A FAMILY AFFAIR: THE POLITICAL ECONOMY OF MEDIA OWNERSHIP IN THE REPUBLIC OF KOREA (1998-2012)

By

Chunhyo Kim

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Submitted in Partial Fulfillment for the

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TITLE: A FAMILY AFFAIR: THE POLITICAL ECONOMY OF MEDIA OWNERSHIP IN THE REPUBLIC OF KOREA (1998-2012)

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This dissertation investigates the nature of Korean media giants among members of Asian media conglomerates in the era of media marketization. Since the 1980s, each state in Asia has adopted neoliberal media laws and policies that have made its media systems more market-driven. This neoliberal media reform led to the restructuring of media systems from state-controlled systems to profit-oriented ones and facilitating the emergence of Asian media conglomerates. However, scholarship on the nature of Asian media giants has been sparse in critical media studies. Thus, I conduct a case study to explore the nature of Asian media giants with a focus on the interplay between media ownership and media markets in order to determine the major beneficiaries of Asian media marketization.

I focus on the three Korean media conglomerates of Samsung, CJ and JoongAng Ilbo groups during the period from 1998 to 2012 when the Korean state applied the neoliberal media mode to the Korean media systems. Utilizing the theoretical approach of political economy of communication, I examine three points: (1) the relationship between the era of neoliberal media and the structures of four media markets (e.g., advertising, daily newspaper, cable television and film); (2) the interconnections among media expansions, media ownership and informal ties (e.g., blood and marriage ties); and (3) the relationship between the changed structures of those four media markets and corporate censorship of the three chaebol groups. To address these questions, I used both institutional and corporate profiling techniques and then analyzed both governmental and secondary documents, including those covering structures of media markets, media ownership, boards of directors, media expansions and emergent issues in the information and entertainment markets.

Consequently, my analysis finds that neoliberal media laws and policies led to forming centralized market structures controlled by chaebol groups with connections to Western media conglomerates and/or foreign capital. Also, I find that the Lee family members used family connections to expand their media businesses and control multiple media operations, thereby becoming the media emperor in Korea. Finally, my analysis shows that a media-oriented ideology has rarely guaranteed free competition among market players but has instead led to increasing the market polarization between a few market controllers and many independent media companies. In other words, my study indicates that the neoliberal media mode allowed family capitalists in Korea with foreign capital to control the structures of media markets.

Key Words: Media Marketization; Korean Media Conglomerates; Market Censorship; Media Ownership; Power Abuse; Chaebol.

DEDICATION

I dedicate this work to my mother Park Hwa-sun, who was always an example of how a human being should manage life's difficulties with dignity. I also devote this dissertation to my two brothers Kim Yong-hwan and Kim Yong-don, who always gave me the emotional and financial support I needed despite difficult situations. Finally, I consecrate this project to the grassroots contributing their lives to make a better world, including Korea.

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CHAPTER 1

INTRODUCTION

1.1. Background

Consistent with the political and economic liberalization throughout Asia in the 1980s, Asian states began to marketize their media systems (Sussman & Lent, 1991; Georgia, 2008). In consequence, Asian media businesses have increasingly consolidated and diversified over the last few decades. For example, in the Republic of Korea (hereafter, Korea), the Cheil Jedang group (CJ) runs media businesses in cable television, film, the digital convergence media, games and recorded music markets (Lee, 2008, p. 92-98). In the People's Republic of China (hereafter, China), the Guangzhou Daily group controls multiple newspaper holdings (Lee, et.al, 2006). Similarly, Singapore Press Holdings in Singapore, ABS-CBN in Philippines, Media Prima in Malaysia and Bennett & Coleman in India own multiple media nationwide including newspapers, broadcasting and computer-mediated communication markets (Anuar, 2008, p. 128; Lent, 1987; Prasad, 2008, p. 61; Seneviratne, 2008, p. 26; SPHs, 2013).

Taken together, these examples show a trend in Asian media companies toward conglomeration. Moreover, the emergence of Asian media conglomerates is closely associated with the proliferation of the neoliberal paradigm in Asian media systems (Chakravartty & Zhao, 2008; Hu, 2003). This trend represents a fundamental shift towards marketization in Asian media (Jin, 2011; Zhao, 1998; Sim, 2008; Pendakur, 1991). Marketization here denotes the restructuring of global communication systems into a market-driven media companies (Murdock & Wasko, 2007). Although Asian media systems are rooted in disparate political and economic traditions, (Lent, 1993), government-supported free market expansion, fueled by domestic and/or foreign capital, has allowed for marketization in recent decades (Shim, 2008; Chakravartty, 2004).

