Aftermath of the Film-Market Opening: Competitiveness Building in China and Korea

Byung-il Choi[1] · Jooyoung Kwak[2]

Received: 22 August 2023 / Accepted: 18 October 2023 /
Published online: 1 December 2023

Abstract There were concerns that globalization would weaken the competitiveness of local arts, especially film production. Two countries were selected because both are known for Asian film production and had their markets opened by external pressure. We used policy documents, newspapers, magazines, and industry reports. The analysis focuses on changes in industrial structure and challenges for local industrial competitiveness. We argue that both countries experienced growing commercialization and content diversity rather than industrial atrophy—nevertheless, resource allocation to produce local films polarized. The Korean film sector became globally competitive under protective measures, while in China, the popularity of large-budget films decreased, a signal of qualitative development.

Keywords Market Opening · Asia · International Commerce · Film Industry

Introduction

Over the past few decades, the film industry in East Asia has expanded rapidly. Not only have the countries in this region become the center for film production and distribution (Gao, 2009) but their films have been internationally recognized for their cinematic value (Lee, 2011). Among these countries, Korea and China have been salient and share several traits: both opened

✉ Jooyoung Kwak
jooyoung.kwak@yonsei.ac.kr

1 Professor, Graduate School of International Studies, Ewha Womans University

2 Professor, School of Business, Yonsei University

their national film markets due to the globalization pressure but have maintained measures to protect domestic markets. Both are active in production volume and cinematic value, coupled with a strong acceptance among the domestic audience for foreign films.

Despite the protective measures, they had different market sizes and structure and growth paths for film sectors. China, for example, has implemented an import quota under which 34 foreign films can be imported into the country. Strong censorship was exercised per strict political guidelines (Nakajima, 2009). Furthermore, the value chain was also controlled by the government, although production, distribution, and screening were partially privatized. Like China, the Korean government protected the market through several policies, such as subsidies, but the value chains in the film sector were open to global investors. Some measures were stronger than others. For example, the Korean government enacted a screen quota in 1966, which remains in force today. The protectionism in both countries motivated a competitive drive against Hollywood films out of fear that these big blockbusters might crowd out domestic films.

Overall, the two countries have reacted to globalization pressures by undertaking different actions in response. In this light, what matters more than market size is the qualitative aspects resulting from the adjustment to globalization. In other words, market opening has drastically changed and developed the film sector. Identifying such changes could precisely forecast the future of the film sector in other countries. Therefore, it is necessary to examine changes in the film sectors in Korea and China, especially in response to market opening. In what follows, we present the industrial responses from China with a focus on industrial transformation. Next, we describe the Korean context, including the institutional changes and the effects. Subsequently, we compare the similarities and differences between the two countries.

Industrial Changes in China's Film Industry

Globalization Waves

China's accession to the WTO in 2001 created a new shock for the film industry, and the membership set new conditions for industrial competitiveness (Braester, 2005). In 2006, the Chinese government released *the Eleventh Five-Year Cultural Development Plan*, which first identified films as profitable service products (China State Council, 2001). It changed the tradition that regarded films as a political channel (Choi, 2010), trying to commercialize films separating them from the political arena. The government soon released *the Cultural Industries Stimulation Plan* in 2009 (Nakajima, 2009), which shows some important changes.

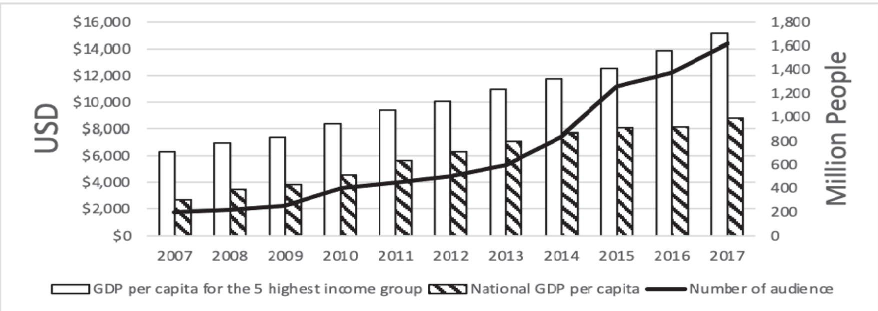
On the investment and content-creation dimensions, the government signed the *Comprehensive Economic Partnership Agreement* in 2003, which offered "local" status to films co-produced with companies from Hong Kong. Other foreign production firms were only allowed to invest in domestic film production after 2005. Chinese productions were permitted to go public in the stock market from 2009.

Also, regarding distribution, the government established a "circuit" system in 2002, essentially an additional format for distribution linking production and screening. The circuit system created a two-tiered system for film distribution operated by the state. The government tried to maintain control because, in the same year, it allowed for the entry of private distributors, including Chinese firms, that could import foreign films. However, the total number of film imports was subject to the quota.

Finally, most measures are related to the import quota. Import quota increased to 34 revenue-sharing films and 30 flat-fee films in 2019. Box-office revenues from the revenue-sharing films are split with international distributors, while the copyrights for flat-fee firms are purchased outright by local distributors. Since the revenue-sharing system is permitted for only China Film Group and Huaxia, private firms can only import films via the flat-fee system. Since the latter quota is 30 films, it is highly competitive for private firms to engage in this market.

With the quota system, China enforced a policy that movie theaters should only screen domestic films during the summer vacation period, designating this to be "country film protection duration, the so-called 'black-out day.'" Eventually, foreign firms were allowed to be screened during this period on the condition that the share is no more than 49 percent. Policy loosened because the government wanted market expansion by promoting digital or IMAX movies that foreign films dominated. The government also strengthened protection for intellectual property rights in 2009. Overall, the Chinese government partially opened the production and screening sectors but kept the distribution sector closed, deliberately maneuvering the levels of openness to ensure state control. Government censorship was persistent in all films.

