Business integration and its impact on film industry: The case of Korean film policies from the 1960s until the present†

Jimmyn Parc\textsuperscript{a,b}

\textsuperscript{a}Paris School of International Affairs (PSIA), Sciences Po, Paris, France; \textsuperscript{b}Institute of Communication Research, Seoul National University

ABSTRACT

With increasing business integration in cultural industries around the world, it has often been debated whether this process is helpful or harmful. The experiences of the Korean film industry provide an important example in this regard. Over the course of Korea’s film industry, there have been three distinct periods of integration. This article analyses the causes, processes, and their effects. The first one was the result of strict regulations and strong government intervention. The latter two periods exhibit different characteristics: deregulation and pro-competition in a global setting. In fact, integration brought about rather positive effects to the industry when a business-friendly environment prevailed. Based on this study, the results show that integration can be used to enhance the competitiveness of a film industry. The analysis in this article can be useful toward providing a good reference point for establishing cultural policies for the film industry.

1. Introduction

After long existing on the fringes, Korea’s film industry is now enjoying significant success.\footnote{This article is based on a part of the author’s PhD dissertation (see Parc (2014)). An earlier version was presented at the 5th Korean Screen Culture Conference, held at King’s College London (3–4 June, 2016). Based on these previous two versions, this article has been further updated and developed.} It has been increasingly recognised at prestigious international film festivals while at home its box office share has improved greatly relative to its Hollywood rivals. This success is very well captured by a number of notable statistics. In terms of both market size and the number of films produced, Korea has ranked sixth since 2017. This puts it behind the United States, China, Japan, India, and the United Kingdom, followed by France while the number of films produced (339) overtook both France (300) and the United Kingdom (285) according to the most recent figures from the UNESCO Institute for Statistics.

The number of Korean films enjoying strong domestic box office success, compared to their competitors from Hollywood, has been on the increase in recent years. A prominent example is the Korean film \textit{Myeongnyang} or \textit{The Admiral: Roaring Currents} which in 2014 swept across movie theatres nationwide. It went on to become the most watched film of...
all-time with 17.6 million admissions as of April 2019. This figure overtook the previous record held by the Hollywood blockbuster *Avatar* which had 13.3 million admissions (Korean Film Council, 2019b). However, the success of *Myeongnyang* sparked a heated debate in Korea over how local movie theatres are dominated by only a few big-budget blockbusters (Bae, 2015). Although the official share of screenings for *Myeongnyang* was around 40 percent, its actual share was closer to 60 percent (Sung, 2014). The first is based on the number of screens the film occupied in cinemas, whereas the latter is on the number of times they were shown.

The distributor of this film was CJ Entertainment, one of Korea’s chaebols or major conglomerates that operate in the cultural and entertainment industries. As part of its core business, it manages the CJ CGV cinema chain which owns the largest number of multiplex movie theatres in Korea. Given this factor, it is easy to see then why many have argued that *Myeongnyang*’s success was not due to the quality of the film, but rather a result of the company’s distributive power (Bae, 2015). In the summer of 2017, another blockbuster, *Gunhamdo or The Battleship Island* followed a similar trend. Great attention has therefore been paid to the oligopolistic market situation of the Korean film industry which is dominated by a few large chaebols (Kim, 2007; Bae, 2015). There have been a number of diverse opinions regarding this situation, and questions have been raised on whether business integration that facilitates this kind of oligopoly is helpful or harmful to the Korean film industry. However, most of these opinions tend to express negative viewpoints because they only examine recent business activities which do not capture the history and process of business integration in the film industry. Thus, a broader analysis focused on a long period is required.

At the same time, the dual nature of the film industry, existing ambiguously as it does between culture and commerce (Meehan, 1986; Lampel, Lant, & Shamsie, 2000), requires a more diverse approach. This would be similar in vein to the method proposed by McAnany (1986). He speaks of a need to encompass and integrate political economy, cultural production, and a cultural studies approach to text and audience. The combination of these three approaches would be the ideal way to investigate the whole process from cultural production to reception (Min, Joo, & Kwak, 2003). This signifies a meaningful distinction between film and film industries: film contains a strong aspect of culture and art whereas film industry is more associated with business and economic aspects.

