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The Role of the Government in Cultural Industry: Some Observations From Korea's Experience

By Milim KIM*

Introduction

It is difficult for countries to be independent of foreign cultural influences. Since the 1960s, several theories and models regarding international information flow, which includes news and popular culture, have been published, based on a fundamental belief that the information flow is considered to be imbalanced and inappropriate. Those studies set out to explain cultural dependency and its role in international information flow. Dependency was the result of developed countries' influence on less developed countries from the 1960s to the 1980s, and most of applied studies were published around that time. The studies related to these theories have primarily approaches from the perspective of the country of the information sender.

From the 1980s, other approaches illustrating the imbalance of international information flow have emerged, although these approaches are not related to dependency. One such study analyzed the imbalance from an economic viewpoint and investigated the export pricing of American TV programs. Other studies examined and identified which factors had determined the direction and inequality of the information flow. These theories are different from the dependency theory model mentioned above, but none of them predicted the fact that the information flow has an inherent possibility of change.

However, these traditional theories of international information flow have been challenged by opposing theories and results published from several applied research — both quantitative and qualitative. It is clear that international information flow is far more complex than is suggested by those theories. Today, several developing countries are producing and exporting media materials, including films from India and Egypt, and television programs from Mexico and Brazil (SREVERNY, A., 2002). Japan imported and organized foreign TV programs in the 1960s that had been broadcast and began to produce and start

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exporting their own TV programs since the 1980s (ITO & KOCHVAR, 1983; ITO, 1990; ITO, 1999). It is important to investigate these changes in international information flow in a developing country internally, (i.e., from its perspective) in order to better understand the context of these changes. It is relevant to monitor the changes in information flow from a developing country's perspective, because the traditional hypothesis of information flow, although challenged, is based on the experiences and perspectives of developed countries. The traditional theories are still accepted in the communications field of academia; however, they are unable to explain the reverse information flow in such countries as Mexico, Brazil, and India. Many research papers have been published in the last decade in developing countries that have experienced these reverse changes.

Korea — the object of this study — is an example of a typical peripheral country. Throughout its history, Korea has been heavily influenced by outside sources. It has colonial experience under Japanese rule and was influenced politically, economically, and culturally by the U.S. military administration from 1945 to 1948. All public influences left by Japan in Korea or on Korean culture have since been banned. However, the U.S. influence on Korean culture remains strong, especially through American media imports. Nevertheless, Korea began domestic production and broadcasting of their own films and TV dramas in the 1960s. The quality of media and its popularity gradually increased until the late 1990s, when American media imports decreased. At that time, Korea also started exporting its TV dramas and films to other Asian countries. Its cultural industry has steadily grown and now extends its influence to different cultural regions, including the Middle East, Russia, and South America. The case of Korean media is one of many cases that clearly show the reverse international information flow, in stark contrast to the traditional theories.

While the main focus of the precedent studies was the volume of information flow across borders and the changes of the information sender's market power in developing countries' domestic markets, this study focuses on policies and industrial environmental changes in the information recipient country. This research is meaningful as it pays special attention to policies and the active role of the information receiver. The strategic analysis conducted in this study differs from the previous studies, because its primary objective is policies related to the receiver's role. Thus, this study provides various new viewpoints in the field of international information flow, including the following three examples: The formation of new relationships between public and private sectors bridged by policies, the capital formation process, and the production and market power of visual content.

The purposes of this research are: ① To explain how a policy contributes to the process of evolving from an information receiver to an information sender; and ② to provide several suggestions on how to enhance the possibility and promote

the process, based on observations made during the Korea's several developmental stages. This study focuses on the following research questions: (1) What kind of policies were created and carried out at each of the developmental stages? (2) Did policies succeed or fail at each of the stages? (3) What were the reasons for the success or failure of the policies? (4) What were the factors that influenced a policy to be ineffective at the times of expansion? (5) What were the implications of changing from an information receiver to an information sender in the case of Korea?

Firstly, this study reviews several sources that describe the media flow. Secondly, it explains *Hallyu*, or "the Korean Wave," which resulted from the change of the media flow. Then the study describes the development of the Korean broadcasting and film industries as well as the policies issued at each important stage of their development. Finally, it analyzes the impact of *Hallyu*.

