the number of Asian tourists travelling to Korea. According to the Korea National Tourism Organization (KNTO), the number of Chinese tourists visiting South Korea jumped to 482,227 in 2001, a sharp increase on the 140,985 recorded in 1994 (*Korea Times*, Aug. 1, 2001). It is not surprising that journalists from other countries visit Korea to report hot news about the Korean entertainment industry (*Korea Times*, July 14, 2003).

Owing to such improved cultural understanding between Korea and Japan in terms of Hanryu, the number of travellers between the countries averages about ten thousand per day. Among them, seven thousand Japanese go to Korea and three thousand Koreans go to Japan. About half of the total foreign tourists visiting Korea are Japanese (*Korea Times*, Aug. 1, 2001). In 2003, around

seventy Chinese journalists from eleven major Chinese cities undertook a business trip to the resort island of Cheju in Korea to look around the set of Korean hit drama *All In* for the purpose of investigating Hanryu (*Korea Times*, July 14, 2003).

Additionally, the popularity of Korean hit dramas *Autumn Fairy Tale* and *Winter Sonata* also led to an increase in the number of Taiwanese travelling to Korea. Their tours were focused on getting a first hand look at the locations where the drama was filmed. In 1998, the number of Taiwanese tourists had decreased to about 108,000, although the annual average had been approximately 300,000 before the severance of diplomatic relations in 1992, when Korea switched its diplomatic recognition from Taiwan to China (MCT, 2003).

According to KNTTO, by the end of October in 2002, more than 112,000 Taiwanese had visited South Korea, a 4.6 percent increase on the corresponding period in 2001. The rate of increase was higher than that of all foreign tourists, which averaged 1.5 percent. The recent success of *Winter Sonata* contributed to the rise, and most Taiwanese tourists wish to visit Korea because of the drama (ibid.). The significant factor here is not so much the increase in tourist numbers

per se, but the reasons attributed to the increase. There seems to be a connection between the success of Korean cultural products (Hanryu) and changing visitor attitudes which are reflected in visitor numbers and in the interviews I have conducted with officials and ordinary consumers.

Second, with the craze for Korean cultural products, people in other countries have developed a much broader interest in Korean culture. That is to say, Korean cultural products have become a catalyst for curiosity about Korean culture and Korea itself. Korean dramas in particular have served as an important bridge for the Taiwanese to encounter Korean culture. Jerry Hsiao, 30, an office worker in Taipei said that 'my friends come into contact with Korean culture through Korean soap operas' (Hsiao, interviewed in May 2002). Many Chinese youths are also enamoured by all things Korean, from hairstyles to lifestyle. This is where these particular cultural products differ from the others. Though you may like Samsung mobiles, this does not necessarily engender an interest in Korean culture or make you want to learn Korean.

However, when you are fond of Korean soap operas or Korean stars, you tend to be more curious or interested in Korean food or life styles or even the language

as a result of your encounters with these specific cultural products. Zhang Yong Wen, an official in charge of the culture and tourism field at the Chinese Embassy in Seoul pointed out that ‘the Korean wave presented a good guideline of future ways to boost cultural ties between the two countries. Chinese people feel closer to Korean culture thanks to access to pop culture, even if they have never been to the country’ (*Korea Times*, Aug. 23, 2001).

Along with changing visitor attitudes, the second indicator of changing attitudes to Korean culture is the increased interest in Korean language. Chiyako Inoue, 43, a homemaker from Matsue, in western Japan, said that ‘she became so enthralled by a South Korean drama that she began studying Korean’ (*New York Times*, Feb. 22, 2004). Korean lectures on TV and in language schools are attracting many more Japanese. Japan’s sudden attraction to Korean culture and the Korean language is particularly striking given Japan’s colonial history in Korea from 1910 to 1945. According to Japan’s Ministry of Education, the number of Korean language programmes in high schools was 163 in 2000, compared with 73 in 1994 and 7 in 1986. The number of private language schools that teach Korean has also mushroomed (Kim Young-deok, 2002).



The recent fetish for Korean items in Japan is a good base to build upon in order to develop a future-oriented relationship between the two countries. Greater exposure to Korea can have a positive influence on the Japanese people and their perception of Korean culture. This opens the way for Japanese investment in Korea as negative images of Korea, e.g. militant labour disputes and confrontation between North and South Korea, are eventually overcome.

Korean Director Lee Gyuhyoung argues that ‘fans of *Winter Sonata* are women in their 40s and 50s, the age group that has the most discriminating attitude towards Korea. They saw negative aspects like the war and periods of dictatorship, so they were very ignorant about Korea. However, now their attitudes are changing and they are looking at Korea differently (interviewed in Nov. 2004).’

When it comes to China, since South Korea mended its fences with China in 1992, ending half a century without diplomatic ties, brisk cultural exchanges between China and Korea have served as a catalyst for understanding each country’s culture and for deeper cooperation. Dan Cui Jin, a professor of

Chinese Regional Studies at Hanshin University who has lived in Korea for eight years, said that ‘Chinese and Korean people have considerably different modes of living and ways of thinking. For example, Chinese people are inclined to individualism, similar to Westerners, while Koreans tend to make much of cooperative life. The two nations would have been unable to set up such close economic ties without mutual understanding based on cultural exchanges’ (*Korea Times*, Aug. 22, 2002).

South Korean fever has also had a positive influence on improving Taiwanese sentiment toward Korea, which had been at its lowest point since 1992. Cho, C. H., director of the Ministry of Culture and Tourism in Korea, explained that ‘local sentiment toward Korea has not been good since diplomatic relations were broken, but Hanryu has fundamentally changed the local perception of Korea, and many people now say they want to know more about Korea and visit the country’ (Interviewed in Oct. 2004). His view was reinforced by general public opinion in the Taiwanese press, claiming that Hanryu has facilitated civil-level contact between the two countries and this is playing a positive role in improving the bilateral relations since the cut-off of diplomatic ties (Cho Han,

2003). Hanryu, as a political or diplomatic as well as economic phenomenon, has definitely been a boon to South Korea.

Along with changing tourism flows and growing interest in Korean language, a third factor indicating changing attitudes to Korean culture has been the increased recognition for the Korean film industry at international film award ceremonies and the constant success of Korean products in the domestic market. At the same time, the international, award-winning reputation of Korean cultural products tends, in turn, to boost Hanryu, so these trends have been mutually reinforcing and result in a kind of synergistic effect or virtual circulation. One of the most important trends in boosting Hanryu was when Korean film directors started to get international attention at world film festivals. The domestic film world has been pleasantly surprised by the amount of success it has had at international film festivals, especially in 2002.

Furthermore, winning international awards provided a golden opportunity for exposing Korean cultural products to other countries. For example, Im Gweon-Taek's *Chihwaseon* was given the Best Director Award at the 55th Cannes

International Film Festival in 2002, a first in Korean film history. Thanks to this prize, *Chihwaseon* played in around 60 screens in France and ranked as high as ninth place in the French box office, seen by about 87,000 viewers in the first two weeks after opening in 2002, according to the French daily *Le Monde* (May, 30, 2002). The paper reported that it was the first time that a Korean film had attracted more than 50,000 moviegoers in France.

In the same year, Lee Chang-dong also won Best Movie Director at the Venice Film Festival for *Oasis*. Indeed, all over the world, new mavericks like Kim Ki-Duk (*The Isle*, *Bad Guy*) and Hong Sang-Soo (*Virgin Stripped Bare by Her Bachelors*, *Turning Gate*) have received critical praise and festival accolades. Min Bounghun's *Let's Not Cry* received special jury and Fipresci prizes at the 2002 Karlovy Vary Film Festival (MCT, 2003). And more recently, Chan-wook Park won the Grand Jury Prize at Cannes 2004 for *Old Boy*, also a first in Korean history. With Hanryu, Korean films have recently started to be spotlighted at international markets, such as Mifed and AFMA, where traditionally Korean film companies used to rush, not to sell their films, but rather to buy foreign imports (*Screendaily*, Oct. 31, 2003).

The fourth indicator of changing attitudes has been the success of Korean entertainment stars in other Asian countries. Backed by Hanryu, a variety of Korean artists have crossed over to feature in the cultural products of other Asian countries, facilitating intercultural exchanges. Many talented Koreans, including actors, actresses, singers and directors, have started making debuts in other countries, including even the USA, which can be said to be central or mainstream in the core-periphery structure of media flow (*Chosunilbo*, Nov. 30, 2003).

In Asian countries, a great number of Korean TV and film stars also owe their current popularity to the success of TV dramas. On account of acting in Korean TV dramas and films, Korean stars are now so popular that they have been receiving offers for commercial advertisements, feature films, and even local TV dramas in other countries such as China and Japan. For example, actress Kim Yun Jin who starred in '*Swiri*' was seen on the cover of the Asian edition of *Newsweek* along with the special report on Asian films (*Newsweek Asia*, May 21, 2001). Based on these favourable circumstances, she signed a contract with U.S. television network ABC to join a US TV drama *Lost*. Recently, popular

actors/actresses and directors have received Hollywood love calls, which had never happened before (*Korea Herald*, Jan. 3, 2003). So, increased exchanges of cultural products have also resulted in increased exchanges of people involved in this area.

Moreover, it is no exaggeration to say that many Korean actors and actresses, such as Bae Yong Jun and Choi Ji-woo, are now no longer just Korean stars. Starring in the Korean soap opera *Winter Sonata*, they became pop culture heroes in many Asian countries, including Japan, because the drama series gained such an amazing level of international popularity. NHK, the Japanese broadcasting company even made and broadcast a documentary about Choi (*Korea Times*, March 11, 2004). Meanwhile, Bae Yong Joon has been mobbed by fans all over Asia. It has been reported that the number of fans who showed up to see him in Singapore airport was larger than the number that turned out to see Hollywood star Tom Cruise.

Similarly, in Japan, it seems that Bae's stardom beat even that of Hollywood star Brad Pitt if we compare their reception by fans at the airport there (*USA Today*,

Dec. 10, 2004; *Variety*, Dec. 6, 2004; *Korea Herald*, Nov. 30, 2004). His popularity originated from the TV drama series *Winter Sonata*, which is an Asia-wide hit. In Japan, the drama was first shown on NHK satellite TV. As it became increasingly popular, it was rerun several times and broadcast on NHK with great success. This was dubbed 'Winter Sonata Syndrome' by the Japanese press because of the popularity of the drama series, as well the accompanying books, music CDs and travel packages.

Backed by this, the release of his first movie, *Untold Scandal*, and even some re-released dramas he had starred in, have become very popular (*Newsweek International*, May 3, 2004). To summarise, the cultural impacts of Hanryu are various: the increased flow of tourists; interest in Korean culture and languages; international critical acclaim for Korean cultural products; success of Korean talents in foreign markets. These trends have both resulted from and contributed to Hanryu.

Finally, a fifth cultural impact of Hanryu has been its influence in increasing the brand awareness of Korean goods, achieved in association with star marketing.

The Korean fever sweeping across China also serves as a boon to Korean

exporters. Local companies seeking to make inroads into Asian markets are all out to take full advantage of Hanryu in their marketing campaigns, as Korean cultural products have become a means of informing and creating an image of Korea.

Now, companies are making the most of star marketing, hiring top Korean entertainers for the marketing and advertisement of their products in China, Vietnam and elsewhere in Asia (*Korea Times*, Sep. 9, 2005). As a result, it is common to see Korean stars in Chinese or Japanese advertising. Cho, C. H, director of the cultural industry division of the Korean Ministry of Culture and Tourism says that 'name recognition is a factor when exporters take advantage of Hanryu for marketing. Hanryu will give a boost to such products as cell phones, PDAs and DVDs, which are targeted at young people' (Interviewed in Oct. 2004). He observes that 'Hanryu lets our exporters make easier inroads into China with a star-marketing strategy. Cover girl of LG's cosmetics brand DeBon, Kim Nam-ju, is called the "Asian pearl" in Vietnamese TV commercials. In just five years after doing business in the Southeast Asian country, DeBon has become the number one brand in Vietnam. An advertisement starring Ahn Jae-



wook helped lure the Chinese to Samsung computer monitors and widened Samsung Electronics' market share beyond that of their competitors' (ibid.).

Likewise, the widespread Korean fever is likely to present new business opportunities for many Korean firms across Asia, including China, at a time when Korean exports are in the doldrums. Hanryu improves Korea's image in foreign countries, which in turn creates a purchasing boom for Korean products. Interchanges between Korea and other Asian countries have been propelled by Hanryu. For example, the trade volume between Korea and Vietnam reached \$1.5 billion as of July 2002, already exceeding the total volume for 1998 and a fourfold increase on a decade ago. South Korea is the fourth largest investor in Vietnam.

As seen above, the Korean wave has had a marked impact in various ways regarding interchange with other countries. Although the tendency of the Korean Wave is still to rely on a few areas, such as a few films, soap operas and firms in the cultural industry in Korea, the ripple effects from that wave extend much further across the Korean economy. All of this adds up to good news for the domestic cultural industry, which only a few years ago was suffering from a

serious drop in sales and production due to a flood of imported foreign cultural products. Such a rapid change in the economic and cultural status of Korean cultural products raises important questions regarding the Korean wave and its implications with regard to media flow under globalisation. How can we explain this Korean wave in the context of global media flow and, depending on the answer to this question, is this related to government policy and what are its implications? These are the questions I intend to address through the remainder of this thesis.

### **1.3 Methodology of Research**

It has proved extremely difficult to find any trail of academic research on the Korean cultural industry, even internationally. This thesis deals with issues surrounding very recent Korean cultural industries and discusses implications including the benefits and drawbacks of the current situation. In this introductory part of the thesis, I have explored some critical theories related to the international flow of cultural products. Throughout the whole study, these theories will serve both as literature review and provide an analytical tool. On

this basis, this thesis examines the theoretical and practical issues related to the impact of globalisation on cultural policy in peripheral countries through a particular focus on the Korean experience.

This study does not offer a general explanation for all trades and cultural policy outcomes, or for the preferences of all states and societal actors in relation to globalisation. Rather, it will focus on the consequences of globalisation over time and across different sectors (film and TV) in Korea mainly since late 1990.

What has made this unsustainable local industry survive and develop in the international market and what are the implications of this trend in relation to cultural policy under globalisation? This essay will tackle some critical questions that have resulted from these issues.

Ever since Korea officially opened its market to Hollywood distributors in the late 1980s, it has become a cultural battlefield revealing conflicts or tensions or rare cooperation between state policy and the private sector and between local actors, including policy makers, and foreign actors, which throws into light critical implications for cultural policy in periphery countries under globalisation.

In order to address these policy questions, this thesis is going to focus on Korean

film and TV policy in the period of the 1990s, a time of rapid change in Korean cultural policy. In this way I hope to determine if there is any relationship between the current Korean Wave and the evolution of Korean cultural industry policy since 1990.

Turning this around, the production and trade of cultural products may speak to us equally well about the efficiency of cultural policy and the politics of cultural exchanges under globalisation. From the perspective of economists, in order for government intervention to be valid, the results of the intervention must show either improvement of efficiency in resource allocation or the promotion of the welfare of most citizens. However, from a cultural perspective, the efficiency of cultural policy should be focused on the protection of cultural diversity against economic effects.

As for methodology, this research was produced by eliciting detailed quantitative data from the sector and qualitative face-to-face and telephone interviews. With regard to the interviewees, they can be divided into two groups. The first is made up of Koreans who are involved in the Korean cultural industry, and who can put forward practical and professional viewpoints on the Korean

wave. The second group consists of foreigners, and is made up of both professionals and experts on cultural field and non-professionals (including consumers). Foreign professionals in the cultural industry can provide analytical opinions or data, while non-professional foreigners can share their experiences of and comments on the Korean wave.

As a journalist, I was able to access and conduct interviews with professionals. The non-professional foreign interviewees were selected randomly. Some are my friends or people in the streets whom I met on business trips or people living in Korea whom Korean cultural organizations such as MCT, KOFACE and other experts had introduced to me for the purpose of the interviews. Within these constraints I attempted to ensure a broad demographic range in terms of age, gender, nationality and occupation. Their profiles, including information such as name, nationality, occupation and title will be listed in the appendix (see appendices for more information).

Because the thesis is aiming to examine policy, it was important to compare policy intentions with actual outcomes, measured in terms of hard statistical data and interviews with experts and consumers. This research indicated a strong

correlation between the recent success of Korean cultural products and Korean cultural industry. This research aims to address the main factors behind the success of Korean cultural products through a combination of fieldwork in Korean Broadcasting Institute and in-depth interviews with around 60 people mainly in Chapter 5 and 6. Then I will return to focus on the impact of government policy. By examining both the effects of policy and the other success factors which lie behind Hanryu, this thesis, I believe, ensures that Hanryu and Korean way in cultural policy made Hanryu possible could be generalized or sustainable.

The fieldwork was conducted in three phases. Firstly, the preliminary phase between May and June 2003 was intended for an initial study and the design of fieldwork strategies, including drawing up an interviewee list and identifying the data I would need to collect in the film and TV sector in Korea. First contact and data research were completed over the period of July to August 2003. Secondly, the data collection phase was focused on collecting and studying articles, papers and books on the Korean cultural industry and policy. During this phase, the first interviews with leading industry figures were carried out between August and

September in 2003. Based on preliminary input from interviewees, further in-depth interviews took place from September to November 2003.

In total, 60 persons (for the full list, see appendices) working in the sector or media organisations or who were experts in the field contributed to these interviews. All interviewees were asked to suggest the reason for the rising popularity of Korean cultural products and the advantages and disadvantages of this through specific questions which varied according to the interviewee's position in a particular sector. I have consulted other additional sources of information, such as policy documents, archives and other institutions' research papers. The third phase of fieldwork was done from the second half of 2004 to the beginning of 2005 and involved carrying out complementary interviews and compiling further data.

Without a geo-linguistic market based on diasporic communities, Korean cultural products have become popular in Asian countries and even the Middle East, Europe and America since the end of 1990s. My thesis starts from the assumption that Hanryu as a counter-flow is an outcome of the rare experience of Korean cultural policy's response to globalisation. Therefore, throughout this

thesis, we are going to examine how it was possible and what it implies. Most of all, several market openings since the end of 1980s have brought to light major implications regarding cultural policy in periphery and globalisation. Korea has provided a radical model of rapid transition from a wholly protectionist policy towards cultural opening in the few years since the late 1990s. Thus, this thesis will explore an alternative model of cultural flow with regard to the Korean case. Additionally, this thesis uses the Korean case to challenge the assumption that market opening in periphery leads to global homogenisation driven by global companies equipped with global capital and networks.

By studying the peculiar characteristics of the Korean experience of cultural globalisation, I believe this thesis presents a distinctive and challenging perspective regarding cultural flow under globalisation. Furthermore, this thesis will contribute to the literature on recent cultural exchanges in Asia, which rarely receive much attention, while expanding the scope of debate about the many faces of globalisation. In this respect, focusing on the real complexity of the Korean case will give us greater insight into what is happening in the world than does the hollow rhetoric of media flow under globalisation. However, this thesis



tries neither to exaggerate nor to simplify Korea's recent experience, and it would be risky to make assumptions regarding the emergence or extent of new patterns of media flow in periphery. In this way, this thesis attempts to provide an account of the impact of globalisation but in an empirically grounded manner.

## **CHAPTER 2. Globalisation and Media Flow Theory**

This chapter reviews some of the literature on globalisation and cultural trade in periphery. First, it seeks to explain the existing concepts of globalisation and other related ideological positions. Second, it will sketch out the political/ economic and conceptual context of key concepts and trace the origins of the terms/ definitions I will be using in my argument such as neo-liberalism, cultural discount theory and Wallerstein's definition of core-periphery structure in the world economy. Then finally, this chapter will raise three issues related to the cultural flow theory under globalisation, which I believe are relevant to the Korean situation. Examining these issues will highlight three dilemmas in cultural policy upon which this thesis is going to focus: firstly, the tension between protectionism and free trade (open market): secondly; the economy/ culture dichotomy; thirdly the opposition between cultural globalisation and national identity.

### **2.1 Theories on the Flow of Cultural Products**

Undoubtedly, globalisation is likely to be a prevailing axiom of the twenty-first century. Nevertheless, the term globalisation is inherently problematic. What is

globalisation? According to the International Monetary Fund in the latest *World Economic Outlook* (Waters, 2000: 9), globalisation means ‘the growing economic interdependence of countries worldwide through massive cross-border transactions in goods, services, human resources and international capital flows.’ In a similar context, Robins (1991: 25) puts it that ‘globalisation is about the organisation of production and the exploitation of markets on a world scale.’ Here, economy and trade have become keywords in defining the term and a driving force behind global changes by way of globalisation (Lechner and Boli, 1999).

In reality, globalisation is a new level of capitalism which trans-controls countries via a network of multi-national corporations. From this perspective, globalisation is a process and movement that means that all belong to the power of market. These trends are backed up by deregulation, liberalisation and neo-liberalism. Its principles are to scrap all barriers to the free activity of capital and maximise its efficiency.

The effects of globalisation are expanding not only into the economic dimension but also into social, political and cultural dimensions. Globalising economies are increasingly complex and fast changing, with the instantaneous exchange of data, voices, images, sounds and other messages (Giddens, 2002; Cowen, 2002;

Appadurai, 2001, Held, 1999; Higson and Maltby, 1999). Owing to the development of Internet technology, the globalisation of culture which is circulated by audio-visual messages has grown faster than the exchange of any other types of product. As the cultural industry, which encompasses audio-visual services, has been deemed one of the most promising sectors of the 21st century, trade organisations seem to be pushing the cultural industry landscape in particular even further in the direction of domination by large conglomerates operating on a global scale (Hanahoe 2003).

As seen above, though each scholar has his or her own definition of globalisation, we can find a common interconnection on a global scale. Thus, ideologically, globalisation is a concept that has something to do with the idea of the compression of the world and the re-conception of the world as a single entity (McLuhan, 2001).

When it comes to the exchange of products, services, capital and human resources under globalisation, trade bloc models among countries have been developed. Roughly speaking, we can say these models are based upon a division between centre and periphery. The bloc actually originated from Wallerstein's 'World System' model (Wallerstein 1990; Giddens 1991; Boyne 1990). The 'World System' model in his terms means the capitalist world economic order, which has

resulted from the emergence and development of capitalism over the past three or four centuries.

As for the structure of the modern World System model, it is broadly divided into three components: the core, the semi-periphery, and the periphery (Wallerstein 1974). This division is mainly based on an economic perspective, like the divisions between developed, lately developed and developing countries, or the 'First, Second and Third world' model. These various terms share a similar meaning, based on a hierarchical concept of the global economy. In the early twenty first century, the world capitalist economy can still be related to massive imbalances between the core, the semi-periphery, and the periphery which media flow theory and globalisation of culture are also based on.

With regard to this, Hannerz (1989: 66-75) agrees with Wallerstein and elaborates on the nature of centre-periphery relationships in cultural terms. The globalising tendency tends to be related to an asymmetrical model of the relationship between centre and periphery. However, he points out that the centre-periphery relationship is not just one of economic and political asymmetry, but also dynamic cultural symmetry and moreover there can be seen to exist a 'global ecumene', introducing Kopytoff's term 'ecumene', defined as a 'region of persistent cultural interaction

and exchange' (1987: 10). Thus, the globalisation of trade and markets, coupled with the new communications technologies, are creating, in principle, a more 'open society' where money, people, ideas and culture move freely across national borders, bringing about global ecumenes all over the world.

However, some people might disagree that globalisation leads to a more open society because 'the globalisation of products' tends to destroy each country's unique cultural products as just a few products dominate the world. Therefore, states whose main aim has been to produce a common culture within the state boundaries since its formation have been opposed to the globalisation of culture (Bauman, 1990). As institutions such as GATT and the WTO have increasingly fuelled business internationalisation of all kinds by encouraging trade between countries, some people in the Third World have claimed that free trade in fact favours the wealthier countries and more powerful companies in the global system of nation states (Hannerz 1991).

In this context, Guy Sorman (1998: 7-9) argues that, from a cultural perspective, globalisation is westernisation and westernisation is Americanisation, which means the generalisation of American principles and values. According to his views, we must cope not just with certain globalisation but 'American globalization'. As far as

the world film market is concerned, this argument seems very convincing. In terms of resources such as technology, facility, capital and human resource, no country can compete with the US. In 1995, American film companies spent an average 50 million dollars on films in production costs alone, an amount which could have been used to make around 20 Korean blockbusters at that time (Gong, 1995: 193-215). Even in terms of human resources, Hollywood has the best talent pool because the most successful and promising talents are selected to work there. Here, therefore, we should say that Hollywood is not the name of an American film city but a world film city.

Sorman emphasises this trend of the global expansion of the American model as 'McWorld', a phrase introduced in Barber's book *Jihad versus McWorld* (1995). His argument is in line with the notion of cultural imperialism. Hollywood films have been playing the role of successful 'evangelist' to disseminate American culture across the world (Boyd-Barrett 1977; Tomlinson, 1997; Grant & Wood, 2004). Moreover, during trade negotiations at GATT, the United States demanded easier access for American film exports to other countries in return for guaranteeing that the US government would not block the import of other GATT members' products into the United States. This position of the U.S. asking for the opening of

markets for its entertainment industry with the threat of retaliation continues still.

Having discussed the intellectual context for this thesis, it is clear that the issues we have mentioned have a particular resonance for the Korean situation. Like most other countries, Korea has been worrying about the intensifying pressure to harmonise Korea's domestic economic, social, and cultural policies with those of its largest trading partner, the United States. In the context of the globalisation theory, however, the Korean government did not acknowledge that the essence of the globalisation is the internationalisation of capital activity. In the middle of the 1990s, when the Kim Young-sam administration adopted globalisation as a national strategy, it simply perceived the element involving the internationalisation of trade, which is to 'enter into foreign markets, open the domestic market, produce first class goods and become a first class nation' (Son Ho-chull, 1996:65-67).

Korea, which by and large has maintained protectionist policies, has recently been moving towards liberalisation and has established itself successfully in the Asian cultural market. Korea's current cultural policies and measures for responding to globalisation lead us to some challenging suppositions: on the one hand government intervention does not work well under globalisation, on the other market opening by small countries in periphery will weaken their cultural identity and result in cultural



homogenisation. In this chapter, I am going to address some theories on the flow of cultural products, such as economy of scale and cultural discount, which cause or influence forms of cultural flow. These theories will be used as critical tools to facilitate the research of various trends of media flow under globalisation.

### 2.1.1 Economy of Scale

As previously mentioned, the neo-liberal economic policies of the 1980s and 1990s resulted in the removal of protective measures for national industries. In some cases, a weak government itself has tried to adopt policies and strategies favoured by the market. Cultural policy was no exception to this trend. Market-favoured policy influenced the cultural industry and its policy making. At the same time, almost every country in the world is concerned with the question of how to maintain its cultural identity when global culture is prevailing. Now, based on such impacts of globalisation, we are going to examine the theories relating to the flow of cultural products and how they work in this global context. These theories are key elements to understanding the trade of Korean cultural products and how the Korean cultural industries and Korean cultural policy have been working in response to globalisation.

According to the glossary of key business words, 'economy of scale' means 'the gain experienced by firms that can spread their costs over a large volume of output. Other advantages, such as more efficient buying, can accrue to big producers. It is one of the barriers to entry, inhibiting new firms from entering certain markets successfully. However, achieving economies of scale carries some penalties. For example, it makes such businesses relatively inflexible and less responsive to change than their smaller cousins (Barrow 1995: 388).

The basic characteristic of cultural products such as films, records and TV dramas is that they have a high production cost and a low reproduction cost (Hesmondhalgh, 2002: 18; Garnham, 1990: 160). Because of this characteristic, beyond the break-even point, the sales profits of extra units can be enormous. This leads cultural industries to desperately seek access to more audiences by strong distribution in both domestic and overseas markets. The economics of recouping investment and generating further capital in the media industry demands that the appeal of the local is widened to include surrounding regions, and if possible, fused to achieve global status.

Eventually, to cope with this mechanism, media companies must inevitably seek economies of scale. Merger-Acquisition booms among media moguls aimed toward

vertical and horizontal integration could also be understood in this context. Cultural entrepreneurs with shoestring budgets in a cottage industry cannot access big audiences and survive the attack of trans-national conglomerates under globalisation. It is because of this that the British government loosened the regulations of cross-media ownership in the Communications Bill 2000 and big film companies such as Working Title and DNA Films merged with major Hollywood distributors (*The Guardian*, Nov. 13, 2003).

While sounds, images and information may be moving across cultural borders more rapidly than in the past, the ability to transmit and receive these messages is dependent upon access to means of information production and telecommunication and the distribution of technologies of reception. Therefore, as mentioned above, Robins (1991: 25) put it, “globalization is about the organization of production and the exploitation of markets on a world scale.” To maximise profits, companies seek to operate in all markets simultaneously, rather than sequentially, targeting and actively constructing consumers in multiple regions on the basis of demographics and lifestyles, rather than national identities. Thus, high sunk costs and the search for scale economies have a direct correlation to the globalisation of markets.

Recently, this has been easy to see in the strategies of major Hollywood distributors.

Releasing a film simultaneously not sequentially has become a global phenomenon.

A similar strategy operates in other industries. For example, as Negus (1993) points out, when it comes to the music industry, over the years, most record labels have sought to release a vast number of recordings in different countries in order to get their own material distributed in other territories. With a goal of maximising the commercialisation of commodities, companies seek to make their commodities mega-hits by recourse to big advertising campaigns and exposure all over the world.

In this context, the frenzied vertical and horizontal integration in the media over the past decade was mainly an effort to make the best of the economy of scale. In pursuit of economies of scale, US media companies have exploited both domestic and international markets. As Hoskins and McFadyen (1991: 211-212) point out, the most critical factor in the comparative advantages the USA has in cultural exchanges is a 'unique access to the largest market' which allow it to achieve economies of scale.

The huge size of the US domestic market, the largest English language market in the world, allow economies of scale and scope, resulting in the traditional dominance of the USA in the international trade of the cultural industries. In order to raise the funds to make a film, many non-US companies are forced to pre-sell the

film to the U.S. majors. These sales must be factored into the budget and marketing strategy of non-US film companies, while the U.S. is in the fortunate position of being able to break even at the domestic box-office alone. This situation reinforces one-way media flow from the US. Conversely, the US practice of combining domestic and overseas markets is experienced in reverse by most other countries.

### 2.1.2 Cultural Discount

Whereas the theory of economy of scale is based on a perspective of supplier's side in the international flow of cultural products, cultural discount theory is related to reception of cultural products on the consumer's side. Initially, the term cultural discount was put forward by Hoskins and Mirus. In their article (1988: 499-515), Hoskins and Mirus argue that the USA and other English-speaking markets reveal resistance against imported programmes in foreign languages and conceptualise this as a 'cultural discount'. Most importantly, the global culture speaks English. In an article, *The Emergent World Language System*, Abram de Swaan (1993: 219) writes that 'in the midst of this galaxy there is one language that is spoken by more multilingual speakers in the supranational language groups than any other and that is therefore central to all central languages. This super central language is, of course, English.'

Daitin (1993: 226) goes further, stating that ‘the logic of globalization suggests that world languages such as English will begin to challenge national vernaculars in such a way as to threaten their existence as living languages.’ Linguistic and cultural differences, in spite of the different media and promotion systems, continue to form distinct invisible boundaries between audiences. Based on the cultural discount theory, Asian-produced programmes are apparently considerably limited in terms of audience identification and do not travel too well beyond their national territories or their language area.

In this context, it is understandable that imported TV programmes or movies that succeed anywhere in the world usually resonate harmoniously with local cultural orientations or represent universal genres such as melodrama and action. As Lull indicates, cultural discount theory extends beyond linguistic difference to include other factors, all of which influence the context of reception.

*The point is that the availability of particular audiovisual texts does not define what is made of them in the context of reception, especially when they are absorbed through different cultural and linguistic frameworks. It is because though geo-cultural markets are unified by language, they go beyond language to include history, religion, ethnicity, and culture in several senses: shared identity, gestures and non-verbal communication; what is considered funny or serious or even sacred; clothing styles; living patterns; climate influences and other relationships with the environment (Lull, 2000: 252-253).*

The processes of globalisation are clearly operating unevenly in the cultural industries as well as in other economic sectors. It is not surprising that satellite operators have moved from pan-European aspirations to distributing television either in national markets or on the basis of homogeneous language areas, notably the English, German, and Scandinavian languages (Richeri, 1992: 77-121). Owing to this trend, the conditions for the easy passage of European films and television programmes from one European country to another have not yet been attained.

Sometimes, some cultural products become very popular in certain parts of the world, but are simply rejected in other parts. Studies of the effects of television reception emphasize the importance of national differences in reading and decoding messages (Wildman 1994: 115-141). This is because the messages coded into television programmes only make sense to those socialised into those codes, so that it is possible for people of different nationalities and social classes to view internationally popular television programmes through inappropriate codes. In this context, Silj (1988:40) concluded that 'viewer reception is a dynamic process influenced by the cultural identities of audiences and the sedimentation of other social practices'.

This is consistent with Sinclair's argument (1996: 18) that 'the industrial and

institutional conditions obtaining prior to any audience seeing any foreign programme may be seen as one of the other factors'. For example, one of the most popular TV dramas, *Dallas*, was not successful in every country. As Silj (1988:36) demonstrated, Peruvians much preferred their own local comedy programme. This implies that successful local programming tends to relegate U.S. programmes to second or lower place. Of course, if local programmes are of low quality, the situation is different. There is a paradox here owing to cultural familiarisation.

Although Koreans tend to prefer domestic cultural products like Korean soap operas to their U.S. counterparts, when they must choose among foreign programmes, they prefer the U.S. ones because they are used to U.S. cultural products which seem to be standardised and which therefore become more familiar. The important point here is that cultural discount operates in two ways – firstly it can work to reinforce cultural distinctiveness and local preferences. On the other hand, because US products in particular become more familiar because of standardisation, the cultural discount for US products is often lower than for other regional competitors. This is very significant to the case of Korea.

As Tunstall indicates, cultural discount extends beyond national context to encompass a regional dimension. 'Audiences will tend to prefer that programming



which is closest or proximate to their own culture: national programming if it can be supported by the local economy, regional programming in genres that small countries cannot afford. Furthermore, the Brazilian audience definitely prefer Brazilian programmes over imported television shows' (1992:14-15). This is the case in other Latin American countries too (Straubhaar 1989; Sinclair 1996).

Thus, cultural forms tend to circulate better regionally than globally because cultural and linguistic similarities promote greater understanding and appreciation than less resonating forms can inspire. This is because there are some particular elements in local cultural products such as humour, music, costume, and narrative modes which are all elements in what Straubhaar (1991:14) calls 'cultural proximity', the opposite of cultural discount. For example, the biggest hit Korean film of 2001, *Friend*, released at the Pusan international film festival had lesser international appeal than expected because it contained local dialects and a specific ethos in a time setting which can not be fully understood by foreigners. As for the film *Shiri*, when it was released in the U.S., it was understood as an art film although it is categorised as a blockbuster in Korea.

Thus, the theory of cultural discounts is based on a two-way relationship which is very much paradoxical because it can of course work against the incoming / alien

culture while it can also work 'unevenly', favouring some more familiar imports over others and so works in favour of English language culture in other cultures / countries. Translating this to the box office, it means that Korean audiences will probably prefer Korean films thereby creating a barrier against cultural homogenisation in the domestic market - but it will also make it harder for Korean films to sell in other countries, including the U.S., thereby prohibiting cultural heterogenisation or cultural diversity to a great extent. And it will also give American films an advantage over other film imports in third party countries.

## **2.2 Forms of Media Flow**

As examined earlier in this chapter, economy of scale has led to the homogenisation of culture in both direct and indirect ways. This is based on its characteristics of expansion and maximisation of efficiency. On the contrary, cultural discount has resulted in both homogenisation and heterogenisation of culture. The homogenisation or heterogenisation of culture is related to forms of media flow. There are several forms of media flow in the world market: one-way flows, two-way flows and multi-flows. Each form of flows represents different perspectives on the flows of cultural products. These basic perspectives on international media flow are worth further noting in order to understand the

centre-periphery trade mechanism of cultural products under globalisation.

### 2.2.1 One Way Flow: Cultural Imperialism

One perspective on globalisation argues that the world is becoming a single world society. Thus Pieterse (1995: 45) argues that the world is becoming 'more uniform and standardized, through a technological, commercial and cultural synchronization emanating from the West, and that globalization is tied up with modernity.' Tomlinson (1991: 89-90) extends this argument, suggesting that much of what was labelled cultural imperialism is in fact a broader spread of a globalised pattern of modernity. Therefore, in his view, Americanisation or Westernisation was just another name for a more general and deeper globalisation of capitalism. Tomlinson refers here to Herman and McChesney and their perspective on globalisation as cultural imperialism.

*We can make a distinction between two possible discourses of cultural imperialism as they have emerged...The first [...] is the familiar discourse of cultural imperialism as the attack on national/cultural identity, a discourse conducted around the binary opposition 'us' and 'them' and on the 'synchronic-spatial' plane. It is the discourse of 'Americanization' and so on. [...] But underlying this is the broader discourse of cultural imperialism as the spread of the culture of modernity itself. This is a discourse of historical change, of 'development', of a global movement towards, among other things, an everyday life governed by the habitual routine of commodity capitalism. One reason for calling this discourse a broader one is that the 'imaginary' discourse of cultural identity only*

*arises within the context of modernity (Cited in Tomlinson, 1991: 89-90).*

In this vein, Hannerz (1989: 12-16) also argues that ‘to a degree the present cultural influence of Britain and France reflects the fact that the old-style colonial powers could more or less monopolize the centre-periphery cultural flow to their domains.’ He explains that in old settler colonies, historical ties are yet closer, as links of kinship and ancestry also connect the periphery to a specific centre. This one-way cultural flow from the centre to periphery can be explained as cultural imperialism. The argument assumes that the flow of content from the Western markets will erode the cultural identity of Asian populations (Moran and Keane, 2004: 12). As Japan occupied the East Asian region for several decades, these Asian countries, including Korea, are still sensitive to the influence of Japanese culture owing to cultural imperialism in the past.

There have been some theorists (Nordenstreng, 1974; Schiller 1992; Tunstall 1977; Mattelart, 1979; Hamelink, 1983; Bauman, 1990; Tomlinson, 1991) who would wish to present the tendency on the global level as one of cultural integration and homogenisation. In particular, Nordenstreng and Varis (1974) and Schiller (1992) are representative scholars who align their position with the ‘one-way street’ metaphor of the 1970s. They argue that the global pattern of media flow reflects the

system of domination in the economic and political world order. Echoing them, Hamelink (1983: 3) agrees that 'the impressive variety of the world's cultural systems is waning due to a process of cultural synchronization that is without historical precedent.'

In reality, evidence for the monopolisation of the flow at a global level by a few producers seems to be everywhere visible. According to some commentators, the local musical tradition of many Third World countries is rapidly disappearing under the domination of American pop music. Such homogenisation is most of all evident in film, where the U.S. dominates over 80% of world markets. More and more people around the world watch films that are less and less varied. This trend is described as an 'American monoculture'. The U.S. produces the moving images that most easily traverse any national barriers. Consequently, changes resulting from globalisation have curtailed local exports and rendered industries in some countries nearly unviable, as shrinking market share has reduced profits and depleted the amount of investment capital available for continued production.

As mentioned above, the US has an advantage in terms of language and genres and in terms of its large domestic market. In contrast even some large Third World countries are often unable to afford to produce such cultural products as feature

films, cartoons, and action adventure series. Meanwhile, the U.S. is also the most resistant to foreign programming, particularly in the commercial broadcast sector, in which the U.S. has by far the biggest market in the world. Cunningham and Jacka (1996) argue that about 98 per cent of commercial broadcast television in the U.S. is American, while Australian programming ranks with Mexican, Latin American and Canadian imports on a second tier behind British imports in the U.S. market, representing an extremely marginal fraction of total overall programme content.

How this has happened is revealed when we take into account the vertical integration frenzy in the information sector designed to pursue economy of scale. This is done in the name of free choice and free markets but in reality it more often results in a monopoly. Schiller (1996) and Friedman (1994) argue that this trend of homogenisation originated mainly from multinational corporations, which use modern communications media to assert and intensify global economic and cultural domination. According to this view, the world has become one big market driven by the dominating forces of global capitalism. As phone companies, cable carriers, broadcast media, and software producers tend to mix and merge in the name of technological conversion, and even though this is mainly for the maximisation of profit through economy of scale, monoculture is enhanced, diversity and

competition giving way to monopoly.

Arguments about the impact of the trans-national cultural flow should, of course, say something about how people respond to it. Hannerz (1989: 66-75) questions the issue of cultural diffusion: 'When the centre speaks, the periphery listens, and the world does not talk back.' Here, however, we should perhaps ask whether influences of cultural flow must necessarily be seen as deleterious. Current conceptions of cultural imperialism exemplify on the largest imaginable scale the curious fact that according to the economics of culture, to receive may be to lose. The flow of cultural products means more than the export of products because they are symbolic experience goods and so influence our lives, thoughts and even our values.

*The global transmission of culture inherently entails the transmission of values. Those who celebrate the globalization of popular culture unfortunately overlook how such cultural material contributes to corporate dominance, and to the subsequent role of corporations in the destruction of the very life systems we all require. In effect, popular culture serves the same function for large corporate interests today as early missionaries served for their religious institutions and government. Pop culture's idolized icons are the new global missionaries. They not only sell their own products, they also sell Western economies' values of materialism, over-consumption, and waste. (Cited in Lull, 2000: 226-228)*

As seen up until now, the idea that the centre-periphery flow of culture will lead to the disappearance of cultural differences in the world still seems to be unanimously

shared. Those notions of multinational capitalism, Americanisation, media imperialism and consumer culture assume that local differences are being obliterated via a one-way flow of products, resources and culture under globalisation. Thus, this perspective on media flow is pessimistic, and so quite far from the optimistic perspective of the 'ideal' global village with a global culture where the world becomes united to the extent that it is regarded as one place (McLuhan 1989). Rather, it seems more related to a post-colonial theory according to which a few power states dominate culture and ideology as well as the economies of colonised countries. Therefore, this theory is much more focused on the negative perspective of 'double-edged' globalisation, to use Tomlinson's term (1997: 30).

### 2.2.2 Two or Multi-Way Flows

As mentioned in an earlier chapter, from the perspective of one-way media flow, globalisation is conceptualised as the worldwide homogenisation and the erosion of cultural differences. However, a closer examination allows us to see the situation quite differently. For example, MTV, which has been criticised for being a prime mover in the homogenisation of world music (Banks: 1996), recently attempted to localise its contents. Managing Director Bill Roedy emphasized, 'our mission is not to make music homogeneous but to take advantage of local music. We expose



music to audiences who would not previously have been able to see it, so audiences in Greece, for example, can see French music (Davis, 1991: 27)'. That means they try to regionalise local repertoire and at the same time try, in a sense, to globalise local repertoire (Dalton, 1992:15).

In a critique of the one-way media flow theory, Arjun Appadurai (1997: 17), Ferguson (1992: 69-93) and Laing (1986: 331-41) has argued that globalisation does not entail the cultural homogenisation of the world. Global pop culture is not really American, not really a monoculture at all, that it has been internationalised thanks to Spanish Flamenco, African Hip-hop, Jamaican Reggae and so on. In the case of Brazilian popular music, increased exposure to musical products and cultural styles from abroad has generated an ever-expanding panoply of hybrids without necessarily effacing more traditional styles, perhaps even encouraging them. Lull (2000) and Cunningham and Jacka (1996) also give insightful observation in so far as they draw more attention to the two-way relationship between media effects and audience behaviour and choices.

In particular, Negus (1993: 295-361) points out two main reasons that Anglo-American dominance in the music industry cannot be seen as cultural imperialism. Firstly, Anglo-American pop is not composed only of pure

Anglo-American influences. As there are many 'polycentric corporations' owned and financed through an alliance of Japanese, European and North American interests (Robins, 1991), it becomes increasingly difficult to consider this dominant culture as Anglo-American. Secondly, the cultural imperialism model tends to propose a direct correspondence between a culture and the territory associated with it.

Based on all these arguments, I would like to summarise the main arguments against the claim that our global culture is a monoculture or homogenised by a one-way flow. These arguments include: active audiences, the geo-cultural market and the circulation of global media products as a catalyst for local production. Firstly, as for active audiences, this idea is based on reception theory arguing that the audience itself is not contained by national borders nor just passively receives media products from the centre. According to the perspective of media imperialism, it is assumed that programmes from the USA had an inevitable and self-sufficient ideological effect upon their passive audiences in the periphery. Tunstall (1977: 38-40), for example, assumed that the heavy import of U.S. programmes into Latin America in the 1960s would be a permanent state rather than a transitional phase in the development of television in these regions.

However, as a result of the growth in 'active audience' theory studies (Varis, 1984; Fiske 1987; Liebes and Katz, 1990; Ang, 1995) this perspective cannot be considered to respond properly to the reality of the situation. In this vein, Lull (2000) argues that the mere fact that Third World television stations buy a lot of imported programmes often has more to do with the fact that they are cheap than that audiences are necessarily enthralled with them. The waning supremacy of U.S. brands through market fragmentation and the growing challenges to U.S. dominance from other countries represents an alternative trend of globalisation.

Active audience theory and audience theory suggests that there are different responses based on various kinds of consumer segments. This is much more the case with cultural products which reflect specific lifestyles and degrees of embeddedness. According to Lull (2000, 242-3), there exist 'Interpretive Communities' (Fish, 1980) who 'interpret particular mediated materials with shared enthusiasm or a common viewpoint.' They are audiences defined more by shared identities and discourses than by demographic similarities or differences, which could lead to a market segmentation based on geo-cultural factors rather than demographics.

Secondly, theories of the 'geo-cultural market', which originated from the rise of newly industrialised countries (NICs), has made the cultural imperialism theory somewhat outdated. Active audience theory and audience theory suggests that there are different responses based on various kinds of consumer segments. This is much more the case with cultural products which reflect specific lifestyles and degrees of embeddedness. According to Lull (2000, 242-3), there exist 'Interpretative Communities' who 'interpret particular mediated materials with shared enthusiasm or a common viewpoint.' They are audiences defined more by shared identities and discourses than by demographic similarities or differences, which could lead to a market segmentation based on geo-cultural factors rather than demographics.

The concept of 'geo-cultural markets' was developed in research on media flows to explain the significant phenomenon of the regionalisation of television into multi-country markets linked by geography, language and culture. As a matter of fact, this trend has been based more on language and culture than on regional proximity, since not all these linked populations, markets and cultures are geographically contiguous (Straubhaar 1991; Robertson 1995; Ferguson 1992; Chan 1994). Around the late 1980s, Tracey (1988: 23) observed that the 'very general picture of TV flows...is not a one-way street; rather there are a number of main

thoroughfares, with a series of not unimportant smaller roads'. Varis (1984: 143-52) also stated that despite a few countries' dominance of media flow, there was 'a trend toward greater regional exchanges.' In this vein, some middle range theories have tried to explain the emergent peripheral nations' media export markets. These non-Western systems of regional exchange and the implications of these systems for global media flows cannot be accounted for according to the media imperialism theory (Naficy 1993: 127; Mowlana and Rad 1992: 51-68).

Most of all, Sinclair argues that 'with its dichotomised view of 'the West' versus the 'Third World', the cultural imperialism theory was unable to give an adequate account of semi-peripheral settler societies such as Australia and Canada, where the experience of colonialism and post-colonialism has been quite distinct from that of nations in other former colonised zones, a distinctiveness manifest in the television systems which they developed' (Sinclair, 1996:9). Consequently, Americanisation and commodification in terms of cultural homogenisation have failed to account for the dynamics of semi-peripheral markets. There is a pattern of certain producers tending to dominate their geo-cultural markets, such as Australian within the English-speaking world, Hong Kong within the extended Chinese market, Egypt in the Arab world, and Mexico within the Spanish-speaking communities.

Thus, many local audiences would like to see audio-visual products in their own languages, addressing their own cultures or similar ones. Geo-cultural market trends elaborated by a regional perspective have resulted in the rise of the regional entrepreneurs, and the re-stratification of audiences into 'imagined communities' beyond national boundaries. In this sense, I think, the geo-cultural market is much related to both the theory of active audiences and the theory of cultural discount.

*On the other hand, language and cultural cues, where they are shared across borders, can help build cross-national markets. [...] The cultural proximity of Latin American Spanish speaking nations to each other makes slang, jokes and references easier to understand. These cultural similarities and common histories come together to define cultural markets to which television responds. Populations defined by these kinds of characteristics tend to seek out cultural products, like television programs or music, which are most similar or proximate to them. [...] The cultures reflected in these geo-cultural markets are not static, they reflect the adaptation of European languages and cultures to colonized populations, as well as an ongoing cultural hybridization between multiple elements (Tomlinson, 1991).*

What I would like to emphasise here is that these newly rising powerhouses in periphery are based on a 'diasporic market', united by a common language (Sinclair et al., 1996: 75). Taking the example of Mexico, in the beginning, a large quantity of programmes were exported from Mexico to the USA because of the immigrant and exiled Mexican communities living there which formed diasporic market. Mexico became the strongest media television economy of Latin America, exploiting the Spanish-speaking population in the U.S. by way of exporting its

programmes to the USA and owning the major Spanish-speaking network in U.S. (Sinclair, 1996: 34-36; 1990: 343-60).

Thus, we see the emergence of new, multi-country markets in which audiences may be geographically distant from one another and yet remain linked as markets through linguistic or other cultural ties (Straubhaar, 1991: 39-59). What is more, these diasporic cultures can be formed and maintained much more easily today than ever before due to the globalisation of technologies and media channels which cross national borders.

The third set of theories to challenge the idea of one-way media flow, along with active audiences and geo-cultural markets, is the notion of global media products and technologies acting as a catalyst for local production. This argument is quite controversial. Schiller argues that 'the role of television in the global arena of cultural domination has not diminished in the 1990s. Rather - reinforced by new delivery systems-communication satellites and cable networks - the image flow is heavier than ever (1991: 15).' However, as Sinclair points out, 'television is still a hybrid medium, with a plethora of programming of an essentially local, untranslatable nature (1996: 10).' Therefore, according to figures from 1989, the volume of purely domestic TV material in national markets is twenty-nine times

higher than what is traded (O'Regan, 1992; 74-98).

Satellite services could not have relied solely on cheap imported programming to attract local audiences during this period because of cultural discount. Staubhaar (1991: 39-59) also highlights that the vast demand opened up by regulatory liberalisation, commercialisation, privatisation and new technologies in many national communication systems has not only increased the circulation of Western media products but also opened up more distribution channels for local, national and regional media productions. According to his explanation, by means of this trend of development of technology and liberalisation, some countries in periphery have in the last 15 to 20 years substantially increased the quantity of domestic and regional productions within their geo-cultural market and even the world market.

