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*ERCCT Online Paper Series:*

**National Policies, Industrial Structure, and  
Performance: a comparison of the broadcasting  
industry in Taiwan and South Korea, 1980~2012**

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November 2013

EOPS No. 0026

*–Young Scholar Workshop 2013 selected collections –*

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**National Policies, Industrial Structure, and Performance: a  
comparison of the broadcasting industry in Taiwan and South Korea,  
1980~2012**

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**Abstract**

The purpose of this study is to do a comparative study on the development of the broadcasting industry in Taiwan and South Korean by looking at how national policies and industrial structure affect the developmental and performance of this specific industry. Television systems in Taiwan and South Korea had similar starting points, but followed different routes in the 1980s. Both authoritarian states tended to have a legitimacy crisis and were forced to adopt certain social controls, but lost certain powers. The KMT government, known as the party-state regime, mainly adopted co-option measures, but sacrificed state autonomy on television policy. In South Korea the military-bureaucratic regime strongly intervened into the structure of the media and forced the private televisions to merge with the state enterprise. After democratization, media reform movements in South Korea rose up and demanded that the state television stations fulfill public responsibilities. When most countries adopted a laissez-faire policy to confront the trend of deregulation, the Korean government adopted an intervention policy.

Keywords: broadcasting industry, developmental state, industrial structure

## **I. Background and Research Questions**

Recent studies on the cultural and creative industry have either focused on the effect of a national cultural policy on the economy (Cunningham, 2002 and 2004; Garnham, 2005, Hesmondhalgh and Pratt, 2005; Hesmondhalgh, 2005; Pratt, 2005), or on discovering models of promoting the cultural and creative industries (Potts and Cunningham, 2008), few have paid much attention on the specific sector of the cultural and creative industry, and its developmental trajectory and performance. Although there is an abundant literature comparing East Asian development states, there are few comparative studies on the issues related to how different countries in East Asia promoted specific sector of the cultural and creative industry and the effects that the state policy has created. **The purpose of this study is to do a comparative study on the development of a specific sector of the cultural and creative industry – the broadcasting industry – in Taiwan and South Korean by looking at how national policies and industrial structure affect the development and performance of this specific industry.**

One of the important indicators to evaluate the performance of this sector is the export amount. The exportation of the Korean broadcasting programs has brought in a large amount of revenue for the Korean economy in recent years (Trade Focus, 한국무역협회, 2011/11). Promoted by Korean government in 1993, the Korean Wave has become influential throughout Asia and the world in a very short period of time. Unlike South Korea, the situation taking place in Taiwan has not been smooth. In the past, Taiwanese pop culture had dominated the Mandarin Chinese society/Greater China markets, producing significant achievement in the popular music industry (Gold, 1993; Chua, 2004). The Taiwanese government started promoting a national program of cultural and creative industries in 2002 and the total investment was over

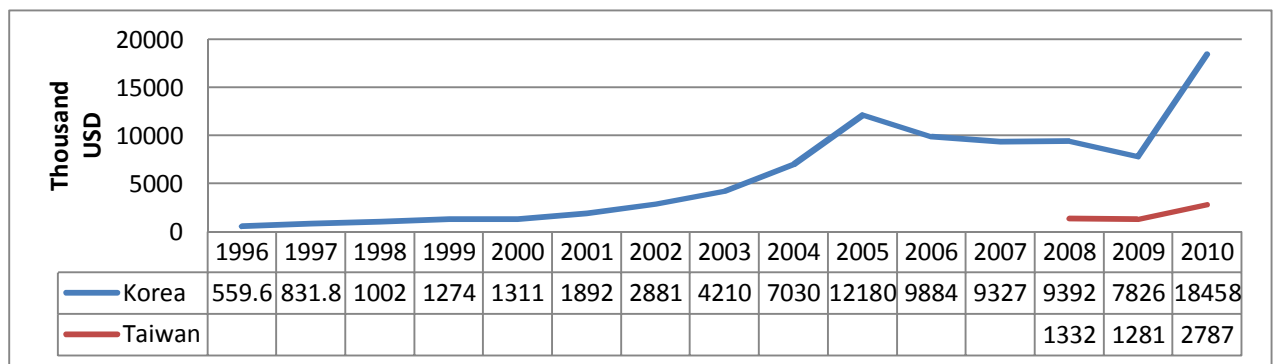
9.8 billion NT (Creative Taiwan: 2009~2013, Council for Cultural Affairs, 2009, p.5).

Some Taiwanese dramas have gained increasing popularity internationally in the Mandarin-speaking community, but as a whole, the outcome is still unsatisfying.

Figure 1 reveals that, despite the application of similar policies, some factors have obviously led to distinct outcomes. This puzzle deserves further investigation.

