

## South Korean Media Industry in the 1990s and the Economic Crisis

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**ABSTRACT** *This paper examines the changes in the Korean media industry with reference to the Korean economic crisis in the 1990s as Korean big business, or chaebol, previously unconcerned with the media industry, expanded into that sector. Given the conventional close relationship between the state and big business in Korean economic development, this new business strategy had implications for state policy.*

**Keywords:** chaebol, economic crisis, IMF, Korea, media industry, national development.

### Introduction

In December 1997, Korea<sup>1</sup> tasted the sourest pill in its history. When foreign investors, having lost confidence in the Korean economy, suddenly and almost simultaneously withdrew their loans, Korea found itself on the brink of insolvency with its currency devalued by almost 45%. With no other choice, the government applied for Emergency Financing Mechanism funds from the International Monetary Fund (IMF). For a \$58.5 billion<sup>2</sup> bailout, Koreans had to accept the IMF's structural adjustment programs (SAPs), which required wholesale reorganization in its economy.<sup>3</sup>

This study will examine the changes of the Korean media industry with close reference to the Korean economic crisis. In other words, what happened to the Korean media industry in the 1990s—an industry that had played a key role in Korea's corporatist political economic development? As will be shown in more detail in later phases of this paper, the Korean media industry underwent a marked change in the 1990s as Korean big business, or *chaebol*, previously unconcerned with the media industry, expanded into this sector.<sup>4</sup> Considering the conventional close relationship between the state and big business in Korean economic development, the latter's new business strategy is assumed to have something to do with state policy. From the political economic perspective, this paper also touches on the relationship between the state, big business, the media and national development.

### **Korean Media before the Mid-1990s**

As economic growth based on export-oriented industrialization was a national goal for the country, the Korean media industry was locked in this paradigm throughout the 1960s, 1970s and 1980s. In other words, the major role of the press was to promote national interests and contribute to the country's economic modernization. For this purpose, limiting the freedom of the press was taken for granted. In addition, when the whole country was devoting itself to export-oriented industrialization by focusing on manufacturing, the culture industry was ignored. Thus, the market structure of the media came to resemble that of other industries in South Korea. In return for their 'loyalty', the military government provided preferential treatment to the oligopoly of established media companies, which played a critical role in supporting the authoritarian rule.<sup>5</sup>

In the late 1980s, wide-ranging democratization measures led to deregulation in the media sector, leading to the birth of a new commercial TV channel in 1991, and increasing the number of registered periodicals in the country from 2,411 in 1987 to 6,847 in 1994.<sup>6</sup> These changes were, however, limited in their impact on the Korean media landscape compared to the inroads of chaebol into the media industry following the inception of cable TV services in 1995, and the government's simultaneous promotion of a cultural software industry which chaebol took charge of.

### **Information Society Development and the Short Supply of Quality Local Content**

Around the world, the past quarter century was (and still is) a period filled with a utopian dream promised by technology. New technologies of information and communication have burgeoned at an unprecedented pace as a new sphere of economic activity. Most countries have rushed to build information-based economies as what Daniel Boorstin called 'engines of development'. As for Korea, in the 1980s it had already set about building an economy more based on information technology (IT) and had embraced transformation into an information society as a national policy priority.

In this context, in 1989 Korea decided to build a digitized, integrated cable television infrastructure that would be unveiled in 1995. In August 1993, the Ministry of Information selected 20 companies that would become 'cable television program providers' (PP; the equivalent of national cable networks in the US). The Cable Television Act and the Presidential Decree on Cable TV services devised a plan to initiate 20 channels with 11 program categories in order to ensure diversity of content in cable services. They were: news, movies, sports, arts and culture, entertainment, education, music, children, women, religion, and transportation and tourism. Among the 20 channels allotted, the 'big three' chaebol took the potentially most profitable ones. Samsung took the only pay cable channel (film) and one arts and culture channel; Daewoo had the movie channel; Hyundai, the entertainment channel. To promote the domestic cultural software industry, the Presidential Decree stipulated that foreign-produced content should not exceed 30% of cablecast time. However, Korea fell far short in domestic programming. Therefore, the PPs filed a petition with the government either to increase the share of foreign-produced programs on cable television or delay cable services until the year 2000 when they would have sufficient programming resources.<sup>7</sup>

