# Chapter Four

## Rapid Commercialisation and Regionalisation Since 1999

> If we describe the 'Korean Wave' as when films and TV dramas travel abroad, spread influence and form a new culture, then it is just beginning. Producers are not just sitting back and waiting for this to happen – they are doing research in order to succeed.
>
> Junh Hoon-taek, iHQ and Sidus HQ CEO, 2006.[1]

> I truly believe that the Korean film industry has no limit for expansion. Of course, we still have millions of things to achieve and we need to put more effort and care into what we do. Even though Korean films are mainly accepted in Asia, expansion to Europe and America is inevitable.
>
> – Kim Kwang-seop, Lotte Cinema CEO, 2006.[2]

Korean national cinema has become a popular commercial cinema since 1999, dramatically expanding its horizons in domestic and international markets. Bigger production and marketing budgets have catered to more ambitious large-scale film projects and wider releases than in the past. The exhibition sector has been overhauled. New multiplexes equipped with modern technology, comfortable seating and superior facilities have encouraged patrons to flock to movie theatres.

Sales of Korean film overseas have grown exponentially, especially within the Asian region.

Previous chapters have explained how the structure of Korean cinema has transformed since 1986 due to a realignment of interests surrounding film policy and film finance. Korean cinema has flourished because these structural changes brought about a stabilisation of conditions enabling Korean agents in commercial segments of the film industry to profit from activities involving the integration of production with distribution and exhibition. Unlike the past, when film production was necessary in order for distributors to obtain import quotas or for *chaebŏl* to feed ancillary markets, the enthusiasm for Korean films among local and regional audiences since the late 1990s has made production a vital component of the overall system of activities that contemporary film companies undertake in Korea and abroad.

In this chapter, I discuss the success of Korean cinema since the departure of the *chaebŏl*, focusing on the different ways major new film companies in Korea have consolidated the truncated commercial developments that were explored during the *chaebŏl* period. Chief among these has been the construction of multiplexes. Emerging film companies purchased several unfinished multiplex projects from the *chaebŏl* and invested in the construction of new venues to rapidly increase the number of screens in Korea. The expansion of the theatrical exhibition market has guided the various vertical integration strategies of the new major entertainment companies. Since up to 80% of total revenue for motion picture releases in Korea is obtained from theatrical release, the different approaches of the majors to vertical integration have understandably been characterised by various degrees of emphasis on the ownership of theatres.[3]

Alongside the multiplex expansion, film companies have expanded production slates, widened distribution channels and increased the exploitation of ancillary markets, again with different emphases according to each company's sectors of special interest. In addition to multiplex expansion and vertical integration, the other primary accomplishment of the companies that replaced the *chaebŏl* was Korean cinema's regionalisation. Fewer than ten years ago film exports from Korea were negligible, but with an eager audience across Asia keeping one eye fixed on the latest trends and developments in Korean popular culture, the business of selling international distribution rights to Korean films has become extremely lucrative. Korea is now firmly established as a regional leader, replacing Hong Kong as Asia's most visibly widespread cinema. This is not to suggest that Korea cinema has emulated Hong Kong's. Whereas martial arts and action films from Hong Kong proved enormously popular in the 1980s, Korea has forged a regional identity through the export of melodramas, romantic comedies and other 'soft' genre material.

Many of the features marking the transition between the end of the *chaebŏl* period and the rise of contemporary Korean cinema were encapsulated in the 1999 release of *Shiri*, which signalled the end of *chaebŏl* entertainment subsidiaries and pointed the way forward for a successful commercial entertainment in Korea. *Shiri*'s enormous success blew the lid off the 'slow cooker' commercialisation of the 1990s and opened up a range of domestic, regional and ancillary markets for the Korean film industry. The vast international attention that Korea's emerging commercial entertainment cinema received over the next few years was also largely the result of *Shiri*. The smashing debut of Samsung's final picture affirmed that Korean cinema's commercialisation and regionalisation strategies were viable in the long-term, thus paving the way for multiple future successes at home and throughout Asia.

## 4.1 Audience Boom: *Shiri*, or 11,657 Passenger Cars

Released during the lunar New Year holiday in February 1999, *Shiri* quickly became the highest grossing movie in the country's history and fully announced the arrival of Korean's commercial entertainment cinema. For domestic and international observers, *Shiri*'s $27.5 million box office success was the most tangible signpost of Korean cinema's emphatic resurgence. The popularity of *Shiri* renewed confidence in the industry, triggered investment, and encouraged movie fans across Asia to investigate Korean cinema as an alternative to domestic movies. With a budget of around $5 million, *Shiri* was the most expensive film ever made in Korea at the time.[4] As David Scott Diffrient points out, while this was "twice the budget of the standard Korean motion picture [it] was little more than 1/50th the budget of the average Hollywood blockbuster."[5]

In just twenty days, *Shiri* exceeded one million admissions in Seoul, breaking the previous attendance record for a Korean film held since 1993 by *Sopyonje*. *Titanic* took longer than five weeks to attain the same number of Seoul admissions when it was released during the previous lunar New Year.[6] Fewer than five million viewers nationwide attended *Titanic* overall, while *Shiri* gained a total of close to six million nationwide admissions, accounting for one quarter of attendances at all Korean films released in 1999.[7] Inclusive of foreign and domestic films, one in every ten motion picture tickets sold in Korea that year was for admittance to *Shiri*. To illustrate the extent to which *Shiri* cornered the local market in an unprecedented fashion, a hypothetical movie obtaining ten percent of the total admissions in America in 1999 would have grossed $745 million.[8]

Why was *Shiri* such a big hit with local audiences? Most critics tend to agree that a multitude of impressive textual factors were instrumental in drawing the attention of viewers. Film academic Yu Ji-na has identified several features that help explain the film's widespread attraction and financial success:

> The combination of an intriguing spy thriller and a love-story melodrama that stirs Korean sensitivities; a plot that appeals to both women and men viewers; high-profile marketing efforts; a large-scale production and promotion budget; the overall professionalism of the film; and the spectacular special effects made even more impressive by the use of weaponry imported from the United States.[9]

The intensity of the plot, a controversial theme concerned with the reunification of the two Koreas, large-scale special effects and demolitions, and a cast featuring several young stars well known to Koreans were all important selling points for the marketing campaign behind *Shiri*'s domestic promotion. As Yu indicates, unlike the imported Hong Kong martial arts films that were popular among young men in the 1990s, *Shiri* was an action movie that appealed to an expanded demographic incorporating female viewers. International film models also influenced on *Shiri*'s success. Yu's comments regarding the film's professionalism and use of technical equipment from overseas suggest *Shiri*'s reliance on the successful assimilation of international production strategies.

Together, these factors don't explain *Shiri*'s box office supremacy over other successful films like *Sopyonje* and *Titanic*. Three pertinent contextual explanations stand out, especially in comparison with the American blockbuster. First, *Titanic* was released during the height of the economic crisis, while *Shiri* was in release during the period of economic recovery. Consumer expenditure declined during the crisis, and, as I explained last chapter, heightened nationalism caused the brunt of consumer frugality to be absorbed by foreign products, including movies. During economic recovery, resurgent consumer confidence was expressed through greater spending on local products, which increased at a quicker rate than expenditure on foreign goods. Second, *Titanic* was released three months prior to the introduction of the first multiplex in Korea in April 1998. When *Shiri* was released one year later, there were fewer theatres but more screens in Korea as a consequence of single-screen theatre closures and new multiplex openings. Third, multiplexes encouraged distributors to release pictures with wider distribution patterns on a national level. Twentieth Century Fox released Titanic on 47 screens in Korea, whereas Samsung benefited from a wider 71 screen national release, with a greater proportion of prints dispatched to non-metropolitan areas than in previous years.[10] In 1998, Korea's top ten grossing domestic pictures were opened on a collective total of 181 prints in Seoul compared with a total of 400 prints nationwide, representing a 45:55 ratio between the Seoul market and the rest of the nation. *Shiri* was booked on just 24 screens in Seoul for its opening week. This 33:66 ratio indicated Samsung's concerted effort to expand non-metropolitan markets and also its successful establishment of a nationwide direct distribution system on a par with Hollywood's distribution subsidiaries in Korea.

Before the sudden impact of *Shiri*, surprisingly few contemporary observers noticed the increasing popularity of Korean films. Across the four years prior to *Shiri*'s release, movie attendances to Korean films had improved 60%, with admissions rising from 39 million in 1995 to 62 million tickets sold in 1998. In the process, domestic market share crept 4% higher. Incremental gains over this period were rarely interpreted as a sign of the steadily improving climate for domestic film releases. "Korea's cinema landscape offers a bleak prospect," commented the *Variety International Film Guide* in 1998.[11] By the time the *Chosun Ilbo* belatedly recognised a "surge in ticket sales" for Korean films in late 1998, *Shiri* was just weeks away from triggering a rise in admissions on a much larger scale.[12] The absence of any detailed study of Korean cinema's gradual commercial transformation throughout the 1990s contributed to the astonishment felt among critics and analysts regarding *Shiri*'s phenomenal popular reception.

Although *Shiri* triggered a boom in attendances to Korean films, and thus initiated a period that has brought great economic success to film companies in Korea, its domestic release also coincided with the departure of the *chaebŏl*. *Shiri* was the final movie offered production investment from the Samsung Entertainment Group as well as the last picture Samsung distributed. The financial returns from *Shiri* were so overwhelming that Samsung briefly reassessed its decision to part ways with the film business, but external pressure from the International Monetary Fund to rationalise the conglomerate structures of the *chaebŏl* and reduce debt in the wake of the economic crisis proved decisive.[13]

*Shiri* was remarkable not just for its domestic performance, but also as the first major indication that Korean cinema could achieve export growth and make an impact with audiences across the Asian region. For Chris Berry one of the most remarkable features of *Shiri*'s success was its "small-scale emulation of Hollywood's deployment of big-budget entertainment to win international audiences."[14] Film historian Tino Balio has described how Hollywood's globalisation strategies in the 1990s involved the production of ultra high-budget films for saturation release in major international markets, across multiple platforms, and with various product tie-ins.[15] Samsung followed a scaled-down but similar strategy for its international handling of *Shiri*.

*Shiri*'s first international stop was Hong Kong, where it was released in November 1999. It grossed $770,000 after opening on 15 screens and remaining on top of the box office for three weeks.[16] Samsung had a much larger windfall in Japan, which has since become Korea's most lucrative source of overseas sales. *Shiri*'s theatrical and home video distribution rights were sold to Japanese co-distributors Amuse and Cine Quanon for $1.3 million.[17] It was a breakthrough sale for the local industry, equivalent to the total export revenues for *every* Korean picture across all territories from 1995 to 1997.[18]

After gaining valuable exposure and positive press at the Tokyo Film Festival, *Shiri* opened on 83 screens in Japan early in 2000.[19] It immediately shot to the top of the local box office. Miyashita Masayuki, the president of Amuse, later recalled how his company "had an extremely difficult time getting theatres to show [*Shiri*]," because exhibitors "were worried about attracting customers to a South Korean film."[20] After the surprise of its strong opening, the Japanese distributors were able to secure more screens for *Shiri* during its release. At its zenith, *Shiri* played on 140 screens across Japan.[21] Eventually *Shiri* attracted 1.2 million admissions, returning $14.8 million in Japan's high-ticket price environment.

As a result of its success at home and in neighbouring countries, *Shiri* became a highly sought after commodity for film buyers. Samsung sold distribution rights to more than 15 territories in Asia, continental Europe, Russia, the UK, Oceania and North and Latin America.[22] For all these sales, *Shiri* was less successful in international markets outside Asia.

*Shiri*'s portrayal of terrorism did it no political favours in the US, where its scheduled opening coincided with the September 11 attacks on the World Trade Centre. The release date was pushed back to February 2002 when, on a narrow 7-screen opening, *Shiri* registered less than $100,000 at the box office.[23] *Shiri*'s failure in America indicated one of the general boundaries for Korean film exports. In comparison to other Asian and non-English speaking cinemas, English language cinemas have proven less likely to embrace the subtitled 'foreignness' of Korean films. As a consequence, theatrical releases of mainstream Korean films outside of Asia remain comparatively rare. Beyond Asia, import rights of Korean films are more typically purchased for cable and satellite television programming, and for region-specific DVD release.

*Shiri*'s wide diffusion within and beyond Asia was a remarkable milestone for Korean cinema, yet its noteworthy position in Asian screen culture cannot simply be measured with theatrical box office statistics. It also opened up domestic and international ancillary markets for Korean cinema. During *Shiri*'s domestic release, *Business Korea* reported that 3,000 to 4,000 copies of its original soundtrack CD were purchased in Korea every day.[24] Diffrient has described how, elsewhere, *Shiri*,

> immediately became a pan-Asian phenomenon. The highest grossing motion picture in Korean history has been touted in the political, economic, and social sections of national newspapers as a symbol of Asian pride.[25]

Soon after *Shiri*'s release in Japan, the movie's local website drew over two million hits per week.[26] Meanwhile, Satellite Theatre, a Direct Broadcast Satellite (DBS) company owned by Shochiku, made *Shiri* its first significant Korean acquisition in eight years.[27] Illegitimate ancillary markets also benefited from the film's prominence. According to Darcy Paquet, trading was intense for pirated *Shiri* DVDs circulated around Hong Kong in mid-2000.[28] China also saw significant sales of pirated *Shiri* DVDs, which were popular even though the picture never received a theatrical release in China.[29]

Searching for a tangible way to appreciate the enormity of *Shiri*'s achievements, and also to translate the success of the new information economy into terms investors in Korea's older heavy manufacturing industries would understand, the Bank of Korea conducted a special economic study. Evoking an influential 1994 report from the Presidential Advisory Board on Science and Technology, which revealed that the total global revenue of *Jurassic Park*, including all its subsidiary gains, was equivalent to 1.5 million Hyundai cars, the bank claimed that the total economic effect of *Shiri* was equivalent to the production of 11,567 passenger cars.[30] While the overall economic contribution of *Shiri* was small in comparison with a global blockbuster like *Jurassic Park* or *Titanic*, the Bank of Korea's finding was nevertheless significant in terms of potential local investment for a market on the cusp of a mainstream re-awakening.

