

Cultural politics in Korea's contemporary films under neoliberal globalization

Dal Yong Jin

DEPARTMENT OF COMMUNICATION, UNIVERSITY OF ILLINOIS AT CHICAGO, USA

The Korean film industry almost collapsed when the government adopted neoliberal economic and cultural policies in the late 1980s. When the authoritarian regime took a neoliberal turn – that is, encouraging market deregulation, state decentralization and reduced state intervention in economic affairs in general – the Korean film industry lost ground while Hollywood majors became main players in the Korean film market. The market share of domestic films reached its lowest point, 15.9 percent, in 1993, and the total number of people attending movies significantly declined (Korean Film Commission, 2003: 1).

The situation has substantially changed since 1993, when a newly established democratic government began to shift its cultural policy. The democratic government continued with policies in line with neoliberal globalization; however, the government's cultural policies, in particular in the film sector, were very different from those of the previous authoritarian regime. Traditionally, the film industries in Korea had not been given financial support by the state. In addition, the authoritarian regime strictly controlled the film industry with censorship and entry barriers, just as it controlled other media industries, such as the newspaper and broadcasting industries. In 1995 however, the democratic government passed the Motion Picture Promotion Law, which encouraged the investment of domestic capital. The government also directly invested in the film business between 1999 and 2003. In an age of neoliberal globalization, the Korean government has initiated the growth of the domestic film industry.

With the government's support, the film business has witnessed a swift and steady growth in domestic films over the past few years. There has been a surge in the popularity of domestic films, marked by a large

increase in audience viewership figures over the same period. The market share of domestic films was 48.7 percent in 2003, sustaining almost the same level as in 2001 (49.7 percent), the second highest in the world behind the US (Korean Film Commission, 2003, 2004). The film exhibition sector also grew by about 40 percent just between 2000 and 2002.

The swift growth and change of the Korean film industry in recent years signaled a major growth of the local film market. The key question is why and how the democratic government initiated the rapid growth of the domestic film industries in the era of neoliberal globalization. This article attempts to clarify the cause of the changes and goes on to discuss the Korean film industry with a special focus on state cultural policy. The article then explicates the impact of the changing cultural policy on the film business by examining the influx of domestic capital into the film industry. It also analyzes the impact of neoliberal cultural policies on the transnationalization of the Korea film industry, because these policies brought about active foreign investment in the domestic cultural market. Finally, it discusses whether changing cultural policies have maintained or developed cultural identity such as Korean traditions and nationalism in domestic films, which was considered one of the most significant issues among cultural policy makers during the authoritarian regime.

Cultural politics in the neoliberal globalization era

The Korean film industry in the 1990s was an exemplary case, illustrating the neoliberal globalization thesis. The restructuring of the film sector was conducted under the banner of deregulation and liberalization, beginning in the mid-1980s, as in several Latin American and Asian countries. Korea witnessed massive foreign investment in the film industry and thereafter transnationalization of the film industry.

As Mattelart and Mattelart have argued (1992: 125–6), change has occurred to the point where the policy makers of national economics and defenders of national cultures can no longer afford to denounce transnational capital – seen as the patron saint of international economic growth by developed countries. McChesney (2001: 2) also claims that neoliberalism unleashed national and international politics maximally supportive of business domination of all social affairs. According to him, ‘the centerpiece of neoliberal policies is invariably a call for commercial communication markets to be deregulated’. To take one documented case, after conducting a case study of transformation of mass communication in Chile, Davies (1999: 112–13) in particular concluded that privatization, deregulation and reliance on foreign direct investment all removed the state from participation in economic activities and media policies, which resulted in a series of rapid boom and bust cycles in the Chilean economy and media over the

last two decades. As these media scholars emphasize, neoliberalism brings about the restructuring of national economies, which has resulted in the transnationalization of domestic industries, including the film industry. During the 1990s, transnational cultural industries penetrated Korean cultural markets with their capital and cultural products and became major players.

However, cultural industries exist within a number of contexts, including the persistence of the nation-state, multiculturalism and localism, because national culture includes people's mentality, which cannot easily be dominated by foreign forces. Moreover, domestic forces such as national governments and domestic corporations still play significant roles in the formation of cultural policy to protect cultural sovereignty, even though the national state is overshadowed by neoliberal transnational phenomena, as Maxwell points out (1995: xxviii). Dan Schiller also claims (1999: 2) that national governments played a key role in the media sector because unremitting political intervention was, paradoxically, necessary in order to actualize something approaching a free-market regime in the media sector. To examine the rapidly changing domestic film industry under neoliberal globalization, therefore, we need to address not only the role of the transnational corporations (TNCs), but also the role of the government and domestic producers. The question is, what role was played by national politics and policy formulation? And what was the structure of the relationship between foreign forces and domestic forces in the growth of the national film industry?

This article is an investigation of the recent history of Korea's film industry, focusing on state cultural policy and its impact on Korean films in the context of the broader social structure of society. I will therefore examine the political economy of the Korean film industry by means of historical and institutional analyses. These analyses are useful in ascertaining the causes, and the major players, behind the processes of change in the Korean film business.

