

Setting the Scene for the Boom: The Korean Government's Policies and the Resurgence of the Korean Film Industry

주 정 숙

경희대학교 글로벌스튜디오네트워크

< 목 차 >

I. Introduction	V. Conclusion
II. The Korean Film Industry in Decline	References
III. The Liberalization of the Korean Film Market	Abstract
IV. The Korean Government's Turn to the Culture Industry	

Key words(중심용어): 한국영화산업(Korean Film Industry), 한국정부정책(Korean Government Policies), 할리우드직배(Direct Distribution of Hollywood Films), 문화산업(Culture Industry), 영화미디어정책(Film and Media Policies)

국 문 요 약

할리우드 영화의 공세 속에서 오랫동안 침체에 빠져있었던 한국 영화산업은 1990년대 후반 이후 부흥하는 극적인 변화를 겪었다. 한국 영화산업의 이러한 변화는 여러 요인들에 의해 가능했지만 한국 정부의 역할이나 정책을 고찰하지 않고는 충분히 이해될 수 없다. 한국 영화산업은 정부의 검열과 통제하에 놓여있었으며 1990년대에 이르러서 이러한 상황에 변화가 나타나기 시작했다. 따라서 본 논문은 한국 정부의 역할과 정책의 비판적 고찰을 통해서 1990년대 후반 이후 한국 영화산업의 변화를 설명하고자 한다. 먼저 논문은 1970년대 1980년대 정부의 정책을 간단하게 살펴보고 이것이 어떻게 한국 영화산업의 침체로 이어졌는지 살펴본다. 이후 1990년대 이후 한국 정부가 문화산업에 관심을 기울이기 시작한 이유와 배경을 살펴보고 이러한 문맥 속에서 영화산업에 대한 정부의 정책이 통제와 규제에서 진흥과 지원정책으로 변화하였음을 고찰한다. 결론에서는 이러한 변화들이 갖는 근본적인 한계를 짚어보도록 할 것이다.

I. Introduction

This article examines the South Korean (hereafter, Korean) government's role and policies in the recent transformation of the Korean film industry. The Korean film industry has gone through dramatic changes since the late 1990s. Hollywood films had long dominated the Korean market. Yet, this suddenly changed during the late 1990s when the Korean film industry began to churn out box office hits and thus challenged Hollywood's supremacy. The market share of Korean films soared to over 50% in the early 2000s, in stark contrast to the early 1990s when it plummeted below 20%. Likewise, while Korean films were almost unknown outside Korea a decade ago, their export has increased sharply since the late 1990s. In addition, the Korean film market has been experiencing a boom, luring more people to theaters and fostering a vibrant film culture. This transformation was dramatic as much as it was puzzling, since the Korean film industry was in a serious decline until the mid 1990s without any sign of immediate turnaround. Even when a couple of Korean films performed well at the box office in the late 1990s, it was difficult to imagine the current level of success. Given this, one question looms large; what led to such a drastic change in the Korean film industry?

Several factors have been identified as the major reasons for this remarkable resurgence of the Korean film industry. First, with the democratization of Korean society and the loosening of the government's censorship from the late 1980s, a new generation of filmmakers and producers that was better tuned to audiences' demands entered the film industry. The emergence of diverse sources of funding and its ready availability enabled producers and filmmakers to produce a steady number of Korean films, while increased budgets helped them improve production values. The screen quota that stipulated the mandatory screening of Korean films for 146 days a year was also widely credited for sustaining the Korean film industry when Hollywood films dominated the market. The advent of nationally organized distributors increased the chances of Korean films to be screened and thus greatly improved their revenue base. The introduction of multiplexes in 1998 has been crucial in drawing more audiences to theaters. Various film festivals in Korea, the Pusan International Film Festival in particular, have added vitality to the local film culture, while helping to boost the international recognition of Korean films.