The Korean market had been dominated by foreign entertainment content. In a film market where only about five Korean movies a year could attract more than 100,000 viewers, several Hollywood films enjoyed Korean viewership of more than 1 million people in the early 1990s. The film *Ghost*, starring Demi Moore, drew an audience of 3.5 million, *Schindler's List*, 2 million and *Jurassic Park*, 1.47 million.<sup>8</sup> This was the culmination of a trend that began in 1988, when direct distribution of Hollywood films started and Hollywood's dominance intensified. In 1987, Hollywood films had a theater attendance market share of 53%. In 1994, the figure rose to 80%. The home video market that had taken off around the time of the 1988 Seoul Olympic Games became bigger than the theater market in Korea. On the top 100 videos rental list in 1993, 90 Hollywood videos and only five Korean videos were included.<sup>9</sup> For a niche market, Japanese cartoons and animated films were the most popular entertainment sources for elementary school children. For youth in their mid- and late-teens and early twenties, Hong Kong-made films were popular to a considerable degree.

The popularity of foreign films was translated into the near extinction of the local film industry. First, the number of Korean films produced dropped from 121 in 1991 to 63 in 1994. Secondly, after the introduction of Hollywood direct distribution, over 10 Korean film importers went out of business.<sup>10</sup> In contrast, the Hollywood major distributors have recorded an increase in revenue of 60% in the Korean market every year since 1988. The 'dollar drain' was becoming serious as Korea paid about \$15 million in royalties to foreign countries in 1987, \$26.6 million in 1989, and \$62.2 million in 1993.<sup>11</sup>

### Korea Realizes the Importance of Culture in the New Economy

The conclusion of the Uruguay Round (UR) accord brought the government to recognize the importance of 'copyright' industries such as the motion picture business, since the accord required all 116 member countries of General Agreement of Tariffs and Trade (GATT) to open their markets for services including financial services, communications, construction, wholesaling, transportation and tourism. In other words, if Korea neglected these sectors, it would be conquered by foreign service providers. Furthermore, the United States continued to pressure Korea to open the TV programming sector, both through World Trade Organization (WTO) negotiations and in bilateral talks. In this vein, Korean daily *Chosun Ilbo* wrote that the core of competition in the globalized economy would be to develop and sell attractive cultural merchandise in international markets.<sup>12</sup>

New information technology posed a bigger crisis for the Korean content industry. The spillover of foreign satellite broadcasting such as Japanese NHK-Satellite TV into Korean homes was already a reality by this time. Hong Kong-based STAR-TV was slated to kick off a 32-channel satellite broadcasting service in 1996 targeting East and Southeast Asia; Perfect TV, Direct TV Japan and SKY Digital of Japan were planning to begin digital satellite broadcasting in the second half of 1997 with a total of 160 channels. Other Southeast Asian countries had similar plans.<sup>13</sup>

Along with cable and new regional commercial broadcasting in Korea, which was expected to begin in the mid-1990s, this increase in the number of TV channels led to projections that foreign programs would surely blanket Korean living rooms. As Choong-soon Kim noted, 'Gone are the days when the government could appeal to the people to watch only Korean programs out of patriotism'.<sup>14</sup> With a growing

'crisis consciousness' of being taken over by the foreign media-software, the need to develop the domestic media industry grew. Now, the issue was not only an ideological and cultural one, but also an economic matter.<sup>15</sup>

At about this time, Japanese home electronics giant Sony's acquisition of Columbia Pictures and CBS Records, and Matsushita's buyout of MCA Studios were seen as a break-through strategy for Korean economy to enter culture industry. As Norio Ohga, Sony's president and CEO, repeatedly said, this buyout was for the synergy of audio and video hardware and content. About this time, Sony developed or improved innovations like pocket-sized videocassette players, High-Definition TV and the Video Walkman. As home electronics manufacturers continued to develop new distribution facilities, the need for content as a means to propel demand for hardware grew.<sup>16</sup>

