

Behind the Korean Broadcasting Boom

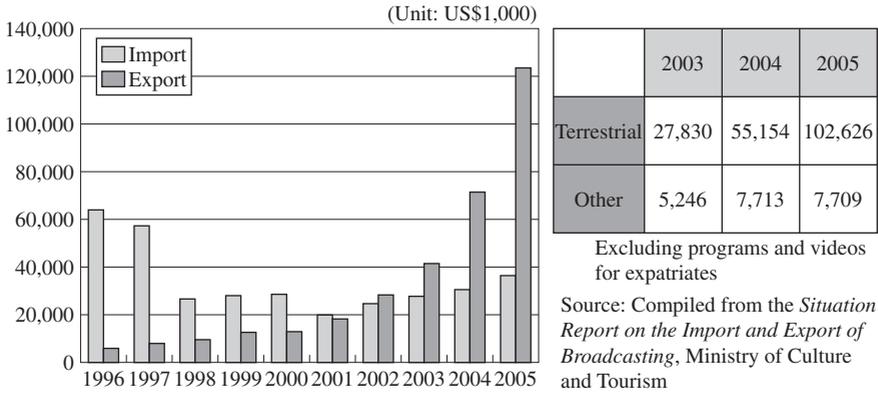
SHIM Sungeun

The dramatic overseas expansion of the South Korean audiovisual industry, including television and motion pictures, is noteworthy throughout the East Asian region. This impression is supported by the increase in exports of Korean motion pictures and television broadcasting programs. It is evident in Japan, too. *Shiri*, released in Japan in 2000, was one of the first Korean motion pictures to achieve box office popularity. It drew an audience of more than one million—an extraordinary figure for a Korean film in Japan—and made box-office proceeds of ¥1.8 billion. The most successful export commodity not just to Japan but other countries from the Korean audiovisual industry, however, has been television dramas. *Winter Sonata* is the prime example. TV drama export has been growing rapidly, an average of over 40 percent per year since the latter half of the 1990s. In 2005, South Korea recorded its largest-ever surplus in the trade of TV programs, while its motion picture exports turned sluggish (Figure 1).

This paper focuses, in an attempt to seek causes of this remarkable export success, on changes in South Korean government policy in the 1990s. The general understanding is that these policy changes began in 1998 when then president Kim Dae-jung declared himself a “culture president” and said he would devote himself to the development of media and other cultural industries as the nation’s leading industries of the twenty-first century. The government’s policy to boost the competitiveness of the Korean broadcasting industry, however, had been introduced gradually since the early 1990s. The policy taken by the Kim Dae-jung administration and thereafter is significant in the sense that, in addition to existing regulatory measures for protection and development, it introduced new financial supports and relaxation of regulations under a premise of promotion of broadcasting.

Policies to promote media as a cultural industry (the so-called cultural industry policies) were already being propounded in France and Canada in the 1980s. The recent actions of the Korean government are largely modeled after those countries’ policies as well as on U.K. Prime Minister Tony Blair’s creative industry (“Creative Britain”) policy. In other words, as the media environment changes, policy approaches that advocate cultural industries have

Figure 1. Fluctuations in South Korea’s Import and Export Values of Television Programs



Source: Compiled from the *White Paper on Cultural Industries 2005*, Ministry of Culture and Tourism

become models to be followed by countries exploring policy changes. This paper, therefore, attempts to examine how the government policies of South Korea—one of the first countries in East Asia to follow new trends in media policy change—have influenced the recent increase in broadcasting program export.

This topic will be approached as follows: first, I describe some factors behind the major states’ policy changes, such as the establishment of a free-trade system for mass media and changes in the position of the media industry in the national economy. Based on those factors, I then give an overview, in two steps, of Korea’s government-led development measures for its broadcasting industry. Finally, I examine how the series of developmental measures have contributed to the enhancement of the competitiveness of Korean broadcasting, particularly to its overseas expansion, mainly through interviews with persons in charge of the management of terrestrial television program export.

FACTORS BEHIND THE POLICY CHANGES

There appear to be three major factors behind the moves in South Korea and other countries to seek new broadcasting policies. First is the rapid shift in the past 20 years to a multimedia environment; specifically, the spread of cable television and satellite broadcasting throughout the 1980s and 1990s, and more recently the penetration of broadband since 2000. These new channels

called for the development and supply of programs to be provided, and program supply for new media became an important item on the agenda of broadcasting policy. In short, development of production capabilities other than those of existing broadcasters were required. The aims were clear: to overcome the shortage of program content to save economic and cultural costs of importing programs from abroad and to best exploit the expansion of the broadcasting market.

The Free-trade System and Mass Media

Democratization was declared in South Korea in 1987, and commercial broadcasting, suppressed during the 1980s, started in 1991, establishing today's competitive structure, composed of the existing KBS (Korean Broadcasting System), MBC (Munhwa Broadcasting Corporation), and the new commercial broadcaster SBS (Seoul Broadcasting System).¹ Along with this move, the multimedia age began in the 1990s—cable television was introduced in 1995, and satellite broadcasting was officially launched in 2002. At the same time, South Korea was involved in international negotiations for free trade in services, a factor that is often overlooked, but was closely related to the shift to a multimedia environment. While GATT (General Agreement for Tariffs and Trade) had been intended for trading goods such as motion-picture films, "trade in services" covered a wide range of services, from production and distribution to broadcasting of films. In many countries, governments exercised monopoly control over service industries of public importance such as communications, distribution, education, finance, and media. The trend toward deregulation, pushed forward since the 1980s mainly by the United States, however, led to the establishment of the WTO (World Trade Organization)—an upgrading and expansion of GATT rules—with the first-ever framework for easing governmental regulations constituting barriers to trade in services.²

Negotiations on liberalization of the audiovisual industry face numerous difficulties worldwide. This is evident, for instance, in the fact that even the

¹ In 1980, in the attempt to control freedom of speech Korea's military government had KBS absorb the commercial broadcasting company TBC-TV and placed 70 percent of MBC stock under KBS control, making it essentially a monopoly in domestic broadcasting. This system of "public broadcasting," with practically no commercial broadcasters, lasted until the end of the 1980s. At present, 70 percent of MBC stock is owned by the government-funded Foundation for Broadcast Culture, and MBC is regarded as a public broadcaster.

² The General Agreement on Trade in Services (GATS) sets down the framework for liberalization of trade in services. Of the 12 target sectors, film and broadcasting is in the audiovisual sector. Member countries can make commitments to liberalize only in specific service

United States, lead advocate of free trade, restricts foreign investment in terrestrial broadcasting. The establishment of a framework for more relaxed regulations, however, suggests a possibility of opening up a wide range of media markets. While there is growing international coordination, led by France and Canada, to block this wave of liberalization, an increasing number of countries seek to enhance the competitiveness of the broadcasting industry in preparation for market liberalization.