While not ignoring the significance of these factors, dramatic changes in the Korean film industry cannot be adequately grasped without looking at the role and policies of the Korean government. It is widely agreed that one of the most salient features of Korean society since its liberation from the Japanese colonial rule in 1945 has been the presence of a strong state. One of the well-known examples in this regard is the compressed industrialization of Korea

during the 1960s and 1970s that was planned, nudged, and orchestrated by the ubiquitous state. In this context, the government strictly regulated the media, regarding it as a means to legitimize political repressions and promote its policies. Given this, Myung-Jin Park *et al.* argue that “the most important aspect of the Korean media is that it developed under the strong guidance of the state” (2000, 120). The Korean film industry was no exception. Korean films during this time could not be set free from the stifling influences of government’s control, and changes to this restrictive condition occurred only from the 1990s (Robinson 2005, 15–16). Accordingly, understanding the Korean film industry calls for a close examination of the role of the state and changes in this role.

In this article, I aim to examine the role and policies of the Korean government that led to the recent boom of the Korean film industry. In examining how government’s policies have been shaping the Korean film industry, this article attempts to provide a political economy analysis of the role of the state in the contemporary cultural production in Korea. In particular, I look at the Korean government’s turn to the culture industry since the mid-1990s and the reasons behind this. I also examine how this came to provide a backdrop for the changes in the government’s policies toward the Korean film industry from control and regulation to promotion and support. In order to explain these changes in a proper context, I first look at the Korean government’s policies of control during the authoritarian regime in the 1970s and how they led to the decline of the Korean film industry. Following this, I examine how the departure from these policies occurred in the late 1980s when the Korean government liberalized the film market amid the U.S. pressure and how this contributed to the further decline of the Korean film industry. In the final section, I examine the changes in the government’s view and policies in the 1990s. In the conclusion, I discuss some of the limits of these changes.

II. The Korean Film Industry in Decline

In the mid-1990s, the prospect for the Korean film industry was not promising at all. Korean audiences turned their backs on local films, considering it a waste of money and time to watch low-quality Korean films compared to Hollywood titles. In particular, a sense of crisis gripped the Korean film industry in 1993, as the market share of Korean films reached the lowest mark, 15.9%, down from over 30% throughout the 1980s (Korean Film Council 2004, 297). In that year, only five Korean films were included in the top 100 video rental list, while 90 Hollywood films made it in (Jin 2006, 10). The following statement from *Korea Cinema 93*, an annual publication by the Korea Motion Picture Promotion Corporation,

well demonstrates the dire condition of the Korean film industry: “The state of affairs of the Korean film industry in 1993 is more than just a depression. Its slump is so serious that the industry may collapse completely...the Korean film industry [has been brought] to the edge of a cliff, where it is about to fall” (Paquet 2005, 33). Even though its market share improved to around 20% since 1993, this was largely due to the screen quota.

While various factors contributed to this lackluster condition, it is nonetheless possible to identify the two most immediate and crucial ones; the Korean government’s policies of the past few decades and the liberalization of the Korean film market in the late 1980s. For most of its history, the Korean film industry was subject to strict state supervision through the Motion Picture Law. First enacted in 1962, this law regulated all aspects of the film industry. Despite several revisions since its inception, it remained almost unchanged until it was replaced by the Film Promotion Law in 1995. Especially important in understanding the condition of the Korean film industry in the 1980s was the 4th revision in 1973 that remained in place until 1985. It was drafted at a time of heightened political dictatorship in Korea. In 1972, the military regime installed the *Yushin* system which guaranteed the general-cum president Park Chung Hee a lifetime presidency and banned any criticism of his regime. In this context, the 4th revision further strengthened the government control on the film industry. It required production companies to obtain a license from the government, while stipulating very strict provisions to acquire it. Under this condition, only 14 companies (20 after 1978) were licensed. Then, the government allocated production quotas to these companies as a way to regulate the number of Korean films produced each year.

The license system signaled a tightening of the registration requirement under the 3rd revision in 1970. Yet, whether it was the registration or license requirement, the government basically limited the number of production companies throughout the 1960s and the early 1970s. Limiting the number of production companies was meant to stabilize film production by fostering a Hollywood-style studio system. However, this only stifled independent filmmaking. According to a senior Korean director Yu Hyun-Mok, “creators of films could not do anything without those selected 20 producers, who often chose films solely on the basis of making profits and hired directors who flattered them” (Lent 1990, 132).