Production capacity is another key performance indicator. It leads to the possibility that the industrial structure is more effective if larger percentages of TV program hours are domestically produced. According to the official data provided by the Government Information Office in Taiwan, the proportion of domestic production of drama series has decreased in the past few years (Film and Television Industry, Annual report, 2010, Government Information Office, p. 96). As for Korea, due to the quota restrictions on foreign programs, the average proportion produced domestically is around 78 percent since the 1990s (Waterman and Rogers, 1994). Light could be shed on the influence of industrial structure which is a neglected area.

Figure 1. Changes in Exports of Broadcast Programs in Korea and Taiwan (In \$10 thousand USD)



Source: Based on "Contents Industry White Paper 2004~2009," Ministry of Culture, Sports and Tourism, Republic of Korea; Annual Research Report, Government Information Office, Republic of Taiwan.<sup>1</sup>

## II. Literature Review

There have been a number of studies that have investigated the ways to make

<sup>1</sup> Profit data is not widely reported by broadcasting industry in Taiwan.

money from the cultural and creative industries. In this section, I will firstly investigate the current issues that researchers have worked with in this developing field and then point out its flaws. After which the industrial organization approach will be discussed. It was introduced by Mason in 1930 as a way of assessing competition within industry, now has some fields of application in media studies. Lastly, the developmental state theorists have written widely about the implication of the interaction between government and industry and its consequences. The main argument will be provided in this part.

1. Cultural and creative industries studies: practice without theory

The literature about cultural and creative industries can be classified into two major categories: policy and definition. In the first category, the majority have focus on cultural policy and its implications on economic growth (Garnham, 1987; Cunningham, 2002; Garnham, 2005; Hesmondhalgh and Pratt, 2005; Hesmondhalgh, 2005; Pratt, 2005). Some recent efforts have continued to address creative cities or regions and effects (Hall, 2000; Bassett, Griffiths and Smith, 2002; Scott, 2004; Scott, 2006; Cooke, Philips and Lazzereti, 2008). However, there was very limited study that reported a long and formal research project on creating system which consists of firms' relations, education institutions, government research institutions, and financial sectors and so on. There was a noticeable absence of research projects dealing with the interaction between the industrial structure, the broadcasting industry dynamics and its impact on economic growth. In order to extract what factors facilitate the performance, light also should be shed on any unsuccessful cases, which are still largely unknown and investigated. Hence, the present study will outline and illustrate a system which maintains the competitiveness of creativity by comparison.

Closely related to policy making is the debate on the definition of cultural and

creative industries. A number of varying definitions have emerged due to the nature of the complexity of “culture” which makes it difficult to draw a clear line between functional sectors and cultural sectors, or utilitarian functions and non- utilitarian functions. In spite of the boom in the cultural creative industries, there is no general consensus on the definition of what the cultural creative industries consists of. Galloway and Dunlop (2007) conclude that the definitions of cultural industries are based around a combination of five main criteria: creativity, intellectual property, symbolic meaning, use value, and means of production. Potts, Cunningham, Hartley and Ormerod (2008) propose a new social network-based definition of the creative industries which is the set of agents and agencies in a market characterized by adoption of novel ideas within social networks of production and consumption. Flew and Cunningham (2010) focus on the concept developed in other regions out of the UK and the critiques surrounding the intellectual coherence of the concept of neo-liberalism. In short, the ambiguous term “culture” has resulted in a never ending discussion and debate. Therefore, in order to help bridge this gap in our knowledge, opposed to those who emphasize the cultural and creative industry as whole, this article focuses on one traditional core cultural sector, the broadcasting industry. In by doing so, it seeks to contribute to our growing understanding of industry classification. Take the Korean drama marketing strategy for example, “one-source, multi-use” benefits tourism, publishing, music and the fashion industries. However, not all of them attribute to the creative industries. The article may lead to a better understanding of the definition, scope and the accurate mapping of this sector.

“Is the cultural creative industry a cure-all or snake-oil?” The cultural and creative industries are considered the key to smart and sustainable growth; nevertheless, the scope of the cultural and creative industries differs from state to

state, likewise, the definitions of cultural creative industries vary from scholar to scholar. The ambiguous term of “culture” makes “cultural and creative industries” become an umbrella term covering almost any industry with an element of culture. In short, if everything is cultural, then all industries belong to the cultural and creative category. The complexity and controversy of this field has already resulted in a challenge for policy making. In this way, it is even harder to make a convincing evaluation of cultural policy. Just one example should suffice to illustrate. In the case of drama, one would want to include not only actors/ actress, but also their training, management and promotion. Critics question whether these activities are “really” the cultural and creative industries; the answer is obvious that the shows could not happen without them. All in all, the investigation to this question in the first sentence is limited by an unclear definition of culture or creativity. This present research will be critically important in laying the groundwork for understanding how we make money from culture or creativity and also provide insight into the question I pointed out at the beginning.