Financiers, especially venture capital firms, took note, considerably increasing film production investment over the next few years.

## 4.2 Emergence of Venture Capital

*Shiri* proved local films could become hugely successful, but also signalled the vacuum in film finance after the departure of the *chaebŏl*. The exit of the large conglomerates presented a rare opportunity for smaller but more flexible firms to take over control of profitable media industries. In order to continue making the commercial films that local distributors wished to release, domestic production companies needed to find new financial partners to back their projects. Independent venture capital emerged at a crucial moment and proved to be an efficient and adaptable form of finance for Korean film companies. While fringe art cinema producers continued to count on subsidies from the Korean Film Commission, venture capital firms were the saviours of commercial production companies. Kim Kyung-hyun explains that:

> The lean structure of venture capital, the Western-style management system, and the short-term oriented goals well suited the ambitions of many producers and directors who sought to follow the Hollywood blockbuster marketing and distribution model.[31]

Venture capital investments in Korean film production first emerged in 1996, following the government's reclassification of filmmaking and distribution from a service industry to a manufacturing industry in 1994. This measure brought film producers, investors and the banking sector closer together.[32] Companies involved in manufacturing industries received a government reduction on corporate tax as well as other financial incentives. These tax breaks, along with the relaxation of censorship in 1996 and the commercial orientation of film production under the *chaebŏl*, encouraged individuals and private companies to invest in film production.[33]

The first phase of venture capital offerings made between 1996 and 1999 obtained more than $63 million for domestic film producers. Ilshin Investment became the first professionally managed firm to offer speculative finance, making financial contributions totalling $2.9 million to three films in 1996, including Shincine's production of *The Gingko Bed*. Solid returns from *The Ginkgo Bed* encouraged subsequent investment from Ilshin in 1997, but the onset of the economic crisis dampened the total outlay to $1.1 million spread over four pictures.

The following year, with the nation still recovering from its economic woes, venture capital firms sharply increased their stakes in film production. Ilshin poured $4.8 million into six films, including box office successes *Christmas in August* (1998) and *The Quiet Family* (1998). Impressed with Ilshin's film earnings, several other venture capital groups entered investment agreements with Korean production companies. As reported in the *Korean Observatory*, organisations such as Kookmin Venture Capital, Mirae Asset and Sambu Finance allocated over $8 million *each* to motion picture investment in 1998.[34] A further $22.8 million was poured into production from venture capital firms in 1999.[35]

Just as *chaebŏl* funding filled the product vacuum for local distributors after the introduction of US direct distribution, venture capital helped restore parity for surviving Korean film companies after the economic crisis and the exit of conglomerate finance. Korean cinema experienced healthy economic growth as the nation quickly rebounded from the monetary meltdown. Following the rapid escalation in ticket sales to Korean films in 1999, investors increased their stakes in local film production. Venture capital entered a second phase marked by greater investment and the introduction of several new managed funds consortia. In 2000 and 2001, almost $150 million was raised for domestic film companies to spend on production.[36] During this period, venture capital firms typically offered returns of 20% to 30% on investments in film production, much higher than the 8% to 10% gained from savings accounts held in domestic banks.[37] "The best part of being the fund manager of the movie consortium is that it has a short term return rate," declared a spokesperson for TeraSource, a consortium responsible for managing the investment funds of new major film company Cinema Service in its TeraSource Media Venture Fund. Returns from movie investments "can be recovered within a year which is unthinkable for other venture capital investments."[38]

Another important element of consortia finance was the focus on portfolio investment. In order to diversify investments and reduce overall risk, consortia divided funds across a slate of investment projects. Few filmmakers received a large lump sum capable of covering the entire production budget. On behalf of producers, fund overseers also actively pursued pre-sale agreements with major distributors in order to safeguard their investments.[39]

Typically, venture capital firms established film investment consortia that included the financial participation of government institutions (KOFIC, the Small Business Corporation, and Small and Medium Industry Promotion Corporation) and television stations (SBS). As a corrective to the profit motive of private investors, the inclusion of government funds allowed non-mainstream arthouse pictures such as *Take Care of My Cat* and animated features like *My Beautiful Girl, Mari* (*Mari iyagi*, Yi Sŏng-kang, dir., 2003) to gain production finance through the consortia. These were isolated cases, however, as venture capitalists preferred because commercially-oriented filmmakers. In return for saleable mass-market products, investment firms offered producers a more streamlined style of financial management than that found within the elaborate conglomerate structure of the *chaebŏl*. Pre-production turnaround periods were shortened as decision-making became centralised, and risk management practices were exercised more thoroughly due to the tight control of investors.[40] Filmmakers were held more accountable by the venture capital system than they were under the *chaebŏl*, since they could easily lose creative control of the project if they strayed too far from the budget or the script. Producers of commercial entertainment films were prepared to accept such vigorous terms because venture capital firms offered them substantial sums of money.

As a result of the participation of venture capital groups, competition for film finance increased. Oh Jung-wan, owner of production company b.o.m. Film Productions, believes that after the introduction of venture capital Korean film institutions were encouraged to streamline their activities and “form smaller, more specialized groups” in order to compete with one another in the local market.[41] In contrast to the monolithic *chaebŏl*, the film companies that remained operational after the crisis were indeed smaller and more specialised since they were singular business entities that undertook a more tightly focused set of operations.

## 4.3 Rise of New Film Companies

Following the departure of the SK Group, Hyundai, LG and Daewoo from the entertainment sector, the withdrawal of Samsung in the wake of *Shiri*'s release heralded the end of first-tier *chaebŏl* participation in the film industry. New firms and existing film companies augmented by new sources of capital rose to replace the departing conglomerates, sustaining the commercial development of Korean cinema in the wake of the monetary meltdown. Greater financial transparency and mobility characterised the new majors, who discarded baggage associated with the top-tier *chaebŏl* after the economic crisis and nurtured an unsullied corporate identity modelled on the globally dominant cinema. *Newsweek* describes how, "[s]mall, family-run and *chaebol*-backed production companies began to give way to independent firms that function like Hollywood studios: each produces multiple films each year and distributes them nationally."[42]

Three of the four largest and most important of the new majors, CJ Entertainment, Mediaplex, and Lotte Cinema, were originally established as media divisions of second-tier *chaebŏl* empires. Second-tier *chaebŏl* comprise almost sixty Korean conglomerates that are not as structurally complex as the monolithic first-tier *chaebŏl* nor as large in terms of overall group revenues and total range of business activities. In 1997, the Lotte Group, parent company of Lotte Cinema, was considered the 10th largest conglomerate in Korea, while Mediaplex's parent, Tongyang Confectionary, was the 30th, and Cheil Jedang the 31st.[43] Tongyang Confectionary's total sales of $361 million in 2001 were equivalent to just 0.45% of the Samsung Groups's annual pre-crash revenues, while Cheil Jedang's sales of $1.93 billion in the same year represented only

2.4%.[44] During the economic crisis, the second-tier *chaebŏl* escaped the criticism levelled at Samsung, Hyundai and the other top-tier *chaebŏl* by the IMF and the Korean public. As a result, the smaller second-tier conglomerates suffered fewer economic and corporate restrictions in the wake of the crisis, making it easier for them to incorporate enterprises in the film sector. In contrast with the first-tier *chaebŏl*, whose revenues were principally drawn from electronics, machinery and heavy chemical industries, the mainstay businesses of the second-tier conglomerates tend to be food (Cheil Jedang) and confectionary (both Tongyang and Lotte), industries sharing greater synergies with the entertainment sector, especially with respect to the sale of concessions at exhibition venues. Cinema Service was the fourth major film company to gain prominence after the economic crisis. With the aid of private investment from numerous domestic and foreign sources, Cinema Service managed to remain independent from the first- and second-tier *chaebŏl* for several years, but in 2004 it became partly owned by chief rival, CJ Entertainment. As a result, all of the key players in the domestic film market today are affiliated with second-tier *chaebŏl*.

Several features of the new major film companies differentiated them from earlier first-tier *chaebŏl* subsidiaries. Plans among Samsung, Daewoo and Hyundai to introduce multiplex cinemas in Korea had been abandoned or sold to other film companies after the collapse of the economy in 1998. As a consequence, new exhibitors were entirely responsible for modernising Korea's single-screen environment with the construction of multiplexes and the multi-screen conversion of existing theatres. Multi-million dollar multiplex cinema openings raised the number of screens in Korea enormously, encouraging wider first run releases of blockbuster films. New drive-in movie theatres were also constructed, with more than 30 sites opened across the country after the late 1990s.[45]

The availability of many more screens in Korea has transformed the distribution and film promotion strategies of major companies, bringing them into line with release patterns in other industrialised countries. Wide releases maximising publicity and advertising have become a standard practice for the opening of big-budget films in Korea. While average film production budgets doubled in cost from $1.2 million in 1999 to $2.4 million in 2003, expenditure on print and advertising budgets almost tripled over the same period from $440,000 to $1.1 million.[46] Saturation releases dominating screens across the country have also become increasingly common during peak periods, when very expensive films supported by extensive nationwide marketing campaigns are generally released. Movies in Korea now earn the majority of their box office revenue in the first few days after opening. Since the bulk of film distribution activities are concentrated within a handful of large domestic companies not all large-scale releases need to succeed at the box office in order for companies to stay afloat. One smash hit release may cancel out the losses sustained on several flops, a situation comparable with Hollywood. Smaller independent films have been squeezed off local screens due to the intensification of wide release strategies, regardless of the massive increase in the total number of screens since the arrival of multiplexes. In 2005, the four major distributors accounted for almost 85% of the market share for domestic films released in Korea, and 51% market share inclusive of foreign movies.

Whereas the *chaebŏl* entered the film industry in order to create horizontal synergies between their electronic manufacturing industries and their nascent home video and pay television services, the enterprises that replaced them at the helm of Korean cinema have primarily focused on vertical integration, with an emphasis on exhibition. In doing so, the new majors have sought various domestic and foreign sources of film finance through the pursuit of mergers, alliances and partnerships with entertainment companies, investors, banks and even with elements of film fandom through special investment funds established on the Internet. This differed from the approaches of the first-tier *chaebŏl*, who preferred to accumulate business activities within their conglomerate structures. By orchestrating mutually beneficial deals, extracting finance from a variety of sources, and sharing the risk of expensive ventures, the new majors have followed the vertical integration strategies that shaped the structure of Hollywood during the 1990s. Tino Balio explains that financial alliances among American film companies aimed to "stabilize operations by creating numerous 'profit centers' as a hedge against a business downturn in any one area."[47] According to Balio, the movement towards corporate mergers in Hollywood was characterised by a desire to (a) enter exhibition in order to profit from the handful of blockbuster movies that remain profitable in the era of big-budget entertainment, and to (b) strengthen distribution by knocking out competitors. Both of these factors are applicable in relation to the pursuit of financial alliances among Korean film companies in the 2000s. Balio also argues that international and domestic partnerships formed the basis of Hollywood's response to globalization during the 1990s, and again the same can be claimed in relation to Korean cinema. Rare during the *chaebŏl* period, alliances between Korean film companies and international partners have become increasingly common. Since the economic crisis, agents in the film industry have resisted the pre-crash emphasis of Korea's *segyehwa* (globalisation) drive on national unity and the expansion of Korean culture. Instead they have taken on a far more pronounced international outlook and embraced Korean culture's globalisation with a much greater sense of cultural inclusivity.[48] This has been reflected in the increasing number of international co-productions involving Korean film companies, including *Musa* (Kim Sŏng-su, dir., 2001), a co-production with China (refer to chapter 4.6 for more examples). In order to compete internationally, Korean film producers have been inclined to incorporate subjects, locales, stars, and filmmakers frequently seen in other national film industries. As a result, films that emphasise the essential characteristics of Korean national culture have become less uncommon.

Another distinguishing aspects of the new majors emerged after the surprising regional impact of *Shiri*, which convinced domestic film companies to commit resources to the cultivation of Korean cinema throughout Asia and beyond. Until the late 1990s, the first-tier *chaebŏl* did not hold a regional vision for Korean film, dedicated as they were to the development of a commercially viable cinema in the domestic market. An escalation in film exports from Korea around 1998 signalled a change in emphasis among film distributors towards regional expansion. That year $3 million was earned from sales of Korean films to overseas markets, a sixfold increase from 1997 when export earnings were just $492,000.[49] Prior to the onset of the economic crisis it appeared that Samsung's investment in local film production would increase since the conglomerate was advertising that it had readied "the structure and the contacts internationally to export those films."[50] Yet, after the withdrawal of the biggest *chaebŏl*, it was the emerging film companies that were instead able to benefit from the tremendous rise in film exports, which increased from $6 million in 1999 to $76 million in 2005.