The Korean film industry under an authoritarian regime, 1980–93

The Korean film industry experienced a dark age between the early 1970s and the early 1990s. The film industry, which had enjoyed a period of fame and prosperity during the late 1950s and late 1960s, plunged into a deep valley from the early 1970s, and it kept dropping through the 1980s and the early 1990s. The total number of persons attending movies reached a record low of 47 million, with 51 indigenous local films, which were produced by local film producers, and 73 imported ones in 1986. The number of screens also decreased from a high of 717 in 1971, to 640 in

1986. The market share of domestic films was as low as 15.9 percent in 1993 (Korea Film Commission, 2003). According to the Ministry of Culture and Tourism (2002), Korea exported the lowest number of films – only two, earning \$20,000 – in 1985, compared to 253 films exported in 1970. In 2001, Korea exported 102 domestic films earning \$11.2 million.

There are several reasons for the weakness of domestic films under the authoritarian regime, such as the rapid growth of black and white TV broadcasting (1970s); the introduction of color TV broadcasting (1980s); government policy that was unfavorable to the film business; and the impact of neoliberalism on the film industry. Among these, the government's control over the film business functioned as a major barrier impeding its development. The Korean film industries – both film producers and importers – were severely regulated by the government between the early 1960s and the late 1980s. Korea's authoritarian regime tightly controlled the media through both ownership and regulation. The two autocrats – Park Chung Hee (1961–79) and Chun Doo Hwan (1980–8) – used their legal resources to put the film business under government control, as they did with other media industries such as the newspaper and broadcasting industries.

The government, for example, brought in a registration system for film producers between the early 1960s and the early 1980s. Only registered film producers could produce motion pictures and import foreign films (Korean Film Commission Research Report, 2002: 11). In addition, the government required motion picture producers with 35 mm movie cameras and over 661 square meters of studios had to register, as did any producer who made over 15 motion pictures every year (Park, 2001: 179). Domestic film production was monopolized by just two dozen registered producers until the early 1980s, so growth in the Korean film industry was almost impossible.

Moreover, from the 1980s onwards, the government's neoliberal cultural policies deeply affected the film business. At that time, the Korean government was under pressure from US Trade Representatives (USTR) and transnational corporations. Since 1983, the US authority had lodged anti-dumping charges against 30 percent of the total Korean exports. The USTR used Section 301 of the Trade Act of 1974 to open up the Korean insurance, tobacco, wine and film markets, and to protect US intellectual property rights in Korea (Sakong, 1993: 130–1). To hold off US pressure in the manufacturing sector while resolving the trade disputes, the Roh Tae Woo regime (1988–93) allowed direct distribution of foreign films in 1988 as part of its market liberalization plan for foreign players. Before 1988, only domestic film companies could import and distribute foreign films. Several film directors, actors and civic organizations asserted that the government had abandoned the domestic film industry when the state decided to open its film market to direct distribution from Hollywood.

Motion pictures seemed to be neglected from policy consideration under neoliberal market opening.

The film industries have rapidly shifted in the changing environment of domestic and international politics and the economy since 1988. The Korean film industry has increasingly become a target of transnational cultural industries, including the Hollywood majors. TNCs have rushed into the Korean film market, setting up subsidiaries in the film business after the government allowed direct distribution of Hollywood films by foreign distributors. Twentieth Century Fox, Warner Brothers, Columbia, UIP and Walt Disney set up branches in Korea, and between them they imported a total of 818 foreign films between 1988 and 2001 (Ministry of Culture and Tourism, 2002). Korea has emerged as one of the top ten foreign film markets for US releases. American firms jointly accounted for more than 60 percent of the Korean market until recently, with a peak of 72.3 percent in 1998 (Korean Film Commission, 2000).

Foreign programs imported by transnational corporations such as CIC, Buena Vista, Col/Tri-Star, Warner Brothers and Fox Video have also dominated the Korean video marketplace. For instance, only five Korean-produced films were included in the top 100 video rental list in 1993, compared to 90 percent of Hollywood films. Although 25 domestic films were included in the top 100 video rental list in 2001, it also included as many as 67 Hollywood films during the same year (Mun, 2001). Under the authoritarian regime, domestic film businesses barely survived, while foreign players extended their dominance in the Korean cultural market. As a result of the forced neoliberal reforms, the Korean film market became a front in the war of TNCs to penetrate with their capital and cultural products between the late 1980s and early 1990s.

The Kim Young Sam government and *seggyehwa* policy, 1993–8

The rapid pursuit of globalization by a civilian government since 1994 has had a substantial influence on the film industry, contributing to the swift structural change of the film business. The civilian government has continued the neoliberal economic policies of the authoritarian regime; however, its attitude towards neoliberal globalization has been very different from that of the military regime. The Kim Young Sam government (1993–8) began to adopt the globalization trend ‘actively’ and ‘positively’, unlike the authoritarian regime, which did so ‘reluctantly’ and ‘passively’.

Above all, the Kim government gave a new and powerful impetus to the *seggyehwa* (globalization) of Korea. In late 1994, after attending the Asia-Pacific Economic Cooperation (APEC) Summit in Sydney, Australia, the Kim government launched an official globalization drive known as *seggyehwa* as a way of ‘actively’ responding to external pressures – trade

frictions and regulatory practices imposed by the US and other Western countries – and to survive in the new world of infinite global competition (Kim, 2000: 2–3). Initially, Korean *segyehwa* was geared towards economic liberalization and the opening of Korea's relatively closed and highly regulated markets, but the government later expanded its drive further. This included globalization of wider political, cultural and social trends (*Far Eastern Economic Review*, 1995: 48).