Media policy advisers recommended that Korean electronics giants follow the Japanese example. Gwang-jub Han, emphasizing that cultural software was going to be more important than electronic hardware, noted: 'It is time for Korea to invest in Hollywood production studios as well as sound recording studios and computer software companies'.<sup>17</sup> A 1995 policy report on media globalization stated:

Korea needs to encourage vertically integrated media conglomerates . . . While there is a concern for the projected monopoly of information, in order to cope with the large-scale TNCs, we need media conglomerates to match their sizes and resources.<sup>18</sup>

This report also suggested an encouragement of domestic firms' foreign investment. In the same context, economic research institutions churned out reports emphasizing the importance of the cultural software industry. For example, the Samsung Economic Research Institute predicted in 1994 that annual domestic sales of cultural software, including film, video, cable TV, games, and multimedia, would reach more than \$1,000,000,000.<sup>19</sup> It was time for Korea to apply its traditional 'can-do' spirit to the media industry.

### **The *Jurassic Park* Factor and Chaebol Entry into the Culture Industry**

Against this backdrop, a single episode drew the attention of the whole nation to the importance of media content, especially film, to the national economy: the Presidential Advisory Board on Science and Technology released its first report at its inaugural meeting in May 1994. Its main theme was the application of digital technology in economic development. For an example, the report pointed out that the Hollywood film *Jurassic Park* in which fabricated dinosaurs looked real with the help of digital technology, generated, with all its spin-off product sales, revenue worth foreign sales of 1.5 million Hyundai cars. The report concluded: since Hyundai Motors' annual foreign sales numbered about 640,000 autos, a well-made film could be worth more than two years' of Hyundai's car exports.<sup>20</sup>

Based on this research, the report proposed that the government develop the high value-added *youngsang san-eop* ('audiovisual industry') as the national strategic industry for the twenty-first century. This report literally sent shock waves across the country, and, becoming common knowledge, eventually forged the public consensus needed in promoting media development as a national strategic industry.<sup>21</sup> Previously, culture, which dealt with seemingly ephemeral and intangible phenomena that were assumed to contribute little to improving the

material conditions of the people, had been allotted an inferior position in the national agenda. This comparison between a film and Hyundai cars, which had symbolized Korea's economic success, was so strategically effective that Koreans began to recognize the cultural sector as an industry comparable to the automobile, shipbuilding, or construction industries.

After this report, the Korean government made a decision to promote what the French felicitously call *l'audiovisuel*. In early 1995, the government enacted the Motion Picture Promotion Law, with diverse incentives to introduce corporate and investment capital into the dilapidated film industry. Through the Promotion Law, film studios could receive tax breaks from the government. Based on the Promotion Law, the government opened the School of Film and Multimedia in 1995 under the Korean National University of Arts with the intent of producing trained manpower for the next-generation media industry.<sup>22</sup> In this environment, when Steven Spielberg and Jeffrey Katzenberg of DreamWorks SKG came to Seoul in 1995 to seal the Cheil Jedang–DreamWorks alliance, President Kim Young-Sam even invited them to his presidential office.<sup>23</sup>

Under these favorable conditions, the chaebol smelled a gold rush of a sort, and scrambled to stake out their claims in the media industry. Not only the 'big four' conglomerates—Samsung, Hyundai, Daewoo, and LG—who each had more than 40 subsidiaries with at least \$20 billion annual sales, but also second-tier chaebol began to participate in the media industry. Some expanded their businesses into cultural production after they owned cable channels, and others simply launched media-related companies in order not to get behind others.