“Can creativity be measured? “When talking about the cultural and creative industries, it is often related to the “copyright industries”, the “intellectual property industries” or the “knowledge industries” because of the copyright reserved outcome (productions). The numbers of copyrights are countable and measurable. When it comes to the broadcast economy, a simple way of measuring has been questioned. It is impossible to attract audiences’ attention without any creativity in a program. In other words, every program is creative. So, is this the right question to ask? Instead of television audience measurement, it seems that the sales of the copyrights provide a good opportunity to evaluate the value of creativity in the broadcasting industry. The price the foreign buyers are willing to pay reflects the value of creativity in the global

market. Limited market size and limited growth within the domestic market means that, both Taiwan and South Korea need to expand abroad. Thus, besides the domestic market, the exportation of broadcast programs is also a reliable empirical claim to evaluate the performance of the broadcast economy.

## 2. The limitation of “Structure-Conduct-Performance” Paradigm

It has been argued, by Bain and others, an industry’s performance depend on its conduct of its firms, which then depends heavily on the structure. Structure-Conduct-Performance framework, first introduced by Mason in 1930s and then further researched by Bain in 1959 is critically important in laying the groundwork for studying industrial organization (IO). A number of studies have investigated the impact of “market structure” since the time of Bain’s book-Industrial Organization. The IO theorists attempt to find the answer to how firms interact and compete with each other in different situations (perfect competition or monopoly), and the results of these interactions (collusion, cartel...), and are these results consistent with an ideal competition or not. They also observed that government policy may be of critical importance for improving and adjusting structure. (Bain, 1968 ; Koch, 1974 ; Martin, 1988 ; Scherer & Ross, 1990 ; Wirth & Bloch, 1995 ; Church & Ware, 2000)

During the last several decades, there has been a rapid growth of transnational capital flow due to the effect of globalization. The Structure-Conduct-Performance model has been widely used in the media study due to the rise of the flow of global capital. Various groups of researchers have worked with the relation between market structure and the performance. For example, by examining the dealings of the networks with affiliated stations, with program producers, and with advertisers, Litman (1979) said that the dominance of the television industry by the three major networks (ABC, CBC and NBC) can be reduced by regulating their commercial



practices. Wirth and Wollert (1984) have explored the effects of market structure and advertising pricing. They found that increased market concentration leads to higher advertising prices in local television market. And, the increased cable television penetration leads to lower advertising price. Shih (2000) has observed that the industry performance is highly associated with radio industry market structure in Taiwan. He argues the competitive market did not exist when the participants (radio stations) are too much. Li has done extensive work with cable television industry in Taiwan. She found a positive relation between market competition and the media performance of cable television industry. The non-competitive duo-politics market performed better than the monopolistic market did (Li, 2004 & 2007).

To sum up, a fairly large body of literature exists on the “Structure-Conduct-Performance” Paradigm. However, within that literature, there is a surprising lack of information on the role of state and its implication in the media performance. It appears that no research findings are yet available concerning the effect of the interaction between state and industry. And then the theoretical view from the developmental state theory is presented in the following section.

### 3. Developmental state theory: the change of state-business relationship

The developmental state theory is the main stream explanation to the rapid economic growth in East Asia after World War II, which emphasize the importance of state intervention that can mobilize social resources and allocate them to desired ends (Weis and Hobson, 1995) . Recently, the developmental state theorists have focused on the state capacity, state policy and state-business relation.

First, the developmental state has a strong and active central government, in which “pilot agency” plays a crucial role within technocratic policy bureaucracies. Policy instruments are formulated by a small group of qualified elites in economic

policy bureaucracy. The economic policy bureaucracy is consisting in a political network which offers sufficient space in initiative-taking and effective operation (Johnson, 1982; Chibber, 2002).

The state autonomy has gradually decreased both in Taiwan and Korea because of the democratic transition in 1990s. Unlike before, it had been getting more and more difficult to format consensus and make policy without taking other interest group into consideration. Thus, the long-term economic policies are hard to build, let alone the pilot agency which regarded as the first main character of developmental state.

Second, while the classical economic theory supports the deregulation of the market, the developmental state theory argues the state intervention plays a critical role in promoting rapid economic growth. No one will deny the importance of state to provide the infrastructure and common goods in promoting growth. The scholars then further researched the “kinds” and the effects of intervention, not only the extent of the state intervention.

For example, some researchers proposed governed market strategy. It means governments used incentives, controls, and mechanisms to spread risk to guide – or govern – market processes of resource allocation (Johnson, 1982; Wade, 1990). Others points out the “getting price wrong” mechanism helped achieving the market augmentation (Amsden, 1990). In order to preventing rent seeking, the state even adopted “picking the winner” strategy to reach the goal of market enhancing (Aoki, 1996).