Further favoring these companies, the government granted the license to import foreign films only to them. This was consistent with the previous policy except for the 3rd revision that separated film production and import. In linking these two, it was intended that the proceeds from imports would be used for the production of Korean films, thus helping the film industry when there was no meaningful financial assistance from the government. Import quotas were granted to production companies based on criteria that included screening/winning at international film festivals, winning domestic film awards, the number

of Korean film produced, the export of Korean films, and the production of “quality” Korean films. Their relative importance in granting quotas varied throughout the 1960s and 1970s. This naturally limited the number of imported films, supposedly protecting the Korean film industry from imports. For example, while 65 films were imported in 1969, the number dropped to less than 40 films a year, or about one third of Korean films between 1974 and 1979 (Kim 2005, 213, 246).

However, this measure ironically ended up hurting the Korean film industry. Despite import restrictions or rather because of it, American pictures remained popular throughout this time. Fewer films were imported in the 1970s than in the 1960s. Yet, on average each foreign film attracted about three times more audiences than a domestic title in the 1970s, while it drew twice more in the 1960s (Kim 2005, 247). In a sense, import restrictions contributed to the popularity of foreign films, since they increased the scarcity value of the latter. Also, due to import restrictions, only high quality box office hits were imported. Given the popularity of imported films, production/import companies strove to meet the import quota criteria in order to obtain more foreign films. As a result, when the government granted import quotas based on the number of Korean films produced, the Korean film production rose from 136 films in 1966 to 229 in 1969. As quotas were granted on the basis of the export result of Korean films in the late 1960s, the export likewise increased from 24 films in 1968 to 242 in 1970 (Kim 2005, 215, 232).

In this context, as *The Economist* pointed out, the Korean film industry “remained in the business only in order to import movies,” churning out “quota quickies” (1985, 98). Most of these Korean films failed to recover production costs, let alone make profits. Yet, production companies were not concerned with losses. Import quotas were lucrative enough to cover the losses from Korean films and ensure stable profits. Given this, it is not surprising that the existing production/import companies opposed the government when it increased the number of production/import companies to 20 in 1978. In short, instead of helping the Korean film industry, the import license system weakened it and made it dependent on imports.

The government also used import quotas to ideologically control the Korean film industry. The government granted import quotas based on the production of quality Korean films under the *Yushin* system. This led to the production of films that echoed the government's views (Kim 2005, 250). The emphasis on quality films coincided with the strengthened censorship under the 4th revision. For example, the government introduced a double censorship, under which all films were censored before production and before release. It could stop the production, if a film's content differed from the original synopsis or “if social discussion is provoked during the course of making the film” (“South Korean” 1985, 99.). Criticism of the regime and/or any sympathetic portrayal of communism or North Korea

were simply unthinkable. This limited acceptable topics, and the fear of the state intervention led to self-censorship. Accordingly, Korean films during this time were characterized by anti-communist propaganda or formulaic melodramas. Despite the government control in the 1960s, the Korean film industry did enjoy the “Golden Age” in the late 1960s and the early 1970s. Without other alternatives, people frequently went to the movies with a record-breaking 173 million people in 1969 (Kim 2004, 279). However, the 1973 revision, coupled with the spread of television sets in the 1970s, severely strained the Korean film industry and led to its decline.

III. The Liberalization of the Korean Film Market

Another military regime that succeeded the assassination of President Park in 1979 initially continued the previous policies of control. Yet, from the mid-1980s, these policies underwent changes due to internal and external factors. With the decline of the Korean film industry, there were heated debates over its condition and the direction of the government’s policies in the early 1980s. This led to the 5th revision of the Motion Picture Law in 1985. The revision intended to address the decline of the film industry by somewhat easing the government control. It replaced the license system with the registration requirement, introducing more competition to the previous closed structure of film production. It abolished the provision that granted production companies an exclusive license to import films. With the separation of production and import, importers had only to register with the government.

Yet, the government still regulated the number of production companies through strict registration requirements. For example, production companies were required to have capital of over 50 million won and to deposit 150 million won to the Korean Motion Picture Promotion Corporation (KMPPC).¹⁾ This was to ensure that they had the minimum fund to implement the production, while preventing the unwanted rise of financially unstable companies. The government could order production companies to stop business for up to six months or even revoke their registration, if they failed to produce one film in a year (Lent 1990, 139). Film importers were likewise required to deposit 700 million won to KMPPC. For each imported film, they had to contribute 150 million won to Korean Film Promotion Fund. Due to these measures, the revision did not lead to an increase in the number of production and import companies along with imported films. As production companies no longer needed to make Korean films to obtain import quotas, there was no immediate rise in the Korean film

1) The deposited money was released to the production company during the course of production.

production.