Prior to marketization, media systems in Asia were controlled by either authoritarian (e.g., Korea or Taiwan) or totalitarian (e.g., China) states (Park, et.al, 2000; Lee, 2000; Zhao, 1998). States used the media as a tool to control the public and maintain political power. Authoritarian Asian states (e.g., Korea, Taiwan and Malaysia) were in particular need of cooperation from media companies to promote their economic development (Lent, 1978). These states forced family media owners to stress news that spoke positively of their regimes, was conducive to economic development and helpful in advancing governmental ideologies and plans.

At the same time, states encouraged media owners to suppress news dealing with political and social oppositions. Indeed, Korea (1961-1987) used both the stick (e.g., forcing reorganization of the media companies and dismissals of critical journalists) and the carrot (e.g., tax favors and public funds) to control the Korean media (Park, et.al. 2000). This dual strategy led to a more binding relationship between states and the media owners. This pattern occurred in several other Asian countries, including Taiwan (Lee, 2000), Malaysia (Anuar, 2008) and Indonesia (Ismartono, 2008). The Communist Party in China (from 1949 to the late 1970s) directly controlled the media as an instrument of party propaganda to expand China's governmental legitimacy and educate the Chinese people in the name of building a Great China. The Communist Party provided financial support and human resources for the Chinese media in order to advance its own reputation (Zhao, 1998).

Since then, politics in Asia has gradually shifted from totalitarian regimes to neoliberal or bureaucratic regimes (Chen, 1998; Park, et.al., 2000; Lee, et.al., 2006). For example, the Korean middle classes, largely formed during the military regimes (the 1960s-1987), was proactively involved in the 1987 democratic movement known as the "June Protest" that led to the collapse of those military regimes (Choi, 2006). Korea has since undergone a transitional period from a military authoritarian to neoliberal authoritarian state whose procedural democracy (Kwak, 2012, pp. 8-50) permitted free and fair election, universal adult suffrage, multi-party competition, civil liberties and a free press (Diamond and Shin, 1999 as cited in Kwak, 2012, p. 30). Taiwan also experienced political liberalization (Lee, 2000). Similarly, Malaysia and Indonesia entered into politically liberalized periods compared with previous times (Tapsell, 2011).

Moreover, since the late 1970s when Deng Xiaoping introduced a novel political-economic system combining market mechanism, private ownership and political socialism, communist China has undergone a radical transformation from a socialist legacy to a market-oriented ideology (Stockmann & Gallagher, 2011). Such a mixed regime in the post-Mao period influenced the Chinese state to take more liberalized stances, increasingly embracing market functions and Western capital (Hu, 2003; Zhao, 2008). Today's Chinese state is often characterized as pursuing a bureaucratic authoritarian state capitalism (Lee, et.al. 2006). Regardless of their political history, Asian states have experienced varying degrees of political liberalization since the 1980s.

Compatible with growing political liberalization, Asian states began to adopt neoliberal laws and policies restructuring their media systems to more closely resemble their counterparts in the West (Chakravartty & Zhao, 2008; George, 2008). Specifically, Asian states loosened legal limits regarding media ownership, privatized state-owned media companies and adopted a "localized neoliberalism" that integrated market determinism and Asian values (e.g., filial piety) into media systems (Sim, 2001; 2008). These reforms placed Asian countries (characterized by the co-existence of multiple ethnic groups, religions, languages, cultures and political/economic systems) under the universal umbrella of market-driven media. Market forces brought about a change in the culture of the Asian media equivalent to a shift from monoculture to tropical rainforest (Abraham, 2008).

Liberalization of political, economic and media systems laid the foundation for the rise of Asian media conglomerates. Embracing neoliberalism as the guideline for designing economic policies, Asian states allowed domestic power players in the political, economic and cultural realms, along with foreign capital from transnational corporations, to expand their media businesses (Lent, 1984; Tapsell, 2012; Hu, 2003). Neoliberal laws and policies permitted both existing media companies and new media enterprises to become conglomerates.

Asian media conglomerates display three patterns of ownership. The most common is corporate ownership shared between domestic and foreign capital. Most domestic capital comes from the industrial conglomerates (e.g., semiconductor, construction and energy) and tends to maintain family media ownership. Owners of these conglomerates and their family members are major stockholders, members of the board of directors, top executives and top managers within the corporate structures of their media holdings (Lee, 2008). They also cooperate with foreign capital within corporate structures (Lee, 2008a). For example, family-controlled conglomerates (e.g., JoongAng Ilbo group) in Korea share ownership and directorship with foreign capital (Kim, 2002). The JoongAng Ilbo group owns multiple media holdings in the newspaper (e.g., the *JoongAng Ilbo*), advertising (e.g., Phoenix Communication), broadcasting (e.g., J- TBC) and film (e.g., J Content Tree) industries. Similarly, Indian media conglomerates (e.g., Times group) and Philippine conglomerates (e.g., ABC- CBN) maintain family media ownership with foreign capital. The Times group in India runs its media businesses in the newspaper (e.g., the *Times of India*), advertising (e.g., Times Outdoor), broadcasting (e.g., Times Now) and film industries.