One-Way Flow and Contra-Flow

During the 1960s and 1970s, many studies pointed out a one-way flow of television programs, news, and music, from a few countries of the First World to the rest of the world (STRAUBHAAR, 2003). These studies, developed under the framework of neo-Marxism, include Wallerstein's "world system," Frank's "dependency theory," Galtung's "center-periphery" relations, and "cultural imperialism/media imperialism." These theories attempted to show the structure of the world and the dependent relationship between central countries and peripheral countries. Although very different, the theories commonly explain that the unidirectional nature, or the imbalance in international information flow, is caused by the politico-economic structure of the capitalist system, and they insist that the one-way flow of information is a reflection and a result of domination of the First World and its exploitation of the Third World (ITO, 1990). LEE (1980) illustrates in full detail that many broadcasters from the countries of the Third World imported TV programs from "metropolitan" countries — namely, the U.K., France, West Germany, and the U.S. According to his research, American TV programs were popular in other industrial nations and Latin American neighbors, whereas British programs are popular in ex-colonies in Southeast Asia, Africa, Australia, and New Zealand in the 1970s.

However, since the end of the 1980s, several cases related to more complex flow have emerged. Several scholars defined new concepts that explained the complex flow. HOSKINS & MIRUS (1988) have created a useful concept to examine the audience's attraction to national programming, known as the "cultural discount." Straubhaar advanced the concept of cultural proximity: All things being equal, audiences will tend to prefer programming that is closest or more

relate to their own culture. Using those concepts, Straubhaar researched Brazilian audiences and a cultural-linguistic market. The results from the research suggest that audiences do seem to prefer cultural tastes that are closest to their accumulated tastes, corresponding to their cultural capital.

Hallyu, which refers to the popularity of Korean cultural objects, is another case of the complex flow, as Korea has been an information receiver in the international community for a long time. This study approaches it from the policy perspective and suggest to other information receivers which policy would be effective in order to become an information sender. Previous researches focused on the volume of trades and considered audience characteristics in the field of international information flow. However, this study's approach differs from that of previous studies.

Growth of the Korean Popular Culture Industry

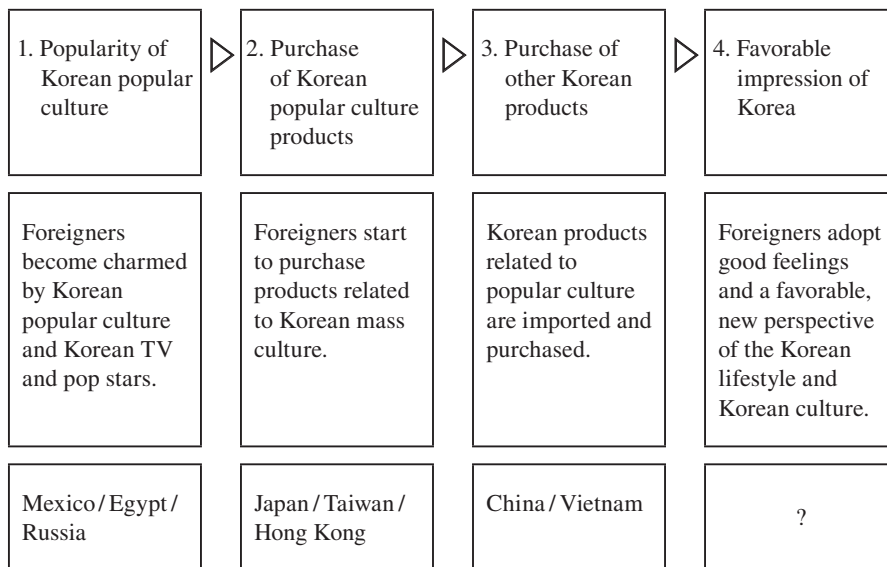
Hallyu: the Korean Wave in the global market

In 2003, the Korean drama *Winter Sonata* was aired on NHK, Japanese broadcasting station, and quickly gained popularity in Japan. As a result, the word *Hallyu* (韓流) came to be recognized as one of the words symbolizing Korea's cultural impact on Japan. The word *Hallyu* was used in every situation related to Korea; for instance, "Hallyu boom," "Hallyu star," "Hallyu drama," or "Hallyu cosme (cosmetics)." However, the word *Hallyu* was first become popular via Chinese media. It first appeared in a Chinese magazine and was printed in the context of warning Chinese readers to be cautious of Korean popular culture. The magazine's name was "Qingnianbao (青年報)" published in 1999, but this was only the beginning (YU, 2005 : 1). Soon after, the word *Hallyu* came to be used widely, because the weekly magazine "Yazhouzhoukan (亞州週刊)," with a tremendous influence in the Chinese cultural sphere, printed a special report on *Hallyu*, featuring Korean actress Kim Heesun on the cover (HAN, 2004 : 125). The etymology of the word *Hallyu* comes from the Chinese characters 寒 "han" 流 "lyu," which when put together mean "a sudden cold wave." It seems that the name was aptly acquired due to the unexpected, sudden popularity of Korean mass culture overseas (HAN, 2004 : 123-125). The popularity of Korean mass culture, along with the name *Hallyu*, quickly spread from China to other surrounding Asian countries, and finally to Japan. As the sphere of Korean influence expanded, the concept of *Hallyu* came to include not only the popularity of Korea's popular culture but also the country's economic effects associated with expansion.