Here, Chan's empirical study (1994) is worth reference. He gives the example of Malaysia, where the Malaysian Chinese first imported Chinese programmes along with Chinese VCRs, following which DBS and now particularly Star TV have attracted huge audiences. In this case, global media technologies intensify national the regional trade in cultural products and support the emergence of geo-cultural markets. Lull cites a similar example:

*The transnational flow of communications technology and cultural materials helps*



*make Mexicans feel more Mexican in Mexico too. For instance, when famous Mexican popular music group like Los Tigres del Norte, Bronco, or Los Tucanes de Tijuana play their hits in outdoors stadiums in Mexico, they depend on Japanese, German and American audio technology to amplify the music with minimal distortion. The effect is loud, pure sound that drives Mexican emotions, feelings, language-Mexican culture-deep into the bones of concert-goers. Far from destroying Mexican culture, the imported technology enhances the pure Mexican cultural experience (Lull 2000: 261).*

## **2.3 Issues on the World Trade of Cultural Products**

As seen above, as globalisation expands, theories regarding the flows of cultural products often conflict with each other in reality. Thus, this obviously has some critical implications for the world trade in cultural products. In the three sections that follow, based on the theories outlined above, I will examine the debates surrounding the world trade of cultural products, highlighting responses to globalisation which influence the international flows of cultural products and bring to light implications for media flows in periphery.

### **2.3.1 Issue One: Culture vs. Economy Dichotomy**

As we have already examined, the critical point leading to controversy in world trades of cultural products was the difference of perception of cultural products among nations. Thus, we need to think about what culture means and what cultural

products are. What do we mean by culture and cultural goods? Culture is a term with many different definitions and connotations. In cultural and media studies, the term typically refers to the whole complex of ideas, symbols and artefacts produced by human groups in the course of their adaptation to their natural and social environments. This common definition of culture as shared or learned behaviour (Graves and Kinsely, 1982) or a whole way of life (Williams, 1981: 11) is vague and always debatable. Canadian scholar Rabinovitch (1998: 21) summarises the culturalists' view:

*Culture is much more than a commodity over the counter. Cultural products and services, such as feature films, broadcasting programs, sound recordings, books, live performances, visual art and heritage collections, are unique amalgams of content, distributing methods, and exhibition. Taken together, cultural production and consumption have a strong impact on the quality of life. Cultural products and services communicate ideas and information. Experiencing these products brings Canadians together as audiences and as communities of active, reflective citizens.*

Likewise, cultural identity gives meaning to who we are and sets the context for communication by creating shared understandings through the languages, values, traditions, experiences and works of art across the generations. However, in the age of neo-liberal globalisation, culture has been industrialised and commodified because neo-liberalisation accelerates the process of turning everything we can name into a commodity. Barber (1995: 59) explains that 'cultural products are increasingly associated with or defined by symbolic interactions that belong to the

service sector in its post-modern, virtual economy manifestation such as information, entertainment, and lifestyle, and these products are blurring the line between goods and services.’

Accordingly, the cultural industries have never universally accepted any one definition of culture. In its broadest sense, a cultural industry includes carriage infrastructure (equipment and networks), human resources (artists, performers, musicians), and cultural content (Foote 1998). The U.K. defines cultural industry as the creative and expressive artistic activities generally referred to as the performing, visual and creative arts and those functions related to their preservation and dissemination (Hesmondhalgh 2002; DCMS 2001: 4-5<sup>1</sup>). This definition is broad enough to encompass museums, archives, libraries, and archaeological and historic sites whose functions include the preservation and dissemination of cultural heritage.

Back to the culture and market controversy, as the cultural industry is neither simple commerce nor pure art, the production and trade of cultural products encompass both sides of the debate and may speak to us equally well about the

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<sup>1</sup> Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

efficiency of cultural policy and the politics of cultural exchanges under globalisation. Dorland (1996: 29) has noted that we need to understand that 'there are two realities implied in the term cultural industries. One is economic, which refers to industries that produce cultural commodities (films, books, TV programs and so on), and the other one is cultural - a concept deployed in the discussion of specific policy problems.' Here, I do not wish to try to provide a comprehensive review of the meaning of culture because what we are concerned with is rather identifying the reasons for and implications of the culture/economy dichotomy.

In this context, Bernier (1998) details the way cultural goods and services have been treated in international trade agreements. His survey shows that there is still a great deal of ambivalence and the fundamental question behind this ambivalence is the specificity of cultural products as outlined above. For the United States, cultural goods do not differ from other goods. That is why they do not call the industry involved in culture the cultural industry but rather the entertainment industry. Contrary to this, many other countries consider that cultural products are fundamentally different in certain respects, and so believe that they should not be treated as other goods.

Under such circumstances, negotiations to bring about a Multilateral Agreement on Investments (MAI), an agreement that OECD members had attempted to conclude since 1995, were cancelled in 1998. The main reason for the collapse of negotiations was the inability of the concerned parties to come to an agreement on the issue of culture-related service sectors. The first action that countries concerned with cultural values and identities undertook was to make sure that the principle of cultural exception was accepted. Cultural exception ('l'exception culturelle') is based on the French and Canadian view that culture is not a commodity like any other and should therefore be treated as an exception to the normal terms of trade. According to this principle, no requests related to the opening of culture related sectors made during trade negotiations should be forced upon any country.

In a concession by GATT, some exemptions from the general agreement were introduced in order to protect industries through setting quotas on how much content can be exported, to limit concentration and so on. The cultural industries represented one of these exemptions, the aim behind this being to protect cultural diversity by limiting U.S. cultural exports. Under this regulation, France could preserve its quotas for audio-visual products and its state film subsidies of \$350 million a year.

When it comes to the Doha Development Agenda (DDA, Nov. 14, 2001) of WTO which is the successor of GATT, these two different perspectives have divided countries into two groups regarding the issue of cultural opening. On the one hand, countries such as France, Canada and Korea, which view their own and other countries' national cultural values as being vitally important, have argued that they will not push for any opening of culture-related sectors during international trade negotiations until a new international organisation designed to protect individual cultural values is established (Shao, 1995). Moreover, these countries have made it clear that they oppose any efforts in the name of free trade to meddle with a country's right to support its cultural diversity. On the other hand, the U.S. has asserted that within the present trade regulations, the cultural aspects of the audiovisual sector should be treated in a transparent, more predictable, and open manner like other commodities.

In response to these arguments, UNESCO has adopted the Universal Declaration on Cultural Diversity agreed upon by the representatives of the 186 UNESCO members during the 31<sup>st</sup> General Conference in 2001. Basically, the declaration stressed in Article 4, *Human rights as guarantees of cultural diversity*, that the defence of cultural diversity is ethical, imperative and inseparable from respect for

human dignity. In Article 8, *Cultural goods and services: commodities of a unique kind*, it is designated that culture should not be treated as a mere commodity or as a consumer good and in Article 9, *Cultural policies as catalysts of creativity*, that each state should define its cultural policy and implement it using the means it considers fit, whether that be through operational support or appropriate regulations.

However, unlike GATT, this declaration was non-binding and did not provide for any countermeasures that should be taken against the threat emanating from global free trade. Thus, in reality, the culture-economy dichotomy is still an ongoing issue. Although countries are roughly divided into two groups on cultural opening, the different states have responded to cultural flow in highly varied ways. One of the strongest dimensions of this variation is the extent to which states are open or closed to exports from other countries, mainly the United States. Even states with a liberal policy have various kinds of protectionist measures at the same time. Likewise, policies regarding cultural flow have not been implemented uniformly throughout the world in response to American-led global competition. This begs the question, then, of whether there is any possibility of compromise in the dichotomy between culture and economy. How has Korean cultural policy coped with this

dichotomy?

### 2.3.2 Issue Two: Hybridisation of Culture and Cultural Identity

As seen above, as culture has become just another subject to be dealt with as part of free trade issues, individual countries' cultural identities and the cultural diversity existing in the global community are now faced with a serious crisis. The most representative example of this is the monopoly enjoyed by Hollywood films. Presently, Hollywood films account for more than 80% of the global film market. TV programmes and songs made in the U.S. are also dominant, though their world market share is not as high as that of films.

Meanwhile, other countries' film industries are faced with a serious crisis as they struggle to distinguish themselves from the mass cultural products of the U.S. Thus, countries faced with this crisis have searched for measures to preserve their own cultural identities and to increase the cultural diversity of the global film market in general. At the same time, they have accepted local adaptation of the American commercial model and American television programme formats (Appadurai, 1996; Oliveira, 1990).



In order to counter the threat to cultural diversity, these countries have developed substitute products, first by imitating and then indigenising American products in order to adapt them to the local culture. This dynamic process aims at reducing cultural discount and exploits the hybridisation of global and local products. This is most true when it comes to formats or genres, such as comedy or the sitcom, in which languages form a natural barrier to the straightforward importation of programmes. Producers adapt global formats to develop indigenised products. Consumers also adapt products according to local values and interpretations.

In this regard, Giddens's term, 'collective appropriation' (Giddens 1991: 175), can be also be understood as a kind of hybridisation of cultural flow in a context where 'some aspects of popular culture respond to logics other than the logic of domination' (Martin-Barbero, 1993: 76). That is to say, when cultural content such as a film or song is interpreted by audiences, this tends to be done against the flow of the mainstream ideology or message. People creatively appropriate the messages to fit their own ways of thinking and living (Lull, 2000: 64).

Adopting Robertson's (1995:30) term, these two forms of local adaptation, firstly by producers and secondly by consumers, can be called glocalisation, described as the often times deliberate adaptation of a foreign or global model to fit national

circumstances. The local adaptation of an increasingly global form of television, such as *Big Brother*, *Who Wants to Be a Millionaire* and *Survivor*, illustrates that while cultural forms, particularly those related to consumption within capitalist societies, diffuse globally, they tend to be adapted locally. Such hybridity is not a simple 'impregnating of one culture with the contents of another' but 'involves an ambivalence about both of the original cultures', creating a sense of 'freedom, nomadism...even opportunism' (Naficy, 1993: 127).

As a very important and fundamental form of hybridisation, Lull (2000: 240) contemplates the migration of Third World peoples into more developed countries, which causes major cultural disruptions and adaptations. Immigrants bring imported traditions to the new territory and create local versions of distant cultures, which can be called diasporic culture. Lull argues that these diasporic cultures can be formed and maintained much more easily today than ever before with development of transportation and technology, and so it has become a big modern growth industry.

For immigrants who are in the process of 'reterritorialization' which means 'a process of active cultural selection and synthesis drawing from the familiar' and the new, popular culture products in the native language reflecting core cultural values

from the homeland are crucial for creating peace of mind and ethnic solidarity (Lull 2000: 253; Du Gay, 1997: 33). Through this process of hybridisation, languages also change. Hall argues that languages are themselves a result of linguistic hybridity and cultural borrowing stressing '*English as it has been invaded, and as it has hegemonized a variety of other languages without being able to exclude them from it*' (1991: 28). Moreover, with the development of local adaptations and hybridisation, the phenomenon of 'contra-flow' (Boyd-Barrett and Kishan Thussu, 1992) can even occur. It could be the case that, as Tunstall (1977: 62) argues, 'countries once thought of as major 'clients' of media imperialism, such as Mexico, Canada and Australia, have successfully exported their programmes and personnel into the metropolis-the empire strikes back.' Not long ago, these regional centres were the very heavy importers of U.S. media products.

In this context, Robertson (1995) asserts that, with some logic and evidence, most of the cultures we now think of as national or local have been touched and often partially shaped over the centuries by contact with other cultures at national, regional and global levels. As seen above, media flow under globalisation has been much more complicated. Thus, Tracey (1988: 24) describes the multiple trends of media flow as a 'patch-work quilt'. That is to say, in practice, media flow overlaps

and interacts in a multi-faceted way resulting in various kinds of cultural effects.

Supporting the idea that culture in our world is heterogeneous, Barber (1995: 155)

points out:

*'McWorld cannot then do without Jihad: it needs cultural parochialism to feed its endless appetites. Yet neither can Jihad do without McWorld: for where would culture be without the commercial producers who market it and the information and communication systems that make it known. Religion and culture alike need McWorld's technologies and McWorld's markets. So to speak, Jihad is both fostered and contradicted by McWorld's postmodernity.'*

According to these arguments, even if one could reasonably delineate a particular culture at a given time, much of its content would not be purely indigenous in origin.

For example, part of the Louvre was designed by a Chinese American; American films are often produced by, or cast by, various nationalities. Thus, as national boundaries do not necessarily correspond to cultural boundaries, the idea of nationality is being questioned in an increasingly global cultural landscape.

In Brazil, for example, by claiming links with other trans-national identities formed in the African diaspora, young people who consume hip-hop and reggae have rejected the official cultural identity offered by the nation and have found, in music, a way of articulating the specificity of their own social experience (Yúdice, 2004: 202-203). These developments challenge the ideology of a unitary national identity that is thought to be based on culture, language and ethnicity.

Unlike the drastically political perception of Mead and Ortega regarding the definition of the nation, Anderson (1991:3-7, 37-46) proposes that it is an imagined political community - and that this imaginary quality is both inherently limited and sovereign. He recognises that communities are to be distinguished, not by their falsity or genuineness, but by the style in which they are imagined. As we can see, in general, we have been driven to the conclusion that no 'scientific definition' of the nation can be devised; yet the phenomenon has existed and continues to exist. Thus, the question of identity has become increasingly central to the research agenda of cultural studies, with more attention being paid to the role that the media might play in the cultural constitution of collectivities, most especially nations (Schlesinger, 1991; Tomlinson, 1991).

Moreover, in our post-modern society, this ethno-national surge coincides ironically with postmodernist thinking about identity. Postmodernist propositions can be summarised into two types: first, as social coercion and central state power are replaced by individual enactments of collective cultural identity, we can choose lifestyles, which supposedly endow us with flexible, easily reshaped identities; second, as with the obsolescence of classical culture, the sovereign nation-state ceases to offer a relevant framework for collective identity. Late capitalism is no

longer based on straightforward competition between products. Image is everything. Products are replaced by the images and ideology of products: wealth, money, love, fantasy, etc., and emotions are identified and manipulated into images which forge new wants. The audience itself is not a concept contained by national borders. There are no 'workers', only consumers, no class interests, only a global pop culture that flattens economic contours and levels the spiritual playing field (Ang 1995; García Canclini, 2001). The shift towards a postmodern, post-material economy reflects the emergence of new patterns of consumption and new, hybridised forms of cultural identity.

Therefore, people may be said to share a cultural identity to the extent that they orient towards common beliefs, values, norms, technologies, practices and forms of artistic expression. Put another way, a cultural identity consists in the members of a given collectivity's sense of themselves, in a body of shared collective representations which express a shared understanding of their past, present and future, and which enable them to give common answers to questions like: who are we? what distinguishes us from others? to what kind of life do we esteem? what kind of goals do we set for ourselves and mobilise our resources to achieve? The answers to these questions need not always remain the same; cultures are not

immutable. Nevertheless, it is through their capacities to give common answers to these questions, and to others like them, that people come to develop and maintain that sense of belonging together as conscious sharers of a cultural identity. Does Hanryu, as a counter flow, contribute to the hybridisation of culture? If so, how does it represent Korean cultural identity? Does Hanryu prevent cultural homogenisation?

### 2.3.3 Issue Three: Government Intervention

Much of the debate on the cultural industries in multilateral trade negotiations is concentrated on government involvement. The point of departure is whether and to what extent governments should intervene to support these industries. I shall compile two different views on government involvement regarding cultural industries. In so doing, I will classify them into two categories: the culturalist group and the economist group. Neo-classical economists who believe in the 'invisible hand' and the 'free market' have called culturalists asking for government intervention 'protectionists', and 'lobbyists seeking rent in the name of nationalism'. These economists accuse them of having 'unclear meritocracy', 'antipathy towards the U.S.' and 'emotionally charged rhetorical' arguments (Kim, J.D. 2002).

Economists insist that government policies designed to reallocate resources toward the production and consumption of Korean culture and away from other cultural goods and services must be scrutinised in order to safeguard the best interests of the Korean people. Such policies assume that free trade, as opposed to protectionist-oriented cultural policy, tends to lead to the homogenisation of culture, destroying cultural diversity or cultural values and identity through a one-way flow from centre to periphery. On the contrary, economists suggest that cultural products can be viewed in economic terms as public or social goods and that cultural policies operate in the same context as are other public policies. The function of cultural policy then becomes to regulate the market. If this is the case, can culture as a public good be best supported through quantitative or qualitative regulation?

In the case of Korean cultural policy, Kim, J.D. (2002: 2) argues that it is necessary to convert the current quantitative regulations into a policy that regulates anti-competitive practices. He gives two main reasons for this. First, according to the experiences of the United Kingdom, quantitative regulations on foreign contents such as screen quotas and broadcasting programming quotas failed to work properly. Second, as technological progress increases the distribution channels of audio-visual services, quantitative regulations on contents will lose their



effectiveness. The basis for this argument is economic. Kim emphasises that 'in order to maximize the benefits of external liberalization of the aforementioned services sectors, the government needs to pursue deregulation. If external liberalization is delayed due to concerns about difficulties arising from such deregulation, the growth potential of the Korean economy will be diminished.

External liberalization should be viewed as an opportunity to promote internal deregulation which so far has been difficult for Korea to implement on its own.'

Whether his arguments, which I will examine further in later chapters, can be upheld, we can easily find through them that a regional, rather than a global, perspective elucidates the connections between trade and culture, particularly in the potential impact which the formation of regional free-trade zones might have upon programme exchange, and in the clash of free-trade rhetoric with national cultural objectives.

### Conclusion

In summation, economists argue that it is not clear whether governments can create a national consciousness or sense of identity through cultural intervention. Even if they could, it would provide a necessary, but not a sufficient, condition for

government intervention into cultural activities. The market system would provide an insufficient quantity and a non-optimal quality of cultural output. What these arguments fail to address is the basic debate regarding cultural trade, between cultural diversity and free trade, as described in the previous section.

So far, I have traced the impacts of globalisation in the cultural industry and challenged the assumptions related to them. In a nutshell, neo-liberalism under globalisation has pursued free market ideals, which has led to a weakening of the nation-state and the rise of trans-national corporations. With this trend, the globalisation of cultural consumption has been accelerating more quickly than ever. As people consume TNCs' cultural products across national or cultural borders, they are exposed to other cultures and construct hybrid identities through the process of consuming other cultures.

As mentioned above, TNCs in the cultural industry, such as Hollywood majors, have dominated global markets, pursuing economies of scale based on competitive advantages which include a large domestic market and the dominant language, and have to some extent homogenised the world market. However, with cultural discount theory, there have been counter-flows from sub-centres based on diasporic markets and these trends have resisted the homogenous culture resulting from

globalisation.

Based on this review of the literature reviews regarding media flow, the following chapters will introduce the possibility of a new media flow which is not based on diasporic markets, looking directly at the recent Korean experience and examining what makes this possible in the global context. Therefore, we can conclude here that global culture under globalisation is formed and developed through 'the twofold endless process of the particularization of the universal and the universalisation of the particular', as Robertson puts it (1995: 177-178). Here, it seems that cultural policy might help change the collision between culture and trade into some kind of reconciliation between them in a global environment.

In this chapter I have looked at an absolute opposition between two ways of viewing the consequences of globalisation and global free trade in cultural products. This is reflected in some fundamental divisions and oppositions in cultural policy. The challenge for the thesis, and the challenge being taken up by Korea, is to try to reconcile these extremes. Therefore, this thesis will examine how this counter-flow of Korean cultural products is possible from the perspective of cultural flow theories and how this may, in turn, provide us with an instrument for the reconciliation of cultural diversity (protectionism) and free trade (economism).

## **PART II. BACKGROUND AND HISTORY**

## **CHAPTER 3. The Past and Present of the Korean TV and Film Industries**

The distinctive feature of Korean policy over the last twenty years is a tradition of strong government intervention; economic pragmatism outweighing idealism and ideology. Following Part I (chapters one and two), which reviewed the literature on media flows as a research tool of this thesis and challenged the existing theory, Part II (chapters three and four) will provide a brief historical overview of the Korean TV and film industries. This part will reveal how the current Korean TV and film industries originated, formed and developed in line with changes in Korean government policy under globalisation. It can be said that, for many decades, Korea was a state strictly controlled by its government. This was especially the case during the military regimes of the 1970s and 1980s and up until the mid 1990s when the change of government regime greatly influenced government policy on each industry based on the contemporary economic and political climates.

In order to understand the Korean Wave as a new counter wave in a global

context and to find out how this occurred, we need in particular to know how the Korean TV and film industries have evolved. In chapter 3, we will focus on these two industries, from the time they were completely controlled by the government up to the end of 1980s, when Korean cultural policy was changed in line with foreign pressure. This historical context casts light on the current policies of Korean government in response to globalisation.

As mentioned earlier, the Korean government's response to globalisation naively under the Kim Young-sam regime was initially passive, but soon after the government pushed a more progressive approach in the face of unprecedented economic challenges represented by Korea's bail-out from the International Monetary Fund (IMF). With the aim of establishing global standards, the market opening and socioeconomic restructuring demanded by globalisation brought about radical changes to the whole society of Korea. However, in spite of the contention that globalisation causes a gradual weakening of state power, the power of the Korean government became stronger through the process (Park, Kim and Sohn 2000: 122).

Throughout several changes in policy, globalisation of Korea's economy has been implemented under the strong leadership of the government. The case is the same

with Korea's cultural industry. The general globalisation theory does not apply to the Korean situation as Ferguson (1992) pinpointed. Furthermore, though the Korean cultural industry has had a long history of a one-way cultural flow from overseas due to protectionist policies, market opening in line with the ideology of neo-liberalism unexpectedly brought about two-way flows of cultural products. In chapter 4, we are going to examine the development of two way flows in detail through the history of the Korean TV and film industries and their policies. For reference, I summarize the main changes in both Korean cultural industry and relevant policies as below:

1910	Korea - Japan Annexation Treaty after colonization
1923	First silent film, <i>Plighted Love under the Moon</i> produced as Japanese propaganda by Japanese ruler
1926	First Korean Film <i>Arirang</i> by Un-Kyu Na for resisting Japanese colonialism
1935	First sound film, <i>Chunhyang-jon</i> directed by Lee Myung-woo.
1945	Japan surrendered to the Allied Forces
1945-1948	U.S. military government in Korea
1948	Korean Independence
1949	Korea's first color film, <i>The Women's Diary</i> by Hong Seong-gi
1950	Korean War
1950	AFKN (American Forces Korea Network) Radio signed on
1953	Cease-fire agreement between South and North Korea
1956	First TV frequency (HLKI)
1959	National Security Act for defending South Korea against North Korea
1961	5.16 Revolution (Park Chung-hee led a bloodless military coup)
1962- 1966	First Five-Year Economic Development Plan
1963	Park Chung Hee Administration inaugurated
1957	AFKN (American Forces Korea Network) TV signed on

- 1961 Launch of Korean Broadcasting Service (KBS) as state broadcaster
- 1964 Launch of independent broadcaster TBC
- 1969 Launch of independent broadcaster MBC
- 1967 ~71 Second Five-Year Economic Development Plan
- 1972~1979 'Yusin Constitution' (the Revitalizing Reforms)
- 1972 National Security Act includes penalties for any media criticism of the government.
- 1973 Establishment of Korean Motion Picture Promotion Corporation (KMPPC)
- 1972 -76 Third Five-Year Economic Development Plan
- 1977 -81 Fourth Five-Year Economic Development Plan
- 1979 Coup d'état and President Park assassinated
- 1980 Gwangju massacre
- 1980 Color TV launched in Korea
- 1980 The Basic Press Act absorbs two independent broadcasting companies, TBC and MBC into the state-run Korean Broadcasting System (KBS)
- 1981 Chun, Doo-hwan elected president under a revised constitution
- 1987 Roh, Tae-woo's eight-point declaration provided for "a free press"; MBC television network resumes independent broadcasting.
- 1988 Seoul Olympic Games
- 1988 The International Broadcast Center is established serving some 10,000 broadcasters for the 1988 Seoul Olympics.
- 1988 First Hollywood studio (UIP) allowed to open branch office in Korea.
- 1989 Cultural industry division established in Ministry of Culture and Tourism
- 1991 Launch of SBS, independent commercial broadcasting company.
- 1992 *Marriage Story*, the first film financed by Samsung is released.
- 1997 Opening of Namyangju Cinema Complex outside of Seoul
- 1995 Cable TV (27 Channels) service starts.
- 1997-98 Asian Financial Crisis and support of International Monetary Fund
- 1998 Kim, Dae-jung Administration started.
- 1998 Korean market opening to Japanese pop culture
- 1999 *Swiri* signals beginning of Korean film renaissance
- 1998 - 2001 Domestic market share of Korean films tops 50% and overseas sales increase rapidly
- 2001 Government development strategy of cutting-edge industries revealed.
- 2002 Satellite broadcasting TV *Skylife* is launched.
- 2003-04 *Silmido* and *TaeGukgi* become the first films to sell 10 million tickets



### **3.1 Korean TV Industry**

#### **3.1.1 Historical Background and Changes of Regulations**

The Japanese colonialists first introduced broadcasting to Korea in the 1920s as a tool for the manipulation of the Korean people (Kang Dae-in, 1998). The first broadcaster was the state-run radio-only Joong-ang Broadcasting Station (later the Korean Broadcasting System), while the first private-run radio-only broadcaster, the Christian Broadcasting System, started its regular services in 1954. Television was introduced in 1956 by an entrepreneur who was keen to sell RCA television monitors (Lee D. H., 2004). Under the partition of Korea and U.S. hegemony in the South after the Korean War, Korea's wariness of foreigners became more pronounced.

Following the armistice in 1953, the American Forces Network (AFN) Korea settled into fixed locations. The network added black and white television in 1959 and colour television in 1976. Although AFN Korea provides information and entertainment for United States Forces Korea (USFK), it has been also a big hit with the Korean civilian population, many of whom tune in daily to AFN for their sports, news and other entertainment updates, and even for educational purposes

such as learning English. Shows like *Sesame Street*, *Friends* and *General Hospital* are favourites with many language learners.

An undemocratic military dictatorship came into power in 1961, and effectively remained in place until 1988, though leaders were changed as a result of an assassination and a coup d'état. It was in 1961 that TV station KBS was established in Korea. Two years later, for the first time, the Broadcasting Act was brought into being, with the Ministry of Information (MOI) taking charge of licensing and establishing broadcasting policies. Under the military regime, the TV station was founded as one of the measures used to modernize the country and enlighten and control the people at the same time. Therefore, its aim was quite similar to the BBC's 'Reithism', namely to inform, educate and entertain people. At the same time, it also aimed to inform an image of the renewing nation (Jung 1991: 135).

Like most under-developed former colonies, during 1960s, TV programmers in Korea used to be heavily dependent on foreign, mostly American programmes (Choe and Kang 2001: 183-184). In 1964, the commercial broadcaster Tonyang Broadcasting Company (TBC) was set up and the Munwha Broadcasting Corporation (MBC) joined the ratings competition in 1969. At first, the one

national and two commercial stations competed with each other in scheduling prime time foreign programmes (KBA, 1997: 435-436). The despotic government tried to make itself appear democratic and pluralistic, and so strategically decided to grant licences to commercial stations TBC and MBC (ibid).

However, as competition intensified among them, they started to develop local genres, mainly daily soap operas, which appealed to local audiences' 'structures of feeling' (Williams, 1977). Moreover, the continuous development of industry infrastructure, such as the augmentation of local relay stations and the domestic production of television sets, resulted in larger TV audiences, which led to increased advertising. Thus, the Korean broadcasting industry developed rapidly during the 1970s and 1980s and sought cost-effective indigenous programme forms. It was also around this time that Korean broadcasters began to actively emulate Japanese network programmes. It is ironic that the Korean people, a good deal of whom can be said to harbour deep-rooted anti-Japanese feelings, nevertheless are fond (consciously or subconsciously) of consuming Japanese products, including cultural products.

Japanese television programming and scheduling practices were seen as a

successful model for the adaptation of American broadcasting know-how and nurturing local traditions. Furthermore, the golden age of Korean film production in the 1960s provided a catalyst for the rapid ascendancy of the television industry. This contrasts with developments in other countries, where television's rise was accompanied by the decline of the film industry in favour of the TV industry (Puttnam, 1997: 240-247). Although at one time, the Korean TV industry was a combination of government and privately-owned commercial channels, in the 1980s under the coup regime of General Jeon, the Framework Act on Journalism was constructed to take a tight grip on the media in order to curb its anti-government stance (this censorship also extended to the film industry).

According to the law, many broadcasters and newspapers were forced to close or reduce their subsidiaries. In these circumstances, the state-run Korean Broadcasting System (KBS) took control of the rival private stations, TBC and MBC. TBC was integrated into KBS becoming KBS2; MBC remained but the ownership was transferred to the government (Kang Dae-in, 1998). It was a ruthless scheme to bring the broadcasting stations and all of the media under direct government control. Eventually all radio and television stations in Korea became public-owned and public-operated media under pressure. However, while

the Korean film industry was devastated as a result of direct distribution from Hollywood, the development of the Korean TV industry received fresh momentum as a result of broadcasting the Seoul Olympics in 1988.

Both public broadcasting TV and commercial TV had a big opportunity to capture massive audiences with class and consumption profiles attractive to advertisers and sponsors during the world event. In this vein, Larson and Park, H.S.' (1993) studies lay stress on the Olympic event's role in the rapid economic modernisation of Korea in the 1980s. Although it was not specifically planned as a cultural event, the 1988 Olympics influenced the Korean cultural industry heavily. The television and film industries were among the most heavily influenced as a result of the 1988 Olympics. At the end of the 1980s, as the new government took measures to soften the forced policies of the military regime, the 1980 Act was nullified. Since then, the domestic legislation concerning broadcasting policies and regulations has been revised five times. Its influence on broadcasting has been slowly reduced under the neo-liberal trend while film industry opened Hollywood direct distribution.

Consistent with these policy trends, MBC ceased to be owned by the government and ownership passed to a non-governmental public organisation which can be

said to be semi-commercialised. Moreover, in 1991, the privately owned commercial broadcaster SBS was introduced, further weakening the public service monopoly. Since then, terrestrial broadcasters have coped with more tremendous competition than ever before. In 1992, the Composite Cable Broadcasting Act was adopted in order to regulate the newly introduced cable television service and established the Korean Cable Communications Commission.

The Integrated Broadcasting Act, which had the objective of responding to the fast-changing media landscape was revised in 2000 and came into effect in 2001.

It focused on the deregulation and independence of broadcasting and intended to act as a catalyst for the transformation of the country's entire broadcasting policy and regulatory framework in order to meet the demands of a digital and converging world. Thus, the Korean Broadcasting Commission (KBC) replaced the four existing laws concerning broadcasting, such as the previous Broadcasting Act, the Composite Cable Broadcasting Act, the Management of Cable Broadcasting Act and the Korean Broadcasting System Act. Eventually, under the integrated law, four terrestrial broadcasters were granted terrestrial digital television service licences in 2001.

Transferring its broadcasting-related administrative powers to the KBC has

reduced government control on the broadcasting industry. However, as the government nominates most of the commissioners, it still indirectly exercises a certain degree of influence over the KBC and broadcasting policy. In addition, its funding comes from the general government budget and the Broadcasting Development Fund (BDF). The BDF was founded and is managed by the KBC to promote broadcasting-related industries and is mainly paid for by tariffs related to the advertising revenues of the terrestrial broadcasters, contributions from licensees, cable operators' franchise fees, and so on.

Meanwhile, satellite broadcasting started in late 2001 and offers a choice of more than 100 channels. The new broadcasting law allows business conglomerates and existing mass media companies to take part in satellite and cable broadcasting, but they are limited to not more than 33 percent of the total shares of a company. After several decades of military rule, South Korea's emergence as a fledging democracy placed it in a position similar to that of many countries experiencing political change. While it proclaimed freedom of speech and the press, the government has maintained strong influence over content on the grounds of strengthening the nation's unity and stability. All stations, in conjunction with a government-established committee, must review programme content both before

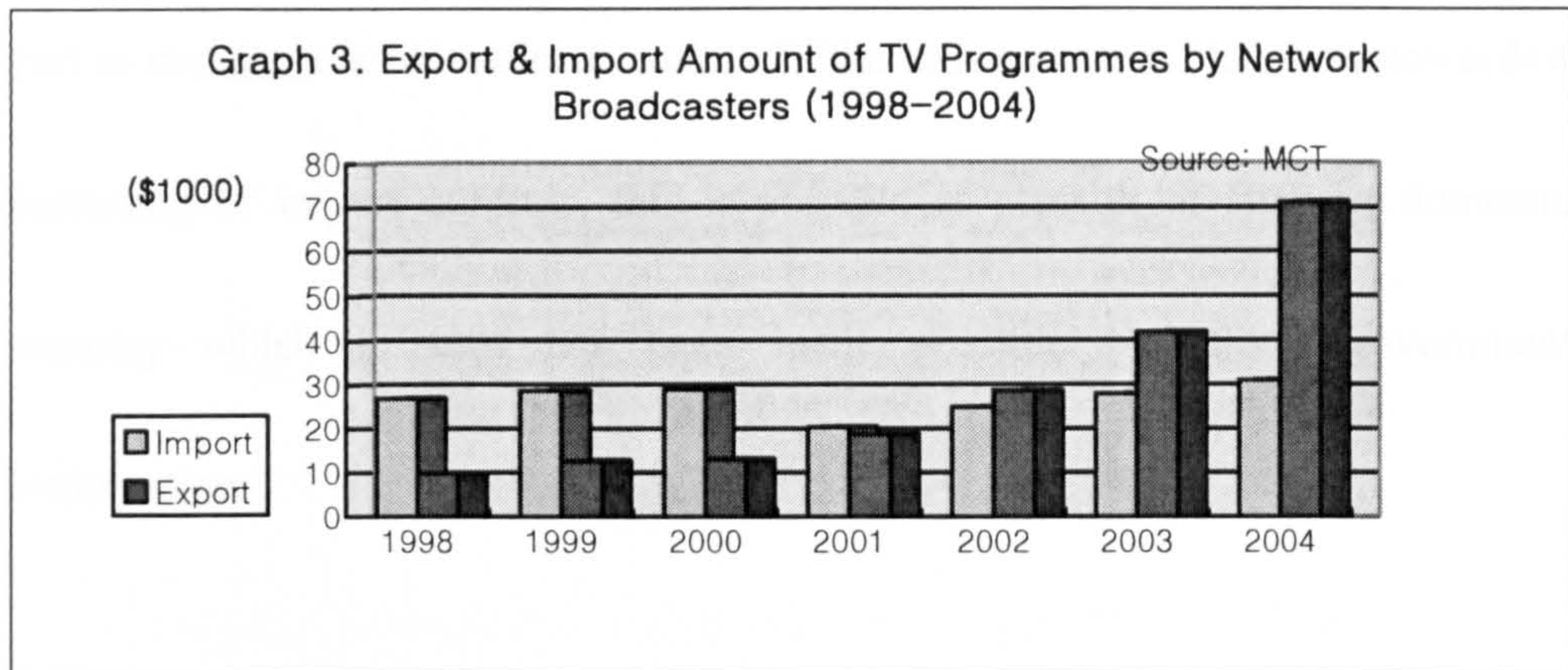
and after transmission.

With the domestic TV industry now more firmly established, the number of foreign programmes on terrestrial TV has continuously decreased and they are not as popular as before. They are now broadcast at marginal times, such as weekdays at 11pm or on weekends at 10am or 2pm (KBC, 2004). The Korean Broadcasting Commission established limits on the grounds of protecting the quality and integrity of programming; most imports consisted of dramas, documentaries, and features from the United States and the United Kingdom. As the table below indicates, the total amount of programmes imported by network broadcasters decreased a little in the early 2000s, mainly as a result of a foreign currency crisis in Korea.

However, since 2000, the emergence of strong local contents has resulted in the decrease or only moderate increase of programme imports, even though there has been plenty of demand for contents with the increased number and types of media. The key point here is surely that declining imports since 2000 are the result not of import quotas or currency fluctuations, but reflect the growing strength of the domestic industry. In 2002, the number of programmes exported surpassed that of programmes imported and in 2004 the number of programmes exported was twice



that of those imported. In 2004, the amount spent on the import of programmes increased by 10.8% on the previous year to \$31,096,000 while earnings from the export of programmes increased dramatically by 69.6% to \$71,461,000.



As the export data suggests, the key factor in Korea's changing TV industry was not policy, but the growing strength of the domestic industry. Exports continue to increase while imports have stayed more or less stable. This suggests that the quota policy was successful in developing the competitive strengths of the domestic TV industry. The quota system resulted in an increasingly stable domestic industry and this further reinforced the trend. Now, the strong domestic industry has become a crucial point to the country's healthy export market as it has developed strongly since 2002.

Since the beginning of the 2000s, terrestrial channels as well as cable channels in South and East Asia have been broadcasting programmes imported from Korea in

prime time slots, which differs to imports from Hong Kong or Japan whose programmes broadcast in non-prime time. The key factor here was the improving performance of the domestic TV production industry. This can be attributed in part to strong government intervention. While the recent trend has been towards a loosening of import controls, this is possible as a result of stronger domestic industry which in turn has been made possible by strong government interventions.

### 3.1.2 Oligopoly under Government Protection

The terrestrial broadcasters have occupied the domestic broadcast-related market since the 1960s under government control. There are four terrestrial broadcasters: the state-run Korea Broadcasting System (KBS), the semi-state Munwha Broadcasting Corporation (MBC), the state-run Education Broadcasting System (EBS) and the commercial Seoul Broadcasting System (SBS). The Ministry of Information and Communications (MIC) grants the licences on the basis of the KBC's recommendation, and terrestrial broadcasters have to submit licence renewal applications to the KBC every three years.

The public broadcaster, the Korean Broadcasting System (KBS), has been positioned as the nation's key broadcaster, operating two free-to-air television channels, six radio stations and twenty-five local stations nationwide. It is financed by licence fees (40%) and advertising revenues (60%). The current licence fee is 2,500 Korean Won (about \$ 2.5) per month per household. A specialised public broadcaster for educational programmes, the Educational Broadcasting System (EBS), is financed by the Broadcasting Development Fund and advertising revenues. It is also subsidised by KBS, receiving an amount equivalent to three percent of KBS's yearly licence fee revenues.

The Munwha Broadcasting Corporation (MBC) is legally a private-run corporation funded by advertising revenues but also has the status of public broadcaster whose controlling stockholder is the Foundation for Broadcast Culture (FBC). FBC is a public, independent body that was established under the Foundation for Broadcast Culture Act to serve the public interest. Meanwhile, the private broadcasting system SBS is fully funded by advertising revenues. Under the ideology of neo-liberalism and intention to boost market, government started to deregulate although it has been in slow pace. As programming channels (known as Programme Provider: PP) were introduced in 1993 under the

Composite Cable Broadcasting Act, a unilateral government policy that allowed cable companies that were ill-prepared to do so to broadcast resulted in low profits and high debt for the fledgling cable operators and programme providers. Furthermore, the economic crisis that started in late 1997 made this bad situation even worse, with many companies having to close their broadcasting business.

Consequently, the government had to boost the cable industry by relaxing restrictions in the cable business. This development of 'light touch' regulation was very similar to what happened to the UK cable industry in the 1980s/1990s (Barker, 1997: 44). The cable operators also have been working on system upgrades and digitalisation to develop future revenue resources such as interactivity and other add-on services. Now, Korea is one of the most heavily cabled markets in the world. Roughly seventy percent of all households currently subscribe to cable (KBC, 2004). The number of PPs has grown from 29 channels in 1995 to 206 audio-visual channels and 116 audio-only channels as of 1<sup>st</sup> March 2003 (ibid.). Meanwhile, the satellite TV business is expected to have a big effect on related industries, including TV manufacturing, infrastructure, and the content service provider industries. In 2001, Skylife (the former Korea Digital Satellite Broadcasting) launched the first commercial digital TV broadcasting service in

Korea and around one year later started regular service. Dozens of companies including Korea Telecom, KBS and other terrestrial broadcasters participated in the Skyclife consortium as major shareholders.

Under the KBC guidelines on satellite broadcasting channel services, the number of television channel services run by major terrestrial broadcasters was limited in order to ensure fair competition because it is broadly conceived that digital direct broadcast satellite (DBS) broadcasters should be developed to co-exist with other industry sectors such as cable service providers, local broadcasters, and network broadcasters. In August 2001, four broadcasters, KBS, EBS, MBC and SBS, were granted licences for five digital TV channels of which state-run KBS owns two.

The convergence of broadcasting and telecommunications due to digital telecommunications technology has become a global issue. With the onset of the so-called digital era, the convergence of digital contents has brought about far-reaching changes in the international media environment, and the whole broadcasting system, including Webcasting, satellite and mobile broadcasting is

moving towards convergence to create high-quality contents to satisfy international viewers' needs.

Digital convergence is the process by which separate media, like books, photographs, movies, telephones and televisions, are digitised and can be delivered to consumers via the global networks. In Korea, digital convergence is understood by entrepreneurs as the collapse of business borders. Likewise, the Korean broadcasting industry is also coping with new challenges related to digitalisation, like all other media industries in the world. Digitalisation blurs the traditional distinctions between broadcasting and telecommunications and new kinds of services are frequently being introduced into the market.

Using high-speed telecommunications lines, the broadcasting industry in Korea can provide individual customers with numerous contents typically regarded as broadcasting services. The number of amateur and commercial Internet broadcasting stations in Korea in 2000 was estimated to reach about 300, up from 200 in late 1999 and 50 in 1998 (MCT, 2002). Companies are desperate to take the initiative in the integrated business climate, making the best of Korea's cell phone penetration and broadband Internet infrastructure, which is the highest in

the world.

At the end of May 2003, Korea's mobile phone subscriber base stood at 32 million with 11 million broadband Internet users, accounting for 71.5 percent of all households (NSO, 2003). People are embracing these new media at an unprecedented rate as Internet infrastructure proliferates. With this base of strong Internet and mobile phone use, digital multimedia broadcasting such as mobile phone broadcasting is gaining momentum as the high-speed connection infrastructure steadily spreads across the nation and fuels content demands. Online start-ups and media firms are eager to take their place in the next-generation broadcasting market. Likewise as multimedia expand, the need of media contents increases rapidly and the competition of production companies are also intensified tremendously.

Heating up the market further is the competition being staged by major broadcasting firms such as MBC, KBS and SBS. In 1999, SBS outpaced its competitors by spinning off its Internet subsidiary as a strategic platform to push into e-commerce and video-on-demand services. KBS is also operating an Internet channel in concert with Korea Telecom, the state-run telecom giant that

has a monopolistic control over the telecommunications infrastructure of the country, including high-speed networks, a precondition for smooth webcasts. MBC, on the other hand, jointly run an Internet shopping mall in a strategic alliance with SK Global, extending their marketing scope to the Internet broadcasting sector.

Likewise, to be at the forefront of the Internet broadcasting business and dominate the market, merger and acquisitions (M&A) as well as competition among broadcasters, conglomerates and IT venture firms in the service sector, have been intensifying. Conglomerates such as Samsung, Hyundai and SK have also been rushing to enter this new market. The main feature of the business lies in creating an online profit model combining such e-commerce businesses as shopping malls with Internet broadcasts, unlike existing companies that concentrate on the entertainment business. In the hope of reaping profits when Internet broadcasting takes off, the telecommunication companies are also rushing to get involved in Internet broadcasting by setting up their own studios and teaming up with content providers.

However, digital television sets and distribution networks are useless without



broadcasting companies sending their programming, information and other contents digitally. In response to the nibbling away of the market by the world's big content providers, it has been stressed that developing content for households in line with the expansion of the home-entertainment market is a critical and urgent point. As for contents which are essential for generalisation of digital television, however, providers appear to be still largely unprepared for the projected increase in demand once digital broadcasting begins.

In particular, the retransmission of other network terrestrial channels via cable and satellite systems has caused severe conflicts and arguments among all the broadcasting business operators on the verge of beginning satellite digital broadcasting services. In fact, the satellite channel policies brought into effect in 2001 allowed extensive retransmission by Skylife of programmes created by terrestrial TV networks, causing a good deal of confusion and resistance from network broadcasters. Besides, the local broadcast stations insisted that the retransmission of giant network terrestrial channels via satellite would devastate their own markets.

Consequently, the revision of the act in April 2002 was intended to solve the ongoing conflicts and pursue balanced growth among the relevant broadcast

business operators, designating KBS TV1 and EBS as mandatory carriage channels for the cable and satellite operators. This meant that these two free-to-air television channels would have to be retransmitted simultaneously via cable, relay-cable and satellite.

Along with advent of new media and bitter competition, there has been a long-running political controversy over the current broadcasting policy. Most controversial of all has been the monopolistic nature of the broadcasting landscape under government control. As a result, the privatisation of MBC and KBS-2 TVs and the adoption of a free-market competitive system over the monopolistic Korean Broadcasting Advertising Corporation (KOBACO) also became an ongoing controversial issue. Broadcasting has been the largest advertising market in the four major media outlets of broadcasting, newspapers, radio and magazines for the last several decades. However, three major firms, KBS, MBC and SBS, occupy almost 82 percent of the market, enjoying a monopolistic situation in which they dominate most commercial advertising contracts (MCT, 2003).

Under the new broadcasting law of 2002, many government restrictions on broadcasting advertisements have also been lifted. The new act also provided the

legal basis for the establishment of a new commercial broadcasts marketing agency besides KOBACO. KOBACO has monopolised the broadcasting advertisement market since it was established in 1981 under the Korean Broadcasting Advertising Corporation Act.

However, as the local advertising market grew faster in the 1990s, advertisers such as the Korea Advertisers Association (KAA) complained about KOBACO's monopoly arguing that it does not make sense that a company has exclusive rights to price broadcasting advertisement and sell to advertisers. As a result of these complaints, the Korea Fair Trade Commission (FTC) announced in April 2001 that the state-run KOBACO should end its monopoly on TV and radio advertisements (*Korea Times*, April 20, 2001).

To summarise, the Korean broadcasting industry had been under strict government control until late 1990. However, direct political censorship was relaxed initially due to a perception that outdated government regulations lowered the quality and competitiveness of TV programmes. Further deregulation followed as a result of growing competition, following unprecedented economic, technological and political changes, but deregulation was never simply a matter of 'neo-liberalisation'. Deregulation is directed against monopoly by government,

and re-regulation is directed against monopoly by a few big companies. The government's control focuses on a few big companies' monopoly.

As with the film industry, big companies like Samsung have started to occupy the industry and accelerate the industrialisation of the industry at the same time. In sum, the development of multimedia has, first of all, encouraged increased M&A activity and growing involvement from transnational media and entertainment conglomerates able to take advantage of the new cross-media synergies and to sink investment into emerging technologies and new media.

Secondly, the government in Korea has had to adopt a 'light touch' to regulation in order to allow cable and satellite companies to recoup their investments and to make the new digital broadcasting opportunities more attractive to new entrants. But deregulation has been pragmatic rather than ideological; the government has not seen neo-liberalisation as the unique solution to globalisation and has continued to intervene where necessary in order to support the economic competitiveness of the Korean broadcasting industry.

### **3.2 Korean Film Industry**

In this section, I will consider the history of the Korean film industry, particularly after 1980s, the period which is directly related to the current situation under globalisation. The aim of this section, therefore, is to provide background information in order to help the reader understand the Korean film industry as this will be necessary in order to analyse the present context of the industry. Korea has a long film history that is over 100 years old (Lent, 1990). However, film industry could not be developed but devastated by its colonial experience by Japan for 35 years and Korean War in 1950 (ibid; Kim Ji-suk., 1997).

### 3.2.1 Historical Background and Changes of Regulations

Four years after the armistice agreement in 1953, President Rhee Syng-man declared that cinema was to be exempted from all taxes in the hope of reviving the industry. In addition, foreign aid programmes provided South Korea with film technology and equipment. This was the case in the 1960s in particular, when American forces stationed in Korea opened the doors for individual Korean filmmakers and production companies to obtain advanced foreign

filmmaking equipment.

Thanks to this, the local film industry grew gradually and enjoyed a golden age for about a decade. The number of domestic productions increased sharply from 8 in 1954 to 108 in 1959, as did the number of production companies and cinemas. In the decade that followed, the Korean film industry maintained high production figures with over 100 feature films being produced annually. Around that time, approximately 100 million tickets were purchased at cinemas every year. In the 1969-1972 period, when cinema attendance was at its peak, 70 to 73 per cent of all attendance was to see domestic films in Seoul.

According to Ji-suk Kim (1997: 130) at that time Korea had one of the liveliest movie industries in Asia, with 16 movie studios, 402 theatres and huge audiences. In 1962, for instance, a colour feature film, *Inmokdaebi*, was produced with processing equipment manufactured independently in Korea. Korea played a leadership role in Asia during the Golden Era of Korean cinema of the 1960s: major works were exported to Southeast Asian countries, and the production styles of Korean directors were mimicked by their counterparts in Southeast Asia

(ibid: 130-135). Korean directors such as Sang-ok Shin and Chang-hwa Jung were invited to Hong Kong to produce movies there. At that time, the Korean movie industry had what seemed like a superior position over Hong Kong cinema. In 1962, the government instituted for the first time a Motion Picture Law, which stated that all production companies must produce at least 15 films per year, and that the films should be commercial in nature.

However, the two decades following the 1970s saw a long and deep slump for the industry mainly because of the rapid growth of television. The public largely deserted the cinema for television, while government intervention and strict censorship reached a peak. After the military coup of the 16<sup>th</sup> May 1961, and with the backing of the military government, anti-socialist propaganda movies became one of the principal genres together with teenage melodramas, which were irrelevant to the social atmosphere of the time. Limitations on freedom of expression as a part of comprehensive censorship were imposed by the so-called *Yushin* ('revitalising reform' in Korea) regime.

In 1970, 231 films were made, the highest in Korea's film history, and since then, the number has been steadily decreasing. The Korean film industry had the same

experience as most other countries whereby foreign films (mainly from the U.S.) were continually brought in and gained an increasing share of the market. Besides, many of the independent production companies were financed by speculators interested only in achieving high profits in the short term because producers supplemented their insufficient budgets through selling their films in advance to these speculators at very cheap rates. Therefore, though films made big returns at the box office, the money was often invested in real estate properties rather than reinvested in other films or the film industry.

Moreover, the authoritarian regimes of the 1970s and 1980s quashed the imagination out of Korean films, and the transition to democracy in the early 1990s did little to revive it. In the days of Park Chung-hee and Chun Doo-hwan, the prosecutors used to wield the National Security Laws as a disciplinary weapon. Control over thought was deemed of utmost importance in maintaining social stability. Even under censorship, it is possible for great works of art to be conceived, such as the films by Chinese fifth generation directors.

However, this is not the general case but in fact a very rare occurrence. Since the end of the 1990s, more and more cultural works have been deemed inappropriate, not because of ideologies but because of obscenities. While censorship continues, it has become less concerned with government ideological objectives. In 1973, the Korean Motion Picture Promotion Corporation was formed in an effort to revive the industry but the film industry was not recovered.



Despite the protectionist policy, attendances at domestic films continued to shrink in the 1970s and 1980s. Cinemas have closed regularly since 1971, when the number in operation stood at 717. Moreover, the quality of films could not be improved because of the lack of proper equipment, competent writers and technical know-how, not to mention the appeal of foreign films that could offer strong storylines, competitive talents and superior techniques with huge capital. Thus, in these circumstances, the crisis of Korean film industry and audiences' neglect of domestic films were inevitable.