Likewise, ABC - CBN in the Philippines runs multiple media businesses in the press (e.g., the *Manila Times*), broadcasting (e.g., ABC 5), film and television production (e.g., Studio 5) (Prasad, 2008; Thussu, 2007; Seneviratne, 2008).

The second pattern of media ownership is the co-ownership between corporations and the state. In this ownership pattern, the state is one of the major stockholders in media companies and also controls the procedures of determining who can become media owners and/or media investors. Singapore Press Holding (SPH) in Singapore, a government-created printing and publication giant, is one example. Lent (1987) analyzed the ownership structure and boards of directors of SPH. He found that SPH was transnational in ownership and directorship among Singaporean, Malaysian, American and French capital as well as the Singaporean state. Similar cases are found in Malaysia and Indonesia (Lent, 1991; Anuar, 2008; Ismartono, 2008).

The last pattern of ownership is state ownership. For example, Chinese media conglomerates, called "Chinese Party Publicity Inc.," are state owned. As the largest stockholder, the Chinese state exercises its influences over the corporate structures of media conglomerates (Lee, et.al. 2006). It appoints high ranking officers who manage the media conglomerates, make major business decisions and control the news content regarding political issues (Hu, 2003; Stockmann & Gallagher, 2011).

In sum, Asian states have adopted neoliberal media policies that have restructured Asian media into profit-oriented systems and facilitated the emergence of Asian media conglomerates. I argue in this project that Asian media marketization rushed to shift control over the media from the strong states to media giants controlling the corporate structures of media holdings.

1.2. Purpose of the Study

The previous section described the conversion of Asian media businesses into media conglomerates and provided some explanations for the political, economic and other factors contributing to the conversion. As demonstrated in Section 1.1, Korean media corporations constituted an important component in that trend. As a case study embodying media conglomeration in Asia, the broad purpose of this study is 1) to examine the nature and function of Korean media conglomerates with a focus on the CJ, JoongAng Ilbo and Samsung groups and 2) to analyze their power over, impact on and implications for Korean media markets. The JoongAng Ilbo and CJ groups, before becoming independent from Samsung group were subsidiaries of Samsung group. In fact, Samsung group transferred its printed and broadcasting businesses and part of both manufacturing and financial businesses to the JoongAng Ilbo and CJ groups in the 1990s (Seoul Shinmun, 2005).

This study is motivated by the following three factors: (1) marginalization of Asian media conglomerates in literature; (2) lack of research examining the multi-faceted relationships between media ownership and market structures across different categories of media, including advertising, cable television, newspaper and film; and (3) the question raised by Lee (2000) of whether the notion of monopoly capitalism relevant to studying media in the West can be applied to studying media in Asia.

First, media researchers have paid grossly insufficient attention to the conglomeration of Asian media businesses. For example, Winseck (2008) failed to recognize the emergence of media conglomerates in Asia and their market structures. Without considering Asian media markets, he argued that Asian media consolidation was part of a global trend. Iwabuchi (2008) argued that the dominance of American media over the Asian media markets was replaced by

Asian media companies. However, he ignored the problematic cooperation between that first-tier media conglomerates (e.g., Japan) and second-tier ones within Asian corporate structures and media markets.

Second, interactions between ownership of Asian media conglomerates and media markets have not been sufficiently addressed in the literature. This topic matters because media owners 1) directly control corporate media structures, including economic ownership and the boards of directors, and 2) indirectly exercise their influences over the media markets (Murdock, 1990). Previous literature has focused on analyzing only corporate structures *or* a single market in relation to Asian media conglomerates. For example, Lee (2008a) examined the corporate structures of nine cable television companies jointly owned by family-controlled conglomerates in Korea and transnational corporations, mainly from the United States. He found that domestic and foreign capital shared ownership and seats of directorship with each other. Similarly, Lent (1987) discovered that the Singapore Press Holding (SPH) was controlled by the Singapore state, as well as domestic and foreign capital. Although both scholars discussed the transnational connection among state, domestic and/or foreign capital within corporate structures, they ignored the interaction between ownership of media conglomerates and the media markets that occurred due to neoliberal laws and policies.