Generally speaking, Taiwan and Korea both can be considered the successful case due to the high growth led by government. However, it is necessary to make a re-

evaluation of the ability of policy making and the policy application especially under rise of Neo-liberalism. In doing this, we can observe the state capacity in making long-term national plan.

Third, state-business relation represents a set of highly institutionalized, responsive and public interactions between the state and the business elite. It derived the success experience from Japan that the close associational ties between state bureaucrats and business elite facilitate growth and development. However, the catching-up economy not always leads to miracles, it might produce disasters sometimes. According to Evans (1995), states can be categorized into three types: predatory, intermediate and developmental states. States differ from each other in the way they organized and tied to society. A predatory state ruthlessly extracts and provides nothing of value in return while the developmental state promoted the industrialized transformation with the combination of coherent internal organization and close links to society. What's more, intermediate state is in between. It means the state is sometimes helping, sometimes hindering, and lacking of coherence with the society.

When we turned our attention to Taiwan and Korea, we found that the authoritarian regime tightly controlled media industry for political purpose in 1980s. The coherent internal organization and close links between the state and the media could be seen as the fundamental basis for promoting broadcasting industry. Starting from the similar situation, Korean broadcasting industry performs apparently better than Taiwan. In our view, the key to explain the differences lies in the "state-business relation" because the state autonomy has been decreased after democratization in both countries.

In order to enforcing national competitiveness, the transformed states adopted

different strategies under global Neo-liberalism. Some of them opened up the market and adopted deregulation policy; we can look at example of Taiwan transformed into laissez-faire state and created competitive structure in broadcasting economy. Some cases like Korea, maintaining the control over the economy and opening up the market step by step shaped the oligopolistic industrial structure. It is believed that the state-business relation was changed because of the structure transition. It hence resulted in different performances. Unfortunately, we did not find any research that reported a long and comparative project on this issue. As the result, the purpose of this study reported here was to explore (a) how developmental state restructured? (b) how the stat-business relation changed? (c) the development model can be copied?

### **III. Research Method**

This study attempts to analyze how national policy shaped the industrial structures and the effects on the broadcasting industry by means of most similar systems design. In order to simplify this study, I would like to justify my case selection first and then illustrate the process of collecting primary information source, which were used in this work. Lastly, I will offer possible solutions to the research limitations in the last section.

#### **1. Case Selection**

In order to answer our research questions, I only consider two countries, South Korea and Taiwan, in which one enjoys the Korean wave booming overseas after policy promotion of exports while the other does not. Due to the lack of an existing analytical framework in the literature to guide in comparative studies, I attempt to discover the possible factors that influence the environmental creativity and develop a theoretical explanation for it.

Before justifying my case selection, I would briefly like to introduce the recent developments of other countries. Let's start with the developed economies. The UK

government, which first cultivated this field in late 1990s, finds that creative industries account for over a million jobs and brought in 112.5 billion to the UK economy (DCMS, *Creative Industries Mapping Document*, 2001). In recent years, heritage tourism and music contributes to the UK's GDP 20 billion and 5 billion separately (The power of cultural for development, UNESCO, 2010). The USA is a most important player in the global market. The copyright related industries contributed to a national economy with 11% of share of GDP and 8.81% of share of employment (WIPO Studies on the Economic Contribution of the Copyright Industries, 2012). Italy has great competitiveness with design and fashion accessories, and is the top one exporter among the developed economics in 2005 (Creative Economy Report 2008, UNESCO). Should we copy the development model offered by those developed countries? The answer is no. As mentioned earlier, technology plays a key role in the creative economy. Not surprisingly, the developed countries that have been at the cutting-edge of technology dominate the world market. We need to look for a development pattern through other successful cases.

Now, let's focus on the catching-up economies to see if that helps theoretical thinking. According to a UNESCO report in 2008, of the top 10 exporters of creative goods among developing economies, 9 are in Asia. China is the top country who plays major role in the creative cultural trade market. However, China is excluded from discussion because of its party- led political system and huge domestic market. We post emphasis on the creative environment shaped by the structure of the political economy, the influences of the unique transition in China are academic controversy. Thus, indeed, China is an interesting case, but needs to be investigated separately.

Among those countries, the selection of South Korea is obvious because it is the successful case of policy orientation in non-English speaking countries. Korean wave

soon contributes to nation's exports and TV drama seems to become the most profitable segment of Korea's entertainment industries. As for Taiwan, having similar develop background, the policy impact on the broadcasting industry performance is not significant. As the result, different outcomes of policies make South Korea and Taiwan comparable. The most similar system design thus adopts to explore the dynamic factors that promote the development.