Until the mid 1980s, the import of foreign films into Korea had only been possible under strict government control. Especially during the 1970s and 1980s, import and export quotas for films had been closely related to domestic production because they were used to encourage domestic film production although the objective didn't come true. However, at the end of the 1980s, changes were made to government regulations on domestic production. These changes were related to the import and export of films and so merit further examination. Following the advent of the Park Jung-hee junta in 1961, the government began to intervene in the TV and film industry, passing the Motion Picture Law in 1962. The aim of the law was to contribute to the promotion of national art through the

promotion and development of the film industry. It rationalised that high-quality movies would give the world a good image of Korea.

However, at the same time, there was another important reason, which was to earn much-needed foreign currency after the economic devastation that followed the Korean War. The government thus desperately encouraged the export of domestic films. Article 19 in particular stipulated that the 'government may aid the film industry in order to promote the production of quality films as well as development of film culture and international exchange of films.'

In this context, the government made a number of moves to improve the professional standards of Korean film personnel. In 1962, for example, the Grand Bell Award was established to encourage producers to make quality films, assigning foreign film import quotas to producers of the most excellent films. Assigning the import licence to the film-maker not a third party makes a direct connection between imports and domestic production which is an indication of the 'strong intervention' by Korean government. In addition, production-encouraging money was provided to industry workers who produced high quality

pictures (MPPC 1981: 109). However, this resulted not so much in the desired effect but rather in many side effects which I will consider in more detail later.

In 1963, when the first amendment to the law was completed, the main change was that production companies should be equipped with studios and other facilities if they wanted to register with the government and import foreign films. Moreover, the government limited the number of imported films by placing quotas and import duties on them (Kuroda 1980: 41). Thanks to this legislation, which tightened licensing criteria for production, 65 shoestring film companies were consolidated into 17 large companies. That is to say, the government encouraged the film industry to form conglomerates and transform foreign currency proceeds into production capital.

However, the policy of forming conglomerates caused a production monopoly in the Korean film industry through such acts as the merger and abolition of film companies and the film licensing system. Moreover, through the incitement of the proceeds from the foreign currency market to form production capital, it was expected that the financial situation of the production companies would be

stabilised and that they would form major firms, but with the situation beyond proper regulation and validation, this was in fact impossible to guarantee.

As many of these regulations were not as effective as originally intended, the second amendment was passed in 1966. The law relaxed the conditions necessary for the registration of production companies, and lowered from fifteen to two films the minimum annual production of each company for maintaining registration. In addition, in a move obligating the government to assist the film industry, it established the Film Credit Union and a quota system for theatres showing imported films. Worked out on a monthly basis, the screen quota system required that on 121 days a year, a Korean film had to be shown in each cinema.

After this amendment, the Korean film industry showed signs of prosperity from the late 1960s to early 1970s. According to statistics from the Motion Picture Promotion Corporation (MPPC), 1969 was the golden year; each Korean watched 5.6 films that year, total film attendance reached more than 173 million and 229 films were produced (MPPC 1981: 110).

However, this boom did not last long. As mentioned above, the advent of the TV age, the economic downturn that resulted from the oil shock, strict censorship and so on, led quickly to the stagnation of the film industry, which in turn led the government to pass the third amendment to the Motion Picture Law in 1970. The main points of this law were to require exporters and importers to be registered with the Ministry of Culture and Information and to produce five films a year. Moreover, the Motion Picture Promotion Union, with government backing, set down a specific policy on exports and imports to promote domestic films overseas as follows: first, a producer should export a minimum of four domestic films and earn from them at least U.S. \$20,000 to qualify to import a foreign film. Second, the Union would provide cash rewards to domestic films that showed for at least 60 days in a foreign market (Article 16 of the Motion Picture Law). Third, the number of films imported should not exceed a third of the domestic films produced each year.

Other important stipulations were that applicants had to obtain the permission of the Union before they could be recommended for an import licence by the government, and the films of communist countries, or those that had message considered anti-government or harmful to the social order, could not be imported.

Restricted from exportation were films which did not pass government censorship or were barred from public showing and those which pirated or copied foreign films or presented a threat to Korean interests or images (MPPC, 1972; 1975; 1976). To sum up, this law was established in order to push the private sector towards the production of domestic films and to limit the import of foreign films by means of direct government intervention. When the Yushin Constitution, which emphasised self-awareness and Korean identity, was enacted in 1972, the Motion Picture Law was amended again in accordance with the constitution. The main objectives of the revisions were to support national and traditional cultures. To do this, it was necessary to improve the quality of domestic films, to export them as propaganda vehicles for Korean culture and to import foreign films that would encourage the revitalising reform movement.

After the fourth amendment of 1973, the Motion Picture Promotion Union was dissolved and the Motion Picture Promotion Corporation of Korea (MPPC) was established in its place. The non-profit entity took charge of the promotion of the Korean film industry on behalf of the government. Under the fourth Motion Picture Law, the Korean Motion Picture Distributors Association was set up in 1974, consisting mainly of cinema owners, and all Korean films were distributed

through it. Kuroda (1980: 47) has pointed out that the association was so powerful that 'no theatre can obtain a performance licence without the permission of the mayor in a big city or the head man of the wards. Theatres, or other organizations and private individuals who want to have a public showing of a motion picture, must submit an application accompanied with a distribution schedule issued by the association.'

The government also took the exhibition sector seriously as a means of boosting production, and it was strictly controlled under the Performance Law. Admission and cultural promotion taxes of 10 per cent each are added to ticket price. These taxed were used to pay \$ 3 hundred thousand per year to the 20 selected producers. When theatre owners complained they had not received any of this tax, the government allocated \$ 2 hundred thousand to the National Film Theatres Association for the improvement of cinema facilities.

Finally, in a fourth amendment, the criteria for production companies were tightened up in order to intensify output in the production sector. Production companies needed to provide prescribed production facilities along with at least \$ 1 hundred thousand in production funds (Kuroda 1980: 44). As a result, by the

early 1980s, 20 companies were allowed to operate in Korea, making between 80 and 100 feature films a year. When it came to the import of films, a film company with an import licence had to contribute \$ 40, 000 per film within one month to the National Film Promotion Fund, which is the principal source of funding for the Motion Picture Promotion Corporation (Article 10 of the Motion Picture Law).

An earlier policy that allotted import quotas on the basis of the number of local productions caused filmmakers to crank out 'quickies'. Thus, the market was distorted with lower-quality domestic films and foreign movies. Later, the compensation system, which meant that import licences were given to producers who exported Korean pictures, was also a big flop. Though it worked well for enabling the government to limit the import of foreign films, it failed completely in its aim of boosting the production and export of good quality domestic films.

In 1970, 253 Korean films were exported under these conditions but most of them were sold extremely cheaply in order only to obtain import licences for foreign films; the Korean films were never released overseas. In view of the continuing decline of the industry throughout the 1970s, the quota system was considered to be ineffective. The lifting of film import quotas in 1987 meant bad times for Korean producers. With very limited possibilities for selling their films abroad,



they had to expand the domestic market while competing with foreign films. This was nearly an insurmountable task; for instance, more than 70 per cent of the box office receipts in 1987 emanated from screenings of U.S. movies (*Asiaweek*, Feb. 19, 1988).

South Korean features had not been popular abroad, despite the efforts of the MPPC. In the early 1980s, most of the films exported were sold to Southeast Asian countries and a few to Europe. Taiwan and Hong Kong were the major customers for years, importing some Korean movies for as little as \$ 200 (Lent, 1992). In 1976, when Korea earned US \$138,601 from exporting 83 features, Hong Kong took 59, the continent of Africa imported seven, Guam six and other parts of Asia five (AMCB 1977: 16). A small number of films were shipped to the U.S. and Japan for overseas Korean communities.

By 1980, all signals in the film industry were showing record lows, as seen in the number of feature film produced (91), the number of cinema screens (447) and total attendance (about 54.4 million viewers). Most of all, the number of domestic films had decreased consistently over the previous decade, falling from the high of 231 films in 1970 to 91 in 1980. During the 1980s, the average continued to drop to below 90 films per year. Moreover, the average rate of yearly cinema

attendance dropped to two per a person by 1976. In 1978, alongside this downturn in the Korean film industry and government intervention, imports of foreign films also decreased to 31, the lowest number of imported films up to that time.

In the early 1980s, only production companies were permitted to import films and the quotas were awarded to winners of the Presidential Award in the Grand Bell Award, winners of the Prime Minister's Award, international film prize winners and those selected by the Ministry of Culture and Information under the Quality Film Examination System. Thus, before the advent of direct distribution in the late 1980s, around 22 or 23 foreign movies were permitted each year, and these had to be top quality works. The majority of them were made in United States. The rest were from France, Italy, England, West Germany, Hong Kong and, to lesser degrees, numerous other Asian countries (Kim, Ji-suk, 1997: 130-135).

As seen above, incentives to produce and export films were built into government policy in various ways throughout the years. However, the bleak status of the Korean film industry did not change much. The reasons can be summed up as follows: first, directors gave up too easily and business people did not reinvest film profits into the industry. The industry was plagued with a lack of modern

equipment, a shortage of scriptwriters and a village mentality that could not comprehend many of the films.

That is to say, government policy was far from helping build up the infrastructure of the film industry and the private sectors were simply not interested in doing so. Second, quotas governing import licences for lucrative foreign films linked to the number of domestic films completed by each company led to the production of cheap quota quickies just to get more import licences. This experience was the same as that of the U.K. (Moran, 1996). Eventually, the result of this policy did not boost but rather weaken domestic production.

Third, television and home video with advanced technology became increasingly accessible and attractive to audiences. Cinemas, meanwhile, became old-fashioned and outdated, making more viewers disinclined to go to the cinema. Fourth, harsh censorship killed the imagination and creativity of producers by restricting various kinds of story sources. As one critic put it, 'since the motion picture is a genre of art that can flourish with free ideas and new concepts, it is feared that this rigid government regulation might degrade the quality of film' (Kuroda 1980: 46). After the assassination of President Park Jeong-hee in 1979, domestic events were more tightly prohibited from source of story than usual and

this stifled freedom of expression in film. Producers churned out low quality melodramas that had nothing to do with social issues and consequently resulted in audiences' disinterest.

### 3.2.2 Wrongly Controlled Policy

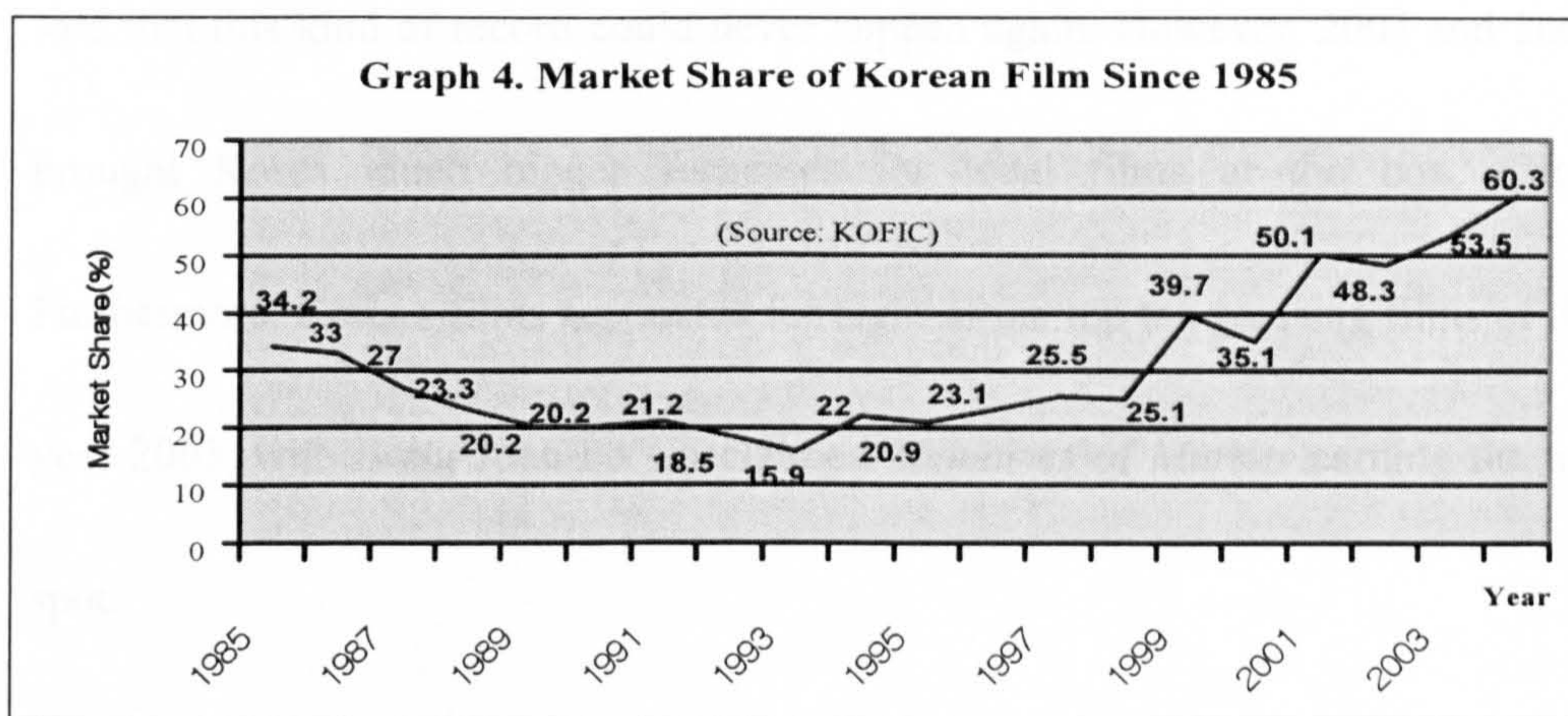
In this section, I will review the current state of the Korean film industry. To do this, first the recent changes in market share will be examined, and then each of the industry's sectors, such as production, distribution and exhibition, will be discussed. This review of the status quo of the Korean film industry will be in extreme contrast to what we overviewed in the section above, highlighting the recent success of the Korean film industry. Before considering market share, it is necessary to examine the scale of the box office in order to measure the scale of the market. In 2000, the 61.69 million cinema attendances, an increase of 12.7% on the year 1999, has surged to more than 70 million attendances in 2001 the largest ever attendance record since 1980.

What is more, in 2002, the Korean domestic market was at its zenith, with figures for the year revealing that national admissions went over approximately 105 million for the first time since 1973 with a total box office profit of \$500 million

and up 20.8 percent compared with 2001. The average Korean saw 2.27 films in 2002, the most since 1975. According to KOFIC Annual Report (2003), it is thought that the 105 million admissions in 2002, a 16% rise on the previous year, can be attributed to continued multiplex growth, a move to Friday openings and a strong line-up of domestic titles as well as imported films. The market share of Korean films at the beginning of the decade was 19.3%, falling to as low as 15.4% in 1993 (*Variety*, Jan. 10, 2000).

However, the late 1990s showed a steady rise and the slices of the pie were being quickly rearranged: Korean films were up 20% while the market share of foreign films was down by the same amount. By the end of 1999, domestic films took 35% of an estimated \$232 million in total box office earning (*ibid*). As a matter of fact, recent Korean movies recorded one of the highest shares of any local movie market in the world. In 1999, Korea's domestic film industry was buoyed by its best performance since foreign films came to dominate the market in the late 1980s.

Thus, when it comes to market share, the Korean film industry has never been as successful as it is nowadays. Summarily, nationwide figures of market share for domestic films since 2000 have increased from 35.1% in 2000 to 60.3% in 2004 (KOFIC, 2004). According to KOFIC, the Korean film market, which stood at \$632 m in 2002, grew by 3.6 percent in 2003 (KOFIC, 2004). In the first quarter of 2004 in particular, the market share of local films surged up to 70% with two Korean films consecutively attracting over 10 million moviegoers each. This means that nearly one in three of the nation's population over 15 went to see one of these films in the cinema.



One of the films, *Taegukgi*, set a new record as it attracted 10 million viewers in 39 days, breaking the 58-day record of *Silmido*, the only other film in South Korean history to attract more than 10 million moviegoers. *Taegukgi* also became

South Korea's first ever film to reach 2 million admissions in five days. As such, the recent market share of Korean films is astounding. *Silmido* and *Taegugki* each sold more than 11 million tickets in Korea, a country of 48 million people.

What is more encouraging for domestic films is that *Silmido* contended with a world mega hit, '*The Lord of the Rings: The Return of the King*', as a rival on release and unexpectedly grabbed a larger audience than the latter (*Newsweek International*, May 3, 2004). It has been said among industry experts that this kind of smash-hit film in a local area could occur only once every ten years or so. In fact, in 2001 when Korea celebrated unprecedented domestic successes, it was said that this kind of record could never happen again. However, 2003 and 2004 brought Korea much bigger successes for local films at the box office. Furthermore, Korean films accounted for eight of the top ten grossing films of the year 2003, with Bong Joon-ho's acclaimed *Memories of Murder* earning the top spot.

Taking a closer look at annual market share in order to analyse the interrelation between domestic films and American imports, it seems that the two counteract

each other almost perfectly. This means when Korean films are successful, the market share of Hollywood films decreases by almost the same amount that the domestic films obtain. While Korean film recorded a 53% nation-wide (49% in Seoul) market share in 2003, the market share of Hollywood films decreased, accounting for 43.2% of the Seoul market, followed by Japanese (3.0%), Chinese/HK (2.5%), French (0.7%), and other films (0.8%).

According to Seoul figures, which are more accurate thanks to electronic ticketing systems, in 2002 Korean films took in 45.2 percent of the Seoul market with over 40 million admissions, compared to 46.1 percent in 2001. Meanwhile, U.S. films took 48.8 percent of the market share, up 2.4 percent on the preceding year. It is worth noting here is that the attendance of ten top-grossing Korean films in Seoul (6.72 million people in 2000) overtook that of foreign films by 570,000 viewers. What is more, the average number of Korean films per person per year is 1.2 higher than that of Hollywood films and twice as high as that of all foreign films.

Over the course of the 1990s, the number of Korean films produced each year fell dramatically. In 1991, the total number of domestic production was 121, which fell to a low of 43 in 1998. Since then it has been increasing slightly from 59 in



2000 to 65 in 2001, 78 in 2002 and 80 in 2003. Industry experts attributed the drastic fall in the import of foreign movies to the growing popularity of Korean films among domestic moviegoers. Reflecting the increasing market share of Korean films, domestic films shown on television accounted for 34 percent of the total number of films registered with the rating board in 2002, up 14.6 percentage points from the 19.4 percent recorded in 2001 (Yonhap News Agency, Jan. 5, 2003).

Since 1998, the number of screens has increased as state-of-the-art multiplexes replace old cinemas and demand blockbusters to fill the seats. With the larger number of screens, the films which are being produced are also doing more business – not only an increase in production but also in productivity. Such facts represent solid ground upon which to base the claim that the Korean film market has entered into a process of industrialisation. Experts in the film industry such as Jeon Jay (interviewed in May 2005) and Kim Hyoo-jong (interviewed in April 2005) describe the Korean industry as going through an adjustment phase, as film investment returns to more normal levels after 2001.

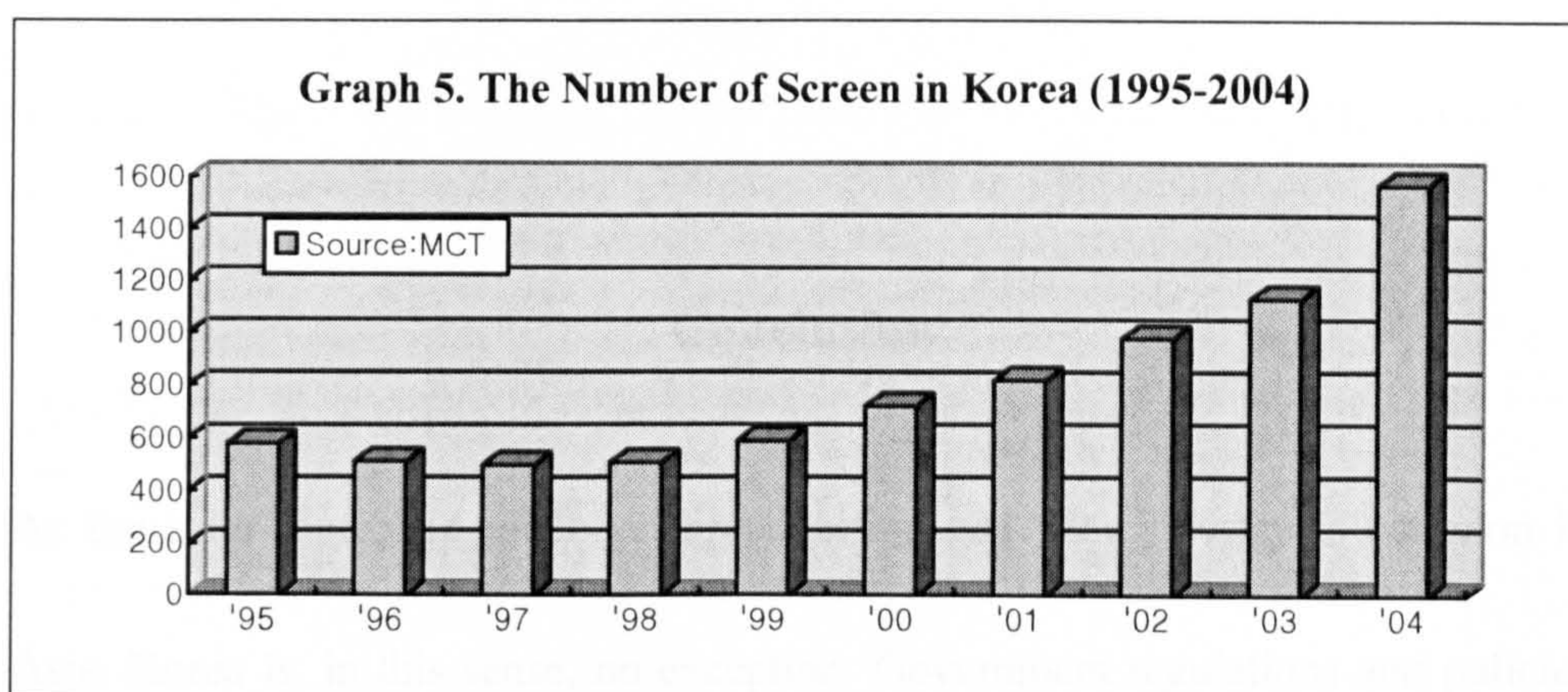
When it comes to the distribution sector, local companies have been dominating the market since 2000. CJ Entertainment and Cinema Service have been the top

two companies in distribution market for the past few years, outstripping competition even from Hollywood direct distributors such as Buena Vista, Columbia, UIP and Warner Bros with their strong line-up of Hollywood blockbusters. For example, in 2003, distributor rankings based on KOFIC data revealed that the major local distributors, CJ Entertainment and Cinema Service, occupied 40.8% of the market, with 22.3% and 18.5% respectively. Following behind were Warner Bros (8.1%), Chunggeorahm (7.5%), BVI (6.7%), Columbia Tristar (5.1%), Korea Pictures (4.8%), Showbox (4.8%), UIP (4.8%), and 20<sup>th</sup> Century Fox (4.3%).

The overall market for film in Korea has been expanding steadily since the nation's first multiplex opened in 1998. Most of all, a recent boom in the construction of new venues has been matched by a rise in admissions from 54.7m in 1999 to 107m in 2002 and 119m in 2003. With their films shown on around 1000 screens in 2002, CGV, Megabox Cineplex and Lotte Cinema accounted for 45m admissions, a 42% share of the nation's total 107m admissions.

The competitive nature of the business led to an increase in the construction of screens by large corporations, beginning with CJ Entertainment's 1998

construction of an 11-screen multiplex, DongYang Group's establishment of 17-screen Megabox and Lotte Group's expansion of its cinema chain (with backup from their largest profit-maker, Lotte Department Stores). This trend is being seen as a positive sign of growth in the entire movie-going area. Alongside such increases, the size of the film market has also been growing.



Based on data from KOFIC Annual Report (2001), there were 720 screens for commercial screening purposes in Korea in 2000, excluding drive-ins and cultural centres. Considering that there were 497 screening venues in 1997, this shows an increase of approximately 45% within three years. With about 180 more screens added in 2002, the total number of screens nationwide reached over 1500 by the end of 2004, as seen in the table above.

CJ Entertainment in particular has been revolutionising Korea's exhibition scene. Since CJ's exhibition subsidiary, CGV which is the nation's largest cinema circuit opened its first venue in 1998, it has operated 252 screens in 32 venues accounting for 16% of the nation's total. CJ Entertainment shares the ownership of CGV with Australia's Village Roadshow. It passed the 20 million admissions mark in 2002, up from 14 million in 2001. Total revenues for that year amounted to \$117m, a 47% rise on 2001.

### Conclusion

As the state-controlled model in broadcasting and film industry is common in Asia, Korea is, in this sense, no exception. Government regulations and policies for the film and TV industries can be summed up as aiming to promote domestic production and limit the import of foreign materials. However, the effects, especially in the film industry before Kim Dae-jung's regime, were completely different from what had been intended. It could be said to be a 'government failure' as opposed to a market failure. In broadcasting, the military regime's control on the TV industry was severe, imposed through censorship, licensing requirements and government ownership. Therefore, for quite a long time, the

Korean TV industry was run in the context of a government-controlled, oligopolistic system.

With the advent of the 1970s, television became more and more popular, while the film industry grew uncompetitive under excessive censorship and the relative technological and artistic backwardness of the industry, and it began losing audiences to TV. In the late 1980s, free market forces under globalisation have started to have some influence but had yet to be fully unleashed in the broadcast and film sector. Since the early 1990s, however, in the new globalised multimedia age, the TV and film industries in Korea have changed radically. They have been deregulated and liberalised though the objective was not for the diversity.

At the same time, they are converging and commercialising under unlimited competition domestically and internationally. Given the fact that Korea is way ahead of other nations in terms of broadband service penetration rates and IT technologies, it has been suggested that local content providers in the cultural industry are developing a strategic approach to the arrival of global competition. Recently, along with the continuous success of Korean cultural products, the

Korean TV and film industries have been systemising their infrastructures from production to consumption, as will be analysed and highlighted in later chapters.

As seen above, Korean cultural policy has been implemented to protect the country's cultural industries from one-way flow from other countries (especially the USA and Japan), although this never worked as intended until the end of 1990s. Up to that time, owing to the absence of an effective cultural policy, cultural products from Korea, a country in periphery without geolinguistic and diasporic markets, seemed not to travel well and this was explained by theories of cultural discounts. Also, the fact that the country's small market meant that it was unable to achieve economy of scale was another barrier to forming two-way flows. However, since the Kim Dae-jung regime, the experience of the Korean cultural industry has changed greatly. In the following chapters, I will elaborate in detail on how it has changed and developed.

## **CHAPTER 4. Globalisation and Korean TV and Film Policy**

This chapter is devoted to highlighting globalisation-related policy changes in the Korean TV and film industries since the end of the 1980s. This follows the discussion on the history of Korean TV and film industry until the middle of 1980s in chapter three. It was the late 1980s when the Korean cultural industry began to confront the more complex cultural and economic effects of globalisation. Korean cultural policy in particular has had to cope with globalisation, raising several historical issues over the past two decades.

Thus, this chapter will focus on some historical issues related to globalisation which have had a huge influence on the current Korean TV and Film industries and their policies. Specifically, it is of prime importance to analyse the recent renaissance of Korean cultural products in order to understand the global issues with which the Korean cultural industry has had to cope.

Accordingly, this chapter will examine TV and film policy since the 1980s, when globalisation along with liberalisation and deregulation began to prevail in Korea. As mentioned above, the recent experience of the Korean cultural industry resists trends associated with globalisation elsewhere. Thus, in this chapter I will explore how official TV and film policies have responded to the challenge of globalisation and what the rationales behind these policies were. In this way, we can discover the role played by government cultural policy in the rising Korean wave.

Broadly, the period after the end of the 1980s can be divided into 'before' and 'after' the regime of President Kim Dae-jung. Kim Dae-jung regime may be considered a watershed as the characteristics of Korean cultural policy during his regime were much different from those of the previous regimes in terms of its progressive and even aggressive strategy regarding the globalisation of Korean culture. A significant paradigm shift thus took place during Kim Dae-jung regime. Therefore, this chapter will be composed of three sections. First, the two periods before and after Kim's regime will be elaborated, highlighting the changes between these two periods; the impacts of changes in cultural policy under Kim Dae-jung regime will be analysed later.



### **4.1 Before Kim Dae-Jung Regime (1988-1997)**

From the end of the 1980s to 1997, there were several historical issues that changed cultural policy in response to globalisation and led to changes in the cultural industry such as Hollywood majors' direct distribution to Korea in 1988, a softening of censorship and the intensification of the screen quota system. Before the Kim Dae-jung regime, political objectives and interests had priority in deciding cultural policy. In 1980, under the military regime of President Jeon Doo-hwan, the commercial broadcaster TBC was forced to surrender its licence and stop broadcasting as seen in previous chapter.

In the film industry, strict censorship was implemented and the government strictly controlled foreign imports. Thus, the ownership of the industries as well as the contents of the nation's cultural products was tightly controlled by the government. However government's strict control on cultural policy is challenged coping with globalisation. In this context, before Kim Dae-jung regime, there were some critical events which influenced and changed Korean cultural policy such as the Seoul Olympics, direct distribution of U.S films to Korea and Loosening Censorship.

### 4.1.1 The Seoul Olympics and Globalisation

One of big challenges for the Korean cultural industry in the context of globalisation was the 1988 Olympics, held in Seoul. The Korean government considered diplomatically large-scale events such as the Olympics, the World Cup and EXPO as its main PR strategy with regard to promoting Korea in the international community. Like Roche's notion (2000: 6) that the development of international mega-events parallels the growth and spread of modernity and nation-state consciousness, playing an important role in cultural inclusion which made Koreans feel a sense of social inclusion and feel part of the national project.

Korea also began to construct and present its image for recognition in relation to other nations and in the eyes of the world. The government tried to make most of international events to achieve cultural inclusion through these sharable experiences in a common space and time (Whannel 1992; Scannell 1996) that provide a common and recurrent national and international public

culture in an increasingly fragmented and changing world (Roche and Arundel, 1998).

During the 1980s and 2000s, two international events, the 24th Summer Olympic Games in Seoul in 1988 and the Korea-Japan World Cup in 2002 contributed to the globalisation of Korea. At a national level, the Seoul Olympics in 1988 and the World Cup 2002 were turning points for Korean policy toward international relations, contributing towards a paradigm shift in domestic policy including cultural policy. In particular, the Seoul Olympics was not just an isolated two-week event but rather an eight-year project connected with economic and political processes. As Houlihan (1994: 208-210) observes, hosts of the Olympic Games can come to be seen as 'significant actors in the international system.' Korea was a case in point. Korea was able to use the Seoul Olympics to project a relatively positive national image and to play an internationally significant political and diplomatic role that extends beyond sport.

During the event, Korea's Olympic project was very popular with the huge international audience who watched the Games on global TV; the opening

ceremony was watched by an estimated 1 billion people worldwide, double the predicted audience and a new record for Olympic TV (Roche 2000: 185). Therefore, mega-events have been heavily promoted and subsidized by the government. In this respect, Roche pinpoints that ‘the nineteenth-century expo movement in general was a product of nation building and economy-building in modernising Western societies. They offered elites a form of popular cultural policy-making which could be used to promote among the mass of ordinary people an acceptance of, incorporation in, and positive attraction and loyalty to, the new political economic formations being constructed around them (ibid.: 71, 73).’

He emphasises that this has particularly been the case for authoritarian elites, as we saw with the Nazis’ use of the 1936 Berlin Olympics, and also the 1968 Mexico City Olympics, the 1980 Moscow Olympics and the 1988 Seoul Olympics (ibid.: 187). As he accentuated, preparing for the Seoul Olympics in 1988, the government began to seriously consider the national image, as mentioned earlier. Military leader Rho Tae-Woo had an Achilles heel in that he was a successor of the military dictator Jeon Doo-hwan, and so tried to

make sure his government was not seen as a dictatorship (Larson and Park 1993).

As the impact of the event on the Korean public was tremendous, the preliminary measures taken to prepare for the event also had significant effects afterwards, particularly in terms of television and film policies. Moreover, in 1994, there was a globalisation programme initiative, the Segyehwa (globalisation in Korean), including the globalisation of culture under the Kim Young-sam regime (Gills and Gills, 1999: 201; Hsiung, 2001: 139).

The objective of globalisation in Korea at that time was to make the country more receptive to all things foreign, to harmonise the domestic systems and practices with global standards and to sharpen its international competitive edge. The parameters of the campaign were very broad, encompassing every aspect of a variety of systems and practices in the nation such as politics, administration, diplomacy, economy, quality of life and education, as well as culture. Representatively, the implementation of the financial transaction

system under real name<sup>2</sup> and entry into the OECD were part of the nation's globalisation initiative. However, the movement was unable to gain broad support among the people because the subjects and agendas were put on the table by a few advisors to President Kim Young-sam and not through public consensus (Son, 1996).

Here what I would like to emphasize is that in political and diplomatic terms, these two international events provided critical motivation for changing the paradigm of government policy for the film and TV industries. The 1988 Olympic Games played a key role in the government's decisions to allow Hollywood direct distribution to Korea and to loosen censorship, while 2002 Korea-Japan World Cup acted as a catalyst for opening up the Korean market to Japanese culture.

#### 4.1.2 Direct Distribution of U.S. Films to Korea

Until the end of the 1980s, Korean cultural policy had been focused on protecting Korean culture from Western culture (Kim and Yang 1998). This

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<sup>2</sup> The real-name financial transaction system; the real-name accounting system. Before this system was introduced, transaction of money in Korea was able to do under the assumed name which had resulted in big black economy.

was because there had long been a perception that Western popular culture would ruin the traditional Korean culture. This notion stemmed largely from the country's colonial experience, in particular the 19th and 20th centuries.

Throughout its long history of around five thousand years, Korea was frequently invaded by neighbouring countries, the latest being Japan. Moreover, the Korean War and the consequent division of the country as a result of the superpower conflict between the USA and USSR led to an antipathy or fear of foreigners among Koreans. However, in advance of the 1988 Seoul Olympics, government opened up the Korean film market to Hollywood distributors under pressure of the U.S. and economic and diplomatic interests.

Following the U.S. government's complaints about Korean film policies which was backed up by the Motion Picture Exporters Association of America (MPEAA) representing the eight largest producers and distributors, six months of talks were held in 1987 and then U.S. majors were allowed to open offices in Korea, distribute films themselves and collect the profits. Eventually, in 1987, UIP (United International Pictures) began distributing its films

directly from the U.S., though there was a fierce boycotting campaign against *Fatal Attraction*, the first film distributed directly by UIP, such as the closing for a day of thirty theatres in Seoul and the threat that baskets of snakes would be released in theatres at screening time (Lent, 1990; Moran, 1996).

Within a few months, the upheavals quickly spread; however, at that time, no one could have expected that two decades later, the protests would have subsided. U.S. majors had earmarked Korea as their second largest Asian market and over the next decade domestic films gradually lost their market share, reaching a low point in 1993 when Korean films made up only 15% of overall attendance figures (MCT, 2000). Likewise, opening the film market under American pressure, without any preparation, caused the devastation of the film industry. On the other hand, the broadcasting industry, which was considered as part of the national infrastructure, was developing stably under a government control and support. The reason Korean conglomerates entered into the film business was not to make a profit by producing films but to obtain stable video contents for the video-players they produced. This means the transition was not planned and the influx of corporate investment is further evidence of the haphazard development.



### 4.1.3 Loosening Censorship

The 1988 Olympics was a chance to showcase Korea as a rapidly developing democratic country and consequently led President Rho Tae-woo to deregulate various restrictions, including censorship. The softening of censorship in Korea on moving images was mainly a reflection of the political changes that have transformed Korea over the past decades from a military dictatorship to a democracy. Previously, the specific situation of Korea, which is a divided country, was used by the government to ban political freedom of expression.

In the mid-1980s, with competition from television, greater leniency was shown over the handling of sexual themes in films. Foreign films too were permitted more explicit portrayals of sexual scenes, but they were still censored (Doherty 1984: 844-845). As for obscenity, censorship was not just confined to government bodies; on some occasions, public pressures have stopped film screenings (ibid.: 844). Political censorship, however, remained stricter than that concerning sexual matters.

The demand for deregulation was based on a notion that a control-oriented

policy would only end up stunting artists' creativity and imagination. Since the end of the 1980s when was a turning point of Korean cultural policy, there has been a big transformation in Korean censorship. A new constitution, which allowed for the gradual easing of political censorship laws, was enacted. The Korean Public Performance Ethics Committee (KPPEC) was created as an autonomous civilian body for censorship, though it was subsidised by the government. The Motion Picture Censorship Committee (MPCP) under the KPPEC censored all films including foreign films.

Then, in 1995, public claims and the trend of neo-liberalisation led to government censorship of films to be ruled unconstitutional. As a result, the governmental censorship board was disbanded and replaced by the Media Ratings Board, which is made up of film critics, directors, lawyers, and others. Since then, the appointment of new board members has, to some extent, been made independent of the government, although this was still done in consultation with the Ministry of Culture and Tourism. The Korea Media Ratings Board (KMRB) has responsibility for assigning classifications to films, videos, computer games, and other media released for public viewing while the KBC does the same for TV contents. As seen above, government's

scale-down of restrictions had allowed more variety in themes of film than those of television, and the 'more liberal and more thrilling scenes' attracted more people to the cinema in the long term.

## **4.2 New Cultural Policy under Kim Dae-Jung Regime (1998-2002)**

Since the Kim Dae-jung regime, a big paradigm shift has occurred. President Kim pledged to build up key visions for the Korean cultural industry during his election campaign. Under his administration, the policies that directly affected cultural activities shifted from decades-old state control to greater autonomy. The key aspect of the government's cultural policy can be summed up as 'intervening in cultural affairs as little as possible and supporting them as much as possible.'

Most of all, the state rating system has long been blamed for violating the freedom of creation that the Constitution guarantees the public. Kim Dae-jung believed the value of cultural products should be judged not by the legal authorities or the government but by the market mechanism, the people's tacit

agreement or the social atmosphere (*Korea Herald*, Feb.26, 1998). Thus, a set of policies expected to impart momentum into the nation's cultural industries, which had previously been subject to strict state control, was implemented. A move was also made to privatise many state mechanisms that deliberate cultural contents such as movies, videos and comics. Consequently, a private autonomous organisation replaced the Korea Performance Art Promotion Association (KPAPA), which determined the classification of all films before they were shown to the public.

Likewise, along with the economic reform, President Kim Dae-Jung tried to end government control over the cultural sector. When it came to supporting the cultural industry, the government put into effect its first five-year plan in 1998 to build up its own culture industry. It increased the amount of the film promotion fund from \$13 million to \$50 million and offered full support to the animation industry and independent moviemakers.

Moreover, at the end of 1998, as film production moved from being categorised as a service industry to a manufacturing industry under standard industry classifications, it was possible for film producers to qualify for tax

breaks (*MBN*, Dec. 24, 1998). In addition, the government aided specific cultural areas by providing scholarships and equipment to many schools. The number of college departments dealing with careers in the area of culture has risen from almost none to 300 in 2004 (MCT, 2005). The second five-year plan (2002-2006) focuses on raising exports and building cross-cultural ties, including with Japan and China.

As for the TV industry, in line with fast growing high-speed Internet penetration and increased demand for cultural contents, the government also started to beef up the Internet broadcasting (webcasting) industry, which is an interactive communication platform with the advantages of being able to provide both broadcasting and telecommunication services. In April 2001, the Ministry of Information and Communication unveiled a five-year plan to boost webcasting with an investment of \$50 million aiming to develop efficient use of the Internet infrastructure as the next-generation information technology industry begins to emerge (*Korea Herald*, Dec. 3, 1999; April 10, 2001; March 1, 2001).

Moreover, aiming to transfer analogue TV to 100% digital over the country by

2010, the government promoted infrastructure investment among broadcasters by providing various financial support measures by 2005, pushing in particular for the early adoption of digital television. According to the plan, a favourable tax rate is adopted when importing foreign broadcasting equipment. In 2001, the Ministry of Information and Communication (MIC) eased import tariffs on digital television equipment to help broadcasters cope with high initial investment costs. The move came in conjunction with the commercial launch of land-based digital television.

#### 4.2.1 Korean Media Policy in the Context of Other Areas of Policy

How Korean cultural policy was formed and developed since the end of 1990s can be fully understood by placing media policy in the context of other areas of policy that have a direct bearing on the cultural industries. In the context of other areas of policy, there have been two specific policies which are involved in and have influenced Korean cultural industry, firstly, a policy to develop information technology (IT) as a new engine for Korean economic growth and secondly an export-driven economic policy.

Regarding the policy for IT, the Korean government began implementing

structural reforms in the mid-1990s. The Ministry of Information and Communications (MIC) has pursued a policy of building a high-speed telecommunication infrastructure as a foundation to build a “knowledge-based society”. The Korea Information Infrastructure (KII) was established and the Framework Act on Information Promotion was enacted in order to advance the nation’s IT infrastructure. Such reforms were driven by an economic and industrial shift from heavy industries such as automobile and ship production, which had dominated the economy in the 1970s and 1980s, to soft industries on basis of IT, BT (Biotechnology) and CT (Culture Technology).

The government injected \$ 10 billion into developing cutting-edge industries, such as information technology (IT), environment technology (ET) and cultural technology (CT) by 2005 (*Chosunilbo*, Nov. 29, 2001). Most of all, investment in IT has increased 25 times from US\$ 480 million in 1980 to US\$ 12.2 billion in 2000. More specifically, through the Cyber Korea 21 in 1999, a programme which was intended to accelerate IT development, the government provided US\$77 million in loans with preferential rates to facilities service providers (FSP). In 2000, an additional US\$77 million was provided in loans for suburban areas and another US\$926 million for the

rural areas was provided until 2005 in order to supply them with broadband connections.

Along with its investment funding, the government implemented various policies designed to increase internet use among the general population.

The government implemented what was known as the 'Ten Million People Internet Education' project, the purpose of which was to provide internet education to ten million people including workforce in IT industry (Ministry of Information and Technology, 2006). It provided internet literacy lessons to housewives, the elderly, military personnel, and farmers. Perhaps as a reflection of such initiatives, Korea has the highest proportion of the population in number of broadband users in the world as of 2006.

In this context, the cultural industry has been aggressively brought up to speed in order to provide contents for this developing and improving Internet infrastructure. That is to say, in order to develop and take advantage of IT infrastructure, it was necessary to develop an effective contents industry. Thus the content-creating capacity of the cultural industries had to be expanded and developed. Consequently, the cultural



industry has been developed in coordination with the IT industry and the telecommunication industry.

When it comes to economic policy, Korean policies towards the cultural industries were linked to the government's desire for an export-driven economy, as noted in previous chapters. Historically, much of Korean growth has derived from external trade, and this trend appears set to continue. Korea ranks the 12th in world trade. Exports in 2004 came to \$254 billion, representing 61.6 percent of the nation's gross domestic product. To boost Korea to a leading position among Asia's developed economies, Korea relies largely upon exports to fuel the impressive growth of its economy. The development of the cultural industries as a strategic core sector in the nation's pursuit of export-driven economy has thus been in accordance with and closely related to economic policy.

Following the Asian financial crisis, this export-driven policy was pushed forward more aggressively. The Kim Dae-jung government restructured industrial production by reviewing the potential of the products for export, stimulating competition and opening markets to attract foreign capital.

Under the popular catchphrase ‘Buying Korean’, these policies led to a restructuring of Korean conglomerates (*chaebols*), privatizing banks, and creating a more liberalized economy with a mechanism for bankrupt firms to exit the market. The Korean cultural market opening to Japanese pop culture can also be understood as part of this trend.

Accordingly, government policy towards the cultural industries has changed from the one of prohibition and control to one of opening and support. Such a policy reflects a belief that the cultural industries as integrally linked to the national economy. Thus cultural policy became an essential part of economic policy. Most of all, overseas export of popular TV dramas and films were encouraged because they were seen to have an uplifting effect on the national image and thereby also on the economic prospects of the entertainment industry and the tourism industry. The box-office success of a drama such as *Daejanggeum* demonstrated how the tourism industry and the entertainment industry could benefit each other. The steady growth of the Korean cultural industries has developed alongside the burgeoning IT industry and the export-driven economic

policy since the end of 1990s. These have been the key elements in Korea's economic growth.

The change from heavy industry to soft industry in industrial structure was expected rapidly to reduce the demand for unskilled workers while simultaneously increasing the demand for professional and technical manpower and creative workforce in soft industry including cultural industry. Industrial policymakers tried to facilitate this necessary upgrading by developing and coordinating cross-sectoral programs in the six key areas of education, R&D (Research and Development), labour, venture development, intellectual property protection and foreign direct investments. In tandem with the focused efforts to develop emerging technologies, government has continued to strengthen its industrial competitiveness by linking leading-edge information technology to the cultural industries.

In order to promote cultural industries by nurturing a creative labour market, the Ministry of Culture and Tourism (MCT) supported financial investment and training programs to provide the workforce with practical education. At the same time the government's Research and Development

(R&D) expenditures on IT rose from 3.6% (US\$ 3 billion) of its total budget in 1998 to 4.7% (US\$ 3.8 billion) in 2002. The number of researchers in science and technology has grown from 18,500 to 160,000 over the past two decades. The cultural industries have also increased investments in R&D and numbers of researchers.

With reflecting these efforts, according to National Statistics, the number of people employed in service industries such as entertainment, culture and leisure increased by 37.3% from 3.6 million in 2000 to 5 million in 2005. Meanwhile, for the same period, the number of people employed in the telecommunications industry increased by 45.3% while the numbers employed in manufacturing decreased by 1.4%.

One of the measures used to increase the creative workforce was a special MCT program designed for talented students, and delivered through institutions designated by the Ministry, such as Cultural Industry Academy and the Korean Academy of Film Arts. The Korean Academy of Film Arts is part of the Korean Film Commission and has as its objective the

cultivation of the human resources needed for the film industry and the provision of training programs for those engaged in the film industry.

	1998	1999	2000	2001	2002
College	265	904	1,584	2,451	3,787
Graduate School	0	0	0	0	0
Graduates	265	904	2,349	3,768	6,432
High School	0	0	0	0	726
Increase rate of New Employees	-	70.5%	61.7%	37.6%	39.4%
Number of New Employees	217	735	1,919	3,078	5,079
University	0	0	765	1317	1919

As above, through the MCT program, the 2001 government committed to train forty thousands experts in cultural industries such as game, animation, broadcasting and film by 2006. In 2005, the MCT created a graduate school in association with existing colleges to provide specialized programs in cultural technology (CT) and to develop skills and expertise in the export of cultural contents. These measures have been accompanied by rapid quantitative increases in human resources such as employees in cultural industry and cultural industry training programs.

Aside from the government's measures, various courses on Korean popular culture and on-the-job training for students in culture-related fields have been increasing in schools and institutions in the private and independent sectors. For example, as of the end of 2004, film-related department in Universities increased up to 35 across the nation. The increasing interest in the cultural industries among young students may reflect the positive change in the social and economic status of people working in the cultural industries in Korea. Moreover, in 2002 the cultural industries in Korea employed 102,000 people and were expected to employ 190,000 people in 2008 representing an annual growth rate of 10.9% (KDI Economic Outlook).

	Expected Employees		Year 2002- Year 2008	
	2002	2008	Increase	Increase Rate
Service	14,092	16,066	1,974	2.6%
Cultural Contents	102	190	88	10.9%
IT Manufacture	466	671	205	5.1%
Manufacture	4,241	4,208	-33	0%
Telecommunication	498	665	167	6.4%

### 4.2.2 Open Door Policy to Japanese Pop Culture

Due to Japan's past colonisation of Korea (1910-1945) and the brutal oppression of Korean culture at that time, Japanese pop culture was banned in Korea since 1945. Japanese films could only be screened at festivals such as the Pusan International Film Festival (PIFF). Such a longstanding ban reflects lingering resentment of Japanese colonial aggression and a consequent fear of Japanese influence on the Korean peninsula. However, this situation resulted in an extensive black market, which is believed by government and industry experts to distort the market for culture and exert a bad influence on the Korean youth. Thus, it took a long time for Koreans to be able to purchase copies of Japanese movies, animations, comic books, music, or computer games before a longstanding global trend of free trade agreements propelled the easing of this ban. Most of all, Korean cultural openness to Japanese mass culture was also, to some extent, intended to encourage a friendly mood towards Japan before holding the 2002 World Cup together.

Under this context, President Kim Dae-jung said in his inauguration speech of

1998, 'now that more than 50 years has passed since Korea's liberation from Japanese colonial rule, I think it would be possible to permit the introduction of Japanese culture. The ban has resulted in a flood of illegal substandard Japanese culture into Korea, which has had a negative impact on the nation's adolescents (*Korea Herald*, Feb. 26, 1998).' Kim's regime suggested a gradual lifting of the long-standing ban on Japanese culture, arguing that if the existing, strict restrictions were maintained, it would still infiltrate Korea, but through illicit and illegal channels. Thus, by adopting an open-door approach towards Japanese culture, Korean cultural policy made yet another big shift towards cultural globalisation. The process and issues of each measure of this market opening are as follows:

#### **A. FIRST-STAGE OPENING (OCT. 28, 1998)**

**TABLE 3. Products Included in the First Stage Opening to Japanese Culture**

- Grand prize winners from Cannes, Venice, Berlin or the Academy Awards Foreign Language Film Category
- Korean-Japanese co-productions (with the Korean side contributing at least 10%)
- Japanese actors and actresses permitted to act in Korean films
- Video releases permitted for all Japanese films which received a theatrical release

Following The Japanese Government expressed remorse for its history of



imperialism and apologised in an official document to Korea for the great pain and damage it had inflicted on Korea, President Kim Dae-jung and Japanese Prime Minister Keizo Obuchi made a joint declaration that would gradually dissolve Korean barriers to Japanese popular culture, ending a restriction that endured for more for than 50 years after the Japanese occupation had ended.

The first stage of opening allowed for a very limited range of films; only those that had been awarded the grand prize at three major film festivals or were winners of the Academy Awards' Best Foreign Language Film competition could be released. In the initial-stage opening, four Japanese feature films were released in Korea, but in business terms the strategy was a flop because these award-winning films were not commercial, and so had limited appeal (KOFIC 1999; *Korea Herald*, Oct. 22, 1998).

#### **B. SECOND-STAGE OPENING (SEPTEMBER 10, 1999)**

**TABLE 4. Products Included in the Second Stage Opening to Japanese Culture**

- Prize winners from one of 70 selected film festivals
- Films rated for general audiences by Korea's Media Ratings Board
- TV programmes, animation, pop music records and computer games remain prohibited.

The enlarged category in the second stage covered films rated appropriate for family viewing and those that won awards in some 70 international film festivals registered with the Federation Internationale des Associations de Producteurs de Films. Thanks to these new criteria, 124 Japanese films at that time qualified to be shown in Korea after being reviewed by The Korea Council for Performing Arts Promotion.

