

Democratization and restructuring the media industry

Sunny Yoon

The relationship between political liberalisation and market dominance and its impact on media content are explored in the following article, which focuses on South Korea. The media industry has been politically liberalised in the sense that ownership has been privatised and more and more demands from the grassroots have been heard. A newspaper company (owned by citizens) has been set up and a citizens' movement affected the outcome of elections for parliament in 1998. Yet, power at the grassroots has not brought in democracy because Korean society is facing the typical problem of market power and invasion of foreign capital following the break-up of an authoritarian regime.

When President Kim Dae Jung of the Republic of Korea was awarded the Nobel

Peace Prize in 2000, people around the world applauded the triumph of

democracy. Televisions and newspapers showed Kim's life-long fight

for democracy; he had been in mortal danger and imprisoned

many times. At the same time, when the President flew to Sweden accompanied

by over a hundred people invited by him, there were frequent street demonstrations

organised by Korean workers. Many people in Korea cynically responded

to the symbolism of winning democracy at the expense of economic stability.

Despite the personal honour of the Nobel prize, President Kim is facing

a legitimacy crisis as well as political and economic difficulties. While

transforming the bureaucratic authoritarianism of previous regimes into

populism in this government, the President has encountered many demands

from private sectors. South Korea is facing crucial problems of market

domination and invasion of foreign capital.

The media industry has also changed in line with alterations in the political regime. The broadcasting industry in particular, which has stronger public influence than other media, has been affected by political changes. In Korea, the media industry was the main impetus behind maintaining bureaucratic authoritarianism. In the 1960s, when economic development started under the control of a bureaucratic authoritarian government, the media were tightly controlled. Then and during the 1970s, censorship was the key means of enforcement in media output.

In the 1980s, on the other hand, since President Chun took over the authoritarian regime, the government started to intervene in media ownership. In 1980, the broadcasting companies were all merged into one and owned by the government.

It also set up a new public institution to control advertising, Korean Broadcasting Advertisement Corporation (KOBACO). It was mandatory for KOBACO to manage and sell the entire broadcasting advertisement time to advertisers. This shift of ownership was prompted by political motivations.

Yet, it provided economic influence. The media industry owned by the government was almost free of market influences as well as foreign impact. Foreign ownership was prohibited by law.

Since the military regime collapsed and civilian government was established in the 1990s, the media industry has been accordingly transformed. A private broadcasting company was established in 1990 and a number of private local companies were also licensed. Along with political liberalisation, new media have rapidly developed. The government has played a leading role in employing cable television, internet, DBS and digital television. These new media need enormous financial resources that only the private sector can afford. After a five-year-long debate in the National Assembly, a new Broadcasting Act was passed in 2000. Privatisation and opening up the market are the main premises of the new law.

The media industry has gone through a process of economic restructuring.

It has no longer been protected by the umbrella of political authority.

Companies are trying to find ways of surviving in an economic crisis.

Consequently, many broadcasting and new media companies are reaching out to foreign capital. During earlier bureaucratic authoritarian regimes, foreign capital was not allowed to invest in the media industry. Now, however, the new government is welcoming foreign capital into any industry including the media.

Democracy and the media in South Korea

From the beginning Korean media were controlled by a strong political authority. Under Japanese colonisation, new newspaper companies were censored by the government. After Independence in 1945, the American military government had power over Korean mass communication for three years. The first Korean government was also notorious as a dictatorship and put pressure on the media. From the start television networks had to put up with a strong intervention. From 1992, when the military authority was rejected, the new civilian government began to reform and liberalise the media.

To reduce political pressure, the media in Korea have led liberalisation in three directions: enhancing free speech for democracy by the people; reforming the media; and deregulating the media industry.

First, the media attempt to enhance democracy by representing public opinion from the grassroots. The media begin to speak up for public opinion against any undemocratic attempts by the government to revert to authoritarian power. For example, citizens set up an organisation, and intervened in the parliamentary elections on 13 April 2000. About 470 non-governmental groups established 'The Citizens Alliance for the 2000 General Election' (CAGE). They publicised a blacklist of 86 'unfit' candidates and conducted rejection campaigns against 22 'target candidates'.