Despite still substantial state control, the liberalization measures under the 5th revision infused the Korean film industry with vitality unseen for many years. However, before the promises of the 5th revision bore fruit, the Motion Picture Exporters Association of America (MPEAA), the export arm of Hollywood studios, challenged it. In September 1985, MPEAA filed to the United States Trade Representative a trade complaint against Korea. Its grievances included a ban on the participation of foreign nationals in importing and distributing films in Korea, the huge deposit requirement for importers, the mandatory contribution to the Korean Film Promotion Fund, the import quota, the screen quota, a ceiling on royalty payments and censorship requirements (Lent 1990, 122-123). What motivated studios was the expected profit. Until this time, studios were paid on a flat fee basis. Box office profits were divided among Korean importers/producers, regional distributors and exhibitors. Yet, with the economic growth, Korea was expected to generate \$25-\$40 million revenue a year (Segers 1988). Hence, studios wanted to directly import and distribute their films and split box-office receipts with exhibitors on a percentage basis.²⁾

Around that time, Korea was already embroiled in trade disputes with the Reagan administration, as its trade surplus with the U.S. grew from \$ 300 million in 1982 to over \$9.6 billion in 1987 (Hart-Landsberg 1993, 242). This unprecedented trade surplus occurred at the time when the U.S. experienced a swelling trade deficit and began to perceive Korean trade practices being unfair. As a result, American pressure to open up the Korean market increased significantly. In this context, the Korean government acquiesced in late 1985 to studios' demands, but only after the U.S. threatened to impose retaliatory tariffs on Korean VCRs (Darlin 1989). The ensuing Korea-U.S. negotiation led to the 6th revision of the Motion Picture Law, which came into effect from July 1987. It allowed the participation of foreigners in importing and distributing films in Korea. It dismantled import quotas, ceilings on royalty payments and the mandatory contribution to the Korean Film Promotion Fund and lowered the required deposit to 50 million *won*. Already in 1986, the government reduced the required deposit for both film producers and importers to 50 million *won* as a way to stimulate the Korean film industry in preparation for these changes. This led to a notable increase in the number of production and import companies even before the 6th revision took effect. For example, the number of production companies increased from 25 in 1985 to 57 in 1986. The number of importers increased from 20 in 1985 to 53 in 1986. Likewise, the number of imported films rose from 27 to 50 during the same period (Kim 2005, 280-282, 287).

Following the 6th revision, studios began setting up their subsidiaries in 1988, starting with

2) In a telling example, *Jaws II* was paid \$300,000 on a flat fee basis, while later directly distributed *Rain Man* earned about \$2 million at the box office (Darlin 1989).

UIP that represented Universal, Paramount and MGM/UA. Yet, MPEAA filed another trade complaint against Korea in September 1988, arguing that the Korean government failed to comply with the 1985 agreement. The complaint grew out of Korea's censorship policy. Even though the 5th revision abolished censorship on paper, the Korean Performance Ethics Committee pre-screened films in the "review" process and determined their suitability for release. Under this system, importers could submit one film for review at a time. As it took the agency two to three months to review one film, studios argued, this process amounted to import quotas of four to six films a year (Lent 1990, 123). Thus, the Korean Performance Ethics Committee promised to shorten its review process and increase the number of films on its review list. While the Korean government limited the number of film prints for imported films, it also agreed to gradually lift this limitation.³⁾

These measures meant the unhindered influx of hitherto regulated import of foreign (i.e. American) films, a serious threat to the already feeble Korean film industry. Accordingly, people in the Korean film industry fiercely resisted direct distribution, denouncing what they saw as the U.S. "cultural invasion" and boycotting *Fatal Attraction*, the first directly distributed Hollywood film. Yet, the cultural invasion argument may not make much sense, as American films had been imported before that time (Darlin 1989). In fact, these responses might have had more to do with the vested interest of Korean producers/importers and (regional) distributors who long depended on imports for profit. The 5th revision already ended their monopoly over film imports. The direct distribution further threatened to undercut their profit base, as this meant more difficulty acquiring popular Hollywood films.⁴⁾ Yet, the resistance to direct distribution also reflected the genuine concern among Korean filmmakers about the survival of the Korean film industry.