It was natural that the Korean government reacted sensitively to these international movements. The country prohibits, without exception, foreign investors from owning Korean terrestrial broadcasting and has long placed strict restrictions on the import of television programs. Especially, as a consequence of opening up the motion-picture market in 1986 after a long process of negotiations with the U.S. government, the market share of Korean films recorded its lowest point ever in 1993.³ The inauguration of the WTO system was perceived as a major crisis for the entire audiovisual industry of South Korea. Thus the second factor that worked along with technological innovation in pushing forward changes in government policy was developments in international free-trade frameworks.

Changes in the Position of the Media Industry

The third factor that promoted the shift in policy is the objective being pursued by that policy, in other words, the status of the media industry in the national economy as a whole. The importance of the media industry has increased in the United States and other advanced countries, and the governments of major countries are in fact seeking to further this move by policy involvement.

Some economists' views on the position of the media industry in the national economy can be summarized as follows. Since the 1980s, manufacturing has stagnated worldwide, particularly in the economies of advanced

sectors; they are obliged to liberalize services on conditions listed in their schedules of specific commitments. Many countries maintain active protective development policies in the audiovisual sector; only about 20 countries, including Japan, have made GATS commitments in the audiovisual sector. Most countries enter in their schedules of specific commitments limitations on foreign capital participation percentages and the quota for broadcasting time of foreign programs. Yet there are many countries, including those in the EU, that make no commitments.

³ In the year 1993 direct distribution of Hollywood films began to have a visible effect in the country, and the overall performance of Korean motion pictures fell significantly. The number of movies produced dropped to 63, and the ratio of foreign films to domestic films in the domestic market was over six to one for the first time.

countries, while the service industries have displayed rapid growth. Consequently, in the area of the mass media, the focus has been on the so-called audiovisual contents industry or entertainment industry as the next-generation leader of the national economy.

Global Entertainment and Media Outlook, published by Pricewaterhouse Coopers, is often quoted to back up such a view. According to this publication, the world entertainment industry, including the mass media, is expected to keep on growing at a much higher rate than world GDP in general. The market, estimated at \$1,229 billion in 2003, is expected to grow at an average annual rate of 6.3 percent to approximately \$1,671 billion in 2008.⁴ Such estimates repeatedly appear in the official reports of South Korea and various other countries, clearly showing their recognition of the media industry as a candidate for next-generation leadership in the national economy.

Whether the media industry can grow into a mega industry to create wealth and jobs, however, heavily depends on the extent to which the market, both domestic and global, is enlarged by technological innovations and the establishment of free-trade frameworks mentioned above. This is why countries with thriving media industries, the United States, for instance, have not only taken the lead in broadcasting technology innovation but have made use of the free-trade rules to remove obstacles to their media expansion overseas.

Most other countries, including South Korea, with less competitive media industries than the United States, perceive this situation as a crisis as well as an opportunity. Contradictory as this view may seem, the reason the South Korean government regarded this situation as valuable opportunity is closely connected to its domestic political and economic situation. As is well known, South Korea was hit badly by the Asian currency crisis and decided to seek IMF help toward the end of 1997. The Kim Dae-jung administration was established shortly after this decision. In order to restore the decreased growth rates, the administration had to reexamine the state of the national economy. Consequently, under the new president, who called himself a “cultural president,” the government turned to a policy to develop the media industry as the leading force of the national economy in the twenty-first century.

To sum up the above, the broadcasting market expanded rapidly by technological innovation, making it a much-discussed issue in terms of free trade. The sluggish economic growth from which most major countries are now suffering, too, has pushed many governments to a major turning point in media policy. Needless to say, the situation does not always promote a shift in cultural industry policy, but South Korea did opt to undertake such a shift. The

⁴ Ministry of Culture and Tourism, *White Paper on Cultural Industries 2004*, p. 30.

following is an attempt to examine the case by focusing on the field of broadcasting.

FIRST STAGE OF POLICY CHANGE (1990–97)

The first stage of policy change coincided with the beginning of the 1990s, when moves to develop broadcasting as an industry became evident and the term “cultural industries” began to appear in the press. Interest in the cultural industry has always been linked to political activities, as it is now. And in 1993, it is said, then president Kim Young-sam pointed out that the box-office revenue of the Hollywood movie *Jurassic Park* equaled the total earnings from sales of 1.5 million South Korean automobiles, therefore encouraging the growth of high-value-added cultural industry. The following year, the Cultural Industry Bureau was established under the Ministry of Culture and Sports, which had been in charge of cultural administration in general, to integrate all the policy-making functions related to motion pictures, publishing, records/tapes, and video.

Regulation for Protection and Development Begins

This administrative reorganization put cultural industries in the spotlight, but newspaper articles at the time paid attention mainly to film-making and publishing. Most of these articles argued for fostering the two industries, probably as a result of the fact that the opening of the market in these two had advanced much further than for the others. As for the motion picture industry, which had been hard hit by market liberalization, since 1994 the government had offered such supports as relaxation of censorship standards, consideration of financial and taxation relief measures, and infusion of public funds through financing production costs.

As for the broadcasting industry, the first effort to develop broadcasting as a domestic industry took the form of regulations introduced for terrestrial television. Typical of the measures taken at the time, and effective even now, was the one included in the Broadcasting Law of 1990. It obligated terrestrial television broadcasters to broadcast a certain number of programs domestically produced both in-house and by independent productions. This so-called domestic quota is intended to prevent the increase of imported programs by making it compulsory to broadcast domestic programs and stipulates that the ratio of domestic to imported programs should be 8 to 2. In other words, domestically produced programs have to occupy more than 80 percent of total broadcasting time.