As a cultural studies perspective tends to focus more on the interpretation of text rather than on the consequences of the institutional framework (Min et al., 2003), this article seeks a different approach, specifically business and economy. It highlights both political economy and cultural production, specifically the impact of policies on film production. Furthermore, this article focuses on business integration in the Korean film industry which in the current context has been too often misunderstood. By doing so, the findings of this article can be a complementary asset towards a better understanding of the Korean film industry. It can also extract meaningful implications from Korea’s experience that can be useful for other countries to develop further their film industries.

This article consists of six sections. The first section delineates the situation of the Korean film industry before the 1960s, which was prior to integration. The second to fourth sections focus on the actual business integrations that occurred within the Korean film industry. Each of these sections analyses the different periods by examining the causes, processes, and effects of integration. The fifth section finishes with the discussion and highlights the
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This was due to the strict censorship and limited resources available during the period of the Japanese occupation of Korea (1910–1945). The situation changed though following the country’s liberation as the domestic audience became more exposed to Hollywood films provided by the U.S. government who took on the task of administrating the country from 1945 to 1948 (Shin, 2008). This shows that from its earliest years Korea has had a relatively sophisticated audience and thus a vibrant domestic consumer market. Such an environment would be an important step in the development of its film industry.

During the Korean War (1950–1953), a number of Korean directors and film makers were hired and trained by the U.S. military to produce documentaries on the war. In particular, foreign aid programs during and after the war as well as U.S. troops stationed in Korea provided local film makers and film producing companies with the latest technology and equipment (Kim, 1998; Paquet, 2007). As a result, Korean film makers were able to learn and develop a range of advanced film-making techniques. At the same time, the central government provided the film industry with a tax exemption benefit in 1954 (Song, 2012).

The number of domestic films produced increased sharply from eight in 1954 to over a hundred in 1959, so too did the number of imported films, notably from the United States (Paquet, 2007; Song, 2012). In order to protect the domestic film industry, the Korean government initiated the import quota regime in 1958 to control the annual number of imported films. Under this system, films that were box office hits in foreign markets were usually imported in order to minimise risk and avoid commercial uncertainty. Therefore, in the domestic market attractive foreign films were in competition with Korean films of varying quality. This distortion, caused by the import quota regime, created the perception that foreign films were always better in terms of quality and more profitable than Korean ones (Robinson, 2005).

In response to the higher quality and profitability of foreign films, the government assigned licenses under the import quota regime; only Korean film makers or film production companies that produced good quality films could obtain a license to import foreign films – generally, one foreign film for three high-quality Korean films. While this quality-based reward system induced integration between producers and importers, it motivated the Korean production companies to produce higher quality films – although it only lasted for a short period of time (Jwa & Lee, 2006; Parc, 2017). Under such conditions, the Korean film industry grew gradually and even enjoyed a ‘Golden Age’ from the late 1950s to the early 1960s (Song, 2012).

4. The first period of integration and government intervention (1960s–1970s)

In order to protect and promote the Korean film industry, the government enforced the import quota regime and intervened by adopting various protectionist measures. However, these seemingly supportive measures did not bring about the kind of beneficial results as expected. This is because the ultimate goals of government and business at the time were different from each other; the government sought to promote its national culture whereas business was more interested in effective value creation. Under these circumstances, vertical integration developed between producers and film importers. Furthermore, prevailing mergers between companies accelerated horizontal integration.
4.1. The causes of integration

When the Park Chung-hee regime was established in 1962, it was primarily focused on economic development through industrialisation and the establishment of a strong national identity. Given this approach, the government perceived the film industry as part of the latter category. In fact, since its liberation, successive Korean governments have always viewed the film industry as being more closely related to national identity and culture, than industrialisation. It was only in the early 1990s that the government began to recognise the economic benefits of the industry (Darlin, 1994; Parc, 2017). Given this context, the Park regime sought a way to foster the industry with little or no government investment. The outcome was a so-called ‘virtuous circle’; (1) produce high-quality Korean films, (2) export these domestic films overseas and earn foreign currencies, and (3) reinvest this into the Korean film industry to produce high-quality films (Parc, 2017, 2018).