Korean filmmakers' concern was not unfounded. If the resistance from the Korean film industry slowed the initial advance of Hollywood films, the latter came to make significant strides after a huge success of *Ghost* distributed by UIP Korea in 1990. Korea emerged as one of the top ten foreign countries for American films (Groves and Lee 1999). Besides, the number of foreign films rapidly grew from 27 films in 1985 to 264 in 1989 and to 420 in 1993 (Lent 1990: 139; Korean Film Council 2004: 296). Meanwhile, the Korean film industry found itself gripped with uncertainty, as its market share plummeted to 15.9% in 1993, the lowest since the onset of direct distribution. The production of Korean films, while rising to 121 films in 1991, sharply declined to 63 in 1993 (Korean Film Council 2004, 296). The screen

3) The Korean government agreed to permanently abolish the limit on prints from 1994.

4) For example, Gwak Jeonghwan, the owner of one of major theaters in Korea, Seoul Theater, and a production company (Hapdong Film Co.), was later arrested for setting the theaters on fire in 1989 that screened directly distributed films (Koh 1996: 32).

quota requirement was frequently violated due to the interest of theater owners in showing popular Hollywood films and the lack of the regulatory body to enforce the compliance of the requirement. In addition, the introduction of color televisions in the early 1980s and later VCRs contributed to the stagnation of the film market.

IV. The Korean Government's Turn to the Culture Industry

In spite of the deteriorating condition of the Korean film industry after the liberalization, the government's policies remained unchanged. However, there occurred several major shifts in the Korean media environment, which, in turn, came to influence and change the Korean government's policies over media and film industries. Internally, Korea underwent democratization from the late 1980s. Externally, it faced the mounting pressure from media globalization, the deregulation of global media markets, and the advent of new digitized media that greatly expanded available channels. Amid these changes, the Korean government, while forced to liberalize the film market, further loosened its control over the media industry. It relaxed the regulations on the establishment of periodicals that it forcefully integrated in 1980. It unveiled the plan in 1989 to launch the cable television industry that was scheduled to open in 1995 with 29 channels. While only two public broadcasting companies existed after the imposed integration in 1980, a new commercial channel was open in 1991.

With the increase in channels, Korea soon faced the shortage of local programs to feed these channels. For example, in the first year of cable television operation in 1995, the import of foreign content amounted to \$42.82 million, a steep rise from \$19.86 million in 1994 (Shim 2006, 31). Even though the government limited the amount of foreign content on cable channels, this was often ignored due to the shortage of domestic content (Shim 2002, 338). As media outlets were projected to grow even further with the advance of communication technologies, the shortage of domestic content emerged as an urgent concern. In this regard, the grave condition of the Korean film industry around that time seemed to herald what would happen to other media industries, if left alone. Also, there was concern over the spillover of foreign, particularly Japanese, satellite broadcasting into Korea. However, simply regulating the influx of foreign content no longer seemed to be a viable option, given America's relentless push for liberalization of communication and media sectors in the 1990s.

In this context, there was a growing recognition for a need to promote the domestic media

industry in order to effectively meet these challenges (Shim 2002, 340). This view was symptomatic of the changing policies in other Asian countries. Amid the concern about “cultural invasion” from sky, Asian governments began fostering domestic media industries that could produce content appealing to local people as the best way to counter U.S.-led media globalization (Iwabuchi 2002, 87). Besides being a cultural concern, the promotion of the media industry was a matter of economic importance. Much like the U.S., the Korean government noticed the economic opportunities opened up by the advent of the new media. For example, in an attempt to take advantage of these new economic chances, it mandated the cable television industry to use domestic equipments. In particular, Sony’s buyout of the Columbia Pictures in 1989 and Matsushita’s purchase of MCA/Universal in 1991 were seen as an indication of the increasing importance of content and a strategy to be followed by Korean electronics companies (Shim 2002, 340).