## **2. Participants and Materials**

A two- phase study was designed to explore how national policies shape industry structure and the effects on international competitiveness of program export. In the first phase, official statistics and research reports were used as the basis for the work. The Ministry of Culture, the Ministry of Sports and Tourism of the Republic of Korea, Korea Broadcast Advertising Corporation, and the Korean Creative Contents Agency provides abundant statistical data and research papers which can easily be accessed on line (only on Korean Version website). Reliable information about the expansion of the broadcasting industry is available in Korea International Trade Association (Trade Focus, KITA official journal, written in Korean), and Korea Foundation for International Exchange. Reports from those institutes provide annual export and import data in South Korea. Due to its transnational cultural flows, there has been a growing interest in the Korean wave and rich English research resources also can be found. Compared to South Korea, unfortunately, the data is not wildly reported by Taiwan Government. The Government Information Office of the Republic of China provides a brief report only from 2007. Not only is data before 2007 hard to find, it is also hard to locate longitudinal studies as well.

As for the second phase, doing one-on-one interviews is the next step to take in order to capture the interaction between broadcasters, production companies, advertisers and other possible actors. Information about the process of making money

with ideas for TV programs is required for completing this research. The research centers on an empirical study involving TV program producers, TV station managers and production company owners from Seoul and Taipei, the programs manufacturing center in the country respectively. The participants in the study, chosen from broadcasting networks, were of course familiar with the overseas marketing. In-depth interviews were used to answer questions concerning the process of production and selling abroad. Data analysis for each producer or manager interviewed consisted of utilizing and categorizing the data collected during the in-depth interviews averaging 2 hours each.

#### **IV. Research Findings**

In this section, a conceptual framework is presented for understanding the way policy has shaped the industrial structure. In order to reach national goals, both Taiwan and South Korea adopted various industrial policies promoting the development of the television industry. After a few decades, the different outcomes of these policies are apparent. The state of Taiwan's television exports has remained at a standstill throughout the past decade, while South Korea's TV exports have boasted an outstanding growth record due to the wide-spread popularity of Korean broadcast programs. The factors that have promoted or hindered the development of the television industry require further analysis. Hence, this study investigates this issue.

##### **1. The Taiwanese broadcasting industry: a competitive industrial structure**

Why has the export and production capacity of Taiwan's television industry been so lackluster? The answer to this question lies in the competitive industrial structure and insufficient financial resources. Before the 1980s, Taiwan's authoritarian government tightly controlled the media and used it as a political tool and ideological apparatus. The globalization and democratization trends of recent

years, however, have deeply influenced Taiwan's media and have caused it to become more liberal at a faster pace than the majority of Asia (Hong, 1999). Since the 1980s, the highly controlled media regime operating under the KMT government has gradually loosened its tight control. Although the party-state has many means at its disposal to ensure compliance, such as press ownership, economic incentives, control over editors, and the practice of self-censorship, the market pressures and the presence of an increasingly legitimate political opposition have forced the regime to liberalize its control (Chen, 1998). For further understanding, the change of the structure and one of the consequences, the sharp decline of program production ability will be illustrated in the following.

#### **(1) The role of state in shaping broadcasting structure**

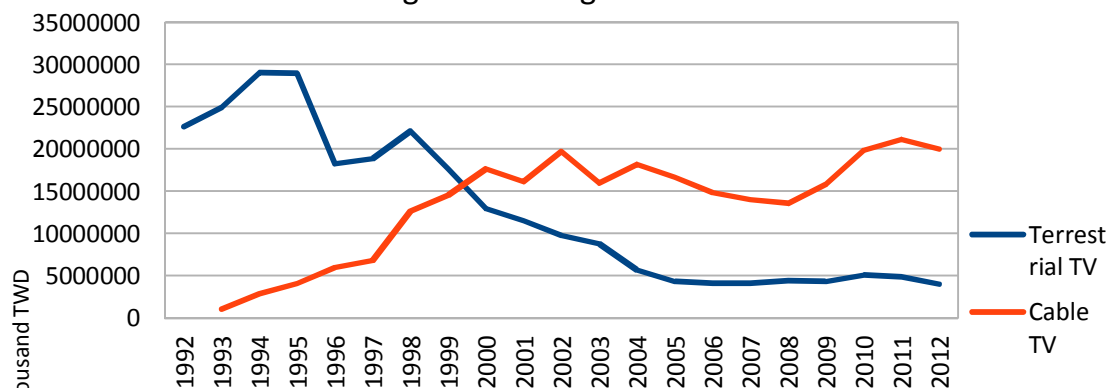
In 1993, the Cable Radio and Television Act passed under the pressure of democratization. The era of dominance of the three major state-owned TV stations (Taiwan Television, China Television and the Chinese Television System) came to an end shortly thereafter, as more than 80 new channels entered into Taiwan's television market. In 1993, the penetration rate of the cable television is 56.2 (Chen, 2002), and soon had reached to 80% after 1999(Chen and Lee, 2012). After cable TV made its legal entry into the broadcasting industry, there were many more channels for advertisers to run their ads on.