The increase in film imports reflects a growing audience in China. Figure 1 shows the annual box-office performance and economic growth in China. Until 2014, the five highest-income regions have supported the performance of the box office but recently have been joined by other locations to enhance their performance.

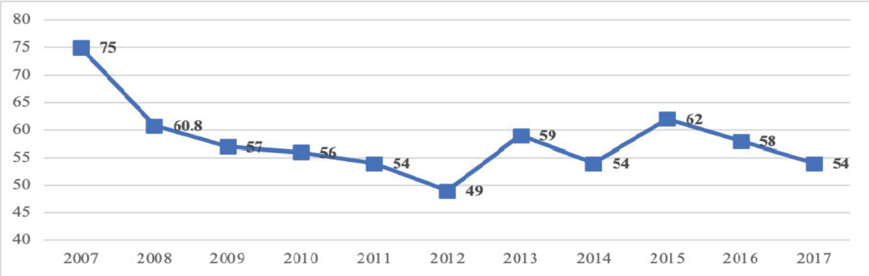


Source: China Film Association (varying years); World Bank (2019).
Note: The five highest income group includes Beijing, Shanghai, Guangdong Province, Zhejiang Province, and Jiangsu Province.

Fig. 1 Number of audiences and economic growth in China

From Political Propaganda to Profitable Service Products

China's accession to the WTO in 2001 created a new shock for the film. The film industry was promoted by the state throughout the 2000s, mainly by intervening in the value chain in favor of Chinese films (*The Economist* 2011). Due to the import quota, Chinese films continued to occupy more than half of the domestic market. Such governmental patronage for domestic production created an unchallenged position for Chinese films, which had more than 60 percent of the market share in 2015. In Figure 2, the market share for Chinese films decreased after 2007, although they shared more than half of the market (except in 2012).



Source: Korean Film Council (2019).

Fig. 2 Changes of market share by Chinese domestic films (unit: %)

Restructuring into a profitable business means Chinese films competition against imported films. The Chinese government had two goals—boosting the industry and maintaining control over the market; for which it sought to achieve these goals by protecting and favoring domestic films amidst competition in the market (Xu, 2007). An ironic result of these actions was that, as marketization deepened, intervention became more active and extensive across all value chains (Gao, 2009).

The intervention has been broadly twofold. First, the government posed restrictions on the import of foreign films, such as tariffs, quotas, or bans. Second, a complicated licensing system has been instituted so that film production, distribution, exhibition, importing, and exporting all require individual licenses (China State Council, 2001). Above all, the film import has been monopolized by firms approved by the state (SARFT 2004a). Because of the growing demand and large market, foreign production firms wanted to enter the Chinese market, but the import quota allowed only a small number. Joint production with Chinese firms was considered “local”, not quota-bound nor constrained in China releases.

Even joint film productions must establish a third-party firm and obtain state approval (China State Council, 2001). There were also content-wise regulations that required the storyline or the main characters of co-produced films to be related to mainland China, and at least one-third of the cast must be mainland Chinese (SARFT 2004b). In return for the quota-free benefit, co-produced films were not eligible for government support even if their thematic topics met the required conditions (China State Council, 2001).

In controlling foreign films, the government preferentially treated domestic firms with subsidies, tax credits, or monopoly rights. Domestic films had to uphold the principles of the Communist Party as well as policies and to fulfill other responsibilities in the industry, for example, contribution to the National Film Development Fund. The government also directly purchased finished films from studios, financed domestic production of certain films, and subsidized the renovation and construction of movie theaters, especially in remote and rural areas (SARFT 2004b). State-owned film studios and production facilities were even provided with tax incentives (SARFT 2004b).

The consequence could have been more consistent with the original goal. State support signaled a biased emphasis on quantity rather than quality. It caused a strong dependence on state protection among domestic film production firms. Further, since state support was often conditional upon box-office performance, domestic films tended to copy the Hollywood formula to pursue market success. In the mid-2000s, Chinese film production began to produce blockbusters, which were voluntary, similar behaviors to gain state support and increase box-office returns. However, the actions only reduced cultural diversity and cinematic creativity.

The state supports upscaled domestic film production. New forms of infrastructure were introduced, for example, IMAX in movie theatres. Western films in a new and different style could better access the Chinese audience. As Hollywood blockbusters gained popularity, Chinese productions also focused on their big-budget titles that would later become a characteristic of the Chinese film market throughout the 2000s and into the middle of the 2010s.

During this period, learning filming skills from cooperation with foreign productions became common among Chinese productions. Foreign productions and distributors preferred collaborating with state-owned partners because of their political powers and financial resources. Such preference was salient, particularly in the film distribution industry, which was less open than other value chains. Under the situation, Chinese private distributors remained the most unfavorable in the market.

Structural Changes in China's Film Sector

Before the market opening, the domestic film industry needed more efficiency, tired plotlines, monotonous content, and low technical development (Park, 2015). After the market opening, Chinese films started to be produced on a large scale with sizeable investments to attract as broad an audience as possible (Beijing Review 2007). The market opening made Hollywood films the ideal reference point for their production. The blockbuster rush led to negative effects on the box-office revenue of local films in China. During this rush, Chinese productions could not produce Hollywood-style films, so the quality of their productions was far from what audiences were expecting (Beijing Review 2007).

The rush yielded negative influences on genre diversity as the rise of blockbusters marginalized production for art houses and indie films (Tang, 2008). Because indie films tended to be critical of the government, these films rarely passed state censors and were mostly circulated via underground distribution. The government "stamped out" China's key grassroots festivals, including the China Independent Film Festival held in Nanjing and the Beijing Independent Film Festival, and even detained some attendees (Variety, 2019). However, throughout the 2010s, the rapid growth of the film sector, rather than censorship itself, drove atrophy in the production of art houses, indie, and low-budget films (Variety, 2019). Particularly, art house films had difficulty in distribution and production investment due to their small market and low profitability. With limited access to movie theaters, only 33 percent of these films reached break-even audience numbers.