Figure1 illustrates the expansion of *Hallyu* more concretely. GO, researcher at SAMSUNG Economic Research Institute, explains that the expansion of

Hallyu have developed through four stages. The first stage is the expansion stage of popular culture, including the production of TV programs, films, and K-pop. In the second stage, charmed by Korean TV programs, films, and K-pop, people buy products related to Korean popular culture, such as a soundtrack of a popular TV drama, a pendant which an actress wore in a TV drama, or tickets for a package tour that offers tourists a Korean popular culture experience. In the third stage, people buy Korean products other than those are directly related to Korean popular culture, such as electronic products and cosmetics. Once people become charmed by Korean popular culture, buy products related to Korean popular culture, and then start buying other Korean products, they come to adopt a favorable, new impression of Korea; this is the fourth — and final — stage of *Hallyu*'s developmental cycle. It should be noted that export of various Korean products increased at the same time that *Hallyu* spread. Furthermore, the number of tourists traveling to Korea to visit locations of popular Korean TV dramas also increased. In conclusion, the influence of the Korean cultural industry in foreign countries opened doors for other Korean industries. This was made possible by allowing other Korean industries easier access to foreign markets where successful completion of *Hallyu*'s first two developmental stages had taken place.

The success of Korean popular culture overseas was also noted by the Western media (Wall Street Journal, October 20 2010; New York Times, February 22 2007:



Source: GO (2005)

Figure 1: Stages of the spread of *Hallyu*

New York Times, January 29 2006: New York Times, January 2 2006: New York Times, June 28 2005: New York Times, December 23 2004). The Wall Street Journal featured an article, titled “*Riding the ‘Korean Wave’: Exporting ideas and culture, not just steel and silicon*” in 2009 (Wall Street Journal, May 19 2009). The article reported that the rise of *Hallyu* came unexpectedly and was a surprise to the West, as Korea had been previously known only for its success in manufacturing steel and silicon. The export of ideas and culture from an Eastern country to other countries broke the stereotype that Korea simply produced raw materials for IT purposes.

Change in the Korean domestic market

According to one statistic, the amount of export of Korean TV programs has increased steadily since 1988. More specifically, the growth rate of the export of Korean TV programs has risen at the same time that *Hallyu* has spread throughout Asia and the amount of import of foreign TV programs to Korea has decreased. When broadcasting service was established and launched in Korea, all broadcasting stations and networks carried many American TV programs, as the stations lacked the technology, technical skills, and experience necessary to produce and broadcast enough of their own programs. Korean Broadcasting System (KBS), Korea’s national broadcasting station, was established in 1961. Although it lacked resources and a solid infrastructure with few studios, KBS was still able to broadcast sports, films, and foreign TV dramas to its viewers. Korea could not help but depend on American facilities and technologies, which introduced the TV set, radio transmitter, and innovative production equipment to Korea. The introduction of color TV to the Korean market was also made possible in part by the U.S. The other reason that color TV broadcasting was made possible in Korea was a change in an international policy by which foreign companies universally agreed to stop the production of TV sets manufactured for monochrome broadcast (JOUNG & JANG, 2000:142).

According to an audience rating survey in 1966, American TV dramas topped the most viewer charts and held first, second, and third places. The share of time allotted to foreign TV programs, compared to domestic TV programs, had increased until the middle of the 1970s, at which point a quarter of broadcasting time was dedicated to showing these programs. However, domestic TV programs gradually improved in quality and saw an increase in broadcasting time, particularly in prime time slots. Although American TV series, such as *Wonder Woman*, *The Six Million Dollar Man*, and *The Bionic Woman*, gained popularity in the 1970s, domestic programs began catching up in the early 1980s, continuously receiving high audience ratings. While improving production and broadcasting technologies and capabilities reduced the volume of imported TV programs, there