## 4.4 Development of Multiplexes

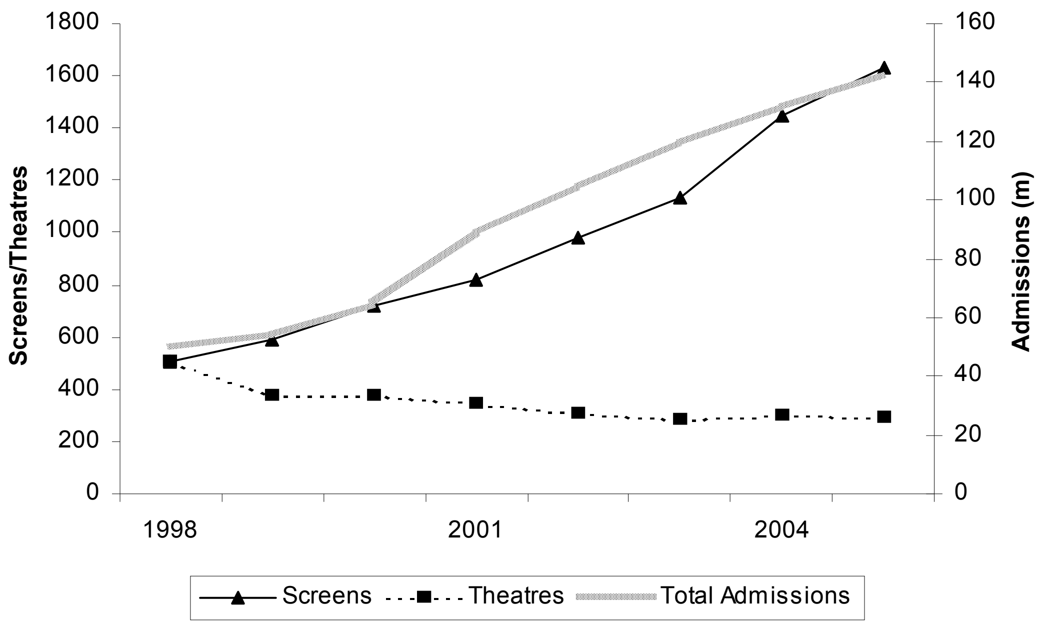
The construction and ownership of multiplexes has become the single most important undertaking for the new majors. Through the ownership and control of theatres, vertically integrated film companies have been able to guarantee screens for their domestic releases and foreign acquisitions, and maximise gross revenues by collecting both the distributors and exhibitors share of theatrical box office. *Newsweek International* contends that Korea's mutual emphasis on commercial film production simultaneous with multiplex development is a core reason behind the resurgent popularisation of Korean film. If there is one important "lesson of the Korean revival," *Newsweek* claims, it is "that money should be channelled both into films and into multiplex theatres that can sustain a blockbuster culture."[51]

In contrast to America, theatrical release in Korea still constitutes the bulk of a motion picture's total revenue.[52] The home entertainment market is relatively small in Korea because movies are generally consumed outside of cramped domestic living rooms, either in theatres or rental parlours. The relative absence of a household entertainment culture for movie viewing in Korea is reflected in the low penetration of pay television and low sales of DVDs compared with Western markets. In 2001, there were 5.2 million basic and pay cable subscribers in Korea, representing 36% of total households, but only 1.2 million of these subscribers, just 8% of all households, were fee-paying customers of pay cable services.[53] In America, 70% of TV households were subscribed to basic cable in 2001, and 32% to premium pay cable services.[54] Revenues earned from DVD rentals and sales in Korea amounted to just $87 million in 2004, which meant the DVD market was only 12% the size of the theatrical market.[55] In the same year, the American DVD market amounted to $22 billion, more than 240% the size of the US theatrical market.[56]

The escalation in the construction of multiplexes has transformed the exhibition sector, with almost 160 new multiplex venues housing over 1100 screens opening between 1998 and 2005 (Fig. 3, next page). At the end of 2005, around half of the theatres in Korea and more than 80% of the total movie screens were contained inside multiplexes.[57] The closure of seventy percent of Korea's out-moded single-screen theatres since 1998 has accelerated the drastic turnaround in the exhibition landscape and signalled the widespread change in the moviegoing preferences of local audiences.[58] The integration of exhibition with other commercial activities such as shopping has encouraged more families to attend movies. "Families who go out to eat or [shop] often end up seeing a movie as well since it is right there in the same venue," explains one CJ Entertainment distribution manager. "This has greatly boosted ticket sales for family movies and animation, particularly in regional cities."[59]

Coinciding with the rise in attendances at domestic films, the rapid growth of multiplexes allowed distributors to open films wider upon first release. Even average size theatrical runs in the early 2000s dwarfed *Shiri*'s 24-screen Seoul release in 1999. *Musa* opened on 78 screens in Seoul alone. In the same year, the top ten Korean films at the box office averaged 52 screens upon release. Since more prints are required to populate screens, the advent of multiplexes has been instrumental in increasing the total cost of launching domestic films. The financial pressures on the openings of local films are much larger than they were before the multiplex era. Print and advertising costs have increased significantly, with one study in 2001 reporting that the ratio of production to P&A costs was higher on average in Korea than in Hollywood.[60]

**Fig. 3 Screens & Theatres Nationwide, 1998 - 2005**




Source: Korean Film Council.[61]

Multiplexes have provided exhibitors with the advantages of greater efficiency and flexibility in terms of utilising space, booking films and scheduling sessions. By accommodating a wide selection of local and foreign titles available under one roof, staggering screenings among the various auditoria to ensure that waiting times are kept brief, and maintaining a high turnover of movies on short runs, exhibitors have been able to sustain relatively high seat occupancy rates. Multiplexes have also enabled distributors to compress theatrical rollouts, so that subsequent pay television and home video markets can be exploited sooner. Modern technology and marketing strategies have also played a major role in attracting viewers to the new venues. Comfortable stadium seating, digital surround sound technology, and high quality film projection systems imported from North America have all enticed spectators to multiplexes.[62] Intensive self-promotion was an important strategy for the new venues. When Mediaplex's exhibition division Megabox Cineplex opened its first complex in southern Seoul's enormous Convention and Exhibition Center, one of the company's marketing representatives announced, "[w]e are not so much interested in selling tickets as creating a whole new culture of people who make the cinema part of their life." As a part of its strategy to distinguish itself from rival exhibitors and gain ascendancy in the market, Megabox arranged its own mini film festivals, implemented a points reward system for recurrent visitors, offered door prizes and even sent its floor staff to America for training. "Marketing was not something that theatres thought of as necessary before," claimed the spokesperson.[63]

As a consequence of technological modernisation, the promotional tactics of exhibitors and the logistical benefits of multiplexes, new moviegoers were attracted to the well-appointed venues, while the majority of existing viewers abandoned single-screen theatres and migrated to multiplexes. Seat occupancy rates at the new venues were extremely high, enabling developers to swiftly recoup construction costs. As reported in *Variety* in 2001, multiplex auditoriums containing 180 to 250 seats were clearly "being filled to a greater percent of their capacity" than in previous eras, when larger auditoriums with 800 or more seats were common.[64]

Local and overseas investors were keen to partner domestic film companies in the construction of multiplexes, solving the issue of funding the high cost projects after the exit of the *chaebŏl*. Financiers were convinced that audience demand for motion pictures in Korea was on the rise and that the current exhibition sector would not be able to sustain the increase in demand because Korea remained under-screened. Foreign investment was especially important for multiplex expansion and the successful rejuvenation of Korean cinema. Financial alliances were struck between Korean exhibitors and investors from Hong Kong, Australia, Holland, and America. No investment from America had been forthcoming during the *chaebŏl* period due to Korea's screen quota, but, despite the quota's continual presence, American investors could no longer afford to ignore the rapid growth of Korea's theatrical market.

## 4.5 Approaches to Vertical Integration

The pursuit of vertical integration has been a common theme for the four new major Korean film companies, but each has undertaken different strategies and with varying degrees of success. Exhibition has led the vertical integration strategies of Mediaplex and Lotte Cinema, the former with the key support of foreign investment, the latter entirely funded within the conglomerate structure of the second-tier Lotte Group *chaebŏl*. Only after consolidating their exhibition enterprises have these companies expanded into distribution and production.
CJ Entertainment has established a media empire based on feeding distribution pipelines in entertainment markets that the company controls, an approach that has involved the outsourcing and acquisition of film productions in order for CJ to secure a slate of domestic films for local and international distribution. CJ Entertainment's multiplex exhibition division, CJ CGV, ensures that the company's distribution division is able to rollout pictures on wide release for the

subsequent benefit of the parent company's cable television (CJ Media, CJ CableNet), retail (CJ Joycube), music (CJ Music) and Internet divisions (CJ nkino, CJ Internet). As the earliest major to share the domestic market with CJ Entertainment after the exit of the *chaebŏl*, Cinema Service has sought a business model complementary with CJ's and thus focused on film production. Cinema Service's late attempt to enter exhibition in 2002 with the Primus multiplex theatre chain resulted in CJ Entertainment taking over Primus in 2004, emphasising that Cinema Service's expertise remains concentrated in production.

Vertical integration is frequently responsible for concentrating ownership in an oligopolistic fashion, stifling competition, reducing diversity, and suppressing marginal voices, but it has also brought enormous wealth and relative stability to the Korean film industry. Total sales in the film industry were worth \$4.2 billion in 2004, exceeding more traditional manufacturing and processing industries such as footwear (\$1.7 billion), leather and furs (\$3.5 billion) and timber (\$3 billion).[65] Sales reports like these have kept investor confidence high. For all its pros and cons, commercial filmmaking is now firmly entrenched as the central model for national film production. The following sections illustrate the different vertical integration strategies of the new majors in the period of consolidation after the economic crisis, highlighting the importance of financial partnerships, corporate mergers, and other risk-sharing ventures, as well as the inter-relations between the strategies of the majors.

### *4.5.1 CJ Entertainment*

CJ Entertainment has been at the forefront of the bold and adaptable post-crisis approach to film finance, developing into the leading film exhibitor and distributor in Korea. By late 2005, CJ Entertainment owned 40% of the nation's screens, which as a CJ business strategist noted gave the company "a great platform to launch [their] films."[66] CJE attained an industry leading 19% average share of box office revenues for all film releases between 2000 and 2005, and a 26% share when taking only releases of domestic films into account.[67]

Until 1994, Cheil Jedang was a part of the Samsung empire. Following the separation from its parent conglomerate, the foods and pharmaceuticals company formed an entertainment division under executive director Lee Mie-kyung, granddaughter of Samsung founder Lee Byung-chul.[68] Lee Mie-kyung was responsible for orchestrating Korean cinema's most striking international alliance, that with Hollywood's DreamWorks SKG. As a start-up mini-major in the mid-1990s, DreamWorks were looking for investment partners. Executives from Samsung and the American studio met in 1994 but failed to agree to the terms of $800-900 million investment talks. Lee was able to re-ignite talks on behalf of her new entertainment subsidiary, convincing the Hollywood studio to accept a $300 million investment package in return for an 11.1% stake in DreamWorks and the exclusive distribution rights to six DreamWorks pictures each year throughout Korea, Hong Kong and China. Under the terms of the agreement, each DreamWorks picture released by CJ Entertainment, which have included *The Peacemaker* (1997), *Mouse Hunt* (1997), *Gladiator* (2000) and *Shrek* (2001), have earned the Korean company between 8% and 13% of net rentals.[69]

CJ Entertainment's output deal with a mini-major in Hollywood kick-started its swift ascension as a major local film company. The top-tier *chaebŏl* entertainment subsidiaries, CJE's primary competitors before the economic crisis, also possessed output deals, but these were with smaller production studios and independent distributors. The DreamWorks deal was more expensive than Samsung's arrangement with New Regency or Hyundai's Studio Canal Plus output agreement, but it also supplied a wider range of popular blockbuster films and allowed CJE to exploit its imported DreamWorks titles in regional markets. Before the economic crisis, few other film companies were so well positioned for long-term domestic and regional growth in participation with a key international partner.

During the economic crisis, CJE concentrated on importing pictures from DreamWorks and developing its multiplex circuit. CJ Entertainment aligned with co-financiers Village Roadshow from Australia and Golden Harvest from Hong Kong to form exhibition venture CJ Golden Village, or CJ CGV. Hyundai's Cine Plus also had an initial investment in the project before withdrawing its stake as a result of the economic crisis.[70] The group opened its first multiplex in Korea in April 1998, an 11-screen complex in Kangbyeon, Seoul. Within four years the venue recovered its construction expenses and started to turn a profit.[71]

After the crisis, it was in CJE's best interest to populate new CGV screens with films licensed to CJE in some way, either through the import business or local production. Since the six pictures gained through the DreamWorks agreement were not enough to fill CGV multiplexes on a year-round basis, it became necessary for CJE to begin acquiring domestic movies if the company wished to fill CGV screens with films in which it had distribution rights. The synthesis of a foreign import business with a domestic film distribution business has been one of CJ Entertainment's great successes. "We stepped back from production during the economic crisis," explained a CJE international sales representative in 2000, "but the time is now right to increase our investment."[72] Instead of undertaking in-house film production, CJ Entertainment has largely focused on outsourcing production to the stable of independent Korean film companies that rely on investment from bigger firms. In this respect, CJE has followed a strategy that is common among Hollywood majors. As an executive at Korean film company Tube Entertainment explains,

> CJE has, in many respects, based their film business on the studios in Hollywood … They seek constantly to feed smaller production companies through funding and hence increase their overall share of the market in terms of local titles they invest in and distribute."[73]

Independent production companies Myung Films (*The Isle* (*Sŏm*, Kim Ki-dŏk, dir., 1999), *Happy End* (*Haep'i endŭ*, Chŏng Chi-u, dir., 1999)), Sidus (*Musa*, *A Moment to Remember*) and b.o.m. Film Productions (*Untold Scandal*, *A Bittersweet Life* (*Talk'omhan insaeng*, Kim Chi-un, dir., 2005)) have been among the primary benefactors of production investment from CJ Entertainment. Successful releases have earned substantial financial rewards for CJE. When the Sidus production *Memories of Murder* (*Salinŭi ch'uŏk*, Pong Chun-ho, dir., 2003) reaped almost $27 million in box office revenues in 2000, CJE earned the 50% exhibitor's share on all ticket sales to the film at CGV theatres, subtracted the cost of its distribution and marketing costs from the distributor's 50% share of revenues, charged a one million dollar distribution fee, and collected a percentage of the film's net profit (around $7 million) due to its initial production investment.[74] CJE further expanded its production investment horizons in 2001 with the establishment of the $6.3 million 'CJ Entertainment Discovery No. 1' investment fund through its 90% owned venture capital subsidiary, Dream Discovery.[75] In a bid to gain more funds for local and overseas expansion, CJE became Korea's first publicly listed film company in February 2002, floating 30% of its stock in a $34 million offering. Demonstrating the growth in confidence among investors in the domestic film industry, the company's initial share price of $9 doubled during the first day's trading.[76]

Through CGV, CJ Entertainment became the largest developer of multiplex cinemas in major metropolitan environs, opening 11 sites with 92 screens by late 2002 to obtain 10% of the nation's total screens. Following the earlier exit of Golden Harvest from the joint exhibition venture, Village Roadshow also exited in September 2002 in order to raise funds for investment in the production of American movies. Village sold its $31.5 million 50% stake in CGV to Asia Cinema Holdings, a Dutch venture capital firm. Due to the rising confidence in the Korean film market among international investors and the enormous revenues already being earned by the new theatre circuit ($117 million in 2002), the sale netted Village a profit of almost $50 million. The chief executive of CJ Entertainment signalled the importance of multiplexes to the company's overall market strategies when he commented, "CGV has produced well enough for us that we can be comfortable merely breaking even in our film [production and distribution] businesses."[77] Following a merger with Cinema Service in 2004 and the acquisition of Cinema Service's Primus multiplex chain, CJ Entertainment estimated that on average almost 100,000 spectators visited one of their theatres in Korea every day.[78]

Early in 2006, CJE's lucrative twelve-year association with DreamWorks was brought to an end. Following Paramount's purchase of DreamWorks at the end of 2005, CJ Entertainment sold its remaining 4.95% stake in DreamWorks to Paramount for $35.8 million.[79] In the process, CJE has lost its primary slate of imported productions from the US. It remains to be seen if CJ Entertainment can sustain its significant advantage in the Korean film market in the wake of this sale, because the distribution of DreamWorks pictures has always constituted a large part of the company's earnings. Early indications are that the company intends to compensate for the void of ultra big-budget entertainment products by investing in domestic blockbusters. At a cost of $15 million, *Typhoon* (*T'aep'ung*, Kwak Kyŏng-t'aek, dir.) was over five times more expensive than the average Korean production in 2005.