Another type of production is the "mainstream films," defined by the government as ideological productions intended to express the ideas of the Chinese Communist Party and to edify the people. As such, they were very carefully protected by the state (Park, 2015). The purpose behind these films was to strengthen communist ideology and national identity amidst accelerating commercialization and the influx of foreign titles into the film market. Given the need for content diversity and a globalized film market, the government strengthened the provision for its mainstream films, securing 5,000 movie theaters (10 percent of the total national theater number) for these films in January 2018. The state also supported non-mainstream films, provided they presented similarly patriotic content. For example, the releases of those films were arranged in or near national holidays. However, the support did not lead to an expected increase in their competitiveness; instead, the quality deteriorated (Zhou, 2020).

Positive effects also existed. Most distinctively, Chinese production began to prioritize creativity and originality. In the 2010s, the local film sector started to follow international standards in production. It awakened the industry to the importance of intellectual property rights (China Daily, 2017). Since the mid-2010s, investors and productions have competitively purchased copyrights as part of the efforts to make films based on original content (South China Morning Post, 2017). Defined as an "intellectual property (IP) film," their share of the domestic box-office performance increased from 53 percent in 2015 to 65 percent in 2017 (WIPO, 2016). From the 2010s, film quality increased, and the box-office performance depended on the originality, production skills, or cinematic value rather than the popularity of the celebrities or actors or the film's scale. Unlike the 2000s, when indie films were dying, low-budget films became very popular among Chinese audiences in the 2010s (South China Morning Post, 2019). Chinese audiences were no longer overwhelmed by Hollywood blockbusters as they were in the past. Table 1 suggests that as the sales gap between bestseller films and others has widened, the film market has polarized between winners and others rather than between domestic and foreign films. It reflects the positive effect of competitive pressures that came with market opening.

Table 1 Annual box-office revenue ranking

	2010	2013	2016	2019
1	Avatar (14)	**Journey to the West: Conquering the Demons (12.46)**	**The Mermaid (33)**	**Nezha: Birth of the Demon Child (49.75)**
2	**Aftershock (6.6)**	Iron Man 3 (7.68)	Zootopia (15.3)	**The Wandering Earth (46.56)**
3	Inception (4.4)	**So Young (7.19)**	War Craft (14.7)	Avengers: Endgame (42.4)
4	**Detective Dee (2.7)**	**Personal Tailor (7.18)**	Captain America 3 (12.4)	**My People, My Country (30.35)**
5	**Bodyguards and Assassins (2.6)**	Pacific Rim (6.9)	**Monkey King 2 (12.0)**	**The Captain (28.75)**
6	**A Simple Noodle Story (2.5)**	**Young Detective Dee: Rise of the Sea Dragon (6.02)**	**Operation Mekong (11.8)**	**Crazy Alien (22.3)**
7	**The Legend of Ip Man 2 (2.3)**	**American Dreams in China (5.39)**	**The Man from Macao 3 (11.1)**	**Pegasus (17.18)**
8	Alice's Adventures in Wonderland (2.1)	**Police Story 2013 (5.36)**	**Time Raiders (10.0)**	**The Bravest (16.91)**
9	The Expendables (1.9)	**Seeking Mr. Right (5.2)**	**Kung Fu Panda 3 (10.0)**	**Better Days (15.51)**
10	Iron Man 2 (1.8)	**Tiny Times 1.0 (4.88)**	Jungle Book (9.7)	Fast and Furious Presents: Hobbs and Shaw (14.31)

Source: Ent Group (2018).
Note: Box office revenue indicated in 100 M. RMB and in parentheses; Chinese films are in bold.

Table 2 shows that the sales of popular films were still significant, but the concentration lowered. It does not necessarily mean that Chinese audiences demand more diverse types of films, but it shows that the competition over box-office performance has become fiercer. Overall, given the drastic growth in the market size, popular films in China still had strong market power while competition increased more over time.

Table 2 Changes of box-office revenue concentration

	2004	2006	2008	2010	2012	2014	2016
Gross BOR	8.3	14.4	26.89	57.34	90.02	161.55	266.64
Top 5 films' BOR	4.55	6.25	12.41	20.14	28.7	44.6	80.52
Share (%)	55	43	46	35	32	28	30
Top 10 films' BOR	5.59	7.99	16.73	28.15	38.1	72.13	123.42
Share (%)	67	55	62	49	42	47	46

Source: China Film Association (varying years).
Note: Box-office revenue in 100 M RMB

As the film sector had private investments, low-budget films gained easier access to production. For example, *22*, a Chinese documentary about sex slaves for the Japanese army during World War II, was produced through a crowdfunding project and achieved 10 percent of screen occupancies three days after its release (*China Daily,* 2018). The attitude toward imported films also changed, so the Chinese audience became more open to non-Hollywood foreign films. For example, the Indian film *Dangal* and Thai and Spanish films hit in 2017 (South China Morning Post, 2018). Hollywood blockbusters were still popular, but they were no longer dominant in China as they were.

The market changed more visibly. Before 1993, film distribution was monopolized by the China Film Group, which was then reformed by establishing twenty-seven state-owned regional distributors (Xu, 2007). In the 2000s, the distribution was oligopolistic as it was led by the China Film Group, Shanghai Media Group, Beijing New Feature, and Huayi Brothers (Park, 2015). Among them, only Beijing New Feature and Huayi Brothers were private. However, major distributors became private by 2017, and new entries continued, making film distribution competitive. Distributor performance varied in market share, as shown in Table 3.