was also a political factor for the decline. The military government ordered that broadcasting stations dedicate only a limited amount of their prime time slots to foreign TV programs due to political reasons. The Korean TV broadcasting stations filled the allocated time slots with as many imported TV programs as their newly imposed restrictions would allow. These restrictions forced Korean broadcasting stations and networks to have a highly competitive race to attain better ratings for their domestic programs. The audience ratings race, in return, forced the Korean broadcasting stations and networks to improve their infrastructures and obtain better equipments, and therefore, to enhance the quality of domestic programs, in order to compete under these government restrictions. Moreover, the audience ratings for domestic TV programs rose, while the imported TV program ratings declined in the 1980s. This is due in large part to the Korean broadcasting industry profiting from the Asian Games and Olympics that were held in Seoul.

On the other hand, the market share of domestic films, which depends on ticket sales, did not increase until the end of the 1990s. Few domestic films broke box office records in the 1970s, although over 200 domestic movies were produced in Korea at that time. Unlike the TV industry, the Korean film industry was able to produce films from the beginning of the 1960s. The government controlled the content, production, and distribution of movies, which were the most effective media available to the public at that time. There were over 70 Korean film production companies at the beginning of the 1960s; however, the number of companies was reduced to less than 20 after the establishment of “*the law of cinema*.” Furthermore, the government censorship controlled movie content, making it difficult for filmmakers to practice their right to freedom of expression. While many movies were produced in the 1970s, most were boring due to the censorship. Also, there were import restrictions which prevented importers from acquiring without permission from the government until the beginning of the 1980s. In 1984, revisions were made to the “*law of cinema*.” These revisions changed the censorship standards and entry regulations, and therefore, the rate of cinema attendance increased. Although at this point freer expression became possible, “*the law of cinema*” would still undergo three more significant revisions. The entry regulation policy evolved from the one in which domestic filmmakers having to ask for government permission to the one that they simply have to fill out a registration form to release a movie to the public. Moreover, foreign film companies could now enter the Korean film market. Foreign films, including movies from Hollywood film companies, started distributing directly to Korean movie theaters in 1987, advancing the growth effect of foreign films in the Korean market. It was not until 1999 that the market share of domestic films caught up with foreign film’s share of the Korean market.

Although there were several factors that led to the change of the Korean domestic cultural industry, the regulations, which set the broadcasting limitations

at the time, were one of the most important factors. The following chapter will examine the content of regulations and policies carried out by the Korean government and the influence of those regulations and policies in both domestic and international markets.

Change of the Regulatory Regime: Paradigm Shift

Broadcasting Regulations and Policies

As explained in the previous chapter, the Korean military government enforced regulations that restricted foreign media's influence until the domestic market was sustainable. During the period of authoritarian regimes (1962–92), the state used television broadcasting to project its aims and goals onto the public as part of the process of shaping and changing society in accordance with its vision, while the networks were forced to serve the interests and priorities of the state rather than those of the public or other interests (KWAK, 2009). During those times, policies for entry regulations, content regulations, and the regulations regarding quantitative distribution in the broadcasting industry, were monitored and controlled by the military government. The military government also imposed temporary regulations outside the current laws, which were called “*administrative advice*” and “*practice outline*,” in order to control the content of programs and the quantitative distribution of broadcasting. Under another temporary regulation, named “*purification of the broadcast*,” the government created several rules concerning prohibition of content. It is also important to note that at that time ongoing regulations prohibiting the import of Japanese cultural goods was still in effect. This regulation, created in 1945, prohibited the import and distribution of Japanese TV programs, films, J-pop, animation, and manga. Although the content regulations infringed upon the right to freedom of expression, they forced the networks to concentrate on producing higher quality domestic TV programs.

Moreover, due to the voids left behind by imported TV programs, there was an urgent demand to fill the vacant broadcasting slots. The networks had to manage the responsibility of program production and quantitative distribution without any foreign influence. Table 1 summarizes how each regulation changed in each decade.

In the 1990s, the regulation paradigm shifted in Korea. The democratization of politics, which was carried out in 1993, influenced broadcasting policies. Until the 1980s, the purpose of the broadcasting regulation regime was protection and restriction; since the 1990s, however, it has changed to support and improvement. This was particularly evident from 1988 to 1997, the time when the protective regulation and supporting policies coexisted. From 1990, the Korean government

began several supporting policies for the purpose of developing the broadcasting industry.