### *4.5.2 Cinema Service*

Growing out of founder Kang U-sŏk's own production company established in 1993, Cinema Service started distributing local and imported films in 1997. Early box office successes such as *Whispering Corridors* (*Yŏgo kwedam*, Pak Ki-hyong, dir., 1998), *Tell Me Something* (*T'elmissŏmding*, Chang Yun-hyŏn, dir., 1999), and *Nowhere to Hide* (*Injŏng sajŏng polgŏt ŏpta*, Yi Myŏng-se, dir., 1999) positioned Cinema Service as a major new distributor. Both in-house and outsourced film production remained an important aspect of overall business operations. In 1998, the company entered a seven-picture production investment agreement worth $2.7 million with the new entertainment subsidiary of Samboo Finance, a local venture capital firm.[80] In 2000, Cinema Service received additional funding from American investment firm Warburg Pincus, who acquired a 35% stake in the company in return for $18 million.[81] Along with CJ Entertainment's affiliation with DreamWorks, Warburg's investment indicated the restoration of cooperative involvements in film activities between America and Korea after the relation had been ruptured by direct distribution. Cinema Service was also the beneficiary of emerging production investment from the domestic banking sector. In 2001, Hana Bank launched the 'Hana Cinema Trust Fund No. 1,' a $7.8 million public investment fund that allowed any interested party to invest between $15,000 and $40,000 in a trust for the production of 10-15 films by Cinema Service over the next two years.[82]

Aside from these investors, two other important collaborators for Cinema Service were major independent film production companies Fun & Happiness and Sidus (previously known as Uno Film), who made films for Cinema Service to distribute. Fun & Happiness were responsible for producing *Attack the Gas Station* (*Chuyuso sŭpkyŏksagŏn*, Kim Sang-chin, dir.), which was second only to *Shiri* at the box office in 1999. Cinema Service also distributed the popular Fun & Happiness production, *Kick the Moon* (*Shillaŭi talbang*, Kim Sang-chin, dir., 2001). Sidus partnered with Cinema Service on the commercial hit *Volcano High* (*Hwasan'go*, Kim T'ae-kyun, dir., 2001), as well as the critical successes *Barking Dogs Never Bite* and *One Fine Spring Day* (*Pom nal ŭn kanda*, Hŏ Chin-ho, dir., 2001). Sidus and Fun & Happiness later merged to form one of the largest major independents in Korea, Sidus FnH. Investment/production company IM Pictures was another group to receive funding from Cinema Service in return for local distribution and international sales rights to their hit movie, *My Sassy Girl*. Of movies produced in-house during this period, *Guns & Talks* (*K'illŏdŭrŭi suda*, Chang Chin, dir., 2001) was one of Cinema Service's biggest box office successes.

Locus Corporation, a Korean computer software and communications firm, took control of Warburg's shares in 2001, before merging a Locus affiliate with Cinema Service in mid-2002 to form a new media company called Plenus Entertainment. Kang defended the partnership with Locus by calling attention to Korea cinema's growing regional emergence. "We need more funds… Nowadays the market for Korean films is beyond Korea."[83] The period between 2001 and 2002 was a high point for Cinema Service's distribution division, which captured 22% of the market share for all movies released in the country and emerged as Korea's leading distributor of domestically produced films. Using the flourishing success of this period as a launch pad, Cinema Service delved into exhibition, establishing the Primus Cinema chain through its parent company in 2002. Korea's MVP Venture Capital joined with Plenus Entertainment to invest a total of $19 million in Primus, which aimed to create a network of multiplexes servicing acutely under-screened regional areas outside of metropolitan centres, including Jeonju, Cheju and Gyeongju.[84]

Between 1999 and 2004, Cinema Service and CJ Entertainment dominated the local film distribution sector. Various boutique distributors such as Korea Pictures (*Friend*), Cineworld (*Hi, Dharma!* (*Talmaya nolja*, Pak Chŏl-kwan, dir., 2001)), A-Line (*Wet Dreams* (*Mongjŏnggi*, Chŏng Ch'o-shin, dir., 2002)), made considerable gains against the two majors in different short-periods, but were unable to sustain a progression of successful releases due to insufficient investment agreements with leading commercial production companies. The profitable alliances that Cinema Service and CJ Entertainment forged with film producers were instrumental in knocking out the smaller competitors in the distribution sector. Simultaneously, independent theatre chains became scarcer, making it more difficult for smaller distributors to secure a sufficient number of screens in a market dominated by the big multiplex releases of the majors.

After the introduction of Primus, more and more Cinema Service productions were outsourced. Kang U-sŏk continued to produce and direct his own in-house features on behalf of the company, including big hits *Public Enemy* (*Kongkong ŭi chŏk*, 2002) and *Silmido*, but these were isolated cases and Cinema Service was losing track of its origins as a local producer of commercial films. Primus opened 13 venues with 89 screens by mid-2004, before Kang's dissatisfaction with the marriage between Cinema Service and Locus led to the separation of his company from Plenus. Intent on seizing the potential risk-sharing benefits of a financial partnership, Kang sought a new merger deal. He found a willing partner in CJ Entertainment, who acquired 40% of Cinema Service from Plenus for $36 million. In return, CJE gained the Primus theatre chain, the right to distribute the back catalogue of Cinema Service films, and an output deal with a production studio that had proven itself capable of delivering hit films in the past. Cinema Service has subsequently downscaled, concentrating on production while allowing CJ Entertainment to handle film investment, distribution and international sales on behalf of the company.[85] The recent emergence of Mediaplex and Lotte Cinema as major rivals for CJE and Cinema Service in both exhibition and distribution has ushered in a new period of competition among large entertainment subsidiaries in Korea.

### *4.5.3 Lotte Cinema*

The Lotte Group's ownership of department stores, malls, and adventure parks in Korea has enabled Lotte Cinema, the conglomerate's entertainment subsidiary, to exercise an advantage over competitors in the exhibition sector. By building multiplexes within existing Lotte shopping centres Lotte Cinema has been able to avoid problems facing other exhibitors, such as the cost of acquiring expensive real estate and the issue of attracting viewers to new multiplex locations. All of Lotte Cinema's multiplexes are housed exclusively within Lotte stores, most of which are located in suburban areas scattered throughout major Korean cities. Lotte is thus able to draw viewers to its multiplex theatres from among the customers already situated within the walls of their shopping complexes. This synergy between shoppers and moviegoers works both ways, consolidating on behalf of Lotte the total expenditure of consumers. As Kim Kwang-seop, the CEO of Lotte Cinema, asserted, "[m]ultiplex venues became places for people to shop, go out to eat, hang out-not just to go to the movies."[86] Lotte Cinema also benefits from transfer pricing strategies that have a positive effect on profit. The cost of rent is kept low, as is expenditure on products made by the parent conglomerate, because the Lotte Group is effectively selling such goods and services to itself. The first Lotte multiplex, a relatively small six-screen venue, was opened at Ilsan in October 1999, with subsequent rollouts increasing the number of screens at Lotte venues to 53 in 2002. By early 2006, a total of 26 sites were in operation with 204 screens and 38,541 seats, representing approximately 12% of the nation's total screens.[87]

While Lotte possesses an advantage in exhibition, they are on a far more level playing field with their competitors in the distribution and production sectors. In late 2003, Lotte established an $8.7 million mutual investment fund in order to secure the distribution rights to a range of commercial films.[88] So far, the returns have been unimpressive. Since moving into distribution in 2004, few runaway hits have gathered momentum at the local box office for the company's distribution subsidiary, Lotte Entertainment. After the dismal box office failure of the first title it distributed, horror film *Doll Master* (*Inhyŏngsa*, Chŏng Yong-ki, dir., 2004), which attracted just 55,000 admissions in Seoul, Lotte has focused its local production investments predominantly on medium-budget comedies and melodramas. Like the small distributors squeezed out by Cinema Service and CJ Entertainment in the early 2000s, Lotte's shortage of strong partnerships with major independent commercial film production companies is a central reason for its relative lack of success. Compared to CJ Entertainment, Lotte's distribution slate is small. The two foreign imports and seven local pictures, including *My Boyfriend is Type-B* (*B hyong namjajin-gu*, Ch'oe Sŏk-won, dir.), distributed by Lotte in 2005 captured less than 4% of the domestic market share, while CJE's 41 pictures secured almost 22%. The scale of Lotte's theatrical releases is also smaller than CJE's. While CJE occasionally releases big-budget films on more than 120 screens in Seoul, Lotte has fewer screens than CJE and thus cannot saturate the market to the same extent. As a consequence, Lotte has remained fairly conservative with 40 screen openings for its pictures.[89] Given that more than 100 new screens were opened in Lotte department stores nationwide in 2005, the company has signalled its commitment to exhibition-led vertical integration despite the current absence of a strong distribution business.

### *4.5.4 Mediaplex*

Mediaplex was formed in mid-1999, soon after the success of *Shiri*, as a joint venture between Tongyang Confectionary and Dutch firm Morita Investment, which invested $30 million in the new entertainment company. Tongyang was able to immediately secure exhibition infrastructure for the new firm, purchasing a multi-floor four-screen venue and several incomplete multiplex construction projects from Daewoo in the wake of the economic crisis. (Simultaneously, Tongyang also acquired the Daewoo Cinema Network cable television channel and Samsung's Catch One channel to supplement the popular Tooniverse channel that Tongyang had owned since 1994.[90]) All of Tongyang's entertainment products were incorporated for Mediaplex to manage under various subsidiaries. To control the purchases from the first-tier *chaebŏl*, exhibition arm Megabox Cineplex and cable division On Media were the first to launch.

Megabox was formed in 2000 with the 50% participation of American exhibitor Loews Cineplex, which contributed an additional $21 million to the expanding venture two years later. Five venues with a total of forty-two screens were rolled out over the next two years. This was slower than both CGV and Lotte, but most Megabox venues were situated in prime real estate locations such as inside Seoul's underground COEX shopping mall and adjacent to Busan's Haeundae-gu beach. The results were immediately forthcoming. The 16-screen COEX venue proved one of the world's most popular multiplexes, attracting its first one million viewers in just ten weeks.[91] Megabox became the multiplex of choice for many viewers in Korea. On average, each Megabox screen in 2002 attracted 259,000 spectators, compared with 217,000 for each CGV screen and 189,000 for each

Lotte screen.[92] By comparison, per screen average attendances in the US in 2002 were fewer than 46,000 viewers.[93] By 2005, Megabox had opened fourteen multiplex cinemas in Korea with a total of 117 screens, spending more than $850 million in the process.[94]

Following the success of Megabox, Mediaplex's film investment, production and distribution venture, Showbox, was immediately successful upon its launch in the final quarter of 2002. Just as it was in the best interest of CJE to distribute its pictures to CGV theatres, films handled by Showbox found their way to Megabox screens. Showbox's first two releases, *Addicted* (*Chungdok*, Pak Yŏng-hun, dir.) and *Sex is Zero* (*Saekchŭkshigong*, Yun Che-kyun, dir.), were opened in Seoul on 52 screens and 41 screens respectively, much higher than the contemporary average of 25 screens per domestic film opening in Seoul. Box office revenue collected from those two pictures alone represented almost 3% domestic market share for the first time distributor.

In each of the following years, Showbox became more competitive, attaining 5% domestic market share in 2003 following the release of 6 local and 2 foreign pictures. In 2004, Showbox emerged as a major distributor, securing an 18% share of the market from 20 releases, including the smash box office hit, *Taegukgi*. Showbox's success has been largely due to the distribution of Korean movies, differing from CJ Entertainment's equal emphasis on foreign and domestic films throughout the period it distributed DreamWorks movies. Showbox saturated Korean screens with *Taegukgi*, opening the movie on 110 screens in Seoul and more than 500 screens nationwide. The strategy proved profitable, with *Taegukgi* earning close to $65 million. In the same year, Showbox received another $12 million from the wide theatrical release of *The Big Swindle* (*Pŏmjoeŭi chaegusŏng*, Ch'oe Tong-hun, dir.).