Table 3 Market share changes in distribution

	2014	2017
1	China Film Group (4.08%)	United Entertainment Partners (20.9%)
2	Wanda (3.17%)	Bona (9.3%)
3	Bona (2.57%)	Maoyan Pictures (8.7%)
4	Le Vision (2.43%)	Beijing Enlight Media (7.7%)
5	1905 Pictures (2.15%)	Hehe Pictures (5.9%)
6	Beijing Galloping Horse (2.12%)	Jackie Chan Cinema (5.8%)
7	Beijing Sky Wheel (1.77%)	Huayi Brothers (5.7%)
8	Huangbo Studio (1.64%)	Xinli Media (5.7%)
9	Huacher (1.35%)	Wuzhou Film Distribution (4.6%)
10	Beijing Asian Union	Le Vision (3.8%)

Source: EntGroup (2018). *Ibid*.
Note: Market share marked in parentheses.

Another change related to market participants is the expansion of Chinese investment. As the domestic film sector grew, Chinese production firms acquired overseas film producers (see Table 4), increasing investment in domestic films. In particular, the foreign production firms invested by Chinese firms do not have a constraint on-screen quotas and are treated equally with domestic entities. Such domestic joint production with foreign participants has changed in that the latter can make more contributions so that the domestically and jointly produced films can serve international audiences (Yin, 2019). Distributor performance varied in market share, as shown in Table 3.

Table 4 Globalization of Chinese film participants

Firm	Year	Investment
Wanda Group	2016	Acquisition of Legendary Pictures
Wanda Group	2016	Investment (Partnership) in Sony Pictures
Shanghai Film Group	2017	Investment of $10 billion in Paramount Pictures (Cancelled)
Alibaba	2016	Partial acquisition of Amblin Partners (for Chinese production)
Tencent	2016	Investment in STX Entertainment

Source: Wall Street Journal (2016a); Wall Street Journal (2016b); Wall Street Journal (2017); Los Angeles Times (2016a); Los Angeles Times (2016b); CNBC (2016).

Industrial Change in Korea's Film Industry

Screen Quota Controversy in Korea

Korea's import quota, enacted in 1966, mandated imported films less than one-third of domestic film releases. It was removed due to the trade negotiations with the United States (US) in the late 1980s, but it persevered and was permitted to be used as the only protectionist measure. The screen quota guarantees the number of days per year for running domestic films in local theaters. In Korea, it was at least 146 days a year (40 percent of the screening days) for domestic films. The government under President Kim Dae-Jung, who came to power after the Asian financial crisis swept Korea in 1997, proposed that the United States negotiate a Bilateral Investment Treaty (BIT). The government intended to utilize the Korea-US BIT to attract foreign investors, but the screen quota became controversial. The negotiation did not end quickly as the US demanded its abolition, arguing that such a mandatory measure was discriminated unfairly against foreign films.

By sensing the possible removal of the screen quota, the Korean film sector became extremely concerned and vowed to stop the BIT. The film industry responded by forging a coalition under the Coalition for Cultural Diversity in Moving Images (CDMI), which included various NGOs such as environmental groups, labor unions, and teachers unions, who all had varied interests to block negotiations (Choi, 2002). To deal with the opposition of the cultural sector, while still trying to save the BIT, an option for reducing the screen quota was proposed. However, such a compromise failed to persuade the CDMI, and the BIT talks eventually collapsed, which shows how the screen quota was a deal breaker.

As Korea entered the new millennium, the screen quota survived. For the local film industry, which depended on the quota, this issue was regarded as a holy fight against the so-called imperialistic Hollywood. This controversy did not end, though, as the Korean government of Kim was followed by the more radical left-leaning President Roh Moo-hyun. However, to the great surprise of his powerbase, the new Korean government approached the United States with a bolder and more comprehensive trade liberalization initiative known as the Korea-US Free Trade Agreement (KORUS FTA). The screen quota naturally emerged again as a problem to be resolved. Initially, the United States met this proposal for trade talks with skepticism, given that the cultural industry was a power base for the Roh administration. To allay such worries, the Korean government agreed to reduce the screen quota to half the number before launching official negotiations. In a sense, reducing the screen quota was a precondition for launching the KORUS FTA. This sudden and abrupt decision took the CDMI by surprise.

In July 2006, the Korean government reduced the screen quota from 146 days to 73 days. The decision stayed despite vehement opposition from the CDMI, which accused the Korean government of selling "cultural sovereignty." They even sought to forge a global coalition to enhance its standing by sending demonstrators to renowned international film festivals. As a result, the global cultural sector has keenly watched the evolution of the Korean film industry ever since.

Korean Films and Screen Quotas

Screen quota stands against the idea of "National Treatment," one of the major pillars of the multilateral trading system. However, Article III of the General Agreement on Tariff and Trade (GATT) allows applying exemptions to national treatment for films. Article IV of the GATT provides special provisions relating to cinematograph films, permitting a screen quota system to be used against foreign films. At the Uruguay Round of the multilateral trade negotiations launched in 1986, the screen quota emerged as a major issue and almost derailed the final deal. Amid the argument over "cultural exception," a compromise was once voiced during the Uruguay Round that all services, including film projection and distribution services. The screen quota regulation is to be enforced were to be covered by the General Agreement on Trade in Service (GATS). Screen quotas were also considered negotiable (Choi, 2002).

Amidst the debate, Korean policymakers adopted a resolution to maintain the screen quota if the market share of domestic films is below 40 percent. Note that 40 percent mandatory screening days does not automatically mean an equivalent number in market share for domestic films. In 2001, the market share of domestic films rose to 50.1 percent, which was not just a one-time event. For the next two years, domestic films showed a market share of more than 40 percent. The Korean government argued that without screen quota, domestic films performed well, while the cultural sector resisted the rationale of cultural diversity. Despite the success, the film sector continued "sticking to screen quotas whatsoever." In their view, when the screen quota was removed, the domestic film sector would collapse (Choi, 2002).