Table 1: Changes in Korean Broadcasting Industry due to Government Regulations

	Entry Regulation	Content Regulation	Quantitative Distribution Regulation	Japanese Cultural Goods
1960s	Foreign media company entry forbidden	Discussion of deliberate censorship in broadcasting	No records in the law	Forbidden
1970s	Foreign media company entry forbidden	Deliberate censorship and temporary regulations	No records in the law	Forbidden
1980s	Foreign media company entry forbidden	(1980~1986) Deliberation and temporary regulations (1987~) Korean Broadcasting Commission established to regulate censorship.	No records in the law Temporary regulations enforced (percentage of foreign programs on domestic networks limited to 15% or less).	Forbidden
1990s	Foreign media company entry forbidden	Deliberation in the Korean Broadcasting Commission	Quantitative distribution of foreign programs on domestic networks rose to 20% or less.	Forbidden
2000s	Foreign media companies permitted	(~2007) Deliberation enforced by Korean Broadcasting Commission (2008~) Changed to deliberation in the Korean Communications Standards Commission	Quantitative distribution of domestic programs given by a genre	Permitted

First, the government added the clause related to ownership for commercial broadcasting to the policies. Second, the formation of outsourcing production programs was obliged. Third, a system for human resource training for broadcasting professionals was launched. Fourth, a policy that supported the participation in a trade fair was enacted. Those policies were practiced by the Bureau of Cultural Industry which was established under the government in 1993. This government organization was ramified several times through the next decade, and support methods were diversified. The final supporting plan was the “*broadcast video industry promotion plan*,” announced by the Ministry of Culture and Tourism in 1998. Since then, the following policies have been still practiced by the government: Production support, distribution support, human resources development, and infrastructure establishment and management. To offer

these supports, the government created a fund that is made up of money from the broadcasting networks, and is invested in from the public purse. Table 2 shows the content of the main support policies.

Table 2: Supporting Policies for the Korean Broadcasting Industry

Head	Contents
Production Support	1. Direct support 2. Indirect support: Accommodation, organization of investment association
Distribution Support	1. Domestic market: Obliging broadcasting times for outsourcing production programs 2. International market: Supporting participation of the trade fair, supporting reproduction for exportation, holding the Korean trade fair (Broadcasting World Wide (BCWW)), supporting co-productions with foreign companies
Infrastructure Establishment and Management	1. Construction of accumulation facility for program production, lending to production companies
Human Resources Development	1. Training programs for broadcasting professionals 2. Training programs for people who want to be broadcasting professionals

Film Regulations and Policies

Like the broadcasting industry, the film industry was also regulated by the government. Policies for film industry's entry regulation, content regulation, and regulations regarding quantitative distribution, were monitored and controlled. The film industry was most strictly monitored in the 1970s. Those who wanted to produce films had to obtain permission from the government. The government allowed import of foreign films only for companies that produced films in domestic markets. The "screen quota" system, which obligates film theaters to set aside a certain amount of screening time for Korean films, also controlled the share of foreign films (SEO, 2006:334). Moreover, all of film scripts had to be submitted to the government prior to their release. Then deregulation began in 1984. Importers and the filmmakers were separated, and those who wanted to enter the market simply had to register their names with the government. The obligation for submitting scripts was demolished. Foreign companies could enter the Korean market from 1987. In the case of Japanese films, the Korean government admitted the import of films that received a prize in an international film festival in 1998. For about two years, the speed of film deregulation was faster than that of broadcasting market deregulation. Table 3 explains the regulation changes in each decade.

The history of policies supporting the film industry dates back to the early 1970s. Although the Korean government enforced strict regulations on the film industry, it attempted to expand the domestic film market at the same time. The government established the *Korean Motion Picture Promotion Corporation* (KMPPC) in 1973. Funds made by profits from foreign film import were used to support domestic films through the KMPPC. The government used this fund to execute its supporting policy, which involved distributing publicity brochures on Korean movies to foreign markets. In 1984, the Korean government founded the *Korean Academy of Film Arts* (KAFA), an organization that focused on developing professional filmmakers through the KMPPC. It was 1994 that the supporting policies executed in earnest. The following table illustrates the content of main supporting policies in each decade.