As the figure 2 showed, the rating share of the terrestrial TV gradually declined after the Cable Radio and Television Act passed in 1993, and drastically decreased after 2000, and then finally fell into new deep 17.2% in 2012. On the other hand, the development of cable television had substantial increased after officially entered the market. Over 70% of rating share has been occupied by cable television since 2003. Overall, the result of the opening of cable television had change the market which was



ruled by the stated-owned terrestrial television. The KMT government stopped the intervention in terrestrial broadcasters in 1990s due to the democratization and started media reform after tight controlled over past 30 years. Formosa Television (FTV) was launched later in 1997 and the Public Television Service (PTS) in 1998, the legalization of cable television has marked the end of Taiwan's long history of government monopoly in electronic media. The broadcasting market structure had been transformed from monopoly to competitive. The example of the rating share in 2012 will serve to describe how competitive the market is. Four terrestrial broadcasters shared 17.2% while over 60 cable channels owned 82.8%. Among those channels, the highest rating share is contributed by license newly- issued terrestrial, FTV, which is only 6.78% (Media Year Book, 2013, pp. 12-14).

Figure 2. Rating Share in Taiwan



Resource: Media Year Book, MAA, 2008-2012 ; Chen and Cheng, 2003

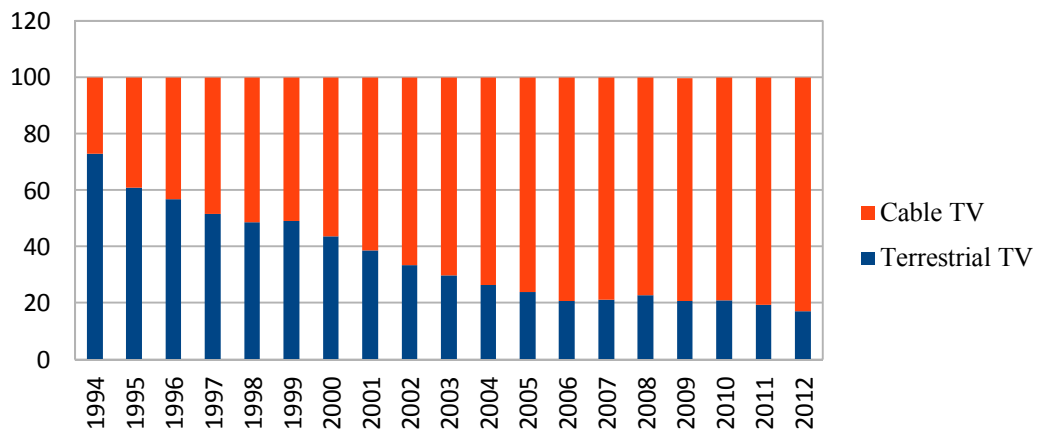
**(2) The change of the capacity in program production between terrestrial and cable broadcasters**

Besides rating share, the advertising expenditure also indicates the significant change after 1990s. Figure 3 highlights the differences between the terrestrial and cable in the advertising revenue. In general, the advertising expenditure reflects the direct income of a television station. As presents in Figure 3, the

emergence of cable TV brought much competition to domestic market which was ruled by the state-controlled terrestrial TV. The cable TV has been catching up so fast that eroded the dominance of three old networks and earned the majority of the advertising expenditure after 2000.

When talking about capacity in program production, the capital and talents matter. The most productive broadcasters are FTV and SET (San-li channels) both with only 0.81% average ranking of in 2012. The highest ranking program of the year is 23th Golden Melody Awards with 5.77% (Media Book, 2013, pp. 12-14, 22). We can conclude with certainty that the Taiwan's broadcasting market is so competitive that channels are struggling and living only with little market share.

Figure 3. Advertisement Expenditure



Resource: Media Book, Media Agency Association, 2008-2013

As a result, broadcasters now have to struggle for survival due to a crowded market and having limited resources. To reduce costs, program production has been outsourced to many independent production companies, especially for those high-budget programs like drama series. From the producers' perspective, when the capital and resources provided by TV stations are insufficient, they have no choice but to

seek investment alternatives such as advertisers, enterprises and venture capital in order to support their projects. However, attracting investors with only ideas is no easy task. Consequently, the industry structure in Taiwan is competitive, as shown in Figure 2 and 3. According to the Film and Television Industry Annual Report, the average cost of an hour-long drama program in Taiwan is approximately 54,000 USD. Compared to 150,000~200,000USD in Korea, the production cost is relatively low. (Film and Television Industry, Annual report, p. 123).