Korean policy makers applied globalization logic to the culture and/or media industries, not only by opening up the market, but also by integrating the film business into the global media market. For instance, the buy-outs of Columbia Pictures and CBS Records by Japanese electronics giant Sony in 1989 and the buy-out of MCA Studio by Matsushita in 1991, were seen as models for Korean electronics companies in entering new business ventures (Shim, 2002: 340). At that time, Sony wanted to be an integrated producer of consumer electronics products. Akio Morita, chair of Sony, said in 1989 that software would have to be produced to match the growth of new electronics products such as video tape, video disks, high-definition television, satellite broadcasting (Wagstyl, 1989: 4). Media policy advisers in Korea recommended that Korean electronics companies follow the Japanese example. They emphasized that cultural software, such as films and music, was going to be more important than electronic hardware. They also believed that it was time for Korea to invest in Hollywood production studios, as well as sound recording studios and computer software companies (Han, 1994; Shim, 2002: 340).

Kim's *segyehwa* policy became a turning point for the domestic film industry. *Chaebol* (family-owned large conglomerates) followed faithfully the logic of investment in the film industries based on *segyehwa* and favorable government policies. Samsung has participated in the cultural sector since the early 1990s. It launched Samsung Entertainment Group in 1995 as a new company incorporating previously dispersed film, music and cable businesses into a single unit (Kim, 1995a). As of March 2002, its holding companies and affiliates include the following film businesses: Catch One, the only pay movie cable channel; Dreambox, a film importer and home video producer; Nices, a producer of CDs, LDs, CD-ROMs and entertainment films; Star Max, a film importer and film producer; Hoam Art Hall, the largest theater in Korea (Shin and Cho, 2002: 8).

In 1998 Hyundai, another top conglomerate, owned several media and cultural industries, including HBS (a cable channel) and Seoul Production (film producer) based on its existing home electronics company. As of 1998, Daewoo and SK also expanded their investment in the film business. The presence of large conglomerates in the world of film was a relatively new phenomenon. This new configuration has become a reality in part because of Kim's push for globalization in 1994, which paved the way for the eventual appearance of *chaebol* in the film industry.

The Motion Picture Promotion Law (1995) and thereafter

The Korean government initiated the resuscitation of the film business while applying the logic of globalization to the culture and/or media industries from the mid-1990s. Although the Roh regime began to liberalize the cultural market, it was not because of its desire to deregulate the business but because of pressure from foreign players demanding that Korea open its market to transnational corporations. The democratic government, however, began to support the domestic film industry with the intention of reviving the film business.

The government needed to support the involvement of domestic capital in the film businesses, because it required domestic companies to make drastic shifts toward more future-oriented industries, including cultural industries, as part of its globalization strategy. In particular, when the government saw that the market share of domestic films stood at 15.9 percent in 1993, very high-level policy changes were required to resuscitate the dying film industry. Facing a collapse in the domestic film industry, the government began to use its legal and financial resources to promote content industries, in particular the film industry.

To begin with, the government enacted the Motion Picture Promotion Law in 1995 (Kim, 1995b). The main section of this new law includes diverse incentives, including tax breaks for film studios to welcome *chaebol* capital into the film industry, because the government believed *chaebol* capital would become one of the main elements in the revitalization of the domestic film industry. *Chaebol* capital and marketing resources on a large scale were welcomed and seen as revitalizing the Korean film industry.

The government has also given financial support, either directly or indirectly, to the film industry, in particular to production industries. The government reclassified the movie business from a service industry to a manufacturing industry in 1994. As a result, for the first time in decades, Korean film producers could easily finance their films by borrowing from banks (Darlin, 1994: 81–2). In addition, the Kim Dae Jung government (1998–2003) created a fund of \$125 million to promote Korean cinema between 1999 and 2003 (*Dong-A Ilbo*, 2002: 12). This was not a great deal of actual financial support; it worked symbolically, however, to demonstrate that the government was creating policies that were favorable to the film world.

The film industries in many Latin American and Asian countries are state-supported entities, funded in part to sustain national cultural production. In addition, film industries are also seen as industries that need state assistance in order to sustain employment in this sector, as Falicov points out (2000: 327–9). Unlike film industries in these countries, the Korean film industries did not receive any financial support from the state between

the 1980s and the late 1990s, and, further, they seemed to be test-beds of neoliberal reform. Since the mid-1990s, however, the government has finally taken on a major role in reviving the failing domestic film industries.

Under these circumstances – that is, the pursuit of globalization and government support – domestic capital, including *chaebol*, has actively invested in the film business. The main target for *chaebol* was film production. Several conglomerates, including Samsung and Daewoo, already invested in film production in the early 1990s when they funded 20–30 percent of production costs of several domestic films. Since 1995, their manner of investment has changed; they now put up 100 percent of production costs for film production or they have their own production companies (Hwang, 2001: 25–6). The *chaebol*'s strategy was to promote the logic that their resources in terms of capital, marketing and manpower could overcome the monster of Hollywood's direct distribution, and further revive the Korean economy (Groves, 1997: 60; Shim, 2002: 341). Meanwhile, a few conglomerates, such as Samsung, Hyundai and Daewoo, also owned cable movie channels; therefore, they needed to produce to provide films for their channels.