In addition to saturation release strategies, Showbox has followed its sister exhibition company and placed an emphasis on extravagant film marketing since its launch. Prior to the 400-screen nationwide opening of *Welcome to Dongmakgol* (*Welgŏm t'u Tongmakkol*, Pak Kwang-hyŏn, dir., 2005) in 2005, which was "a small cute film with no [big name] director and no stars," according to Showbox CEO Jeong Tae-sung:

> We put most of our marketing effort into preview screenings and gave away 200,000 tickets, 10 times what is normal, over a period of four weeks. We used our multiplex network to maximum effect and by the time of the release had huge word of mouth.[95]

The result was yet another huge success, the $5.6 million production earning close to $50 million. These big hits enabled Showbox to expand its distribution slate to 25 films in 2005, keeping pace with CJ Entertainment's expansion and leaving both Cinema Service and Lotte Cinema trailing behind.

Earnings from domestic movies far outweigh those from foreign pictures for Showbox. Although foreign titles accounted for 36% of the distribution schedule in 2005, the balance of domestic films accounted for 93% of earnings. Since CJ Entertainment and Cinema Service had pre-existing investment arrangements with the major independent commercial production houses (Sidus, b.o.m, Fun & Happiness), Showbox had to be more selective and diversify its acquisitions among a broad range of companies. This strategy has proved effective, with the majority of Showbox's biggest box office hits coming from different sources: Filmz Corporation (*Sex is Zero*), KM Culture (*Oh! Brothers* (*Oh! Pŭradŏsŭ*, Kim Yong-hwa, dir., 2003)), KangJeGyu Film (*Taegukgi*), Cineline II (*Marathon* (*Marat'on*, Chŏng Yun-ch'ŏl, dir., 2005)), Taewon Entertainment (*Marrying the Mafia 2: Monster-in-Law* (*Kamunŭi wigi*: *Kamunŭi yŏnggwang* 2, Chŏng Yong-ki, dir., 2005)), and Chungeorahm (*The Host*). Only *The Big Swindle* was produced by one of the major independents (Sidus).

In contrast to Lotte, which typically restricts its investments to movies with medium sized production budgets under $3 million, Showbox has chosen the same path as CJ Entertainment and selectively targeted one or two ultra big-budget entertainment films in which to invest from time to time. *Taegukgi* cost almost $13 million, while *The Host* cost at least $15 million and at the time of writing is set to break the domestic attendance record. The success of these risky ventures has greatly influenced the rise of Showbox, suggesting that profitable distribution in Korea is primarily centered around smash hit blockbuster movies, as it is in Hollywood. Profiting from the runaway hit film has become the dominant pursuit of Korea's major companies, since revenues from popular successes make up for losses sustained on numerous other projects. Emphasising the primacy of blockbuster movies at the expense of non-mainstream films, production budgets have continued to rise to levels that the domestic market alone can barely sustain. Although *Typhoon* (2005) sold more than four million tickets in Korea and earned $25 million, it failed to break even on these sales due to its enormous production cost. Due to the expenses involved in making blockbuster films, pre-sales to international territories have become cornerstones of the film business in Korea, as have aggressive promotional campaigns to sell completed films to overseas markets for theatrical and post-theatrical release. *Typhoon* earned an additional $4 million from a pre-sale to Amuse in Japan, while CJ Entertainment, acting as the film's international sales agent as well as its local distributor, clinched a North American distribution agreement with Paramount, the new parent company of DreamWorks. While theatrical distribution of Korean films beyond Asia remains rare and relatively non-lucrative, movies are one of the numerous popular culture products from Korea to have taken off in East and South East Asia since the late 1990s. This regional market has rapidly grown in importance for Korean film companies, which have benefited from a huge increase in film exports from Korea and seized co-production opportunities in order to spread the risk of expensive ventures across several markets.

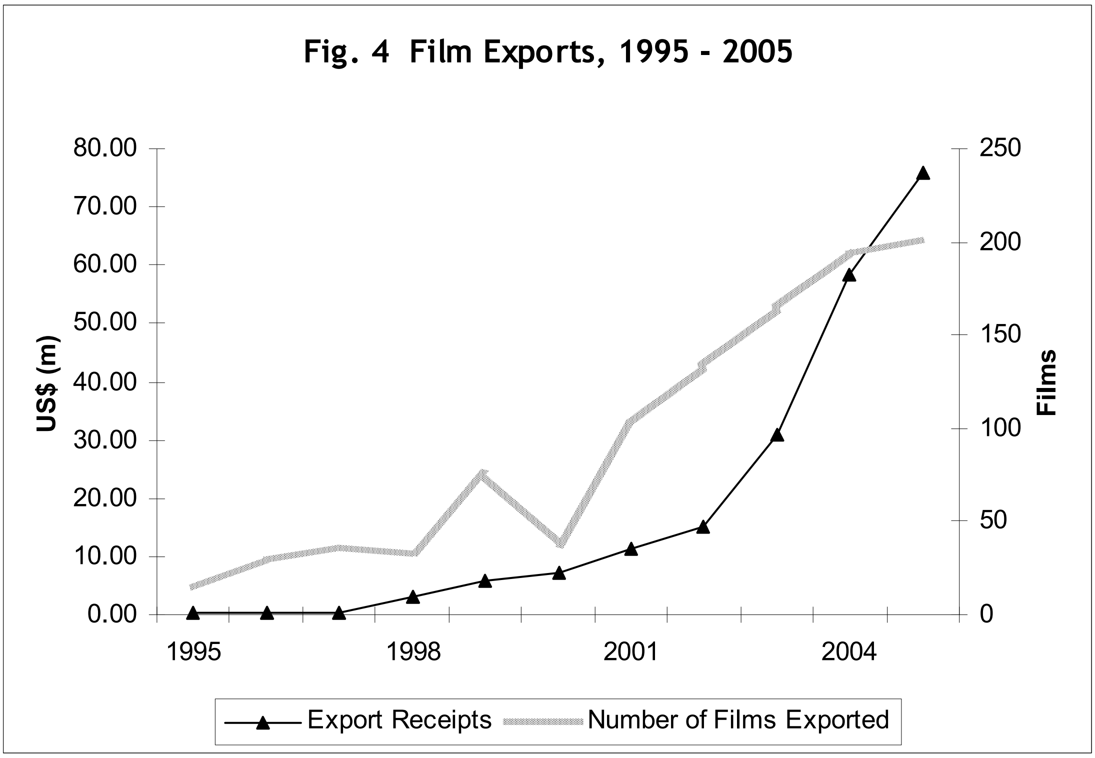
### 4.6 Regionalisation of Korean Cinema

With the exception of the international film festival circuit, Korean cinema remained relatively invisible overseas until the late 1990s. Aside from North Korea, no other country outside South Korea speaks Korean, minimising the demand among international audiences for Korean language entertainment. Korea's comparatively low-budget productions were unattractive to buyers, who until recently have concentrated on purchasing films from the strongest and most vibrant markets in the Asian region, namely Hong Kong, Japan and China. As a result, from the end of Korean cinema's golden period in the early 1970s to the dawn of the popular domestic cinema in the late 1990s, film exports from Korea were negligible. Between 1986 and 1997, Korean distributors servicing diasporic Korean audiences (up to 5.7 million Koreans live overseas[96]) registered an average of just twenty-one overseas film sales per annum, earning just $23,000 per picture. Yearly exports earnings of more than half a million dollars were achieved only three times during this period.

Hong Kong and China were once frequent buyers of Korean films, with 201 films sold overseas for almost $1 million in 1971 alone.[97] With the incursion of television into Korea homes throughout the 1970s, fewer local film productions were made and export opportunities dried up. Korean films were no longer required to fill screens in Hong Kong, where the rise of popular kung-fu movies and social comedies had precipitated that country's strong rebound from its own box office decline in the late 1960s. Over the next two decades, the Hong Kong film industry thrived and managed to sustain a healthy export trade in the Asian region.

This situation has reversed since the rise of the commercial entertainment cinema in Korea and the collapse of Hong Kong cinema in the mid-1990s. Due to the growing recognition of Korean cinema overseas, export sales of Korean movies have increased exponentially since 1998 (Fig. 4, next page), exceeding $10 million in 2001, $30 million in 2003, and earning almost $60 million in 2004 on the back of mega blockbusters *Silmido* and *Taegukgi*, as well as the warm overseas response to artistic mainstream crossover films like Cannes Grand Prix winner *Oldboy*. Export growth slowed in 2005, yet total sales still increased to almost $76 million.

From 2001 to 2004, Korean film companies exported an average of 17 pictures per year to Hong Kong, among them three movies that earned more than $1 million at the Hong Kong box office, *My Sassy Girl*, *My Wife is a Gangster* (*Chop'ok manura*, Cho Chin-kyu, dir., 2001), and *Windstruck*. In the same period, the handful of Hong Kong movies that found their way to Korea barely registered at the local box office. In 2001, nineteen Korean films, along with the French genre pictures *The Crimson Rivers* (2000) and *The Brotherhood of the Wolf* (2001), and the Iranian film *Children of Heaven* (1997), each accumulated more admissions in Korea than the best performing movie from Hong Kong, *The Accidental Spy* with Jackie Chan, which sold fewer than 175,000 tickets in Seoul.[98]




Source: Korean Film Council.[99]

In order to benefit from the popularity of Korean cinema in Hong Kong and elsewhere in Asia, producers from Hong Kong have sought ways of developing international co-productions with Korean companies. For Hong Kong producers, co-productions aim to fill the vacuum in the regional market that Hong Kong films have left since the decline of Hong Kong cinema's internationally popular commercial entertainment cinema. Korean film companies have been keen to build up a regional presence, thus co-productions and other joint ventures between the countries have serviced a mutual objective. Hong Kong actress Cecilia Cheung starred in the Korean production *Failan* (*P'airan*, Song Hae-sŏng, dir., 2001). *Seoul Raiders* (2005) was a reverse of the formula, a Hong Kong production featuring several Korean actors, while *Public Toilet* (2002) incorporated both strategies as a full HK-Korea co-production incorporating stars from both countries. Along with other co-producers from Thailand, Singapore and Japan, Korea's b.o.m. Film Productions and CJ Entertainment participated with Hong Kong's Applause Pictures in the production of omnibus films *Three* (2002) and *Three... Extremes* (2004). Reinforcing the star power of *My Sassy Girl*'s Chŏn Chi-hyŏn in the Hong Kong market, the entirety of *Windstruck*'s $4 million production budget was financed through Hong Kong film company EDKO, who mastered an investment deal with banks from America. Korean production company iFilm partnered with Hong Kong producer Bill Kong (*Crouching Tiger, Hidden Dragon*, 2000) and hired Hong Kong action director Andrew Lau (*Infernal Affairs*, 2002) for its follow-up Chŏn Chi-hyŏn star vehicle, *Daisy* (Teiji, 2006).

International co-productions gather creative and technical resources from various territories, diversifying risk, guaranteeing international distribution, and increasing the potential for multi-national cross-promotion activities. Due to the contributions of multiple film companies, co-productions typically have budgets that are bigger than the average in home territories. Bigger budgets enable Asian co-producers to increase the scale of projects, boosting creative inputs with expensive film stars and special effects, thus making films more attractive for sale to other markets, especially within Asia but also to markets in Europe and North America. Multiple languages are often sprinkled across the sound tracks of Asian co-productions, emphasising the regional composition of the production elements. The presence of movie stars from participating nations enormously aids the generation of publicity during each market's separate national release. Other benefits of co-productions include the capacity to select from a wider variety of options regarding the choice of labour, locations and post-production facilities. China, Thailand, and Malaysia offer comparatively cheap labour and locations, while Japan and Australia's laboratory, editing and sound mixing facilities are often better than Korea's or Hong Kong's.[100] Finally, given that co-productions guarantee international distribution, healthy domestic openings are not always necessary in order to secure profit overall for investors. A Korean film can perform poorly upon local release, yet still earn decent returns for local investors who share the proceeds of better performances in other markets around Asia. In order to combat piracy and safeguard box office earnings on behalf of principal international investors, *Windstruck* was opened simultaneously in Korea and Hong Kong.[101] While the Hong Kong release performed according to expectations, earnings from the Korean release were just $11.7 million, which was lower than expected. Without guaranteed distribution to Japan six months later, arranged as part of the co-production terms with Japanese distributor Warner Bros., *Windstruck* would have been unprofitable.[102] Earning $17.7 million, the Japanese release was particularly successful.

Since the popular release of *Shiri* in Japan in 2000, the Japanese market has been easily the most lucrative for Korean motion picture exporters. In terms of the value of theatrical box office, Japan is the second richest film market in the world behind the United States. Even though Japan accounts for just four percent of the Asian region's total admissions, the Japanese market accounts for almost 42% of the region's total box office revenues due to its comparatively high ticket prices.[103] As a consequence, Japan offers tantalising sales prospects for neighbouring Korean distributors. Of the 5.7 million ethnic Koreans residing outside the Korean peninsula, more than 600,000 thousand live in Japan. In China the diasporic Korean audience is larger, at around 2 million people, but unlike Japan the Chinese government restricts the trade of foreign films, making it much harder for Korean films to gain release in China. If the Korean audience in Japan fuelled the trade of Korean films, it was the attraction of Korea's commercial entertainment cinema that encouraged other viewers in Japan to attend Korean releases. *Shiri* opened relatively small, but expanded its screens when a broad range of mainstream viewers became interested in seeing the movie. Since the late 1990s, the much wider acceptance of cultural products from Korea has become a common theme across Asia.

Sales to Japan have increased tremendously over the past half-decade. In 2001, exports to Japan accounted for 51% of total overseas trade. In 2004, this crept up to 69%, and the next year sales to Japan accounted for almost 80% of total exports. While average film sales to Hong Kong ($1.1 million), China ($450,000), Taiwan ($690,000) and Thailand ($1.2 million) have remained relatively low between 2001 and 2005, exports to Japan have averaged $25.4 million, increasing more than tenfold from $5.79 million to $60.3 million across the period.[104] Other markets in Asia, including Hong Kong, Indonesia, Singapore, and Vietnam, import more films from Korea than Japan does, but pay far less per picture due to the smaller size of their markets. Buyers from Japan have also included American distribution subsidiaries, such as Warner Bros., who have purchased Korean films in order to fill out their distribution schedules.