Japanese pop musicians and entertainers were allowed to perform at indoor venues with no more than 2,000 seats, which are still quite restricted, representing a small-scale performance. The opening sectors, which were not dealt in the second stage, included television programmes, pop music records and computer software games. Animated films, which had drawn a particular interest among Korean youth, were also banned, mainly in order to protect the local industry.

By the beginning of the year 2000, a considerable number of Japanese films were being shown in Korean theatres. All in all, in 2000, 25 Japanese features were released and captured an impressive 7.4% share of the local market (MCT, 2001). Some began to voice concern at this point about the burgeoning

popularity of Japanese features, although by this time Korean features were also performing well at the local box-office.

### **C. THIRD-STAGE OPENING (JUNE 27, 2000)**

The major new area covered was TV programmes, although the importable programmes were limited to sports, documentaries, and news. Meanwhile, cable TV and satellite networks could broadcast films awarded at international festivals or released in local theatres. Regarding films, as all films apart from adult-only films could be screened in local theatres, along with animations that had won prizes at renowned international film festivals. The initial expectation that the government would at least defend Korea against the highly competitive Japanese animation industry was overturned.

#### **TABLE 5. Products Included in the Third Stage Opening to Japanese Culture**

- Films rated by Korea's Media Ratings Board as 12+ or 15+
- Animated films awarded prizes at selected film festivals
- Films already granted theatrical release or those awarded prizes at selected film festivals or rated for general audiences granted access to cable and satellite TV
- TV programmes such as news, documentaries and sports on cable & satellite TV
- Cultural performances and publishing

The third stage opening was more abrupt and much wider in scale than many

observers had expected owing to the government's confidence on Korean cultural market. However, such confidence did not appear to be shared by many from the local industry, who were expressing anxiety over the relatively successful performances of Japanese products since 2000. To counter the damaging effect on the local industry and relieve such worries among the relevant local industries, the government decided to undertake a five-year plan devoted to strengthening the local entertainment industry and cultural infrastructure, thereby minimising the impacts of the market opening. Likewise, with the third phase of market opening to Japanese culture, the new changes were putting the local industries concerned on alert, although songs in Japanese, TV dramas and entertainment programmes were still prohibited. Japanese films had yet to deal a serious blow to the local business because the choice of distributors of Japanese films used to be very narrow since only G rated (General audience) movies were allowed at local theatres.

However, with the third step, Japanese films, home videos, publications and games began filtering into Korea, so the pressure has been steadily increasing with a series of blockbusters opening one after another. Further liberalisation was postponed in 2001 following a diplomatic row over Japanese school

textbooks that distorted history with an inaccurate portrayal of the colonial period, seen as an attempt to cover up past injustices. Moreover, the visit of Japanese Prime Minister Koizumi Junichiro to a shrine in which war criminals had been buried also caused anger in Korea. These political events led the Korean government to threaten indefinite suspension of the opening up of Korea's market to Japanese pop culture and the lifting of the ban was nearly derailed.

#### **D. FOURTH-STAGE OPENING (JANUARY 1, 2004)**

In January 2004, almost all restrictions on the import of Japanese culture were lifted as newly elected Korean President Roh Moo-hyun pledged to open the country's market wider to Japanese popular culture in the summit talk on June 7, 2003. Actually, by early 2002, there had been a conscious effort at developing better relations before the co-hosting of the Korea-Japan World Cup and the exchange in popular culture had risen sharply.

#### **TABLE 6. Products Included in the Fourth Stage Opening to Japanese Culture**

- TV programmes such as news, documentaries and sports on network TV and all programmes including soap operas on cable TV
- Full opening for music including songs in Japanese lyrics and for games in original Japanese version
- All films including films rated as 18+ by Korea's Media Ratings Board
- Animated films awarded prizes at selected film festivals

With the fourth phase market-opening to Japanese culture, Japanese products were expected to flood the local market. The most affected sectors were pop music, films and animation, where Japanese products have already secured a large fan base among young people in Korea. As the ban on films for adults and songs with Japanese lyrics were lifted, all Japanese films and songs can now be legally released in Korea. However, the ban on TV programmes and animated films was only partly lifted, as their potential influence on the local industry was thought to be too great and harmful to domestic competition.

Although it was political and diplomatic motives that led to the opening up of the Korean market to Japanese culture, through this process, the Korean government changed its attitude to not only to Japan but also to the role of cultural policy. It made a plan to open its market throwing away a protectionism-only policy. In advance of its market opening, it supported and restructured each sector to prepare for Japanese competition at the same time.

#### 4.2.3 BIT vs. Quota

As previously mentioned the screen quota system has been controversial for some decades and is still an ongoing issue. Actually, the screen quota system

was first introduced in Korea in 1967 but existed in name only with many theatres ignoring it and opting to pay the inconsequential fines instead. In fact, it was a dead letter up until the establishment of the coalition in 1993, when thanks to the so-called Screen Quota Watchers, and their lobbying efforts, the screen quota policy began to be enforced. Before around 2000, when the Korean film industry was in the doldrums, it was deemed necessary to protect the screen quota system. However these days with the renaissance of Korean films, the question as to whether this mechanism is actually needed has become even more controversial (*Korea Herald*, July 1, 2004).

With local market share for 2003 at 49.4% (KOFIC, 2003), many theatres regularly exceed their quota requirements. Thus, the need to protect them through a quota system has diminished. In this context, as President Roh Moo-hyun hinted at with his comments during a visit to APEC in October 2003, the debate over the screen quota system has arisen again. He termed the situation a crisis and tried to persuade people in the cultural industry to come to an agreement. The change of the Roh regime's position regarding screen quotas is mainly due to economic interests, in relation in particular to the Bilateral Investment Treaty (BIT) with the U.S., which, according to some experts, may

bring some \$4 billion in foreign investment to Korea. The BIT, which is expected to attract more foreign capital and boost the economy, was initially discussed in 1998 right after the economic crisis in Korea. However, as the U.S. demanded the scrapping of the quota system as a prerequisite for any deal at the urging of the Motion Picture Association, a lobby group of American film companies, the BIT could not be ratified.

Korea has an export-driven economy. The auto industry, which accounted for some 12 percent of total exports in 2003, has been a major driving force behind Korea's export market for long time. The United States' auto market has been Korea's largest car export market, accounting for 48 percent of Korea's auto exports in 2003 (*Korea Times*, Feb. 16, 2004). It was well-known that the reason the government changed its strict position from strong protection to market opening to U.S. film distributors in 1987 was mainly because it could not risk Korean car exports to the U.S. auto market. Consequently, for the nation's economic interest and regardless of cultural sovereignty or cultural diversity, the film industry was suddenly opened up without any preparation despite the fact that an open-door policy represents an irreversible trend. Now around two decades later, the situation is the same but



this time Korean government prepared to boost cultural industry with cultural policy.

As seen above, this whole situation is quite similar to that of the skirmish between the Korean film industry and the U.S. in 1988 regarding the direct distribution of U.S. films to Korea. One difference now is that Korean film industry is experiencing a boom, which could in fact work against the Korean film industry in the current dispute. Korean filmmakers and actors have been strongly opposed to reducing or scrapping the quota, as they believe it has been instrumental in the domestic cinema renaissance and any reduction in the system will provide a serious blow to film investment and the long-term health of the industry (Kim, Hyoungjun interviewed in Nov. 2004, Kim Sohee interviewed in Oct. 2004 and Lee Jae-Jin interviewed in Dec. 2004).

We need, therefore, to take a closer look at the agenda of each side (protectionism vs. free trade) in the discussions on screen quotas. First, one rationale against the quota system implies that the domestic film market, worth an estimated \$500 million annually (MCT, 2002), should make concessions for a treaty that may boost the economy by eight times that

amount. Kwon Tae-shin, deputy finance minister, pushed to remove the country's remaining barriers to foreign goods and services as part of efforts to liberalise Asia's third-largest economy. He stresses the fact that the Doha round of international trade negotiations provided an opportunity for Korea to take further steps towards liberalisation.

During an interview with the *Financial Times*, Mr Kwon argued that Korea has no option but to open its markets and do business with foreign companies. Korea has opened most of its markets to foreign goods since the country's 1997 financial crisis but foreign access to Korea's service and agricultural markets remains limited. Mr Kwon pointed to the U.K. as an example of a country that had prospered by opening its economy. Drawing a parallel with the Wimbledon Tennis Championship, he put emphasis on the fact that 'most foreign banks in London were foreign-owned but the UK enjoyed the benefit of their investment in the city. The UK hosts Wimbledon but the champion is always from overseas. You never see a British champion of Wimbledon but Britain gets the benefit from hosting the tournament' (*Financial Times*, Aug. 12, 2003).

However, on the other side of the discussion, it is worth noting the argument for protectionism. As Chomsky pointed out ‘the effect of state intervention in the economy are much underestimated in standard accounts, which focus narrowly on such special cases as protectionism. Even in history of American economy, which stands for free market doctrine, government intervention has existed and is still going on’ (1999: 362). He took an example for this that when American economy turned to Great Depression, ‘business leaders were aware that advanced industry cannot satisfactorily exist in a pure, competitive, unsubsidized, ‘free enterprise’ economy and that the government is their only possible saviour’ (Ibid., 364).

Second, it has been suggested by others, such as the Korean Fair Trade Commission (FTC), that, as the current screen quota system is a regulation that impedes fair market competition, the film market should adopt the principle of free market competition. In a study of the Korean Institute for Industrial Economics and Trade (KIET), economist Oh Jung-il argues that the screen quota system is not benefiting the Korean movie industry significantly and the recent boom in Korean films is not related to screen quotas (Oh, Jung-il, 2003).

Rather, he claims that the free trade of foreign films and a competitive production and distribution system are the reasons behind the success of the local film industry. According to the KIET, Spain is one of the few remaining countries with a strict screen quota system in Europe, but Spanish films only take 13.7 percent of the Spanish market. Japanese films, which are not affected by screen quotas, capture 27 percent of Japanese market. Oh also added that Mexico's failure to protect its movie industry was not because it repealed the screen quota system but because the financial crisis of 1994 weakened its film industry (ibid.).

Third, it is claimed that the competitiveness of Korean films has improved significantly and that the industry is viable without such legal protective measures, citing the fact that Korean films' domestic market share has been hovering above 40 percent level for three consecutive years since 2001. The Ministry of Foreign Affairs and Trade (MOFAT) said it would not represent a major problem to reduce the compulsory Korean movie showing days from the current 146 days to 73 per year, a move that U.S. trade officials are pushing for in the final stages of negotiations on a South Korea-U.S. bilateral investment treaty.

On the contrary, the reasons that supporters of the quota system believe it should be preserved are as follows. First, the screen quota system acts as a Maginot line, protecting cultural diversity. As all other aspects of domestic filmmaking, including production, import, distribution and screening, are completely open, the reduction or abolition of screen quotas would lead to the dominance of U.S. films in the local market causing Korean moviegoers to see a less diverse range of films.

Moreover, the evidence to suggest that a BIT will lead to an investment of \$4 billion (Oh, Jung-il 2003) is not definite. Even if the deal was worth as much as some experts predict, the country should not sacrifice its domestic film industry, which is Korea's industry of the future. Pierre Rissient, a film director who is an advisor for the Cannes Film Festival, asserts that the Korean film industry's marvellous progress should not be reversed by reducing or scrapping the screen quota system, citing the collapse of the Indonesian and Taiwanese film industries as examples (*Korea Times*, June 17, 2003).

From this perspective, the former Minister of Culture and Tourism, Lee Chang-dong (2005), argues that the quota issue is a cultural one, so it should

be kept separate from the economic treaty negotiations. Lee, a former film director, has continuously insisted that the quota system remain unchanged despite U.S. pressure, comparing Hollywood movies to a 'Dinosaur' that destroys the ecosystem. He argues that devising a method that counters the huge distribution and marketing advantage Hollywood companies have is a global issue and screen quotas may be an alternative to this. Thus, maintaining the screen quota system has contributed to the remarkable diversity of films available to viewers in Korea (ibid.).

Second, although Korean films have gained a larger following, supporters claim that they still will not be able to compete with Hollywood films, which account for 80 percent of the world's film market. Thus, it is claimed to be unfair that the BIT is to put Korean films on the same competitive plane with the U.S. directors and producers. Director and producer Kang Woo-suk emphasises that the Korean film market, in which Korean companies do not play a dominant role, would not be able to suddenly change from shoestring industry to sustainable industry with its own stable and healthy infrastructure. He refuted the suggestion that if the market share of Korean films passes the 50% mark for 5 years continuously, then it would be reasonable to discuss

reduction of screen quotas (*Maeil Business Newspaper*, Feb. 11, 2004). Film industry representatives also broadly agree with this, predicting a severe blow to the development of the film industry if the quota system is removed. Kim Mee Hyun (2003), policy researcher in KOFIC, argues that it is still premature to reduce the screen quota for local films.

Third, it is argued that the guarantee of a certain number of screenings has made domestic companies willing to invest more at the production level and has raised the overall quality of Korean films. Along with other factors, it is said that this accounted for the increase in market share for domestic films from 15.9 percent in 1993 to more than 40 percent at present. It is certain that today is the golden age of Korean film. However, it is not a guaranteed fact that this will continue. Korean directors have made many splendid movies on the back of heavy investment.

However, if a distributor is not interested, it will inevitably fail. Korean distributors are prone to focus on short-term returns, which is not helpful to the genuine development of the Korean movie industry. Local cinemas are more concerned with proven foreign box office hits, so it is easier and safer to

run Hollywood movies. Producer Jonathon Kim also feels 'Korean films would otherwise be crushed by the Hollywood machine' (Interviewed in Nov. 2004).

Up until now, we have seen issues of cultural policy and the process of its implementation since the Kim Dae-jung administration. As seen above, since the Kim Dae-jung regime, the Korean cultural industry has undergone a series of substantial changes in policy in the name of liberalisation. TV and film policies in Korea have given priority to economic and political interests over cultural ones.

To examine the government's objective for cultural policy in this context, it is worth referring to President Kim Dae-jung's inaugural speech (*Korea Herald*, Feb. 26, 1998). In his speech, he emphasised that it was necessary to 'pour the nation's energy into globalising Korean culture so as to keep expanding trade, investment, tourism and cultural exchanges in order to make our way in the age of boundless competition, which will take place against a backdrop of cooperation' (ibid.). Here, the basic rationale lay in the conception that 'culture is one of the rising industries of the 21st century and unique cultural commodities are a treasure trove for which a limitless market is awaiting'



(ibid.).

Accordingly, he pledged to aggressively nurture the development of the cultural industry. He kept his word. With the current boom in Korean pop culture in Asia, it is widely conceived that the widespread success of a cultural product can be compared to the annual sales output of a decent business corporation. For example, the Korean singer BoA as a cultural product has earned over \$1 billion in Japan alone on the back of her 15 releases, two regular albums, nine singles and three special albums (*Korea Herald*, 2004, Jan. 7; Feb. 7).

Likewise, Kim thought of the cultural industry a driving force for economic development in tandem with Internet technology. This was confirmed around three years later in another address entitled 'Let Us Forge Our Future Through Reform and Harmony,' to mark the 56th anniversary of Korea's liberation from Japanese colonial rule on August 15, 2001.

*We are now living in an age of limitless competition. The only way to safeguard our survival is to continue reform and maintain a healthy economy. In this way, we will also be able to get out of the slump in exports. In the past, we depended mainly on semi-conductors, shipbuilding, automobiles, iron and steel and textiles for exports. But in the future, we must develop such next-generation growth industries as IT, bioengineering, cultural content (my italics), environmental technology and nano technology in parallel. .... The 21st century will also be an age of the*

*culture industry. Right now, a 'Korean boom' is sweeping China, Vietnam and other Southeast Asian countries. Taking this as an opportunity, we will push the development of the culture industry, which is known as an industry without smokestack (my italics). The Government contributed to efforts to improve our nation's image abroad and the earnings of our citizens by preparing the World Cup in 2002 and the Busan Asian Games well (Maeil Business Newspaper, Aug. 15, 2001).*

According to the Cultural Contents Promotion Institution, the animation market has already surpassed the shipbuilding industry in output, and is also expected to have surpassed the semiconductor market by 2005 (MCT, 2004). However, Korea has only a 1.5 percent share of the world's cultural contents market. President Suh, Byoung-moon of the Korea Culture & Content Agency (KOCCA) estimated that annual income per capita would reach \$20,000 if only the figure of Korea's share of the global cultural contents market went up to 5 percent (*Korea Times*, Sep. 13, 2003). Thus, Korean cultural policy was and is still designed with more economic and even political objectives in mind than cultural ones per se.

In this respect, the introduction of digital TV is another example. In 2000, the then senior presidential secretary for economic affairs Kang Bong-kyun's comment on the introduction of digital TV reveals government thinking on the matter. He said that 'although there has been opposition to the early start of

digital TV broadcasts from broadcasting circles, it should start in 2001 at the latest, timed with the plans of the United States and Japan' (*Hanguere*, 2000). Kang asserted that Korea is 10 years behind Taiwan in colour TV broadcasting due to political conflict and, as a result, trails Taiwan in colour TV set exports. In his opinion, the faster adoption of digital broadcasting would have a positive impact on the nation's economy, given the fact that domestic set-top box manufacturers and digital TV makers would have a better chance of increasing the export volume of the products.

With regard to the Korea-Japan World Cup in 2002, it was, needless to say, a golden opportunity to present Korea's standing in the high-tech broadcasting arena. When it came to the 2002 World-Cup, Korea did not miss its chance to boost the economy by way of sales of digital TVs and facilities. Despite lingering scepticism over the World Cup-induced economic boom, the tournament was big bonus for domestic consumer electronics makers such as Samsung and LG Electronics in sales of digital TVs. Additionally, the government and digital satellite broadcaster Skylife launched trial operations of interactive data broadcasting services, which is an essential step toward

complete digital satellite broadcasting, thereby making the most of the event in order to boost consumer interest in digital TV.

In policy-making in general in Korea, when the government decides to boost or support specific sectors, it is estimated in advance that these industries, using the government support, would create certain volume of revenue and new jobs. This trend of policy-making has been applied to cultural policy as well. For example, the introduction of digital television was pushed by the government and the media sector because it was expected to cause a production generation effect of around \$11 billion in the broadcasting equipment and the broadcasting services industries, exporting \$30 billion in digital TV equipment with a net trade surplus of \$19 billion over the five years from 2001.

In terms of employment, it was predicted that 173,000 new positions would open in the broadcast engineering and digital broadcasting sectors. Under the trend of liberalisation, in the rationale of cultural policy, economic concerns have priority over cultural ones. The move from quota system to BIT reflects a belief that an unregulated market will serve Korea's economic interests

better than protectionism. Even opponents accept this economic rationale, defending the quota as a means to protect the economic health of Korea's film industry, not as a means of protecting Korean film culture.

When it comes to the impacts of opening the market to Japanese cultural products, these have not been as big as expected and indeed somewhat lukewarm, as briefly mentioned in the previous section. After the third stage of the Korean open door policy to Japanese pop culture, such worries as seen above have been relieved mainly because the level of import has not much increased. As for films, the Japanese films that began to be released in Korean theatres in limited numbers from 1998 have not yet had a serious impact on the local industry.

In the first stage of opening the market, Japanese films gained just 3 per cent of the South Korean market, suggesting that Japanese media companies could find it difficult to exploit the new opportunities in Asia's third-largest economy. As the Japanese films which could be shown in Korea were limited to those awarded top prizes at Cannes, Venice or Berlin, the impact was very minimal at the box office, in contrast to the press frenzy and worries from within the film industry. This was mainly because those films were more art

movies than popular ones.

Furthermore, generally, there has been an apparent waning of interest in Japanese features since the first and second opening, although much of this is likely due to the particular features which were released. Another persuasive reason for the lukewarm effect of Japanese cultural products was that many Japanese products, particularly animations, pop songs and comics, have already been available illegally, so many young people, who are most keen to access Japanese pop culture, have long since seen most of the products that were released since official market opening. Therefore, official market opening did not lead to a drastic flood of Japanese cultural products yet.

However, as nearly all Japanese films could be released in Korea after the third measure of opening, Japanese films were able to gain more market share than before. Around the year 2000, a series of Japanese blockbusters, such as *Ring2*, *Godzilla 2000*, and international director Hayao Miyazaki's massive hit animations *Nausicaa* and *Princess Mononoke*, were rushed to release in Korea. In 2002 in particular, as *Spirited Away* gained success, Japanese films won back a more substantial share of the market, and in 2003 a more balanced

success was achieved. Likewise, Japanese cultural products in general are not sweeping across the Korean Peninsula, as was previously feared, but are expanding their impact by a process of gradual market integration.

As for the TV industry, since the Kim Dae-jung regime, liberalisation and the deregulation of the TV market have become key words for preparing for the new information age. Though the Korean TV industry still operates in a protected media landscape because of Korea's long monopolistic government system and despite its role as public sphere to safeguard the plurality of voices and national identity, it is also changing. In the case of foreign ownership under the new Integrated Broadcasting Act, restrictions have been gradually reduced. For example, for cable operators, satellite operators and programme providers (excluding the comprehensive programming channels and the specialised programme news providers), investment or contribution of property by foreigners is allowed up to 33% of the total stocks or equity shares of the relevant corporation. Regarding network operators, foreigners may own up to 49% of the total stocks or equity shares of the relevant corporation, while foreign investment in terrestrial broadcasters is prohibited.

In relation to widening foreign broadcast services, the new Act establishes a new regulatory framework for foreign channel retransmission, stating that cable and satellite operators are permitted to receive and retransmit foreign channels with authorisation from the KBC. In March 2001, the KBC allowed the Korean language subtitling of the foreign channels' programmes in the viewers' interest. However, the re-transmission of the Korean-dubbed programmes on foreign channels is prohibited. As for foreign channel retransmission, the law states that the number of channels assigned to foreign channels shall not exceed the rate of 10 percent of the total operating channels. Accordingly, the available channel capacity of the cable and satellite carriers for foreign channels varies from four to eight.

With the government's encouragement and the softening of regulations on foreign investment since Kim Dae-jung regime, international media agencies have aggressively entered the local market by forming strategic alliances, share purchases and acquisition. Under this trend, the content industry is adapting itself to the multi-channel and multi-media era and so globalisation is accelerating. Foreign firms have been tapping into the lucrative content market in Korea. In 2002, the local media content market, including



broadcasting, game software, recorded music, animation and movies, currently amounts to \$12 billion a year (Sim, 2002).

The content business is witnessing a large expansion in demand for entertainment in line with the development of technology and changes in lifestyle. The SERI report pinpoints that AOL Time Warner, the world's largest media group, has stepped up its marketing in Korea, distributing everything from movies to toys to books. Movie cable channel HBO has also gained in popularity in the local cable market through its partnership with local cable giant On Media. Walt Disney is reportedly considering entering the domestic animation market under a strategy to jumpstart the animation market in Asia. Its sporting channel ESPN has already built up a successful partnership with local terrestrial network MBC.

The French media giant Vivendi Universal is striving to strengthen its leading status in the nation's online game market on the back of the outstanding popularity of *StarCraft* among Korean online games, which was developed by its affiliate Blizzard Entertainment. News Corporation, the Australian owner of the satellite channel STAR TV, looked into the local digital broadcasting

sector as its first step into the market, although this move was ultimately unsuccessful. Sony and Microsoft are rivalling for the local game console market.

### **Conclusion**

As seen above, market opening has had various impacts on Korean society since the end of 1990. In particular, it led to the liberalisation of the Korean cultural industry, not only internally but also externally. How has this change taken place? The major factor to consider here is probably that cultural globalisation, as it has elsewhere, has swept over South Korea. This, no doubt, has to do with the recent opening of the country's domestic market.

Up until 1988, the screening of movies from Hollywood or Hong Kong had always been controlled and limited by the government. However, the 1988 Seoul Olympics, as seen above, brought about a major transformation in the Korean film industry. The government tried to open those markets to cope with the trend of liberalisation through mega-events such as the Olympics and the World Cup. As import restrictions on foreign films were lifted following

Hollywood direct distribution, for the first time, Korean films had to compete directly with Hollywood releases.

Since Hollywood majors were allowed to distribute their films directly into Korea in 1987, Korean cultural policy has been changed, moving the industry away from a system strictly controlled by the government to a gradually liberalised one. In 1988, after U.S. film companies won the right to direct distribution, the Korean government intensified the screen quota system, which legally required Korean film exhibition from 121 to 146 days a year to safeguard against the dominance of Hollywood films. The Seoul Olympics and the Korea-Japan World Cup had a significant influence on Korean cultural policy as well as on the economy and society in line with Roche's (2000: 7) argument that mega-events such as the Olympics and Expo have been one of the main vehicles of cultural globalisation.

In this context, the screen quota system can be considered a critical tool to help understand how Korean cultural policy has responded to pressure from outside and illustrate the politics of liberalisation and protectionist policy. Recently, as the debate has grown more serious after the government moved

to remove the screen quota system, Korea seems to have become an arena of collision between two ideologies, free market versus protection, or economy versus culture. As for TV, the ownership of MBC under government control was given over to public committee and shortly later a commercial TV network was established.

In the last decade, Korea like other developing countries has come to taste the severity of the changed conditions of international trade. With the outbreak of a foreign currency crisis in 1997, there was a turnaround in circumstances so that Kim Dae-jung's new government could implement neo-liberal policies in almost every sector of Korean society. This meant, among other things, that Korea now had to remove tariff barriers and find its competitive leverage somewhere else. Such neo-liberal policies as the restructuring of corporations, the privatisation of the public sector, the opening of financial markets, and the flexibilisation of the labour market soon followed, fundamentally affecting Korean society (*Korea Times*, Feb. 21, 2001).

Most of all, as many Koreans had been worrying about by-products such as the import of violent or obscene material and the devastation of the Korean

cultural industry, the government made an effort to minimise the impact of market opening on the local industry. For example, Korean law still allows for the assessment of Japanese products such as the screening of a film or a concert, to make sure they are presentable to an audience.

Especially, when it comes to the film and animation industries, the government has fostered film making as a venture industry since 1998, intensified training programmes for young filmmakers, and helped release Korean movies in foreign markets. In this regard, economic opening did not have to mean cultural opening. While encouraging economic liberalisation, the Korean government held back from social liberalisation, retaining strict moral controls. Korean 'opening' under Kim (unlike previously) was carefully controlled and negative consequences were anticipated and addressed.

Likewise, opening the market has consequently compelled the government to realign and intensify the industrial infrastructure of the TV and film industries with urgent necessity. The Korean TV and film industries in particular have evolved dramatically since the Kim Dae-jung regime. However, during that period, market opening was quite different from that before Kim Dae-jung

regime because the government perspective on the cultural industry had changed a great deal, and certainly to the benefit of the industry. Under Kim's regime, the cultural industry became a driving engine for boosting the Korean economy.

To be sure, market opening represented a big threat for those local industries concerned but at the same time provided considerable momentum for the realignment of the local industry and the building of a sustainable industry infrastructure. Removal of barriers to Japanese culture would be surely an important symbolic step towards favourable relations between Korea and Japan. However, it was completely political and economic matter, as we have seen. Again the rationale is economic development, not cultural development or protection.

The aforementioned adoption of new media such as digital TV will certainly benefit the consumer, but is intended primarily to increase Korea's share of that particular market. That is why, in recent times, most governments have been rushing to introduce and expand digital television in their countries. Consequently, in practice, Korean cultural policy and the cultural industry

appear driven more by economic or political interests than by a need to protect Korean culture.

Likewise, the government made efforts not only to minimise the potential dangers of market opening but also to make the most of it as a big opportunity to elaborate aggressive strategies for attracting foreign investment. The Korean government's decision in this regard also reflects its confidence that the thriving Korean cultural industry has become strong enough to survive increased competition and can even benefit from new ideas imported from Japan and the U.S.

**PART III. ANALYSIS: RETHINKING  
CULTURAL POLICY IN PERIPHERY**



## CHAPTER 5. WHAT MADE 'HANRYU' POSSIBLE?

The previous chapter introduced in broad brushstrokes the historical development and policy changes in the TV and film industries, highlighting the challenges and responses in each sector in the name of neo-liberalisation under globalisation. Based on that overview, this chapter is going to move on to analyse how Korea, which has been a heavy importer of cultural products for a long time, could become a rising exporter, especially to other Asian countries. Taking this further, this chapter is divided into two sections which will look at the external and internal factors in the Korean wave, Hanryu. The main factors that made Hanryu possible will be examined in the context of both sets of factors. Through this, I believe this chapter will provide us with an historical analysis of how the 'Hermit Kingdom' has been changed from a post-colony which used to passively receive other cultures to a rising regional player, producing highly globalised cultural products.

The first section on external factors contributing to Hanryu consists of three sub-sections, namely cultural similarity, Asian economic expansion and global capitalism, and consumer culture. In the second section, the internal factors

which have played a role in Hanryu will be examined in the context of an analysis of the Korean domestic situation. This analysis is mainly based on interviews that were conducted with leading figures in the Korean TV and film industries, mainly from August 2003 to mid-2005, as mentioned in the introduction to this thesis (see Appendices for interviewee list). In addition, some theoretical reflections on the internal and external factors in the rise of Hanryu will be suggested. Why has the sudden popularity of Korean films, TV dramas and music occurred in Asian countries in recent times? Experts and leaders in this field are diverse in their opinions but do agree to some extent. Based on the analysis of interviews, data and literature reviews, this chapter concludes with three main external factors as outlined in the following sections.

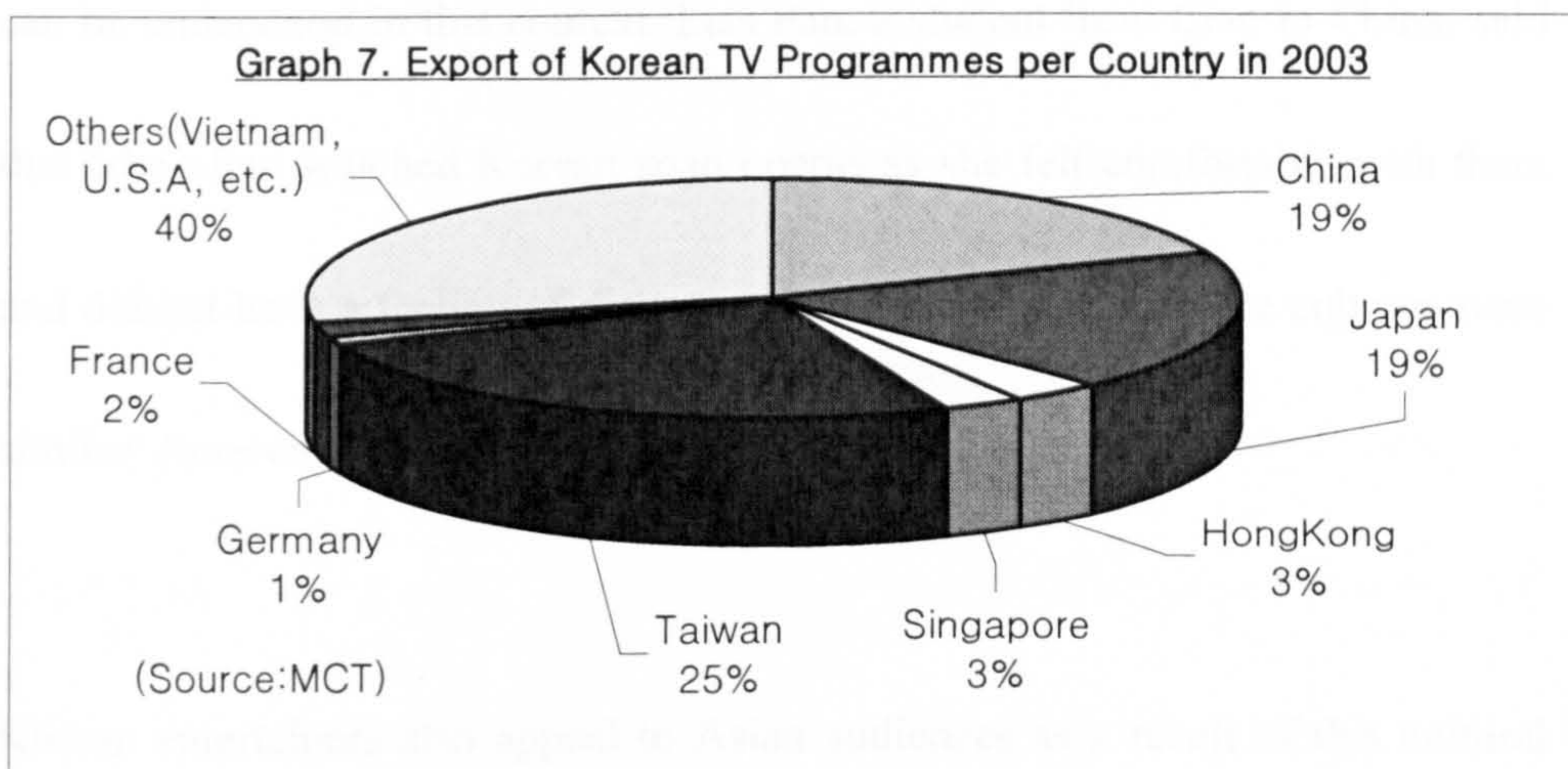
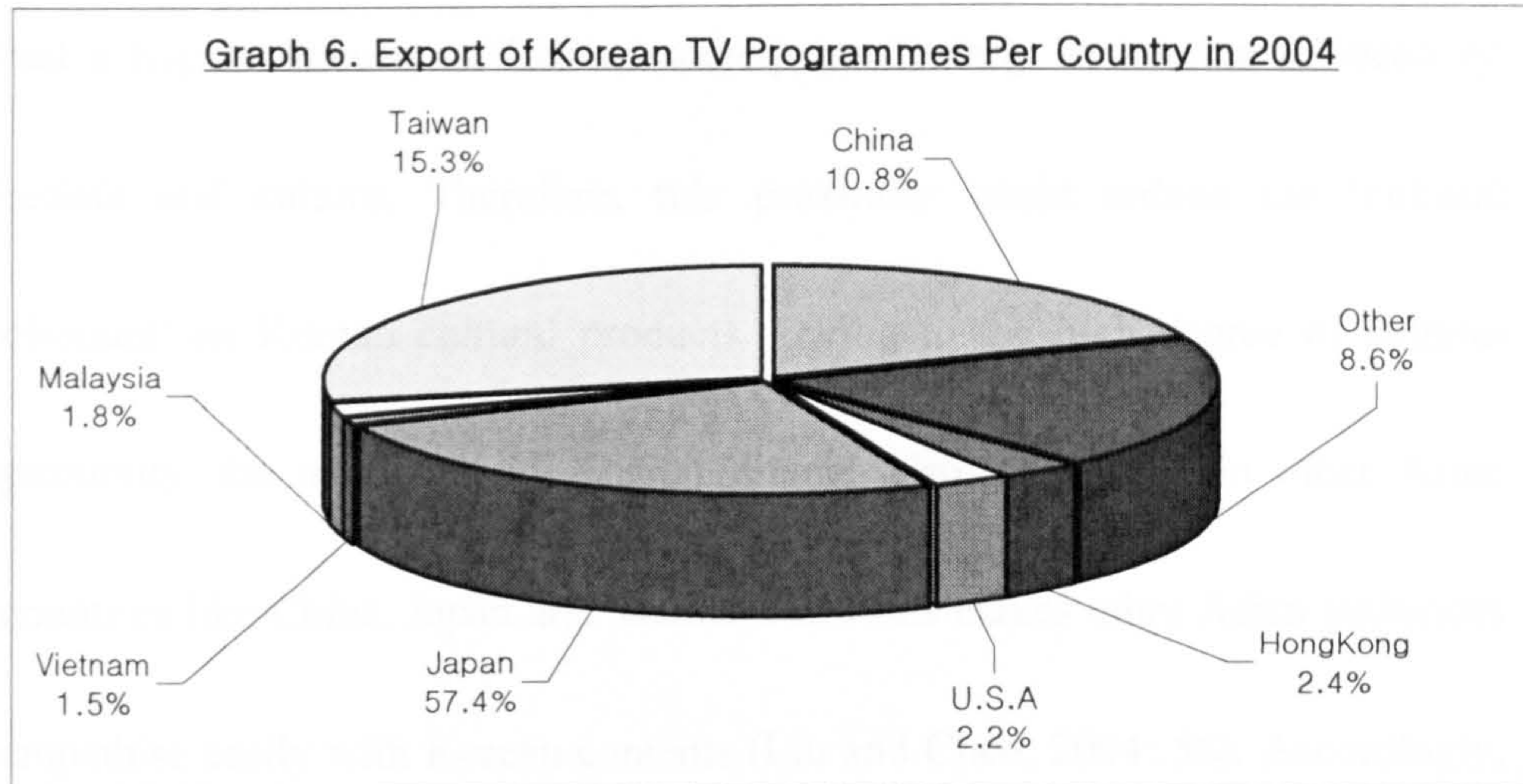
## **5.1 External Factors behind 'HANRYU'**

### **5.1.1 Cultural Similarity**

It can be argued that under globalisation cultural difference is disappearing and that populations everywhere are increasingly subjected to the same global culture as markets and industries become more intensely connected in the process of globalisation, as mentioned earlier. This view is correct in some

senses but again, I should say, seems quite controversial because we still have our own national traditions and specific ethos, which make us different from other peoples and makes the world variegated. While American products undoubtedly have significant worldwide distribution, they fail to prevail in markets where strong local content is available. As mentioned in chapter one, there is ample evidence to demonstrate viewer preference for local programmes, showing that national audiences usually prefer television programmes produced nationally or in the national language to imported programmes (Moran: 1996; Becker and Shoenbeck 1989; Ferguson 1992; and Silj 1988).

In Korea, particularly since the 1990s, programmes directly imported from the USA have not worked as well as in other countries, with a few occasional exceptions. In this context, parallel logic then suggests that local audiences tend to be more attracted to cultural products that are quite similar to their own over unfamiliar ones. This suggests that Korean TV dramas and films have been popular in the Asian region as opposed to other continents such as America and Europe because Asian people feel closer to Korean culture than to Western and to some extent Japanese culture.



In the case of China in particular, Korea is geographically very close to China and the two countries have a long history of cultural exchange. For example, Chinese characters were introduced and used before the Korean King Sejong invented the unique Korean system of writing, Hangeul. With the Chinese character system, Confucianism was also delivered into Korea and these two

had a huge influence on Korean society, particularly in relation to ideology, beliefs and culture. Therefore, this proximity could reduce the 'cultural discount' on Korean cultural products. Owing to the high degree of cultural proximity, the narratives of Korean dramas also reflect life in other Asian countries like China, Japan and Thailand and this makes other Asian audiences empathise easily with Korean contents (Liu and Chen, 2004: 58). Accordingly, the recent Korean boom in Asian countries such as China, Japan and Taiwan can be understood in this context. Lisa Fan, a student from Cian in China, said that 'she often watched Korean soap operas as she felt comfortable with them and did not have a feeling of distance, since Korean and Chinese cultures were similar' (interviewed in Nov. 2003).

Korean entertainers also appeal to Asian audiences as a result of this cultural familiarity, as well as having a similar appearance. The Korean singer BoA, who is at the forefront of Hanryu in Japan, is a representative case. When she debuted in Japan several years ago, Japanese audiences found her familiar because her appearance is similar to that of Japanese people and she speaks fluent Japanese. Since her debut, BoA has topped the Oricon singles chart, the Japanese version of the Billboard singles chart, and the album charts several

times since 2002. This made her the first singer from outside of Japan to reach number one on the chart, having outsold Mariah Carey in album sales in Japan for the past two years (*Korea Times*, March 1, 2005).

Moreover, with this regional popularity, she became a new sneaker model for the Asian market in Japan, replacing Britney Spears as a result of a 'glocal' marketing strategy. Even now, some Japanese people still think she is Japanese. Her popularity shows that an Asian star can appeal more to Asian audiences than Western superstars because their appearance and cultural background are more familiar. This can also appeal especially to older generations of Asian consumers who tend to feel unfamiliarity with Western culture and Western stars (BBC News, Nov. 14, 2002; *Korea Times*, March 11, 2004). Some Korean stars such as Bae Yong-Jun, Kim Hee-sun, Jang Dong-gun, and Won Bin are even more popular than Hollywood superstars in some Asian countries and their fans are not limited to teenagers but are popular across a broad range of age groups (*Newsweek*, May 3, 2004).

In this respect, Prof. Yun Hong of Qinghua University in Beijing said that 'Chinese tend not to directly adopt culture from the West due to cultural

differences but they can easily embrace Korean pop culture, as it combines Asia and the West' (*New York Times*, February 22, 2004). Jerry Hsiao (29), an IT contents developer, also agrees that 'Taiwanese people feel distant from Americans, who have different skin colours, and have a kind of antagonistic feeling toward Japanese people' (Interviewed in Oct. 2003). Likewise, Korean culture is not viewed as threatening when compared with Western culture because of cultural similarity, and is more eagerly received than Japanese products because of Japanese colonialism in Asia.

In short, the cultural similarity between Korea and other Asian countries has worked in favour of the recent surge of Hanryu in Asia, reducing cultural discount on Korean soap operas and films. Likewise, Korea's experience under colonisation becomes a new source of cultural resonance and strength. Thus, cultural similarity outweighs political difference. In particular, both the relationship between Japan and Korea and cultural policy on opening has changed from one-way flow to two-way flow and from emphasis on culture to emphasis on economy and diplomacy. Therefore, how Korea has internalised Western and Japanese influences through a kind of 'reverse flow' will be highlighted in the next chapter.

### 5.1.2 Asian Economic Growth and the Media Boom

At the beginning of the 1990s, Asia experienced the rapid development and opening up of its economies. The rise of the Asian economies has had a critical impact on the exchange of cultural products in the peripheries over the last decade. Satellite in particular is at the forefront of abolishing distance and allowing the linking of remote territories into new viewing communities. Thus, the advent of multi-channelling and the convergence of delivery platforms on a global scale have increased the demand for content and diversified the platforms by which content is distributed and accessed. Simply speaking, the increase in the number of channels means an increase in contents demand.

Therefore, with the inception of industry outlets such as cable TV, pay TV and satellites in developing countries, U.S. TV programmes and films are needed, and at the same time, there is a demand for programmes from new sources in other regional centres. The demand from Asian countries for contents from Hong Kong and Japan is a case in point. Recently, Korea has also joined this trend as contents provider in Asia, leading to the creation of a new term, Hanryu. Thus, to make matters short, it can be argued that Hanryu resulted partly from the Asian multimedia boom, underway since the 1990s. Furthermore, the



president of KOCCA (Korea Culture & Contents Agency), Byungmoon Suh, points out that the increase in demand for cultural content has expanded information infrastructures and helped the rapid growth of the Internet and mobile communications, which are the two major factors enabling Korea to become an emerging cultural powerhouse (*Korea Times*, Sep. 13, 2003).

According to data from Liu and Chen's study (2004: 62-63), Korean programmes occupied 1.10 per cent of total Taiwan programming, though domestic production is the major source of television programming comprising 85.19 per cent of the total, with programmes from other countries occupied just below 15 per cent as of May 2002. Among other countries, Hong Kong ranks top comprising 6.86 per cent together with Japan (6.37%), and followed by the U.S.A. (1.89%) and Mainland China (0.42%). More telling here is the fact that Korea has recently started to export more programmes to Asian countries than China and not much less than the U.S.A., which has been a major player in the programmes trade. At this point, more explanation on Japanese programmes in Taiwan is needed. As in Korea, the Taiwanese government had applied a ban on Japanese cultural products. However, whereas Korea banned Japanese cultural imports until 1998, Taiwan had opened its cultural borders by 1992 and the next

year effectively rationalised the Cable Television Law, leading to Japanese formats and genres, culturally closer to the Taiwanese than Western programmes, gaining a strong foothold on Taiwan's burgeoning cable and satellite channels (ibid.).

As above, as T.D. Lee (1998) argues, the increasing demand for audiovisual content in Taiwan did not automatically transform into support for the domestic audiovisual industry but speeded up the importation of overseas dramas and films for cable and satellite TV. Likewise, in the case of Taiwan, with the emergence and impact of a large number of cable channels on Taiwan's limited commercial market, many stations were unwilling to invest heavily in programme production and began to outsource television programming. A survey of drama programmes broadcast during prime time (8pm to 9pm) over 19 channels in 2002 (Tsai, 2002) reveals that only 7 out of 19 dramas were produced domestically, while the other 12 dramas were all sourced in Hong Kong, Japan, Korea, and China. The contrast with Taiwan reveals how the careful timing and planning of cultural policy was needed to open the market.

In this context, Liu and Chen (2004: 72-73) argue that Korean drama has been

influential in Taiwan due to its cheaper cost in comparison with Japanese drama. Because of restricted budgets, Taiwan cable channels seek cheaper programme alternatives and the Korean programmes represent better value than Japanese programmes. Therefore, an increase in contents demand from Asian countries along with the advent of the multi-media age made Korean cultural products, which are comparatively cheap but of good quality, very popular. For example, in 2000, the price of Korean TV drama in Taiwan was about USD 1,000 for a one-hour show, while Japanese's dramas cost an average USD 10,000 in 2000 (Hu 2005: 168). Such low prices in the late 1990s were not deliberate but natural because until then Korean drama had not received much attention from abroad and so the price was relatively low.

Economic improvement and the media boom in Asia helped provide a revived market for cultural programmes in general. Korean TV programmes and films took advantage of this new market opportunity and outperformed neighbouring countries because of a deliberate, planned approach to market opening by policy makers. To demonstrate the effectiveness of this approach, it is interesting to note that by 2005, the price for Korean dramas in Taiwan had skyrocketed to from USD 1,000 in 2000 to USD 20,000 an hour (MCT, 2006). Naturally, it cannot be said that these external circumstances are the only reason that Korean

cultural products became popular in Asian countries; rather they represented an opportunity to which Korean exporters and government regulators responded effectively.

### 5.1.3 Global Capitalism and Consumer Culture

Wherever we go around the world, we tend to see almost the same looks and styles among various peoples, especially when it comes to metropolitan cities such as Los Angeles, London, Paris, Tokyo and Seoul. People on the street look strikingly similar. National culture has been more and more eclipsed by a consumer culture that is rapidly becoming global. Kang Nae-hui, Professor at Chungang University in Korea, maintains that 'over the last few years, the ethnic features of young Koreans fundamentally changed. Unless you are very street-wise, chances are that you will not be able to distinguish Koreans from foreigners. Not a few young Koreans nowadays look foreign to us Koreans' (*Korea Times*, Feb. 21, 2001).

In this vein, we can also understand why many young Koreans have such interest in Japanese culture, at times on the verge of mania, regardless of the old generation's antipathy towards Japan and Japanese culture. Young South

Koreans and Japanese are the principal consumers of one another's cultures. It's not just that global consumer culture eclipses national identities, but that Korean openness to other cultures has correlated to other countries' willingness to accept Korean culture. There is a reciprocal relationship of globalisation. Korea's colonial past and the influence of U.S. culture in turn allow it to influence other cultures. Chinese youths are also not much different from their Korean counterparts in that both are keen to consume modernity and global capitalism. This trend is described well in the newspaper excerpt below:

Imitating South Korean stars is also a must for the Chinese youth. Korean stars are in fashion on Wangfujing Street in Beijing, a Chinese equivalent of Seoul's hustling and bustling Myongdong, where you can see young Chinese who have dyed their hair to try to resemble their Korean idols. They are also seen holding accessories that bear the names and pictures of their Korean heroes. "On Wangfujing Street, many Chinese youths wear stylish fashion like their Korean idols and they like it," said Jiao Ning, 15, a student of Beijing Jian Yuan Fazhong school (*Korea Times*, Aug. 23, 2001).

The emergence of young consumer groups in Asian countries is another main factor behind 'Hanryu'. Along with rapid economic development, their aspirations to consume modernity have been growing fast. Prof. Cho Han, H. J. of Yonsei University (2003) attributed the spread of Hanryu to a newfound interest in Asian cultural products by Asian peoples who have undergone a similar process of modernisation and hybridisation.

With regard to this, Iwabuchi (2004: 211) echoes strongly that 'the pleasure of feeling the same and dissimilar requires the minimum economic strength that enables people to enjoy consumer modernity. The disparity in economic and cultural power between the haves and have-nots has been despairingly widened, and the disparity itself has been left out of commentaries on global media communications.' Because this disparity is less pronounced between Asian countries with a similar cultural history, the resistance to cultural exchange has been reduced.

The younger generation is less inhibited by orthodox thinking and is thus more adventurous in their consumption behaviours. As a result, these consumers are more willing to purchase foreign products, and are more open to their influence. In the same context, professor H. J. Kim of Chugye University for the Arts emphasises that Korean pop culture is seen as edgy and fresh, especially for Chinese and Southeast Asian youths that have been longing for something different from overseas, in terms of both quality and style, as the world grows closer as a result of globalisation (Interviewed in April 2005). As Iwabuchi notes above, Korean cultural products represent something different yet also

similar, satisfying a desire for novelty alongside a need for reassurance and recognition. Yoo J. R., director general of the culture industry bureau of the Culture and Tourism Ministry, agrees with Professor Kim that Hanryu has been creating a favourable image of Korea within Asia. He claims that 'there is a chasm between the young and old generations in China and Southeast Asian countries. They do not have what it takes to satisfy the cultural demands of the youth. Since Korean culture suits their emotional and cultural psyche, Korean dramas and films are gaining popularity' (Interviewed in 2003). Likewise, recent Korean pop culture is basically youth-oriented culture, so this theory is quite persuasive.

However, as the trend continues, the audience range has also been slowly expanding to include young adults and even the older generations, as is the case in Japan. Jin Jai-soo, an official with the Ministry of Culture and Tourism said, 'when the young people today have political power and are running our societies, then we will feel the full impact of this cultural exchange' (Interviewed in Sep. 2003). What strategies can be adapted for cultural products in peripheral countries like Korea be adopted to protect their identities from being commodified? According to the cultural imperialism argument, the global

marketing of cultural products will spread a single regime of cultural values as well as cultural products themselves around the world and this will entail the destruction of cultural identity and diversity (Dorfman and Mattelart, 1975). However, consumers tend not just to receive cultural products passively, but to select and adapt them based on their own desires, tastes and interests. Even official bans on Western cultural products are often not sufficient to keep such products from entering the country, just as Japanese culture continued to infiltrate Korea during the official ban on Japanese cultural products.

Likewise, although consumers or audiences in periphery may seem to be manipulated into buying cultural products which are alien to them and destructive to their cultures, in fact they are actively employing consumer goods to express and forge their own unique cultural identities. The term hybridisation is used to refer to this process of the indigenisation of cultural products (Hannerz 1992; Willis 1990). Furthermore, consumers can, to some extent, creatively construct their own identities through the products they consume.

## **5.2 Internal Factors Behind 'Hanryu'**

As seen above, several external factors have influenced the boom in Korean



cultural products in Asia. However, these factors cannot fully explain their recent success. That is, those three external factors have existed for quite a long time and could be seen as advantages for any Asian country, not just Korea. For example, Indonesia or Hong Kong could also benefit from these factors. In this case, we might well ask just why it is that Korean cultural products have experienced such huge success overseas in recent times. There must be other critical factors involved as well as these external ones. Without the occurrence of a fundamental shift in the Korean domestic market, the external factors discussed earlier could not be seen to be advantages. Therefore, in this section, I will discuss the internal factors that made the recent success of Korean cultural products possible.