It should be noted, however, that for terrestrial television at the time, it was

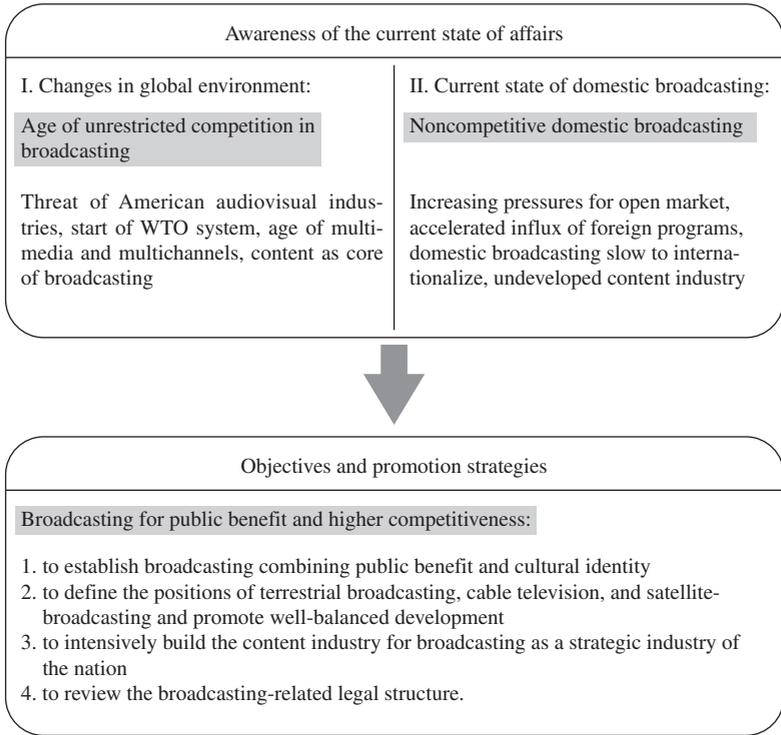
not hard to fill 80 percent of broadcasting time with domestic programs. Needless to say, Hollywood-made films and other American entertainment programs have always occupied a special place on South Korean television, just as in many other countries. But the regulations on inspection of imported programs and limitation of purchasing expenses have always restricted the amount of imported programs. It has never far exceeded 30 percent since the broadcasting service was established. Terrestrial television in the 1990s was quite capable, partly thanks to advancements in broadcasting technology, of producing domestic programs. The measure was, therefore, more effective in increasing independent production, obligating broadcasters, which had traditionally produced all their programs in-house, to broadcast programs made by independent producers on a contract basis.

The independent production quota set by the 1990 Broadcasting Law for the three terrestrial channels was 2 to 20 percent of total weekly broadcast hours (changed to monthly later). According to this regulation, the director of the Public Information Agency, who was in charge of broadcasting administration, laid down the actual ratio, which was more than 3 percent at the enforcement of the law in 1991. The ratio was gradually raised at a rate of up to 5 percent annually and, by autumn of 1997 it reached the ceiling of 20 percent. As for programs produced by broadcaster-affiliated production companies, which were established at the time the independent production quota was set, the ratio of their products in total hours had to be specifically indicated after 1994, a measure meant to prevent broadcasters from filling the quota mostly with programs produced by their subsidiaries.

This regulation represented one of the first measures taken to spur industry development as described in the Five-year Plan for Advanced Broadcasting (1995). This Five-Year Plan was considered at the time to have brought together all governmental plans for broadcasting. As outlined in Figure 2 it begins with an analysis of the current situation (“changes in global environment” and “current state of domestic broadcasting”) and concludes with objectives and promotion strategies to be pursued.

First of all, the Five-Year Plan indicates that the domestic quota be set with a view to future opening of the market under the WTO system. The previous ambiguous regulations on imported programs were considered outdated, and the ideal market share of domestic programs was clearly stipulated in the Broadcasting Law. The independent production quota was made compulsory because of the immaturity of the content industry, as shown in the description of the domestic situation. It was meant as a solution for nurturing the immature content industry, which the text of the Five-Year Plan stated was the core of broadcasting. The Five-Year Plan further mentioned the limitation of exist-

Figure 2. Outlines of the Five-year Plan for Advanced Broadcasting



Source: Compiled from the report on the Five-year Plan for Advanced Broadcasting, Public Information Agency

ing broadcasting structure, which was dependent on terrestrial broadcasting, and laid out the measures to gradually raise independent production quota even further.

SECOND STAGE OF POLICY CHANGE (1998 TO PRESENT)

The measures for promoting broadcasting industry launched during the Kim Dae-jung administration were, basically, part of the broad framework of cultural industry policy. As discussed above, the cultural industry policies devised in Europe during the 1980s are a blend of cultural and industrial policy. They could be described as “culture + industry + media” policy, because audiovisual and other mass media are always included in the targets of cultural industry policy.

The South Korean government so far has taken an approach to separately—by type of industry—support and promote each of the mass media defined as a cultural industry. The range of media targeted for support expanded as technological innovations progressed. In the category of broadcasting, which will be examined below, a typical example is financial support for the production of digital multimedia broadcasting (DMB) contents since 2005. There also has been a tendency to concentrate funds on categories in which industrial growth is most expected. Behind the recent intensification of support for the game industry, for instance, is the fact that the industry's export has shown steady growth. As for broadcasting, the first plan for promotion was drawn up in 1998, and, the second plan has been in effect since 2003.

An Overview of Cultural Industry Policy

The Kim Dae-jung administration built on the policy taken by the Kim Young-sam administration and laid the foundations for today's cultural industry policy. It dissolved the Ministry of Culture and Sports, which had been in charge of cultural administration, and the Public Information Agency, which had supervised broadcasting, and transferred their functions to the newly established Ministry of Culture and Tourism. This reorganization created a governmental office responsible for both culture/art (traditionally the responsibility of the culture ministry) and the administration of broadcasting and tourism (which until then was under the Public Information Agency), thus making it possible to implement policies that would stimulate synergy of all these areas.

The justification for governmental intervention in cultural industries is clearly connected with the economic and industrial value of culture, to which the Kim Young-sam administration started to pay attention in the early 1990s. The Korean government, however, basically understands cultural industries as "culture" with an industrial foundation. Therefore, the *White Paper on Cultural Industries*, issued annually by the Ministry of Culture and Tourism, treats the industry's position in society from both the economic and cultural perspectives. The 2003 white paper states that the development of cultural industries should be emphasized for the following reasons: income and employment induced by the growth of the industries themselves, stimulation of culture and art that form the basis of cultural products, and growth of other industries carrying cultural factors. In this manner, cultural industry policy is concerned with its spillover effects. This is a strong reason why governmental intervention is considered to be necessary. The white paper further notes that "the development of the cultural industries of a nation serves not only on the eco-

conomic level but, far beyond it, enhances the identity of the citizens as well.”⁵

It must be admitted, however, that the South Korean government gives the impression of attaching more weight to the economic aspect. In fact, the immediate national goal to become one of “the top five states in the cultural industry,” as announced in 2003 by the Roh Moo Hyun administration (which has followed the Kim Dae-jung line), uses economic indicators as benchmarks, including market size (from \$24 to \$69 billion), world share (1.5 to 4 percent), export revenue (\$550 million to \$10 billion), number of people employed (460,000 to 1 million), and so on.

As part of streamlining the support system after the governmental reorganization mentioned above, the Basic Law for the Promotion of Cultural Industries was enacted in 1999 to provide a legal basis for governmental support. According to the law, which defines the target industries to be supported, cultural industries are “industries that are involved in the planning, development, production, manufacturing, distribution, and consumption of cultural commodities, and related services.” The commodities are motion pictures, records/tapes, video, games, publications, periodicals (magazines, newspapers), broadcasting, character goods, comics, animation, designs, traditional crafts, performance (theater, music, dance), multimedia contents. The law also stipulated establishment of the Cultural Industry Promotion Fund to facilitate smooth financial support, the pillar of the support measures. At the time of setting up this fund for strengthening the competitiveness of domestic cultural industries, the supply of a total of 250 billion won was planned over the five-year period 1999 to 2003. The Fund will end, it has been decided, but part of it went to finance the development of cultural commodities, including broadcasting programs, while most of it was spent to build basic infrastructure and facilities for the cultural industry.