There have been some studies showing the interactions between corporate ownership and media markets in the West. As Freiberg (1981) and Curran (2003) found, the rise of press conglomerates with concentrated media ownership facilitated the interdependence between press and advertising markets. In selecting news and media content, owners of press conglomerates responded to the advertisers' needs to promote their commercial interests, because of their heavy dependence on advertising revenue. In order to make the most of their investment, advertisers preferred the wider influence of the press conglomerates to small- and medium-sized companies. The complementary needs of media owners and big advertisers redistributed advertising money in the newspaper market. This led to taming and depoliticizing media content and starving out the popular radial papers. Similarly, Schiller (1991) argued that corporate media sponsorship was institutionalized censorship of the cultural realm since advertisers exercised their influence over media content through sponsorship. These Western critical scholars showed how owners of conglomerates changed the structure of the advertising market and affected other media companies within the same market. In this project, I will determine the extent which their conclusions apply to Asian media markets, given that Asian media systems are now market-driven and financially supported in no small part by advertising capital (George, 2008; Zhao, 2008).

Equally important, scholarship analyzing media conglomerates in multiple media markets in relation to the structural changes associated with neoliberal laws and policies in Asia is sparse. Critical media scholars have rarely examined the relationship between ownership of Asian media conglomerates and the structures of media markets. An exception was a study by Lee, et.al (2006) analyzing the relationship between state media ownership and the structure of the press market in China. Lee found that the Chinese Communist Party played central roles in forming both media conglomerates and the conglomerate-oriented market structure in the press industry. However, this research was not representative of the media conglomerates in other Asian countries because state media ownership in China is no longer a typical ownership pattern among Asian media conglomerates since the neoliberal restructuring of the same.

Kunz (2007) defines media conglomerates as corporations owning multiple media holdings under the centralized ownership within and across media markets—i.e., in two or more media markets. There are some studies in the West regarding such conglomerates. Critical scholars such as Bagdikian (2000; 2004), Meehan (2005) and Kunz (2007) found that the rise of cultural conglomerates in the marketization era created more oligopolistic market structures than in previous times. Media giants owned the market power over what was to be produced, distributed and exhibited and correlatively, over what was not to be produced, distributed and exhibited. Consequently, their activities decreased the overall number of media companies, despite the increases in the number of media outlets. These empirical outcomes, drawn by the three scholars, corroborated Schiller's argument (1993) that "these integrated cultural colossi have become the educators and guardians of the social realm. They select or exclude the stories and songs, the images and words that create individual and group consciousness and identity" (p. 466). Simply put, media conglomerates can censor multiple media markets, resulting in distorted competition in the markets, barriers to entry and reduced diversity of content (Jansen, 1988).

Given the absence of research from the Asian perspective, I focus on the four market structures of advertising, newspaper, cable television and film among multiple media markets for three main reasons. First, both newspaper and advertising markets are intertwined with each other in terms of creating public discourse in the era of conglomerated press (Curran, 2003). Second, cable television is located at the top of the hierarchical structure in paid broadcasting services (Lee, 2008; Chen, 2002). Finally, motion pictures play a vital role in sustaining the cultural identity for each country (Sinha, 2011).

The third motivation for this study is to answer the question raised by Lee (2000): whether the political economy of communication—rooted in Western monopoly capitalism—can be applied to studying media in Asia rooted in state capitalism. In monopoly capitalism, the economy is controlled by large corporations that organize big businesses, dominate markets/industries and are involved in setting national policies. In this way, the gigantic firms are responsible for the conception and execution of economic development (Baran & Sweezy, 1966). In state capitalism, the economy is dominated by the state which intervenes in markets, controls productive and financial resources and regulates foreign direct investment. In this way, the state decides the direction and pace of economic development (Chang, 1993).

Because of the different economic systems between developed Western and Asian countries, Lee's question appears legitimate. Studies by Western critical scholars were based on monopoly capitalism and political stability. In contrast, studies by Asian scholars must be founded on both state capitalism and unstable (or stable) political environments. For example, some countries, like China and Malaysia, were under authoritarian regimes with state capitalism (Lee, et.al., 2006; Anuar, 2008). Others like Korea, Taiwan and Singapore were under neoliberal authoritarian regimes (Park, et.al. 2000; Lee, 2000a; Sim, 2008). Nonetheless, the environments of Asian media have gradually or rapidly become neoliberal, producing market-oriented media systems financially supported by advertisers. In this way, they resemble the media systems of the West. Thus, I showcase an Asia-specific research framework based on the approach of political economy of communication.

In consideration of the three factors above, I propose to pursue the following three interconnected questions in the Korean context: (1) How have neoliberal laws and policies affected the structures of the four media markets and shaped interactions among them? (2) How have media owners used the informal ties, including family ties, within corporate structures during the process of expanding media businesses? (3) Who have been the major beneficiaries of the rise of media conglomerates from the traditional perspective of the political economy of communication?

Next, I discuss the theoretical approach for conducting a case study, the scope of the study and its research design including method, time frame and data sources.

1.3. Theoretical Approach

I base my theoretical approach on political economy of communication, the area of study which has typically been used to investigate the interactions among media ownership, companies (or conglomerates) and markets.