Conglomerates, however, are not the only players in the film business. Over the last several years, venture capital has flowed into the Korean film industry, and venture capital firms have rapidly become major players. The number of film production companies soared to 918 in 2001, as opposed to 116 in 1998, although many of them were not active and only a few firms made profits (Ministry of Culture and Tourism, 2002). In addition, Korea's Cinema Service, the nation's largest film distributor as well as a film producer, introduced a new source of film financing with the launch of a public film investment fund by Hana Bank. The \$7.8 million Hana Cinema Trust Fund No. 1, which was kicked off in December 2001, marked the first ever involvement of the banking sector in Korean film finance (Paquet, 2001a: 11).¹

Meanwhile, the so-called netizen fund played an increasing role in raising cash from individual investors over the internet. The netizen fund is a program in which Koreans invest in film projects through the internet for a return based on the movie's success after its release. It is a way of attracting movie netizens, that is, those (mostly in their 20s) who are actively involved in online discussion about movies, or those who have become members of online fan clubs for actors and actresses, to invest in film.

The netizen fund began in 1999 when the production house Bom invited movie netizens to participate in an \$85,000 fund. It took 40 days to raise the money, and the 200 investors, who put in \$425 each, received around a 200 percent return (Kim, Mi Hui, 2002: 19). The second netizen fund project, for *Friend*, introduced in March 2001, attracted 100 investors in 60 seconds; they received a 250 percent return as of March 2002 (Ha, 2002). Other projects that have employed netizen funds include *Libera Me*,

Humanist and *My Sassy Girl*. Among these, *Friend*, released in 2001, became the top ranked film over the last ten years, with 8.2 million viewers, while *My Sassy Girl* ranked fourth (Kim, Mi Hui, 2002).

Unlike other sources of capital, such as *chaebol*, venture capital and financial banks, the idea of the netizen fund is unique to Korea because it is the first time in modern Korean history that individual capital has become a financial resource for cultural content. Since the late 1990s, many people have seen the film industry as one of the safer places where they could invest their money, because the sluggish movements of the stock market and low interest rates have made investment in films seem more attractive (*Korea Times*, 2001: 3). Investment in film is particularly attractive as the returns from the film can be harvested within six months, as long as the film does not fail. Netizen funds, however, have decreased since late 2001, because several domestic films such as *Humanist*, *Jakarta* and *Tear*, which were partially produced through netizen funds, failed to make profits and could not return the capital, let alone profits. Netizen funds play a role in the marketing strategies of film producers, that is, as a means of PR via the internet as well as a source of investment (Oh, 2002).

In short, the government's changing cultural policy clearly gave preference to domestic capital, including *chaebol* capital, in an effort to integrate domestic capital into the domestic film industries. The influence of large conglomerates on the film industry caused a boom in the domestic film industries, and this in turn attracted venture capital and individual investors to the film industry; these resources were dedicated to the rapid growth of the Korean film industry.

Transnationalization of the Korean film industry

The government's neoliberal cultural policies have expedited foreign investment in the domestic film industries. Foreign film majors played a key role in direct distribution via their branches in Korea under the authoritarian regime; however, transnational cultural majors have invested production and distribution in the Korean film industries, as well as exhibition, since the mid-1990s. In particular, they formed strategic alliances with domestic capital to produce motion pictures in Korea. As discussed, this was possible because the Kim Young Sam government asked domestic companies to get involved in the global cultural market in order to integrate the domestic cultural industries within the global cultural system.

The Hollywood majors have developed an elaborate power structure to forge relations with independent producers, subcontractors and distributors. By holding on to their power as national and international distribution networks, the majors tried to dominate the film industry (Aksoy and

Robins, 1992: 8–9). As Herman and McChesney point out, joint ventures are attractive because they reduce the capital requirements and the risks of the participants, and permit them to spread their resources more widely. ‘Joint ventures also provide a more flexible weapon than formal mergers or acquisitions, which often require years for negotiation and approval and then getting the new parts assimilated’ (1997: 103).

Several TNCs set up joint ventures with domestic capital, including Samsung, Hyundai, Daewoo and CJ, on a variety of levels for co-production, distribution and exhibition. One of the largest joint ventures occurred between Seagram-owned MCA and CJ of Korea, which was poised to jump onto the DreamWorks SKG bandwagon in 1995 (Brown, 1995: 4). At that time, the CJ Group reached an agreement to take an 11 percent stake in DreamWorks with a \$300 million investment. CJ was interested in this deal because the group wanted to use DreamWorks SKG as a foreign movie pipeline for its own movie theatres, while DreamWorks obtained limited Korean distribution rights to the studio’s output (1995: 4).

Samsung was also very interested in this joint venture. In 1995 Kun Hee Lee, chairman of the Samsung Group, met Steven Spielberg, the movie director and one of the founders of DreamWorks, to discuss Samsung’s investment of \$900 million in DreamWorks, although DreamWorks rejected Samsung’s proposal because Samsung asked for a one-third share in the studio and all distribution rights across Southeast Asia (Park, 1995). Instead, Samsung has a 7.4 percent stake in the small Hollywood studio New Regency Production (owner: Arnon Milchan), which was affiliated with News Corporation from 1997. Meanwhile, Canal Plus has a joint venture with the Hyundai Group for film production. In May 1996, Diamond AD, the media subsidiary of Hyundai, which imported 20–30 films a year, including blockbusters, signed a co-production and distribution deal with France’s Canal Plus (Schilling and Wu, 1998: 1).