### 5.2.1 Economic Crisis of 1997: The Search for Foreign Markets

The extent to which the current success of Korean cultural products is an outgrowth of the 1997-1998 Korean economic crisis is little understood. Here, it is worth noting President Kim Dae-jung's perspective regarding the necessity of economic reform, which had a massive impact on the cultural sector, and as seen briefly in the previous chapter. In 1999, President Kim argued that foreign investment was vital for the national security of the divided nation and for

revitalising the troubled economy of South Korea, emphasising that the world was changing from economic nationalism to borderless globalism, and that as a result, the people would have to shed their parochial and narrow-minded nationalism (*MBN*, Feb. 22, 1999). Essentially, his argument was that by attracting as much foreign investment as possible, Korea could become one of the world's industrialised economies rather than an economic colony of foreign superpowers. Such encouragement of foreign investment was justifiable in the context of the Korean economic crisis, which started as a foreign currency crisis.

Thus, the government desperately sought to obtain foreign investment. However, foreign investment could not be obtained for nothing. It came at the cost of tremendous economic and socio-political transformation. The cultural industry also had to cope with this Asian economic crisis. Local producers could not help pushing themselves to turn out more commercially-oriented products. Essentially, their financial need has driven them to put more emphasis on the entertainment value and quality aspects of their productions. At the same time, in order to secure financial investment, they also needed to make a commitment to open and clear finance and accounting. Thus, the post-crisis revival that has

taken place since 1997 brought back the creativity of the 1960s in more marketable forms, targeting both overseas and domestic audiences. In this context, Tami Overby, executive director of the American Chamber of Commerce in Seoul, says that 'the economic crisis spurred the Korean film industry to do things they would have done anyway, but they did it faster. It is no coincidence that Korea is now a global leader (*Newsweek*, May 3, 2004)'.

The Asian economic crisis also forced producers in the cultural industry to rely on Korean cultural products. The sharp drop in the value of the Korean currency made it prohibitively expensive to buy the rights to Hollywood films and foreign contents. After some domestic films and TV dramas experienced significant successes in other countries, local producers became more confident than ever before. Now, it has become necessary for them to consider overseas audiences and financing at the preproduction stage of their works. Korean TV dramas began to be subtitled for foreign audiences and were produced in two versions with or without music and effects (M & E) which enabled foreign importers to use them easily in their own way. Thus, in the production sector, the pre-sale of big projects or co-productions has become prevalent since the economic crisis of 1997. With the release of a string of blockbusters since the

success of *Shiri* in 2000, Korean films have now entered the high-priced market of big budget genre films. High production costs means that film companies need to sell these films abroad to retrieve production costs, not possible in the small domestic market alone.

Under these circumstances, a number of international sales companies have been launched in the Korean film industry since the end of the 1990s. In the case of medium or major film companies or TV production companies, having an in-house international division or launching subsidiaries for international sales is no longer a rarity. Since the Korean film distributor Mirovision was established in 1998, it has made efforts to bring worldwide attention to Korean films. Most significantly, it was the first Asian company to open a booth at the Clermont-Ferrand International Short Film Market in France. This was a good step because one of the films, 'The Picnic', was invited to the 52<sup>nd</sup> Cannes Film Festival and was the first Korean film to receive an award at Cannes in 1999.

At the beginning, there was no clear market for Korean films overseas, so the business appeared to face high risks with low potential returns. This, however, soon changed; the business has made considerable profit, with over \$3 million

in total international film sales in 2000 (*Korea Times*, March 14, 2001). In 2001, Myung Films also launched the international sales company E Pictures and KangJeGyu Films, which produced *Shiri* and box office hit *Taegukgi*, and operates its own international sales company. Showbox joined this trend with its own international sales division in 2003. Meanwhile, network broadcasters, which have much bigger and more stable capital assets compared to film companies, have had international divisions for a long time. However, until quite recently, they focused not on selling their products but on buying foreign contents.

Backed by the current Asian zeal for Korean pop culture, some companies started to enter foreign markets more aggressively, setting up local subsidiaries or offices. This now means that Korean entrepreneurs in the cultural industry have begun to think of developing and exploiting foreign markets in the long-term. The case of the Korean singer BoA referred to earlier reveals the paradigm shift within the Korean cultural industry towards foreign markets. BoA was exhaustively prepared for the Japanese market by SM entertainment, which is now one of the country's best-known entertainment companies. She was thoroughly constructed as a singer aiming first for foreign markets. To

reach other countries' audiences, she gained an advanced level of English and Japanese, her future career well in mind before she made her debut at the age of sixteen in Japan, not Korea.

As for the film industry, CJ Entertainment has been very keen on building foreign bases. It already has an offshoot in Hong Kong to handle releases in China, Hong Kong and Taiwan, and now is targeting Japan as the next leg of its expanding distribution network. Moreover, there is one case of a Korean company being localised in a foreign cultural sector. Good Fellas, a Korean exhibition company, has quite successfully entered the Vietnamese exhibition market, having opened several 12 screen (around 2,000 seats) multiplex chains in Vietnam since 2002, and with plans to build some 15 cinemas in Vietnam's major cities such as Hanoi, Ho Chi Minh City and so on. On the back of this success in entering the market, this company is planning to expand its boundaries into investment and film production in Vietnam, with the participation of both Korean and Vietnamese stars.

When it comes to the TV industry Arirang TV, the state-controlled English language broadcasting company, although 45 percent of its budget comes from

advertisement funds and company revenues, has continued this aggressive move towards foreign markets, reflecting the change of government strategy in cultural policy, or the 'paradigm shift' referred to earlier. Launched by the Korea International Foundation in 1997 as the only international English language broadcasting company in Asia to carry out diplomatic duties, Arirang offers educational programmes and documentaries about South Korea, as well as movies and entertainment programmes. It has been playing the dual role of providing information to ethnic Koreans around the world and at the same time helping foreigners living in Korea and abroad to understand Korean culture. Here, more telling is the aggressive strategy adopted by Arirang TV in order to penetrate other markets (Samuel Koo, interviewed in Oct. 2005; Hyeondew Kang, interviewed in May 2005). First, Arirang TV made an effort to localise its contents by adding subtitles to TV dramas and pop music programmes popular among Chinese viewers and by expanding coverage of their favourite sports such as badminton and football.

Second, Arirang TV has chosen to broadcast not on Koreasat 3 but on AsiaSat 3s because the Korean commercial satellite, Koreasat 3, can cover only the Korean peninsula and surrounding areas but AsiaSat 3s, a multinational satellite, transmits over more of Asia Pacific, Oceania, Eastern Europe and Northern

Africa (*Korea Herald*, Aug. 12, 1999). AsiaSat 3s already carries popular international satellite channels such as CNN, Star TV and Discovery, so they expect viewers tuning into them will automatically be tuning into Arirang TV as well. This also reveals something of its ambitious strategy towards foreign markets. The station aims at gaining entrance into three regions, namely China, India and Indonesia, which are the three most populous countries in the world, and therefore offer huge potential consumer markets.

Accordingly, the programmes have been captioned in English and Chinese to target foreign viewers rather than just overseas Koreans. The case of Arirang suggests that the Korean wave was different from other regional powerhouse booms such as in India, because it was from the outset focused on non-Korean consumers rather than on diasporic markets. Its objective is to tap into a potential market of seventy million households in fifty nations in the Southeast Asia and Oceania regions. Initially only available domestically, Arirang TV has gone on to gradually expand its coverage to the Asia-Pacific region, Europe, North Africa, and the Americas (*Korea Herald*, Aug. 13, 1999).

Seventy percent of its programme content is entertainment and news programmes aimed at promoting tourism and business in Korea, with special emphasis placed on popular Korean soap operas, broadcast by and large through agreements with regional cable TV stations. Likewise, the content of the programmes has been designed to publicise Korea to international audiences as



an ideal destination for travel and as a sports superpower in Asia. Recently, Arirang TV reported that Korean entertainment programmes, such as Korean TV dramas and pop music, are in increasingly high demand in the Philippines, Indonesia, Malaysia and India. The channel also offers tremendous advertising power to Korean firms wishing to expand into these densely populated regions (ibid).

As seen above, the economic crisis eventually became a catalyst, spurring on the export of cultural products and leading the Korean cultural industry to exploit foreign markets aggressively, all results of the country's changed industrial landscape. The Korean cultural industries also turned Korea's lack of a significant diasporic market to their advantage. As Korea's expatriate community overseas is not large enough to be used for product network, the country's cultural industry has first targeted markets with similar cultures and then tried to appeal to global audiences. This makes Korean cultural products stronger than others in these competitive markets and is something that differentiates Korea from other cultural exporters that rely on similar language / culture in an expatriate community.

### 5.2.2 Paradigm Shift in Cultural Policy

A number of factors related to Korean cultural policy had an impact on the Korean wave. First and most significant was the lifting of censorship. For many decades, the Korean film industry had to operate under very strict censorship laws, as seen earlier. However, around 1995-1996, the courts ruled that censorship was illegal, so it became possible to make a different genre of films. Korean films have become extremely diverse since this ruling, which in turn has greatly increased the appeal of South Korea's local product. For example, the mega-hit film *Shilmi Island* could not have been produced without the relaxation of censorship.

The film was based on the true story of 31 commandos trained to go into North Korea in 1971 and assassinate the North Korean leader. Although the mission was cancelled, the story of what happened was kept quiet for two decades because it was believed that this non-fiction story could have provoked the governments of both North and South Korea, leading to conflict. *Shilmi Island* was among the first films to open up film production to anyone with the necessary creative and financial capabilities. This signalled the beginning of a new period of increased artistic freedom, replacing the previous situation where government favouritism towards a select group of producers led to greed and

elitism.

As mentioned in the previous chapter, government cultural policy since 1997 has been highly influential in boosting the cultural industry. Most of all, the Korean government pushed for the advancement of telecommunications and commercial media products related to telecommunication and media technologies. This support for the industry attracted entrepreneurs in the TV and film industries in particular. Likewise, the emergence of new media services in Korea has stimulated indigenous TV and film productions, as Sinclair predicted in his book, *New Patterns in Global Television* (1996: 4). The opening of the domestic market to more producers in the 1980s was expected to provide a boost for directors, most of whom had previously had to hustle in order to make a living.

As the Kim Dae-jung regime tried to reform by adopting a British-style economy through neo-liberalisation along with limitless competition, so its cultural policy was influenced by that ideology. However, the British-style neo-liberalisation adopted by the Korean cultural industry is much closer to the Blair regime's policy which aims at boosting the cultural industry from the

perspective of economic interest, in contrast to Thatcher's policy of reducing cultural subsidies.

Kim's regime rearranged and boosted the cultural industry in preparation for the opening of the market to Japan. Most of all, a policy promoting tax breaks as an incentive to expand investment capital was introduced. The rationale was that, unlike the conglomerates that started early and have established secure ground, it is necessary to support, by means of tax breaks, companies that missed the opportunity to participate in the early stages and investors who are looking for new areas of investment. Another reason behind this policy is that investment in the film industry tends to be unpredictable and inherently entails high risks.

Along with tax breaks, supportive measures for building industry infrastructure have been put in place. Taking a closer look at the support policy for production, the role of the Korean Film Commission (KOFIC) should be examined. KOFIC, a government-supported, self-administered body, was established in 1999 and financed by a tax on cinema tickets and government aid as result of the reorganisation of the Korean Motion Picture Promotion Corporation (KMPPC). It strives to promote and support Korean films both in Korea and abroad through funding, research, education and training, developing international

markets for Korean films and promoting intercultural understanding through film-based cultural exchanges. In addition to KOFIC, the Korea Culture & Contents Agency (KOCCA), which opened in 2001, has been focusing on dealing with the promotion of Korea's cultural industry and the initiation of international trade related to Korean culture.

KOFIC has been a representative public organisation working for the promotion of the Korean film industry, a role similar to that of the UK Film Council. As Korean cultural products have become popular recently, the Hong Kong and Japanese cultural industries try to benchmark KOFIC's success. In exhibition, it is responsible for supporting the improvement of film screening environments to promote production indirectly. To do this, it loans exhibitors theatre renovation expenses every year and sponsors exclusive screening venues for active screenings of short films or non-commercial films. In film production, it assists in three broad ways, namely investment through the Investment Union, the provision of loans, and investment in individual projects. The Union is an association of venture capitalists, individual investors and public funding bodies, and KOFIC provides up to 20% of the Union's budget. Actually, for this investment, not only the production of Korean films, but also the importation of

foreign films and co-production become eligible. KOFIC makes a partial investment in individual projects or a provision of loans to projects that were previously considered questionable by investors because of doubts over their commercial viability.

Furthermore, the renaissance of the Korean film industry owed much to the international film festivals held in provincial cities like Pusan, Jeonju and Puchon. The Pusan International Film Festival (PIFF), founded in 1996 and now a major international film contest, the Puchon International Fantastic Film Festival and the Jeonju International Film Festival have contributed to the renaissance of the film industry. The South Korean port city of Pusan is making a bid to become the production capital of the growing Korean film industry by constructing state-of-the art facilities and seeking foreign investment (*Screendaily*, Oct.10, 2000).

Prospective financiers and co-producers get the opportunity to invest in some of Asia's hottest film projects at the Pusan Promotion Plan (PPP). It has quickly achieved prominence as a pre-market for upcoming projects by new and established Asian filmmakers, attracting over 1,000 industry guests from

Hollywood, Europe and elsewhere, and arranging hundreds of meetings between filmmakers and companies interested in their work. Likewise, the PPP has evolved into a premier meeting place for industry professionals with an interest in the Asian region. The presence of the Busan International Film Commission Showcase (BIFCOM), a locations and post-production market run at the same time as the PPP, also boosts the local economy as well as the Korean cultural industry (*Screendaily*, Nov. 15, 2002; *Screendaily*, Oct. 8, 2003; *AFP*, Oct. 14, 2005).

The current system of government support for the cultural industry has been instituted alongside a trend towards decentralisation and the development of local municipal authorities. Municipal government authorities have recently tried to launch a local media industry for boosting the local economy and intensifying the local image for tourism. Worth noting is the far-reaching influence its location support work has had on the economy in the Busan area. As a result, a manifold effect of industrial development, increased tourism, and a better city image has been gained. Accordingly, the Commission regards the formation of a nationwide film commission network, as has been developed in the U.K., to be a pressing need.

### 5.2.3 Creative Talent

Infrastructural rearrangement, support policy and the aggressive strategy of the cultural industry are critical factors for Hanryu. However, without creative talents to make all these work, nothing could be possible. Under this multimedia boom and with the advent of the image age, it is not only feature production but also various kinds of content production that have become popular. A noticeable expansion of the animation and cartoon industry in Korea has also occurred in this context.

The most critical goal in achieving sustainable growth, according to Suh Byoung-moon from KOCCA, is securing well-qualified personnel in related fields and educating them to be professionals. 'There are about 120 animation-related departments at colleges throughout the nation and some 40 to 50 computer game-related departments, too. But the key is the quality, not quantity' (Interviewed in Aug. 2003). To this end, KOCCA has drawn up a comprehensive plan to cultivate specialised human resources, and has put it into action to produce experts with creativity and practical skills, which is the core infrastructure of the culture content industry. More than 200 companies are producing works in the animation genre in tandem with the games and character



industry. In these circumstances, a relatively large amount of film-related educational institutions have been established considering the size of Korean film industry. This reflects industry need and public interest. Many new directors have been schooled in Korea's booming short film industry, and made their feature debuts on the basis of the quality of their short films.

Filmmaking is now no longer viewed as a low-status job. The proof of this lies in the changing attitude of the domestic audience; Koreans now flock to cinemas to watch the latest products offered by local directors. Young-joo Suh, Cineclick Asia's managing director of film export, says that 'the quality of Korean films has improved massively in the last few years thanks to an influx of new talent. Korean domestic audiences are responding and our films are becoming more and more attractive to the international market' (Interviewed in Sep. 2004).

Most of all, as the technical capabilities of the industry have expanded along with advances in computer technology, new generation directors have started to employ sophisticated digital imagery and special effects. At the same time, highly educated new talents who have studied abroad have also brought new

techniques to every field of the film and TV industries. These include financing and marketing as well as scripting and production. As more revenue came in, so better films could be made - but with the emphasis firmly on quality. That in turn encouraged ever more people to go to the cinema. It is a virtuous circle. Neither Matrix 2 nor Terminator 3 was as successful at the box office as some of the shorter / low budget films that were made at that time in Korea. Kim Min Jee, CEO of the Film Advertising Company, argues that this preference for home-made films over Hollywood imports was down to the creative process behind Korean films. She points out that 'anybody can make big films if they had money, but creativity I don't think you can buy' (Interviewed in Oct. 2003). Because of cultural discount theory, home-made contents can easily appeal to local audiences' structure of feeling.

However, it was not long ago that Korean audiences had thought watching Korean films in the cinema a waste of money and most audiences chose foreign films. That means cultural discount theory alone does not work in this case. Im Kwon-taek and Park Chan-wook, who won a Cannes Best Director Award and Grand Prix respectively, attributed the booming Korean cultural industry to its young talents. The question then is, where have all these new creative talents

come from so suddenly? In fact, this trend of the country's young talent entering into the cultural industry dates from the end of the 1980s. This development is particularly notable for the fact that the films of the 1980s did away with the closed-mindedness that characterised the Yushin regime of the 1970s. Moreover, many students demonstrated against the Jeon Doo-hwan military dictatorship in the 1980s and went to jail and this record made it very difficult for them to get decent jobs.

The 'Seoul Cinema Gathering' was a film production organisation with the underlying motive of addressing the reality of Korea at that time through the medium of film. It was formed in 1982 to rebel against the conservative film industry by members of Seoul National University's cinema circle, Yalasyoung. Even though it did not last long, its original members took centre stage in Korea's film industry in the same way as the 'third generation' directors in China. Some of them worked as directors, some as producers with organised marketing strategies based on audience research, and some as film critics. Therefore, they tried to find another way to resist the regime in the cultural sector and initiated their own cultural movement, which expressed realism and sarcasm in response to the reality in Korea.

Thus, in the 1980s, serious realist movies dealing with variegated topics and problem-oriented issues started to come out. The realistic narrative they express in their works is often used in conjunction with art house films intended for intellectuals and the festival circuit such as the works of Jang Sun-woo and Park Kwang-soo. They boldly discarded old stereotypes in movie-making under the slight relaxation of censorship (Kwak, 2003; Gateward, 2003). The political orientation of the works is often seen as portraying the neglected corners of society and rejecting the conventions of the popular melodrama. The group drew the attention of some intellectual groups to Korean movies. This positive trend continued in the 1990s with more and more Korean directors being acclaimed at various international festivals.

Moreover, the young and shrewd staff that emerged after the 5th revision of the Film Act in 1984 chose conglomerate capital<sup>3</sup> over the old film capital that came from within the film industry, then under considerable financial strain. Conglomerate capital, which is formed from capital irrelevant to the film industry, is different from old film capital in terms of both the scale of the

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<sup>3</sup> A more detailed explanation of 'conglomerate capital' follows later in the chapter.

capital and the clearance of finance. The young generation staff treated economical consciousness on the same level as cultural consciousness (Yong-kwan Lee & Ji-suk Kim, 1999). Thus, entry of conglomerate capital into the film industry represents the inception of modernisation in the Korean film industry. Likewise, highly educated new talent has been breathing new vigour into the local entertainment industry, which had struggled amid the economic recession of the late 1990s. These new directorial talents became the catalyst for a modest boost in the film industry in the mid 1990s. However, their efforts were not enough to lead to a revival of the Korean film industry because the industry was experiencing a long downturn and their films did not appeal to the masses but to only a few fans.

However, when the group of new directors met talented young Korean producers equipped with technology and financial strategy, their films began to attract more viewers thanks to marketing and packaging strategies. The Internet has now become a new source of talent for the Korean film industry. With the expansion of the Internet, Korea's current cinematic output features a refreshing diversity in mood and genre, which many in the industry are keen to preserve. The talent pool is the most important asset of the cultural industry. There have

been many talented young writers who are sometimes as young as 18 years old and who have made their debuts writing serial fiction or non-fiction on the Internet.

As digitalisation is bringing sweeping changes to the nation's culture, including broadcasting and movies like in other countries, with their popularity among netizens (Internet citizens), there has been a boom in the remaking of their stories as films or TV dramas since 2002. Though these stories are not serious, they do reflect the young generation's way of thinking and lifestyle, increasing their appeal to this generation and contributing to the new trend of contents-making that includes film and TV programmes. Thus, the Internet has become a new means of identifying and developing creative talents and marketing their ideas.

In addition, since 2000, KOFIC has been working towards fostering a workforce with exceptional talents. It offers assistance in the production of short films, including documentaries and animations. It provides students from film institutions with a certain portion of the post-production costs of short films in the form of educational grants, which is a way of fostering creative talent. At the

same time, it has supported an annual production programme for art and experimental films worth a total \$1.6m since 2000 to promote diversity in local filmmaking and the international recognition of Korean movies. According to KOFIC, the total number of Korean movies that were screened at international film festivals in 2000 stood at 126, compared with 72 in 1999. This is an increase of more than 50 per cent (see a table in Appendices).

Moreover, in recent years, as the domestic film industry underwent a profound change after the 1997 Asian economic crisis, and with the exit of the large business conglomerates such as Daewoo, Samsung and Hyundai that used to dominate the industry, venture capitalists have replaced the old conglomerates. Some of the big industry investors like CJ Entertainment and Orion are still linked to the conglomerates to some extent but their entry into cultural industry was before Kim Dae-jung regime. After venture capitalists had reformed investment procedures in the cultural industries, resulting in a more transparent financial system and a more efficient implementation of production management and deadlines, these big companies joined this market.

Furthermore, their approach to industry was totally different from the former

conglomerates which had entered the cultural industries as so called 'side job' to sell video player. I will explain this later in detail. A wave of fresh young filmmakers has begun to transform the industry. Audiences in Korea, about 90% of which are young adults between the ages of 18 and 23 (*Variety*, Jan. 10, 2000), have responded in force, with interest in domestic films running at their highest level since the 1960s.

Likewise, as a new generation takes control of the industry, Korean filmmakers' experimentation with different genres has been important in the industry's attempts to shape its own identity. Moreover, public interest in art house / experimental / minority interest films has been mounting and audiences are supportive of this brand of experimentation. Thanks to contemporary directors' multifaceted challenges, Korean films not only have drawn the audiences' attention domestically and regionally, but have also won critical acclaim in many foreign countries. Likewise, Korean cinema's rapidly expanding talent base has played a critical role in boosting the market and has become one of the most important factors behind Hanryu.

## Conclusion



The challenge to international media flow presented by the recent Hanryu trend can be analysed in terms of some of the interior and exterior factors that made it possible. As seen above, some key factors worked together and enabled the un-doing of the vicious circle that had been operating in the Korean cultural industry. Korea has moved aggressively to cast itself as the centre of Asia's TV and film market. Korea has been ruthless in adopting doctrines of neo-liberalism in its television and film industries so that broadcasters and producers, in adapting to the onslaught of market pressures, have had to reposition themselves strategically in response to the realities of globalisation. In this respect, the government and industry leaders are working to position Korea as a regional centre for the cultural industries in Asia. One of their principal ambitions, for example, is to make the Pusan Film Festival the Cannes of the East.

Here Korean cultural policy played a crucial role in transforming these industries. Korea has controlled and protected TV and film industries for a long time. However, as seen in earlier chapters, partial opening without preparation in 1988 under foreign pressure was very damaging to Korea's cultural industries. As a result of it, Korean cultural industries were almost taken over by the Western and Japanese culture as happened in other countries. However, this

historical experience of unprepared opening gave Korean an unforgettable lesson about the need for a sustainable market structure supported by means of cultural policy. Once these industries were well established, they could open their markets from a position of strength and even brought about Korean wave. This more planned approach to 'opening' indicates the important role played by cultural policy in a global context.

Has Korean cultural policy towards the cultural industries been successful? When it comes to the efficiency of cultural policy, we have to evaluate how the minority's choice is protected. That is to say, from a cultural perspective, this is a question of cultural diversity. In the next chapter, we are going to examine some of the cultural challenges that face Korean policy towards the cultural industries. Chapter 7 will be an evaluation of Korean cultural policy in relation to the possibility of Hanryu as an alternative model for understanding and responding to cultural globalisation, based on counter flow and cultural bloc. Through these following chapters, I intend to understand the role of cultural policy under globalisation and the wider implications of the Korean case.

## **CHAPTER 6. Imitating Hollywood: Contents and Infrastructure**

The success of imitation in Korea, like in other developing countries, can best be understood within cultural and economic contexts. D. H. Lee (2004: 27) argues that ‘the Korean television industry with limited financial resources has sought to mimic Japanese content and utilise Japanese formatting know-how as a means of piggy-backing on the success of Japanese television which occurs in sometimes subtle, sometimes overt emulation of Japanese popular culture that is in turn recoded to accommodate Korean structures of feelings.’ Thus, imitating other cultures is attractive for audiences and producers alike.

As a number of factors have come together to make Hanryu possible, Korean cultural products, such as films and TV dramas, can be seen to have imitated the Hollywood and Japanese models in terms of both content and industrial infrastructure, as seen in earlier chapters. In this chapter, I will examine the nature of this recent Korean Wave, looking at which Korean programmes and films gained popularity domestically and regionally, and what these have in common including some specific examples. After an examination based on interviews as to why the content of these programmes and films

has appealed to other countries' people, the recent characteristics of the infrastructure of the Korean TV and film industries that created these contents will be researched.

Thus, through this process, we will examine how the Korean wave as a kind of 'reverse flow' has internalised Western and Japanese influences. Moreover, by examining how the Korean TV and film industries have adapted to trans-national production conventions, I believe that we can gain a deeper understanding of how and why the Korean cultural industry has evolved in this context. This thesis can therefore explore how local contents in periphery work against the dominant grain of sophisticated Western cultural products.

## **6.1 Imitating Contents: The Korean Blockbuster**

### **6.1.1 Definition and History of the Korean Blockbuster**

Korea has long had insular tendencies owing to its long history of being invaded by foreigners and has hence not typically made allowances for global markets (Osgood, 1951). This was certainly the case up until the government's globalisation campaign in 1996. However, under the trend of globalisation and neo liberalisation, the Korean cultural industry has eventually been enabled to produce cultural products of its own through processes of modelling, imitating and hybridizing, although importing cultural products remains a much more affordable option. In this context, the groundbreaking

success of the blockbuster *Swiri*, which transformed the Korean industry in 1999, is a representative example of cultural hybridisation and reveals the importance of its role in ‘the renaissance’ of the Korean cultural industry. *Swiri* was South Korea’s first home-grown blockbuster made by imitating Hollywood blockbusters. It ushered in a new crop of big-budget genre pictures that aimed to provide Hollywood-level thrills and effects at a fraction of the cost. Though *Swiri* cost \$3.5 million to produce, it earned 10 times as much in ticket, video and export sales (KOFIC, 2002). For an example of such a production, see the case study on p. 269.

More importantly, *Swiri* beat *Titanic* to become the biggest hit ever in the country at that time. As producer Noh Jong Yun pointed out, *Swiri* restored the Korean people’s trust in their own film industry (interviewed in Sep. 2004). It actually gave audiences the confidence in Korean films and belief for the first time that the quality of Korean productions could be comparable to that of Hollywood films, despite the fact that they were considerably cheaper to make (BBC World Service, Oct. 24, 2003). Inspired by this success, newly independent production companies scrambled to deliver the next blockbuster and venture capitalists speculated on big-budget movies.

Originally, the term blockbuster meant a book that was very popular and successful. In the film industry, it refers to high profile, star-studded event movies (Sinclair, 2000: 167). When it comes to the Korean definition of a blockbuster, the term normally betokens films in which more than \$5 million of production costs have been invested

(KOFIC 2003). In comparison with this, the average production cost for Hollywood blockbusters in 2002 was over \$100 million (*Variety*, April 3, 2005). Likewise, the Korean concept of blockbusters is an unclear term used to refer to those films in which bigger budgets than usual are allotted to domestically made films imitating Hollywood blockbusters. The use of the term has recently been expanded to encompass TV dramas and pop albums.

As far as blockbuster TV dramas are concerned, there has been a series of big-budget drama serials in recent years. This is a new genre in the industry, with specific production conventions that originated from Japanese 'lifestyle' drama (see 'trendy drama' in Appendix) because it reflects fashionable and stylish lifestyles. From the beginning of the adaptation process, these dramas benchmarked Japanese lifestyle dramas and generated good ratings in contrast to traditional dramas, the key conventions of which are local flavour, historical anguish, and moral exhortations. The genre is characterised by several fundamental elements, including pop idols, symbols of love or promise, distinctive locations, fantastic occupations, sweet-sounding music, brand commodities and simple narratives depicting romance or friendship, all of which are in synch with the interests of younger generations who strongly identify with the characters.

### 6.1.2 Asian Values and Cultural Discount

As mentioned above, when the theory of globalisation was actively adopted within the Korean cultural industry, Korean cultural products had to be "standardised" in order to

build a more international audience although local and regional ways of thinking and living did not disappear in the face of imported cultural influences. Now, we are going to explore what these contents are like and how they have appealed to global audiences from the perspective of cultural discount theory. How could Korean cultural products like TV dramas and films appeal to audiences from other countries? Which elements of these products appeal most to foreign audiences?

In this context, Liebes and Katz' argument is noteworthy. They pinpoint the key elements in the international popularity of U.S. prime-time television, based on the *Dallas* case, as follows: '(1) the universality, or primordality, of some of its themes and formulae, which makes programmes psychologically accessible; (2) the polyvalent or open potential of many of the stories, and thus their value as projective mechanisms and as material for negotiation and play in the families of man; and (3) the sheer availability of American programmes in a marketplace where national producers cannot fill more than a fraction of the hours they feel they must provide (1990: 5).' As Liebes and Katz emphasise, universality can be seen as the most important factor in making a local programme successful in the world market. The structure of content and the form of internationally popular serial dramas in particular are widely shared and may even be 'borrowed' from U.S. practice, as the Mexican *Telenovela* (see notes in Appendices) did decades ago (Sinclair, 1996).

That is to say, an international format, such as a global narrative like the Cinderella

Complex, can appeal to global audiences. The story of *Cinderella*, a Western fairytale popularised by Disney, is a tale familiar to most Asian audiences including Korean through their individual imports of Western culture (*Korea Times*, Feb. 12, 2004). When Korea imports cultural contents from Japan, it has easily adopted a Western myth in an Asian setting. Likewise, recent Korean soap operas which have been popular in Asia have had a common theme: beating the odds to find true love and happiness. Although these soap operas differ from their Western counterparts in their less sexually explicit and violent images (less sensual and commercialised), nevertheless their primary appeal – a nostalgia for lost innocence – can be seen as a global theme. We can understand the popularity of the Korean TV drama *Winter Sonata* in Japan in this vein, as its values of perseverance and loyalty to pure love remained compatible with cultural codes prevalent in what might appear a distinctly different society.

Furthermore to Western eyes, TV dramas such as *Winter Sonata* seem slow-paced and old-fashioned. However, their traditional romantic themes have appealed to audiences from other countries. Shin Hyun-taik, chairman of the Korean Foundation for Asian Culture Exchange (KOFACE), points out that ‘many peoples want to turn the clock back 20 or 30 years because Korean and Japanese society has changed so much in that time’ (interviewed in Aug. 2005). A reason for success of the drama is that ‘though more and more TV dramas deal with transient pleasures, it reminds the audience of their lost purity and their genuine love that they had experienced a long time ago’ (*Newsweek*, May 3, 2004).



Another example would be Im Kwon-taek's film *Chunhyang*, which major French media such as *Le Monde* and *Les Cahiers du Cinema* dubbed 'a Romeo and Juliet from the Land of the Morning Calm' (*Korea Times*, Jan. 22, 2001), and which is very much a traditional film. However, although the film was highly exotic for Westerners, they juxtapose and understand it in terms of their own traditional contexts, such as Shakespeare's work. That means that although it can be exotic, it also has recourse to a global standard of human feelings. In this vein, the fact that the American sitcom *Friends*, aired on a Korean cable company, also appeals a great deal to Korean fans is not surprising. Although it greatly embodies cultural difference, the close-knit friendships between the characters is something that we all may long for or relate to, which is certainly one reason that the sitcom is so successful in Korea. Gong Hee-Jeung of *Skylife* said that 'the fact that fans can share a common interest and actively take part in this together is what *Friends* should be about. It's also set in New York City, a city many South Koreans admire, making it even more popular' (interviewed in Oct. 2004).

These TV dramas and films with a moving storylines successfully portrayed the manifestations of love and characters in real life, to which everyone in the audience could relate. That is to say, they addressed the perennial theme of love in all its complexity in our ever-changing society; this is surely a standard theme the world over and an unchangeable value. Shuhei Kusanagi of Toei in Japan emphasises that 'the Korean TV drama series offers more than a complex love story; the contents also retain a high degree intriguing plot twists, good acting and lines, not to mention breathtaking

scenery backed up by melancholic music tunes, like the sound and visual effects of a big screen production which are used to capture one's imagination' (interviewed in Nov. 2004). In a nutshell, both standardisation and particularisation are key words here. With regard to standardisation, Japan in particular is worth further consideration. The Japanese cultural industry has been one of the important players in shaping transnational media flow in Asia and even in the world market and is a good example of standardisation. In the Asian region, the Japanese broadcasting and film industry is viewed as a model for the successful adaptation of Western television and film culture to its own cultural context. It has deployed a systematic marketing strategy for its cultural products in Asia to evade deep rooted anti-Japan sentiments derived from the colonial experiences of a number of other Asian countries (Iwabuchi, 2002; *Time*, Nov. 22, 1999).

From the early 1960s, Japanese animation, known as *Japanimation*, has been consumed internationally while Japanese television programmes, aside from animation, are thought not to attract international audiences due to cultural and linguistic differences. The Japanese animation industries have always had the global market in mind and are mindful that the non-Japaneseness of characters works to their advantage in the export market (Henshushitsu 1995: 36-97; Stronach, 1989: 144). Therefore, it is no accident that Japan has become a major exporter of culturally odourless products. All of these strategies represent a kind of standardisation process aimed at reducing cultural discount. According to this logic, producers or directors must find subject matters and ways of expression which are convincing and appeal to international viewers with different

cultural backgrounds and different ways of seeing and judging things. The key factors for achieving universality seem to be content (story), culture and language. As Hoskins and Mirus (1988) argue, the universal appeal of American popular culture is largely attributable to the international prevalence of the English language and America's status as the origin of mass culture. Australian and English-speaking Canadian productions have appeared in schedules around the world. That is, their status as English-language producers means that Australia and Canada are different to most other countries in that they both export outside of their geo-linguistic region.

However, where they differ is that Canada, despite its proximity to the USA has failed, until recently, to produce sufficient audience-drawing indigenous programming in popular genres. As a result Canada has not produced the same volume and range of exportable programmes as Australia has done over the years. The comparison indicates that language is not the only factor. For some programmes, culture may be more important than language, as in the case of Brazilian programmes in Portuguese being extreme popular among the neighbouring Spanish-speaking countries. For the same reason of cultural differences, conversely, the possibility of box-office success for American films in foreign markets is not always guaranteed, especially for those with comparatively smaller production budgets. In this vein, Ko Jeung-Min, director of soft industry at the Samsung Economic Research Institute, also points out that 'though Korean films cannot compete with Hollywood films, they can enter into other Asian countries which have a similar ethos and structure of feeling. Thus, the warning that

cultural imperialism results in the expansion of Western values expanding all over the world and the destruction of local or regional traditions and values or ethos and structure of feeling is not true' (interviewed, Oct. 2004).

Here, we might well ask what this regional ethos or Asian value is. Of course, the concept of an Asian value is very fuzzy and difficult to describe. However, we can say there is a common feeling among the Japanese, Chinese and Korean peoples. In comparison with Western values, Asian people tend to put a higher value on the individual's harmony and conformity with the whole rather than on individuality, originality and creativity per se. All of these are of Confucian origin (Hsiung, 2001: 374). Korea, as influenced by Confucianism, tends to traditionally distrust the kind of Western culture advanced by aggressive commerce and the kind of laissez-faire economics fostered by liberal markets. Family values play a dominant role in Asian culture.

To take this further, we can raise a theoretical question: how do such values integrate with one another to produce a new collective identity as defined by Western or Asian values? It is through the bodies of shared representations that people come to give meaning to their life situations and activities and so learn to orient themselves, to take a stance towards the complexes of objects, events, actions, and possibilities that make up that world. Values are particularly important in this context (Anderson, 1991). They are shared standards upon which people in a collective base their moral and aesthetic

judgements. Therefore, peoples' thoughts, feelings and actions are structured through their orientation toward certain values. People learn to ask and answer such questions meaningfully through the internalisation of the values of their society. This construction of shared values is achieved in part through culture and through cultural exchange. So 'culture as a way of life' is partly realised and developed through 'culture as system of communication' (Williams, 1981; Willis, 1990). Thus, Asian values are embedded into all systems in Asian countries, although it is well known that the economic structure has changed in many of the advanced countries through contact with Western Christian work ethics.

In Eastern ideology, Confucianism, in which Korean society is deeply rooted, would have had an influence on the building of 'Asian things' in every field. Confucianism has been developed blending 'in varying degrees with other cultural contents in Asian countries such as Islam (as in Malaysia, Indonesia and other places), Buddhism (Taiwan, Thailand etc.), Shinto (Japan), Marxism (China) and Christianity (South Korea, the Philippines, etc.). The ethos from these Confucianism, Buddhism and Christianity ethics is ingrained in Asian people's way of life and thinking patterns, passed down from generation to generation through family rearing and social mores' (Hsiung, 2001: 367). Hsiung attempts to design a scale of high to low rankings in terms of the extent to which a nation is imbued with Confucian cultural influence, then 'identify the Asian nations in three groups on a sliding scale of high, medium and low: (1) China, Singapore, Taiwan and Hong Kong, (2) Malaysia, South Korea, and Thailand and (3) the Philippines,

Indonesia and Japan' (ibid.). Here, I would like to note that Hsiung's argument is missing a point in that South Korea has been deeply influenced by Buddhism as well as Christianity and Confucianism. Until now, Buddhist and Christian, each account for roughly half of the Korean population (NSO, 2003). That is to say, South Korea has developed under the cultural influence of all of these ethics. This reveals the deep roots of Korean hybrid culture through its long history, a factor which can be seen to reduce the disadvantages of cultural discount for Korean cultural contents.

Vietnamese Huong Nguyen who studies in Korea, argues that the reason Korean TV dramas have been popular in his country is 'because they deal with relationships in the family and the value of family' (interviewed in Sep. 2004). That is to say, the similar patriarchal positioning of the father within the family - the relationship between parents and children and between father and mother - has enabled audiences in other Asian countries to seamlessly read and articulate the 'original' intention of texts such as films and TV programmes. Mr. Su Man Lee, president of SM Entertainment, also argues that 'it is easier to get access to China than Western music labels and film studios because of Korea and China's cultural link' (interviewed in Sep. 2003). That is to say, Korean companies such as SM Entertainment have crucial advantages that could allow them to snare young Chinese consumers before their Western competitors.

Likewise, 'Asian values' which emphasise family unity, the Confucian value system, paternalism and groups over individuals and Western pragmatism create cultural

similarity among Asian countries and reduces the cultural discount mentioned in the earlier chapter. Asian values can easily appeal to the same structure of Asian people's feeling. At the same time, those values can also appeal to Western audiences because of their exoticism, which works in the opposite direction to cultural discount. That is to say, Asian values which create difference for Western audiences might be well received by virtue of their unfamiliarity. As mentioned above, simply achieving universality alone is not the most important factor. There is compelling evidence (Dalton, 1992; Laing, 1986) to suggest that successful products tend to have cultural specificities and universality at the same time. The reason that imitating Hollywood films alone cannot be successful in the world market is that contents which only imitate standardisation cannot in the end compete with Hollywood contents, which represent the prototype of standardisation.

In this context, Im Kwon-taek is still doubtful about the autonomous power of Korean movies, stating that 'we do not want to admit that Hollywood movies are superior, but it is a fact. We cannot catch up with their material superiority and sophisticated techniques. At one time, I tried to catch up with Hollywood movies, but it was useless. So, I decided to produce movies that appeal to Koreans' native sentiments. To the foreign audience, I could not only tell a good story but move their hearts to beat in time with Korean hearts as well' (interviewed, May, 2002). Strong nationalism and cultural identity in themes of historical events or cultural roots feature in the works of filmmakers such as Yi Tu-young and Im Kwon-taek. In a sense, these films were successful because of their exoticism, which captured the interest of critics at international film festivals. As Im said,

speciality should be infused into contents. Yet, there have always been misreadings, ambiguities and resistance against speciality owing to cultural discount.

In Korea in particular, there is a specific value of feeling, known as *Han*. According to the Korean-English dictionary (Minjungseorim Peonjipgook: 2418) the *Han* means grudge, spite, enmity and resentment. The feeling, which emanates from the period of Japanese Imperialism and the Korean War, which devastated and split Korean families, surfaces in many Korean melodramas (*Time*, Nov. 14, 2005). However, this has changed quite rapidly in recent times. Nowadays, it seems that this kind of Korean value is slowly being merged with the new commercialised contexts in the TV and film industries and in order to appeal to young audiences who never experienced Japanese Imperial rule or the Korean War. This is the case in films such as *Taegukgi*, *JSA* and *Simlido*. Fallows (1994: 122) states, 'Asian insular culture has diminished the impact of economic theory and created a distance from the cultural artefacts of McWorld seen nowhere else.'

In this context, *Variety* (Nov. 17, 1997) also comments that 'known for centuries as "The Hermit Kingdom," Korea is fast shedding its image as a repressed, ultra-conservative country.' This movement toward 'Western values,' as many in the conservative media call it, has been spearheaded by the offspring of wealthy businessmen. These upper-middle-class young people grew up watching TV shows such as *Friends* and *Sex and City*, listening to South Korean and imported rap music, and hanging out in dance clubs,



singing about tearing down the establishment. Advertisers have been quick to see that there is money to be made from these new mores. Here, it is said that there now exists a mix of various values in modern Korea. This coexistence of tradition and modernity is particularly evident in the younger generation, and as such it is possible that a generational change has taken place. This is visible in particular in the youthful character of the creative industries and their products, which could be seen as a kind of 'mediator' of hybrid culture.

While Korea obviously suffers a disadvantage in terms of language, but it enjoys an advantage in terms of both culture (polyvalent) and content (primordial). According to the theories of Liebes and Katz mentioned earlier, the primordial content of Korean cultural products could derive from the uniqueness or particularity of Korean cultural values while Korea's polyvalent culture from its historic experience of colonisation and cultural exchange with aboriginal countries could help Korean cultural products achieve commonality. 'Cultural discount' is multidimensional, not just a matter of shared language. This explains how the Korean wave, disadvantaged by language and its lack of diasporic market (Cunningham and Sinclair, 2001), could achieve such success, using polyvalent and primordial culture to its advantage. Here, obtaining commonality and particularity at the same time is a form of 'glocalisation', as discussed in chapter 2. Likewise, though Korean filmmakers, young and old, possess amply rich imaginations, creativity and cinematic skills and know-how, they have also been forced to find out more about world audiences in order to capture overseas markets, that is, they have had

to target the 'global standard'. Therefore we can summarise that the success of Korean cultural products is based on their globalisation.

In terms of content, appealing to common values engenders cultural assimilation among Asian audiences, weakening the level of cultural discount. At the same time, primordality appeals to audiences from other countries by means of its exoticism. Accordingly, standardisation and specialisation are both needed to communicate with global audiences. Of course, there has been another economic reason favouring the export of Korean blockbusters. As the cost of distributing American films in Japan is quite high, there is a large demand for blockbusters similar to those from Hollywood. Thus, the key ingredients to the success of Korean cultural products are cultural assimilation and economic opportunism. From the point of view of industrial infrastructure, the restructuring of the Korean cultural industry to prioritise streamlined production and marketing strategies with IT, and an increasing demand for content, have also facilitated economic opportunism in the Korean cultural industry. This issue will be explored in a later section.

### 6.1.3 Hybridisation of the Hollywood Style and Asian Values

As we have seen in earlier chapters, there are broadly two directions of cultural flow. One is a periphery's imitation of a centre and the other is a centre's imitation of the periphery. Hollywood remakes of Asian contents are a representative case of two-way

flows of media. This is because Hollywood in the centre now copies contents from countries in periphery, just as countries in periphery have made local substitutes imitating contents from the centre (*Korea Herald*, July 18, 2002; *Korea Times*, July 14, 2003). During the 1960s and the 1970s, a great quantity of American programmes was made available to Korean viewers, as already noted. In later years, the increasing ownership of television receivers by the lower-income 'grassroots' usurped the hegemony of Western programming and led to the formation of strong local genres.

The substitute products for the U.S. model in local countries are made first by imitating and then indigenising in order to adapt them to the local culture. This dynamic process aimed at reducing cultural discount exploits the hybridisation of global and local products. In this context, the fact that the local adaptation of a specific format is more popular than the simple importation of the programme can be explained by the theory of cultural discount. In the process of cultural flow, the American model has been generalised and the Japanese model also adapted as a benchmark model for the commercial media. However, many Korean 'lifestyle dramas' are now being exported to Japan, which represents a reversed flow. Korean broadcasters have produced programmes different from Japanese ones, adjusting to local 'structures of feeling' as well as to local production conditions, although some Korean TV producers have been tempted to copy Japanese hit programmes in the face of limitless competition for ratings, taking advantage of the fact that Japanese programmes have been banned for decades (D. H. Lee, 2004: 52). In this vein, D. H. Lee (*ibid.*) argues that the success of Korea in

'learning' from Japan has helped the Korean television and film industries compete in the Asian marketplace. Additionally, there is a transfer of ideas to Taiwan from Japan via Korea. Though based on Japanese and Western attributes, the success of Korean drama series in Taiwan can be attributed to the fact that Korean dramas target all age groups (Liu, Y.-L. and Chen, 1998; Jung, 2004) which is different from exported Japanese TV dramas.

Some blockbusters work as well in overseas markets as they did in the domestic market. This implies that Korean blockbusters reach a regional standard which can appeal to regional audiences. Just as TV programmes, films, and popular music do not turn individual consumers into passive receivers in any single society, the power to transmit information worldwide likewise does not stimulate automatic imitation or conformity (Lull, 2000: 233-234). D. H. Lee's (2004) study on the phenomenon of copycats and clones of foreign programmes in Korean television explores the precedents of adapting American and Japanese TV programmes and films into local languages and the robust hybridity that already existed in various cultural products.

As seen previously, Korea's experience under colonisation has become a new source of strength and cultural resonance with other Asian countries. In this sense, hybrid cultural products, such as the Korean blockbuster films and TV dramas, create a chain of values that can be modified and extended across national boundaries as well as within domestic market systems. As a result, they are instrumental in promoting the development of the

cultural industry, particularly in peripheral markets (Moran and Keane, 2004: 11). As well as responding to the emergence of a new generation of consumers, as mentioned above, producers in the cultural industry have tried to create a new image by a blending and bending of old genres. Many of the major Korean hits in recent years have provided an interesting twist to their genre. A representative model of the Hollywood-style Korean movie, *Swiri* (1999), shrewdly combines the Hollywood action blockbuster with the Korean melodrama to result in a film which appeals to a wide spectrum of viewers.

You Kun, president of the Korea National Tourism Organization (KNTTO), said that ‘what the country needs is to develop something very traditional, something very modern and something that shows the transition from the traditional to the modern’ (interviewed in Sep. 2004). This implies specialisation and universality at the same time. In this sense, cultural hybridisation entails a more complex form of cultural standardisation and heterogenisation than the mere trading of programme rights. In business jargon, ‘glocalization’ is simultaneously global and local, and involves taking a global view of the market, but one which is adjusted to local considerations, and formed by telescoping the global and the local to make a blend (Tulloch, 1991: 134). What is being promoted is not simply a ‘global localisation’ that aims to adapt the shared culture to accommodate local differences but also ‘local globalisation’ that makes audiences feel a sense of participation in a global society through the reciprocated enjoyable recognition of local specificities articulated through shared formats.

Likewise, the localisation of cultural specificity is articulated while the globalisation of cultural products assumes a 'hybrid' modality, rather than consisting simply of the dissemination of American products (García Canclini, 1995). Indeed, the fact that Korean hit films and TV dramas appeal to audiences in other Asian countries means that Korean cultural products have not been adversely influenced by cultural discount, because cultural discount is offset by cultural similarities within the region. Therefore, we can say that Korean TV dramas and films found acceptance in other countries because they fuse Hollywood style and Asian values.

#### 6.1.4 Case Studies of Korean Film and TV Drama

##### ◆ SUCCESSFUL KOREAN FILM: *SWIRI* (1999)

##### -The Beginning of *Swiri*

The year 1999 marked a turning point in the Korean film industry, with a marked jump in the box-office performance of local movies and an increased confidence among people involved in the film industry. *Shiri* triggered the boom. Director Je-gyu Kang understood that audiences did not want to watch a movie dealing with overly serious themes and ideology but preferred something entertaining and stylish. Thus, he set a tragic love story in a specifically Korean context. For a year, he worked on the scenario and spent another year writing it up. He rewrote the script at least 12 times in order to get it right.

**-Finance and Marketing**

*Swiri* cost \$3.5 million to make including publicity expenses (\$400,000). At the time it was the most expensive Korean movie ever made. Most domestic films cost only half as much to make. Samsung Entertainment Group (SEG) which was a subsidiary of Samsung decided to fully invest in the movie after looking through the scenario. SEG was willing to take risks, unveiling plans for a big-budget genre film of a type that had never before been made in Korea. Indeed, the film was tightly constructed, and in many ways it rivaled action movies from Hong Kong and Hollywood. It proved to other investors that movies with high production values and an exciting plot yield high returns.

It is said that this was the first Korean film to separate out the roles of director and producer (Jong-Yoon Roh, interviewed in Oct. 2004). Until then, the director had also managed to raise funds, decide on the casting and make all other decisions. In producing *Swiri*, the director focused on making the film while SEG as a producer made all the other related commercial decisions. Since *Swiri*, Korean film companies have started to place great importance on the role of producer. The director Kang Jae-kyu sweated for around a year on the production itself while SEG focused on production management, marketing and promotion.

*Swiri* was clamorously promoted and marketed under the catch phrase 'Korean-style blockbuster'. For the first time in Korean film production, the film's producers

conducted market research on audience attitudes and purchasing behaviour, customer satisfaction, brand awareness and advertising effectiveness. *Swiri* had a strong marketing strategy involving the use of billboards in front of cinemas for the first time in Korea and secrecy about the film's content in order to raise curiosity. It also introduced Hollywood-style 'running guarantee' contracts whereby the actors and directors are paid according to box-office returns, a new concept in South Korea.