In December 1994, the newspaper *Kookmin Ilbo* reported on the trend of chaebol's finding their ways into the media industry:

The *youngsang san-eop* is rising to the surface as a new field for chaebol competition . . . It is expected that movie channels on cable television, which will start up in March next year, are going to play a big role in *youngsang san-eop* development as well as ignite a competition to take the lion's share of the industry.<sup>24</sup>

In their rush towards culture industry, chaebol exploited Korean nationalism, diverting the public's concern about the possible oligopolistic structure in Korean media/culture industries. Chaebol employed the logic that their resources in capital, marketing and manpower could overcome the monster of Hollywood direct distribution, and further revive the Korean economy. Argued Mikey Lee, director of Cheil Jedang film business, 'We feel a certain responsibility to help the Korean movie market'.<sup>25</sup> Seong-Min Choi, senior manager at Daewoo's film entertainment division, said, 'It is our duty and responsibility to export Korean films overseas'.<sup>26</sup> As the newspaper *Dong-A Ilbo* correctly observed, film was a sector into which the big conglomerates were actively advancing because it was considered the base and mainstay of cultural software production.<sup>27</sup>

About this time, national media vied in reporting on the importance of the culture industry to the national economy. For example, in 1994, *Dong-A Ilbo* ran a series of 34 feature articles under the title of 'Culture War'. *Kookmin Ilbo* ran a series of articles with the theme of 'Strategic Korean Businesses in the 21st Century' from late 1994 to early 1995. *Chosun Ilbo* ran a special article, 'The First Year of New Media War', in its new-year edition in 1995. It, then, serialized articles under the title of 'Motion Picture Era of Big Conglomerates' and 'Korea: Take the Lead in the

Information Era' throughout 1995. In 1996, *Dong-A Ilbo* ran again a series of articles under the title of 'Culture War Among Chaebol' and *Chosun Ilbo* published 'Leaders in the Culture War'. In the summer of 1997, the television variety show *Show! Saturday Express* started a series of segments called *Revive the Economy!*, which profiled businesses profitable in foreign countries but not yet prevalent in Korea. Most of the businesses introduced in the show were those of the culture industry, such as the video game business in Japan, theme parks in Japan, and the spin-offs from Disney animated characters. In this context, *youngsang san-eop* or the culture industry became the most frequent topic of conversation among the public.

Many of those in Korean film circles—in Chungmu-ro—welcomed the chaebol's aggressive participation in the film industry.<sup>28</sup> For example, director Woo-suk Kang said:

The chaebol's participation in the film industry is very desirable, regardless of how much profit they take afterwards. In order to compete with [Hollywood] direct distribution, we need active participation of chaebol. From the perspective of Korean motion picture revitalization, we welcome chaebol capital and marketing.<sup>29</sup>

Average theatergoers welcomed the chaebol's investment in the film industry, with the expectation that it would expand film choices and provide more convenient theater facilities. In a sense, with chaebol's public relations effort and nationalistic fervor attached to the culture industry, approval of chaebol control of the content industry became the mainstream view. In this context, voices concerning the media and information concentration were hushed.

### Chaebol's 'Big Push' Approach in the Media Industry

As late starters aiming to establish media conglomerates, the Korean chaebol companies simultaneously invested in almost every subsector of media and information industries: they ran operations in computer software, music, telecommunications, newspaper publishing, cable distribution, and television programming as well as film production, distribution and exhibition.<sup>30</sup> In a sense, chaebol applied their conventional 'Do whatever is profitable' strategy and 'big push' approach to the media industries. Mikey Lee said, 'We satisfied consumers with food. Why not with movies?'<sup>31</sup>

Table 1 shows media businesses owned by the five largest Korean chaebol as of January 1995.