Table 3: Changes in Korean Film Industry due to Government Regulations

	Entry Regulation	Content Regulation	Quantitative Distribution Regulation	Japanese Cultural Goods
1960s	Foreign entry forbidden	(1962~1965) permission for showing (1966~) Censorship	(1967~) Screen quota: Foreign movies cannot exceed 1/3 of the number of domestic movies.	Forbidden
1970s	Foreign entry forbidden	Censorship	Screen quota: Film theaters have to show domestic films 146 days per year.	Forbidden
1980s	(~1986) Foreign entry forbidden (1987~) Foreign entry permitted	(1980~1984) Censorship (1985~) Deliberate censorship	Screen quota: Film theaters have to show domestic films 146 days per year.	Forbidden
1990s	Foreign entry permitted	(~1996) Deliberate censorship (1997~) Classification of film ratings	Screen quota: Film theaters have to show domestic films 146 days per year.	(~1997) Forbidden (1998~) Permitted
2000s	Foreign entry permitted	Classification of film ratings	(~2006) Screen quota: Film theaters have to show domestic films 73 days per year.	Permitted

A close look at the table 4 will reveal that the policies support diversification. In the 1980s, KMPPC concentrated on infrastructure support, such as facilities construction, and directly participated in the exportation and importation of

films. However, the direction of support has changed since 1985. While films that reflected government's goals became the object of support prior to 1985, films with artistic values have become the ones to receive support since 1985.

Table 4: Supporting Policies in Korean Film Industry

Year	Type	Contents
1979 } 1989	Production	Open call for participants of scenario
	Infrastructure	Construction of studios, recording studios, editing equipments, preview rooms; support program of foreign visit for domestic film festival winner; foreign induction course of producers; technical training program; selecting good movies and financial support
	Distribution	Holding a domestic film festival; support program of the film exportation; intercession of the foreign film importation; support program of exhibition for international film festivals
1990 } 1999	Production	Open call for participants of scenario; selecting good movies and financial support; discovery of Korean materials; open call of inventive idea; open call of scenario
	Infrastructure	Construction of film studio; introduction of equipment; technical training in foreign country; investment fund financing and mortgage loans for screening facilities
	Distribution	Support program of participation in a film trade fair; support program for international films interchange event
2000 } 2010	Production	Support program for art film production; support program for HD film production; support program for independent film production; support program for international co-production film; low budget film production program; investment fund financing and mortgage loans for screening facilities
	Infrastructure	Independent & student film post-production support; support program for script market; support for film organization; support for regional media center; support program for North-South Korean film exchange pre-production development funding
	Distribution	DVD production & distribution support for independent film; marketing support for diversity; support program for subtitle translation and print production; Asia film industry network; Asia film professional training program; building overseas network; business R&D campus; publication of books on Korean cinema; standardization of title and spellings; support program for commercial Korean film distribution in Japan; support program for independent Korean film distribution in Japan; support program for Korean filmmakers participation in international film festivals; support program for Korean filmmakers' participation at international producer's lab

Furthermore, legislation in favor of deregulations, influenced by the trend of globalization, went into effect in the end of the 1980s. Since the 1990s, indirect supporting policies, such as investment or mortgage loans, have increased, and KMPPC has attempted to develop a film market, including an establishment of

foreign network and marketing support. The next chapter will categorize the Korean broadcasting and film industry into several development stages and explain the characteristics and the effect of policies on each stage.

The Categorization of Development Stages and the Effect of Policies on Each Stage

The Broadcasting Industry

This section categorizes the development of the Korean broadcasting industry into five stages in terms of market size as a standard (See Figure 2). The time of category change accidentally corresponded to the changes in the government.

In the Pre-takeoff Stage, since few studios and facilities existed and the spread of TV receivers was slow, TV broadcasting was not yet an important media.

With the transition from the Pre-takeoff Stage to the Takeoff Stage I, as the national networks of each broadcasting station were expanded, TV broadcasting became an important media. Therefore, the government's control over the broadcasting industry began to be reinforced. In addition, the military's control of the government was another reason that the government strictly regulated broadcasting.

With the transition from Takeoff Stage I to Takeoff Stage II, the government unified several broadcasting stations into only two networks. The government ordered the networks to extend their grid and scale. The scale of networks in Korea was extended under the government's control at this stage.