Broadcasting Promotion Measures

The Ministry of Culture and Tourism, which has the authority to supervise the promotion of broadcasting, mobilizes the Korean Broadcasting Institute, a ministry-affiliated organization, to carry out specific measures. Thus the institute conducts a wide range of surveys and studies as well as leasing facilities and equipment to the industry and developing databases. Further, in accordance with the new Broadcasting Law of 2003, the Korean Broadcasting Commission, an independent administrative organization dealing with administration, regulation and supervision of broadcasting, was established. The

⁵ Ministry of Culture and Tourism, *White Paper on Cultural Industries 2003*, p. 3.

commission's tasks basically correspond to those of broadcasting administration in the traditional sense, for which the former Public Information Agency had been responsible. As for the new-found function of promoting broadcasting, the Ministry of Culture and Tourism is responsible for policy making under mutual agreements with the Korean Broadcasting Commission.

One of the first broadcasting promotion measures devised by the Ministry of Culture and Tourism was issued in October 1998 under the "strategies for the promotion of audiovisual industries." The argument for governmental intervention in broadcasting is explained as follows: broadcasting is a "national strategic industry of the twenty-first century," and "cultural identity in the age of global competition must be established." The main objectives of broadcasting promotion include development of Korea's own culture by building a basic foundation for the broadcasting/audiovisual industries and thus enhancing program quality; to strengthen international competitiveness; and to promote expansion into the world audiovisual market. The current five-year plan for the promotion of the audiovisual industry issued in 2003 gives (while taking more or less the same line as the first one) a new agenda for improving the national image through broadcasting and the development of relevant legislation and organizational structures.

To achieve these objectives, the government has basically focused on audiovisual production and distribution and the development of human resources to handle these tasks. In South Korea, as in many other countries, national or governmental support for the audiovisual industries has long tended to be concentrated on content production, but a recent tendency is to put stronger emphasis on distribution. In other words, it is now known that securing distribution channels is much more difficult than producing good programs. This has increased governmental intervention in order to maintain diversity and fairness.

Distribution Measures

With regard to distribution support, the emphasis is, naturally, on wider availability of Korean programs overseas, but the same weight has been put on securing domestic distribution channels for various programs as well. Incidentally, the government had been working since 1991 on encouraging the distribution of independent production by means of quota regulation. Furthermore, from the inauguration of the Ministry of Culture and Tourism, the government began to consider setting up a special television channel solely for independent productions, which is modeled after the U.K. Channel 4. However, this plan met objections from existing broadcasters, who were anxious

about sharing the advertising revenues with yet another channel, and has not been realized. Consequently, there is but one means to ensure the domestic distribution of a large variety of programs—the original regulation that stipulates the programming quotas for domestically produced in-house and independent production programs. In fact, after declaring broadcasting as the national strategic industry of the twenty-first century, the quota regulation has been enforced even more vigorously.

1. Domestic quota

Since the Broadcasting Law of 2000 came into effect, the domestic quota obligates cable television and satellite broadcasting, as well as terrestrial broadcasting, to air a certain quantity of domestically produced programs. Particularly notable is that, since 2000, individual domestic quotas have been set for motion pictures, animation, popular music, etc.

For categories such as motion pictures and animation, in which international division of labor has greatly advanced, specific requirements defining what is “domestic” will enhance the effectiveness of the programming quota. In regard to animation, the production processes of which are quite complex, the point system used in Europe and Canada has been adopted in Korea, too, and an animation work is defined as domestic only when it involves more than a certain amount of domestic human and financial resources.

Furthermore, since January 2002, ceiling figures have been dictated in some cases for the volume of programs imported from one country. It is explained that this measure would eliminate concentration on a particular country and secure diversity in the reception of international culture. Figure 3 shows the details of the domestic quota as stipulated in the current Broadcasting Law.

The opening of the animation market has been delayed due to the “immaturity” of Korean industry. The programming quota for domestically produced animation until recently was “more than 45 percent of the total hours of animation on terrestrial channels,” but, as of July 1, 2005, the quota was revised to “more than 1 percent of the total terrestrial channel broadcasting hours.” Since the introduction of this new animation quota (applied only to the three terrestrial broadcasters at the moment), these channels have had to air more than three times domestically made animation than before, including repeats.

As seen so far, the current domestic quota functions to foster and support certain industries such as animation, motion pictures, and music. Particular emphasis is on raising the level of the not-quite-developed animation industry, but not only in South Korea but in many other countries as well, the govern-

Figure 3. Quotas for Domestic Programs

Category	By genre	By medium	Quota	
Ratio of domestic programs in the total broadcasting hours per month		Terrestrial	over 80%	
		Others	over 50%	
Programming quota by genre (ratio of domestic programs in the specific genre)	Motion pictures	Terrestrial	over 25%	
		Others	over 30%	
		Religious broadcasting	over 4%	
	Animation	Terrestrial	over 1% of total broadcasting hours	
		Others	over 40%	
		Educational broadcasting	over 8%	
		Religious broadcasting	over 4%	
	Popular music	Terrestrial	over 60%	
	One-country regulation	Motion pictures, animation, and popular music produced in and imported from one country are limited to 60% or less of the total broadcasting time of each genre.		

Source: Compiled from the *Almanac of the Newspaper and Broadcasting 2005*, Korean Foundation for the Press

ment tends to concentrate its support on animation, because animation is easy to distribute internationally. South Korea is distinct, however, in devising regulations against importing too much from one country. This one-country limitation, at a glance, looks as if the emphasis is on cultural diversity, but in practice, it is targeted at the United States for its Hollywood movies and Japan for its animation. In other words, by these measures, the government aims to boost distribution of diverse domestic animation while at the same time effectively restricting popular Japanese animation.

2. The independent production quota

As mentioned above, the independent production quota was gradually raised after its introduction in 1991 and in 1997 reached the rate of 20 percent, the maximum stipulated in the old Broadcasting Law. In the new law, therefore, the old framework of 2 to 20 percent quota was revised. The revised rule stipulates that terrestrial broadcasters now have to air independent productions at a rate higher than the rate notified by the Korean Broadcasting Commission under the ceiling of 40 percent of total monthly hours of broadcasting.

Furthermore, a new regulation was added that obliges them to air independent production programs during prime time.⁶ The regulation is to prevent broadcasters from dumping independently produced programs into less favorable broadcasting hours.

Based on this framework, in 2000 the commission set down an independent production quota of 22 percent. Since then the figure has been raised by 2 to 4 percent on the average every year. As of 2006, the quota set for terrestrial broadcasters is around 35 percent, and, specifically for prime time, it is to be higher than 10 percent.

