



CULTURAL ECONOMICS & THE CREATIVE ECONOMY

The Untold Story of the Korean Film Industry A Global Business and Economic Perspective

Jimmy Parc
Patrick A. Messerlin

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Cultural Economics & the Creative Economy

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PROLOGUE: WHY THE KOREAN FILM INDUSTRY?

Since the birth of film in the late nineteenth century, this revolutionary medium has drawn in a great deal of attention from a wide range of people who seek to understand more about the workings of its industry. When it comes to films, a large number of moviegoers have enjoyed watching Hollywood blockbusters while French and Italian films still benefit from their reputation for being artistic and cultural works. Therefore, numerous academic articles and books have been devoted to covering Hollywood or European films as well as their related film industries. To a lesser extent, films from Japan and Hong Kong have also been at the center of interest in more recent decades.

Among the film industries around the world that have received little attention, the Korean film industry has slipped by under the radar among many observers despite its consistent progress. Yet as it marks its one hundredth anniversary in 2019, its achievements are coming to be recognized. Notably, several films have received prestigious international film awards. The most prominent example in this regard is the recent hit film *Parasite*, which not only won the 2019 *Palme d'Or* at the Cannes Film Festival but also went on to receive four Oscars in 2020 including the prestigious Best Picture. As a result, several Korean directors such as Bong Joon-ho and Kim Ki-duk as well as a number of Korean actors and actresses like Jeon Do-yeon, Lee Byung-hun, Song Kang-ho, and Youn Yuh-jung, have been known among film lovers.

In fact, it is not only moviegoers or audiences who are interested in Korean films, but also a number of countries, international organizations, and film companies have begun to pay close attention to the Korean film industry and its market. For example, as Hollywood studios were the first to realize the promising potential of the Korean film market in the 1980s, they pushed the US government to open up the market for further opportunities. More recently, a number of foreign companies have been interested in both distributing Korean films and investing in the industry. Even the United Nations Educational, Scientific and Cultural Organization (UNESCO) has witnessed the Korean film industry's influence grow in its multilateral forum since that country opened up its market to foreign companies.

The history of the Korean film industry is nothing short of profound since the release of its first Korean film *The Righteous Revenge* in 1919. During the Japanese occupation period (1910–1945), films were censored and the Korean film industry was under the influence of the Japanese authorities. Following the country's liberation in 1945, the Korean film industry began to make tentative steps on its own, but the Korean War (1950–1953) interrupted these efforts. While the film industry managed to emerge from the ashes of the Korean War and endure decades of military rule, it would come to face a greater challenge. By the 1970s, the industry was in a steep decline as few Koreans went to see domestic films let alone even foreign titles. Having hit rock bottom by the 1990s, Korea's film companies then underwent a decade of painful and uncertain industrial restructuring before experiencing an impressive revival around the new millennium. After a brief plunge between 2007 and 2008, the film industry bounced back and has since consolidated its success. Today, Korean films enjoy a strong share of the domestic market while the overall film market that includes foreign films is very healthy.

What has been behind such ups and downs? A number of existing studies often raise the issue of censorship by the Korean government or even the lack of cultural creativity and diversity. However, they cannot fully answer the question by relying exclusively upon an analysis of the industry's cultural characteristics. Rather it becomes evident when examining the history of the Korean film industry that it has been shaped by economic and business decisions—both foreign and domestic—which suggest the need for an analysis centered upon these issues, including those raised by film policies.

This book constitutes a search for the main contours of an effective film policy, one that is both friendly to culture and economically sound. In this respect, Korea is the central character: by ensuring a better and stable economic and regulatory environment, it has provided its film companies with the opportunity to take the lead in the successful reshaping of the domestic film industry. Korea's film policy therefore appears as an attractive benchmark for other countries as they seek to develop their own film industry. This result is important since, in almost every decisive aspect, it challenges the approaches generally suggested when faced with the growing dominance of Hollywood, such as using quotas and subsidies for developing and advancing the domestic film industry.

Highlighting the uniqueness of the Korean film industry and its policies is a meaningful task, but it may place the reader in a narrow box. In addition, while many studies have focused on Korean cinema, very few have taken on a broader and comparative assessment of its film industry. Such a gap in the literature has missed the important example that the Korean film industry holds for others that wish to achieve a similar level of success as well as enrich their cultural industries. To pursue this goal with more rigorous and insightful research, we compare the Korean film industry and its policies with its counterparts in the global film industry. By doing so, it shows the status of the Korean film industry in an international setting in terms of production, consumption, and market. Such an expanded comparison reveals the sharp differences in their film policies and helps to understand why certain policies have been effective while others have not. Given that the Korean film industry emerged from almost zero to one of the important global players today, it is meaningful to examine how Korea has overcome such challenges while others have not.

This book has thus been developed entirely within an international framework. It compares Korea with the five most important markets in the world, specifically China, France, Japan, the United Kingdom (UK), and the United States (US).¹ Furthermore, this study provides a comparative analysis of the effects regarding the whole range of policy instruments

¹ Together these six markets account for more than sixty percent of today's international box office revenues. The only large film industry not included in this study is India due to lack of reliable data for this market. However, this absence is not a significant problem for the period covered by this book: in 2018, the Indian film market is still smaller than Korea or France in terms of box office revenues and is much less integrated into the global film markets than the six countries covered in this study.

used by these countries toward their film industries: import and screen quotas, subsidies and tax reliefs, as well as regulatory measures and institutions. By comparing these six film markets over the past four decades, this book offers a comprehensive view of the Korean film industry's impressive growth. Today, this industry is a powerhouse which has "outperformed" all of the major film industries around the world in almost every conceivable economic criterion—a point not fully realized even in Korea. More crucially from a cultural perspective, Korea's "quantitative" successes have not been achieved to the detriment in the "quality" of its films. This study presents evidence showing that the average quality of Korean films over the last decade fares better than that of French, UK, or even US movies.

This book relies on a vast data set compiled specifically for this publication. In particular, it makes use of data on the amount of subsidies and tax relief schemes granted to film industries, on the laws and implementing measures that regulate these industries, on the institutions in charge of film policies, and on film quality in the key countries covered. Gathering these data has required the recourse to primary sources since these measures have almost never been explored in a comprehensive manner within the existing literature. Data have been collected over long periods of time, from twenty to seventy years, depending on the topic and availability. Such a long time frame ensures more robust results—too many studies of the film industry rely upon short time periods, which fail to identify major changes that may happen down the line given the high volatility of the film industry. Long periods also possess the significant advantage of revealing changes that are not perceptible if the time period is too short.

In completing this book, we would like to thank our research assistants, Dr. Yeon W. Lee and Dr. Wenyan Yin. We would also wish to extend our gratitude to Dr. Kyuchan Kim for his support, critique, and insights. Furthermore, we want to express our appreciation to Korean Film Council (KOFIC) and *Centre national du cinéma et de l'image animée* (CNC) for sharing their knowledge and data with us. Special thanks goes to Stephen Ranger for his editing and comments for this book. Finally, we are grateful to Springer Nature for their early reviews of parts of the manuscript and helpful comments, and in particular to Ruth Jenner who recognized the value of this book.

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