Several foreign corporations are also increasingly targeting Korea’s exhibition market for investment because expansion of the exhibition sector would make Korea an increasingly important part of the international distribution market. US-based Loews Cineplex and On Media, a multiple program provider in Korea, launched a 50/50 joint venture called Magabox Cineplex in 2000 (Paquet, 2002: 1, 6). This joint venture exhibition firm operated 32 screens in 2002 (Seo, 2003). Exhibition market leader CGV is also a joint venture between Korea’s CJ Entertainment and Village Roadshow in Australia, which operated 92 screens in 2002 (Paquet, 2002: 6). With the active investment of both domestic and foreign corporations, the exhibition market rapidly increased and transnationalized, so that Korea ranked as the ninth largest exhibition market in terms of international box office receipts, accounting for \$401 million in 2001 (2002: 6). The number of screens was already 720 at the end of 2000, and reached 1000 by the end of 2002 (Kim, Su-Kyung, 2002).

Over the past several years, the film businesses have shown increasing integration unto the global cultural market. This has not only greatly facilitated the entry of global cultural industries into Korea, but has also enabled Korea's film producers and capital to become actively involved in the global cultural arena.

Blockbuster-ization of Korean movies and cultural identity

The government's changing cultural policies have brought about massive investment in the domestic film industries, and thereafter a boom in domestic motion pictures through market competition and foreign investment. The contemporary Korean film market has witnessed swift growth in domestic films in recent years. Again, the market share of domestic films produced by local producers reached 49.7 percent in 2001 and 48.7 percent in 2003, respectively. When local films in Korea claimed 35.3 percent of market share in 2000, this was already well ahead of several developed countries – such as Japan (31.8 percent), France (28.5 percent), the UK (19.6 percent) and Germany (12.5 percent) – in terms of the market share of domestic films (*Korea Times*, 2001: 3). The Korean film industry is especially notable because it shows a consistent rise in its market share, attendance at films and number of cinemas, while several other countries have recorded decreasing market shares for domestic films in recent years.² In fact, Korea became the tenth largest film-producing nation, with an annual total of 73 new film productions beginning in 1998, while the country was already the tenth largest film market worldwide in the early 1990s.

The key question here is whether newly developed domestic films promote cultural identity and/or cultural sovereignty. Within many countries, the issue of cultural identity has been considered a major cultural policy objective, as Burgi-Golub (2000: 213–19) points out. Korea was no exception. Regardless of its insufficient budget and lack of legal support during the authoritarian regime, the primary cultural policy objectives were to reproduce cultural identity and promote regional culture (Yim, 2002: 40). For instance, the Park regime launched the first five-year master plan for cultural development to be implemented during the period 1974–9, which was the first comprehensive long-term plan for cultural policy. A major priority of this plan was to establish a new cultural identity by highlighting a specific cultural tradition. The plan mainly targeted folk arts and traditional culture (Ministry of Culture and Information, 1979: 228; Yim, 2002: 40). The Chun regime also pursued comprehensive plans for cultural policy, and one of the main cultural policy goals in these plans was to establish Korean cultural identity (Ministry of Culture and Information, 1986).

The democratic government consistently expressed the opinion that the screen quota system³ is essential to maintaining cultural sovereignty

(*Dong-A Ilbo*, 2002: 19). That is, the government did not want to change the screen quota system on the grounds that films should be excluded from free trade principles because protecting the Korean film industry is tantamount to maintaining Korea's cultural identity. Of course, strong protest by the Korean film industry and the public, which feared that the abandonment of the quota system would eventually lead to a total loss of Korean film and its cultural specificity, became one of the main reasons for maintaining the screen quota system (*Joong-Ang Ilbo*, 2002).

The democratic government, however, did not have any measures to protect or develop cultural identity in its cultural policy apart from maintaining the screen quota system. With a growing consciousness of being taken over by foreign cultural capital and foreign films, the need to develop domestic films grew. However, the issue was not an ideological and cultural one, but an economic matter. In other words, the government has developed domestic film industries largely because of its commercial imperatives. The government initiated and supported the film industry as a strategic industry. In the 21st century, the Korean industrial system needed to find a new revenue source, and thereafter to boost the Korean economy (Kim, 1995b). The *Wall Street Journal* (Park, 2003) observed that the Korean government acknowledged that cultural industries, including films, could boost the economy in the late 1990s.

Although the Korean government initiated the resuscitation of domestic films and supported the film industry with its legal and financial forces, the issue of national culture was hardly a point of discussion in its cultural policy. Therefore, Korean domestic films have tended to become swiftly transformed into a blockbuster style in their content and budget. The Korean movies produced in recent years achieved their success with excessive violence and sexuality.

In fact, most successful domestic movies were Korean gangster movies such as *Friend*, *My Wife is a Gangster*, *Kick the Moon*, *Attack the Gas Station* and *Musa the Warrior*. These blockbuster-style action movies all ranked among the top ten movies in attendance numbers between 1999 and 2001. Such success could be considered an achievement for domestic cinema in the sense that it had attained a status comparable to that of Hollywood in terms of special effects proficiency. In particular, *chaebol*-funded or produced films soared to the top of the box office charts, with their blockbuster-style content. The Samsung-funded film *Swiri*, known as Korea's first blockbuster-style movie in relation to both its budget and action scale, had a 17-week run grossing nearly \$20 million in Seoul alone in 1999 (Burton, 1999). Samsung, which used computer techniques and helicopters to produce its films, seemed to have learned something from Hollywood about product placement (1999). In addition, the production costs of *Swiri* were as much as \$3.1 million, one of the highest budgets to date. The production costs of domestic films increased 167 percent from

\$1 million on average in 1998 to \$2.67 million in 2001, although several of them recorded over \$5 million, mainly because of the involvement of conglomerates (Kim, Hyun-Soo, 2002: 4).