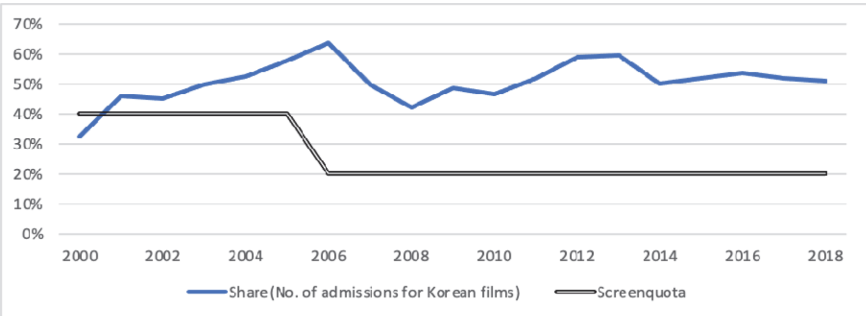
It is noteworthy that the Korean film industry was enjoying commercial success when the screen quota issue emerged as a sticking point in trade negotiations with a country none other than the US — the powerhouse of the global film industry. Since the late 1990s, the market share of domestic films has been close to 50 percent as more movie theatres were being built and more local films were being produced (Table 5). Between 1998 and 2002, the number of movie screens and films produced doubled.

Table 5 Growth of Korean films

Year	Number of screens	Korean films produced	Market share of Korean films	Number of admissions-Korean films (million)
1998	517	43	25%	n/a
2000	720	61	33%	26.3
2002	977	95	45%	47.0
2004	1451	74	53%	65.2
2006	1880	110	64%	91.7
2008	2004	110	42%	62.0
2010	2003	142	47%	68.8
2012	2081	176	59%	114.9
2014	2281	217	50%	107.7
2016	2575	337	54%	116.6
2018	2937	660	51%	110.1

Note: 1) The official number of admissions from 2000-2004 is only available for Seoul. The numbers in this table are adjusted, reflecting the average ratio of admissions in Seoul to total admissions in the country.
2) The number of films refers to the number of "first run" for the year.
3) Choi (2002) for 1998-1999 data and KOBIS for 2000-2018 data.
4) The table was constructed based on the authors' calculation and the data drawn from Choi (2002) and KOBIS (Korean Box-Office Online Database)

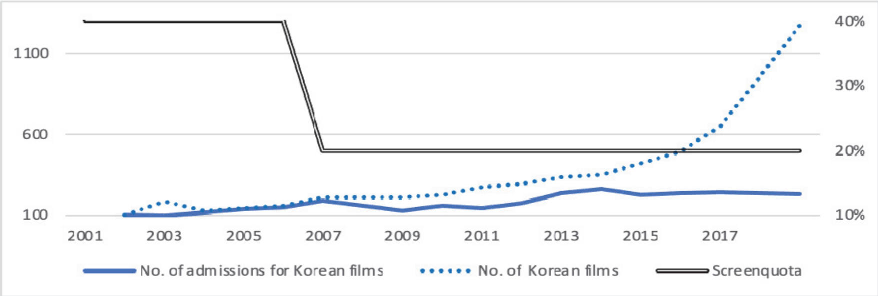
Since 2006 as a baseline year, the Korean film sector has witnessed rapid growth in film production and the number of admissions. Film production increased sixfold, and admissions reached the milestone of 100 million in 2012 (see Table 5). Regarding the market share of Korean films, it declined for a few years since the peak of 2006 but began to grow again, reaching 60 percent by 2013 before declining again. The pattern here is clear. As Figure 3 shows, the market share of Korean films has stabilized to around 50 percent since 2006. Although the screen quota dropped to 20 percent in 2006, the market share of domestic films did not decrease at all.



Source: KOBIS (Korean Box-Office Online Database).
Note: Screen quota was reduced from 40 percent to 20 percent in July 2006.

Fig. 3 Market share of Korean films

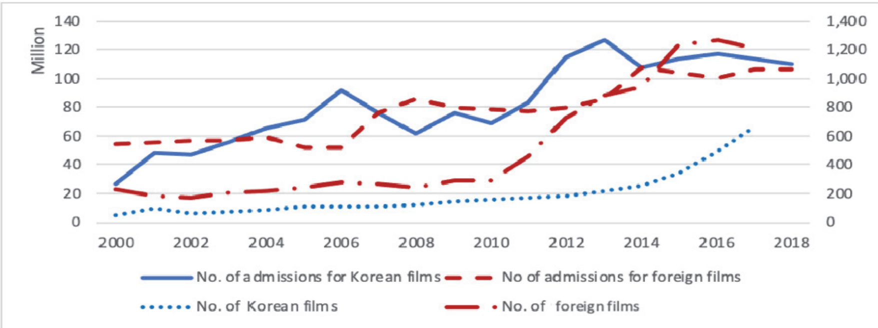
Figure 4 shows the growing competitiveness of domestic films with the number of admissions and domestically produced films. Figure 5 shows that the Korean film sector, including foreign and domestic films, grew. Although domestic film production was less large than foreign films, their box-office performances were better than foreign films.



Source: KOBIS (Korean Box-Office Online Database).

Note: The left axis measures the ratio of number of admissions for Korean films and the ratio of Korean films compared to the year 2001. The right axis measures the screen quota.

Fig. 4 Korean films and screen quota (2001=100)



Source: KOBIS (Korean Box-Office Online Database), Parc (2017).

Fig. 5 Korean films vs foreign films

Structural Change in the Korean Film Sector

While the Korean film industry was thrown into a controversy regarding the screen quota, structural transformation took place in the background. The moment of truth arrived when direct distribution by Hollywood majors was allowed in 1987. Although some cultural activists have sought to downplay any positive effect, the Korean film sector hit an inflection point and began its upward turn. Since the 1990s, planning, production, marketing, and distribution of films have undergone fundamental changes. Big business made more investments, and more talent entered the domestic film sector.