Amid this growing interest in the media industry, one particular episode came to fundamentally alter the government’s view and policies toward media and culture industries. In May 1994, the Presidential Advisory Board of Science and Technology submitted a report to Kim Young Sam (1993–1998), the first civilian president in over 30 years. It showed that the total revenue from the Hollywood blockbuster *Jurassic Park* was equivalent to the export revenue of 1.5 million Hyundai cars. Given that the foreign sales of Hyundai cars in 1993 amounted to 640,000 cars, the revenue from exporting Hyundai cars was less than a half of the return from one film (Kim 1994; Jeong 2004, 10). As the export of Hyundai cars had been seen as a symbol of the nation’s economic success in Korea, this episode was brutally effective in highlighting the economic potential of culture. In so doing, it came to have a profound and lasting impact on the government’s view and policies on media and culture from then on. Before this time, culture was seen as something traditional and intangible. In particular, popular culture was looked down upon as a low form of entertainment with vulgar influence.

Yet, the *Jurassic Park* episode challenged this view. With huge profits to be made, culture and media industries were no longer simply seen as a political tool requiring strict control, but as an industry that deserved active state support. Accordingly, the report urged the government to support the media sector as a strategic industry for national economy (Shim 2002, 340). Indeed, the Kim Young Sam administration heralded the beginning of changes to come, when it established the Culture Industry Bureau under the Ministry of Culture and Sports in 1994. Besides, the *Jurassic Park* episode generated resonance in Korean society at large, dominating discourses on culture and igniting popular interest in the culture industry. For example, the number of articles dealing with the culture industry in leading Korean newspapers increased from 54 in 1993 to 178 in 1994, to 366 in 1998 and to 413 in 1999.

Many of them focused on the strategic value of culture and helped to mobilize public support for the government's promotion of the culture industry (Jeong 2004, 8-9). The new-found interest in media and culture industries also coincided with the globalization drive during the Kim Young Sam administration, which aimed to improve economic competitiveness of Korea in order to better cope with global competition.

Against this backdrop, the government's film policies underwent several changes designed to promote the film industry. In January 1995, the Basic Film Promotion Law was enacted. It articulated the government's intention to promote the film industry, although it fell short of practical measures (Paquet 2005, 44). In December 1995, the government introduced the Film Promotion Law that replaced the previous restrictive Motion Picture Law. One of its major elements concerned the Film Promotion Fund. As seen above, film importers were required to contribute to the Korean Film Promotion Fund, but this provision was eliminated with the market liberalization in the late 1980s. In this context, the government pledged to set up the film promotion fund in 1994, with a plan to contribute 10 billion *won* to it by 1996 (Kim 2005, 309). Later, the Film Promotion Law formally stipulated the creation and administration of the Film Promotion Fund. The government also reclassified the film industry as a manufacturing industry than being a service industry. This enabled the film industry to receive financial and tax benefits reserved for the manufacturing sector.

The policies of promotion coexisted with the thrust for deregulation of the film industry. For example, the export and co-production of Korean films were made easier by removing the requirement to obtain government's recommendation or approval. The newly-adopted film rating system reduced direct government intervention, although it was not free from controversy. As noted above, the Korean Performance Ethic Committee pre-screened films. Yet, the Constitutional Court ruled in 1996 that the pre-screening process was a form of censorship and therefore unconstitutional. Following this decision, the government revised the Film Promotion Law in order to create a civilian board that would not censor but rate films into four categories. However, the rating could be deferred if a film was considered unfit for any of these categories, and unrated films could not be screened in theaters. Accordingly, the deferred rating was criticized as a *de facto* censorship.

Another notable development around that time was the entry of big Korean conglomerates (*Jaebol*) into the film industry. As the leading manufacturers of videotapes or VCRs, some of the conglomerates were involved in the media industry through the video distribution from the mid-1980s. Yet, the cost of the video rights to films rose sharply, as Hollywood subsidiaries started their own video divisions and other companies competed for video rights to remaining films (Paquet 2005, 37). As a result, the conglomerates came to invest in the production of Korean films to obtain their video rights around the mid-1990s. Besides, as

they expanded into the cable industry in the early 1990s, they needed content to feed cable channels. Undoubtedly, their participation was facilitated by the government's policies of promotion and deregulation. For the government, big conglomerates' entry well suited its interest in promoting culture and media industries, as they could provide stable funds to the film industry. In addition, the policy report submitted to the government in 1995 stressed the need for vertically integrated media conglomerates to compete with foreign media giants (Shim 2006, 32), and big conglomerates had the means to pursue such expansion.