These people had criminal charges or unlawful tax and military service records.

Newspapers reported diverse reactions at first. As time went on, however, more newspapers supported CAGE's activities. Television networks took a more conservative stance by not making direct comments on the rejection campaign. Yet, citizens' power greatly influenced the results of the election. According to CAGE 70% of blacklisted candidates lost their seats in the National Assembly.

The rejection campaign demonstrated citizens' power over the political body and the media's democratic siding with the people. This would be unimaginable under a military government, when citizens were forced to participate in the elections as the ruling party ordered. Although there were big debates about CAGE's activities and even though the leader of CAGE was arrested on a sexual harassment charge, for Korean society the rejection campaign marked a monumental incident of citizens' power or democracy.

Second, the media in Korea have changed legally and institutionally after the military government was abolished. A new Broadcasting Act was passed at the end of 1999 after a five-year-long dispute in parliament. Accordingly,

an alternative Korea Broadcasting Commission (KBC) was organised as an independent public agency. By law no political authority was allowed to intervene in KBC's business. Media organisations are able to exercise more independent power over content and procedures than ever before. Immediately after the success of the rejection campaign, citizens' organisations turned their attention to media reform. Numerous citizens' organisations once again created an alliance and demanded the elimination of media monopolies, of distorted journalism and renewal of the media market. But apart from rhetorical fervour, the citizens' alliance for media reform has yet to show any achievements.

Recently, media reform became a controversial issue in Korean society.

At a New Year press conference, President Kim Dae-Jung emphasised the need for media reform. As a result, government plans to conduct a fully fledged tax audit on 22 dailies and broadcasting networks. The media industry has not experienced a tax audit except once in 1994.

Newspaper companies and others argue that President Kim's plan for media reform is, in fact, designed to tame the media. Since the present government is facing a crisis and serious criticism from the media, according to them, it is trying to intimidate the press in the name of media reform.

It happened in 1994 when the former president Kim Young-Sam experienced the disapproval of public opinion. He did not even disclose the outcome of the tax review. The citizens' alliance for media reform (CAMR) argues that media reform should be conducted fairly and the outcome disclosed.

Citizens have criticised the media's biased reports for their own interests and their collusive links with the government. Now, media reform should not be used for political motivations but for public interest, or democracy.

The main point of media reform is to change patterns of ownership. Major dailies are inherited through family ownership or big conglomerates. High circulation dailies in Korea, including Chosun and Dong-A, are in family ownership. Joong-Ang and Munwha dailies are Samsung's and Hyundai's, respectively.

Bang's and Kim's family respectively hold 100% of the stock of Chosun and Dong-A. The same goes for Hankook daily. Joong-Ang and Munwha dailies are Samsung or Hyundai's branches according to stock ownership records. Samsung and Hyundai set up organisations in the name of funds.

These funds are not independent of their ownership. In the case of Kyunghyang daily, employees shared the stocks as the big conglomerate, Hanwha, went

out of business. Daehan is a publicly owned daily newspaper company. Government agency and public corporations have all the stocks.

An alternative form of ownership was pursued in order to establish an independent editorial power. Hanguera daily was established by over sixty thousand people. It has maintained its liberal and revolutionary position since then. Yet, major dailies have not changed their business practices.

Broadcasting companies, on the other hand, suffer more political intervention compared to newspapers. Two networks are public systems, and a big company, Taeyoung, owns a private one. Under political protection, these companies have grown exceedingly. People call them ‘big dragons’ and they have become inefficient and unproductive. Nevertheless, the organisations make every effort to retain their vested interests.