As seen in the table, it is notable that electronics companies Samsung, Daewoo, Hyundai, and LG set up divisions within their companies to manage the cultural software businesses. The following remark by Kun-joong Kim, an executive at Samsung Electronics, shows the logic of these chaebol's participation in the media industry: 'Based on semiconductor technologies, we are developing products connecting home electronics and multimedia, as a priority'.<sup>32</sup> From this viewpoint, electronics companies, aiming for synergetic effects, merely added new products to their repertoires. In their corporate advertisements, these home electronics manufacturers now implied that they had become entertainment conglomerates connecting hardware and content. 'Samsung is building tomorrow's home entertainment centers'.<sup>33</sup> Or, captioning a photograph of a baby looking at a computer: 'Entertain me'.<sup>34</sup>

**Table 1.** Media businesses owned by the five largest Korean chaebol

Chaebol	Subsidiary	New ventures	
Samsung	Samsung Corporation	Catch One	(pay cable channel)
		Dream Box	(film importer and home video producer. It also owns two theater screens)
	Samsung Electronics	Nices	(producer of CDs, LDs, CD-ROMs, and entertainment films. It also imports films)
		Starmax	(film importer and film producer)
	Cheil Communications	Q Channel	(cable channel)
		Cheil Youngsang	(producer of television programs and film importer)
		Audiosoft	(music producer and distributor)
Daewoo	Daewoo Electronics	Video Business Division	(film producer and importer)
		Wool Video	(film importer for video distribution)
		Dong-woo Video	(home video producer)
		Seshin Video	(home video producer)
		Daewoo Cinema Network	(cable channel)
		Se-um Media	(music producer and distributor)
Hyundai	Hyundai Electronics	Multimedia Business	(film producer)
		Division Seoul Production	
	Diamond Ad Ltd.	HBS	(cable channel)
LG	LG Electronics	LG Media	(producer of CDs, LDs, CD-ROMs, and entertainment films. It also imports films)
		Mediart	(film producer and importer)
	LG Telecom	Korea Home Shopping	(cable channel)
SK	SKC	Video Business Division	(film producer and importer)
		Pan Production	(film producer and distributor)
		Mido Film	(film producer and importer)
		Seoryung Production	(home video producer and film importer)

Source: *Weekly Chosun*, 19 January 1995, p. 76.

To illustrate the strategies of these five chaebol, I will now explore Samsung's participation in media industries. As of the mid-1990s, Samsung was the largest chaebol in Korea, with 50 subsidiaries and 1996 annual sales approaching 43,000 billion won (\$60 billion). Prior to the 1990s, Samsung was already running a broadcasting network and the daily *JoongAng Ilbo* from the 1960s. However, it was forced in 1980 by the Chun Doo Whan regime to sell its television and radio network to the public Korean Broadcasting System (KBS). In the 1990s when deregulation in media industry was introduced, Samsung, using its strong base in home electronics as a springboard, quickly expanded its presence in the culture industry. In November 1995, Samsung launched *Samsung Youngsang Sa-eopdan* (Samsung Entertainment Group) as a new company incorporating previously dispersed film, music, and cable businesses into a single unit. On the whole, Samsung Business Group's holdings in information and entertainment as of 1997 included the following:

- one national newspaper ownership: *JoongAng Ilbo* (with the second largest circulation in Korea);

- 14 magazines;
- Samsung Press Foundation;
- Catch One, the only pay cable channel in Korea;
- Q Channel, a cable channel;
- Dreambox, a film importer and home video producer, which also owns two theater screens;
- Nices, a producer of CDs, LDs, CD-ROMs, and entertainment films, and a film importer;
- Star Max, a film importer and film producer;
- Cheil Youngsang, a producer of television programs and film importer;
- Audio Soft, a music producer and distributor;
- Samsung Munhwa Mungo Publishing House;
- Hoam Art Hall, the largest theater in Korea;
- Cheil Communications, the largest advertising and media research agency in Korea;
- JoongAng SVP, a public opinion research group;
- JoongAng Joins, an information service group;
- three country clubs;
- Samsung Everland Inc., which is an amusement park;
- Shilla Hotel & Resorts Co., Ltd.; and
- professional sports teams in baseball, basketball, soccer, etc.

Other major chaebol's ownership patterns in the information and entertainment sector were not very different from that of Samsung in terms of expansionism.