The findings from the studies seem to indicate that, first, in terms of content, broadcasters preferred to produce programs that had previously proven to be successful and popular instead of experimenting with new programs entailing high investment and risk. Program diversity has declined while the market competition has increased (Li, 1999; Li and Chiang, 2001). Second, with regard to output quantity, the proportion of domestic production of drama series—the most competitive programs in terms of export potential—is declining, too. In 2003, this figure stood at 43.8%, but reduced to 31.8% in 2010. This decline was the result of the increasing popularity of foreign dramas, which have increased their market share year by year (Film and Television Industry, Annual report, 2010, Government Information Office, p. 96). Third, due to the shortage of capital and a small market, there is not much room for domestic talents to develop and cultivate within the country. More and more talented people have left for Mainland China to seek opportunities. In this way, Taiwan is losing its talents.

## **2. The Korean broadcasting industry: an oligopolistic industrial structure**

How can we explain the rise of the Korean Wave? Over the last few years South Korea has been responsible for a television phenomenon known as the Korean Wave (Hallyu). Its popularity has spread to a number of East Asian countries including

Singapore, the Philippines, Vietnam, Taiwan, Mongolia, China, and especially Japan, and has made celebrities out of its stars. A number of recent publications have emphasized the important role of the Korean government and its cultural policies (Dato and Seo, 2004; Shim, 2006; Huat and Iwabuchi, 2008; Shim, 2008; Kim, 2011). However, there has been relatively little research thus far into the relationship between the industrial structure and performance. It appears that the industrial structure shaped by national policy has played a critical role in the spread of the Korean Wave. In order to understand the emergence of the Korean Wave and the challenge of the state-led development model, it is necessary to look back upon the broadcasting history first.

### **(1) The remote control of government and the broadcasting structure**

In 1972, President Park's government imposed censorship upon the media through the Martial Law Decree. The government revised the Broadcasting Law under the excuse of improving the quality of television programming. This was the beginning of government intervention. After the revision of the law, the government expanded its control of media content by requiring all television and radio stations to review programming before and after transmission. Although the government argued that its action was taken as a result of growing public criticism of broadcasting media practices, many accused the government of wanting to establish a monopoly over television broadcasting. Since the early 1980s, the structure of the Korean television industry has remained basically unchanged. In 1987, the Korean Broadcasting Committee was established to oversee all broadcasting in the country. The government ended the 27-year-long freeze on new commercial licenses by issuing a license to SBS in 1990. This breakthrough paved the way for competition among the three big networks.

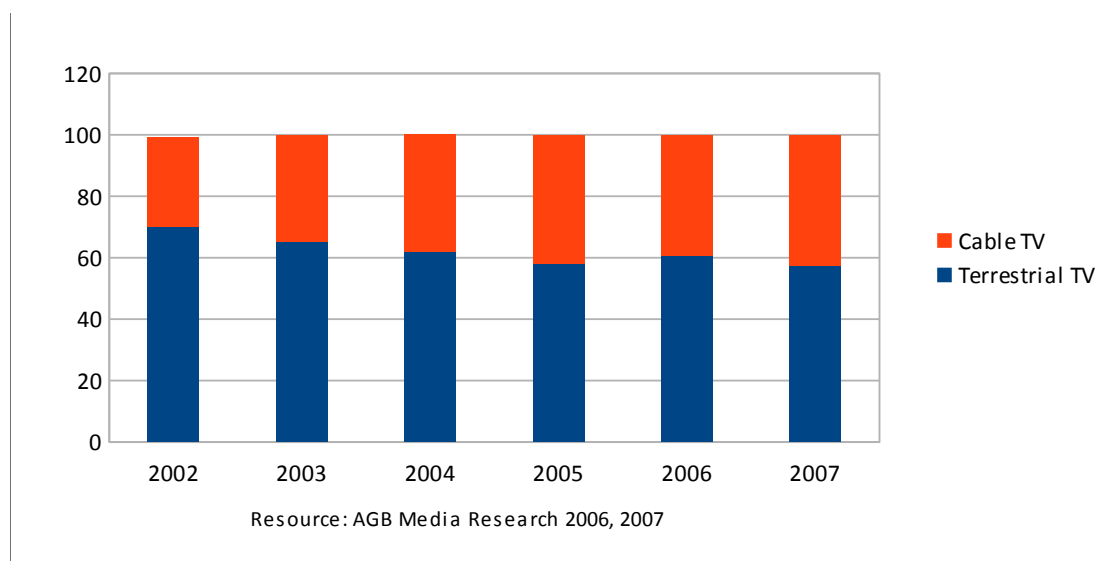
Korea and Taiwan both passed the Cable Act in the early 1990s, but they have

other similarities, too. First, the liberalization of media is one of the symbolic of democracy. The demand for dismantling the established broadcasters which worked as the political tool was growing under the democratic transition. Broadcasting reform issue became the center of politics during this period (Nam, 2008, pp.645-646). Second, cable TV which was the new media was taken as the "content industry". The cable TV was expected to be the potent player in program production sector in broadcasting industry since the high degree of in-house production in established broadcast networks. The government predicted that the development of cable TV would help to improve both the quantity and quality of program. However, the economic crisis in 1997 and the influence of globalization depressed the development of cable TV. In spite of the Comprehensive Cable Television Broadcast Act passed in 1995 allowing 52 system operators to obtain official licenses, as Figure 4 shows that the three big networks (Korea Broadcast System, Munhwa Broadcast Company, and Seoul Broadcast System) continue to dominate the Korean broadcast market until now.