Due to the increased export activity, Korea-Japan co-productions have become increasingly popular throughout this period. Co-productions between the two countries were prohibited before 1998, when the Korean government started progressively lifting the ban it had placed on Japanese film imports, which has been in place since the 1960s.[105] *The Ring Virus* (*Ling (Ling pairŏsŭ)*, Kim Tong-pin, dir., 1999), a Korean remake of Japan's *Ringu*, was rushed into production as a result of the government's restriction on Japanese cultural goods at the time of the original film's release in 1998. Since *Ringu* couldn't play in Korean theatres, the producers of *The Ring Virus* could capitalise on the original film's widespread international popularity by offering domestic audiences the chance to view the same story in a Korean language alternative.

Following the lifting of the restriction on Japanese cultural imports, Hong Kong producer Peter Chan, through his company Applause Pictures, orchestrated a deal involving Korea's Uno Films and Japan's Omega Projects on the 2001 production of *One Fine Spring Day*. "Asian films have the ability to walk out of the shadows of European and American-made pictures," claimed Chan, an emergence he hoped to hasten through the creation of a collaborative multi-national distribution network in Asia.[106] Chan's vision for a pan-East Asian cinema, one expressing the intersection of the region's diverse cultural identities, is an attempt to negotiate the tension between the national and the global among Asian cultures. It is a model that Chan hopes will keep pace with the changing conceptions of cosmopolitanism and modernity in the region, which is looking less frequently to the West and embracing the articulation of cultural identities within Asian industries, as has happened with Japanese youth culture and now Korean cinema. *Asako in Ruby Shoes* (*Sunaebo*, Yi Chae-yong, dir., 2000), *2009 Lost Memories* (*2009 Rosŭt'ŭ emorijŭ*, Yi Shi-myŏng, dir., 2002), *Welcome to Dongmakgol* and *Marathon* have all benefited from co-production deals with Japanese film companies. Keeping the Japanese market in mind, most of the dialogue in the Korean production *Rikidozan* (*Yŏktosan*, Song Hae-sŏng, dir., 2004) was spoken in Japanese, as was the case during the bulk of *2009 Lost Memories*, while *Blue Swallow* (Ch'ŏng-yŏn, Yun Chong-ch'an, dir., 2005) was set almost entirely in Japan.

Mutual benefits have encouraged Japanese and Korean film companies to work together. Korean producers look forward to the large pre-sales offered by distributors in Japan, who in turn hope to profit from strong ticket sales to Korean films in the Japanese market. "From the beginning we have worked hard to take care of the Japan market," commented the head of international business at Korean distributor ShowEast.[107] Due to the clamour for Korean popular culture in Japan, Japanese distributors have earned substantial box office revenues from certain Korean films, especially those featuring popular stars, such as Pae Yong-joon (*April Snow*), Chŏn Chi-hyŏn (*Windstruck*), Yi Pyŏng-hŏn (*A Bittersweet Life*) and Chŏng U-sŏng (*A Moment to Remember*). Since the price of movie tickets is so high in Japan ($10.75 in 2005) compared to America ($6.40) and Korea ($6.00), even modestly successful domestic release can generate large gross earnings for local distributors and foreign co-producers.[108] With major hits like *Shiri*, *Joint Security Area* and *Taegukgi* earning more than $10 million in Japan between 2000 and 2004, competition among Japanese importers to obtain the rights to Korean films heated up. The president of Japan's Cine Quanon, the company that brought *Sopyonje* to Japan in 1994 and *Shiri* in 2000, summarised the optimistic position of Japanese film buyers in relation to Korea:

> From the viewpoint of the Japanese distributors, we would like to be involved as early as possible and get good films even if there is a risk. Both sides need to think about new ways to work together in the long-term.[109]

Korean producers have reaped the benefits of increased demand, receiving steep premiums for pre-sale agreements.[110] Pre-sales to Japan in the past three years have commonly recouped more than half of the film production's cost, e.g. *A Bittersweet Life* cost $6.3 million and Japanese rights were sold for $3.2 million to Nippon Herald, while *A Moment to Remember* cost $3 million, yet earned $2.7 million from the pre-sale to Happinet. *A Moment to Remember* earned more than $22 million from its Japanese release, thus earning decent returns for Happinet. In some cases, earnings from pre-sales have been huge: the record $8 million sale of *April Snow* to Universal Japan in 2005 far exceeded the $4.5 million cost of making the picture, while Comstock paid $5 million sight unseen for Yi Myŏng-se's expressionist anti-*wuxia*, *Duelist* (*Hŏngsa*, Yi Myŏng-se, dir., 2005)

Some handsome revenue sharing deals have been struck between Korean and Japanese companies as well, reflecting the confidence of sellers regarding their titles and the changing nature of international distribution deals in the Asian region. In addition to the flat-fee deals mentioned above, powerful Korean film companies have also successfully negotiated potentially more advantageous tiered deals factoring in a percentage of theatrical proceeds over the minimum fee. Japanese co-distributors Toei and Amuse purchased the rights to Cinema Service's *Silmido* for $3 million, yet the Korean company managed to negotiate an additional 50% share of theatrical proceeds against the minimum if the release turned a profit. (It did not, *Silmido* earned just $4.5 million in Japan).[111]

Sales to Japan have become so lucrative for Korean production companies that it is apparent they are having an upward influence on production budgets and promotional costs. With Korean distributors putting more emphasis on the creation of expensive blockbuster movies since 2004, international pre-sales have become increasingly important. Expensive blockbuster movies with highly marketable characteristics, such as $12 million wrestling movie *Rikidozan*, the $6 million *A Bittersweet Life* and the $7.8 million *Duelist* have utilised strong pre-sales from Japan to gather additional investment, increase production budgets, add special effects, and kick-start vast international publicity campaigns.[112]

The rise in the attractiveness of Korean popular culture throughout Asia, or *hallyu* ('Korean Wave') as it has become known, has propelled the turnaround in film exports to Hong Kong, Japan and other Asian territories. A broad spectrum of interest in popular culture from Korea, and subsequently in Korean consumer goods as well, has emerged in many of Asia's national markets over the last half decade. Surrounding television dramas (*Winter Sonata*, *Dae Jang Geum*), pop singers (Rain, BoA), *manhwa* (comics books), the stardom of individual performers (Pae Yong-joon, Chŏn Chi-hyŏn), and movies, *hallyu* fever in East and South East Asia has developed an enormous regional audience for Korea's cultural materials and consumer goods. In Japan, sales of cosmetics originating from Korea have escalated, as have attendances at Korean language schools and taekwondo academies.[113] *Winter Sonata* has earned an estimated $40 million from the sales of TV and book rights, music soundtracks, Pae Yong-joon accessories, and other ancillaries in Japan alone.[114] Conglomerates including Sony and Otsuka Pharmaceuticals have capitalised on male actor Pae's extraordinary star status, showcasing him in their multi-million dollar advertising campaigns.[115] Chinese advertising firms have targeted female star Chŏn Chi-hyŏn for similar exploitation.[116] China has also been an especially large consumer of TV dramas from Korea. In 2004, a total of 104 television shows made in Korea were aired on Chinese television networks, the most since the first Korean television export to China in 1993.[117] Meanwhile, television ratings for *Dae Jang Geum* in Hong Kong were among the highest in the territory's history, with more than 40 percent of the population tuning in to the final episode of the series.[118] Total exports of domestic TV programs in 2004 amounted to sales of $71 million, with TV dramas accounting for 92% this figure.[119] As a result of the intense demand for Korean TV dramas, asking prices have increased exponentially. Available for as little as $2,000 per episode during the 1990s, the average series today fetches a price in excess of $20,000 per episode.[120] Tourism has been an enormous benefactor of *hallyu*, with more than 1 million tourists visiting Korea each year specifically to see sets and locations used in the filming of TV dramas. Clothing exports have increased as well, with brands based on the fashionable garments worn by TV drama characters launched in China and Vietnam.[121] In Taiwan, TV dramas from Korea have become so popular that the chief of the Government Information Office has suggested restricting, or outright banning, the programming of Korean entertainment during primetime television slots. The Chinese government has considered similar measures.[122]

Korean cinema has taken advantage of *hallyu* to increase regional film exports, utilising big-budgets, technical flair, plot-driven narratives, a diverse range of genres, and star performers with multi-national appeal to make the same kinds of films for viewers in Japan, Hong Kong, China and South East Asia that have proven to be popular with Korean audiences. As CJ Entertainment's Lee Mie-kyung explains,

> In Asia ... most of the countries speak different languages. Chinese is the most dominant language, but in terms of geographically divided territories, the little territories have different cultures, and we share very little in common. What we are trying to do is ... take advantage of the fact that our pop singers, our movie directors -- all the popular talent travels very well all over Asia.[123]

Korean cinema benefits from a diverse range of genres and recognised film stars, which it has utilised to link up with the preferences of audiences in regional markets. Korea's turbulent social and political history has supplied local filmmakers with a rich canvas for artistic expression. The national division of North and South Korea is an issue found in many Korean film narratives, arising both literally (*Joint Security Area*, *Taegukgi*) and symbolically (*Friend*, *Bungee Jumping of Their Own* (*Pŏnjijŏmp'ŭrŭl hada*, Kim Tae-sŭng, dir., 2000)), and sometimes in both ways at once (*The Coast Guard* (*Haeansŏn*, Kim Ki-dŏk, dir., 2002)).[124] Periods of aristocratic and dynastic rule have offered politically and socially colourful milieus for costume dramas (*Untold Scandal*), historical murder-mysteries (*Blood Rain* (*Hŏrŭi nu*, Kim Tae-sŭng, 2005)) and swordplay films (*Bichunmoo* (*Pich'ŏnmu*, Kim Yŏng-chun, dir., 2000)). Korean filmmakers have become adept masters of contemplative romantic dramas (*One Fine Spring Day*), histrionic melodramas (*Windstruck*), and screwball romantic comedies (*My Tutor Friend* (*Tonggamnaegi kwaoehagi*, Kim Kyŏng-hŏng, dir., 2002)), genres that have proven popular across Asia but have not been typical of the Hong Kong, Chinese and Japanese film industries over the past decade.

Korean cinema has also deliberately appropriated genres that are the foundation of other commercial Asian cinemas. Kim Ji-seok, Asian film programmer of the Pusan International Film Festival since it was established in 1996, believes that the diverse range of genres found in Korean cinema is one of the domestic industry's primary advantages over other Asian cinemas:

> When you talk about Hong Kong or Japanese cinema you can imagine some models of their productions, for instance martial arts or action films in Hong Kong and samurai films in Japan, but when you talk about Korean cinema... what is it? In Korea we don't have set genres -- martial arts, samurai films, comedies -- it depends on the talent of each director.[125]

Rather than underpin national film production with the deployment of one or two film genres of primary significance to Korea, the Korean film industry has exploited the range of genres that are already broadly popular within the Asian region. Korean swordplay films such as *Bichunmoo* and *Shadowless Sword* (*Muyŏnggŏm*, Kim Yŏng-chun, dir., 2005) benefit from the established pan-Asian popularity of Hong Kong's *wuxia* movies. Similarly, Korea's *jopok* crime films follow the conventions of triad and yakuza pictures from Hong Kong and Japan.

Action movies from Korea like *Libera Me* (*Ribera me*, Yang Yun-ho, dir., 2000) and *Volcano High* also share genre relations with earlier entertainment movies from other popular Asian cinemas, e.g. Hong Kong's *Lifeline* (1997) and *Battle Royale* (2000) from Japan. Pong Chun-ho has acknowledged the influence of genre on pan-Asian ticket sales in relation to his monster movie, *The Host*, speculating that the high interest in the film prior to its release in Japan arose probably "because Japan is the home to monster movies."[126]

It might be argued that gangster and horror films are the dominant genres of Korean cinema. Yet, traditional gangster films exploring organised crime in a unitary fashion, e.g. *The General's Son*, have all but disappeared from the contemporary scene. Revisionist gangster films emerged in the late 1990s, *Green Fish* (*Ch'oron mulgogi*, Yi Ch'ang-dong, 1997) and *No. 3*, for instance, broke with genre conventions in order to "utilize the gangland as an allegory of contemporary Korean society."[127] More recently, as Korean production has become more expensive and producers have sought broader appeal, gangster films have undergone hybridisation and emerged in a variety of multi-genre forms. Crime figures and the gangster milieu have been incorporated within historical dramas (*The Anarchists* (*Anak'isŭt'ŭ*, Yu Yŏng-shik, dir., 2000)), contemporary epics (*Friend*), science fiction movies (*2009 Lost Memories*), thrillers (*A Bittersweet Life*), and most especially goofy comedies (*Kick the Moon, Mapado* (*Map'ado*, Ch'u Ch'ang-min, dir., 2005)). In 2001, four of the six highest grossing pictures were outright gangster comedies (including *My Wife is a Gangster*; *Hi, Dharma*; *My Boss, My Hero* (*Tusabuilch'e*, Yun Che-kyun, dir.)), as was the box office champion of 2002 (*Marrying the Mafia* (*Kamunŭi yŏnggwang*, Chŏng Hŭng-sun, dir.)).

Korean horror films have also undergone a hybrid transformation since the 1990s. Film companies have updated the fertile psychosexual horror tradition epitomised in the 1960s and 1970s films of Kim Ki-yŏng (*The Housemaid* (*Hanyŏ*, 1960)*, Killer Butterfly* (*Sarinnabirŭl tchonnŭn yŏja*, 1978)) and introduced a variety of specialised horror sub-genres, embracing the emergence of horror as regional super-genre. *A Tale of Two Sisters* incorporates numerous features of the modern Korean horror film: an extraordinarily complicated plot, unreliable narration, teen exploitation, a striking use of domestic space, and slow pacing akin to the unnerving supernatural works that have discovered mainstream audiences in Japan and the West (*Ringu; The Sixth Sense*, 1999). Other specialised horror sub-genres have also emerged, such as 'scary girls high school' movies (*Whispering Corridors*, *Memento Mori* (*Yŏgogoedang tubŏntchae iyagi*, Kim T'ae-yong & Min Kyu-tong, dirs, 1999), *Dead Friend* (*Ryŏng*, Kim Yu-chin, 2004), and, inevitably, horror-comedies (*Ghost House* (*Kwishini sada*, Kim Sang-chin, dir., 2004)).