### **Competition among Chaebol for Hollywood Films**

Within the neoliberal economic environment, competition between chaebol companies in the film industry became fierce. In particular, open slots in cable channels and theater business without sufficient content on hand forced them to vie for production contracts and output deals with foreign film studios. Samsung's pay cable channel Catch One established exclusive licensing agreements with Disney, Warner Brothers, Paramount, 20th Century Fox, and Universal Studios. Samsung's basic cable channel Channel Q, which announced its intention to become the Korean equivalent of the American Discovery Channel, made program supply contracts with the BBC, Discovery, and NHK. Further, Samsung invested \$60 million for a 7.6% stake of Hollywood independent studio New Regency Productions for Korean distribution rights to films made by this studio.<sup>35</sup>

Daewoo made an agreement with Hollywood independent New Line Cinema to bear a percentage of the studio's production costs (6% for the first two years) in return for the distribution rights in Asian markets. Hyundai made an output deal with the French studio Canal Plus, in return for the exclusive distribution rights in the Korean market. SK made a production contract with Hollywood independent studios Cinergi Motion Picture and Mandalay Entertainment, guaranteeing 5% of each studio's budget.<sup>36</sup>

Cheil Jedang (CJ), a chaebol that was then a food producer and distributor, made the most famous of all these output deals. In April 1995, CJ invested \$300 million for an 11.2% stake in the newly-formed Hollywood studio DreamWorks SKG in return for limited Asian distribution rights to films made by the studio. The agreement gave CJ 10 years of exclusive distribution in the Asian market (except Japan).<sup>37</sup>



In international film markets, the chaebol film importers tried to outbid each other for Hollywood films at any cost. For example, SK paid \$3.4 million for *Evita*. Daewoo outbid other Korean importers for *Last Man Standing* by paying \$3.5 million and bought *Long Kiss Good Night* at \$4.5 million. Samsung bought the film *Seven* for \$2.6 million and paid \$2.8 million for *Die Hard 3*. In addition, it paid \$5 million each for *The Fifth Element* and *Cutthroat Island*.<sup>38</sup> As *Business Korea* wrote, most of chaebol 'spent money like water' in importing Hollywood films.<sup>39</sup> Taking advantage of this situation, some Hollywood majors sold their films to chaebol instead of having recourse to the direct distribution.<sup>40</sup>

The press began to criticize the chaebol's business practices in the film sector, arguing that Korean film importers had become 'dupes' in international film markets. The press reported that the proper price for these movies should have been between \$300,000 and \$760,000 based on Korea's population, the level of theater attendance, per capita income, and the structure of theatrical exhibition and TV broadcasting, factors in determining the price for film and TV programming in international markets.<sup>41</sup> As of 1986, an average US-made feature film was sold to Japan at prices ranging from \$60,000 to \$200,000, to Taiwan for \$4,000–20,000, and to Korea for 'up to \$25,000', according to *Hollywood Reporter*.<sup>42</sup> However, in the mid-1990s, Korea was buying Hollywood movies for the second-highest rates in the world. Korea was paying five times the rate Japan paid, twice what France paid, and eight times what Taiwan paid.<sup>43</sup>

To the chaebol's dismay, however, the highly-paid foreign films failed at screenings, inflicting a 1997 loss to Samsung, Daewoo, and SK totaling almost \$27.5 million. In addition, the intense competition among chaebol forced small-sized importers, which could not match chaebol's capital, out of the business.<sup>44</sup>

### The Korean Financial Crisis

From the latter half of 1995, Korean exports began to slow. Nevertheless, echoing the euphoria about Asian economies created by overenthusiastic foreign media in the 1990s, the Korean press continued to paint rosy pictures about the prospects of the Korean economy as late as mid-1997. Articles published in this period had titles such as: 'Korean economic miracle is not over',<sup>45</sup> and 'Hope for Korean economy'.<sup>46</sup> In late 1997, the Korean economy was found to have accumulated external debt of \$120 billion, more than 90% of which was in the private sector and almost two-thirds of which was short-term, maturing in a year or less. In a sense, the Korean economy operated on foreign loans.<sup>47</sup>