Table 1. Ownership of Broadcasting

Networks	KBS	Government 100%
	MBC	MBC Fund 70% Chongsoo Fund 30%
	SBS	Taeyoung 29.25%
Local stations	City in each province	Private companies 30%

Special stations	Education, Transportation Religion	Government 100% City Religious fund
------------------	--	---

Table 1 shows the ownership of broadcasting companies. MBC became a public company when the Chun government merged the media in 1980. In 1990, a private broadcasting company was established. And later, the government licensed a local station in a city of each province for private owners.

Private stations cannot have more than 30% of total stocks.

In Korea, ownership of the media industry is monopolised and strongly connected to political power. In this situation fair competition and a market place of ideas are not possible. Thus, people demand media reform to protect fair expression of public opinion. Despite the normative value of media reform, it gives rise to constant disputes between ruling and opposition parties as well as among scholars general citizens. People are suspicious of political intervention in media business. Public distrust grew stronger as the newspapers reported the fact that the government has made ‘media documents’ designed to repress media criticism.

Since public debates regarding media reform are still going on in Korean society, we must wait a while to evaluate its contribution to democracy.

Liberalisation and dispersion of foreign capital

In Korean history, the media became open and liberalised after the colonial system was demolished and military governments were out of power. Now, the media openly criticise public policies and represent public opinion against political power. Although changes in the media enhance political freedom in the pursuit of democracy, this gives rise to another level of restraint. It is one dimension of democracy to achieve 'freedom from' another power. Yet, power works at various levels: structural and cultural. The notion of democracy as 'freedom from' has been criticised even in Western societies. The welfare state is an alternative to the negative concept of democracy and it eliminates the structural power that inhibits 'freedom for' or equality.

Another dimension of democracy lies in its cultural aspect. The free will of people and material structure, as a matter of fact, are perceived and represented at the cultural level. Cultural power is deeply involved in political authority and the economy.

In Korea, deregulation of the media industry has proceeded in three ways:

relieving legal constraints, restructuring the media system and opening up the market. First, media policies became more market driven rather than public initiatives. For example, government is less involved in the licensing process. Cable and satellite broadcasting channels do not need licensing from the government under the new Broadcasting Act.

Second, public institutions established during the total media integration under the military government are about to change their system. For instance, the government plans to privatise KOBACO (Korea Broadcasting Advertisement Corporations) that regulated broadcasting advertising for last two decades.

It also brings up public debate on the process of privatisation. Even though KOBACO was built by the dictatorial regime of General Chun, it has contributed to public interest to a certain degree by giving chances to small companies and by lowering advertising fees. Some argue for maintaining KOBACO's regulation of public broadcasting, others for market competition in advertising without any government intervention.

Third, deregulation leads to opening up the domestic market. Japanese films, TV programmes and music recently began to enter the Korean market. Other foreign programmes are coming to Korea and fill up the new channels. Moreover, the most prominent change in opening up the market is adopting

direct foreign investment in Korea. It has been prohibited since the 1960s when economic development started under Park's military government.

Park built a strong government that led to an export-oriented economy, but blocked the direct foreign investment in order to protect domestic industries. Since the "IMF crisis" in 1997, however, the new government has attempted to obtain foreign capital.

Now, foreign capital is allowed to invest in the Korean media up to 33% of total stocks under the new Broadcasting Act. For the last two years, trans-national media firms including News Corporation and Time Warner have begun to invest directly in Korean media companies.

One of the biggest transnational media moguls, Rupert Murdoch, introduced foreign capital into the Korean media industry. In February 1998, President Kim welcomed Murdoch with a big hug in front of the press, and announced that News Corp. would buy 15% of Dacom Satellite Multimedia System (DSMS) stocks. By presenting a nice picture with Murdoch in the newspapers, President Kim managed to adopt foreign money without paying any special attention to the nature of cultural industry. Right after the Murdoch's visit, 500 people signed a petition against Murdoch's joint venture and set up a citizen's alliance. The government, under pressure, postponed

joint ventures with foreigners in the broadcasting industry for two years.