In order to ensure that this self-sustaining system would work, the government introduced the Motion Picture Law (MPL) in 1962 as well as its first amendment in 1963. The MPL and its amendment stipulated that companies acquire official authorisation to produce, import, and export films (National Law Information Center, 1962). Because the government believed that well-equipped hardware would help Korean companies produce high-quality films, the law stipulated specific requirements to obtain authorisation, such as studio size, film-making equipment, certain numbers for full-time film directors and employees, and a certain amount for start-up capital (National Law Information Center, 1963). Furthermore, the government also required film companies to produce at least fifteen films per year, and that they should be commercial in nature in order to keep the legal authorisation valid.

Based on these measures, the government tightened the import quota regime to promote and protect the Korean film industry. The import quota regime changed from quality- to quantity-based reward system in 1966 – on average, one foreign film for simply three Korean ones – due to endless disputes on how to define ‘quality.’ During the period of Korea’s industrialisation, foreign currencies and reserves were essential towards boosting the economy, and exports were an effective way to earn and accumulate them. In addition, the government believed that devaluation of the Korean won would help the export of domestic products and discourage the import of foreign goods. In this regard, the Korean government devalued the Korean won several times; May 1964 (96 percent), November 1969 (4.4 percent), June 1971 (13 percent), and December 1974 (21 percent).

4.2. The process of integration

Korea’s small and medium-sized companies (SMCs) in the film industry were often financially limited and therefore could not meet the hardware stipulations under the MPL regime. Furthermore, producing fifteen films per year was beyond their capacity. As a result, only a few big companies were able to survive.5 For SMCs, mergers with big companies or joining up with other SMCs were the only solutions to ensure survival, namely horizontal integration (Min et al., 2003). It should also be noted that the MPL banned independent producers that were usually smaller in size. Behind this policy, it is assumed that economies of scale affects productivity, allocative efficiency, and business dynamics (Nooteboom, 2007).

The authorisation and import quota regime which was based on a reward system encouraged the film industry to form vertical integrations through a combination of production
and distribution channels. Under this system, the government expected the reinvestment of profits gained from exports to go into domestic production (Parc, 2017, 2018). Yet, once the reward system of the import quotas transformed from quality- to quantity-based, it became severely exploited. Due to the greater profitability of foreign films, these integrated movie companies began to produce low-quality films known as ‘quota quickies’ in order to acquire more import licenses for foreign movies (Parc, 2017).

Following several devaluations of the won (May 1964, November 1969, June 1971, and December 1974), it was expected that there would be an increase in exports of Korean films and fewer imports of foreign films. However, due to the degradation in the quality of Korean films over time it became difficult to export them despite the government’s devaluation efforts. Thus, the profits gained abroad declined significantly. The devaluation in 1964 led to the price for foreign films doubling and the number of films imported subsequently declined. Still this did not deter the Korean companies due to the high profitability of foreign films. In this environment, integration became the only way for companies that faced financial difficulties to survive. Contrary to the government’s expectation, the number of imported films was quickly restored to the previous level before declining again over the coming years (see Table 1).

### 4.3. The effects of integration

The government intended movie companies to achieve economies of scale in order for them to produce better films in greater numbers. Instead they ended up with integration between producers and importers that then formed into an oligopoly. At the same time, there were a number of complaints from the film industry about the stringent requirements for authorisation (Kim, 2013). This led to a second amendment of the MPL in 1966 (National Law Information Center, 1966). The requirements were loosened based on the expectation that there would be healthy competition with more operators in the industry. For instance, the minimum number of annual films that must be produced in order to receive authorisation changed from fifteen per year to just two.

At this point, the Korean government was struggling with the contradictions in its policies. For instance, it was seeking to promote quality and efficiency through only a few major players to help with the development of the film industry. At the same time, it was also undertaking efforts to ensure diversity and competition among multiple players. The government often alternated its position in favour of integration at one time and then in opposition to it during another. This inconsistency hindered a stable and sustainable development process within the industry. Additionally, the increasing number of quota quickies, that were not exportable, and that of imported films soon dried up the available foreign currencies meaning there was little investment left over for Korean films. As a result, the market was flooded with a distorted mix of less attractive domestic films and highly attractive foreign films. In other words, these protectionist measures had a negative effect on the entire film industry.