#### **-Content**

*Swiri* is a native freshwater fish found only in Korea. In the movie it was used as the code name of a North Korean secret service agent with a mission to steal a newly-developed bomb from the Korean Defence Ministry and detonate it during the World Cup in order to provoke an armed conflict between the two Koreas. Its story line involves North Korean authorities attempting to trigger war by planting terrorists in South Korea, despite outwardly promoting amicable North-South ties.

The story, an espionage thriller about a terrorist plot hatched by North Korean agents was likely to draw interest in light of real-life circumstances which the two Koreas have coped with. At the same time, it also deals with the ill-fated love story of two secret agents from North and South Korea. *Swiri* is a gripping tale of South-North antagonism and love across the border. Thus, viewers have debated over the film's genre, with some describing it as a Hollywood-style action film while others term it a melodrama. It can



be safely said that it is both, offering both the action-packed special effects expected from Hollywood studios and the conventions of melodrama that have attracted Korean movie-goers for decades.

### **-Target Audience**

The film needed an audience of 4.5 million in order to break even. Thus, the film set its sights on a large range of moviegoers from 18 to 50 and it succeeded. Most of all, in perspective of story and genre, although *Swiri* dealt with the division of Korean peninsula which is a sensitive social issue in Korea, the film did not present the issue in a grave or ideological perspective, choosing instead to titillate the audience with a love story and appealing to its taste for excitement and entertainment with nail-biting thrills and action. Thus, it shrewdly combined the Hollywood action blockbuster with the Korean melodrama to result in a film which appealed to a wide spectrum of viewers, especially to the younger generation of teenagers and over-20s who tend to ignore Korean films and prefer Hollywood movies. The response of this younger audience was especially enthusiastic.

### **-Performance in the Korean market**

Korea had never before attempted a genre film on such a scale, and the result was greater than anyone's expectations. Within three weeks of its release, it had attracted more than one million viewers in Seoul, becoming the highest-drawing Korean film in

history up until then. The film broke *Titanic*'s box office record for the biggest audience ever in Korea and attracted more than six million viewers in Korean theatres. In the critical field as well as at the box office, it has drawn praise from a wide variety of sources. It received honours for best picture and best actor at domestic awards ceremonies. Most critics applauded Kang Jae-kyu for regenerating a Korean film market dominated by Hollywood films. Chan-il Jeon said "The film shows well-placed action, a full-orchestra and astonishing special effects. All of these let it win over fans" (Interviewed in Oct. 2004). The making of the film has even been analyzed and offered up as a model for Korean businesses. In this vein, Yang-joon Jeun said, "I cannot deny *Swiri* is a copycat of Hollywood blockbusters. But it definitely set a new trend in the Korean film industry and market (Interviewed in May, 2005)."

Moreover, it provides the unlikely catalyst for South Koreans who have been struggling against economic turmoil and Cold War fears. Sung-ryul Han analyzed that 'the unexpected big hit of *Swiri* was attributed to the social trend such as the public's growing interest in the development of inter-Korean affairs, the economic woes which let the public find mental comforts by indulging in entertainment and changes in the younger generation's attitude toward the North in the era of President Kim's Sunshine Policy of engaging North Korea'.

#### **-Performance in markets outside Korea**

The revenues from ticket, video and export sales for *Swiri* were approximately ten times

the film's overall budget (KOFIC, 2002). One of the main reasons for this was its performance in overseas markets. It was the first Korean film to be exported to Japan and earned \$1.3 million amid enthusiastic reactions from the media and audiences when it opened on 36 screens in Japan in 1999. One third of the production costs were met through export to Japan alone. Ninety percent of seats were sold at 37 Japanese theatres on opening day, encouraging the producers to expect another round of popular success with the film's first overseas release. The number of theatres showing the film increased to more than 200.

According to their contract with Japanese distributors, the film's producers were entitled to fifty percent of the revenue from future ticket sales and video release, with a minimum guarantee of \$1.3million. Director Kang Je-gyu said that *Swiri* had taught him about the international market. A Japanese exhibitor Miyazawa Yashiro said "the action is more powerful than a Hong Kong action movie and the story is deeply moving." The level of coverage in the local media was unprecedented, with local daily newspapers such as *Sankei* running special coverage on the movie's opening, and NHK and Fuji television featured the film during their prime-time broadcasts.

#### ◆ SUCCESSFUL KOREAN TV DRAMA: '*DAEJANGGEUM*' (2004)

##### -The Beginning of *Daejanggeum*

*Daejanggeum* (*Jewel in the Palace* in English title) was directed by Byeong-hun Lee

who specialized in epic drama. According to my interview with him in November 2004, he found by chance the story of an ancient female doctor in a Korean chronicle while he was making another hit epic drama 'Hur Joon' about an ancient doctor in Korean history. Based on this discovery, he used a woman's success story in ancient Korea as the concept for his sixth TV drama series. After that, his partner playwright Yeong-hyeon Kim wrote the storyline consulting with him. It took about four months to complete the storyline. The story was historically based but the teleplay by Byeong-hun Lee and Yeong-hyeon Kim was 90% fiction.

#### **-Finance and Marketing**

*Daejanggeum*, 'the Great Jang-geum' in English, was produced by Munhwa Broadcasting Corporation (MBC)'s in-house production company, MBC Production. The production was fully funded by MBC which is financed by commercial advertising. The total cost of production was \$11 million. The cost per episode was about \$150,000 which was about twice the average cost of other Korean dramas. In particular the producers spent a lot of money on researching and presenting historically accurate food, sets and clothing. The TV mini-series *Daejanggeum* was first aired on MBC from September 2003 to March 2004 at 9:50pm. Each episode ran for 70 minutes and 54 episodes were broadcast over about 6 months. Conscious of the export potential as a result of the boom of Hanryu, the producers cast the program to appeal to overseas audiences and paid more attention to realistic descriptions of Korean food culture and beautiful scenery than in previous Korean dramas. Otherwise the marketing and

promotion strategy was not much different from other productions. Like other dramas, it was advertised on MBC TV and MBC website. The viewer ratings for the mini-series averaged 47% which is a great achievement for a series of 54 episodes to sustain to that level of audience throughout the run and even reached a high of 57.8 %. According to its producers, as of March 2004 the production had earned \$25.5million through advertising sales, Internet VOD (Video on Demand) service, overseas sales and exploiting the brand, as set out below.

<b>Table 7. Incomes from Various Sources of <i>Daejanggeum</i></b>	
(Source: MBC Production and MCT)	
Sources	Incomes
Advertising slots	\$19.2 million
Sales of other branded products such as books and comic books	\$3million
VOD service	\$900,000
Export sales	\$2.4million

### **-Content**

The story is based on the story of a real historical figure (Jang-geum) who was the first and only woman to serve as head physician to the King in the rigidly hierarchical and male-dominated social structure of the Chosun Dynasty. Before being a head physician, she spends a harsh life owing to jealousy and conspiracy. Such a story is quite rare in Korean historical drama because it is based on a professional court lady. Before that, most epic drama in Korea had been focused on historical heroes and showed no interest in ordinary women or servants. Thus the production offered a unique narrative and perspective on Korean history. At the same time, the story also deals with a success story which is likely to have a broad appeal.

It shows the spirit of hard work, loyalty in love, strong family ties and a society filled with a deep respect for seniors and parents. Culturally, Korean society tries to cherish and considers as precious those values which Asian people initiated and upheld from Confucianism. On the other hand the story also goes against Confucianism's distinction between men's work and women's work. In terms of Confucianism, woman's social activity and professional success are frowned upon. In this respect, the drama does not rigidly follow the old values but adopts some modern values in order to appeal to a younger generation. Commenting on this, its writer Young-hyun Lee said "it is a feminism drama packaged with historical drama" (IF, summer: 29, 2004)

#### **-Target Audience**

The range of audience for *Daejanggeum* was younger than that of normal epic drama. Before 2000, the main audience for epic drama was middle-aged people and productions did not target audiences under the age of 30. However, from the late 1990s epic dramas began to develop their style and storylines to appeal to younger and overseas audiences. In terms of story, the new drama included main characters from the common people not just the palace and began to pay attention to female heroines from the lower class. In style the new drama used striking visual effects and fashionable modern music. All of these were to appeal to the younger generation. *Daeganggeum* was a representative case for this trend since 2000.

#### **-Performance in the Korean market**

*Daejanggeum* caught the attention of Korean TV viewers with its unique combination of

two themes: the successful rise of a female, which had rarely been covered in the historical genre, and the elements of traditional food and medicine. According to TNS Media Korea (Aug. 24, 2004), the highest ratings of *Daejanggeum* was 57.8 percent which is 10<sup>th</sup> in the history of Korean TV dramas and its average rating was 46.2% for six months. It was one of the biggest hit dramas in 2004. As well as being popular with audiences, it was also praised by critics because it extended the genre with its edifying story, sensational plots and fine cinematography. As it was given a warm reception in Korea, TV programme buyers from other Asian countries were already expressing interest before the final episode had aired.

#### **-Performance in markets outside Korea**

Most popular Korean dramas have been well received in Taiwan, Hong Kong, China and Japan. *Daejanggeum* was the same. *Daejanggeum* was first exported to Taiwan and achieved total export sales of \$5 million by 2005. The boom of *Daejanggeum* abroad began in Taiwan and spread to other Asian countries and even to the Middle East, Europe and Australia in 2006. From May 2004, *Daejanggeum* aired in Taiwan for three months outperforming other Taiwanese mini-series and snatching the title of most viewed programme of the season. Overall, *Daejanggeum* ranked second in the TV ratings in Taiwan and was the first Korean drama to achieve this. The novel *Daejanggeum* based on the series became a bestseller in Taiwan and the original sound track of *Daejanggeum* 'Ohnara' ranked the 6<sup>th</sup> in the g-music Asia Chart. (*Taipei Yonhap*, August 3, 2004). Following Taiwan, in 2005 the final episode of *Daejanggeum* became the most-watched television show in Hong Kong

history. More than 40% of Hong Kong people watched it (*Hong Kong Oriental Daily News*, Oct 20, 2005).

## 6.2 Imitating the Hollywood System

It is not only in the contents of films and TV dramas, but also in the infrastructure of the TV and film industries that Korea has been imitating Hollywood. While hybrid content did try to achieve universality in order to reduce cultural discount, Hollywood-style infrastructure has maximised economy of scale (Cowen, 2002). TV drama and filmmaking technology has developed considerably and production systems have evolved to become more centred on public tastes, resulting in a new look for Korean films and soap operas. The film and TV market in Korea has undergone significant transformations in the past five years, and these in turn have created unprecedented opportunities.

In particular, the key characteristics of the Western capitalist model, such as vertical and horizontal integration for exploiting foreign markets (Levitt, 1983) and the maximisation of marketing strategies, have contributed to make the Korean cultural industry more systematic and commercialised since the end of the 1990s. In this section, we will examine how the Korean TV and film industries have been imitating the Hollywood systems. The aim of this examination is to investigate the development of the Korean television and film industries from net importers to exporters from the perspective of



industry structure. Since the Hollywood system was adopted in the Korean cultural industry as outlined below, the industry's infrastructure has been changed in practice.

### 6.2.1 Exploring Overseas Markets: The Search for Economy of Scale

First of all, it is not the domestic exhibition market but the export of films that tends to represent the breakthrough for growth, because the domestic market has reached saturation point (Verdin and Van Heck, 2001). From the perspective of economics, although a film may reach an audience of five hundred thousand, the revenues are not likely to be profitable because of skyrocketing production costs. An article in *Variety* (Nov. 29, 2000) postulated that soaring budgets (\$ 5 - 8.5 million) were not sustainable, given the relatively small Korean movie-going population and the limited market for such films overseas.

The film *Taegukgi* (the Korean word for the national flag) is the biggest Korean blockbuster produced to date, with some \$ 13 million invested into its production. To reach the break-even point solely through domestic sales, more than 7.5 million people, which is almost one sixth of the whole population of Korea, would have to have gone to see this film. Thus, even a film such as *Taegukgi* cannot be profitable in the domestic market even if it breaks all existing box office records. In this vein, *Taegukgi* focused more on the overseas rather than the domestic market from the stage of pre-production.

Director Kang Je-gyu said that *Swiri* had taught him about the international market. The total production budget of *Swiri* was \$3.5million; one third of the production costs were met through export to Japan alone. Following this, Kang Je-gyu adopted various kinds of marketing strategies for his latest film *Taegukgi*, aimed at targeting the international market from the beginning. He tried to make a film that speaks not only to local moviegoers, but also to those abroad. In this context, even the casting of Jang Dong-geon and Won Bin as the lead actors in *Taegukgi* was in some way connected to his strategy; the actors' fan bases in Japan and Southeast Asia were taken into consideration in their casting (interviewed in Sep. 2004).

In this context, Kang points out the importance of distribution. He emphasised that 'it is difficult if a film is limited to the local market which is why we are conscious of developing a strategy to access Asia and even Europe and North America. For a Korean film to be competitive internationally means it has to fight not only with Asia but also Hollywood. To do this, we have to raise the distribution system as well as the quality of films. I want to make *Taegukgi* a stepping stone in overcoming these problems' (interviewed in Sep. 2004). With this vision and effort, *Taegukgi* was consequently sold to Universal Japan for an undisclosed sum in advance of its release. Along with that, it earned \$100million in total revenues from its release on 300 screens in Japan (*Yonhap News Agency*, Sep. 29, 2004). Apart from Japan, the film's producers signed contracts worth over \$10 million in total with European and Asian distributors at the 2004 American Film Market (ibid.).

It is definitely not wise in investment terms to increase production costs beyond what is considered adequate for the domestic market in an attempt to produce a blockbuster (Verdin and Van Heck, 2001). As such, the makers of blockbusters must take the overseas market into serious consideration when deciding on production costs and sales. If the Korean film industry were to make use of foreign markets, overseas pre-sales could emerge as a good way of offsetting the financial dangers of producing blockbusters, while also helping to attract overseas investment. The most representative example of such a case is the film *Tube*, which posted the highest export earnings of the first-half of 2003. While this film did not do very well in the domestic market, 70% of the original production costs were recouped through its export. This strategy was successful as the film was felt to have potential in the overseas market because of its Hollywood style (Suh Young-joo, interviewed in Sep. 2004).

Thus, from the viewpoint of production companies, foreign markets can be another good source for securing risky financial backing and, at the same time, a means of maximising profits through the economy of scale. Tse Seung Jae, president of Sidus, also placed emphasis on entering into the Japanese market. He remarks that the DVD of *WhaSanGo*, which barely sold 30 thousand copies domestically, was able to sell 110 thousand copies in Japan and earned \$3million in that market. He added that Japan is a tempting market in view of the population, which is three times that of Korea, and cost of living (interviewed in Oct. 2004). In this vein, Iseki Satoru, representative of the Hak Company and producer of *The Crying Game*, *Smoke* and *The Assassin*, also points out

that 'it is very important to wisely choose distributors when exporting a film overseas in order to establish the required networks and to also promote the film in the domestic market' (KOFIC, 2003).

In the TV industry, as a way of making inroads into foreign markets, Cheil Jedang forged an alliance with MTV Network Asia in 1999. Cheil Jedang gained a great advantage in joining hands with a global brand armed with a pan-regional marketing ability. The alliance is also beneficial to MTV. The most visible outcome of the strategic alliance between M-net and MTV was more active marketing, which targeted overseas advertisers interested in the Asian market. With the help of MTV, M-net aims to export Korean pop music more systematically to the Asian market. MTV programmes on M-net were reproduced to meet the tastes of local viewers in Korea, introducing Korean video jockeys to MTV programmes in cooperation with the U.S. company, and having Korean pop music occupy some 30 percent of the block apportioned to MTV on M-net's airwaves (Kissup Hwang, Interviewed in Nov. 2004 ).

Needless to say, the reciprocal effect between success both at home and internationally helps to influence international investors and audiences, and seems to vindicate the importance of developing a strong domestic industry as a platform for international success. Soap operas and films that have been successful in the domestic market also tend to succeed in overseas markets. As in the case of *A Fine Spring Day*, where the film company Sidus attracted prior investment by Japan's Shochiku and Hong Kong's

Applause Pictures on the basis of the pre-sale of local copyrights, it has become possible to export to Japan at a higher price based on box office success in Korea. Such early returns of cost indicate that there is growing interest in Korean films, particularly in Asia, with Japan being the most important market. That is to say, it is generally the case that a film that is hugely successful in the domestic market tends to be exported to other Asian countries while it is very rare that a flop is exported easily and under good terms to other countries.

In this circumstance, there have been recently established pre-production plans which are aimed at recouping all or part of the original investment through overseas sales, especially for big budget films. One of the practices currently employed to increase the possibility of this coming to pass involves increasing the number of overseas investors and making them investment partners at the planning stage, rather than granting them distribution rights after the completion of the film, in order to offset the high price of copyrights for Korean films.

Thus, it is important to produce films that can be understood in Asian countries with less cultural discount. In this context, certain strategies are employed to promote the pre-sales of Korean films overseas and in the Asian market. Likewise, the Korean cultural industry has developed an export capacity by exploring overseas markets to maximise the economy of scale although at present this is for a regional rather than a global export market.

### 6.2.2 Horizontal and Vertical Integration: The Multi-windowing Effect

Hollywood majors like Disney have exploited cross-promotion opportunities, from theme parks to other businesses. Disney stores and parks are used to promote each other, while also selling tickets for Disney shows, videos and DVDs. Through the use of multiple release windows, they maximise revenue across the full spectrum of theatrical, video and TV entertainment. 'Windowing', the concept of 'one-source, multi-use', has quickly become common practice in the cultural industry, and is used to maximise the economic value of TV programmes and films (Reitman, 1986). TV and film conglomerates use windows to sell viewers their own films and programmes in greater numbers.

Since the mid 1990s, Korean conglomerates (known as Chaebols, see note in Appendices) have tended to both vertically and horizontally integrate their enterprises. The phenomenon of the Chaebols' entry into the cultural industry started with the initial investment field and was then expanded to incorporate production, distribution, screening, video and cable TV. Their vertical and horizontal integration strategy in the cultural industry was comparatively easier than that of old production companies. This is because the Chaebols have the considerable advantages of big capital and domestic and international networks, i.e. the same advantages enjoyed by major Hollywood companies. A by-product of this process was the accelerated advancement of the most underdeveloped domains in the Korean film industry, distribution and screening. Until

1999, when they withdrew from the film business, the conglomerates formed the main source of financial backing for the Korean film industry. These conglomerates transformed market structure by bringing with them a 'shoestring business' management style and introducing a streamlined production system from pre-production to post-production, systematised marketing strategies and the rationalisation of finance.

In the case of investment, the investor gets to hold all rights to the film or programmes, and for the investment company to profit from these copyrights, a sufficient distributional capacity is required. As a result, the conglomerates started to build up their own distribution channels such as cable TV, multiplexes and new media like Internet TV (*Korea Times*, Sep. 14, 2000), and in the process they opted for a strategy of co-management with the existing, first-run theatres in Seoul, which had been transformed into or replaced by multiplexes. As the conglomerates became more and more extensive investors, production companies that dealt exclusively with their films began to appear. It was in the course of these changes that a specialist distribution sector began to emerge in the Korean film and TV industries. For example, companies like Samsung and Daewoo signed contracts for exclusive distribution rights with local major production companies. Accordingly, they achieved a rise in the number of profit windows available to them. As the conglomerates expanded their field of interest to the cable TV business, which started in 1993, and formed their own film channels, they needed programmes to fill them. This was the beginning of media convergence in Korea.

Samsung, for instance, advanced into the video market in the late 1980s through its programme distribution company Starmax, and from 1992 to 1995 the company also figured in the film production industry, investing partly and fully, through its affiliates, partly or fully, in almost 30 productions. During this period, Samsung also moved into the cable TV industry by opening a film channel called Catch One in 1993. In 1994, it advanced into the cinema exhibition business. In 1995, the company established the Samsung Media Business Group, which was to be in charge of all general film-related affairs. This development was of significance, not only because it brought together all of the group's different affiliates, but also in the sense that it marked the birth of a specialised, full-scale investment and distribution company. The business methods of the Samsung Media Business Group proved to be typical of those employed by the investment and distribution companies affiliated to the conglomerates (Noh Jong Yun, interviewed in Oct.2004).

However, the slack business in the cable and satellite TV domains discouraged the conglomerates as did the Korean film industry's worn-out box office and distribution system. In 1997, at the same time as the foreign currency crisis in Asia, the companies started to withdraw from the film business. Small, family-run and Chaebol-backed production companies began to give way to independent firms that functioned like Hollywood studios, producing multiple films each year and distributing them nationally. However, in 1999, as the Internet became a chief business machine for almost every industrial sector in Korea, the development of IT technology changed the functioning of



the economy, of society and of culture on a global scale. In all areas of the cultural industry, the convergence of contents and infrastructure such as in vertical integration was accelerated (*Korea Herald*, Sep. 8, 2004). In particular, the satellite broadcast licence has become a sort of entry ticket introducing the new media moguls to the next-generation multimedia market, as broadcasting, telecommunications and the Internet move toward digital convergence (Hawkins, 1997; Tunstall, 1999). The more channels they have, the more audiences they can attract.

Here, the theory of economies of scale can also be applied. Therefore, as many Internet-based companies experience an increased need for a variety of contents, they have started to invest in content making companies or to merge with them. This conjuncture of the need for contents and advances in technology provides an engine for the development of the audiovisual content industry, which has been reconfigured by multi-channelling, audience-customisation, and a local propensity for producing lively contents. In the cultural sector in particular, where the mixing of IT and contents is an essential element for successful operation, users can select what they specifically want to watch on the Internet, including news, entertainment, education, business and music, in a way very different from conventional mass media. Internet broadcasts are therefore expected to be highly customised in order to meet the diversified tastes of their viewers. This represents both a great opportunity and a significant challenge for producers. The three national television networks, KBS, MBC and SBS, which began airing digital broadcasts of some of their programmes in 2000, had to cope with stiff competition from

commercial satellite broadcasting, which made its debut in the second half of 2001 (Son, Chang-Young, interviewed in Sep. 2003). Likewise, through this trend of convergence and multi-windowing, the small domestic film and television sector has to accrue economies of scale and cope with limitless competition.

After the retreat of these conglomerates following the foreign currency crisis in Korea, new conglomerates such as CJ and Orion came into the business. For a more detailed examination of these new conglomerates, see the case studies at the end of this chapter on p.300. These new conglomerates were able to benefit from the improved infrastructure left behind by their predecessors. However, it cannot be denied that there is a difference between the big companies specialising in home appliances that started producing VCRs in the middle and late 1980s, and which started in the video industry and expanded into investment and distribution, and the newer, larger companies with footholds in the cinema business and cable TV industry.

After 2000, the film industry fell into a frenzy of consolidation in all sectors, including production, distribution and exhibition. For example, CJ Entertainment, one of the two most powerful companies in the Korean film industry, operates in investment, distribution, production, video, international sales operations and owns the multiplex movie cinema chain CGV, while its sister company CJ Media operates cable and satellite channels M-net, the Food Channel and Home CGV.

This is not an isolated case, with rival company Cinema Service also pursuing vertical integration. Through a process of buyout and merger with parent company Locus Holdings to form Plenus Entertainment, Cinema Service aims to have the ability to control nearly all aspects of the filmmaking process, from investment and production through to marketing, exhibition, and video releases. It also operates its own studio complex, Art Service, a video DVD arm, a small film school, a talent management company and Primus Cinema, a fledgling multiplex chain. Primus Cinema, jointly owned by Plenus Entertainment, which is a parent of Cinema Service, and MVP Venture Capital, was launched in 2002 (*Screendaily*, April 14, July 25, Aug. 15, 2002).

Although Korea's distribution sector has been dominated in recent years by Cinema Service and CJ Entertainment, other new players have emerged. The upstart company Korea Pictures in particular has joined Cinema Service and CJ Entertainment as one of the strong players in the local market. With strong local films, once a film becomes a big hit, the production company can easily expand its power to distribution and easily earn more profit. Korea Pictures distributed the hit films *Friend* and *My Wife Is a Gangster* and ranked third among distributors with a 13.1% market share from only seven releases in 2001. The Orion Group also has longer-term ambitions towards vertical integration, producing, investing in and distributing films for multi-media conglomerates. Mediaplex, local media subsidiary of the Orion Group established in 2000 is also worth noting. In 2002, it entered the distribution field in cooperation with financiers KM Culture, co-investing in and distributing the majority of the films financed by KM Culture, then

called Megabox Cineplex. Shortly thereafter it joined with U.S.-based Loews Cineplex. Meanwhile, Lotte Cinema, a subsidiary of the conglomerate Lotte Group, has made a gradual entry into the film distribution and production sectors.

CJ Entertainment in particular has continued to acquire rival companies such as Tube Entertainment and Plenus Entertainment. In 2002, Cinema Service and CJ Entertainment ranked numbers 1 (22.3%) and 2 (18%) respectively in the distributor rankings, combining to capture 61% share of admissions to local films and a 40% share of the market around the time the two companies tried to merger. If the merger had been possible, it would have created the Korean film industry's biggest-ever company. Many had worried that the creation of such a large company would have had a distorting effect on the rest of the industry. If the deal had been completed, the result would have been a horizontally integrated company that would have towered over all others in film finance, production, distribution, and exhibition.

However, due to protests against the merger by a number of citizens groups, together with the possibility that the deal could be blocked by Korea's Fair Trade Commission, the merger failed although it later happened indirectly. Plenus entertainment merged with Korea's online game giant NetMarble in 2003 instead of going ahead with a planned merger between Plenus and rival studio CJ Entertainment (*Screendaily*, June 1, 2003). NetMarble, which has been 51% owned by Plenus since November 2001, has shown explosive growth since its launch in early 2000, accounting for 39% of the online

game market and posting a profit of \$12.7m on total revenues of \$22.5m in 2002. With this merger, Plenus Entertainment has gained a more stable financial footing and a strong source of profits while NetMarble gains complete access to one of Korea's top content providers in its bid to embrace video-on-demand and become a total entertainment portal. As such, CJ Entertainment became indirectly connected with Cinema Service through its merger with NetMarble in 2004.

Stressing convergence and vertical integration within Cinema Service's existing activities, the company aimed to link enormously powerful contents providers that cover the whole field of the film industry such as film production, distribution, talent management, and even film equipment rental (Screendaily, Aug. 15, 2002). However, as Cinema Service separated from its parent company Plenus Entertainment in 2004, CJ Entertainment had a partnership with Cinema Service in production and distribution. This reveals just one of the many possibilities open to companies in the Korean cultural industry in their pursuit of strategies towards vertical integration. Such consolidation is not limited by domestic boundaries. CJ Entertainment's mother company, the Cheil Jedang Group, a food and consumer products conglomerate, had a stake in the major Hollywood studio DreamWorks SKG and has been moving toward a strategic alliance with major international media companies in an effort to strengthen its overseas influence and recognition.

During this boom in the cultural industry, broadcasting stations also started to invest in

the production of cultural contents such as films, songs and dramas for various kinds of old and new media. However, broadcasting stations tried not to invest their capital simply based on commercial potential, as commercial value was not the decisive factor for them. MBC, for example, is not a completely private company as they receive support in the form of government funds. Their public image must therefore be reflected in the selection of the contents in which they invest.

When it comes to the method of entering the film industry, these broadcasting companies have been extending their areas of operation into the film industry in accordance with their own present circumstances and conditions. Likewise, as vertical and horizontal mergers and acquisitions among companies in the cultural industry and other industries continue, a merged entity tends to tower over all others in the investment, production, distribution and exhibition sectors. As film and TV industries become more heavily capitalised, the merger and acquisition activity referred to above have resulted in a major realignment of the cultural industry.

### 6.2.3 Exploiting Various Financial Sources

There had been a need to internationalise the financing structure of content production in order to gain more money as production budgets increased with the advent of Korean blockbusters. However, since the end of the 1990s, the financing of cultural products has come out of Internet funds, the stock market and special cinema funds established by

venture capital firms for the production of multiple titles. Between 1999 and 2000, \$13million was raised in 17 investment funds (MCT, 2003). This reveals that the Korean entertainment industry has attracted great interest from local investors.

The biggest difference between investment companies and the conglomerates lies in the speed of their decision-making and their more flexible organisational structures. Compared to the conglomerates, where it can take up to 6 months to move from proposal to the execution of the production budget, passing through several decision-making stages, in the investment firms, the person directly in charge does the arbitrary decision-making or receives sanction from the owner, which saves time in the decision-making process (Oh, Wan-Jin, interviewed in Nov. 2004).

Also, if it turns out that the earning rate is low or that a higher profit can be expected in other areas, it can quickly stop its investments. As regulations require that trust funds and individual private investments, be invested in a publicly listed company, Korean companies have tended to try to go public (*Yonhap News Agency*, June 25, 2003). In 2002, CJ Entertainment broke new ground, issuing a 30% stake worth \$34 million as the nation's first film-related company to issue an IPO (Initial Public Offering) (*ibid.*). The company's share price doubled in value in the course of the day, with investors citing the strength of the local film industry as grounds for their optimism.

In the meantime, many local investors have already invested directly in production

through netizen (a portmanteau of Internet and Citizen which means Internet user) funds, raising cash from private individuals over the Internet (*Variety*, Jan. 1, 2002). This can act as an alternate model for the funding of local Internet firms based on the stock market such as Simmani and Daum. Marketed purely as an investment tool, Simmani's netizen funds are made available in a limited initial offering several weeks prior to a film's release for investments as small as \$10 (Eum Yoon-Sang, interviewed in May 2005). For the duration of the fund's term which lasts until three months after the film's release on video, investors may freely trade shares at prices set by the market. When the fund expires, the film's performance in terms of theatrical admissions, video sales, cable TV, Internet rights and international sales are taken into account and shareholders are paid an appropriate return on their investment.

The first netizen fund introduced in 1999 by online start-up Intz.com was based around the idea of having online users invest directly in a wrestling comedy, *The Foul King*. Designed as a marketing rather than an investment tool, the fund was used primarily to finance offline promotional events and press screenings, to which the fund's contributors would receive special invitations. The film eventually earned its investors a 97% return on their investment. Such high, quick rates of return appealed to individuals in comparison with a floundering stock market. Other companies specialising in the funds quickly appeared and investor demand skyrocketed. Although investors large and small flocked to netizen funds with high expectations, most films led to significant losses for individual netizen fund investors, such as *Kilimanjaro*, which produced a 54%



loss for its 212 investors (Yoon, Zong Yeon, interviewed in Dec. 2004).

However, by means of this new type of investment, Korean filmmaking has been changed. Investors began to call for public access to distribution plans and scenarios prior to release. As a result, pre-production had to be intensified in order to attract more investors. Despite some fears of high risk in cultural industry, netizen funds are spreading from the film industry into other forms of entertainment, notably Korea's booming music industry. Netizen funds appear to have settled as a permanent fixture in the Korean film industry, with virtually all major local releases and many imported films making use of the funds' marketing power. These new netizen funds not only introduced a new source of capital, but also led to a more transparent and aggressive approach to distribution and marketing. At the same time, producers can take advantage of online investors' responses, monitoring their replies about scenarios, shooting and promotion throughout the filmmaking process.

In addition, netizen funds and other private investments signal increased public confidence and involvement in the industry, and have resulted in greater pressure to build in pre-sales, distribution and financial controls. This in turn has encouraged the banks to be more supportive and place more trust in the sector. The \$7.8m Hana Cinema Trust Fund No.1, launched in 2001, marks the first ever involvement of the banking sector in Korean film financing, with the bank starting to provide a means for the public to invest in films. This implies the Korean film industry has matured enough to be able

to win this level of trust from the banking sector. With its continued growth, the Korean cultural industry has also started to attract investment from foreign companies and this has become another major source of financial backing. For example, the U.S.-based investment company Warburg Pincus took a 7.1% stake in Cinema Service (Lee, Jae-Jin, interviewed in Dec. 2004). In 1999, MTV acquired equity stakes in Korean music cable channel M-net, a subsidiary of the CJ group, a move that led to the first formal investment of foreign media capital in Korea such as MTV and Sony (Park Dongho, interviewed in Nov. 2004).

As above, with the advent of investment companies, the Korean cultural industry was introduced to the concept of the executive producer who deals with the general commercial matters of cultural products including films, from drawing investment capital to striking deals. Furthermore, as the investment firms control the production of a film or soap opera through a thorough management of their funds, the importance of pre-planning was highlighted, as well as the fact that this requires managing the sensible execution of the given budget in a production. The adoption of an advanced finance system in the cultural industry means that most funds divide their investments into several productions to safeguard against failure at the box office owing to the typical view of the cultural industry as a risky business. Consequently, the rule-of-thumb approach to estimating the budget has slowly disappeared. Thus, the influx of financial capital into the Korean film industry has contributed to the build up of a modern production system, the so-called Hollywood system.

#### 6.2.4 Maximising Commercialisation

As far as the worldwide popularity of U.S. soap operas all over the world is concerned, Sinclair agrees that ‘vigorous marketing [rather] than the universality and primordially of the US soap opera is certainly a reason for the international success of *Dallas* because ‘universality and primordially’ are features of the genre as a whole rather than peculiar to US soap opera’ (1990: 4). America definitely has very strong marketing skills that Korea still needs to develop further (Wasko, 2003; 1994). Moreover, Korean marketing skills are weak compared to smaller regions such as Singapore, Taiwan, and Hong Kong. Until quite recently in Korea, it was common practice that the production of cultural content, including films and TV programmes, was not based on market research.

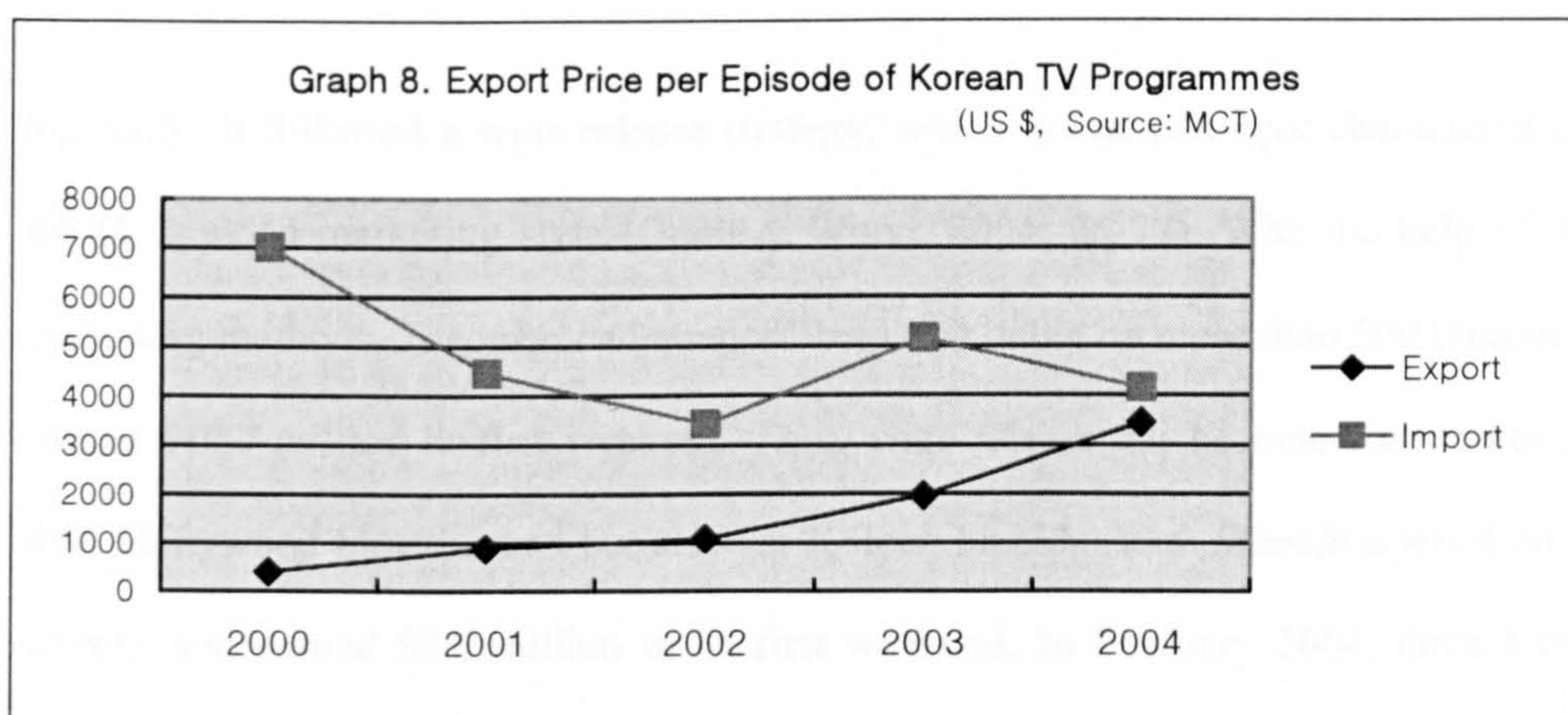
However, as in the case of automobile exports, Korean producers are learning that a carefully planned and boldly executed marketing drive can help promote sales of their films and TV dramas abroad as well. As an example of new market awareness, People-meter services used to predict the market in the media industry were introduced by the U.S. business survey agency ACNielsen’s Korea branch, and in the late 1990s, this service was broadly adopted by the cultural industry. Since the end of the 1990s, the Korean cultural industry has become rapidly commercialised, imitating various marketing strategies used by Hollywood majors. The movie *Swiri* owed part of its success to the clamorous promotion activities marketed under the catch phrase ‘Korean-style blockbuster’, aimed at challenging its Hollywood counterparts. After that, studies

to collect information on audience attitudes and purchasing behaviour, customer satisfaction, brand awareness and advertising effectiveness have started being conducted in the cultural industry (Sim, 2002; Kim and Yang, 1998).

With the advent of high levels of competition in the film and television industries, the managerial and commercial aspects of production became a means of mediating the irrationality of creativity (Ryan, 1992: 153). As creative personnel were often considered to be less in tune with the logic of the marketplace, it was necessary to administer the discipline of repetition and standardisation around both work practices and creative output to ensure that commercial goals were realised (Moran and Keane, 2004: 10). Korean producers favoured by the success of several Korean TV series and films that used aggressive marketing strategies are now adept at promoting their programmes, often sending leading actors and actresses to other Asian countries on Hollywood-style promotion trips as Hollywood stars do (Christy Lee, Interviewed in March. 2005; Suk, Songja, interviewed in Dec. 2004).

Likewise, the Korean TV and film industries have been developing a star system on the Hollywood model. It is interesting to note that the main blame for the skyrocketing costs of productions has been attributed to the increased costs brought about by the star system which has been in operation since around 2000. As blockbuster films have become an enduring trend, the talent management companies that have big stars have tended to expand their field of interest into production. Labour costs for both cast and

crew have shot up, and talent management companies such as Sidus HQ have started demanding significant percentages of a film's gross profits in return for the casting of a major star. Moreover, as production costs rise, the market for product placement and merchandising tie-ins has been evolving to help diversify risk. The benefits of marketing cultural products are not only for proven blockbusters; even the poorest production company can benefit from the implementation of marketing strategies (Lieberman, 2002). Since 1995, the average production cost of Korean films has increased more than two-fold to \$2.2million in 2000, posting a continued increase from \$1million in 1995 and \$1.9m in 1999 (KOFIC, 2001). Meanwhile, average promotion and advertising spending has almost quadrupled since 1998. In the case of soap operas, the cost of one episode of a Korean TV drama can be as high as \$55,000 as of 2002 (KBC, 2004). Though the increased number of productions explains part of the rise, a glut of investment capital has led to vastly increased spending on budgets and particularly on print and advertising costs.



As promoters push for Hollywood-style openings, marketing budgets have soared above \$1 million per film; this is more than triple the average budget in the late 1990s. Although arguments for reducing the production costs of Korean films have been raised, the reality is that large-scale films with production costs in excess of \$5 million are continuing to be either produced or prepared (*Screendaily*, March 7, 2002). *Taegukgi* is a good example of a production imitating a Hollywood marketing style. The film, which was Korea's biggest budgeted film (\$12.8m), spent an additional \$1.7m on promotion and advertising. The production company used various kinds of marketing strategies, and as *Newsweek* (May 3, 2004) mentioned, 'Kang Je Gyu's marketing of *Taegukgi* offers a blueprint many in Asia could follow'. Most of these methods are hallmarks of the Hollywood marketing style such as world premiere screening, wide release and exhibition. First of all, it launched a world premiere screening in February 2004 for foreign and local guests as Hollywood major companies normally do, a first in Korean film history (*Yonhap News Agency*, Feb. 4, 2004).

Secondly, it followed a wide release strategy, which is one of major characteristics of the Hollywood marketing style (Grant & Wood, 2004: 76-77). With the help of these marketing methods, *Taegukgi* had a record-breaking debut on more than 500 screens and earned \$10.7 million its first weekend. Thus, wide release has become a trend not only with Hollywood blockbusters but also for Korean blockbusters. *Silmido* opened on 450 screens and earned \$9.6 million in its first weekend. In February 2004, three Korean films (*Silmido*, *Taegukgi* and *Once upon a Time in High School*) occupied 67% of

screens in the nation's 1200 cinemas (*Screendaily*, February 11, 2004; *Korea Times*, Jan. 9, 2004). Some films, like *Yeochinso*, began to be released simultaneously in both Korea and other Asian countries, as is typical with major Hollywood films. *Yeochinso*, in which Bill Kong, producer of *Crouching Tiger, Hidden Dragon*, was an investor, was wide-released in Taiwan and Hong Kong at the same time. More recently, actor Bae Yong Jun's new film, *April Snow*, was released simultaneously in 10 different Asian countries owing to his popularity throughout Asia (*Korea Times*, Aug. 23, 2005). This strategy was also aimed at minimising the illegal downloading and pirating of DVDs throughout the regions, again a strategy typically used by Hollywood majors.

Thirdly, *Taegukgi* exhibition in a theme park was introduced for the first time in film marketing in Korea. As a final indication of this new market orientation, *Taegukgi* opened a couple of months earlier than the intended release date in order to boost would-be audiences' interest in the film. Furthermore, the film was screened with English subtitles in selected Seoul theatres for the first time (*Korea Times*, June 7, 2002). However, wide release does not guarantee a big success. Moreover, not all big budget films can be guaranteed a large number of screens. Kang Je-gyu said that 'ever since the industry reformed, it has become more and more like America. Cinemas will cut movies which do not attract audiences almost immediately because there are so many other films waiting to run (interviewed in Sep. 2004).' For example, the expensive animated feature *Wonderful Days* managed to secure only 28 screens in Seoul on its debut weekend, ultimately drawing 47,000 admissions and earning an average \$8,600 per

screen. Although this was the strongest ever opening of a local animated film, it was not enough to secure the financial success of the film. *Matchbox* is another example. These two have proven that even though a film may be classed as a blockbuster in terms of its production costs, it can easily flop if it cannot achieve wide release, and even then, wide release does not guarantee major success. This is due in part to extreme competition under market conditions.

Furthermore, the Internet boom caused the growth of the on-line advertising market. Thus, the promotion of 'e-marketing' has been very important in order to appeal to Internet-driven younger audiences. In particular, as of 2000, around 3,000 entertainment portals became listed on the Web, introducing on-line movies, music and broadcast services (MCT, 2001). The advent of satellite and cable TV in the 1990s and their market penetration and growth afterwards have begun to shift the balance decisively and inexorably in favour of the online marketing of commercial cultural products. This means that the marketing and advertising of cultural products has been expanding from the traditional media towards new media forms such as digital TV and the Internet (*Korea Times*, May 31, 2000).

With such a plethora of cultural content-related websites already in existence, the focus for the production and distribution as well as marketing of films is rapidly shifting from the traditional media such as TV and cinema to the ever-expanding Internet. iCBN (Internet Cinema Broadcasting Network), the first Korean Internet company specialising



in online screenings, was established in 2000. In this context, online marketing has taken an unusual turn in South Korea's booming cultural industry.

Film and TV drama fans can turn to the web, not only to read about their favourite films or programmes, but also to watch them, advertise them via word of mouth and even invest in them. In March 2001, two weeks prior to its scheduled release, the gangster film *Friend* raised \$ 1 million from 190 online investors in one minute. Moreover, in May 2001, a month before its release date, action-comedy *Kick the Moon* raised \$ 1.5million in only ten seconds. As mentioned before, these 'Netizen funds' are the latest online development. Local film companies have found the funds to be a huge boon - less for the money they provide than for the loyalty or advertising effect it engenders among their young investors.

### 6.2.5 Case studies of Two Major Communication Conglomerates in Korean Cultural Industry: CJ Entertainment and Mediaplex

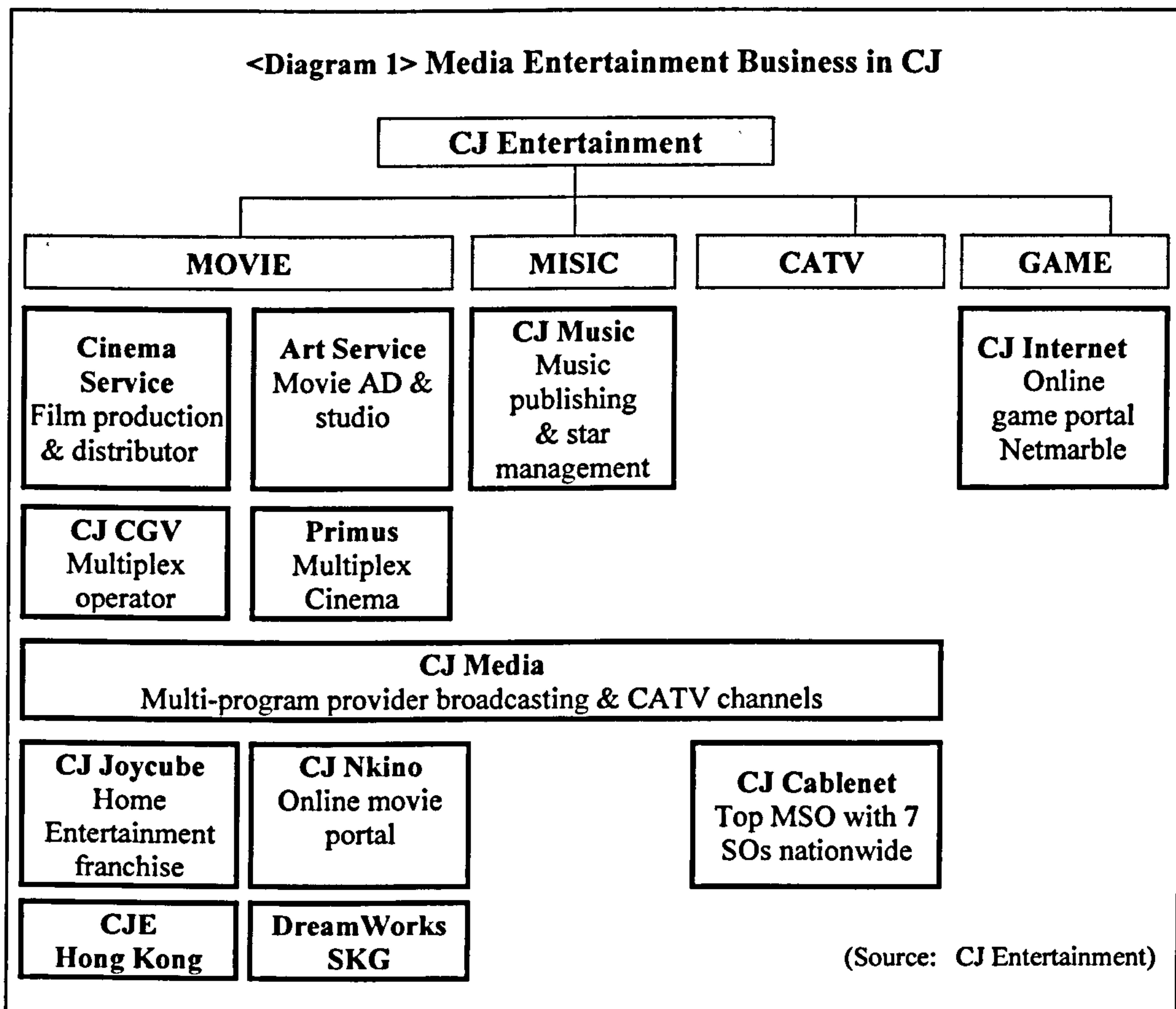
#### ◆CJ ENTERTAINMENT

##### -Structure of Ownership

CJ Entertainment is a subsidiary of the conglomerate CJ Group which is a food and consumer products conglomerate and acts as a media and entertainment business arm of

the conglomerate. It was initiated as a film division of CJ Corp in 1995 when CJ Corp. took part in the foundation of DreamWorks Studio in the U.S. and spun off from CJ Corp in 2000. After it went onto the stock market with an Initial Public Offering in 2002, it was owned by CJ Corp (37%), foreign investors (16%), JH Lee (15%), institutional Investors (14%) and others (18%) according to CJE as of end of 2004 (Source: CJ Annual Report).

**-Range of Activities**



As seen above, the fast changing media contents market is destroying longstanding barriers among filmmakers, broadcasters, talent management firms and mobile carriers. CJ Entertainment has been part of this trend. At first, the company began to distribute films and expanded its range to investment, production and distribution. Through the multiplex movie cinema chain CJ CGV which is its subsidiary company, it controls exhibition. In 2004, CJ Entertainment had a partnership with Cinema Service in production and distribution. This reveals just one of the many possibilities open to companies in the Korean cultural industry in their pursuit of strategies towards vertical integration. Such consolidation is not limited by domestic boundaries.

Moreover, another subsidiary CJ Media which operates cable and satellite channels M-net, the Food Channel and Home CGV. CJE can find a market for most of its film contents by supplying it to these cable channels which can be said to represent 'one source, multi-use'. Emphasising convergence and vertical integration within Cinema Service's existing activities, the company aimed to build links covering the whole field of the film industry including powerful content providers, film production, distribution, talent management, and even film equipment rental.

#### **-Profits and Turnover**

When it comes to turnover and profits, the revenue of CJE was \$65.1 million in 2001 and increased to \$71.5 million in 2002, \$103.6 million in 2003 and \$118.4 million in 2004. As for profits, it earned \$8.5 million in 2001, \$6.1 million in 2002, \$17million in

2003 and \$19.1 million in 2004. These numbers may not appear impressive in terms of scale. However in terms of market dominance, the influence of the company is huge. CJ CGV became the leading multiplex cinema operator in Korea with admissions of 33 million and market share of 25% in 2004. Through rapid site expansion in prime locations, it also became the number one operator in the Korean theatre market, operating 26 sites with 207 total screens as of year 2004.

#### **-Main Overseas Markets**

CJ Entertainment's main overseas markets are China, Taiwan and Japan. Around 80% of its films were exported to these areas. Thus, it has been very keen to build foreign bases in these countries as well as seeking to penetrate foreign market through co-production with foreign partners. Thus CJE has a Hong Kong subsidiary, CJE Hong Kong, to handle releases in China, Hong Kong and Taiwan. CJE Hong Kong is the distributor of CJE & DreamWorks films in China and Hong Kong. By setting up CJE Hong Kong, the company was able to increase foreign distribution, especially through pre-sales of domestic films. Now CJE is targeting Japan as the next leg of its expanding distribution network.