The accumulation of foreign debt was a result of the workings of a 'push and pull mechanism' within the context of economic globalization in general and financial liberalization in Korea in particular. Taking advantage of Asian financial liberalization, Western private investors aggressively lent funds to the developing countries in the region in the 1990s. They were attracted to Asia not only by the hope of great rewards from booming economies but also by regional interest rates, which were much higher than those in Western countries. By means of Electronic Funds Transfer, which was possible with digital technology, traders were able to instantly buy and sell securities to their counterparts in all corners of the world. By 1995, the daily flow of capital was estimated at no less than \$1,500 billion.<sup>48</sup>

For chaebol, low-interest foreign loans were seen as a new 'boon', since foreign borrowing was no longer under screening and monitoring by the government. Chaebol's dependence on short-term loans in financing their

business operations was so considerable that the average debt ratio of the 30 leading Korean chaebol was about 450% as of the end of 1996. On the other hand, their average corporate equity ratio was about 18%, compared to Japan's 32% and Taiwan's 53.2%.<sup>49</sup> After all, with borrowed funds the Korean chaebol recklessly expanded their business lines into a variety of fields having little or no relation to their core businesses.

The neoliberal economic regime lessened nation states' discretion to intervene in the economy. In Korea, the disintegration of the Economic Planning Bureau (EPB) is representative of the new economic policy. After its disintegration, when important decisions were required, responses were delayed, and this had a bad influence on the nation's economic performance. Nevertheless, the government continued to announce that it would not intervene in the market in order to stimulate the slumping economy, but limit its role to building infrastructure.<sup>50</sup> Although it was developmentalism that led Korea to the status of 'model developing country', in the 1990s Korea abandoned what had served it so well in order to join the global march towards neoliberalism. But abrupt deregulation, which in the US and UK, with their different cultural background and the level of technological development, worked well, pushed Korea into economic crisis.

The immediate result of the financial crisis was suffering in the popular sector comprising small-scale companies and workers, despite the fact that chaebol were mainly responsible for the economic catastrophe. When a chaebol failed, thousands of small-scale companies, which were subcontractors to chaebol, collapsed. When companies went bankrupt, ordinary citizens lost their jobs. By the end of April 1998, the number of jobless reached 1.4 million, the highest number in 12 years. Jobless people satirized themselves, the Korean economy and global capitalism by playing on the acronym IMF with signs reading 'IMF = I am F (Fired)', or 'IMF = I am F (Failure)'.<sup>51</sup>

## Conclusion

We have seen that beginning in the late 1980s, many Asian countries, including Korea, adopted media liberalization as a way of managing the pressures of globalization in the context of economic deregulation and the convergence of new information technology and traditional media. Media liberalization was also viewed as an alternative way to achieve democratization. The reasoning was that, if the government gave up its control of the media, the result would be further democratization of the political system and social structure, since people would have more choices among sources of information. At the same time, as a means of restricting foreign content, the Korean government actively encouraged domestic content production. Chaebol, which had performed the role of Korean varsity teams competing in the global economic 'Olympic Games', rose to the challenge although they had been previously unconcerned with the media industry. Thus, despite the fact that the traditional Korean development model characterized by the dominant state and the subordinate economy had been transformed by the introduction of neoliberalism, the idea of resisting foreign economic forces by relying on local big business did not change.

This paper has therefore attempted to connect chaebol business practices in the film industry to the Korean economic crisis. While it has not addressed the causal relationship between the two, this paper used the example of the film import business to demonstrate those elements of chaebol business practices which are

believed to have been a reason for the crisis. In the end, Korean efforts were not equal to the pressures of globalization. With capital and financial markets no longer confined within national boundaries, synchronized financial transactions on a global scale driven by IT development transcended the Korean government's efforts to control them. In a sense, the Korean economy, aiming to overcome globalization through IT, was trapped by IT. And before chaebol's investment in the media industry infrastructure could reach the break-even point, the Korean economic bubble burst.