Until 2006, when the Korean government cut the screen quota in half, the growth of domestic films in movie theaters was remarkable. As Table 6 shows, Korean films remained marginalized

Table 6 Box-office ranking by number of admissions (2000-2018)

	2000	2003	2006	2009	2012	2015	2018
1	**Friend**	**Memories of Murder**	**The Host**	**Haeundae (81.0)**	**The Thieves (93.7)**	**Veteran** (105.2)	**Along with the Gods: The Last 49 Days** (102.7)
2	Pearl Harbor	**My Tutor Friend**	**King and the Clown**	**Take Off (60.2)**	**Masquerade (88.9)**	**Assassination** (98.5)	Avengers: Infinity War (99.9)
3	Vertical Limit	The Matrix Reloaded	**Tazza: The High Rollers**	Transformers: Revenge of the Fallen (50.7)	The Avengers (59.6)	Avengers: Age of Ultron (88.6)	Bohemian Rhapsody (80.0)
4	Cast Away	**Untold Scandal**	Mission: Impossible III	2,012.0 (38.8)	**A Werewolf Boy (49.5)**	**Ode to My Father** (69.8)	Mission: Impossible - Fallout (55.9)
5	The Mummy Returns	The Lord of the Rings: The Return of the King	**My Boss, My Teacher**	Avatar (43.1)	The Dark Knight Rises (47.6)	**Inside Men** (56.5)	**Along with the Gods: The Two Worlds** (47.3)
6	**Bungee Jumping of Their Own**	**Old Boy**	Pirates of the Caribbean: Dead Man's Chest	Terminator Salvation: The Future Begins (29.7)	**The Grand Heist (34.5)**	**The Throne** (48.8)	Jurassic World: Fallen Kingdom (49.8)
7	What Women Want	**A Tale of Two Sisters**	**Hanbando**	**My Girlfriend is an Agent (26.4)**	The Amazing Spider-Man (41.2)	Kingsman: The Secret Service (50.4)	Ant-Man and the Wasp (47.5)
8	**Last Present**	**Once Upon a Time in a Battlefield**	**200 Pounds Beauty**	**Scandal Makers (25.2)**	**Nameless Gangster: Rules of the Time (36.5)**	Mission: Impossible:Rogue Nation (48.5)	**The Great Battle** (46.3)
9	**Indian Summer**	**Oh! Brothers**	The Da Vinci Code	**A Frozen Flower (22.5)**	**All About My Wife (34.2)**	**Northern Limit Line** (45.6)	Black Panther (45.9)
10	**Kick the Moon**	The Matrix Revolutions	**Marrying the Mafia III**	**Running Turtle (20.6)**	**Deranged (32.2)**	Jurassic World (47.8)	**Intimate Strangers** (44.4)

Source: KOBIS (Korean Box-Office Online Database).
Note: Korean films in bold.

Table 7 Distributors by market share (2003-2018)

2003	Distributor	# of films
	CJ Entertainment	24 (21.9%)
	Cinema Service	26 (18.6%)
	Warner Brothers Korea	13 (8.1%)
	Chungeorahm Film	11 (7.5%)
	Walt Disney/ Buena Vista	17 (6.8%)
2005	Distributor	# of films
	CJ Entertainment	41 (21.9%)
	Showbox/Mediaplex,Inc.	25 (19.8%)
	Warner Brothers Korea	11 (10.5%)
	Cinema Service	11 (9.7%)
	20 Century Fox Korea	19 (7.2%)
2007	Distributor	# of films
	CJ Entertainment	41.5 (29.7%)
	Showbox/Mediaplex	23 (!2.3%)
	Warner Bros. Korea	14 (11.3%)
	Sony Pictures Releasing Buena Vista	25 (9.8%)
	Lotte Entertainment	26 (8.6%)
2009	Distributor	# of films
	CJ Entertainment	49 (29.1%)
	Showbox/Mediaplex	17 (15.2%)
	Lotte Entertainment	24 (11.8%)
	Sony Pictures / Buena Vista Korea	21 (8.5%)
	20th Century Fox Korea	12 (7.9%)
2011	Distributor	# of films
	CJ E&M Pictures	44 (36.4%)
	Lotte Entertainment	29.5 (15.4%)
	NEW	20.5 (9%)
	Sony Pictures / Buena Vista Korea	19 (8.5%)
	Showbox/Mediaplex	14.5 (8.3%)
2013	Distributor	# of films
	CJ E&M Pictures	42 (21.4%)
	NEW	21 (18.4%)
	Lotte Entertainment	36.5 (14.9%)
	Showbox/Mediaplex	13 (13.7%)
	Sony Pictures / Buena Vista Korea	18 (9.5%)
2015	Distributor	# of films
	CJ E&M Pictures	31 (24.9%)
	Lotte Entertainment	30.5 (12.1%)
	Sony Pictures / Buena Vista Korea	16 (11.3%)
	Warner Bros. Korea	12 (10.8%)
	20th Century Fox Korea	14 (8.9%)
2017	Distributor	# of films
	CJ E&M Pictures	25 (15.1%)
	Lotte Entertainment	18.5 (11.4%)
	Showbox/Mediaplex,Inc.	7 (10.7%)
	Walt Disney	13 (9.1%)
	P Korea	22 (44.7%)
2018	Distributor	# of films
	Lotte Entertainment	16 (17.1%)
	Walt Disney	12 (13.9%)
	CJ E&M Pictures	17 (13.3%)
	N.E.W.	22 (9.7%)
	Warner Bros. Korea	12 (10.8%)

in the box office performance, even after reducing the screen quota in 2006. The screen quota system in Korea aimed at protecting the domestic film industry from foreign films, but it did not fulfill the protectionist goal until all other trade restrictive barriers in the film sector were removed, notably the lifting of restrictions on direct distribution by Hollywood majors (Warner Brothers, Walt Disney, Buena Vista, Columbia, UIP, and 20th Century Fox) in 1987.