Under these circumstances, Korean films became less attractive and the whole industry experienced a period of decay. The result was that the number of foreign films imported also declined as the number of Korean films produced decreased significantly to meet the enforced ratio of 1:3 under the import quota system (see Table 1). The market share of
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The critical change in the Korean film industry, however, would come when the United States began to increase pressure on its key trade partners. Given the economic recession in the United States during the early 1980s, such pressure was intended to strengthen the export of its goods and services including movies. Alongside these political incentives, the Motion Picture Export Association of America often complained about the various restrictions on film imports in Korea. Following such calls for change, the First and Second Korea-U.S. Film Agreements were signed in 1985 and 1988, respectively (Paquet, 2005). These agreements led to the import quota system being abolished and crucially, Hollywood studios were able to distribute their films directly to Korean movie theatres (National Law Information Center, 1986). This means that the integration between Korean producers and importers became less important than before. UIP was the first to register in March 1988, with four others following shortly afterwards: 21st Century Fox in August 1988, Warner Brothers in December 1989, Columbia Tristar in October 1990, and Disney (Buena Vista International) in January 1993 (Paquet, 2005).

During this period, the view of the Korean government towards the film industry also began to change significantly. In 1993, the Hollywood blockbuster Jurassic Park was released in Korea. At the time, President Kim Young-sam identified the economic value and potential of the film industry, referencing that Jurassic Park was the equivalent to the sale of 1.5 million Hyundai Sonata sedans. This shift in paradigm brought about a positive impact on the future of Korea’s film industry. Following this, the Korean government began to consider providing financial support to the industry. From the late 1990s, a significant amount of public support was provided but much of it was for the development of the film industry’s infrastructure rather than as direct subsidies (Song, 2012; Parc, 2014, 2017). Some have credited this support with rebooting the Korean film industry, but this take-off in fact began in the early 1990s due to private investment from the chaebols (Parc, 2017, 2018).

### 5.2. The process of integration

The abolition of the import quota regime and the direct distribution of films by Hollywood studios as a consequence brought about significant changes to the Korean film industry. Up until this point, there had been in existence a two-tier system for distribution: large movie companies imported films from Hollywood and then distributed them to a number of

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Foreign</th>
<th>No. of screens</th>
<th>Year</th>
<th>Domestic</th>
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<td>1980</td>
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<td>39 (53.4%)</td>
<td>447</td>
<td>1990</td>
<td>111 (20.2%)</td>
<td>276 (79.8%)</td>
<td>789</td>
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<td>1981</td>
<td>87 (48.2%)</td>
<td>31 (51.8%)</td>
<td>423</td>
<td>1991</td>
<td>121 (21.1%)</td>
<td>256 (78.8%)</td>
<td>762</td>
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<tr>
<td>1982</td>
<td>97 (51.3%)</td>
<td>29 (48.7%)</td>
<td>404</td>
<td>1992</td>
<td>96 (18.5%)</td>
<td>319 (81.5%)</td>
<td>712</td>
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<tr>
<td>1983</td>
<td>91 (39.9%)</td>
<td>26 (60.2%)</td>
<td>450</td>
<td>1993</td>
<td>63 (15.9%)</td>
<td>347 (84.1%)</td>
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<td>1984</td>
<td>81 (38.5%)</td>
<td>26 (61.5%)</td>
<td>534</td>
<td>1994</td>
<td>65 (20.5%)</td>
<td>382 (79.5%)</td>
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<td>1985</td>
<td>80 (34.2%)</td>
<td>30 (65.8%)</td>
<td>561</td>
<td>1995</td>
<td>64 (20.9%)</td>
<td>359 (79.1%)</td>
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<td>380 (74.5%)</td>
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<td>696</td>
<td>1998</td>
<td>43 (25.1%)</td>
<td>290 (74.9%)</td>
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</tr>
</tbody>
</table>

Note: Market shares are in parenthesis.

For market shares, Jwa and Lee (2006).

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regional distributors. These regional players covered six different areas in Korea where they would supply these imported films to local movie theatres (Jwa & Lee, 2006). These regional distributors used to finance large movie companies – mostly in Seoul – to produce films in exchange for the pre-selling release rights for domestic and foreign films. It was a win-win situation. For the movie companies, this system worked as a way to share risk for production and allowed them to make films with a comparatively smaller budget (Paquet, 2005).