### Afterword: 2002

In 2002, Korea's culture industry is enjoying a boom. In the previous year, homegrown releases finally accounted for a record 46.1% of the market, up from 20.9% in 1995. Korea has become the seventh-largest film market in the world, with the total number of cinema audiences nationwide in 2000 reaching 70 million. In a phenomenon referred to as the 'Korean Wave', Korea has become a brisk exporter of music, TV programming, and films to the Asia-Pacific region. Director Im Kwon-taek's winning the Best Director Award for *Chihwaseon* at the 2002 Cannes International Film Festival seems to fulfill the promise of the long-anticipated renaissance of Korean cinema.<sup>52</sup>

What contribution did the corporate investment introduced by chaebol make to the Korean culture industry? First, when the financially strapped chaebol had to streamline their sprawling businesses in the midst of Korean economic crisis and IMF-directed corporate restructuring, they folded their interests in the film industry, which was not part of core operations and in which they were losing money. Nevertheless, chaebol did play a role in the restructuring of the dilapidated local film industry and the resulting renaissance of Korean cinema. The large business conglomerates introduced new business-savvy and techniques into the mom-and-pop management of the Korean film industry, such as marketing and audience research in film production. With corporate investment, film companies recruited fresh talent, including creative young directors equipped with diplomas from prestigious film schools all over the world. Even after the chaebol's exit, the efficient big business-trained workforce remained in the film industry.<sup>53</sup>

Furthermore, Korean enthusiasm for the film industry, which is considered to be the national strategic industry as a starting point of popular cultural spin-offs, was not dead. The Kim Dae Jung government has continued its predecessor's film promotion effort with measures such as the Basic Law for the Culture Industry Promotion in 1999. In a press conference to announce the Basic Law, Culture and Tourism Minister Park Ji-won said that the government had a strong commitment to 'developing culture as a key strategic industry in the knowledge-based society of the future'. A total of \$148.5 million was allocated to support the film and broadcasting sector.<sup>54</sup> Looking for fast profits, venture capitalists and investment firms came in to fund local film production, which was a bright spot in the still gloomy economy.<sup>55</sup> Flush with cash, with averages of about \$2.5 million per film in 2001 compared with \$0.5 million in the early 1990s, the Korean film industry churned out a string of blockbusters. In 1999, *Shiri*, which was made for \$5 million, grossed \$26 million in revenue with a record 2.44 million viewers.<sup>56</sup> In 2000, *Joint Security Area* set a new box-office standard with ticket sales of 2.50 million. In 2001, *Friends* again smashed the record by selling 2.57 million tickets in the first three months after its release. Local audiences,

who had been longing for an alternative to Hollywood fare, flocked to the newly built megaplexes to watch these new movies, which were more original in content and technically sophisticated.<sup>57</sup>

The widespread corporate involvement in the media industry, however, has caused concern about increasing commercialism. Director Lee Chang-Dong, whose *Green Fish* (1997) and *Peppermint Candy* (1999) have been critically acclaimed, remarks on the new situation of film making in Korea: 'All of our films are made contingent on commercial success'.<sup>58</sup> In cable and broadcasting, media liberalization has similarly resulted in the proliferation of entertainment-oriented programming. Thus, contrary to the expectations of the information society, an increase in the number of media outlets and channels does not necessarily lead to diversity in content. Furthermore, commodification of information in general is increasing. Anita Schiller and Herbert Schiller remark that today's information has become 'something which, like toothpaste, breakfast cereals and automobiles, is increasingly bought and sold'.<sup>59</sup> As such, information is being turned from a basic element for societal maintenance to private property and a source of corporate profit. For this reason, Jürgen Habermas has continued to caution against the rule of the public sphere by large conglomerates.<sup>60</sup>

With new issues arising from media commercialization, it is now imperative that Korean policy makers confront them, instead of simply sticking to the traditional outcry against media imperialism. This is because the media, despite its growing contribution as an industry to the national economy, plays a significant role in the public sphere.

## Notes and References

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