Political economy of the media has broadly identified four research areas to investigate the dynamics of media corporations. First, political economists explore how and why owners set strategies for their corporations, allocate resources and distribute profits within corporate structures (Guback, 1986; Wasko, 2001). Second, they investigate the role of boards of directors, internal organizations of media companies and alliances among seemingly separate corporations (Danielian, 1939; Meehan, 2010). Third, they examine the relations among individual owners or executives, their social networks and family ties (Lent, 1966; Freiberg, 1981). Finally, political economists examine the relationship between media laws, governmental policies and media companies (Mosco, 1979; Blevins, 2007).

Murdock (1990) emphasizes the importance of comprehensive research about media companies because it reveals how media owners respond to structural changes, control corporate structures of media operations and affect media markets. According to him (1982), to investigate the dynamics of media companies, critical media scholars should pay attention to “the complex interplay between intentional action and structural constraint at every level of the production process” (p. 125). Intentional action can be revealed through corporate profiling. This technique examines the question of who controls the corporations and investigates corporate structures of media companies (p. 124). Structural analysis explores the factors that constrain corporate controllers (Murdock, 1982, p. 124). This analysis reflects structural constraint, which examines corporate activities within the context of a general economic and political context (Wasko, 2001, p. 7). Simply put, corporate profiling and structural research reveal how media owners directly control corporate structures and indirectly influence media markets. I will therefore apply Murdock's approach to investigate the nature of Korean media conglomerates in relation to media markets.

1.4. Scope of the Study

I focus specifically on family-controlled media conglomerates. The country of focus is Korea. Further, the study pays special attention to the media markets of advertising, newspaper, cable television and film.

Family-owned conglomerates are at the heart of this study for three reasons. First, family media ownership is the popular and pervasive pattern among Asian media conglomerates. Owners of family-controlled conglomerates maintain concentrated media ownership (Kim, 2002; Prasad, 2008; Ismartono, 2008). Second, several family capitalists have expanded their businesses into the media industries because of structural changes initiated by an ideology of market determinism. Third, family capitalists who own major media conglomerates also typically own multiple subsidiaries across economic sectors (e.g., construction, energy, food and/or leisure) (Prasad, 2008; Kim, 2002; Seneviratne, 2008).

Korea was selected as a country of focus for several compelling reasons. First, Korea is a microcosm of the general conglomeration trends in Asia. Chen (1998) and Lee (2000a) argue that the history of media development in Taiwan was similar to that of Korea because of the similar trajectories of political and economic history in modern capitalism. Korea experienced authoritarian regimes (1961-1987), a transitional period from military to neoliberal authoritarian regimes (1988-1997) and neoliberal authoritarian regimes (1998-present) (Kwak, 2012). With these political changes, the Korean economic system had already evolved from state capitalism in the 1990s (Ahn & Lee, 2000), but did not completely transform to monopoly capitalism (Lee, 2010).

Within these political and economic changes, Korean media systems were transformed from a state-controlled media structure to a market-driven one (Jin, 2011). Structural changes in Korean political economy brought about changes in media systems, changes similar to situations in other Asian countries. Since the mid-1990s, as in India and the Philippines, family-controlled conglomerates in Korea expanded their media businesses to cable television, telecommunication and film industries (Shim, 2000; Jin, 2005). These conglomerates owned multiple media holdings in advertising, cable television, computer-mediated communication, film, game, print, recorded music and telecommunication industries, and thereby became powerful media companies in Korea (Kweon, 2008). Thus, the Korea offers an opportunity to assess the comprehensive nature of Asian media conglomerates that operate in multiple media markets.

The four market structures of advertising, newspaper, cable television and film are included in this study for three main reasons. Both the advertising and newspaper markets can be categorized as information markets, which play a vital role in manufacturing public discourse that create popular culture (Smythe, 1981; Murdock & Golding, 2000). In the Korean context, newspaper and advertising markets in Korea are intertwined with each other in terms of creating public discourse in the conglomerated press era (Kim, 2010). Second, cable television is located at the top of the hierarchical structures in paid broadcasting services (Lee, 2008). Third, the Korean film market was liberalized in 1988 by the neoliberal Korean state and through trade threats from the United States. Opening the domestic film market to foreign capital via transnational corporations was a turning point for releasing other media markets to foreign capital (Park, 2005).

1.4.1. The Rise of Neoliberalism in Korea: An Overview

In this section, I discuss 1) why the Korean state accepted the neoliberal mode in the 1980s; 2) how this market-oriented ideology affected Korean media systems and 3) how family-controlled conglomerates used the structural changes. I also define family-controlled conglomerates and briefly describe media expansions of these conglomerates.