Hybrid genre movies such as these have targeted the mainstream demographic, aiming for broad pan-Asian appeal. Female moviegoers in their twenties have been an especially important audience for Korean cinema. As a recent study by KOFIC revealed, females in this age group attended more than 11 movies on average in 2003, compared with an average of 8 movies for male viewers in the same age group.[128] The consistent interweaving of genres has helped Korea remain a fresh cinema for ideas, but it has also allowed films to travel due to similarities with other popular films in regional markets. For instance, story and visual resemblances between Korea's *Phone* (*P'un*, An Pyŏng-ki, 2002) and Japan's more widely appreciated *Ringu* did not prevent *Phone*, the imitator, from claiming top box office positions in Hong Kong, Malaysia, Singapore, and in Japan.[129]

Korean cinema is now broadly popular across Asia, but if *hallyu* should die down in Japan, overall film exports would plunge. Since big-budget film production in Korea is presently intertwined with international pre-sales, a sharp reduction in exports would also result in downward pressure on production and marketing budgets. Thus, the ongoing stimulation of film markets in Asia other than Japan's is in the interest of Korean film companies. With comparatively small Asian cinemas unlikely to generate the same kind of startling growth that has characterised Korean cinema since the late 1990s, CJ Entertainment's Lee Mie-kyung is clearly focused on future possibilities with regard to the opening of the potentially enormous Chinese market:

> China is a country with thousands of years of history, and there are so many interesting stories in China. Maybe in five to 10 years they will have more talent originating there. We really want to create some sort of content that mixes (Asian cultures) together, maybe something with a Chinese story and a Korean director and Chinese and Korean actors. I think it is a good time to do that.[130]

Chinese film companies have also been keen to do business with Korean counterparts. *Musa* and *Legend of Evil Lake* (*Ch'ŏnnyŏnho*, Yi Kwang-hun, dir., 2003) were Korea-China co-productions, each film shot predominantly in China with a blend of stars and technical crew from both countries. *Shadowless Sword* was also filmed on location in China, with America's New Line involved as a co-producer in the $6 million picture. Lower budget artistic films have sought co-production status as well. Zhang Lu, a filmmaker with Sino-Korean ethnic origins based in mainland China, secured finance from boutique production companies in both China (Shu Film Workshop) and Korea (Doo Entertainment) for *Grain in Ear* (*Mangjong*, 2005). Other projects originally launched in China, but which attracted funding and stars from Korea among other territories, include the $18 million *Seven Swords* (2005) and *The Promise* (2005). While Korean films like *Musa* and *Shadowless Sword* have been shot in China largely to reduce production costs, big-budget Chinese projects have sought co-production finance with Korean companies in order to guarantee a potentially lucrative release in the comparatively rich Korean film market.

How Korean film companies position themselves in relation to the Chinese market, and in competition (or partnership) with companies from Japan (Sony/Columbia), Hong Kong (EDKO), and Hollywood, is likely to have a major bearing on the future of Korea's regional cinema. Currently, China is concerned with the mostly one-way traffic between Chinese and Korean entertainment companies, which stems from the meagre interest among Korean audiences in film and television exports from China compared with the reverse situation. While Korean cinema is a powerful regional force, its own domestic market has not embraced imports from Asia in recent times. Since the rapid expansion of the Korean theatrical market in 1999, no film from the rest of Asia has featured among the top ten box office performers in Korea. (Japan's *Howl's Moving Castle* (2004) has come closest, attracting just over 3 million admissions nationwide for local distributor Cinema Service.) Even commercial films from Western Europe have been more popular than Asian films in Korea over the past few years. No

Chinese films have made a major impact on the domestic box office, while only a handful of other movies from Japan and Hong Kong (*Shaolin Soccer*, 2001; *Hero*, 2002) have made substantial inroads. Given this imbalance between Korea's market and the rest of the region, China may well elect to sustain the trade barriers that currently prevent the Korean film industry from exporting more than a handful of pictures to China each year. For Korean filmmakers, co-productions with China will remain a vital exercise if this remains the case.

## 4.7 Conclusion

National cinemas can develop in various directions or according to different models. From the 1980s to 1992, Korean national cinema developed primarily as an art cinema. Critics in the West analysing the films from this period celebrated their discovery of a New Wave. However, since 1992, Korean national cinema has developed as a commercial entertainment cinema. Agents in the film industry downplayed the art cinema model of production and pursued instead the creation of movies targeted at mainstream audiences. Korean cinema expanded its commercial horizons, drawing finance from domestic sources to develop a nationally popular and commercially sustainable cinema. Despite the scale of this transformation, Korean cinema's industrial development was largely ignored by Western critics and observers, who continued to appreciate the textuality of earlier New Wave films at the expense of contextual factors relevant to the immediate circumstances of Korean film production, distribution and exhibition. Only after admissions to Korean films rapidly increased in 1999 was Korean national cinema belatedly recognised as a commercial entertainment cinema.

National cinemas are complex objects, comprising a structure of inter-relations between a set of institutions that change over time. By engaging with this structure and tracking the important changes in the film industry since 1986, this thesis hopes to provide a more detailed and accurate account of Korean national cinema's commercial transformation than has previously been supplied. The approach to national cinema that this thesis has undertaken seeks to overturn the emphasis on production-led accounts of national cinema, which have typically guided film studies in the West. Unlike other text-based accounts, this thesis attempts to investigate the relations between various sectors of the Korean film industry, and does not merely ask questions relating to nationally specific film production. Considered in isolation, film production activities do not provide a complete illustration of the structure and composition of Korean cinema. Important for more than just its body of films, Korean cinema is also significant as an example of a national cinema as a set of material practices. Given its successful emergence as a commercial entertainment cinema, Korean cinema demonstrates the importance of multiplex construction, vertical integration, and regionalisation for national film policy formation in other countries as well. In addition to the composition of Korean agencies in the domestic film market, it is also necessary to investigate the relations between the domestic market and international film industries, because national cinemas are always an international formulation. The importation and circulation of foreign films in Korea, especially from Hollywood, has been influential in shaping Korean national cinema, just as the export of Korean films to international film markets such as Japan and Hong Kong has shaped those national cinemas.

While this thesis has engaged with several issues that have not previously been explored in great detail, it has also been restricted by the limitations of currently available English-language research. There are opportunities for scholars to provide important new research by more closely investigating the complicated history of the screen quota, the influences of the *chaebŏl* on entertainment industries during and before the 1990s, changes in the circulation of foreign films in Korea and the distribution practices of local film companies, and the rise of multiplexes, not only in Korea but across Asia.

## Notes

[1] Darcy Paquet, “Stars shine as model for export biz,” *Variety* (February 6, 2006): C1, C7.

[2] Interviewed by Scott Rosenberg, “Lauding Lotte Cinema,” *Film Journal International* (April 1, 2006) <http://www.filmjournal.com/filmjournal/features/article_display.jsp?vnu_content_id=1002157681> (accessed April 25, 2006).

[3] Paul Chai, “CJ picks up the pieces,” *Variety* (October 3, 2005): 82.

[4] Lee So-yon, *Business Korea*: 55.

[5] David Scott Diffrient, *Film Quarterly*: 42.

[6] *Shiri* broke 1 million admissions in 21 days according to Lee So-yon, “Blockbuster proves Korean film making potential,” *Business Korea* (April 1999): 55. Another cited time-span is 23 days; see David Scott Diffrient, *Film Quarterly*: 42.

[7] Christopher Alford, “Home is where the hits are,” *Variety* (April 24, 2000): 53. Nationwide box office figures are estimations only due to the lack of a centralised counting system during this period.

[8] *Titanic*’s final domestic box office in the US was $600 million, while *Star Wars: Episode I The Phantom Menace* (1999), released the same year as *Shiri*, earned $431 million.

[9] Yu Ji-na, “Glory Days of Korean Movies,” The Munhwa Ilbo (March 11, 1999), reprinted in *Korea Focus* 7, no. 2 (March-April 1999), p. 149.

[10] Lee Keun-sang, ed., *Korean Cinema 2000*, pp. 263-264.

11 Frank Segers, “South Korea,” *Variety International Film Guide, 1999*, p. 277.

12 Oh Tae-jin, *Digital Chosunilbo*.

13 John Burton, *Financial Times*: 8.

14 Chris Berry, *Movie Blockbusters*, p. 224.

15 Tino Balio, “A major presence in all the world’s important markets: The globalization of Hollywood in the 1990s,” in Steve Neale and Murray Smith, eds., *Contemporary Hollywood Cinema* (London and New York: Routledge, 1998), p. 59.

16 Darcy Paquet, “Korean Film Newsletter #4,” *Koreanfilm.org* (November 24, 1999) <http://www.koreanfilm.org/news4.html> (accessed April 6, 2004); Chris Berry, *Movie Blockbusters*, p. 224.

17 Darcy Paquet, “Korean Film Newsletter #1,” *Koreanfilm.org* (May 10, 1999) <http://www.koreanfilm.org/news1.html> (accessed April 6, 2004); Jon Herskovitz, “Japan-Korea ties take Amuse-ing turn,” *Variety* (November 27, 2000): 65.

18 KOFIC statistics.

19 Anonymous, “ ‘Swiri’ Proves to be Hit in Japan,” *Digital Chosunilbo* (January 23, 2000) <http://english.chosun.com/w21data/html/news/200001/200001230344.html> (accessed July 3, 2003).

20 Jon Herskovitz, “Japan-Korea ties,” *Variety*: 65.

[21] Mark Shilling, “Japan awaits 350 screen release for Korean film,” *Screendaily* (February 14, 2001) <http://www.screendaily.com/story.asp?storyid=4018> (accessed May 2, 2004).

[22] Some of the sales territories for *Shiri* are found in Hong Seong-woo, “Entertaining the World,” *Korea Trade & Investment Magazine* 19, no. 4 (July-August 2001) <http://www.kt-i.com/jul_aug_01/tradeproducts/market/market.htm> (accessed November 3, 2003).

[23] Darcy Paquet mentions the effect of September 11 on *Shiri*’s intended release date in “Korean Film Newsletter #12,” *Koreanfilm.org* (December 15, 2001) <http://www.koreanfilm.org/news12.html> (accessed April 6, 2004).

[24] Lee So-yon, “Blockbuster proves Korean film making potential,” p. 55.

[25] David Scott Diffrient, *Film Quarterly*: 42.

[26] Park Jung-hoon, “ ‘Swiri’s’ Success Unabated in Japan,” *Digital Chosunilbo* (April 30, 2000) <http://english.chosun.com/w21data/html/news/200004/200004300236.html> (accessed July 3, 2003).

[27] Mark Schilling, “Satellite Theatre scores major coup with Shiri buy,” *Screendaily* (May 24, 2000) <http://www.screendaily.com/story.asp?storyid=1465> (accessed May 2, 2004).

[28] Darcy Paquet, “Korean Film Newsletter #7,” *Koreanfilm.org* (August 7, 2000) <http://www.koreanfilm.org/news7.html> (accessed April 6, 2004).

[29] Park Hee-seong, et. al., “Current Status of Korean Film Exports to Overseas’ Markets,” *Korean Film Observatory*, no. 11 (Spring 2004): 15.

[30] The original 1994 report is discussed in Doobo Shim, *Prometheus*: 340. Bank of Korea's 2000 report is mentioned in Hong Seong-woo, *Korea Trade & Investment Magazine*.

[31] Kyung Hyun Kim, *Remasculinization*, p. 271.

[32] Frank Segers, "South Korea," in Peter Cowie, ed., *Variety International Film Guide, 1995* (London: Hamlyn, 1994), p. 247; and Damon Darlin, *Forbes*: 82.

[33] Anonymous, "The Transition in Korean Film Production Capital," *Korean Film Observatory*: 16.

[34] Anonymous, "The Transition in Korean Film Production Capital," *Korean Film Observatory*: 16.

[35] Kim Hyoun-soo and Jay Kim, *Korean Film Observatory*: 8. The reported total is $18.9 million, but this does not include Ilshin's $3.9 million investment as reported in Anonymous, "The Transition in Korean Film Production Capital," *Korean Film Observatory*: 17.

[36] Kim Hyae-joon, et. al., "A Review of the 2002 Korean Film Industry," *Korean Film Observatory*, no. 7 (Winter 2002-03): 7-8.

[37] Christopher Alford, "Financiers flock to Korean ventures," *Variety* (February 7, 2000): 24.

[38] Anonymous, "Domestic Film Industry Enjoying Boom," *Digital Chosunilbo* (February 9, 2001) <http://english.chosun.com/w21data/html/news/200102/200102090199.html> (accessed October 14, 2003).

[39] Anonymous, "The Transition in Korean Film Production Capital," *Korean Film Observatory*: 18-20.

[40] Anonymous, "The Transition in Korean Film Production Capital," *Korean Film Observatory*: 17.

[41] Quoted in Hanna Lee, "Venture Caps Push Film Biz," *Variety* (August 9, 1999): 32.

[42] Mark Russell and George Wehrfritz, *Newsweek International*: 38.

[43] Sung-Hee Jwa, *The Evolution of Large Corporations in Korea* (Cheltenham, UK: Edgar Elgar, 2002).

[44] Tongyang source: Tong Yang Confectionary Corp., 2001 Annual Report (2001) <http://www.orionworld.com/english> (accessed May 18, 2006). Cheil Jedang source: "Asiaweek 1000 for 2001," *Asiaweek* (2001) <http://www.pathfinder.com/asiaweek/features/asiaweek1000.2001/1000table.601-700.html> (accessed May 18, 2006). The Lotte Group's 2001 sales of $11.9 billion (<http://www.lottetown.com/english/investment/investment_1.jsp>) were considerably larger than Tongyang's, but still less than just 15% of what Samsung earned in the mid-1990s. Lotte was also a relatively late entrant in the film market, joining the domestic exhibition sector after CJ Entertainment and was not involved in distribution until 2004.