Relaxing state censorship triggered a flood of a new films which dealt with sensitive themes like North Korea, the democratization movement, and organized crime. Some domestic films hit theaters with a series of blockbusters. Encouraged by the successes, further investments and human resources were channeled to the domestic film industry. On the distribution side, multiplexes were built, and old theaters were renovated to attract larger audiences. The purchase of movie tickets became easier due to reservation services using the internet and telephone.

Permitting the direct distribution by the Hollywood majors did not lead to monopolization of the domestic market despite the dire predictions at the time. In fact, the market became more competitive (Choi 2002). Several domestic firms entered the distribution business and increased market share, enabling aggressive and massive marketing which increasingly became an industry norm (Parc 2021). Over time, large domestic distributors emerged (see Table 7), and they shared more than 60 percent of the market. The Hollywood films failed to dominate this market. From 2006, local firms dominated film distribution and the market share.

Against this change, the screen quota reduction in 2006 did not have a negative impact on the Korean film sector. The structural transformation of the Korean film industry shaped a different landscape in the film infrastructure with the rise of vertically integrated firms involved in all stages from production to marketing and distribution (Parc 2021). The domestic film sector developed its bargaining power against the Hollywood distributors, despite the reduction of the screen quota.

Bipolarization among Korean Films

Presently, the Korean film industry is run by a small number of conglomerate distributors who are vertically integrated. Commercial films with large budgets and a favorable distribution system dominate most of the screen time. In contrast, small-budget films have become increasingly marginalized due to unfavorable access to movie theatres. The production increased but the market share decreased. In 2008, the Korean film industry produced 496 art house and indie films, comprising 30 percent of all independent art films screened in Korea for the same year, while their number of admissions is four percent (Korean Film Council 2018).

To ease the bipolarization, the Korean Film Council, a government-supported body took measures to promote small-budget films with more financial support and more establishments of movie theatres for art films.

Discussion and Conclusion

China and Korea opened the film sectors in response to the globalization pressure. This paper has focused on the changes in trade and investment and has further tried to understand the industrial dynamics not only in volume but also the important qualitative and social aspects.

We have investigated three main areas in two countries, that is, instruments of protection, the reactions in the industries, and the changes in diversity. In Table 8, we summarize our findings.

Table 8 Summary: A comparation of two film markets after market opening

	China	Korea
Market protection	- Screen quota (reduced), Hollywood blackout, SOE intervention	- Screen quota (reduced)
Market size	- Increased	- Increased
Marketing opening	- In 2000 for the WTO accession	- In 2006 before KORUS FTA
Industry reaction	- Resistance not fierce	- Resistance very fierce
Industry structure	- Partially privatized	- Privatized
Diversity changes	- Overall increased	- Polarized
BOP concentration	- Decreased	- Decreased
BOP local films	- Not clear	- Globalized

We observed that market opening led China's film production, distribution, and screening to be accessible to foreign players, but the state still exercised varying measures to protect the domestic film industry. State control persisted in China even after the market opened. Benefits for protection went mainly to state-owned enterprises, mainstream films, or films expressing patriotic content. The entry barrier was still too high for private participants until recent changes. The Korean situation was different. Even after the opening, the screen quota continued as the sole protection policy but that commercialization prevailed in the market. The market opening in 1987 was resisted fiercely by domestic stakeholders, while in China the market opening faced little opposition. In China, the major participants at that time were state-owned and they simply complied.

The differentiated strength in the protective measures is related to market size, which further affects the industrial reactions in the two countries. The large Chinese market gave strong bargaining power to Chinese buyers, while not in Korea. The marketization logic in China ironically facilitated protectionism, particularly for those "mainstream" films, which drove domestic films to quickly adopt the international standard for production and storytelling techniques to cope with competition with mainstream films and the Hollywood films. In Korea, protectionism logic prevailed for private participants because of the small market but it did not affect audience in the choice of film. In response to marketization, Korean films increased in number and strengthened commerciality and cinematic values.

Lastly, in both countries, market logic triggered rapid industrial transformation which polarized the film sectors. One group adapted to the changes, while the other group, producing fewer commercial movies, was marginalized. Since the mid 2010s, the audiences in China and Korea appreciated more diverse range of genres, contents, country of origin, mise-en-scène techniques, production scales, and the sentiment. Growth of the middle-income consumers increased box-office revenues without stagnation as the infrastructure improved in second, third, and fourth-tier cities. The larger market produced more niches, reflecting China's regional, social, or ethnic diversity, increasing diversity on the production. The co-existence of commercialism and state control produced a mixed genre between ideology and commercial contents. The demand for unconventional films also increased. In Korea, the film distribution and production sector became oligopolistic. Those who controlled distribution became very influential in the overall film sector. They began to produce big budget films that catered to a wider audience. More democratized society led to more diversity in film production as the censorship was rolled back. Combined, these developments gave rise to a renaissance in the Korean film industry. There was a downside as well. While the renaissance of Korean films increased the market share for local films against Hollywood films, within the local film sector there was more polarization. The number of indie or art house films decreased, which hampered genre diversity. In this way, the power of industry participants became more concentrated among the conglomerates to the detriment of small and mid-sized production firms or distributors, who had increasing difficulty securing investments and finding outlets for their films.

This study suggests that both China and Korea, in contrast to the concern about the possibility of local film crowd out, experienced competitiveness building as a result of market opening. Both also experienced polarization among local films in terms of production, market share, and box-office performances. We confirm that the market opening is a significant pressure to drastically change industries.

References

Beijing Review. (2007). Off the Cutting Room Floor. Released on March 29. (www.bjreview.com.cn/print/txt/2007-03/26/content_60144_2.htm).

Braester, Y. (2005). Chinese cinema in the age of advertisement: The filmmaker as a cultural broker. *China Quarterly*, 181(1), 549-464.