On December 12, 1979, after former Korean military dictator Park Jung-hee (1961-1979) was assassinated by his junior, military General Chun Doo-whan mounted a coup. In May of the following year, the Chun regime committed random massacres of innocent citizens in Kwangju, located at the southwestern part of Korean Peninsula, to oppress the democratic demands of ordinary Koreans. The military regime was fast losing political authority and control over the civilian population. One way for the regime to regain political legitimacy was through economic development (Kwak, 2012, pp. 30-50).

About the same time, the Chun regime was also facing intense external pressure from the United States. The U.S. wanted the Chun regime to further liberalize several sectors of the Korean economy, including the media industry (Sa, 1993). Succumbing to the pressure from the U.S., the Chun regime recruited several neoliberal economists from universities and economic institutions to find a way to adopt neoliberal policies in Korean economic sectors. These Korean neoliberalists, earning doctoral degrees from the U.S., occupied high-ranking positions in economic and financial departments and were the principal architects drafting neoliberal economic reforms that would fit well with Korean economic structures (Kim, 1999). The new economic reforms envisioned by an elite class called for reduction in government intervention in product and factor markets, opening up domestic markets and privatizing the financial and public sectors (Jin, 2011, pp. 21-22). In this way, in the 1980s, Korea opened its doors and welcomed a neoliberal era. The neoliberal architecture was further strengthened in the 1990s during the transitional period from military authoritarian regime to neoliberal authoritarian regime (Ahn & Lee, 2000; Kwak, 2012, pp. 30-50).

The rapid pace at which liberalization altered economic structures made the Korean economy vulnerable to external factors, which in turn led to a massive economic crisis in 1997. In December 1997, Kim Dae-jung was elected as the president. Following the economic downturn, Kim made an agreement with the International Monetary Fund (IMF) in return for receiving emergency funds of $57 billion from both the IMF and the World Bank (WB). The two international institutions sanctioned funds to the Kim regime on the condition that the Kim administration would further escalate structural reform programs in the country (Chang, 2003). Basically, the IMF and the WB demanded that the Kim government introduce legal and institutional reforms that would facilitate for the growth of the new neoliberal economy. Kim's economic reforms were different from those of the previous governments because both IMF and the WB pushed the Kim government to carry out the full range of legal and institutional reforms (Hart-Landsberg, et. al., 2007). Reforms included both the enactment of merger and acquisitions (M&A) to activate the financial markets and the restructuring of both businesses and corporate structures of family-owned conglomerates (Haggard, et.al, 2003). The depth and breadth of the economic reforms facilitated domestic and foreign capital to expand their businesses across several sectors of the Korean economy, including the media industry. The face, function, character and behavior of Korean media changed.

1.4.2. Defining "Chaebol"

The family-controlled conglomerates in Korea are known as "chaebol," a combination of the Chinese characters for "wealth" and for "clique." The term is defined as large diversified business groups owned and controlled by families or their close kin in Korea (Kim, 2008, p. 64). Owners of these conglomerates and their family members directly control multiple subsidiaries across the Korean economic sectors (Kang, 1997). According to Hattori (1987), a chaebol has the following characteristics: (1) rapid business expansion in unrelated diversification, (2) a monopolistic position in the market, (3) close relations with government, (4) a highly centralized structure with a top-down decision-making process, and (5) paternalistic leadership practices (as cited in Kim, 2008, p. 64). These family-controlled collective conglomerates are known as *chaebol groups* (Kim, 2008).

In the 1990s, the Lee family controlled eighty subsidiaries of the Samsung group. The Chung family dominated the Hyundai group with ownership of over seventy subsidiaries. Similarly, the Koo family commanded the LG group with control and ownership of as many as seventy subsidiaries (Hwang & Seo, 2000). After the financial crisis in 1997, however, the Korean state under the control of both the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) forced chaebol groups to reorganize their corporate structures. In response to the pressures, the chaebol groups, especially the first-tier groups (e.g., Samsung, Hyundai and LG), transferred their corporate structures to their family members, thereby increasing the number of members in each of the chaebol groups (Secretary of National Assembly, 2010).

1.4.3. The Rise of Chaebol Media

Structural changes in the Korean economy affected media markets in the late 1980s. The Korean state's march toward economic liberalization allowed foreign capital to enter the Korean film distribution and advertising markets. It also lowered the legal barriers for the establishment of newspaper companies, which facilitated chaebol group (e.g., Hyundai and Hanhwa) expansions of their newspaper businesses (Yoon, 1989). Further, the Korean state's new economic reforms encouraged chaebol groups to enter the audio-visual businesses in the mid-1990s. The Korean state began to adopt the developmental model, applied previously in the manufacturing sector, to the Korean information and communication industries (Shim, 2000). The state introduced cable television service and began privatizing cable networks and telecommunications.