3. Support for overseas marketing

Around 2000, when broadcasting promotion measures were made public, the government gave serious attention to the advance of Korean broadcasters overseas. Early measures had been carried out systematically since 1999 to support participation in international film festivals, mainly by financing travel and display expenses. The BCWW (International Broadcasting Exhibition) has been held in South Korea since 2001 as an international television program market fair, and the government supports its management and operations out of the national budget. This governmental financial support is increasing every year. In 2005, it covered about 90 percent of the total budgeted cost of the BCWW.

Apart from strengthening these international marketing supports, the government also provides financial aid to remaking programs for export. In Korean television dramas, music and sound effects (M&E) are recorded simultaneously with the dialogue. In order to export TV dramas, therefore, the M&E have to be separated from the dialogue track to allow for dubbing dialogue in a different language. The schedule for this process is usually very tight, and music for the drama is rarely prepared in advance. Often songs have to be replaced just before export due to copyright problems. To promote vigorous export of television programs, the government at present supports up to 70–80 percent of the expenses needed for separating M&E and subtitling in the appropriate foreign language.

In regard to domestic distribution, as discussed above, governmental support is mainly intended to offset the monopolist position of terrestrial broadcasters. The targets, therefore, are limited to program producers that do not have their own distribution networks. In overseas distribution, on the other hand, since the support is for Korean broadcasters in general, terrestrial broad-

⁶ Prime time is from 7:00 to 11:00 P.M. weekdays and from 6:00 to 11:00 P.M. on weekends and holidays.

casters that also handle the export of independent productions become the main targets of support.

Production Support and Personnel Development Measures

Now, let us review governmental support measures other than the distribution support examined above for increasing both domestic and international broadcasting.

There are two types of production support: provision of production facilities and financial aid for production expenses. Infrastructure support—the DMS (Digital Magic Space, inaugurated in 2006) and other facilities—is intended for producers who do not have their own program-producing facilities. The aim is to increase production ability and to promote the early establishment of digital broadcasting. Such measures as low-interest loans for production expenses and support for producing pilot programs are meant for independent producers. Production cost aid is also often given to animation producers that have secured broadcasting time by means of the domestic quota outlined above.

The government is shifting the focus of support from funding services, which began in the middle of the IMF-controlled period, to investment associations, which involve private funds as well. This is a reflection of the television program export increase mentioned. Recent expansion of overseas markets has made broadcasting as attractive for investment as motion pictures.

Government-led personnel development programs, on the other hand, are less vigorous for broadcasting than for motion pictures. This is partly because there are established training systems conducted by broadcasters and other private sectors as well as various broadcasting-related courses offered by universities and colleges.

One final point regarding promotion measures for the broadcasting industry is that a substantial portion of the cost of governmental support is covered by terrestrial and other major broadcasters. This situation not only applies to South Korea, but it is seen also in France and Canada. Broadcasters with a relatively solid business base act as financial resources for cultural industry support measures. The Broadcasting Promotion Fund is funded largely from fees paid by cable television and local private broadcasters for obtaining broadcasting licenses. As for the Broadcasting Development Fund, which funds international distribution expenses, the largest portion is supplied by the three terrestrial broadcasters out of their advertisement revenue. To be precise, the Korean Broadcasting Commission decides, on the ground of the business performances of broadcasters, the amount to be paid by each within 6 percent of

their annual advertisement revenues. In 2005, when broadcasters had to bear the burden of digitalization and saw a distinct drop in their income, MBC and SBS each paid 4.75 percent of their revenue and KBS 3.17 percent.

GOVERNMENT POLICY AND PROGRAM EXPORT: VOICES OF BROADCASTING PERSONNEL

In this section I will look at the key factors in the increase of program export, mainly through interviews with the broadcasting personnel who handle the actual business of export. As pointed out at the beginning, the broadcasting industry has led the recent international success of the Korean audiovisual industry, and most of the export has come from terrestrial broadcasters (Figure 1). However, the governmental supports discussed so far provide limited backup for terrestrial broadcasters, the main contributor to export growth. In terms of production and personnel development measures, governmental support for terrestrial television is almost nonexistent. Rather, since the new policy was put in place in the late 1990s, terrestrial and other broadcasters have had to bear part of the burden of the promotion measures for the cultural industries. Furthermore, most of the support measures, except financial support for production expenses, were introduced after 2000, and they could hardly have boosted program export during the past several years (Figure 4).

Thus, it is safe to say that broadcasting promotion measures are not the decisive factor in the increase of program export. The interviews introduced below reveal that quota measures, which have a relatively long history among governmental policies, have affected the overseas expansion of the broadcasting industry in a quite unexpected manner. The interviews also reveal that there is a complex structure within the broadcasting industry today, which sustains the recent growth of program export (Figure 5).

The following offers a summary of the factors behind the program export increase, mainly through the words of people in charge of export at terrestrial stations and affiliated production companies.

The key factors pointed out by the interviewees are the price competitiveness of Korean programs, the multimedia environment, cultural affinity, and the role of independent production companies. The first three factors have been noted in various past studies on international program exchange, but the last one calls for further discussion. At present, independent production companies are under the influence of governmental measures and are the subject of much debate in Korea. Future trends in this sector should be closely observed.

Key Factors of Program Export

All those interviewed gave *market price of Korean programs* as the first determining factor for program export. The initial investment cost for making a program is already covered domestically, and overseas sales provides mostly extra revenue and can be set at a reasonable level. Furthermore, the price of Korean programs is cheaper when compared to those of Japan or Hollywood. These are the two main elements involved in the price factor. Kim Shin-il, a producer of KBS's Global Strategy Team, stressed that the market principle is at work and stated, "There is no rule for setting the price of a program. Most of the production costs are covered within the country. Revenue from international markets are additional. Foreign broadcasters will buy the program if the price is lower than the advertising revenue expected from airing it." Kim Young-duk, a researcher at the Korean Broadcasting Institute (KBI), which is responsible for carrying out government policies, also stressed that the recent popularity of Korean programs is due to their price competitiveness and the hardworking efforts of those in charge of exporting them.

Within Asia, in particular, the price factor seems to have worked very favorably for Korean industry. Since there is a much greater economic gap among Asian countries than in other regions such as Europe, high-quality programs made in Japan are too expensive for many Asian countries. It should be noted that when Korean programs were beginning to enter these countries in the early 1990s, they were sold for about one-tenth of those made in Japan.

Furthermore, importing a program costs much less than producing one. This is a great attraction for newly established broadcasters of many countries, including those in Japan. As is well known, the shift to a multimedia environment progressed worldwide after the 1980s—in the case of Asia, after the 1990s—making shortages in the content supply more serious than ever. Recently, even in Japan, where import barriers are higher than elsewhere, Korean programs began to be aired on terrestrial television. The majority of interviewees, however, said that a significant part of the demand comes from cable television, satellite broadcasting, and newly developed broadband programming.