Despite some positive changes during that time, the government's stated goal often did not actualize into concrete policies. In fact, it was the Kim Dae Jung administration (1998–2003), coming after the Kim Young Sam's, that launched most of substantial state support. Even though President Kim Dae Jung was from the opposition party, he shared his predecessor's view of media and culture. For example, around the time of his inauguration in 1998, he often cited the *Jurassic Park* example to point out the need to promote the culture industry (Jeong 2004, 10). In particular, faced with the task of restructuring the economy amid the financial crisis, he repeatedly emphasized the need to foster a knowledge-based economy to survive intense global competition and viewed the culture industry as one of the key growth sectors. Besides, the lift of the ban on Japanese popular culture in 1998 and the prevalent fear of being overwhelmed by it gave added urgency to the need to support the cultural sector. All of these led to the unprecedented interest in the culture industry. As the above Table shows, newspaper articles on the culture industry increased from 1997 to 1998 and remained substantial throughout the Kim Dae Jung administration.

The Kim Dae Jung administration pursued policies based on the principle of "support without intervention." It enacted the Basic Culture Industry Promotion Law in February 1999, which established the Culture Industry Promotion Fund. Another significant change was the huge increase in the government budget for the cultural sector. In 2000, the budget for the Ministry of Culture and Tourism (MCT) exceeded 1% of the government's budget for the first time. Especially noteworthy was the sharp increase in the budget for the Culture Industry Bureau. While its budget amounted to 2.2% of MCT's budget in 1998, this increased to 11.7% in 1999 and 15.3% in 2000 (Jeong 2004, 14–15). In 1999, the Korea Culture and Contents Agency was established to promote animation, character, and music industries.

The support for the film industry also increased noticeably. The Kim administration not only refused the U.S. demand to eliminate the screen quota, but pledged to contribute 170 billion *won* to the Film Promotion Fund by 2003. It created the Korean Film Commission (KOFIC, later renamed as Korean Film Council) in 1999, which replaced the Korea Motion Picture Promotion Corporation. Aiming at the promotion of the film industry, KOFIC has been involved in wide-ranging activities including various financial supports for the

production of short films, documentaries, animations and feature films. Another major area of its activities has been the international promotion of Korean films. It has setting up a Korean film information booth at international film festivals/markets and supported the costs for translating and subtitling films invited to major international film festivals (Shin 2005).

Also noteworthy was the government's effort to provide a stable source of finance to the film industry through the film investment cooperative. The government stipulated the creation of a film investment cooperative in the Basic Culture Industry Promotion Law. Its aim was to promote certain industrial sectors by setting specific investment targets and requirements as well as providing financial and tax benefits. Generally, investment firms, individuals, and government institutions such as KOFIC and Small Business Corporation formed partnerships to set up film investment cooperatives. Each cooperative was required to put together at least 1 billion *won* and to dissolve 5 years after its creation, thus providing stable funds to film producers during its duration. If the cooperative incurred losses at the time of its dissolution, government institutions would absorb them first. This was meant to show the initiative from public funds in order to induce investment in the film industry from the private sector (Kim 2005, 336-337).

The Kim Dae Jung administration also designated the film industry as a venture industry, thus enabling it to receive tax and financial benefits reserved for the latter. It also allowed the film industry to receive benefits set aside for small and medium business start-ups. Under the Broadcasting Law enacted in 2000, the government set up the quota system that required terrestrial and cable channels to devote 20-40% and 30-50% of their respective film broadcasting hours to showing Korean films. It also further liberalized the film business. Previously, the registration system restricted the entry to the film industry with production capital and deposit requirements. The new provision simplified this, as the notification to the Minister of Culture and Tourism replaced the registration system. Attracted by these favorable government policies and supports, venture capital flowed into the film industry in the late 1990s and the early 2000s. It emerged as an important source of finance in the place of big conglomerates that exited film and media industries in the late 1990s.⁵⁾

Yet, censorship continued to be an issue. When the Constitutional Court ruled the deferred rating unconstitutional in 2001, the government introduced the restricted rating in its place with the plan to build special theaters where films with the restricted rating could be screened. As this plan was carried out only in 2004, these films could not be screened until