1998 saw an important milestone in Korean media history. The Korean state institutionally and legally implanted market-oriented ideology into the Korean media systems by 1) lowering legal barriers regarding media ownership, 2) activating mergers and acquisitions of media companies and 3) privatizing the state-owned media companies (Jin, 2011). Moreover, the Korean government designated the cultural industries (e.g., advertising, broadcasting, character, digital media, film, game, print and recorded-music industries) as a national priority. It also wrote new laws mandating the investment of at least one percent of the national budget in cultural industries and permitted financial corporations to invest in Korean media industries (Park, Rho & Lee, 2007).

Specifically, the neoliberal Korean government relaxed restrictions on media ownership in print and broadcasting industries (Kwak, 2012; Nam, 2008). It also removed protections that had forbidden foreign investment in print or broadcasting corporations, thereby putting them on an equal basis with the film and advertising industries in which foreign investment already permitted (Yun, 2008; Park, 2005). Ten years later in 2009, the Korean state re-revised the media and regulations related to advertising, broadcasting (including cable television), the digital media and newspaper industries (Kim, 2010).

In compliance with changed media laws and policies, chaebol groups expanded their businesses within and across media industries. Currently, the chaebol groups in Korea are the most powerful media companies within and across the media markets (Kim, 2010). Chronologically speaking, the 1960s marked chaebol groups' entry into the newspapers, radio and television stations (Seo, 2003). In the 1970s, chaebol groups expanded into the advertising industry (Kim, 1994). In the 1980s, chaebol groups became interested in video production and motion pictures—not producing films, but distributing imported Hollywood films and renting videos and computer-mediated communication (Lee, 1997; Park, 2005). In the 1990s, family-controlled conglomerates entered cable television, film (e.g., production, distribution and exhibition), broadband and telecommunication (Jin, 2006; Shim, 2002). In the early 2000s, they increased the number of media holdings in the digital media, game, and recorded music industries (Kim, 2010; Jin, 2010).

Further, Kim & Cha (2009) find that chaebol groups competed with transnational advertising agencies in the advertising market from 2000 to 2008. In analyzing the cable market from 1992 to 2005, Nam (2008) found that Dongyang, CJ and Taekwang became major multiple program providers (MPP) and multiple system operators (MSO) in cable television. By analyzing the periods from the late 1980s to 2003, Park (2005) illustrates that CJ, Dongyang and Lotte were increasingly dominant forces in film distribution and exhibition. Shim (2002) found that Samsung, LG, Hyundai and Daewoo were major entities in cable television in the 1990s.

Finally, Kim (2002) analyzed the daily newspaper market in 2001, finding that the national "Big Three" (e.g., *Chosun Ilbo*, *DongA Ilbo* and *JoongAng Ilbo*) formed the oligopolistic structure which led to the collapse of small and medium-sized newspapers. Put simply, in the last two decades, advertising, cable television, film and newspaper markets have been increasingly concentrated among chaebol groups (Kim, 2010).

Moreover, chaebol groups have maintained family media ownership, cooperated with transnational corporations and cemented the connections between chaebol families through marriage ties. For instance, Lee (2008) finds that all owners of chaebol groups and their family members were the major stockholders in telecommunications, broadcasting and newspaper holdings. Similarly, Lee (2008a) discovered that owners of chaebol groups and their family members were major stockholders and frequent members of boards of directors within corporate structures in broadcasting operations. They also invested in other media corporations and became members of boards of directors of these companies.

Further, chaebol groups used informal ties (e.g., family and marriage ties) to connect to media owners. Cho (2004) discovered that chaebol groups established a network with owners of mainstream newspaper companies through marriage ties. Kweon (2004) found that chaebol groups used both regional and educational ties to connect to the media owners of newspapers. Park, et.al. (2000) argue that media scholars paid attention to informal ties between chaebol groups and the media owners. The argument of Park, et.al., is similar to that of Yum (1987)—i.e., informal ties played a central role in creating a power complex between political, economic and cultural institutions. Although Park, et.al, and Yum barely explore exactly how informal ties were institutionalized within the corporate structures, they clearly point out how chaebol groups connected to Korean media owners. Media owners of chaebol groups with economic media ownership were able to exercise their influences over the media markets through structural and informal means.

1.4.4. Samsung, CJ and JoongAng Ilbo Groups

I have selected Samsung, CJ, and JoongAng Ilbo as representative chaebol groups for the study for two reasons. First, CJ became a subsidiary of Samsung in 1997 and JoongAng Ilbo became a subsidiary of Samsung in 1999 (Seoul Shinmun, 2005). Thus, the survey of the developmental history of Samsung, including the reorganization of three chaebol groups, offers good insight to the overall chaebol restructuring. Second, Samsung was more interested in media expansions than any other chaebol group in the history of Korean mass communication (Seo, 2003). Samsung entered the Korean media industries in 1963 when it established the JoongAng television station serving Seoul, Korea's capital, and Pusan, Korea's second largest city. Two years later, Samsung found *JoongAng- Ilbo*, a nationally circulated daily newspaper. Since then, Samsung has continuously expanded its media businesses so that its media operations run the gamut of advertising, cable television, digital media, film, game, recorded music and print industries (Kim, 2004; Ahn, 2008).