Following *Swiri*'s success were several other Korean films with mass audience appeal. *Yonggary*, a made-for-export monster movie with an English-language soundtrack, finished its first run with 500,000 admissions, as Hyundai, a major investor and producer of the film, expected (Schilling, 1999: 7–8). *Chaebol* played a key role in developing the domestic film industry. Their involvement in the film industry was possible because of their pursuit of a new profit source through cultural products. For them, cultural identity was not a major issue as it was for the Korean government.

Regardless of their dedication to the domestic film industry, involvement by *chaebol* in the film industry was not welcomed by some segments of society. Some critics, such as local producers, college students and movie critics, criticized *chaebol* mainly over the issue of content. Many Koreans have increasingly criticized *chaebol*-funded films as another version of Hollywood movies in terms of content (Paquet, 2001b: 8). These critics believe that the concentration of production and marketing of cultural products in the hands of *chaebol* has resulted in the standardization of cultural expression under the influence of basically commercial imperatives. Existing individual film producers have also fiercely criticized *chaebol* expansionism out of fear that possible dominance by *chaebol* would force them out of business. With these criticisms, *chaebol* dominance in the film industry declined; several conglomerates, including Samsung, Hyundai, SK and Daewoo, have since left the film business (Paquet, 2001b: 8).

Criticism from several sectors of society was not the sole reason for the withdrawal of the *chaebol* from the film business. Business failures in the film market and business depression in the cable industry were the two most important reasons. Despite the success of several films, many films produced by *chaebol* failed to make profits. In addition, the business depression in the cable industry, which was expected to be an outlet for domestic films, was another reason for the withdrawal of the *chaebol* from the film industry. The Samsung Group, for example, disbanded its Samsung Entertainment Group, which had been responsible for managing its communication arm, including film, when it gave up its newspaper and cable companies (*Korea Herald*, 1999).

Some newspapers reported that the *chaebol* withdrew from the film business because the Kim Dae Jung government pressured them to reduce their bloated structures, including their film business (*Korea Herald*, 1999). However, it is hard to tell whether this is true. Mi-Hyun Kim, manager of Film Policy Division at the Korea Film Commission, stated on 2 November 2003:

There was no significant pressure for *chaebol* to leave the film business from the government. *Chaebol*'s withdrawal from the film business was based on their business decision to reduce their involvement in the film business, which did not guarantee mega-profits. (telephone interview with Mi-Hyun Kim).

Of course, the top *chaebol* did not entirely withdraw from the film business because several *chaebol*, such as LG, Lotte and CJ, still own their multi-complex cinemas. Samsung also established Samsung Venture Investment Co., which still invests in the film business, although the scope of the business in terms of money and workers is smaller than that of the Samsung Entertainment Group (Kim, 1999). The *chaebol* selectively and temporarily withdrew from the film business, but they are still active in the exhibition and distribution industries.

Chaebol involvement in the film business was encouraged by the government's favorable cultural policies, and *chaebol* achieved great success in the film business for several years in the late 1990s. However, the *chaebol*'s blockbuster movies were not welcomed by some sectors of society because they did not reflect Korean cultural identity. In the midst of severe criticism, several *chaebol* failed to make profits and partly withdrew from the production business. Meanwhile, the recent proliferation of film companies has been made possible by venture capitalists and mid-sized domestic producers reflecting national identity and cultural sovereignty. For example, in 2002 Im Kwon-Taek, one of the most famous film directors in Korea, won the Best Director Award at the 2002 Cannes Film Festival with his film *Chihwaseon*, which reflected Korean cultural tradition and values. He also received this year's UNESCO Fellini Gold Medal, which is awarded annually to directors whose films are centered around peace and culture.

Conclusion

The Korean film industries have grown dramatically, with transnational and national investors jumping in for a piece of the industry's profits. After several decades of crisis, the Korean film industry is now healthy with regard to financial resources and market share. The film business in Korea rose against the background of the triumph of neoliberalism in the 1980s and 1990s. This shows that the neoliberal thesis that claims that the influence of transnational corporations is critical in shifts in audiovisual sectors such as television and films, must be modified. The Korean film industry has changed and developed, influenced by sometimes cooperative and at other times conflicting relationships among the government, domestic capital and transnational corporations. Although transnational cultural industries, including the Hollywood majors, provided investment and movies for the Korean market, national and regional processes have also

substantially influenced cultural policies. In particular, the Korean government is much less incapacitated by the rise of neoliberalism than is often appreciated. Instead, the government can block, mediate and, in some cases, even reverse neoliberal tendencies. That is, in the era of neoliberal globalization, characterized by market deregulation and reduced state intervention in economic and cultural affairs, the Korean government pursued a proactive cultural policy.

The Korean government has taken initiatives and supported the film world with its legal and financial resources. The democratic government also demanded that domestic capital, including *chaebol*, invest in the film business to compete against the encroachment of Hollywood popular culture. The government's new cultural policies became a driving force in boosting the Korean film market by encouraging the investment of domestic capital in the film business. Unlike the authoritarian government, which allowed Hollywood majors to have the right of direct distribution, the democratic government considered the film industry as one of the most important strategic industries to make new profits, and its new cultural policy greatly boosted the film business.