China Daily. (2018). More Documentaries Hit Chinese Screens Thanks to New Online Promotions. Released on April 19. (www.chinadaily.com.cn/a/201804/19/WS5ad8ae19a3105cdcf65195cb.html)

China Daily. (2017). IP Gives Movies New Direction. Released on December 11. (www.chinadailyhk.com/articles/228/31/239/1512973763137.html).

China Film Association. *China Film Industry Annuls*. Beijing: China Film Press, varying years (in Chinese).

China State Council. (2001). *Regulations for the Administration of Films*. (http://www.lawinfochina.com/Display.aspx?lib=law&ID=2253&EncodingName=gb2312) (in Chinese).

Choi, B-I. (2002). When culture meets trade: Screen quota in Korea. *Global Economic Review*, 31(4), 1-19.

Choi, J. (2010). China inc., limited. *Cinema Journal*, 49(3), 144-148.

CNBC. (2016). Spielberg's Amblin, China's Alibaba Announce Partnership. Released on October 10. (www.cnbc.com/2016/10/10/spielbergs-amblin-chinas-alibaba-announce-partnership.html)

Ent Group. (2018). 2017 Domestic Films Distribution Market Share. Accessed August 1 2019. (http://www.entgroup.cn/Views/45350.shtml).

Gao, Z. (2009). Serving a stir-fry of market, culture and politics: On globalisation and film policy in greater China. *Policy Studies*, 30(4), 423-438.

Korean Film Council. (2018). *2018 Annual Report.* Seoul, Korea: Communication Books (in Korean).

Korean Film Council. (2019). *Current State of Domestic Film Share in Major Film Industry Nations*. Accessed August 1 2019. (index.go.kr/potal/stts/idxMain/selectPoSttsIdxMainPrint.do?idx_cd= 2444 &board_cd=INDX_001) (in Korean)

Lee, V. (2011). "Introduction: Mapping East Asia's Cinemascape." In *East Asian Cinemas: Regional Flows and Global Transformations*. PalGrave MacMillan. London, UK. pp.1-12.

Los Angeles Times. (2016a). STX Entertainment Secures Funding from China's Tencent and PCCW. Released on August 11. (www.latimes.com/entertainment/envelope/cotown/la-et-ct-stx-tencent-20160811-snap-story.html).

Los Angeles Times. (2016b). Wanda Group Partners with Sony Pictures, Giving China's Richest Man a Leg Up in Hollywood. Released on September 23.

(www.latimes.com/entertainment/envelope/cotown/la-et-ct-wanda-group-20160923-snap-story.html).

Nakajima, S. (2009). "Film as Cultural Politics." In *Reclaiming Chinese Society: The New Social Activism,* edited by Y.-T. Hsing and C. K. Lee, 159-183. New York: Routledge.

Parc, J. (2017). The effects of protection in cultural industries: The case of the Korean film policies. *International Journal of Cultural Policy,* 23(5), 618-633.

Parc, J. (2021). Business integration and its impact on film industry: The case of Korean film policies from the 1960s until the present." *Business History*, 63(5), 850-867.

Park, J-S. (2015). *China's Film Industry.* Seoul: Communication Books (in Korean).

SARFT (China State Administration of Radio, Film and Television). (2004a). *Provisional Rules on the Entry Qualifications of Film Enterprises* (in Chinese).

SARFT (China State Administration of Radio, Film and Television). (2004b). *Opinions on Accelerating the Development of Film Industry* (in Chinese).

South China Morning Post. (2018). Why Indian films like Dangal and Toilet are so Popular in China: Similar Problems. Released on December 11. (www.scmp.com/culture/film-tv/article/2177193/why-indian-films-dangal-and-toilet-are-so-popular-china-similar).

South China Morning Post. (2019). Chinese Cinema Turns to Low-budget Films as Blockbusters Fail to Draw Box-office Gold. Released on January 11. (www.scmp.com/culture/film-tv/article/2181614/chinese-cinema-turns-low-budget-films-blockbusters-fail-draw-box).

South China Morning Post. (2017). In China, IP Is Hot Property, As Adaptations for Big and Small Screen Promise Huge Returns. Released on July 7. (www.scmp.com/magazines/post-magazine/arts-music/article/2101356/china-ip-hot-property-adaptations-big-and-small).

The Economist. (2011). Kung Fu Propaganda: There's a Ton of Easy Money in Praising the Party. Released on July 14. (www.economist.com/business/2011/07/14/kung-fu-propaganda).

Variety. (2019). The Death and Revival of Independent Film in China. Released on February 7. (variety.com/2019/film/asia/china-independent-film-changing-1203131772)

Wall Street Journal. (2017). Paramount Pictures Gets a $1 Billion Infusion from China. Released on January 19. (www.wsj.com/articles/paramount-pictures-gets-a-1-billion-infusion-from-china-1484868302).

Wall Street Journal. (2016a). China's Dalian Wanda Buys Legendary Entertainment for $3.5 Billion. Released on January 12. (www.wsj.com/articles/chinas-dalian-wanda-buys-legendary-entertainment-for-3-5-billion-1452567251).

Wall Street Journal. (2016b). Tencent, PCCW Invest in Film Studio STX Entertainment. Released on August 11. (www.wsj.com/articles/tencent-pccw-invest-in-film-studio-stx-entertainment-1470956251).

World Intellectual Property Organization. (2016). The rise of China's film industry. *WIPO Magazine 2,* April. (www.wipo.int/wipo_magazine/en/2016/02/article_0004.html).

World Bank. (2019). Online Database Accessed August 10 2019. (data.worldbank.org/indicator/ny.gdp.pcap.cd).

Xu, G. (2007). *Sinascape: Contemporary Chinese Cinema.* Plymouth: Lowan and Littlefield Publishers.

Yin, W. (2019). A new model for globalization in the film industry: Lessons from Sino-US film co-oroductions. *Kritika Kultura*, 32, 117-140.

Zhou, X. (2020). Boosting China's film production: An assessment of the subsidies for China's 'mainstream films.' *Global Policy*, 11(S2), 56-64.