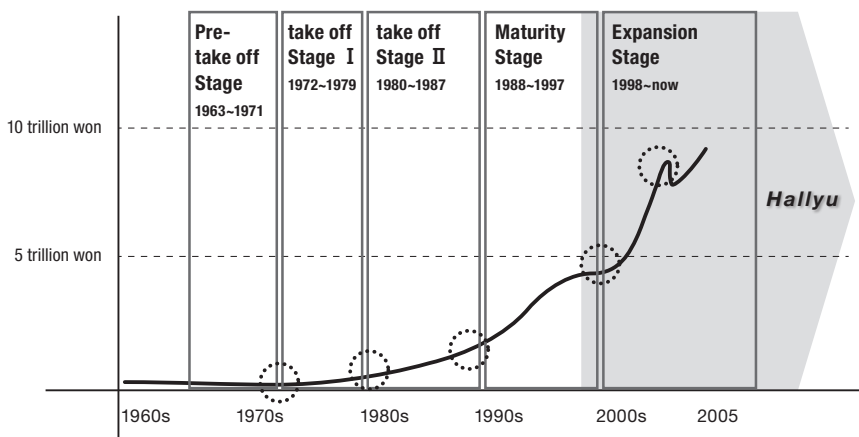


Figure 2: Development Stage Division of the Broadcasting Industry in Korea

At the time of the transition from the Takeoff Stage II to the Maturity Stage, the democratization of politics strongly influenced the broadcasting industry. The entry of commercial broadcasters and the change in the government's perception of the broadcasting industry to one that it is a cultural by-product were the important factors to cause the change at this time. The policies for activating the market began to be carried out in the 1990s (See page 10~11).

With the transition from the Maturity Stage to the Expansion Stage, the government implemented full-scale supporting policies for the broadcasting industry. The policies for infrastructure, production, and distribution were diversified. The change of the direction of policy in this time significantly affected the change in the Korean broadcasting industry, and the supporting policies surely contributed to the growth of the domestic broadcasting industry. Although the domestic broadcasting industry was obviously changed by the policies, the effect of these policies was different in foreign markets. Additionally, the same policy brought different effects according to the period. In other words, the policy caused different effects depending on the period and the market. The following is the effect of the policies in both domestic and foreign markets:

1. The regulation of foreign influence and the implementation of supporting policies for the domestic industry were effective to ensure the expansion of the domestic broadcasting market.
 - (1) Obliging broadcasting times for outsourcing production programs partly contributed to the increase in the number of independent production companies and to a competitive environment in the broadcasting industry, although several problems, including those pertaining to copyright, still remain.
 - (2) The supporting policies for infrastructure, which allowed the rental of production facilities to small independent production companies, provided a supportive environment to small independent companies, allowing them to produce many TV programs.
 - (3) The restriction on broadcasting Japanese TV programs brought more time for the Korean government to develop the industry.
2. The supporting policies to promote the Korean broadcasting industry overseas were partially effective.
 - (1) The government's support for the participation in TV program trade fairs was not necessarily effective in each negotiation. In fact, many TV program negotiations took place outside the trade fair.
 - (2) The government support for re-production activities for export, such as re-editing and subtitling, contributed to the diversification of countries to export TV programs, because the standard of broadcasting programs

differs in each country.

- (3) Direct financial support did not influence the export of domestic programs. Financial support was concentrated on documentary programs. Moreover, TV drama that was popular in foreign countries did not receive financial support.

The Film Industry

This section categorizes the development of the Korean film industry into four stages with respect to market size as a standard (See Figure 3). The film industry had a long Pre-takeoff Stage unlike the broadcasting industry. It took time to increase the domestic film market size, because the economic environment for this industry was different from that of the broadcasting industry. Since the source of revenue for the broadcasting industry was advertisements, the country's economic development was immediately reflected in the broadcasting market size. However, since the source of revenue for the film industry was box office sales only, the size of domestic film market had not increased until other sources of revenue were introduced and blockbusters were made.

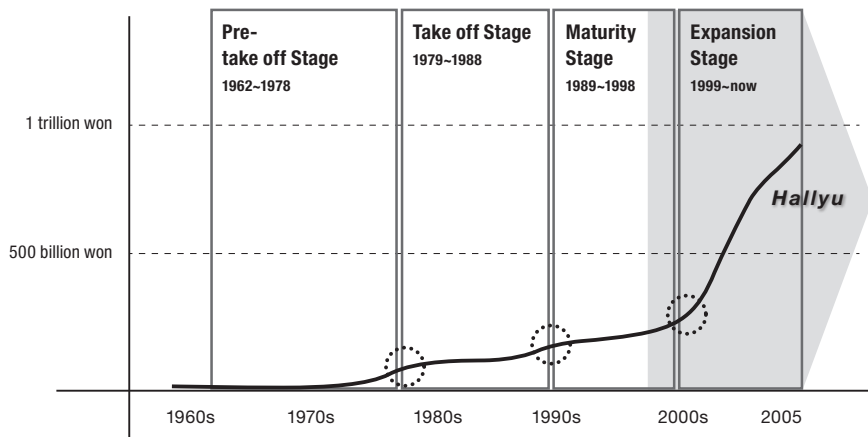


Figure 3: Development Stage Division of the Film Industry in Korea

In the Pre-takeoff Stage, “the law of cinema” was established, and the military government attempted to control and supported the film industry. The government produced “national policy movies,” which reflected the government’s goals. The government thought that if the size of production companies grew, they could produce a good many movies. Wishing to grow the film industry in a short period,