#### **◆MEDIAPLEX**

#### **-Structure of Ownership**

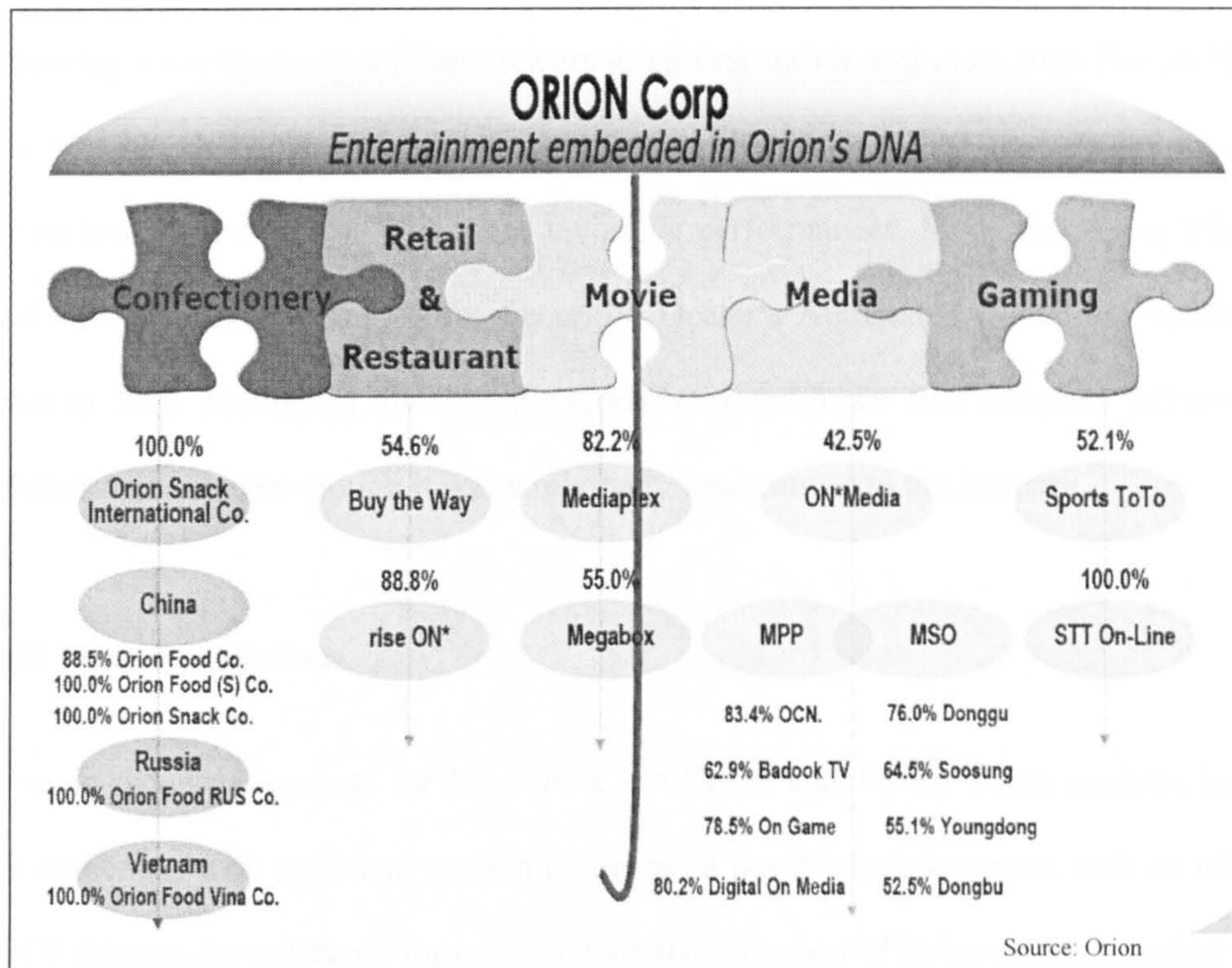
Orion was a subsidiary of confectioner, the Tongyang Group. However, in 2001 Orion

was spun off from the Group along with media, movie, and entertainment subsidiaries to form a new group of its own, the Orion. Mediaplex was the local media subsidiary of the Orion corporation, as owned mainly by Orion. In 2006, it made an Initial Public Offering. As of 2006, it was owned by Orion Corp (57.5%), Hwa-kyoung Lee, wife of Chul-gon Dam, CEO of Orion corporation (10.2%), Employ Stock Ownership Association (3.1%), Public Subscription (28.6%) and others (0.6%). (Source: Mediaplex IR Report)

#### **-Range of Activities**

Since 2000 the Orion Group expanded its range of businesses from the confectionery industry, into the entertainment and media business. Mediaplex, which is the entertainment and film business subsidiary of Orion Group, was established in 1999. Mediaplex had longer-term ambitions towards vertical integration, producing, investing in and distributing films for multi-media conglomerates. In 2000 Mediaplex entered the exhibition field by opening the Megabox theatre complex and in 2002, Megabox established Showbox to provide a platform for its entry into movie production and distribution. Through Showbox, Mediaplex formed two investment cooperatives to strengthen such activities. Mediaplex set up a vertical integration strategy through Megabox and Showbox. At the same time, it also achieved synergies in cooperation with other subsidiaries such as cable TV channels OCN, Tooniverse, and On Style. Through these channels the contents Megabox produces can be distributed effectively and efficiently. Thus, Orion can capitalise on a variety of media contents using Megabox,

Showbox and popular cable TV channels as distribution channels.



**-Profits and Turnover**

In tandem with the entertainment media group, On Media which continues to show remarkable growth in sales every year, Mediaplex has kept growing in both revenues and market share. When it comes to turnover and profits, Mediaplex achieved \$90 million in revenue and \$8 million in profits in 2005 which led Mediaplex to become the second largest player in the Korean film industry. The company's exhibition unit, Megabox, was especially successful, receiving the world's largest number of admissions

in a day and named the best exhibitor in Asia in 2003. In 2005 the film distribution unit, Showbox snatched the top position in a market it had only entered three years previously by drawing more than one million viewers to its first movie and more than five million to its next hit, and achieving an average of more than two million viewers per movie over its first three releases. With these favorable performances, Mediaplex successfully listed shares on the Kosdaq (Korea Securities Dealer's Automated Quotations System) market in 2006. Mediaplex thus became Korea's second major film company following CJ Entertainment even though it was a relatively new entrant to the industry.

#### **-Main Overseas Markets**

The main overseas markets for Mediaplex are China and Japan. These markets have huge audiences with sufficient economic means to pay for entertainment such as films and TV dramas. As a strategy for oversea markets, Showbox of Orion group launched its own international sales division in 2003. It tried breaking into international film markets to show and distribute its hit films to other countries. As a result, a Korean mega-hit in 2005, the movie *Welcome to Dongmakgol* was sold for a \$2million minimum guarantee to a major Japanese movie distributor at the 2005 American Film Market (AFM). Based on the success of Megabox in the domestic market, Mediaplex plans to enter into overseas markets with its exhibition business Megabox. In 2008, Megabox is going to open two cinemas in China before the Beijing Olympic Games and to expand its network of entertainment and contents businesses there.

## Conclusion

What links all of these strategies designed essentially to imitate the Hollywood system is that they are all related to networking (or distribution). This is not confined to the film industry, but is representative also of the TV, music and games industries. All of the cultural contents industries need to make particular use of this new approach because the success of a cultural product is based on the principle of high production cost but almost zero reproduction cost (Vogel, 2004). Thus, networking is the best strategy to achieve economies of scale. This is why most semi-peripheral powerhouses are based on diasporic markets which work as a network for cultural products. The Korean wave has been rising without the benefit of a diasporic market or network abroad and as such is a rare case.

In this vein, Doherty writes '[the] resulting blend of Hollywood narratives and Korean attitudes and locale creates an interesting, if sometimes schizophrenic, result....The popular Hollywood film genres and their Korean counterparts crossbreed with amazing ease. Westerns, private eye films, spy adventures, historical costume drama, and the pop musical have all been adopted and put into an indigenous setting' (1984: 145). In TV, the influx of Japanese television culture has further facilitated cultural hybridisation locally and has played an important role in bridging the gap between global pop culture and local pop culture.



In the late 1990s, greater cultural exchanges with Japan as well as the more marked presence of the global media in Korea, along with the development of new media, complicated and hybridised the Korean cultural landscape to a greater degree. They were trans-localised from Japan and the USA and re-localised in Korea. In the case of Korean popular culture, it is said that Korean cultural talents successfully combine Korean culture and the distinctive features of the United States, Japan and even Europe. Korea successfully localised the influences of Hollywood and Japan by imitating, emulating and appropriating the original contents, although sometimes it did remain dominated, colonised or worried by its dominant international competitors. Thanks to this characteristic of hybridisation, Korean pop culture can be easily accessed via common elements and therefore can appeal to peoples from other countries or cultures.

To sum up, we must first of all recognise that Korean popular culture has itself evolved alongside the importation of Western media culture, especially American media culture. The formation of a distinctive Korean television and film culture has been contextualised by American media culture. Japanese culture is another resource which has explicitly and implicitly influenced Korean culture. Ironically, given that it was banned from 1945 to 1998, Japanese culture has become an important vehicle for shaping Western culture within a Korean context as specifically as or even more so than American culture did. Thus, the Korean blockbuster can be said to be a mixture; Western style in terms of industry structure and content management but with an Eastern touch in structure of feeling.

This hybridisation trend has also influenced the TV, game and music industries. Production companies that are linked with investment firms have made aggressively large-scale productions based on the idea that such investment would bring positive results, with these products becoming hits, and therefore becoming viable in overseas markets and eventually bringing about the enlargement of the entire Korean market based on economy of scale. We know well enough where the barriers of incomprehension between languages may lie. Likewise, the deciding factor for competitiveness in the audio-visual industry is basically related to its language and cultural market size.

One may rather facilely explain the popularity of Indian and Hong Kong movies in much of the developing world by referring to the fact that they are cheap, which appeals to distributors, and action-packed, which appeals to somewhat unsophisticated audiences. In other words, cultural discount derived from culture and language and economy of scale based on market size does matter. The consumption of audio-visual products assumes, as prerequisite elements, a certain understanding of the language or the culture; therefore it is a common knowledge that the number of populations using same language or sharing a similar culture is an important variable.

Thus, productions that target only the domestic market could be a big risk. The financial risk is lower, while the market risk is higher. Conversely, by taking a higher financial risk and pursuing international hits, the market risks and rewards are arguably more

attractive. Once again, there is a paradox here. Including the financial approach mentioned above, the Korean TV and film industries have been imitating the Hollywood systems in industry structure and production management. Since the Hollywood system was adopted in the Korean cultural industry, the industry's infrastructure has been changed in practice.

The cross-synergy idea of horizontal and vertical integration was introduced in order to maximise efficiency and benefits through the economy of scale as cultural products strive to exploit overseas markets, as previously discussed. Aggressive marketing has also played a part in developing diverse marketing methods and expanding the market through cooperation. All of these were keys in the development of the Korean television and film industries from net importers to exporters through the imitation of the Hollywood system. In some respects Korea has not only emulated Hollywood but actually gone beyond the Hollywood, particularly in its innovative models of finance and investment.

## **CHAPTER 7. The Korean Way: A Compromise between Two Extremes**

The flow of culture across state borders has been a longstanding concern to state policymakers seeking both to guard national prerogatives and to define and develop social identities in ways consistent with their vision of the nation (Curran and Porter 1983; McGuigan 1996; Higson and Maltby 1999; Hill 1999).

As seen in earlier chapters addressing the economic factors behind Hanryu, Korea has successfully implemented a number of cultural policy changes in recent years in response to globalisation, resulting in the transformation of the domestic cultural industry into a Hollywood-type system. Korean cultural policy since the Kim Dae-jung regime can be said to have been quite successful in terms of economic interest, social inclusion and national image.

Outsiders have recently begun to view Korea as a model for survival for other local cultural industries in the region. Delegations from Indonesia, Malaysia, Taiwan and all over Asia have been flocking to Korea to study the Korean film renaissance at the Pusan film festival held in Korea every autumn, trying to learn from the Korean policy behind the recent boom. For example, at the

'Revitalising the Hong Kong Film Industry Forum' organised in an effort to combat the sharp downturn in production levels and box office receipts in 2002, a representative of the Korean Film Commission was called on to outline how the body had contributed to the current boom in Korean cinema (*Screendaily*, Oct. 22, 2002). In the creation of a Hong Kong Film Commission to centralise all of the territory's film support mechanisms, the benchmarking of the Korean Film Commission was one of the key proposals. Likewise, the Asian cultural delegations arriving in Seoul now recognise the extent to which the region's other major markets lack vitality when compared with Korea. Hong Kong producer Bill Kong, who made *Crouching Tiger, Hidden Dragon*, says that 'Hong Kong people including me look at Korea with an envious eye. Filmmakers and audiences have found a real vibe between them, like in the 1970s and '80s in Hong Kong' (*Newsweek*, May 3, 2004).

Here, important questions remain: is this model sustainable? Can it really be generalised in this way? Policies on globalisation have had a dual effect, promoting economic success at the expense of cultural diversity, a development with which Korea is now having to cope. When it comes to fair competition, as opposed to free competition (Chomsky, 1999: 367), the Korean wave has not guaranteed cultural diversity by fair competition. Thus, there is a need to look beyond superficial phenomena and undertake an extensive analysis of the

effects of Korean cultural policy on the Korean wave in reality.

### **7.1 The Dilemmas of the Korean Cultural Industry**

When it comes to discussing the Korean cultural industry of recent years, it is necessary also mention the phenomenon of the Korean blockbuster, despite the fact that their history is relatively short. As a result of the rapidly changing industrial environment and changes in the market, various Korean blockbusters have emerged and in turn led to changes in industry conditions. It is said that Korean blockbusters and the quota system have, in a sense, accelerated the renaissance of the Korean cultural industry.

However, at the same time, there has been concern that the current perspective of the cultural industry, bent on the production of blockbusters, may ultimately impede the diversity of Korean TV programmes and films regardless of quota system. Thus, we need to establish what blockbusters mean to the Korean cultural industry and what the cultural implications of this are, that is, we need to find out what kind of role the quota system for screen and broadcasting plays within a Korean cultural industry that is highly dependent on its domestic market. Here, we need to note how it became possible to produce and develop

Korean blockbusters within the industrial structure of the Korean cultural industry and the dilemmas they have caused in the industry.

### 7.1.1 Broadcasting & Screen Quota System

The U.S. claims that the screen quota system in Korea is having negative effects, undermining profitability and leading to a decrease in screening venues (Kim Hyu-jong, 1998), particularly as this system remains the largest obstacle to the U.S.'s plans for large-scale investment to build multiplex cinemas in Korea (Kim Mee-hyun, 2003). Contrary to the U.S.'s claim, Korea has in fact witnessed an increase in the number of screens, including multiplex cinemas, as well as in the number of filmgoers, all while its screen quota system has remained firmly enforced. Even with the financial difficulties resulting from the foreign currency crisis of 1997, the number of cinema screens in the country increased from 497 in 1997 to 707 in 2000 (MCT, 2001).

Meanwhile, since the advent of multiplex cinemas, the import of foreign movies has declined from a peak of 458 in 1996 to 366 in 2001, belying expectations. That is to say, the increase of multiplex cinemas reflects the popularity of Korean films, which has occurred regardless of the screen quota system. In this

case, quotas for screen and TV seem not to be needed any more. Furthermore, because of the domination of the domestic television and film market by a handful of major local companies, there is a need to re-evaluate the role and effectiveness of the quota system, which was established in order to protect domestic cultural products for cultural diversity. Are these quotas for screen and broadcasting working towards their original objectives of supporting fair competition for smaller cultural products and promoting cultural diversity? Thus, an examination of the logic behind the argument against the quota system is needed.

All countries outside of the U.S must, at a national level, establish a certain support system to protect their own films or TV programmes, in addition to establishing certain regulations to prevent a monopoly of cultural products from one particular country. As a flagship case, former French Culture Minister Jacques Lang proclaimed all-out war against Hollywood's cultural depredation and rules were established in 1989 requiring that 60 percent of all film programming on French television be European and 40 percent of music played on French radio and television be of French origin (Miller, 1996: 79). France operates various support systems in order to maintain its culture, tradition and



cultural industry. According to Xavier Merlin, director of European and international affairs at France's National Cinema Centre, the French government collects 11 percent of local cinemas' total profits and part of the profits from the television and video industries to invest in the domestic film industry (PIFF Seminar, 2002).

From the perspective of international trade conventions, the screen quota system in particular has been given cultural exception status by various international free trade agreements, including the General Agreement on Tariffs and Trade (GATT) in 1986 and the North American Free Trade Agreement (NAFTA) in 1994. Producer Yoo In-taek noted that 'the U.S agreed to exclude cultural products for Canada when they signed the North American Free Trade Agreement (NAFTA), and there is no reason they should not do the same for Korea' (interviewed in 2003).

It is broadly accepted that a cultural product is more than just a commodity, so it should be considered outside of international trade negotiations. Even within the World Trade Organization there is a movement to make exceptions for cultural issues like screen quotas. According to international agreements, governments may seek to restrict foreign content on various 'morality and national security'

grounds, and might invoke Article XIV of the GATS. This might result in a programming quota for domestically produced contents.

Behind the Korean film industry and civil society's protests that the screen quota system should not be abolished was the fear that the abandonment of the system would eventually lead to the total loss of the Korean film and TV and its cultural specificity. Noh Jong Youn, a producer with the film company Sidus, emphasised that 'it is necessary to ensure a steady base of filmgoers and to create a varied viewing culture by producing diversified films' (interviewed in Oct. 2004). There is a need to cater for the tastes of diverse audiences. Not having the opportunity to see domestic films and TV dramas will naturally make audiences neglect local contents as they are an experience good which means audiences can only become used to such contents through a long-term exposure.

Likewise, there are some justifications that quota system is needed. First, devising methods that could counter the huge distribution and marketing advantage held by a few centres is a critical point globally. Mee-hyun Kim of KOFIC refutes the notion that 'repealing the quota system would favour competition, as this competition would essentially be between Hollywood

blockbusters with average production cost of \$100 million and Korean films, the production costs for which average only around \$4 million' (interviewed in Aug. 2003). Her argument is that cinemas prefer to show pictures of proven box-office powers like *The Lord of the Rings* and *Terminator*. Korean films, which mostly do not have such box-office strength, cannot compete with those Hollywood films without protective policy measures.

This is precisely why the quota system for films and TV programmes has continued to be supported in Korea. Thus, the U.S. argument that the current screen quota system should be changed to a subsidy system is irrational because the production of films or TV dramas has no meaning when there is no guarantee that they will be shown. Besides, one might also well ask why we should subsidise the local industry if the public is turning away from it. The simple answer is that this would mean the progressive marginalisation of local film production and the collapse of the local film industry.

Second, with the development of technology, there are likely to be increased opportunities for diverse cultural products and yet at the same time this situation paradoxically solidifies the domination of the market by a few companies with

large capital and distribution networks. In the case of cinema, it is said that online digital technology offers a wider variety of exhibition opportunities. Thus, the U.S. has a more tenable opinion here on the lack of reason for maintaining the current screen quota system, based on the expansion of screening methods and increased screening opportunities related to advances in digital technology. If the two points above are added to their belief in lending resolute investment towards the building of multiplex cinemas in return for scaling-down of the screen quota system, it could become even more difficult to uphold the counter-argument.

Most of all, the U.S.'s argument is premised on a gradual decrease in the importance of cinema screenings, compared with the pre-digital era. However, screening in cinemas has its own unique merits which other screening technology cannot replace. The expansion of screening opportunities stemming from the advancement of digital technology has created an expectation of high-volume sales supported by high investment, resulting in high volume profits which should eventually help attract more viewers. The economy of scale is applied here. Consequently, a perception that in film, the Internet screening can replace cinema, and so screen quotas for cinema exhibition

should be scrapped, is unreasonable.

Likewise in TV, Internet broadcasting complements television rather than replacing it, and does not threaten but rather reinforces the dominance of established TV companies. The Internet has provided an alternative source of viewers and revenue for the companies without making too great a dent in TV viewing figures. That is why these new methods should not be considered substitutes but rather compliments to the more established methods. Digital media has resulted in more viewers based on market expansion and this in turn has led to an emphasis on profitability over content.

Thus, although the way cultural products are circulated and consumed is rapidly changing as digital technology advances even further, within the TV industry most nations have restrained their television industries by instituting local content standards. Thus, the Internet is just a tool for communication and so can increase flow of regional contents and flow of global contents at the same time, which is up to the users themselves. That is to say, depending on how users take advantage of the Internet, it can be used as a facilitator on global homogenization or global diversity at the same time. Thus we cannot say that

the Internet accelerates the flow of regional culture or global culture in only one direction.

Third, film festivals cannot offer an alternative to cinema screening for small budget films. Lee Chang-dong argues that 'the exposure received through film festivals is not enough and cannot compensate for a cinema release. Accordingly, the screen quota shows another alternative approach' (Young-Jin Kim, 2003: 119). Furthermore, some major broadcasters dominate the market by means of vertical and horizontal integration boosted by media convergence, though there have been increased opportunities for small companies to enter the mainstream market with the increased number of distribution methods.

Such hard evidence demonstrates that the screen quota system has not weakened the Korean film market. Rather, major Korean companies have entered into the exhibition sector by means of building multiplex chains across the country, reinforcing their influence on the film market and consequently on the Korean cultural industry (S. Y. Lee, 2005). The local television broadcasting industry, on the other hand, is split over the further liberalisation of the market. The foremost interest of foreign countries is broadening the programme quota of

foreign programmes on local TV channels. With regard to this intention, it is not a major concern for the nation's terrestrial broadcasting companies because their broadcasting schedule is composed of mostly domestic programmes based on ratings and stable capital in comparison with other new media broadcasting companies.

However, it would pose a problem with regard to cable and satellite broadcasting companies, which are major importers and rely on cheap programming from overseas and local independent production companies. This is because an increase in the foreign TV programme quota would ultimately diminish or even devastate the local independent TV programme production industry. In this vein, Song Kyung-hee remarks that 'the Taiwanese TV broadcasting market is a good example. The country used to be an active TV programme exporter. Presently, 70 percent of the programmes aired on its four terrestrial TV channels are domestically made, but as for cable TV channels, which dominate the Taiwanese TV broadcasting market, only 20 percent are locally made' (Kyung-hee Song, 2004). She argues that as a result of expanding foreign TV programme quotas, the country has lost virtually its entire TV programme production base. In contrast to this downturn in Taiwan, the success

of local programming in Korea is such that the quota system is being benchmarked in other countries.

The broadcasters, whom one would expect to be averse to widening the foreign TV programme quota, are instead welcoming it since they will save costs and benefit from reduced risk in purchasing foreign programmes that have already been verified in foreign markets. This is essentially because of the distortion within the local industry, with terrestrial broadcasting companies owning production and transmission facilities, a similar case to that of distributors or exhibition owners in the film industry.

As a result, the local industry lacks independent TV content providers. While terrestrial networks maintain a dominant quota of local programmes, other less financially independent channels provide a mix of both foreign and local content. Therefore, a legal framework or some degree of regulation should exist even in a free market under neo-liberalism because monopoly under free competition tends to cause market failure which hinders the choice of free markets. Thus, regulators have turned to enforcing content standards in order to protect cultural diversity.



Rules on the ratio of Korean films and animation to be shown on the air implemented in 2000 provide a typical model for the quota regulation of domestic cultural products. This rule has been adapted to an incentive system favourable to broadcasting companies. This means that programming Korean-produced films during prime time hours will give the broadcasters 1.5 times the actual programming time. This regulation states that films, animation or popular music from any one foreign country cannot exceed the 60% of the allocated total foreign production programme time. This act can be seen as an attempt to regulate the excessive importation of U.S.-produced programmes and to diversify programme contents.

Up until 1998, terrestrial broadcasters, which are all equipped with both production and transmission facilities, could only air a maximum 20 percent foreign TV programmes every month; the quota was set at 50 percent for cable TV and satellite TV channels, to encourage diversity in the portrayal of international cultures. The programming of independently produced contents is also a big issue. The major terrestrial broadcasters are required to transmit independently produced programmes for more than 10% of their total prime time zone broadcasting hours and for over 30 percent of the total monthly

schedule. As we have seen so far, the perception that terrestrial TV broadcasters have both production and transmission outlets and thus enjoy a competitive advantage and the assumption that the effect of the increase in the foreign TV programme quota would therefore be minute, have proved to be incorrect. This is mainly because broadcasters tend to import programmes based on economic considerations rather than because of cultural concerns.

Taking all this into account, the programming quota follows the lines of the screen quota argument from the perspective of the economic interest of each sector. Private TV and cable channels in particular express the view that the country should operate the quota system in a flexible way because, in reality, the foreign programme ratio has been dropping for the past five years. Moreover, the proportion of South Korean films screened by the country's cinemas exceeded the required government quota in the first six months of 2003. Local films accounted for around 45 percent of the total screening days since 2000 (*Yonhap News Agency*, Sep. 7, 2003). This figure was also close to that of Korean films' share of the local industry, which far exceeds the minimum 18.6% required by the screen quota system. This means that Korean movies were in high demand because they have brought greater profits to cinemas than

imported films.

What I would like to focus on here is the fact that the increase in screening or broadcasting opportunities for local films and TV programmes does not guarantee an increase in the release of small budget films or TV programmes.

Although a booming market favouring the big blockbusters can be seen as a sign of industry success, it cannot make the industry healthier. If the cultural industry in general is healthier, it opens up opportunities for minority producers.

Structurally providing opportunities for minority productions can provide creativity and alternative thoughts which could enrich both cultural content and the industry as a whole.

When seen from this perspective, Korea's cultural policy including the quota system in the screen and broadcasting sectors takes on an even more important meaning. Jun-dong Kim (2002) argues that subsidies to increase the screening of domestic movies and to support the related infrastructure and the education of related personnel may be possible alternatives to quantitative restrictions. Therefore, it is now time for the Korean cultural industry to put into operation not a quantitative but rather a qualitative support system. For example, in order

to support minority films with a view to promoting cultural diversity, it would be reasonable to propose the operation of an art screen in every multiplex cinema.

### 7.1.2 Economy of Scale vs. Cultural Diversity

It is said that in the beginning, the entry of investment companies into the cultural industry was a structural determinant behind the trend of producing Korean blockbusters. In fact, the changes brought about by these investment funds in the production environment of Korean films and TV dramas has helped develop Korean blockbusters in a number of ways, as outlined below. First of all, as the investment funds are concerned only with profits, the backers tend to concentrate their investments on definite box office hits and strongly commercial films with big star actors and star directors. After the spectacular box-office failures of 2002, most new projects are relying more on stars than on narratives (story) or special effects. There is a belief that big stars can guarantee at least moderate success. Thus this dependence on big stars has resulted in the churning out of blockbusters.

Second, investment in production tends to aim at repeating success within one

particular genre so that only one type of film, for example romantic comedies in the case of Korean film production, is being repeatedly produced. The problem of monopolisation by certain genres, such as gangster comedies or trendy dramas (see notes in Appendices), is that these become prevalent to the detriment of other kinds of films and TV dramas. As such, it was imperative for the new generation of movie makers to set box office success as their primary goal, and the producers or directors have striven to make movies suited to the tastes of younger audiences that have tended to prefer foreign films.

In today's industry, these economic considerations towards commercialism are a much greater constraint on filmmakers and producers than government censorship on the content of each cultural product, as conglomerate capital investors and financial capital investors could turn their backs on the industry at any time; this ultimately makes the cultural industry relatively unstable. Therefore, the more investment companies feel there is risk associated with investing in the cultural industry, the more they lean on big stars and trendy genres, as they believe these guarantee above average audiences. Accordingly, stereotypical Korean blockbusters are systematically churned out in a distorted industrial structure as these blockbusters attract the most of the investment,

distribution and exhibition opportunities. Consequently, the smaller independent producers lose out, with a knock-on damaging impact on cultural diversity. The partnership of investment companies and major production studios has strengthened this trend towards monopoly by a few blockbusters. The few, commercially successful films tend to monopolise cinema screens.

Moreover, riding on the back of the popularity of Korean films and TV dramas, investors are pouring large sums of money into big films and TV dramas. As a result, mid-level investment in cultural products is starting to disappear. For example, despite an ever-increasing number of screens since 2000, the move towards wide releases has resulted in a smaller overall number of films being screened, as seen in chapter 6. In 2004, three blockbusters, *Silmido*, *Taegukgi* and *Once Upon a Time in High School*, dominated over 60 percent of screens in the nation's 1,272 cinemas, which means that opportunities for other minor film producers to screen their films were relatively low.

The then Minister of Culture and Tourism, Lee Chang Dong (2003) declared the current film distribution system the biggest obstacle to offering more diversity to moviegoers. In the system, if there are two films that receive similarly

positive reviews from moviegoers, distributors feel that they have to choose, to push one film and sacrifice the other, even if the difference in public opinion is small. This structure further strengthens the large competitive edge enjoyed by U.S. media-based merchandise while further reducing the opportunity for products from small-scale markets or small scale language and cultural areas to access markets abroad.

Additionally, in order to secure box-office hits, the cinema owners became subject to a process of 'block booking', whereby hit movies were bundled with other less marketable films from the major film distributors (see notes in Appendices). When Hollywood majors distributed their films to other countries, they did the same. Thus, local films are subject to disadvantageous treatment because of 'block booking' as they lose chances to compete. Due to such distribution mechanisms, cinema owners, production companies and even audiences had more limited choices.

What we have hitherto overlooked is the fact that the current situation of the Korean cultural industry is quite different from what it was several years ago. The current situation of monopoly can be seen to result not from large

Hollywood companies but from a few Korean majors. Excepting only a handful of Hollywood blockbusters, most U.S. films, other foreign films and most Korean films have to cope with the competition put forward by major Korean studios when releasing their films. In a way, this situation holds certain benefits for local companies. With local companies boasting such power, the unfair activities typical of Hollywood majors, such as block booking or blind booking (see notes in Appendices), are now difficult to make work in the local market.

However, instead of Hollywood majors, major Korean companies have cornered the distribution and exhibition markets while smaller Korean companies have difficulty getting their films or TV dramas released. Indeed, current trends seem to bear this out. Though for last four or five years Korea has been most dynamic in terms of the success of its cultural industry, in a very short time, a few major Korean companies like CJ Entertainment and Cinema Service have come to occupy the whole market and have become a 'Little Hollywood' (Lucas Schuwazacher, interviewed on Oct. 12, 2005).

Likewise, the biggest problem with regard to Korean blockbusters is that those blockbusters tend to dominate screens just as much as their Hollywood



counterparts, while low budget and art films are losing ground. The Korean TV industry follows a similar pattern of monopoly by a few large companies. Unlike in the U.S., where broadcasters purchase their programming from independent production studios, all stages of programming in Korea are completely dominated by the terrestrial television stations with only a few exceptions. Korean broadcasting giants do not want to lose their influence and therefore oppose outsourcing programmes for fear that their own station organisations would shrink as a result.

The theoretical goal of Korean cultural policy is to create a multi-polar industrial structure in which independent content providers compete with each other to sell their products to broadcasting companies or distributors. The most important issues here are diversity, experimentation and risk-taking in the cultural industry. In terms of variety in markets and products, the situation should be viewed from a different angle. From a protectionist perspective, cultural diversity should be maintained at all costs. However, protectionism does not guarantee cultural diversity. As we have seen, a small number of local companies have replaced trans-national corporations in the domination of the domestic market. To nurture the local champion to compete against a global

competitor tends to result in an infringement of cultural diversity by damaging small local companies. Meanwhile, the Korean government and local companies in the cultural industry argue that the Korean cultural market should be protected in order to safeguard Korean cultural identity.

However, major companies in the Korean cultural industry produce quasi-Hollywood cultural goods in order to expand their market share to neighbouring countries and try to dominate those local markets to become a strong regional player on the basis of strong domestic market share. This is a dilemma with which the Korean cultural industry still has to come to terms. The unprecedented expansionism that has taken place in the Korean cultural industry is a manifestation of monopolistic capitalism, which seeks new markets in which to sell its extra products. Large firms can more easily dominate small markets than larger ones. Director Kang Je-gyu said that 'in the film industry, as in other businesses, only the strong survive' (interviewed in Aug. 2003). Much like the 'survival of the fittest' credo, only strong companies can survive in the market. Companies in the cultural industry of a small country do their best to dominate their local market as leverage for competing with global companies subscribing to the economy of scale theory.

Therefore, for smaller markets, a particular concern is the availability of resources to support indigenously produced content as opposed to less expensive 'imported' content (Waterman and Rogers, 1994). Besides, for cultural products in particular, as the investment fund capital is formed by its partners for profit, it is important to secure a stable distribution network in order to maximise the profit to be gained from cultural products. For example, the TV and film market in Taiwan is almost entirely occupied by foreign cultural products because of the weak resources and infrastructure of its own industry (Hu, 2005).

Accordingly, preventive policies should be set up to protect against unfair practices by major distributors, such as tie-in sales. For example, in case of the U.S., in order to ban monopoly in the film industry through anti-trust legislation in the late 1940s, the U.S. government compelled the major film studios to sell off their cinemas on the principle that it was oppressive to make and sell movies while controlling their outlets (Puttnam, 1997: 219).

Therefore, diversity in TV programmes or films cannot be attained without making sweeping reforms in the dominant structure of the present industry, while nurturing creative, capable and independent production companies at a

grass-roots level. In addition, the fact that a wide range of audience tastes should lead to a variety of productions is also an issue although this thesis will not deal with it.

### 7.1.3 Anti-Hanryu and Two-way Flow

Korean TV dramas and films used to not travel much beyond Korea's borders, but since the late 1990s, they have begun to acquire a strong following throughout East and Southeast Asia, as we have already seen. However, there does exist some resistance to Korean cultural products in other Asian countries that have been very high importers. For example, there are some reports that the exportation of Korean programmes to China has decreased owing to moves by the Chinese authorities to restrain the Korean wave (Hanguere, Dec. 19, 2005). Recently, moreover, Korean celebrities, who enjoy popularity across Asia, have become the object of both malicious rumors and false reports (Korea Times, August 24, 2005). The stories about some Korean big stars have been simply blown out of proportion or distorted without any evidence. Some Korean stars have evidenced this trend, such as Bae Yong-jun who said that he felt an anti-Hanryu feeling in another Asian country during a recent interview (Go News, Aug. 26, 2005).

Behind these scenes, there are some reasons that anti-Hanryu is expanding in other Asian countries. First, the skyrocketing production costs of Korean TV dramas and films have resulted in antipathy among traders and the press in other Asian countries. Han Young-Soo argues that such Anti-Hanryu sentiment has resulted from the profit-driven strategy that has been implemented for exporting Korean cultural products (interviewed in Dec. 2004). In a sense, this is partly because Hanryu is largely reliant on a few high price films or TV dramas, and the success or failure of these in the Japanese market can greatly affect the export unit price. It is also down to increased production costs. For example, the production cost of an episode of Taiwanese TV programmes is generally less than \$17,000, whereas the cost of an episode of a Korean TV drama can be as high as \$55,000 as of 2002 (Liu and Chen, 2004: 71).

Kang Man-seok (2004) points out that 'Korean broadcasting companies have been repeating temporary and unplanned business practices since the broadcasting interchange between Korea and China began ten years ago.' For example, the rights to a single broadcast of *Section TV Entertainment News*, the entertainment programme made by MBC, are sold at \$1,000. For TV dramas, the copyright price can range from \$1,400 to \$271,700 (ibid). Kang argues that

this means the standard selling price and trade criteria are not systemised, so trade deals have typically been considered on a case-by-case basis.

In this context, Taiwanese TV channel Videoland decreased time slots for Korean soap operas from 811 hours in 2003 to 356 hours in 2004 as the price of Korean TV dramas had increased drastically. Jung Yun Kyoung (2004) reported that the Taiwanese audience is not favourable to Korean programmes. She argues that despite the Korean TV drama boom, in recent times, Taiwanese audiences do not watch Korean programmes as often as was previously thought. According to an interview of 419 Taiwanese people, 71.5% of them regularly watch programmes from other Asian countries, while only 32.9% reported watching Korean programmes. Additionally, 16.1% responded they prefer Korean programmes to Taiwanese ones, while 56.8% dislike Korean programmes more than Taiwanese programmes (ibid.).

Second, cultural exchanges between Korea and other Asian countries have tended to be a largely one-way flow from Korea to other countries, which has led to concern and antipathy towards the Korean wave. Although Korea itself has suffered from the one-way flow from the U.S. for a long time, it has also

done the same to other Asian countries. Just as Korean people believe that Americanisation or the domination of Hollywood films damages Korean cultural identity, so other Asian countries feel the same about the Korean wave, Hanryu, although the feeling may not be as strong.

The recent negative perception of Korean TV programmes which began in Taiwan has been expanding. In Vietnam, some people argue that Korean cultural products are leading the young Vietnamese towards materialism because they try to indiscriminately imitate the Korean yuppie lifestyle portrayed in TV dramas and films. Such negative reaction from the Vietnamese is exactly the same as the Korean reaction to Japanese cultural products. As mentioned in earlier chapters, the announcement by the government of cultural opening to Japan caused considerable anxiety in some sectors of Korean society, feeling rooted in fears of cultural imperialism and concerns over the violent and sexually dominant contents of Japanese mass culture products. These two perspectives reflect the prevailing idea that Korean culture is so pure and vulnerable that it should be protected from other aggressive and polluted cultures.

However, these worries proved quite different from what was experienced in

practice. Most of all, the implication that Japanese pop culture is uniquely dangerous and low in quality is biased and ignores the international successes of many Japanese writers, musicians, artists, and architects. In the area of pop culture, Japanese films and Japanese animation have received positive international attention. Japanese fashion and design have competed successfully with the American and European centres of fashion and design.

As for sexual and violent contents, Japan is certainly not the only country to have such contents. Many Hollywood films and Korean films contain extremely violent scenes; many rock music lyrics are violent and sexually explicit. Thus, these concerns for cultural diversity and moral purity against Japanese culture were to some extent merely a convenient disguise or smokescreen for the real objective, which was economic protectionism. In this respect, Giddens (1991: 24) emphasises that 'one aspect of the dialectical nature of globalisation is the push and pull (my italic) between tendencies towards centralization inherent in the reflexivity of the system of states on the one hand and the sovereignty of particular states on the other. This could be the same with the cultural exchange between centre and periphery.' As he mentions, exchanges are not unilateral but interactive. However, just as the Korean wave made Korea a regional centre in a



short time and in one direction (from Korea to other Asian countries), it also generated anti-Hanryu sentiments in its target markets. As a result, companies in the Korean cultural industry have recently started looking seriously at international co-productions and seem eager to pursue co-productions which can enter into local markets easily and lessen antipathy towards foreign cultural products. This is a strategy common among trans-national corporations and is useful for reducing cultural discount and maximising economy of scale.

For example, SM Entertainment has reduced the costs and risks of its entry into the Chinese market by licensing its products to a Chinese partner. Moreover, it is localising its cultural products by setting up an academy in South Korea to discover and nurture Chinese pop stars as well as introducing Korean stars to China. The company is to launch Chinese versions of its successful South Korean bands, keeping the same name and style but substituting local artists for their Korean counterparts. Lee Su Man, CEO of SM Entertainment says that 'this would be the world's first example of a "franchised" pop band. We will use Chinese talent to appeal to a Chinese audience but meeting Korean production standards' (interviewed in Feb. 2005).

Cultural flow from centre to periphery does not necessarily result in only the

one-way flow of cultural imperialism. Owing to such interactivity of cultural flow, cultural opening can benefit a country rather than simply damaging its culture and economy as it did to Korea. As mentioned in the previous section, contrary to expectations, Japanese cultural products have not yet swept across Korea. Conversely, Korean cultural products have begun to position well in the Japanese market since the implementation of the open-door measures. According to the KBC (2004), the import of Japanese TV programmes totalled \$2,730, 000 in 2000 right after the third measure but the next year decreased to \$1,630, 000. Korean presence in the Japanese TV market, on the other hand, has increased. In 2001, total revenues from Korean programme export to Japan came to \$1,180,000; in 2002, this increased to almost double that amount at \$2,310,000.

In fact, though there were no legal restrictions on the importation of Korean culture in Japan, there was relatively little interest there in Korea beyond certain intellectual circles before the Korean open-door policy to Japanese culture was put in place. Kusanagi Shuhei has analysed the situation and surmises that 'lifting the ban on Japanese pop culture showed that Koreans were not as hostile to Japan as many Japanese thought. This will encourage more Japanese to take

an interest in Korea, which will stimulate cultural exchange in many fields' (interviewed in Nov. 2004).

With the opening up of the Korean market, the cultural sectors of Korea and Japan began to make unprecedented efforts to appeal each other. This implies that the open door policy has stimulated the growth of new business between the two nations. There were several co-productions of TV dramas between MBC of Korea and Fuji TV of Japan, such as *Friends* in 2001, *Thundershower*, *Afternoon of Shower*, *Rain* in 2002 and *Star's Echo* in early 2004 (*Chosunilbo*, Jan. 26, 2004). Worth particular note is the Korean TV drama *Winter Sonata*, which was first broadcast on Japanese satellite TV and rerun on Japanese public broadcasting service NHK several times, which has intensified the Korean boom in Japan. The following excerpt by a Japanese journalist describes the new relationship between the two countries in detail:

*For the first time, South Koreans can legally buy CDs of Japanese singers and rent Japanese movies at the local video store. Japanese can now be heard on cable television, which until recently would have been greeted with the same kind of outraged reaction from some listeners as playing Wagner does in Israel. In Japan, many people who had never thought about the Korean peninsula are watching South Korean television dramas and studying the language. Kimchi — the spicy pickled vegetable that is Korea's national dish — would have been dismissed a generation ago, but it is now becoming a favourite in Japan. A new generation of entertainers are effortlessly crossing borders between the*

*countries, as well as to Taiwan, Singapore and China. This opening of markets to Japan has occurred as South Korean confidence grows in its own "soft" power (New York Times, Feb. 22, 2004).*

The fact that thanks to the boom in Korean films, U.S. distribution companies are now keen to distribute Korean films is further confirmation of a two-way flow. It is estimated that the number of such cases will increase as Hollywood distributors begin to invest in Korean films such as *The Phone* and recently *Silmido* (*Hanguookilbo*, March 20, 2002). As for distribution, not so long ago, the distribution field was dominated by Hollywood majors who distributed their films directly to Korea. Local film distributors in Korea normally tend to be keen on distributing foreign films because the distribution of foreign films is more stable than that of local films, which used to account for a lesser portion of distribution fees.

However, the converse has also occurred: Korean distributors are competing to get Korean films. Moreover, as Korean distributors became stronger market players, they have begun distributing some Hollywood films in the Korean market. Therefore, Korean and foreign joint ventures and joint financing of production, distribution and exhibition are blurring the hierarchy between

Hollywood and Korean film. As such, the local distribution scene in Korea has seen significant changes in recent years.

What is more, with Korea emerging as a new hotbed of adaptable products, U.S. studios have been buying up the rights to remake Korean films in Hollywood since 2001. Miramax for the first time purchased the rights to Korean comic gangster film *My Wife is a Gangster* and Korean ancient martial arts movie *BiChunMoo* (*Screendaily*, May 17, 2001). Other Hollywood majors such as Dreamworks SKG, MGM, Warner Brothers and Fox 2000 Pictures have also started to acquire Korean films (*indieWire*, May 6, 2002; *Korea Times*, July 14, 2003).

This remake frenzy is helping sustain a Korean film profit and is making Korean producers think about export from the stage of pre-production. Hollywood majors have bought most of these Korean features not for release but for remakes due mainly to cultural discount. They believe remaking the films can appeal to American or global audiences easier than the original films can. Through this, these major U.S. companies can minimise their risk and costs by using local joint venture partners and can easily access the local market. UIP vice president of sales and marketing Asia, Kurt Rieder, explained the

companies' reasons for seeking out local films: 'There is a financial benefit but it also allows them to learn about the local market and the potential for growth. The reality is this is not a good time to be representing a US company' (cited from *Financial Times*, Oct. 30, 2003).

In TV, through satellite TV, some other products from countries in the periphery, like Korea, can gain exposure to world audiences. For example, in early 1999, while Star TV was making efforts to enter local markets with its global contents, it introduced a programme called *Seoul Flash*, designed to promote the Korean fashion industry among Asian viewers. *Seoul Flash* was a 10-minute programme on STAR-TV's music and entertainment *Channel V* broadcast weekly for a year introducing hot trends in the Seoul fashion industry, top shopping areas in Seoul and images of the metropolitan capital of Korea aimed at Channel V's primary audience, the youth of China, Taiwan and Hong Kong.

In a sense, Hanryu can be attributed to this kind of programme on Asian satellite (Gong Hee-Jeung, interviewed in Nov. 2003). Thus, cultural flow cannot be said to be purely one-sided. Satellite TV has been considered a tool of cultural homogenisation or even cultural imperialism in that it disseminates Western

trans-national corporate products and values. However, as seen above, it disseminates cultural contents from periphery as well.

## **7.2 Market Opening with Industry Support**

Although liberalisation has become a mainstream and irreversible trend, the financial debacle of 1997 reminds Koreans that liberalisation can be a double-edged sword. As most acknowledge the inevitability of the far-reaching liberalisation measures that have been implemented since the so-called IMF era started, there still exists an underlying anxiety over the pace and magnitude of this liberalisation. The first point I would like to raise in relation to this statement is the fact that, despite all of this, unregulated markets do not necessarily guarantee freedoms to many people. The indiscriminate application of free market principles could limit cultural diversity and multiplicity.

In this context, an analysis of the outcomes of the current system, considering the environmental changes that have resulted from the advancement of globalisation and digital technology, is demanded. The main issue between the U.S. and other countries concerning this globalised environment relates to how to further strengthen the efforts of each country in preserving its own cultural

identity in the midst of an ever-expanding private domain, rather than to reduce its government's interest and effort in maintaining cultural identity (Cargo, 1995: 215-224). I believe that such an analysis will help us explore and highlight a point that the protectionist-free market dichotomy has missed in the context of the rising Korean cultural industry.

Essentially, Korea tends to promote a market-driven system and protectionist policy in the cultural industries at the same time, despite the fact that they seem to be at opposite ends of the spectrum. However, Korea seems to have found 'the third way', which is a combination of these two. Improvement of cultural policies and free trade must strive to maintain their synergic nature rather than forcing a choice between the two. In this context, the Korean case could be a good example for the combination of these two extremities. We might now ask how this compromise could be possible.

The Korean government has been challenged to develop and implement cultural policies to deal with globalisation. It has striven for a global audience, working towards a deregulatory environment and enhancing policy effectiveness at the same time since the end of the 1990s, although the U.S. has been critical of cultural policies that are perceived as protectionist, calling them barriers to free



trade. Unlike the productive manufacturing sector, the Korean cultural sector remained relatively inefficient until quite recently. Many domestic institutions and companies remained stable but stagnated due to the shield erected by the government to protect against foreign competition.

In spite of this, and thanks to the lively formation of investment funds, the Korean cultural industry has been able to expand its scale and as a result revitalise the industry. After the mid 1990s, the influx of financial capital into the Korean cultural industry was especially influenced by policy factors. In the 'New Economy Five Year Plan' of July 1993, the film industry was designated a knowledge-based service industry within the manufacturing industry in the industrial development strategy section. Later, the 1999 'Cultural Industry Basic Law' of the Kim Dae-jung administration introduced a policy that companies in the manufacturing industry would receive favours in taxation and financial matters, such as a reduction in corporation tax.

These changes in the national policy made it possible for investment companies to launch their business in the cultural industry. It was for this reason that Jin Nyum, Korea's then finance minister, applauded companies such as SM

Entertainment and CJ Entertainment as being crucial to the country's economic development in the face of growing competition from the low-cost manufacturing powerhouse of China on its doorstep. He pointed out that 'we have to develop service sectors such as logistics, tourism and cultural content and become a more knowledge-based economy' (*Financial Times*, Feb. 2, 2002).

Besides, the government had to support domestic cultural industry in preparation for market opening to Japanese cultural products. In this context, it was believed that the creative industries would play an increasingly important role in the economy. Likewise, as the economic value placed on cultural products was re-evaluated, government policy changed to support the cultural industry. Thus, this support is not primarily intended to promote diversity but rather to maximise competition with a view to attracting investment.

As a result, these policies have developed the market economically while limiting it culturally. In this context, diversified films can only be possible under a particular infrastructure of support, like Internet or government initiatives for independent films. Independent films only get these 'secondary' media, not

exposure to mainstream audiences. Thus, while big budget films explore new genres and special effects, influential voices in the industry are also calling for support for smaller films in order to safeguard creativity and diversity. Korea shows that there are still close ties between government and industry. The cultural industry is no exception.

Government funding and new initiatives from the private sector like the CJ-CGV Independent Film Fund look to help provide funding for independent films. The CJ-CGV Independent Film Fund is a yearly \$ 300,000 bursary that CJ Entertainment and its affiliated company CGV launched to promote the production of independent films. Furthermore, CGV operates two specialised screens for the release of independent films. In the TV industry, to ensure fair competition and diversity, the new government act on TV policy in Korea sets limitations for Multiple Programme Providers (MPPs). The qualifying revenue of any one MPP should not exceed 33% of the sum of the sales of the total programme providers. Likewise, the government still has a role in building infrastructure in order to meet the rising demand for cultural diversity catering to different tastes.

## CONCLUSION

It is said that although some governments still try to regulate or censor, or subsidise or intervene, their efforts are increasingly futile, because the market for cultural commodities has become so global, the technologies so impervious to local control, and the ideology of free trade so pervasive. The more globalisation prevails, the more pressures there are to move towards a free market, so that it proves extremely difficult for policy makers to resist. Furthermore, from a neo-liberalist perspective, the GATS and its successor the WTO were aimed at reducing and eventually eliminating tariffs and other barriers to free trade.

However, owing to the division between centre and periphery, if foreign investment in cultural activity from the 'centre' is allowed, there tends to be a concern that only culture from the centre will survive and this worry becomes an obstacle to completing mutual trades and exchanges between centre and periphery, such as a MAI (Multilateral Agreement on Investment). Therefore, the growing dispute between trade agendas, on the one hand, and cultural policy goals, on the other, has recently been debated in the context of finding a mechanism to deal with the culture and trade conflict. Korea has been at the centre of the cultural battlefield between local tradition and global media flow,

and protectionism and free market values. The cultural industry in Korea has been creating national champions behind a protective wall of tariffs and regulations thanks to the huge business potential of the entertainment sector. Larger and wealthier markets, with greater resources available for the provision of media, can afford a greater diversity of output than smaller markets. Small markets in overlapping languages areas such as Switzerland and Belgium are especially prone to market domination by non-indigenous suppliers.

Consequently, the smaller the size of the market, the more the planning of government policy and interest rightfully becomes an absolute necessity in order to preserve the country's linguistic and cultural heritage and identity. Although the quota system enabled the Korean TV and film industry to remain stable and successful both in the domestic and the Asian markets, it also caused a number of dilemmas: 1) a few domestic majors dominate the market and this has led to a reduction in cultural diversity, which is believed to be protected by the quota system; 2) the Korean cultural wave from periphery has also brought about anti-Korean sentiments, just as Americanisation from the centre did, although the reaction has not been quite so strong in the case of Korea.