KBS producer Kim particularly stressed the importance of the shift to multimedia industry, saying, "In Japan, the broadcasters can choose between American and Korean programs and put them mainly on CS (communication satellite) channels. And, on the Internet, shortage of program content is even more serious since airing of Japanese terrestrial television programs is not permitted. Therefore broadcasters use Korean programs in order to continue their services." He assumed that, even if Korean programs were to disappear

Figure 4. Major Measures for Promotion of Broadcasting by the Ministry of Culture and Tourism

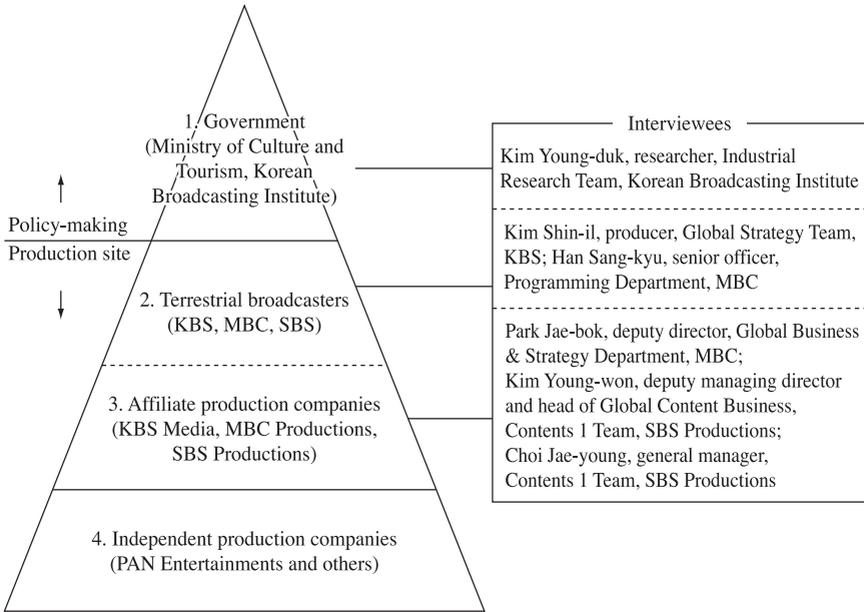
* 1,000 won = 100 yen

Operation title	Outlines and targets of support measures	Budget for 2005 and actual performance	Start year
Production support	<p>㉔ Digital Magic Space (DMS)</p> <p>To provide production facilities to serve one-stop planning, production, and marketing of digital broadcasting videos.</p>	<p>Of total amount of 48.4 billion won, treasury support of 27.2 billion won.</p>	2006
	<p>㉕ Digital production support system</p> <p>To fully equip the Korean Broadcasting Institute with digital editing rooms and studios for early realization of digital program production.</p>	<p>Total 12.5 billion won, 536 programs, 1,776 hours.</p>	2001
	<p>㉖ Production financing projects</p> <p>Low-interest loans for producers short of funds for producing programs. Main targets are independent production companies, animation studios, and new-media content producers. DMB content producers are included in the targets since 2005.</p>	<p>i) Broadcasting Promotion Fund: of 17,370 million won, 8,160 million won was implemented for 33 programs. ii) Cultural Industry Promotion Fund: of the implemented 7.7 billion won, 4.4 billion was for actual production and 3.3 billion for equipment modernization.</p>	1997
	<p>㉗ Pilot program support system</p> <p>Subsidy from the national treasury of up to 80 percent of expected production expenses may be provided. Applications can be submitted only with planning proposal. Merit is that financial support is offered even to a producer without collateral to cover expenses not only for production itself but distribution efforts such as participating in international trade fairs.</p>	<p>Of the annual budget of 1.0 billion won, about 810 million won was for the support of 17 programs.</p>	2002
<p>㉘ Television program investment association</p> <p>Support for works of high investment value using official subsidies combined with commercial investment funds. Most of the investment should go to broadcasting, but it is possible to invest in some motion pictures, music, and performances as well. Main targets for investment are new ventures engaged in audiovisual production. As of the end of 2005, four associations are in operation.</p>	<p>Of the total amount of 53 billion won, 38.8 billion won was for the support of 91 projects.</p>	2002	

Distribution support	<p>□F Programming quotas for independent productions and domestic programs</p>	<p>System for securing broadcasting slots for producers independent of the broadcasting stations.</p>	1991
	<p>□F Support for participation in international trade fairs</p>	<p>Subsidies from the national treasury for various program distribution expenses including participation fees at overseas trade fairs.</p>	1999
Distribution support	<p>□G BCWW (Broadcast Worldwide)</p>	<p>Support for participation in BCWW, which takes place annually in South Korea. Other expenses for BCWW running costs are partially covered from the national treasury.</p>	2002
	<p>□H Production support for programs for export</p>	<p>Support for “remaking” (post-production M&E processing and dubbing in the language of the export destination).</p>	2003
Personnel development	<p>□I Cyber□□ Television Academy</p>	<p>Development and management of e-learning programs for broadcasting program production. Targeted at both broadcasting-related personnel and general public.</p>	2004
	<p>□J Director Training School</p>	<p>Personnel development programs, free of charge, to train specialists to work in production and marketing at independent production companies.</p>	2001

Source: Compiled from *White Paper on Cultural Industries 2005*, Ministry of Culture and Tourism

Figure 5. Structure Supporting the Increase of Broadcasting Exports



from terrestrial television, they are expected to be in stable demand, since the broadcasting market in general will always need a certain quantity of programs to air. KBI researcher Kim also said, “Exposure on terrestrial television now and then is necessary to broaden audiences. But channels specializing in Korean programs on CS alone already have about 100,000 viewers in Japan.”

Even before Korean programs gained a sizable audience, satellite broadcasting seems to have played an important role in marketing them. Park Jae-bok, deputy chief of the Overseas Business Team, who has long been in charge of overseas sales at MBC Productions Co., explained the process, observing, “Korean dramas were quite popular in Southeast Asia even before they were broadcast in China. What triggered their marketing success in China was that MBC drama aired on CCTV in the mid-1990s gained the second highest audience rating in the history of foreign drama. STAR TV in Hong Kong at around the same time was running a lot of Korean programs, and that established a bridgehead for our advance into China.”

As for Southeast Asia, where the advance took place prior to China, Deputy Chief Park cited Vietnam as the strategic base for marketing Korean programs, the reason being that the two countries are culturally close to each other. Cultural affinity was given by the other interviewees, too, as one of the

determining points for export success, and many remarks referred to the age of cultural exchange finally arriving in Asia. “While globalization is gaining attention on the one hand, the Asian cultural sphere is increasingly forming a regional block on the other. When an audience became tired of Hollywood movies and wanted to see something Asian, programs from South Korea were available at reasonable prices. It worked out in our favor that Japan, the leading competitor in Asia, had a domestic market big enough to make it rather passive about going overseas,” said Deputy Chief Park.