5) Their exit was due to the staggering losses from the unsuccessful investment in Korean films, the box office failure of Hollywood films they imported and the low cable subscription. In addition, as part of structural reforms in the wake of the financial crisis, they were often pressed to focus on their core activities.

that time or were released only after self-censorship. As a result, like the deferred rating, the restricted rating was criticized as another form of censorship. Despite the lingering problem of censorship, changes in the state policies during the Kim Dae Jung administration have meant far less government intrusion and unprecedented freedom in all aspects of filmmaking (Paquet 2005, 46). In this favorable condition, the Korean film industry showed a clear sign of the resurgence. The market share of Korean films improved remarkably, and Korean films have been winning critical and commercial success abroad.

V. Conclusion

In this article, I have set out to explain the recent resurgence of the Korean film industry by looking at the role and policies of the Korean government as the underlying dynamic that led to this change. I have examined changes in the government's policies during the 1990s and the Korean government's support for the film industry in this context. It is true that these changes in the government's policies did not take place in vacuum. Other factors such as the effort of filmmakers and the ready availability of production funds should not be overlooked in their contribution to the resurgence of the Korean film industry. Yet, it is undeniable that changes in the government's policies were crucial in reviving the Korean film industry, directly or indirectly, by providing favorable regulatory frameworks, pouring public funds, inducing private investments, and stressing their value as an industry. In particular, given how the state policies previously led to the decline of the film industry, the significance of the changed role of the government is obvious.

However, the Korean government's policies since the 1990s are not without problems. Despite their positive contributions, the government's policies are fundamentally limited, as they have narrowly focused on the economic aspect of film. Much as the government pursued industrialization in the 1960s and the 1970s first through the support of the light industry and then the heavy industry, it turned to film and culture industries in the 1990s as a new locus of the nation's economic growth. Accordingly, even though the government's view and policies with regard to film and media industries underwent significant changes, they remained strikingly similar to the previous policies in terms of their instrumental approach. Military regimes used film and media as a means to legitimize political repression and state-led industrialization, while democratic administrations in the 1990s were drawn to their economic utility.

The Mid- to Long-term Development Plan for the Film Industry, 2007-2011, published by the Ministry of Culture and Tourism under the Roh Moo Hyun administration (2003-2008)

that continued the Kim Dae Jung government's cultural policies, well illustrates this point. Its stated vision was to promote the Korean film industry as the world's 5th largest by 2011. It aimed to almost double Korean films' share in the world market from 1.6% in 2005 to 3% in 2011 and increase their export from 76 billion won in 2005 to 300 billion won in 2011 (2006). Aside from the question of the feasibility of this plan, it is interesting to note how much this resembles the Five-Year Economic Development Plans during the 1960s and 1970s in seeing the growth in numerical terms and setting specific targets to achieve. Not surprisingly, the government's policies in support of film and culture industries echoed the way it had channeled funds and resources to target sectors during state-led industrialization. In short, the Korean government's "cultural" policies since the 1990s have been characterized by the uncritical economic approach to culture and film industries. Despite the stated cultural concern, notably the need to protect Korean culture and identity, cultural issues were often conspicuously absent in the government's cultural policies.

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Abstract

Setting the Scene for the Boom: The Korean Government's Policies and the Resurgence of the Korean Film Industry

Jeongsuk Joo*

The Korean film industry underwent dramatic changes in the past decade. Hollywood films had long dominated the Korean market. Yet, this suddenly changed in the late 1990s when the Korean film industry began to churn out box office hits and thus came to challenge Hollywood's supremacy in Korea. Recognizing the centrality of the Korean government's policies in the development of the Korean film industry, in this article I aim to examine the changes in the Korean government's policies and how they contributed to the resurgence of the Korean film industry. I first look at the Korean government's policies before the 1990s and how they led to the decline of the Korean film industry. I examine the significant changes in the government's view and policies with regard to the culture industry in the mid-1990s and the reasons behind these changes. I review how this context came to provide a backdrop for the changes in the government policies toward the Korean film industry from control and regulation to promotion and support. I also briefly discuss the limits of these changes, as they narrowly focused on the economic aspect of the film industry.

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* Researcher, Kyung Hee University