The purpose of supporting the film industry, however, is not to secure cultural sovereignty, but is to do with economic imperatives. The overall goal of the Korean democratic government in the film business is to find a new economic source to boost the Korean economy. Cultural identity, which was considered one of the most significant issues among cultural policy makers during the authoritarian regime, is not a major priority for cultural policy makers in the democratic government; therefore, the Korean film industry struggles with content issues. Indeed, the domestic film industries are increasingly facing a dilemma in reconciling issues around the construction of national and local identities on screen, while at the same time trying to sustain a viable and popular film industry in the face of daunting competition from Hollywood (Falicov, 2000: 341).

In conclusion, the future of the Korean film industry may depend on how to manage two major issues. On the one hand, the film world has to study the ways in which it can maintain and/or expand the current boom in domestic films without government support. The government, which was responsible for nurturing the film industries, may end its financial and political support for film industries as early as 2005 under international trade accords now under negotiation through the WTO (*Korea Herald*, 2002). The screen quota system, which is considered a 'safety haven' for the growth of the Korean film business, will be also abolished or reduced during the Bilateral Investment Treaty talks between the Korean and US governments.

How to maintain the balance between Korean cultural identity and the efficiency of the film industry, i.e., improving its production system and securing stable investment, is another key issue. To maintain the recent

boom in domestic films, Korean cultural policy makers and those in the film industries have to consider how to integrate the specificity and identity of domestic culture into the logic of the global film market – to create both diversity and commercial profits.

Notes

1. The Hana Cinema Trust Fund allowed any interested party to invest between \$15,000 and \$40,000 in a special trust, which would be used to produce and distribute 7–8 films per year (Paquet, 2001a: 11).

2. The marked growth of the Korean film industry has attracted attention. For example, *Variety*, a trade journal, turned its attention to the Korean film industry beginning in the late 1990s. Using the keywords 'South Korea' to search online *Variety* brought up only one article for each year in 1993 and 1994. But in 1997, 1998 and 2001, *Variety* carried 119, 105 and 178 articles respectively. Most of these articles were focused on the newly growing Korean film and broadcasting industries.

3. The screen quota system, introduced in 1967, meant that local theaters had to screen Korean movies on 40 percent of the days they were open for business. This system was designed to prevent theaters from concentrating on well-received foreign movies and squeezing out Korean films. The screen quota system was changed further during the Bilateral Investment Treaty (BIT) talks between the Korean and US governments. In May 1996, the government established the Motion Picture Promotion Ordinance, allowing local governments up to 40 days' discretion, which means that, from 1996, local governments can allow theaters to play Korean films for 126 days in large cities and 106 days in small cities, instead of 146 days (see Oh, 1998: 35).

References

- Aksoy, Asu and Kevin Robins (1992) 'Hollywood for the Twenty-First Century: Global Competition for Critical Mass in Image Markets', *Cambridge Journal of Economics* 16: 1–22.
- Brown, Colin (1995) 'Seagram, Samsung Line Up to Take Stakes in SKG', *Screen International* 21 April: 4.
- Burgi-Golub, Noelle (2000) 'Cultural Policy and Political Responsibility', *Cultural Policy* 7(2): 211–23.
- Burton, John (1999) 'South Korea Film Riding on a Wave of Success', *Financial Times* 5 May: 8.
- Darlin, Damon (1994) 'Hollywood on the Han', *Forbes* 10 October: 81–2.
- Davies, Matt (1999) *International Political Economy and Mass Communication in Chile*. New York: Macmillan.
- Dong-A Ilbo (2002) 'Film Business against the Ministry of Finance and Economy', 22 January: 19.

- Falicov, Tamara L. (2000) 'Argentina's Blockbuster Movies and the Politics of Culture under Neoliberalism, 1989-98', *Media, Culture & Society* 22(3): 327-42.
- Far Eastern Economic Review* (1995) 'South Korea: Trade and Investment Policies', 22 June: 48.
- Groves, Don (1997) 'Spielberg's Influence Far-reaching', *Variety* 17 November: 60.
- Ha, Lim-Soon (2002) 'Netizen Fund Becomes a Major Fund in Cultural Industries', *Dong-A Ilbo* 21 March: 34.
- Han, Gwang-jub (1994) 'Promises and Myths of Cable Television and Telecommunications Infrastructure in Korea', pp. 137-90 in Chie-won Kim and Jae-won Lee (eds) *Elite Media amidst Mass Culture: A Critical Look at Mass Communication in Korea*. Seoul: Nanam.
- Herman, Edward S. and Robert W. McChesney (1997) *The Global Media: The New Missionaries of Corporate Capitalism*. London: Cassell.
- Hwang Dong Mi (ed.) (2001) *An Analysis of the Structure of the Korean Film Industry*. Seoul: Korea Film Commission Research.
- Joong-Ang Ilbo (2002) 'Seoul Mulls Phased End to Film Quotas', 21 January.
- Kim, Myung-Hwan (1995a) 'Samsung Launched Samsung Entertainment Group', *Chosun Ilbo* 7 February: 21.
- Kim, Myung-Hwan (1995b) 'Analysis of Motion Picture Promotion Law', *Chosun Ilbo* 21 December: 27.
- Kim, Tae-Su (1999) 'Venture Investment Companied Inroad in the Film Business', *Kookmin Ilbo* 30 November: 30.
- Kim, Samuel S. (ed.) (2000) *Korea's Globalization*. New York: Cambridge University Press.
- Kim, Hyun-Soo (2002) 'Korean Film Industry in 2001', *Korean Film Observatory* January: 4.
- Kim, Mi Hui (2002) 'Korean Netizens Invest in Local Pix', *Variety* 1 January: 35.
- Kim, Su-Kyung (2002) 'The Number of Entrance Breakthrough 100 Million', *Dong-A Ilbo* 27 December: 27.
- Korea Herald* (1999) 'Samsung Group Decides to Remain in Film Business', 8 May.
- Korea Herald* (2002) '14 Countries Ask Korea to Open Service Market', 12 July.
- Korea Times* (2001) 'Has Spring Come for Korean films?', 26 October: 3.
- Korean Film Commission (2000) *Changes in Number of Screens and Attendance*. Seoul: Korean Film Commission.
- Korean Film Commission (2003) 'KOFIC Sums Up 2002 Korean Films', (press release) 20 January: 1.
- Korean Film Commission (2004) 'KOFIC Sums Up 2003 Korean Films', URL (consulted 12 February 2004): http://www.kofic.or.kr/data/kofic_data_detail.asp?page=1&p_part=&p_item=&pds_seq=100
- Korean Film Commission Research Report (2002) *Analysis of the Korean Film Industry Structure*. Seoul: Korean Film Commission.
- Mattelart, Armand and Michèle Mattelart (1992) *Rethinking Media Theory: Signposts and New Directions*, trans. James A. Cohen and Marina Urquidi. Minnesota: University of Minnesota Press.
- Maxwell, Richard (1995) *The Spectacle of Democracy: Spanish Television, Nationalism, and Political Transition*. Minnesota: University of Minnesota Press.
- McChesney, Robert W. (2001) 'Global Media, Neoliberalism, and Imperialism', *Monthly Review* 52(19): 1-19.
- Ministry of Culture and Information (1979) *Culture and Communication for 30 Years, 1948-1978*. Seoul: Ministry of Culture and Information.