In fact, statistics show that exports have increased tremendously since 2000 (Figure 1), but further details indicate that 90 percent (95.3 percent in 2005) of the export destinations were in Asia and 90 percent (92.1 percent in 2005) of the exported programs were culture-specific dramas. It is against this background that people in the business often talk about “cultural affinity.” Furthermore, the Japanese market share in export has increased remarkably over the past several years. It occupied 60.1 percent of the annual revenue in 2005, the year when the largest ever surplus was marked. The ever-rising export performance is due, of course, to the expansion of market territory and the increase of the number of programs exported. Much more than that, however, it is a result of the successful advance into the large Japanese market.

The interviews conducted for this paper revealed that Korean dramas spread first in Southeast Asia, then in the Chinese culture region, and finally made it into Japan. People in South Korea did not realize at first that this phenomenon was taking place. They began to take note when these dramas began to enter the Chinese culture region in 1997, and since the entry into Japan in 2003, the trend has had various ripple effects within Korea.

A comparison of two Korean dramas recently aired by NHK shows the strong influence of the Japanese market. MBC’s *Dae Jang Geum* (Photo 1) was broadcast on NHK General TV October 2005–November 2006. It had boasted the peak rate of 57 percent in South Korea itself, and recorded 47 percent in Hong Kong (95 percent of those watching TV at that time viewed the program)—the highest in broadcasting history—where it was aired twice. It was also the first Korean historical drama to be aired in more than 50 countries, including Central Asia (Uzbekistan), the Middle East, Europe and elsewhere, and, as of August 2006, has earned about 10 million dollars from broadcasting rights and DVD sales (source: MBC). KBS’s *Winter Sonata* (Photo 2), on the other hand, marked audience rates in the 20 percent range domestically and was fairly popular in Southeast Asia but did not achieve anything like the records *Dae Jang Geum* set in East Asia. However, in the three years since 2003 when *Winter Sonata* was first aired on the NHK BS channel, it has earned over 20 million dollars in broadcasting rights and DVD

Photo 1. © 2003–2004MBC



Photo 2. © KBS Japan/PAN Entertainment



sales (KBS producer Kim), which is more than twice as much as *Dae Jang Geum*. (For a realistic evaluation of the figures given above, one should take into account that production costs in South Korea are about one-sixth of those in Japan.)

Exploitation of new markets overseas, especially in Japan, where the market is larger than in South Korea, is, as seen above, significantly influencing Korea's broadcasting industry. In fact, at the center of this phenomenon are small-sized production companies that came into existence under the independent production quotas. This sector is now involved in the production of dramas, which occupy a strategic position in television program export, thus pushing forward the reorganization of the South Korean broadcasting industry.

Key Players Behind the Export Scene

In 1991, when the independent production quota was promoted by the government, the three terrestrial broadcasters in South Korea established affiliated production companies to cope with the new regulation. As it happened, this turned out to be an important step in these broadcasters' exploration of the possibilities of overseas expansion. By establishing KBS Media, MBC Productions, and SBS Productions, these broadcasters for the first time came to have their own organizations specializing in program export. Park Jae-bok has been in charge of overseas marketing at MBC Productions since that time

and recalls those days. "Our original aims were to integrate our production and distribution functions for synergy in operations and, by having this new small organization, to be able to flexibly tackle what the huge organization could not. To be honest, however, it is true that our parent company, MBC, did not want to share the broadcasting slots with outside production companies. Thus it was an unexpected development that as we began to look for export opportunities, we ended up creating the base for the current Korean audiovisual boom."

The interviews revealed that, first of all the quota measures had boosted program export by creating broadcaster-affiliated production companies responsible for the overseas market since the first half of the 1990s. Kim Young-won, deputy managing director at SBS Productions claimed that "When Korean programs were not yet known in Taiwan, it was we who offered them at low prices and made their quality known to the audience there." He emphasized that this effort made it possible for them to enter the Taiwanese market. Indeed, it is well known that MBC contributed in opening the Chinese market and SBS the Taiwanese. SBS, for instance, got an annual programming contract with a Taiwanese cable television broadcaster at a bargain price in the late 1990s and, later on, signed an exclusive contract with them. In other words, in the days when Korean programs were not yet popular, the affiliates' strategy to use price-competitiveness to open up overseas markets marked a significant first step in their business abroad.

As for the government's support for overseas distribution, the majority of the interviewees expressed the opinion that, although they relied partly on this support, it was not a major factor in encouraging exports. Regarding the remaking of programs, some hoped for "100 percent support instead of the current 70 percent" (Choi Jae-young, general manager at SBS Productions); however, their dependence on government support in participating in the international audiovisual content market is decreasing. There are more and more cases in which the main broadcasters bear the expenses necessary for marketing their programs abroad.

These changes, evident since 2004, represent changes in broadcasters' attitudes toward program export. In fact, the international marketing function that used to be performed mainly by affiliates has, since 2000, gradually been incorporated into the parent companies. For example, the international sales section of MBC Productions was absorbed into MBC itself in 2005. Regarding this trend of absorbing export sections only after they began to create large revenues, the parent company and their affiliated productions seem to hold different views. KBS has four affiliates sharing the export business, and

KBS producer Kim stressed the role of the parent company and said, “When overseas marketing was still a small business, there was no problem in handling it, mainly through the small-sized production affiliates. But today we have reached the stage at which the parent company should be extensively involved.”

Secondly, quota measures boosted program export by creating independent production companies, which are nowadays indispensable actors in Korean drama production. The first group in this sector was represented by producers who left the terrestrial broadcasters and became independent during the 1990s with the backing of the quota regulations of the Broadcasting Law discussed above. The number of independent production companies in 1991, when the regulations were introduced, stood at around 10, but has increased ever since; as of 2005, there are more than 500 registered production companies. One thing to be noted here, however, is that only 30 or so drama production companies are actually involved in exporting programs, and they have a relatively stable financial base.

According to Han Sang-kyu, senior officer of the programming department of MBC, “As far as TV dramas are concerned, independent production companies play a very important role. The independent production quota stimulated formation of production companies and activated competition among them, though it was not exactly what the government expected. Since Korean broadcasters are not private enterprises, they work under various regulations. The fact that drama production blossomed mainly in the relatively free sector of independent productions has also affected the nature of the dramas.”

No precise statistics have been published, but in South Korea today 50 to

Photo 3. South Korea pavilion at TIFFCOM 2006



80 percent of all dramas on terrestrial television are made by independent companies. This fact does not show in export breakdown, because broadcasters finance almost all their production costs and handle the export business as well. The basic rights, therefore, rest with broadcasters, and independent production companies receive a part of overseas revenues.