This system, however, ceased to function once the Hollywood studios were able to distribute their films directly to Korean movie theatres. The effect was that the Seoul-based movie companies, who acted as importers, and regional distributors could no longer bring in successful high-quality foreign films that would have normally earned them larger profits. As well as this, individual movie theatres had to engage in a tough process for price negotiations with the Hollywood studios directly. Naturally, they could not achieve a good price for foreign films as they had done before with the Korean movie companies. Therefore, these companies and the regional distributors began to acquire movie theatres and form coalitions to develop a stronger bargaining position against the Hollywood studios. The result of this change was that the distribution of foreign films was undertaken by the Hollywood studios, while the screening of them was managed by Korean companies. This came at the cost of the regional distributors who lost their influence as distributors and shifted their focus to operating cinema chains. Soon Korea turned into a ‘single’ market, in terms of distribution, without any noticeable presence of regional distributors since 1992 (Paquet, 2005).

On the other hand, in order to compensate for the losses from not being able to distribute profitable foreign films, a number of large Korean movie companies began to invest directly in Hollywood film projects through a number of joint ventures (Russell, 2008). There were three factors behind this investment: first, these companies already operated or were closely involved in movie theatres in Korea; second, since 1985 there were no limits to import foreign films; and third, the majority of domestic films were not popular enough to attract large audiences. Notable examples are Samsung and Sunkyong (known as SK after 1997) who invested in the Hollywood film industry during the late 1980s and early 1990s. However, most of these endeavours failed due to a misperception held by these companies over foreign films; any film imported into Korea will be successful. This misperception is based on the experience of what happened under import quota regime; Korean movie companies imported a limited number of films that had already been successful overseas. It is easy to see then how this practice created the mistaken impression that any Hollywood film could be a hit in Korea. Yet, investing in film production from the beginning is a risky business, regardless of its location either in Korea or Hollywood, since no one can guarantee whether a film will be successful before its release.

5.3. The effects of integration

As Hollywood Studios took over the distribution of foreign films in Korea, their approach would change the domestic audience’s perceptions of these films. Before this transformation in distribution, the majority of foreign films were carefully selected by Korean companies – mostly ones that were already successful overseas – in order to maximise profits and minimise risks. However, the Hollywood studios distributed films in Korea without careful attention to the selection process as the import quotas had been lifted and they believed that any foreign film could be successful there. As a result, Korean audiences began to discover that
foreign films can range in quality as well. Although the chaebols’ film projects in the US mostly failed, they did manage to adopt some crucial lessons from Hollywood on the importance of a well-planned and vertically integrated system of production, such as financing, producing, distributing, marketing, and screening movies.

These large companies redirected their investments into the Korean film industry and looked for other ways to secure self-sustainability in the early 1990s. The chaebols transformed the structure of the Korean film industry by introducing this well-planned Hollywood system which is not government-led but business-driven (Lee, 2005; Shim, 2006). An example in this regard was the successful 1992 Korean film *Marriage Story* which was financed by Samsung. Regarded as a ‘planned movie,’ it was the first time that a chaebol had invested in the whole process of vertical integration in domestic film production (Paquet, 2005). This success attracted other chaebols to become involved in the film industry and it began to witness a resurgence (see Table 2).

The coalition among the Korean movie companies, regional distributors, and movie theatres meant they had strong bargaining power when dealing with the Hollywood studios to obtain an optimal price. This became the starting point for the cinema chains that were strengthened further following the emergence of multiplexes, which are often criticised for dominating the Korean film industry. With the introduction of cable TV in the mid-1990s, many chaebols began to aggressively enter the film industry by strengthening their vertical integration which was backed by large investments. Unfortunately, it was short lived as the 1997 financial crisis took hold and chaebols such as Samsung, Daewoo, and SK dropped out of the industry when circumstances became less favourable. Therefore, only a few relatively mid-sized companies that were highly specialised and vertically integrated, such as CJ Entertainment and Lotte Cinema, remained and went on to become the major players of today (Paquet, 2005; Parc, 2014).9

6. The third period of integration and the screen quota cut (2000s-Present)

As a result of the Korea-U.S. FTA negotiations in the early-2000s, the number of days for the screen quota was cut from 176 to 73 days per year. This was the guaranteed minimum number of days to show Korean films in domestic movie theatres. The majority of Koreans believed this screen quota cut would ruin the film industry. However contrary to their expectations, Korean companies have utilised effectively their vertical integration to produce and promote films after only suffering a brief stagnant period. Alongside this, the relationship between film producers, distributors, and cinema chains within a company became tighter in order to compete with foreign studios. These days, Korean companies are seeking to expand their scope of business from a domestic focus to an international one through business integration.