Contrary to the "full competition" experienced in Taiwan, the broadcasting market in Korea can be viewed as "restricted competition" for two main reasons. First, in terms of programming, Korean broadcasters have an obligation to cater to public interest. The Broadcast Act of 2000 ensures this as a goal of its national policy. Not only the genre but also the quota of programs are regulated. In order to reach this goal, the government setting regulations and providing subsidy (김동규, 2002; Lin, 2010; Contents Industries White Book, Ministry of Culture, Sports and Tourism, 2010, Ch.4). Second, with regard to program capacity, program production relies heavily on capital investment. Besides licensing fees, Korea Broadcast Advertising Corporation has the exclusive right to sell broadcasters' advertising time, which

provides broadcasters with stable ad revenues. Small-medium sized broadcasters might become uncompetitive because resources have been concentrated on a few TV stations (Lee and Joe, 2000). Historically, during the past three decades of TV broadcasting, when competition was strong, programming diversity declined. In other words, lacking enough production capacities or financial resources, the broadcasters are likely to cope with competition by duplicating or imitating a few popular formats (Lee and Youn, 1995). To conclude, these restrictions have regulated the competition in the Korean broadcasting market and resulted in an oligopolistic industrial structure. The development of cable television was compressed while the existing broadcasters were protected (Nam, 2008).

Figure 4. Rating Share in Korea



## (2)The challenge of the structure

In the 1990s, facing the competition of foreign programs, the Korean government introduced private capitals, while yet regulating them and protecting public broadcasters. After 2000, with the arrival of foreign capitals, Korea began to relax the control on private capitals, yet still offering the privileges to public broadcasters in new platforms. However, the state-run media agency is facing challenge of its three-

decade monopoly on TV advertising because of media reforms going into effect 2011.

Firstly, the diversity was largely understood as the quantity of channel. However, it seems that the program production capacity did not grow up with the channels increased by cable TV jointed the market. In 2009, the production rate of the top 3 rating are MBC drama net(13.9%), SBS drama plus(4.2), KBS drama(1.0). That is to say, those channels earned living by buying programs and re-running them on channels(Youn and Lee, 2011, pp. 30-31).

Secondly, promoting Korean Wave by selling program overseas is a questionable view. MBC, KBS and SBS are the main program providers. In 2007, the profit earned by copyright selling is only 5%, the majority income provided by domestic advertising market (78%) (KBC report, 2007). It seems probable that the Korean Wave is sustainable by exporting broadcasting programs.

## **V. Conclusion**

Television systems in Taiwan and South Korea had similar starting points, but followed different routes in the 1980s. Both authoritarian states tended to have a legitimacy crisis and were forced to adopt certain social controls, but lost certain powers. The KMT government, known as the party-state regime, mainly adopted co-option measures, but sacrificed state autonomy on television policy (Wang, 1993; Lin, 2005).

In South Korea the military-bureaucratic regime strongly intervened into the structure of the media and forced the private televisions to merge with the state enterprise. After democratization, media reform movements in South Korea rose up and demanded that the state television stations fulfill public responsibilities. When most countries adopted a laissez-faire policy to confront the trend of deregulation, the Korean government adopted an intervention policy (Lin, 2011).

In conclusion, the results of this study are consistent with findings in our related investigations that the industry structure is the key to broadcasting growth and prosperity. In the case of Taiwan, the fragmented industry structure makes financing difficult and forces broadcasters to apply cost-cutting. By doing this, the broadcasting economy may lose competitiveness because of a lack of productivity and contents diversity. On the other hand, the Korean broadcasting industry would become more active because of its oligopolistic industry structure provides sufficient resource for its program production.

Unlike the previous research on creative policy, the current study found the industry structure is the crucial factor to explain the different export performances. The findings of this study lead to a number of implications. First, cultural and creative industries may not be easily research-able due to the nature of their ambiguity. Second, cultural and creative policy should be treated circumspectly since it is difficult to offer a definition of creativity. Third, the results of this study do not support providing subsidies as a solution to promote programming. Improvement in Taiwan's industrial structure should be the first step to take.



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