In regard to the influence of independent producers on drama production, as pointed out by MBC senior officer Han above, interviewees offered various observations. One theory maintains that, in order to foster independent production companies, the Korean Broadcasting Commission has tolerated the appearance of product placement⁷ in their productions and thus encouraged the emergence of dramas involving large production costs. In fact, the competition for survival among independent production companies can be interpreted as having prompted the unexpected industrialization of the Korean broadcasting. Further research is needed in order to measure the true effect of the independent sector. More detailed analysis, through interviews of the personnel concerned, is also needed regarding the role played by government support measures such as the production expense financing for independent production companies. Since there are very few surveys, it seems that “you can’t really say whether the government measures were effective or not.” (KBI researcher Kim)

A general impression seems to be that independent production companies are having severe financial difficulties because of the abuse of their dominant position by the terrestrial broadcasters who control programming. But a majority of those interviewed for this study stated that terrestrial broadcasters have already lost their drama production capabilities to some extent.

MBC senior officer Han observed that, “For more than 17 years, the broadcasters hired staff and invested in facilities and equipment in line with the quota policy. So, even if the 35 percent quota regulation is lifted now, it would be impossible to fill all the broadcasting slots using only our own production capabilities.” With regard to dramas, which cost more to produce than other programs, the practice has become established among terrestrial broadcasters, who suffered from a recent decline in revenues, to use outside companies that can produce dramas at minimum cost.

South Korean popular dramas, on the other hand, boast audience ratings of over 50 percent and are said to decide the ratings of all other programs (senior officer Han, MBC). As a result, actors/actresses and script writers have increasingly strong standing, to the extent that producers cannot cast leading

⁷ The current Broadcasting Law prohibits indirect advertisement in the form of product placement in programs.

actors, according to Choi of SBS Productions. Drama production, which already has a stable domestic market, has become the leader in export as well, thus enhancing its attraction as a business. And there are signs of change not only in the standing of actors/actresses and script writers but in the position of some of the independent production companies that have supported drama production all this time.

One instance is found with *Winter Sonata*. This serial drama is said to have earned almost all of its export value in the Japanese market. It was produced by PAN Entertainments, an independent production company, and all the rights are reserved by KBS. Kim, KBS producer, explained the situation: "At the outset, we didn't recognize the significance of the overseas sales. Therefore, we used to transfer copyrights in Asia to the production companies as part of our support for them. But with *Winter Sonata*, we came to be keenly aware of what overseas sales can do and stopped this practice."

For KBS in those days, the main source of overseas revenue was the North American market, targeting at Korean immigrants living there. The Asian market, which did not include Japan, meant Southeast Asia and part of the Chinese cultural zone. When *Winter Sonata* scored an unexpected hit in Japan, KBS could no longer ignore the importance of the Asian market and the overseas market in general.

PAN Entertainments later grew into a joint-stock company dealing with drama, music, film production, and digital media businesses in general. Furthermore, some entertainment companies that have their own star actors/actresses, record companies, and motion picture companies are moving into drama production for its stable demand, forming a second group of independent production companies.

This movement is just starting, and it is hard to speculate at this point about its influence on the international competitiveness of Korean audiovisual products, including dramas. Likewise, no one anticipated in the beginning how the Korean government's policy measures would lead to exploitation of the overseas market and then to the industry reorganization currently taking place.

CONCLUSION

I have tried so far to show how South Korean government measures since the 1990s, aimed at enhancing the competitiveness of broadcasting as an industry, have influenced marketing of broadcasting programs overseas. First, the government that used to see broadcasting merely as a medium of political control came to launch a new policy focusing on developing the content industry. The shift was not only stimulated by technological innovation but occurred in the

context of developments in many advanced countries. In those countries, broadcasting was the subject of keen discussion both as a trade commodity and as the next-generation industry expected to generate revenue and jobs. Particularly since 1998, when the Kim Dae-jung administration was established, the Korean government began to take new approaches, such as introducing promotion measures for media designated as cultural industries and using their economic effects as an engine for growth of the national economy.

Of all the cultural industries, broadcasting was deemed a strategic industry, and the government tried to jumpstart its development by imposing programming quota systems on terrestrial and other broadcasters. It also carried out such measures as improvement of broadcasting production environment, personnel development, and support for program export. Attempts to search for the points of interaction between these measures and program export have revealed, as a result of comments by the interviewees, that the independent production quota, which obligates broadcasters to air a certain amount of programs produced by independent production companies, may have partly contributed to strengthening the competitiveness of Korean dramas, which comprise the majority of program exports.

However, if the quota system and other measures to support the industry have really improved the competitiveness of Korean dramas, it would be largely because the genre already had a stable market. Dramas have a special status in South Korea. They are Korean television viewers' favorite type of program, and a national hit can be expected to obtain a rating of nearly 50 percent.

As for animation, on the other hand, on which I touched only briefly in describing governmental measures, the situation is completely different. The government has given the strongest support to this industry for the reason that it has very low cultural barriers and would be easy to export. But it is having difficulty in gaining an audience for various reasons, including decline in the number of children. Its export is decreasing.

This situation suggests the limitations of governmental measures aimed at securing distribution channels as well as indicating how important it is to maintain a stable domestic market for the program. However, the domestic market alone also has its limitations, and the Korean drama is a model example that clearly shows the magnitude of the ripple effect from overseas markets. In particular, the current signs of the industry's restructuring could not have been expected with only domestic market growth. It was made possible to a large extent by the exploitation of larger overseas markets, the Japanese market in particular.

A case similar to the Korean drama is found in the Brazilian *telenovela* (serial dramas). *Telenovela* boast high audience ratings in Brazil and are exported to various countries in South America and Europe. In both cases the stable domestic market as well as the strong regional market with high degrees of cultural affinity worked as decisive factors in the export increase.

From this point of view, it is fortunate for South Korea to have the second-largest market in the world as its neighbor. From Japan's point of view, on the other hand, program export is rarely profitable since neighboring countries with cultural affinity to Japan have much smaller economies. And the only audiovisual products that are distributed regardless of regional or cultural barriers, the American programs, owe a great deal to the historical, political, and militaristic factors of the country itself. In other words, what is necessary for Japan, judging by precedents, is a very novel plan, taking into consideration Japan's circumstances.

A first step may be to plan, in view of Japanese broadcasting in the international market, an export model to be beneficial both economically and culturally. If the South Korean government has succeeded to a certain extent in exporting Korean broadcasting after the policy model of European governments, it is only due to the hard-working efforts of broadcasters, especially those working at affiliated production companies. Even in this successful case of South Korea, however, it is only in recent years that program export began to bring a certain amount of benefit to both the government and the broadcasters.

(Translated by Tashiro Yasuko)