6.1. The causes of integration

Since the late 1990s, successive Korean governments have adopted – voluntarily or not – a resolute ‘open door’ approach towards globalisation, including in cultural matters (Gills & Gills, 1999; So, 2001).10 In 1998, Korea’s cultural policy made yet another big shift towards
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of screening days, not on the number of films screened during those days. Therefore, filling the 73-day quota with one or two Korean blockbusters is permissible. This same approach is also seen with the dominance of a handful of attractive foreign films despite the fact that they enjoy longer screening days. Together with a few Korean hits, the movie theatres are able to manipulate more easily the shortened days of the screen quota regime. This new environment, although still regulated, in fact has simply created an oligopolistic situation among a few highly successful films. This is why Myeongnyang and Gunhamdo were able to dominate Korean movie theatres.

This screen quota cut has now created a situation where there is severe competition between a few Korean and foreign blockbusters. In such an environment, the Korean film industry has a stronger incentive to produce big hits in order to compete against the foreign studios, particularly those from Hollywood. As a result, vertical integration among all sectors of the film industry has become tighter. The cut in the screen quota has then accelerated the business integration of the big companies. Through this process, Korean films were able to gain more commercial competitiveness. At the same time, in utilising the well-organised distribution networks of the chaebols, Korean films have begun to gain popularity in the Asian market. Consequently, the demand for Korean films in foreign markets has increased, and international sales companies were set up in 2000.

7. Conclusion

There has been a prevailing view that cultural industries should be protected and supported by the government, whereas business and its operations should be regulated. Such a perception persists because it has long been believed that business, with its focus on profits, distorts the development of art, culture, and cultural creativity and diversity. In this regard, business integration has been considered to have a negative effect on the development of cultural industries, particularly with film industries. In reality though, many of the distortions mentioned here in relation to the Korean film industry, were actually caused by reactions to inconsistent and unfriendly government policies or to failures that created severe disruptions in the market. This can be interpreted that business integration itself can be a more efficient way to ensure survival or achieve better-offs. In addition, when a government pursues protectionist policies rather than ‘market-oriented’ ones, it more often than not creates unexpected distortions. The Korean film industry’s case clearly supports and proves these arguments.

Viewed across its whole history, the case of the Korean film industry presents a comprehensive picture. There are three distinctive periods of business integration that have been described in this article. The first one was the result of strict regulations and strong government intervention. The latter two periods exhibit different characteristics, deregulation and pro-competition in a global setting. As analysed with the first period of business integration, the variety of distortive practices which were undertaken by business and emerged in the Korean film industry were all in fact caused more by protectionist measures that were initially aimed at preserving the industry, rather than with business integration per se. For the latter two periods, integration was formed under deregulation and competition through globalisation and it actually enhanced the competitiveness of the Korean film industry. In fact, the impact of business integration, whether it is positive or negative to the industry, is more influenced by the business environment, friendly or not (see Table 4).
Table 4. Comparison of three periods of business integration.

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<th>2nd integration</th>
<th>3rd integration</th>
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<td>Deregulation (Import quota abolition)</td>
<td>Deregulation (Screen quota cut)</td>
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<td>Processes</td>
<td>Horizontal and vertical integrations</td>
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<td>Effects on domestic films</td>
<td>Weakening competitiveness</td>
<td>Enhancing competitiveness</td>
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<tr>
<td>Remarks</td>
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</tbody>
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It is noteworthy that these protectionist measures initially aimed to protect and promote the domestic film industry in order to enhance cultural creativity and diversity. This practice can still be clearly seen across the world, for example the Members of the European Parliament voted for the local content quotas on online media platforms in October 2018. China has implemented import quotas as well as screen quotas since 2012. The Korean government is considering to re-implement screen quotas – or more accurately, a screen cap – as result of the incredible popularity of *The Avengers* series in April, 2019. And France, Germany, and the United Kingdom have all continuously raised the level of subsidies.

These measures may have worked as intended, but only for a short period of time. This is because there are various gaps between the period of initiation and that of practice in terms of business environment, real-world practice, technological advancement, social acceptance, and global economic circumstances, as well as other unexpected side effects. The government’s reaction to these changes are usually slower than that of business. Therefore, it is recommended for governments to be in a position of supporter, rather than as an interventionist for cultural prosperity in the future.