- Ministry of Culture and Information (1986) *Cultural Plan in Sixth Five-year Plan for Economic and Social Development*. Seoul: Ministry of Culture and Information.
- Ministry of Culture and Tourism (2002) 'Statistics of Film Business 2002', URL (consulted 10 August 2002): <http://www.mct.go.kr/uw3/dispatcher/korea/sub56.html>
- Mun, Hang Ran (2001) 'Top Popular Video – Joint Security Area', *HanKook Ilbo* 18 December.
- Oh, Chang-Kyu (2002) 'Netizen Fund is Shrinking', *Munhwa Ilbo* 15 June: 16.
- Oh, Eun Ju (1998) 'Screen Quota for 80 Days', *Joong-Ang Ilbo* 8 September: 35.
- Paquet, Darcy (2001a) 'The A-teams', *Screen and International* 2 November: 11.
- Paquet, Darcy (2001b) 'First Korean Bank Launches Film Fund', *Screen International* 7 December: 8.
- Paquet, Darcy (2002) 'Exhibition Cash Pours into Korea', *Screen International* 13 September: 1–6.
- Park, Se-Hoon (1995) 'Negotiation between DreamWork and Samsung Failed', *Chosun Ilbo* 24 March: 9.
- Park, Ji Yeon (2001) 'Film Policy in Park Chung Hee's Modernization System: Revision of the Motion Picture Law and Industrialization Policy', pp. 171–212 in Yu Shin Chu (ed.) *Korean Film and Modernity*. Seoul: Sodo.
- Park, Seah (2003) 'Coming to a Theater Near You: South Korean Movie Exports Mark Shift Away from Manufacturing', *Wall Street Journal* 31 October: A10.
- Sakong, Il (1993) *Korea in the World Economy*. Washington, DC: Institute for International Economics.
- Schiller, Dan (1999) *Digital Capitalism*. Cambridge, MA: MIT Press.
- Schilling, Mark (1999) 'Korea's Hometown Spring', *Screen International* 5 November: 7–8.
- Schilling, Mark and Amy Wu (1998) 'Global Film Crisis: Made in Korea', *Screen International* 16 January: 1.
- Seo, Jee-yeon (2003) 'On Media Emerging as Entertainment Powerhouse', *The Korea Times* 3 April: 35.
- Shin, Mi-Hee and Hyun Ho Cho (2002) 'Media Industry', *Media Today* 16 May: 8.
- Shim, Doobo (2002) 'South Korean Media Industry in the 1990s and the Economic Crisis', *Prometheus* 20(4): 337–50.
- Wagstyl, Stefan (1989) 'Chief of Sony Tells Why It Bought a Part of America's Soul', *Financial Times* 4 October: 4.
- Yim, Haksoon (2002) 'Cultural Identity and Cultural Policy in South Korea', *International Journal of Cultural Policy* 8(1): 37–48.

Dal Yong Jin is Visiting Assistant Professor at the University of Illinois at Chicago. His major research and teaching interests are international media and globalization, new media and communication technology, as well as media studies, including political economy of culture and critical cultural studies. He is currently interested in doing research on the macro-level effects of the diffusion of information and communication technologies and their policy implications. His recent work also includes the role of transnational culture in the regionalization and globalization processes. His book, entitled *Hands On/Hands Off: The Korean State and the Market*

Liberalization of the Communication Industry, is currently under contract with Hampton Press.

Address: Department of Communication, University of Illinois at Chicago, 1140 Behavioral Sciences Building, 1007 W. Harrison Street, MC 132, Chicago, IL 60607-7137, USA. [email: daljin@uic.edu]