Thus, these dilemmas reveal that Korean cultural policy, one of critical points in making the Korean cultural wave possible, has given priority to economic interest over cultural interest (cultural diversity). Despite the overwhelming success of a number of local films, as outlined above, there is increasing concern about the fate of medium-sized and smaller features because many such films tend to have a hard time securing release, with the strongest competition existing between Hollywood Blockbusters and their Korean counterparts. Big-budget productions tend to occupy screens while mid-sized artistic films find it harder and harder to access cinema audiences. A handful of multiplex owners dominate the market.

Similarly, in the TV industry, three terrestrial broadcasters have enjoyed oligopolistic power for a long time. For example, when it comes to the programmes quota, the less well-off cable companies cannot import cheap programmes from foreign countries. A particular problem with such an uneven structure is the fact that one part of the sector (terrestrial broadcasters, Korean film blockbusters) succeeds at the expense of another (production companies, cable companies, art films).

However, despite this weakness, Korean cultural policy has played a key role in the recent 'make-over' of the Korean cultural industry. Market opening, which helped the Korean cultural industry cope with global competition, and structural support such as the quota system, IT infrastructure and the Pusan Film Festival

have led to a massive shift in the industry, from being an importer or imitator of foreign contents to becoming a net exporter. The quota system, IT infrastructure and the Pusan Film Festival have been put to work as the structural tools guaranteed to stimulate and boost creativity in the Korean TV and film industries.

Cultural policy should be required to regulate against decreased diversity of products and a narrower range of political viewpoints. Thus, deregulation and re-regulation are more appropriate names for the changes in cultural policy that took place in South Korea in the 1980s and 1990s. Consequently, for the coexistence of fragmentation for diversity and convergence for competition, government intervention is needed. By deregulating for competition, through measures such as market opening and re-regulating to support cultural diversity, government policy has attempted to stimulate the creativity of the people in the sector, making them more competitive. This sums up the Korean approach to cultural policy as a compromise between two extremes.

## **CHAPTER 8. Conclusion: Rethinking Media Flow in Periphery and Possibility of a ‘Cultural Bloc’**

Cultural products have a basic and inseparable relationship with language and culture during the production, distribution and exhibition processes. Thus, the producers from the countries with a broader language base and cultural market can bring in larger profits than their counterparts from smaller language and culture-based countries, even though they both produce similar cultural products. Smaller national markets may be more dependent on the importation of popular cultural commodities, as Korea was in the past.

Moreover, the country with the larger language base tends to have more business personnel entering its competitive cultural industry, resulting in further improvements such as higher budgeting commitment and better quality production development. The new recruits are drawn by the ‘larger language base’ and by the fact that industries in these countries are more profitable owing to that larger language base. There is a chain reaction here: shared language means increased profits which imply attracting more people and this means better quality and even more profits. However, the degree of this dependence on shared language base can differ according to the kind of cultural commodity, and can differ over time. Hence, countries with small language base and



cultural market have some potential for becoming a centre of sorts in their own right. In this vein, the success of the Korean Wave in other Asian countries without the advantages of a diasporic market or common language cannot be explained. By exploring the Korean case in reality, this thesis has challenged the assumption that globalisation can be equated with cultural imperialism. It also presents a case study of a specific country's cultural policy in response to globalisation.

Several commentators have understood globalisation in terms of a theory of neo-liberalisation and one way media flow. On the contrary, the case of Korea indicates some alternative possible outcomes. The influence of Korean popular culture on other Asian countries including Japan does not support the standard cultural imperialism thesis, which criticizes global domination by Western culture. Furthermore, it does not conform to other models of 'counter flow' which are based on a diasporic market.

Thus, many wonder how Korea has become such a powerful force in the cultural industry in the Asian region in such a short space of time. In this context, I have tried to connect a theoretical argument about 'counter-flow' with the specific case of Korea and show how this theory operates in practice. One of the chief contributions of this thesis has been to challenge the existing theories of media flow by exploring the specific Korean case as a

new model of counter flow, and hence to make us rethink the role of cultural policy under globalisation.

In this concluding chapter I will consider the Korean experience of Hanryu in a broader context. First, I will examine some of the criticisms and limitations of the Korean model, whether such criticisms are justified and how some of the limitations might be addressed. Secondly I will consider the extent to which the success of Korean creative industries can be attributed to government cultural policy and the relation of cultural policy to other contextual factors in Korea. Finally in section 8.3 and 8.4 I will consider the legacy of the Korean model. Whilst it may not be possible to present Korea as a sustainable model for other countries to follow, perhaps Korea's current success can form the basis for a new cooperative model of cultural exchange among neighbouring countries. This 'cultural bloc' model may represent a practical legacy of Hanryu, even if the wave itself may eventually subside and the precise circumstances surrounding its successful development may prove difficult to reproduce elsewhere in the future.

### **8.1 'Hanryu' and Its Challenges as a Counter Flow**

As mentioned above, I have argued that Korea has successfully absorbed foreign cultural influences, generating hybrid products based on popular US models, especially in the

film and broadcasting industry. However, the practical success of this model, based on hybridity of Korean Wave in content and business model, is also subject to a critical challenge; from this perspective Korean Wave is seen as an agent of Americanisation and the resulting reduction of cultural diversity is seen to be driven not by Hollywood but by the dominance of a few powerful Korean companies.

### 8.1.1 Korea as an Agent of Americanisation?

According to the perceived Americanisation of Korean cultural products, they could be seen as an intermediary or surrogate for American cultural products in the Asian market. To what extent then have Korean cultural industries merely served as an intermediary for American culture? Before answering this question, it is useful to compare Korea's situation with that of Japanese animation and Hong Kong films. Most cultures in periphery have been absorbed, diluted and undermined by American culture, though some of them such as Japanese animations and Hong Kong action movies talk back through the process of globalisation. Furthermore, although Japanese animations and Hong Kong action movies represent the kind of counter-currents that have developed from periphery to centre, Japanese and Hong Kong exports were strategically made not to reveal their national or cultural origin.

As noted in chapter 6, the popularity of products from Hong Kong is generally believed to have occurred because 'they are cheap, which appeals to distributors, and action-packed which appeals to somewhat unsophisticated audiences' (Moran, 1996). In the case of Japan, the global success of Japanese animation has been attributed to its 'cultural odourlessness', a trait which Japanese animation producers have tried to pursue strategically (Iwabuchi 2004: 26-29). The strategy of Japanese animators and less explicitly, of Hong Kong film-makers, has been based on global standardisation thereby reducing cultural discount. At the same time, this strategy dilutes or removes their specific cultural identity and is consequently criticized as another form of Westernisation. Meanwhile, Korean cultural products' recent strength at the box office has been based mainly on a form of hybridisation: Korean cultural content with Western style. Certainly not imitation but 'hybridity' has been one of the secrets of Korean success.

The Korean blockbusters could be seen as an intermediary for an American style of cultural product, in style or in its underlying business model, if not in content. However, my argument is that Korean culture is not simply a passive 'absorber' of US cultural influences. If Korean cultural products are just an intermediary of American culture to Asian countries, how can it be explained that other Asian people try to learn Korean

language and culture? Similarly, how can it be explained that Korean epic dramas such as *Daejanggeum*, which are contextualised in exhaustive Korean historical background, are also very popular in other Asian countries?

Consolidating US business practices in economic terms and Korean concepts in terms of cultural content is an example of Korean hybridity. In terms of both content and infrastructure, the Korean cultural industry has been challenged and has changed accordingly. When it comes to the content, it has adopted a hybrid approach to the production of cultural goods, creating Korean cultural contents with Western style. This has the effect of reducing cultural discount, making the products more accessible to a wider range of audiences. Having a history of cultural assimilation through the adoption of other cultures, the Korean cultural industry has not just mechanically transplanted American and Japanese TV programmes and films. Korean hybridisation through imitation is filtered through specific Asian structures of feeling. Therefore, Korean cultural industries are still, in spite of US influences, distinctively Korean in character.

Meanwhile, when it comes to the industrial infrastructure and business practices, Korea has also imitated and indigenised the Hollywood system in order to maximise its profits and its competitive advantage by seeking economies of scale. However, Korean

organisational culture in the cultural industry is significantly different from that of Hollywood and this in turn influences the cultural contents. For example, Korean production crews have been found to show less individualism and more loyalty to the production which they are working on than their Hollywood counterparts (Hyoungjun Kim, interviewed in Oct. 2004; Roy Lee, interviewed in Nov. 2004; *Korea Herald*, Jan. 3, 2003). Consequently, I would like to argue that Korean cultural products do not merely serve as an intermediary for American culture in the Asian market but spread something distinctively Korean to other Asian countries.

### 8.1.2 Cultural Diversity, Cultural Cost of the Wave?

The cultural industry in Korea has been creating national champions behind a protective wall of tariffs and regulations in order to compete with foreign contents but the real losers may have been the smaller local cultural content producers. For example, there is an increasing concern about the fate of medium-sized and smaller feature films because many such films tend to have a hard time securing release, with the strongest competition continuing more than ever to be between Hollywood blockbusters and their Korean counterparts. Big-budget Korean productions tend to occupy screens while mid-sized artistic films are finding it harder and harder to access cinema audiences. In this

context, there has been an argument that economic success of Korean blockbusters consequently resulted in a loss of 'cultural diversity' in Korean cultural products. This leads to a concern that Korean cultural industries may have become 'victims of their own success'. This is both an economic and a cultural issue. Repetition in a hit-driven business could kill creativity in the cultural industry and this in turn might cause the decline of that industry in the long term. Then, to what extent has economic success been paid for by cultural costs? How can this be avoided? Is it impossible to preserve cultural diversity and promote economic success at the same time?

Regarding cultural diversity, one of the most controversial issues in Korean culture and society is the screen quota system in film which is a protective measure for the Korean film industry. It is widely acknowledged that the quota system was instrumental for protecting cultural diversity in Korea by releasing Korean films against Hollywood domination and in the recent revival of the Korean cultural industry. As explained in the thesis, this functioned as a safeguard for Korean film at a time when Hollywood enjoyed a dominant position in the Korean film market. Thus, from a cultural perspective, the quota system has been understood in terms of supporting art-oriented or small films for cultural diversity. However, since Korean blockbusters became stronger at the box office

at Hollywood's expense, the main beneficiaries of the screen quota have been the Korean blockbusters.

In television, terrestrial networks maintain a dominant quota of local programming, and other less financially independent channels provide a mix of both foreign and local content. However, with the tremendous increase in the number of channels available, both audiences and revenues have grown in line with a wider range of services. This has resulted in a more commercially driven approach, with fewer opportunities to broadcast culturally diverse and local content. As with the film industry, these developments have accelerated the major companies' oligopoly.

Then, what does cultural diversity mean in a Korean context? Basically, cultural diversity is based on cultural identity because when we acknowledge separate cultural identities we are also recognising the possibility of cultural diversity (Anderson, 1983). Normally, countries in centre such as the U.S and the U.K. which have many different people, consider cultural identity as one of the most difficult and important issues that government cultural policy has to pursue (Kevin Robins, 2006; Dory Reeves, 2005; Tony Bennet, 2005; reference at UK Film Council, <http://ukfilmcouncil.org.uk/information/aboutus/diversity/>). Therefore, they try to protect



and develop minorities' identities and cultures and at the same time ensure these minority cultures are visible through social inclusion.

However, in the case of Korea, though it is a unique nation and has a unique language which is called Hangeul, cultural identity has not been a big issue in Korean history and community. Rather, since the 1900s Korea has been struggling between the voices of two divided ideologies; communism and democracy. Thus when Korean people talk about cultural diversity, they were more likely to be discussing whether Korean society can include different ideological voices. Only more recently, commentators have begun to refer to cultural diversity in Korean society in a more strictly cultural context, arguing that minority cultures and ideas need to be protected from big business and commercialism.

This suggests that cultural diversity may be threatened by the recent success of Korean media and entertainment conglomerates. For example, major companies in the film industry such as CJ Entertainment seems to have become synonymous with the Korean film industry itself by occupying production, distribution and screens across the nation. Regarding this monopoly, film director Changdong Lee (interviewed in Oct 2005), Sung-Won Hong (interviewed in Sep. 2003) and Kim Mee Hyun (interviewed in Aug. 2003)

argue that domination by some major Korean companies has distorted the structure of the Korean film industry and will lead to a crisis in the Korean cultural industry. Meanwhile, representatives of major Korean entertainment companies such as Dongho Park (interviewed in Nov. 2004) and Michelle Park (interviewed in Jan. 2005) counter argue that they have been protecting the domestic market against the Hollywood major companies and have contributed to the current success of Korean cultural products.

In this context, there are some misunderstandings regarding cultural diversity and cultural market expansion. First of all, with regard to the dominance of the U.S. cultural contents, the U.S. has asserted that advances in digital technology have resulted in the further diversification of screening methods, which is a form of market expansion and, as a result, the importance of screening in cinemas has been diminished. However, contrary to this argument, the theory of multiple release windows referred to chapter 6 shows that the strategy has little impact on diversity in terms of content. On the contrary, the secondary release windows simply replicate the initial cinema release and can be seen to further consolidate the market control enjoyed by media products from Hollywood. Similarly in broadcasting, although the number of available channels increases and although media technologies can help 'minority' products reach mainstream outlets, the range of choice

does not necessarily expand and might actually diminish as a result of duplication or expansion of existing programmes.

Why does this happen? In terms of the economics of cultural products, as each window stays open for longer and as more formats become available, the fact that cultural products can be redistributed at 'zero marginal cost' (Vogel, 2004: 530) helps to maximise the profitability of Hollywood products, allowing them to achieve economies of scale. Once production costs are paid off, reproduction costs are at or near zero so sales are pure profit as long as the content owners sell the rights passing on the print and advertising costs to the importers. Therefore, distributors are able to maximise revenues across the full spectrum of screen, video and TV. In similar vein, the expansion of multiplexes without having in place any protective measures to guarantee fair competition can not be said to contribute to cultural diversity. As the above observation indicates, new technical environments, such as expanding digital technology and the increased number of multiplex cinema chains, point neither to the necessity for reducing the quota system nor to a need to preserve it. That is to say, whether electronic media leads us to either a homogenisation or a diversification of culture depends on the network ownership and capital.

Therefore, it is becoming clear not only that free trade does not guarantee cultural diversity, but also that a strong domestic film industry as in Korea may not guarantee cultural diversity either. Rather, a few large companies with strong capital backing are tending to monopolise the markets. Consequently, evidence and arguments presented in this thesis suggest that instead of free competition for a small number of contents, a partly controlled system that guarantees fair competition for a variety of contents would be preferable for securing shared profits and for giving audiences their right to choose. This is why we need well-planned cultural policy even under globalisation which moves towards free-trade and neo-liberalisation.

## **8.2 Korean Approach of Cultural Policy in Periphery under Globalisation**

To what extent has the success of Korean cultural products been a result of government cultural policies? Furthermore, to what extent can government action influence what appears to be an inexorable global flow? Accepting that cause and effect are difficult to measure with certainty what are the potential effects and limitations of cultural policy in a global economy? It is impossible to give definitive answer to these questions, but in this section I will attempt to consider some of the implications of Korean cultural policy under globalisation.

Nowadays, most nations have implemented their own cultural policies, which are intended to preserve their cultural identities and sovereignty from foreign competitors, especially from American popular culture. The Korean Wave, Hanryu, is a rare case of counter-flow in global media flows, demonstrating that Korean cultural products supported by Korean government cultural policy, can be competitive in a global market. As noted in previous chapters, many internal and external factors have played a role in making Korean Wave possible. It can be summarised that the growth of the Korean cultural industry is supported by 'three pillars': an enhanced technology-based infrastructure, a creative talent pool and a cultural policy designed to respond to globalisation. These factors caused the Korean cultural contents market to grow in Asia in the context of the controversial conflict between protectionists and free marketers.

One distinctive factor in the case of Korean cultural policy and Hanryu was that it was made possible as a result of government policy changes as a considered response to cultural globalisation. Unusually, success in the market was not based on a geo-linguistic market, but on a cultural policy shift caused by the Asian economic crisis in 1997 and the historically hybrid nature of Korean culture. In other cases where counter-flow has occurred, to the contrary, the influence of cultural policy is less obvious and we can identify other contributing factors as equally if not more significant.

As mentioned in earlier chapters, Korean cultural and communications policy has been critical in driving the Korean Wave. However, it could be argued that the Wave owes more to shifts in other areas of policy and/or more general economic and political shifts such as the Korean financial crisis in 1997. The point here is that cultural policy was

instrumental in causing Hanryu, but the changes in cultural policy in turn took place in a broader context and were themselves to some extent the result of economic policy changes in response to the Korean financial crisis. The financial turmoil in 1997 was an important motivation behind the renaissance of the Korean cultural industry. Since the 1997 financial crisis, the Korean government has shown a growing tendency to concentrate its culture budget in such areas as games, animation, video, film, and the recording industries, that is, in areas where culture is believed to make big money.

Thus economic policy in the 1997 financial crisis and a diplomatic policy shift towards a more favourable relationship with Japan were motivations for boosting the Korean cultural industry and opening the Korean cultural market to Japan. However, these economic or other policies were less directly significant than the resulting cultural policy changes. As we can see in the history of Korean cultural policy in chapter 4, Korea had painful experience of market opening driven by economic policy in 1988. Korean cultural industry has experienced both ups and downs since the Korean government implemented an open-door policy for film industry in 1988. Economic policies and market opening were contributing factors to Korean Wave but became so because they were embedded in corresponding changes in cultural policy.

The comparison between 1997 and 1988 reveals significant differences. Although the main role of government policy for the cultural industries in the 1980s was to improve the functioning of its market by protecting it from foreign cultural products, the sudden opening of the market to the major U.S. film companies was a decision made with diplomatic and economic interests in mind in advance of the 1988 Seoul Olympics. Thus,

the opening up of the Korean film market in 1988 with no preparation in cultural policy led to a crisis that threatened the very existence of the domestic film industry. However, when Japanese cultural products were expected to flood the local market after the ban was repealed in 1998, unlike the previous opening up to the U.S. films, the Korean government tried to seek a way to establish legal standards to filter overly violent or obscene material while at the same time establishing measures to support the domestic market. At the same time, along with the support for the cultural industry, it has also attempted to repeal the screen quota system, which was a barrier to trade with the U.S. In other words the economic and diplomatic policies were supported by changes in cultural policy.

Through this process, radical changes occurred in the infrastructure of the Korean cultural industry, rapidly transforming it from a monopolised system which had been maintained under more than 20 years of government control into a fiercely competitive industry. The government is no longer content to be a simple subsidy provider, but wants to support those cultural products with the strongest potential to succeed as international blockbusters or art films in the global market. The approach to market opening over the past ten years has been more considered and deliberate. This policy of opening the market and supporting local industry at the same time, the so-called 'stick and carrot' approach, has led the Korean cultural industry to its recent success. It is this combination of protecting and opening up the market which characterises recent Korean cultural policy and distinguishes it from the earlier policy approaches.

Likewise, the Korean cultural policy turned the economic crisis into an opportunity, making possible the phenomenon of the Korean Wave. This Korean case shows a flow from periphery both to centre and periphery, allowing Korea to become a regional hub for Asia with its well planned cultural policy. Thus, in the case of Korea, cultural openness to foreign markets alongside government initiatives for the support of the domestic cultural industry consequently led to a two-way flow of culture, without weakening Korean cultural identity. This means that opening a cultural industry market results not only in cultural imperialism and cultural homogenisation but can also lead to cultural diversity and cultural heterogenization in a global context. Opening or protecting market is less important in itself than the cultural policy framework in which they occur. The key issue here is how and with what kind of preparation and process in cultural policy can the cultural industry be opened.

### 8.3 Sustainability of the Korean Experience

As the example of Hong Kong (Do Dong-jun, 2005) demonstrates, being at one time a strong regional centre does not guarantee a strong sustainable industry forever. Is the Korean cultural boom in Asian countries something that will carry on and can we generalise the Korean experience and adapt it to other countries seeking to imitate the 'Korean model'? This is a rather challenging question because the Korean situation, which includes lack of diaspora, unique language and a fully controlled policy history, is very specific. Moreover, it is still too early to assume that the local film industry has



developed a stable industrial structure that can reproduce competitive films independent of government support. To answer this, first we need to consider what the success factors of the Korean Wave are. Finding out these success factors and ensuring that they continue to work effectively in the cultural industry is the only way to achieve the sustainability of Korea's cultural boom.

As mentioned in earlier chapter, during the 1990s' there emerged more highly developed production infrastructure within the Korean cultural industry which included a streamlined planning system, availability of technical and managerial crews and the introduction of systemised production systems and government support. These led to industrial efficiency and a new spirit of cooperation between the private and public sectors as well as acceleration of commercialisation. These and other related factors outlined in chapter 5 were critical for the development of a sustainable domestic market and boosted the popularity of Korean cultural products overseas. Thus, a combination of various factors and strengths is needed for the sustainability of the 'Korean model'. However, in spite of the success experienced by Korean cultural products in neighbouring countries, the signals emerging from the Korean cultural industry seem contradictory. Broadly speaking, there have been two different opinions about the

sustainability of the Korean cultural boom. One is that the Korean cultural boom could be temporary trend which is likely soon to evaporate. The other is that the Korean cultural boom will continue as a new mode of counter flow.

Moreover, recently there have been some unfavourable signals indicating possible obstacles to the sustainability of the Korean model. The recent trends of neo-liberalisation and globalisation in Korea have helped to create big players on a national scale, whose interests are at the same time guarded by continuing cultural protectionism, whilst market share for smaller local films has drastically reduced. Consequently cultural diversity in the industry and in society has also diminished. In such an imbalanced structure, consistent growth in the sector is limited and this situation can not guarantee the sustainability of the industry. There have also been recent signs of a backlash against Korean Wave from some other Asian countries, as described in chapter 7. To ensure that the Korean approach to cultural policy could be generalised or sustained, two types of market correction measures are needed: cultural diversity to guarantee creativity and cultural exchange to lessen current anti-Korean Wave feelings in other Asian countries. Some further success factors are needed. First of all, a sizable domestic market is a good base for a sustainable industry, along with an aggressive attempt to exploit foreign

markets, as was the case with the U.S. and Japan. Second, policy factors such as industrial realignments and modifications in regulatory ideology, such as loosening censorship, can also be critical points.

It is very difficult to predict the sustainability of the Korean cultural boom and even more difficult to consider how it might be generalised to other countries. However, understanding what has happened in Korea can provide some valuable lessons for the way other countries in periphery can respond to cultural globalisation. Korean cultural policy has been a combination of market opening and protectionism. This reveals that pure protection does not provide a complete response to globalisation. Of course, Korean cultural policy can not be duplicated. However, the Korean experience suggests clearly that a more measured and deliberate approach to market opening was a critical point even if the exact correlation between policy and outcome is not clear. Opening a market to foreign competition can strengthen the domestic market, provided that a sustainable infrastructure is in place, together with policies to ensure fair competition. This can in turn lead to the type of counter flow described in this thesis.

#### **8.4 The Possibility of an 'Asian Cultural Bloc'**

The exchange of cultural products across Asia challenges the view that Western cultural products dominate the world. Buoyed by rapid growth in Japan and China, Korean cultural products are laying the foundations for paths into Asia and even Europe, America and the Middle East. The pragmatic need to integrate economically into East Asia has superseded the desire to keep Japan and Korea apart politically and culturally. The subtle and largely positive reception to the lifting of the ban on Japanese cultural products could, from the perspective of a free trade ideology, mean that embracing this growth has possibly become more profitable than weakening economic growth by maintaining the ban.

Especially noteworthy is the popularity of Korean TV dramas in Japan, given the bad blood between the two countries that followed the end of Japanese colonial rule in Korea. As South Korea is geographically located between Japan and China, Korean fever could also contribute to bridging these two nations culturally, developing a common interest and helping construct a pan-Asian culture. In this context, the 'Asian Cultural Bloc' can be seen as a possible model for Asian countries. Robertson's Glocalisation theory can be applied here and developed to encompass an examination of the probability of a 'Cultural Bloc Model' (*Screendaily*, Nov. 7, 2002).

What then does the 'cultural bloc' argument mean and where does it come from?

Actually, the term 'cultural bloc' is my suggestion for regional cooperation among the cultural industries in Asia. It is inspired by regional blocs such as ASEAN and MERCOSUR. As demonstrated in the case of the EU, people identify more with localism, and consequently political and economic integration is difficult and controversial, and can bring about discrimination against other countries outside the integration process.

However, an Asian bloc in the cultural industry could be considered desirable for networking and promoting peripheral culture in Asian countries and even across the world, since its structure would be quite loose, unlike trade blocs which can encompass a variety of economic blocs including free trade areas, customs unions, single markets, and economic and monetary unions (Richter and Mar, 2002: 249, 272). The members of the proposed Asian cultural bloc could promote the networking of cultural information to enable all citizens to access Asian cultural content by the most advanced technological means, creating an Asian cultural market by stimulating new production and enhancing cross-national collaboration. These kinds of privately funded co-productions would facilitate active cultural exchanges between Korea and other Asian countries, especially

Japan, and allow them to penetrate the Asian pop culture markets in the long term via strategic cooperation.

There are some encouraging international precedents for an 'Asian cultural bloc'. In Europe, Television without Frontiers can be taken as an example. Moreover, in 1989, the EU enacted a Television Directive (CEC, 1984: 2) aimed at standardising measures relating to the support of television production, advertising rules, the protection of juveniles, and the right to reply. It also ensured that member states did not create national restrictions aimed against the reception and retransmission of programmes from other member states. MEDIA 92 and MEDIA 95 programmes have sought to strengthen the European Community's internal market across the component national boundaries. These overarching programmes are divided into numerous sub-programmes that have had some modest impact in creating a European audiovisual market by stimulating new production and in enhancing cross-national collaboration. As Lull (2000: 234) mentions, the attempt to harmonize the European Union has revealed how difficult it is to unify and politicize different nations and national cultures. Despite the remarkable potential of the cultural products market in the Asia-Pacific region, in view of its rapid growth beyond the

expectations of media professionals, the possibility of creating a trade market among Asian countries is still at an early stage.

However, there have been recent instances of cultural trade in the region. For example, the Pusan International Film Festival (PIFF), which addresses a wide spectrum of cultural issues, serves as a gateway for cultural trade in Asia (*Korea Herald*, Oct. 16, 2004; *Screendaily*, Aug. 29, 2003; Nov. 15, 2002). To take another example, the film *One Fine Spring Day*, which was jointly produced by Applause Pictures of Hong Kong and Shochiku Films of Japan, is widely perceived as representing a first stage joint production, though as such, the potential for acquiring international funding remains low. Paul Yi of Korea's E-Pictures also mentions that 'to set up international projects is the next step for Korean and Asian cinema' (interviewed in Oct. 2004). However, in order to truly revive Korea's cultural policy, the Korean government must move beyond this first step; it needs to carefully implement the policy towards the Asian cultural bloc model to enable the interactivity of Asian cultural flow. In this context, the Asian Film Industry Network (AFIN), which is a group of leading film commissions from Asian countries, agreed in 2002 to join together to form a regional network (*Screendaily*, Nov. 12, 2002; Feb. 20, 2004). Initially, the AFIN focused on increasing the levels of exchange

in the film technology and service fields, and the drafting of co-production treaties between countries.

As a long-term goal, the network hopes to consider the creation of a body for Asian film promotion in the manner of European organisations such as Eurimages and the MEDIA programme. The network intends to make it easier for local and international productions to gain access to audiences across the region by promoting co-operation among member film commissions, encouraging greater training and professionalism, and undertaking joint marketing efforts. Delegates from South Korea, China, Japan, Taiwan, Singapore, Hong Kong, Thailand, Malaysia and Iran are also trying to identify concrete steps that can be taken to encourage co-productions and the overall expansion of the Asian film industries. Other Asian countries are also encouraged to join the informal network. If this network is successful, it may lead some day to the establishment of a similar agreement to encourage co-production treaties.

Moreover, KOFIC has also assisted in the creation of a network of people and systems to support exchanges and the development of media industries in the Asian region. It works to attract international co-productions and joint investment in Korean films through



cooperation with other Asian film commissions and its efforts to draft co-production treaties with other countries. Hollywood producer Roy Lee points out that 'if this network helps to solve such problems as tax benefits and location support, it could make the Asian region a very attractive place to shoot' (interviewed in Oct. 2004). As such, there remains considerable potential for further research in this area, investigation of possible ways toward a cultural integration of the Asian countries which share homogeneous cultural aspects in comparison with Western countries, as well as ways toward harmonising the seemingly clashing elements of foreign and traditional culture.

The success of such a venture would depend upon complex negotiations between member states and favourable external circumstances. But perhaps this cooperative model might prove a more fruitful legacy for Hanryu than merely attempting to imitate it. Perhaps the other valuable lesson of Hanryu is that the cultural policies and conditions responding to cultural globalisation will not conform to any single or predictable pattern, and that the different forms will be shaped by precise economic, political and cultural circumstances at the time.

## APPENDIX

### SECTION I: INTERVIEWEES

- Baek, Un-Ha, Executive Vice President of Orion Group (interviewed in Dec. 2004)
- Chae, Jason, CEO of Mirovision (interviewed in March 2001)
- Christy Lee, President of Cinebank (PR Agency) (interviewed in March 2005)
- Cho, Chang-Hee, director of the cultural industry division of the Korean Ministry of Culture and Tourism (interviewed in Oct. 2004)
- Cho, Han-Ki, Minister's Policy Advisor, Ministry of Culture and Tourism (interviewed in Nov. 2004)
- Eum, Yoon-Sang, Director of International Relations at the Korea Culture & Content Agency (interviewed in May 2005)
- Gong, Hee-Jeung, Director of the PR Division of Skylife (interviewed in Oct. 2004)
- Han, Young-Soo, Senior Executive Director and President of the World Trade Academy, Korea International Trade Association (interviewed in Dec. 2004)
- Hong, Deoc-kee, President, Fine Pictures (interviewed in Oct. 2004)
- Hsiao, Jerry, IT content developer, Taipei (interviewed in Oct. 2002 and Oct. 2003)
- Hong, Sung-Won, Vice Director, Coalition for Cultural Diversity in Moving Images (interviewed in Sep. 2003)
- Hwang, Kissup, Manager of Publicity, CJ Entertainment (interviewed in Nov. 2004)
- Hyun, Ki Young, President, The Korean Culture & Arts Foundation (interviewed in Oct. 2004)
- Im, Kwon-taek, Director of Korean film 'Chihaseon', which won the best director award at the Cannes film festival in 2002 (interviewed in May 2002)
- Jeon, Chan-il, Film Critic (interviewed in Oct. 2004)
- Jeon, Jay, Programmer & PPP Deputy Director of Pusan International Film Festival (interviewed in May 2005)
- Jin, Jai-soo, Assistant Director of the Cultural Industry Policy Division of the Ministry of Culture and Tourism (interviewed in Sep. 2003)
- Kang, Hyeondew, Emeritus Professor of Seoul National University and Director of the Executive Committee of the 2<sup>nd</sup> Global Culture Industry Forum (interviewed in May 2005)

- Kang, Je-gyu, Director of *Shiri* and *Taegukgi* (interviewed in Sep. 2004 and Aug. 2003).
- Kim, Hyoungjun, Producer and CEO of the Hanmac Film Corporation and President of the Korean film producers' Association (interviewed in Nov. 2004)
- Kim, Joyce, Marketing Director, Warner Home Video Korea (interviewed in Dec. 2004)
- Kim, Brain, Executive Manager, PMC Production (interviewed in Sep. 2002)
- Kim, Kwang Seop, President of Lotte Cinema (interviewed in Oct. 2004)
- Kim, Sohee, Producer and Managing Director of LJ Film Co., Ltd. (interviewed in Oct. 2004)
- Kwon, Taek-Min, Vice President of the Digital Contents Business Group in the Korea IT Industry Promotion Agency (interviewed in April 2005)
- Kim, Hyoo-jong, Professor at Chugye University for the Arts (interviewed in April 2005)
- Kim, Jonathan, Korean Film Producer (interviewed on Nov. 7, 2004)
- Kim, Min Jee, CEO of the Film Advertising Company, AM Cinema (interviewed in Oct. 2003)
- Kim, Mee-hyun, Director of the R&D division at KOFIC (interviewed in Aug. 2003)
- Ko, Jeung-Min, Director of soft industry at the Samsung Economic Research Institute, (interviewed in Oct. 2004)
- Pawel, Kuran, Business Process Manager, Allianz (interviewed in July 2003)
- Koo, Samuel, President, Arirang TV (interviewed in Oct. 2005)
- Lee, Byeong-hun, Producer, MBC (interviewed in Nov. 2004)
- Lee, Changdong, Director and Former Minister of Culture and Tourism (interviewed in Oct. 2005)
- Lee, Gyuhyoung, Director (interviewed in Nov. 2004)
- Lee, Hyeok-Soo, Principal, A.T. Kearney, Inc. (interviewed in March 2005)
- Son, Chang-Young, Director of the Fund Management Division at the Korean Broadcasting Commission (interviewed in Sep. 2003)
- Lee, Jae-Jin, Marketing Manager, Cinema Service (interviewed in Dec. 2004)
- Lee, Keun-sang, Director of International Promotions at the Korean Film Commission (interviewed in Nov. 2004)
- Lee, Roy, Producer of Vertigo Entertainment (U.S.) (interviewed in Nov. 2004)
- Lee, Su Man, President of SM Entertainment (interviewed in Sep. 2003 and Feb. 2005)

- Lisa Fan, Student from Cian, China (interviewed in Nov. 2003)
- Lucas Schuwazacher, Publisher of Asian Movie Week (interviewed in Oct. 2005)
- Huong Nguyen, Vietnamese, Student at Sungkyunkwan University in Korea (interviewed in Sep. 2004)
- Noh, Jong Yun, Producer & Managing Director of Sidus Pictures (interviewed in Oct. 2004)
- No, Seung Man, Senior Manager of the Corporate PR and Communications Team of Samsung Electronics Co., Ltd. (interviewed in March 2005)
- Oh, Wan-Jin, Senior Manager of the Public Relations Dept., Korea Venture Business Association (interviewed in Nov. 2004)
- Park, Dongho, CEO of CJ Entertainment (interviewed in Nov. 2004)
- Park, Michelle, General Manager of the Marketing Team, Showbox (interviewed in Jan. 2005)
- Ruan, Jongqin, Deputy General Manager of International Operations, Phoenix TV (Hong Kong), (interviewed in Oct. 2005)
- Shim, Hyung-Rae, CEO of Zeronine Entertainment (interviewed in Oct. 2003)
- Shin, Hyuntaik, Chairperson of the Korean Foundation for Asian Culture Exchange (KOFACE) (interviewed in Aug. 2005)
- Shuheii, Kusanagi, Managing Director of Toei, Japan (interviewed in Nov. 2004)
- Suh, Byoung-moon, President of KOCCA (interviewed in Aug. 2003)
- Suh, Young-joo, Managing Director of film export, Cineclick Asia (interviewed in Sep. 2004)
- Suk, SongJa, Marketing Manager, Buena Vista International Korea (interviewed in Dec. 2004)
- Tse, Seung Jae, President of Sidus (interviewed in Oct. 2004)
- Wen, Chunying, Associate Professor at the Dept. of Advertising and Communications, University of China (interviewed in Oct. 2005)
- Yi, Paul , CEO of E-Pictures (interviewed in Oct. 2004)
- Yoo, In-Taek, Producer and CEO of the GiWhekSiDae film company (interviewed in Nov. 2003)
- Yoo, Jin-Ryong, Director general of the culture industry division of the Ministry of Culture and Tourism (interviewed in Aug. 2003)
- Yoon, Zong Yeon, Managing Director, Korea IT Venture Partners Inc. (interviewed in Oct. 2005)
- You, Kun, President of the Korea National Tourism Organization (interviewed in Sep. 2004)

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## SECTION I: TABLES

<b>Table 8. KOREAN SOAP OPERAS BROADCAST IN JAPAN</b>			
As of Aug. 11, 2005, Source: KOFACE)			
<b>&lt;Terrestrial Broadcasting Stations &gt;</b>			
NHK	Sat 23 : 10-24 : 10	All In	2005/4/16~(24 episodes)
Nihon Terevi	Mon-Thu10 : 25-11 : 20	Secret	2005/6/8~(19 episodes)
Huji Terevi	Sat 16 : 00-17 : 30	Sad Love Song	2005/4/30~(20 episodes)
<b>&lt;Regional Stations&gt;</b>			
Tokyo MXTV	Tue22 : 00-23 : 00	Love Letter	2005/6/21~(20 episodes)
	Thu 22 : 00-23 : 00	Glass Flower	2005/4/6~(20 episodes)
	Thu 22 : 00-23 : 00	Did we really love other?	2004/8/17~(44 Epl.)
Chiba Terevi	Wed 20 : 00-21 : 00	Happy Together	2005/2/16~(16 Epl.)
Terevi Saitama	Fri 20 : 00-21 : 00	Greeting of Love	2005/5/6~(25 Epl.)
TVK	Tue 22 : 00-23 : 00	Beautiful Woman	2005/3/8~(16 Epl.)
<b>&lt;Broadcast Satellite&gt;</b>			
NHK-BS 2	Thu 22 : 00-23 : 00	Daejangeum	2004/10/7~(54 Epl.)
	Thu 23 : 00-24 : 00	First Love	2005/3/31~(40 Epl.)
WOWOW	Fri 20 : 00-22 : 00	Popcorn	2005/6/17~(16 Epl.)
	Thu 20 : 00-22 : 00	1% Something	2005/6/9~(26 Epl.)
	Fri 20 : 00-22 : 00	Happy Together	2005/4/1~(16 Epl.)
BS N-TV	Mon 21 : 00-22 : 00	Propose	2005/6/27~(14 Epl.)
	Mon-Fri 14 : 00-18 : 00	Lover In Paris	2005/6/20-24(20 Epl.)
	Mon 21 : 00-22 : 00	Glass Flower	2005/2/7~(20 Epl.)
BS FUJI	Wed 20 : 00-21 : 10	Sad Love Song	2005/4/27~(20 Epl.)
	Tue 20 : 00-21 : 10	Into the Sun	2005/4/5~(20 Epl.)
BS-I	Sat 22 : 00-23 : 00	LOVE	2005/5/28~(16 Epl.)
BS Japan	Sun 13 : 00-14 : 00	New Gilded Youth	2005/7~(16 Epl.)
	Sun 13 : 00-14 : 00	Truth	2005/4/3~(16 Epl.)
<b>&lt;Communication Satellite &gt;</b>			
KNTV	Thu 15 : 20-16 : 30	Perfect Love	2005/6/23~(24 Epl.)

	Mon, Tue 10 : 10-11 : 20	Terms of Endearment	2005/6/6~(60 Epl.)
	Sun 19 : 45-20 : 00	Sorry, I Love You	2005/6/5~(16 Epl.)
	Sat 19 : 50-21 : 00	Stairs of Heaven	2005/6/4~(20 Epl.)
	Mon-Fri 11:20-12:00	BeStrong-minded Geumseon!	2005/5/26~(60 Epl.)
	Wed-Thu 25 : 30-26 : 40	Sunshine Pours Out	2005/5/18~(16 Epl.)
	Wed,Thu 19 : 50-21 : 00	Wonderful Life	2005/5/11
	Fri, Sat 19 : 50-21 : 00	Sweet Red-Bean Bread	2004/5/7~(26 Epl.)
	Wed, Thu 22 : 10-23 : 20	Magic	2005/5/4~(16 Epl.)
	Sat, Sun 21 : 50-23 : 00	Glass Flower	2005/4/16~(40 Epl.)
	Fri 22 : 10-23 : 20	Glass Flower	2005/4/8~(18 Epl.)
	Mon,Tue 22 : 10-23 : 20	Ballad of Hangangsu	2005/4/4~
	Thu, Fri 15 : 20-16 : 30	Beautiful than Flower	2005/3/1~(30 Epl.)
	Mon-Fri 16:30-17:40	Happiness in My Heart	2005/3/7~(16 Epl.)
	Mon,Tue 19 : 50-21 : 00	Land	2005/2/14~(50 Epl.)
	Thu 23 : 20-24 : 30	What happened in Ball	2005/2/10~(20 Epl.)
	Mon,Tue 25 : 30-26 : 40	Mother, Sister	2005/2/7~(50 Epl.)
	Mon 24 : 30-25 : 40	Hero's Myth	2005/2/7~(23 Epl.)
	Sun 14:10-16:30	SangDo	2005/2/6~(50 Epl.)
	Tue 23 : 20-24 : 30	Since I Knew You	2005/1/8~(48 Epl.)
Satellite Screen	Mon-Fri 5 : 00-7 : 00	Truth	2005/6/20~ (16 Epl.)
	Tue 23 : 00-25 : 00	Asphalt Man	2005/6/14~(16 Epl.)
	Wed 23 : 00-25 : 00	New Glided Youth	2005/6/8~(16 Epl.)
	Mon 23 : 00-25 : 00	Hotelier	2005/5/16~(20 Epl.)
	Sun 13 : 00-15 : 00	Gookhee	2005/5/15~(20 Epl.)

	Sun 23 : 00-25 : 00	Love Letter	2005/5/1~(20 Epl.)
Home Drama Channel	Sun-Fri 5:00-7:00	Did We Really Love Each Other	2005/6/13~ (44 Epl.)
	Thu 10 : 00-11 : 00	White Night	2005/6/9~(20 Epl.)
	Wed 10 : 00-11 : 00	Beautiful Woman	2005/6/8~(16 Epl.)
	Mon 10 : 00-11 : 00	Nice Guy	2005/5/30~(16Epl.)
	Tue 10 : 00-11 : 00	A Star in My Heart	2005/4/12~(16 Epl.)
	Fri, Sat 10 : 00-11 : 00	First Love	2005/1/7~(66 Epl.)
So-net Channel	Mon-Fri 11 : 00-19 : 00	Prince's First Love	2005/6/13~(26Epl.)
	Sun 7 : 15- ㄱ6 : 00	Stairs of Heaven	2005/5/8~(20 Epl.)
	Tue 7 : 15-8 : 15	To the End of the World	2005/4/5~(16 Epl.)
	Sat 6 : 00- ㄱ7 : 15	Bad Friends	2005/4/2~(15 Epl.)
	Fri 6 : 00-7 : 00	Happy Together	2005/4/1~(16 Epl.)
	Tue 6 : 00- ㄱ7 : 15	Glass Flower	2005/3/1~(40 Epl.)
LaLaTV	Sat 19 : 00-20 : 00	Summer's Scent	2005/5/28~(18 Epl.)
	Mon-Thu 21 : 00	Autumn's Fairytale	2005/6/6~(18 Epl.)
	Sat 22 : 00-23 : 00	Sangdoo, Let's Go to School	2005/5/7~(18 Epl.)
	Sat 20 : 00-21 : 00	Brothers in Medical Field	2005/4/2~(16 Epl.)
Fuji721	Wed 20 : 00-21 : 10	Sad Love Song	2005/7/17~(20 Epl.)
	Mon-Fri 10 : 00	Elegant Lady	2005/6/21-7/12 (16 Epl.)
	Sun 12 : 00-13 : 40	101st Proposal	2005/4/17~(20 Epl.)
Tereasa Channel	Wed 13 : 00-14 : 00	All About Eve	2005/1/26~(20 Epl.)
V☆Paris	Sun 20 : 00-21 : 00	Farewell My Love	2005/4/2~(16 Epl.)
	Sun 13 : 00-14 : 00	My Love Patzzi	2005/4/2~(10 Epl.)
Mystery Channel	Sun 14 : 00-15 : 00	Bodyguard	2005/4/3~(22 Epl.)
Perfect Choice	Tue, Wed 13 : 00-14 : 00	Invitation	2005/3/29~6/1(18 Epl.)



**Table 9. The Entry of Korean Films to International Film Festivals (Source: KOFIC)**

<b>Year</b>	<b>Number of Festivals with Korean Entries</b>	<b>Number of Korean Films Represented at Festivals</b>	<b>Number of Korean Films Submitted to Festivals</b>
1985	24 Festivals including the 21st Chicago Film Festival	16	48
1986	25 Festivals Including the 36 <sup>th</sup> Berlin Film Festival	32	74
1987	27 Festivals including the 44 <sup>th</sup> Venice Film Festival	35	69
1988	33 Festivals	39	67
1989	33 Festivals including the 39 <sup>th</sup> Berlin Film Festival	54	168
1990	39 Festivals	59	165
1991	40 Festivals	77	190
1992	41 Festivals including the 5 <sup>th</sup> Tokyo Film Festival	59	133
1993	58 Festivals	51	103
1994	54 Festivals	39	90
1995	60 Festivals including the 45 <sup>th</sup> Berlin Film Festival	48	124
1996	53 Festivals including the 20 <sup>th</sup> Montreal Film Festival	78	160
1997	54 Festivals including the 50 <sup>th</sup> Cannes Film Festival	40	123
1998	68 Festivals	72	187
1999	73 Festivals	72	187
2000	138 Festivals including the 53 <sup>rd</sup> Cannes Film Festival	126	387

## ABBREVIATIONS

AFN	American Forces Network
APEC	Asian Pacific Economic Cooperation
BIFCOM	Busan International Film Commission Showcase
CDMI	Coalition for Cultural Diversity in Moving Images of Korea
DBS	Digital Broadcast Satellite
DCMS	Department for Culture, Media and Sports (of the U.K)
DDA	Doha Development Agenda
EBS	Education Broadcasting System
FBC	Foundation for Broadcast Culture
FT	Financial Times
FTC	Korea Fair Trade Commission
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
IMF	International Monetary Fund
IT	Information Technology
KAA	Korea Advertisers Association
KBS	Korea Broadcasting System
KBC	Korea Broadcasting Commission
KCPI	Korea Culture and Policy Institute
KH	Korea Herald
KIET	Korean Institute for Industrial Economics and Trade
KMPPC	Korean Motion Picture Promotion Corporation
KMRB	Korea Media Ratings Board
KNTO	Korea National Tourism Organization
KOBACO	Korean Broadcasting Advertising Corporation
KOCCA	Korea Culture & Contents Agency
KOFACE	Korea Foundation for Asian Culture Exchange
KOFIC	Korea Film Commission
KPPEC	Korean Public Performance Ethics Committee
KT	Korea Times
MBC	Munhwa Broadcasting Corporation
MBN	Maeil Business Newspaper
MIC	Ministry of Information and Communication

MCT	Ministry of Culture and Tourism
MOFAT	Ministry of Foreign Affairs and Trade
MOFE	Ministry of Finance and Economy
MOI	Ministry of Information
MPCP	Motion Picture Censorship Committee
MPEAA	Motion Picture Exporters Association of America
MPPC	Motion Picture Promotion Corporation of Korea
NHK	Nippon Hoso Kyokai, in English Japan Broadcasting Corporation
NSO	National Statistical Office
OECD	Organisation for Economic Cooperation and Development
PIFF	Pusan International Film Festival
PP	Programme Provider
SBS	Seoul Broadcasting System
SERI	Samsung Economic Research Institute
TBC	Tongyang Broadcasting Company
TNC	Trans-National Corporate
UIP	United International Pictures (of America)
USFK	United States Forces Korea
YNA	Yonhap News Agency

## GLOSSARY

**Blind Booking:** A commercial practice whereby the client purchases a film or television programme without previewing it.

**Block Booking:** A commercial practice whereby a client who wishes to purchase a popular high-budget film or television programme has to take along with it one or more second-rate programmes.

**Chaebol** (<http://en.wikipedia.org/wiki/Chaebol>, accessed on Feb. 21, 2006): South Korea's business conglomerates. The English word is a transliteration of the Korean word, which is now Romanized as Jaebeol. The Korean word means business group, trust, or plutocrat, and is often used the way "Big Business" is used in English. In Wikipedia, Chaebols are defined as Korea's business conglomerates, the several dozen large, family-controlled Korean corporate groups, assisted by government financing. They have played a major role in the Korean economy since the 1960s.

**Ecumene:** Kopytoff (1987:10) defines the ecumene as a 'region of persistent cultural interaction and exchange.'

**Eurimage:** A declaration of intent with the aim of setting up a multilateral support mechanism for the co-production, distribution, transmission and promotion of film and audiovisual works. Nine Member States of the Community (Belgium, Denmark, Spain, France, Greece, Ireland, Italy, Luxembourg and Portugal) signed it on 10 February 1987.

**GATTs:** the neo-liberal economic policies of the 1980s and 1990s led to the removal of protective measures for national industries, the GATT (General Agreement on Tax and Tariffs) aimed at elimination of tariffs and other barriers to 'free trade' and formed the World Trade Organisation (WTO) in 1995 as its successor.

**Hanliu/Hanlyu and Pusan/Busan:** In English, Hanliu has no official spelling, varying from Hanryu to Hanliu or Hallyu. This thesis selects Hanryu, which is the version used by the Korean Ministry of Culture and Tourism. Similarly, Pusan has been mixed with Busan because, although officially Busan is right, the PIFF (Pusan International Film Festival) had been formed before the official Roman spelling was

fixed to Busan. Thus, they decided not to change the spelling of the acronym because of the specific sociality and renown of these acronyms.

**MEDIA Programme:** An initiative funded by the European Union aiming to strengthen the competitiveness of the European audio visual industry with a series of support measures dealing with the training of professionals and funding for project and company distribution and development.

**MPAA:** Motion Picture Association of America. This organisation represents the interests of the large Hollywood studios. Its subsidiary, the Motion Picture Export Association (MPEA), defends the interests of the majors in foreign markets.

**Quota:** A measure aimed at limiting the volume of imported programmes, generally expressed as a percentage of total programming

**Telenovela** (From Wikipedia: <http://en.wikipedia.org/wiki/Telenovela>, Accessed on March 23, 2006):

A term used to describe Spanish and Portuguese television serials derived from the terms *tele* short for television and *novella* ("novel"). In spite of their many differences, telenovelas can be compared to soap operas.

**Television Without Frontiers** (Commission of the European Communities, 1984, (COM, 84, 300 Final), CEC, Brussels: p.2):

The imposition of a programming quota restricting broadcasters to scheduling wherever practicable-no more than 49 per cent of productions of non-EU origin (Article 6). See also Moran, 1996: 122.

**Trendy Drama** (<http://en.wikipedia.org/wiki/Dorama>, accessed on Feb. 20, 2006):

Most people associate today's Japanese dramas with the more modern style of screenwriting, described by the term *trendy drama*. The trendy formula for Japanese dramas was invented in the late 1980s when screenwriters decided to reach the television audience with themes that covered real-life Japan, at a time when the Japanese were experiencing a bubble economy. These themes included issues within the family, among other social issues. The trendy formula was improved in the early 1990s, where the story lines changed with the times, focusing on harder issues, including teenage violence, child abuse, and modern family life. Still, even today, the success of Japanese dramas is a result of sticking with the trendy drama formula. Although some people consider *sentai* and *tokusatsu* type shows as dramas, they are not covered under the definition of trendy drama.

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