the government restricted entry into the film industry. Therefore, to enter the film industry in the Pre-takeoff Stage, production companies had to have a significant amount of human resources and production facilities. However, since film content was strictly censored, it was difficult to produce movies that could be universally accepted. In other words, the government regulations and policies that were intended to promote the film industry failed, although the infrastructure was decisively put in place.

After the transition from the Pre-takeoff Stage to the Takeoff Stage, the theater entrance fee was increased by the government. That was the main reason the market size seemed to grow in the Takeoff Stage. The environment in which the film market operated had not changed; there existed still strong censorship of content, and entry into the market was strictly regulated. However, those regulations were lifted by the government in 1984, and the change would influence the next Maturity Stage. The Takeoff Stage was a preparatory period of the growth along with regulation.

In the Maturity Stage, the number of film companies increased because of the abolishment of entry regulations. Even if there was no money, very talented people entered the film industry. As foreign distribution companies could enter the Korean film markets at the same time, the principle of competition began to work at the Maturity Stage. In addition, the video industry grew in this period, and major electronic companies became interested in the film market. The government changed the direction of policy from restrictive one to supportive one in the Maturity Stage.

With the transition from the Maturity Stage to the Expansion Stage, the share of domestic films in the market increased, and at the same time, the amount of export of Korean films to foreign markets increased. The competitive environment of the domestic film market served to improve the quality of domestic film, and there was an increase in film prizes that Korean films won at international film festivals.

The followings are the impacts of the policies on both domestic and foreign markets:

1. The regulation of foreign influence and the supporting policies for the domestic industry were partially effective to ensure the expansion of the domestic film market.
 - (1) A screen quota system, which obligated film theaters to set aside a certain amount of screening time for Korean films, was effective to protect the domestic industry before increasing the domestic films' competitiveness.
 - (2) Several regulations for censorship and the entry regulations obstructed the development of the domestic film industry. Since deregulation, Korea's film industry has grown and extended.

- (3) The educational support provided through the “*Korean Academy of Film Arts* (KAFA)” was effective to develop the domestic film industry. Alumni of the academy included directors who made Korean blockbusters and received prizes at international film festivals.
 - (4) Indirect financial support, such as a loan system or an investment association, allowed other investors to invest in the film industry.
2. The supporting policies for the promotion of the Korean film industry overseas were partially effective.
- (1) The foreign distribution policies, which included publication of books on Korean cinema and support programs for Korean filmmakers’ participation in international film festivals and for building of overseas networks, contributed to establishing global networks and promoting Korean films.
 - (2) In the Pre-takeoff Stage, although the Korean government attempted to increase the amount of film export, several foreign distribution policies did not work, because films that the government was trying to export were not interesting. As times changed, the same policy had a different effect.

Conclusion

In summary, in the period of domestic development, indirect financial support and infrastructure support were more effective than direct financial support. Moreover, the regulation of foreign influence and the deregulation of the domestic broadcasters and filmmakers were effective in developing the domestic industry. At the same time, government policies were partially effective in expanding the industry into foreign markets. An example of a successful policy is the one in which the government subsidized the costs of the re-editing and adding subtitles to films for export and marketing. This contributed to the diversification of export markets and increased sales. Although some policies somewhat contributed to the growth in exports, *Hallyu* had more to do with increased demand in each foreign market, and not a force by policies, which indicates that the most important element of expanding export is the free market mechanism, not government policies. Judging from the Korean case, it is clear that a powerful domestic market is a prerequisite to foreign expansion. To establish a powerful domestic market, regulations and policies that interrupt freedom of expression and free market mechanisms must be abolished. At the same time, restrictive protection policies are necessary until the ability of the domestic broadcasters and filmmakers matures. However, the broadcasting industry and film industry differ from other industries. Therefore, the government policy should concentrate on developing their infrastructure. Finally,

government policies must not interfere with the content of cultural objects.

Korea is a significant case where a receiver of media products became a sender. Although the approach of this study is different from those of previous studies, the description of the case and demonstration of the factors affecting change prove its usefulness.

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