This article does not argue that government measures are always ineffective or that business activities in the film industry are always justified. It is though important to highlight that protectionism can cause unexpected problems and many difficulties. And often these can be solved by business in a healthy environment with moderate government involvement. It is also crucial to mention that the stage of competition has changed from domestic to international, which means big conglomerates are not in competition with domestic SMCs, but with other foreign conglomerates in an internationalised market. These results imply that business integration can be beneficial if the government takes advantage of it through a better understanding of its properties vis-à-vis different circumstances and market functions.

It is also frequently said that business and its commerciality cannot go along with artistry or culture in the film industry. However, business activities can support art and culture under the right conditions. A good example can be found again in Korea. *Thread of Lies*, a small budget artistic film featuring mostly lesser known actors was financed and distributed by the conglomerate CJ Entertainment and was released in March 2014. Remarkably it maintained an impressive showing at the Korean box office, despite strong competition from other Hollywood films, such as *Noah* and *300: Rise of an Empire* (Hong, 2014). This type of business practice is becoming more common and will be beneficial to art and culture in the end.

While this study has presented a broader and more effective way to understand business integration, the focus of this article remains on the Korean film industry. In this regard, a
A comparison of the business integration within the film industries of other countries, such as Japan in Asia, France in Europe, and the United States in North America could be meaningful for further studies. Specifically, connecting business integration with their domestic and international success can bring about vibrant discussion and debate in academia and real-world practice. Furthermore, the impact of digitization and new media on the landscape of domestic and international business integration should also be considered. This is a timely issue as soft power has been receiving more interest these days and the role of government has been too often emphasised in this regard. All of these contributions can be useful towards establishing better cultural policies, ultimately to achieve more cultural creativity and diversity.

**Notes**

1. Korea was liberated from Japan in 1945 and the division in to north and south occurred in 1948. ‘Korea’ is used as a general term to refer to South Korea in this article.
2. Data vary depending on sources for the same period.
3. The definition of ‘quality’ is rather subjective and arbitrary. Still, quality in general can be defined from two perspectives: audience and critics. The audience perspective can be measured by number of admissions while critics’ perspective can be judged by the number of awards (or nominations) and movie reviews. When the Korean government developed its policies in the 1960s, there was no such distinction on quality. Even today, this term is still used in film policies without much distinction. Therefore, this article employs ‘quality’ and ‘attractive’ as a general descriptive term.
4. In Korea, importers distributed foreign films to regional distributors.
5. According to Kim (2007), 65 small film companies were consolidated into 17 large companies. Jwa and Lee (2006) provided more specific data: the numbers of small film companies were 71, 16, and 6 in 1959, 1962, and 1963, respectively.
6. In the 1970s, the prevalence of television emptied movie theatres. However, a series of deregulations increased the number of movie theatres in the 1980s despite the introduction of colour television. Hence, small-sized movie theatres or cinemas for less than 300 people was permitted in 1981, midnight screening debuted in 1982, and multi-screen movie theatres appeared in 1986. For further information, see Korean Film Archive.
7. It is noteworthy that not all the foreign films were distributed by the studios. Foreign studios distributed mostly top-tier films, whereas they sold the distribution rights of second- or third-tier foreign films to Korean companies.
8. Furthermore, as the large Korean companies were able to finance themselves with their own private investment, the role of regional distributors as investors significantly weakened. See Kim (2003).
9. CJ was a subsidiary of Samsung before breaking off to a separate company in 1993.
10. Part of this open door approach was related to 1997 financial crisis. The government tried to attract more foreign investment in various sectors to overcome the crisis.
11. See Murschetz, Teichmann, and Karmasin (2018), Parc and Messerlin (2018b) and Kim, Martigane, and Parc (2019) for various distortions and disruptions in the film industry.

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Notes on contributor

Jimmyn Parc, Ph.D. is Visiting Lecturer at the Institut d’Études Politiques de Paris (Sciences Po), France and a Research at the Institute of Communication Research, Seoul National University in Korea. He has published numerous academic articles and conducted a number of research projects related to the competitiveness of organizations, industries, and countries. For his main topic of research on the cultural and creative services industries, he uses historical and comparative approaches to understand international business strategies.

ORCID

Jimmyn Parc http://orcid.org/0000-0002-4836-460X

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