[45] Toby Smith, "Cars, B-movies and stinking squid," *Financial Times* (September 29, 2001): 10.

[46] KOFIC statistics.

[47] Tino Balio, *Contemporary Hollywood Cinema*, p. 61.

48 See Samuel S. Kim, "Korea's *Segyehwa* Drive: Promise versus Performance," in Kim, ed., *Korea's Globalization* (Cambridge: Cambridge University Press, 2000), pp. 257-264.

49 KOFIC statistics.

50 Frank Segers, "South Korea," in Peter Cowie, ed, *Variety International Film Guide, 1998* (London: Andre Deutsch, 1997), p. 300.

51 Mark Russell and George Wehrfritz, *Newsweek International*: 38.

52 Theatrical box office in America was $8.99 billion in 2005 compared with total rentals and sales of $24.3 billion for the home video market. Source: Motion Picture Association of America, Digital Entertainment Group.

53 Doobo Shim and Dal Yong Jin, "Transformations and Development of the Korean Broadcasting Media": 12.

54 Source: Motion Picture Association of America.

55 Darcy Paquet, "Illegal downloads cause $270m of lost revenue per year," *Korean Film News*, no. 323 (November 25, 2005) <http://www.koreanfilm.or.kr/news/news_view.asp?kor_news_num=323> (accessed July 28, 2006).

56 Motion Picture Association of America, Digital Entertainment Group.

57 Ryu Hyeung-jin, "Current State of the Korean Multiplex Industry," *Korean Film Observatory*, no. 16 (Summer 2005): 15.

58 KOFIC statistics.

59 Quoted in Mi Hui Kim, "Multiplexes change habits," *Variety* (October 6, 2003): 21.

60 Kim Hyun-soo, *Korean Film Observatory*: 7.

[61] KOFIC statistics.

[62] See Anonymous, “CJ Gold Village Co. & MegaBox - Christie in Korea,” <http://www.christiedigital.com/recentInstallations/filmCinema/megabox/CGVMegabox.asp> (accessed September 14, 2005).

[63] Mi Hui Kim, “Deluxe plex prizes film fans,” *Variety* (July 9, 2001): 39.

[64] Kim Hyun-soo, *Korean Film Observatory*: 8.

[65] Darcy Paquet, “South Korea mulls substantial tax breaks,” *Screendaily* (March 31, 2004) <http://www.screendaily.com/story.asp?storyid=17001> (accessed April 26, 2004).

[66] Paul Chai, *Variety*, B2.

[67] KOFIC statistics.

[68] Steve Glain, “Why South Korea’s Humdrum Cheil Is Risking Its Money on DreamWorks,” *Wall Street Journal* (July 17, 1995).

[69] Steve Glain, *Wall Street Journal*; Anonymous, “Starstruck,” *The Economist* (November 25, 1995), pp. 60-61.

[70] Hanna Lee, “Single screens history for S. Korean exhibs,” *Variety* (November 16, 1998): 20.

[71] Choi Won-seok, “Lotte Joins Multi-Screen Cinema War,” *Digital Chosunilbo* (December 13, 2001), <http://english.chosun.com/w21data/html/news/200112/200112130412.html> (accessed October 17, 2003).

[72] Patrick Frater, “Korea’s CJ unveils production drive,” *Screendaily* (February 25, 2000) <http://www.screendaily.com/story.asp?storyid=545> (accessed May 2, 2004).

[73] Quoted in Mark Russell, “CJ Entertainment at 10,” *Hollywood Reporter* (October 3, 2005) <http://www.hollywoodreporter.com/thr/international/feature_display.jsp?vnu_content_id=1001220250> (accessed October 20, 2005).

[74] Adapted from CJE’s revenue sharing example in the CJ Entertainment report, “Investment Opportunities in Asia’s Leading Entertainment Company” (September 2004), p. 22.

[75] Kim Hyoun-soo and Jay Kim, “Final Report on the 2001 Korean Film Industry: Sustainable Growth?” *Korean Film Observatory*, no. 4 (Spring 2002): 8.

[76] Darcy Paquet, “Korean investors swarm to country’s first film IPO,” *Screendaily* (February 5, 2002) <http://www.screendaily.com/story.asp?storyid=7237> (accessed July 2, 2003).

[77] Darcy Paquet, “Village Roadshow unloads 50% interest in leading Korean exhibitor,” *Screendaily* (September 22, 2002) <http://www.screendaily.com/story.asp?storyid=4018> (accessed July 1, 2003).

[78] CJ Entertainment Newsletter (December 31, 2004) <http://cjent.nkino.com/English/MailingList/041231/cjnews_3.asp> (accessed January 14, 2005).

[79] Leo Barraclough and Mark Schilling, “Kadokawa to exit D’works,” *Variety* (February 5, 2006) <http://www.variety.com/article/VR1117937440?categoryid=19&cs=1> (accessed August 14, 2006).

[80] Hanna Lee, “Samboo makes Korean move,” *Variety* (June 28, 1999): 19.

[81] Christopher Alford, “Warburg Warms S. Korea,” *Variety* (May 8, 2000): 26.

[82] Darcy Paquet, “Hana Bank launches Korea’s first film fund,” *Screendaily* (November 28, 2001) <http://www.screendaily.com/story.asp?storyid=6635> (accessed July 3, 2003).

[83] Christopher Alford, “Tech savvy firm nabs top distrib,” *Variety* (March 12, 2001): 20.

[84] Darcy Paquet, “Loews leads,” *Screendaily*.

[85] Patrick Frater, “Korean studios merge o’seas film sales ops,” *Variety* (June 5, 2005) <http://www.variety.com/article/VR1117923950?categoryid=1442&cs=1> (accessed May 18, 2006). See also Anonymous, “CJ on the Verge of Becoming an Entertainment Superpower,” CJ Entertainment Newsletter (August 2004) <http://www.cjent.co.kr/english/maillinglist/040921/cjnews_2.asp> (accessed January 14, 2005).

[86] Quoted in Scott Rosenberg, *Film Journal International*..

[87] Scott Rosenberg, *Film Journal International*.

[88] Darcy Paquet, “New distributor launches in South Korea,” *Screendaily* (March 10, 2004) <http://www.screendaily.com/story.asp?storyid=16723> (accessed April 26, 2004).

[89] Source: *Korean Film Observatory*, no. 14 (Winter 2004), no. 17 (Autumn 2005); Darcy Paquet, “Commercial Releases in 2006,” *Koreanfilm.org* <http://www.koreanfilm.org/films2006.html> (accessed May 29, 2006).

[90] Hanna Lee and Christopher Alford, *Variety*: 36.

[91] Christopher Alford, “New South Korean ples packs punch,” *Variety* (August 21, 2000): 37.

[92] Darcy Paquet, “South Korean exhibitors enjoy robust health,” *Screendaily* (January 17, 2003) <http://www.screendaily.com/story.asp?storyid=10840> (accessed June 24, 2003).

[93] Source: “Total U.S. Admissions and Number of U.S. Movie Screens, 2002,” National Association of Theater Owners <http://www.natoonline.org/statisticsscreens.htm> and <http://www.natoonline.org/statisticsadmissions.htm> (accessed May 22, 2006).

[94] Darcy Paquet, “Loews leads South Korean exhibition push,” *Screendaily* (September 10, 2002) <http://www.screendaily.com/story.asp?storyid=9434> (accessed July 1, 2003). Patrick Frater, “Loews sells Megabox stake for $80 mil,” *Variety* (January 23, 2006) <http://www.variety.com/article/VR1117936654?categoryid=18&cs=1&nid=2562 > (accessed May 18, 2006). Megabox’s estimated total investment for its first 100 screens is from, Mi Hui Kim, “Deluxe plex,” *Variety*: 39.

[95] Quoted in Patrick Frater, “Bigger then Germany,” *Variety* (February 6, 2006): C6.

[96] Samuel S. Kim, *Korea’s Globalization*, p. 261.

[97] Kyung Hyun Kim worries that the Motion Picture Promotion Corporation may have over inflated these figures from the late 1960s and early 1970s. See Kim, *Im Kwon-Taek*, p. 42n18. Hong Kong and China are mentioned as major export markets in Lee Young-Il, *History of Korean Cinema*, p. 261.

[98] Kim Hyoun-soo and Jay Kim, *Korean Film Observatory*: 6.

[99] KOFIC statistics.

[100] Gregory Beals, "The Birth of Asiawood," *Newsweek* (May 21, 2001): 56.

[101] Kim Tae-jong, "Local Movie to Open Throughout Asia," *The Korea Times* (May 11, 2004) <http://www.hancinema.net/korean_movie_Windstruck.php?nopage[1]=9#news > (accessed June 11, 2004).

[102] Kim Tae-jong, "Local Movie to Open Throughout Asia," *The Korea Times*.

[103] Stanley Rosen, "Hollywood, Globalization the Film Markets in Asia: Lessons for China?," p. 15 <www.asianfilms.org/china/pdffiles/rosen_pdf1.pdf> (accessed April 30, 2006).

[104] Statistics drawn and adapted from *Korean Film Observatory*, no. 4 (Spring 2002), no. 7 (Winter 2002-03), no. 14 (Winter 2004), no. 18 (Spring 2006).

[105] See Darcy Paquet, "Japanese Films in Korea," *Koreanfilm.org* (December 11, 2004) <http://www.koreanfilm.org/japanfilm.html> (accessed July 2, 2006); Mark Russell, "Korea-Japan relations: A thaw of bad relations has the two nations sharing cultures," *Hollywood Reporter* (February 15, 2005) <http://www.hollywoodreporter.com/thr/international/feature_display.jsp?vnu_content_id=1000800224> (accessed July 2, 2006).

[106] Patrick Frater, "Applause sets Hur's Spring Day as first project," *Screendaily* (April 14, 2000) <http://www.screendaily.com/story.asp?storyid=1106> (accessed May 2, 2005).

[107] Quoted in Mark Russell, "Japanese Market Power," *Movie Marketing Asia* 1, no. 9 (March 2005): 6.

108 Source: National Association of Theatre Owners, Motion Picture Producers Association of Japan, Koreanfilm.org.

109 Quoted in Mark Russell, "Korean Master in Japan," *Movie Marketing Asia* 1, no. 3 (September-October 2004): 4.

110 Lukas Schwarzacher, "Korean Hits Spicy Abroad," *Variety* (June 21, 2004): 18.

111 Joon Soh, " 'Silmido' Sells Distribution Rights to Japan," *The Korea Times* (February 19, 2004) <http://times.hankooki.com/lpage/culture/200402/kt2004021719250411720.htm> (accessed April 7, 2004).

112 Mark Russell, "Past Fiend," *Movie Marketing Asia*: 4.

113 Hideko Takayama and Kay Itoi, "Japan Finds Its Seoul," *Newsweek* (April 9, 2001): 38; Mi Hui Kim, " 'Wave' is washing over Asia," *Variety* (February 4, 2002): 31; Anonymous, "Korean Drama 'Winter Sonata' Infatuates Japanese," *Digital Chosunilbo* (August 24, 2004) <http://english.chosun.com/w21data/html/news/200408/200408240008.html> (accessed August 26, 2004).

114 Mark Russell, "Past Fiend – Today's Fiend," *Movie Marketing Asia* 1, no. 3 (September-October 2004): 23.

115 Anonymous, "Bae Yong-jun New Face for Sony," *Digital Chosunilbo* (July 16, 2004) <http://english.chosun.com/w21data/html/news/200407/200407160047.html> (accessed August 26, 2004).

[116] Yeo Shi-dong, " 'My Bizarre Girlfriend' Gets Highest Model Contract Ever," *Digital Chosunilbo* (July 16, 2004) <http://english.chosun.com/w21data/html/news/200211/200211240023.html> (accessed October 18, 2003).

[117] Anonymous, "S. Korean soap opera sparks boom in China," *Xinhua* (September 30, 1995) <http://news.xinhuanet.com/english/2005-09/30/content_3567436.htm> (accessed June 1, 2006).

[118] Park Chung-a, "The Power of Korean Dramas," *The Korea Times* (October 27, 2005) <http://times.hankooki.com/lpage/culture/200510/kt2005102719424111680.htm> (accessed June 2, 2006).

[119] Shin Hai-in. "Keeping up 'addiction to Korean TV dramas'," *Korea Herald* (November 16, 2005) <http://www.koreaherald.co.kr/SITE/data/html_dir/2005/11/16/200511160039.asp> (accessed March 20, 2006).

[120] Park Chung-a, *The Korea Times*.

[121] Shin Hai-in, *Korea Herald*.

[122] Darcy Paquet, "Stars shine," *Variety*: C7.

[123] Anonymous, "Dialogue: Mie-kyung Lee," *Hollywood Reporter* (October 3, 2005) <http://www.hollywoodreporter.com/thr/international/feature_display.jsp?vnu_content_id=1001220247> (accessed February 16, 2005).

[124] Bo-Myung Seo, "Reunifying Identites: North and South in Contemporary South Korean Cinema," *Bright Lights Film Journal* no. 52 (May 2006) <http://www.brightlightsfilm.com/52/korea.htm> (accessed May 30, 2006).

[125] Davide Cazzaro and Darcy Paquet, "An Interview with Kim Ji-seok," *Koreanfilm.org* (October 12, 2005) <http://www.koreanfilm.org/kimjiseok.html> (accessed February 14, 2006).

[126] Moon Seok and Oh Jung-yum, "Interview with Bong Joon-ho," *Korean Film Observatory*, no. 19 (Summer 2006): 24.

[127] Eungjun Min, et. al, *Korean Film*, p. 178.

[128] Anonymous, "Analysis of the Characteristics and Changes in Korean Moviegoers' Preferences," *Korean Film Observatory*, no. 12 (Summer 2004): 16-17.

[129] 'Bunshinsaba: Production Note,' <http://www.mirovision.com/english/movie/feature_note.asp?movie_sno=68> (accessed July 2, 2006).

[130] Anonymous, "Dialogue: Mie-kyung Lee," *Hollywood Reporter*.