Since Murdoch has broken through the Korean media industry, transnational

media firms vigorously knock the door. Time Warner is one of the biggest

investors in Korean cable channels.

Table 2: Foreign Investment in the Korean media industry

Korean firms	Foreign firms	Amount (million US\$)	Pattern
C&M cable	Olympus Capital (US)	100	FDI
Mirae Cable	Scudder Kemper Investment (US)		Stocks
On*Media (5 cable channels)	Time Warner (US)	12	Strategic Alliance
	Capital International (US)	50	FDI
CJ entertainment (4 cable channels, film production)	MTV	contents	Strategic Alliance
	CCAL, AFIC		FDI
	Dreamworks		Joint venture
Next Media (cable)	Japanese fund	100(10billion Yen)	FDI
DSMS (DBS)	NewsCorp.	20 (15% of stocks)	FDI

Thrunet (ISP)	Cisco (US)	120	capital
	Digital One (Aus)	contents	Contents providing
	HeyAnita.com (US)		Joint venture
	Microsoft (US)		
Dream Line (ISP)	Microsoft (US)	10	capital
Media Plus (production)	Morita Investment (Japan)	30	Capital
	Sony LCI (US)	20	

News Corporation and Time Warner are the largest investors in the Korean media industry. Though Time Warner was a latecomer, it made joint venture with Orion by building On*Media. It has cross-ownership of diverse media firms. On*Media manages two movie, one animation, a sports and a game channels.

In the face of the 'IMF crisis' in 1997, Korean media have considered foreign capital as the saviour of their economic difficulties. Cable companies, especially, which had only deficits after five years criticised lack of government investment in the cable business and sought foreign investment

as an alternative. On the other hand, new media such as internet services and DBS adopt foreign capital more enthusiastically than old media because advanced technology needs a higher amount of capital.

Post-colonial discourse in the world capitalist system

It is too early to evaluate the impact of foreign capital on the Korean media industry. Yet, many people are concerned about the dependency of Korean culture on transnational media moguls. The media industry has grown too rapidly, so that domestic programmes cannot fill so many channels.

In 2001, we will have more than 100 channels including 80 DBS, 12 digital television channels besides the terrestrial networks. It is obvious that foreign programmes come with foreign capital and fill 80% of all channels.

Recalling many critical theorists' arguments that media manufacture people's minds and tastes in mass society, the Korean people will have American dreams and colonial identities. Korean people are worried about cultural imperialism as transnational media influence the domestic media and their audiences.

The problem with cultural imperialism is limited to explaining how international capitalism functions in the contemporary world. As a matter of fact, foreign capitalists do not intrude on home countries with force. Unlike the assumptions

of imperialism, local people voluntarily adopt foreign capital and hope for it as a matter of life and death. The government and private companies welcome the invasion of foreign capital as the picture of Murdock and President Kim on the front page of newspapers showed.

It is not military force or economic class but discourse that expands capitalism throughout the world in the contemporary post-colonial era.

In the Korean case, international capitalism penetrates the domestic media industry along with the discourse of globalisation and technophilia. Since the late 1990s, globalisation has been the catchphrase of the civilian government in Korea. This discourse affects people's way of life, seeing that international competitiveness is the only way to revive Korean society. Koreans are eager to catch up with technological developments, believing that it promises a future of hope.

Direct foreign investment in the media industry may bring a new challenge in the post-colonial era. The discourse of globalisation and technological development now becomes a part of daily life and forms reality. Such discourse was first initiated by political motivations, but now it seems that adopting direct foreign investment is the only option for the Korean media industry to overcome the economic crisis and to take a leading position in globalisation

and technological development.

Shortened version of paper presented at the conference on "Democratization

and the Mass Media: Comparative Perspectives from Europe and Asia",

Bellagio, Italy, 9-13 April 2001.

Sunny Yoon is Assistant Professor at Hanyang University, Seoul,

Korea. He is working on cultural studies and the political economy of

communication. He has published several articles on information technologies,

popular culture and adolescent use of media.