Further, CJ, JoongAng Ilbo and Samsung all qualify as chaebol groups under the following criteria. First of all, a chaebol's ownership is kept within the family. Second, a chaebol runs diverse businesses in a wide range of economic sectors under one corporate structure (Kang, 1997). With respect to family ownership, CJ, JoongAng Ilbo and Samsung were all founded by a single person, Lee Byung-chul.[1] The chairman of CJ is Lee Jae-hyun, Lee Byung-chul's grandson. The chairman of Samsung is Lee Kun-hee, the third son of the founder Lee. The

[1] A Korean name consists of a family name first , usually one syllable, followed by a given name, normally of two syllables.

chairman of JoongAng Ilbo is Hong Seok-hyun, whose sister, Hong Ra-hee, is married to Lee Kun-hee, the founder's son and chairman of Samsung (Seoul Shinmun, 2005; Cho, 2004).

As for diverse business operations that cover a wide range of economic sectors, CJ's holdings include operations in agriculture, food processing, biotechnology, medicines, media, consumer products, finance, energy and construction (CJ, 2010). JoongAng Ilbo's operations cover media, leisure, real estate, machinery, finance, electronics manufacturing, consulting, and retailing (JoongAng Ilbo, 2010). Finally, Samsung manufactures chemicals, heavy machinery, military equipment, electronics, and semiconductors. Among Samsung's other holdings are operations in real estate, finance, trading and media industries, to name only a few (Samsung, 2010). Given this range of operations across economic sectors, we can conclude that the three conglomerates fit Kang's description of a chaebol conglomerate (Kang, 1997). Taking these structural characteristics in tandem with the kinship ties among the three companies' chairmen, CJ, JoongAng Ilbo, and Samsung constitute chaebol conglomerates.

At the same time, the Lee family still owns multiple media operations. Lee Kun-hee, owner of Samsung, and his children are major stockholders of Samsung's media holdings. The chairman has only one son, Lee Jae-yong, and two daughters, Lee Pu-jin and Lee Seo-hyun. They are involved in management of Samsung's media operations. Samsung owns multiple media subsidiaries in advertising, amusement parks and computer-based communication industries (Kim, 2007).

Moreover, Lee Jae-hyun, a grandson of the founder Lee, is the largest stockholder of CJ's media operations. CJ runs media businesses across media industries ranging from cable television, film and games to recorded music (Seoul Shinmun, 2005). Finally, Hong Seok-hyun, a brother-in-law of Lee Kun-hee, owner of Samsung, is the largest stockholder of JoongAng Ilbo.

This company has multiple media holdings in the information and entertainment industries including advertising, cable television, computer-mediated communication, film and print media (Lee, 2008). This means that the three chaebol groups maintain family media ownership. The Lee family was the largest stockholder of its media holdings and was involved in media management (Lee, 2008; Kim, 2002). Thus, for the reasons illustrated above, Samsung, CJ, and JoongAng Ilbo, are the principal chaebol groups that have been selected to feature in this study.

Based on aforementioned discussions, I propose the following research questions:

RQ 1. How have neoliberal laws and policies affected the structures of the advertising, cable television, newspaper and film markets?

RQ 2. How have owners of Samsung, CJ and JoongAng Ilbo used informal ties, including family ties, to expand their media businesses?

RQ 3: Who has benefited from the ways in which these four media markets have developed?

1.5. Research Design

1.5.1. Method

In this project, I employ a three-pronged approach that includes a case study, the institutional method and corporate profiling to analyze the multifaceted nature of media markets and media ownership in the era of Asian media marketization. A case study is a research method to answer "how" and/or "why" type of questions (Yin, 1993). This method allows the researcher to examine a complex interaction among agents, actors and the institutions, particularly social, economic and political situations (Feagin, Orum, & Sjoberg, 1991, p. 274). It also enables the researcher to gather data from multiple sources and to combine the data to illuminate case (Baxter & Jack, 2008, p. 556). The case studies used by Wasko (2001), Edge (2007) and

Schiffrin (2010) together enable media scholars to investigate the dynamics of media giants in the media markets. Therefore, I choose the case study as one of the methods for my project.

I will use both the institutional method and corporate profiling to analyze the interactions between the four media markets and media ownership of the three media giants (Samsung, CJ and JoongAng Ilbo). The institutional method analyzes how both individuals and groups build institutions and how they interact with each other within an organization (DiMaggio & Powell, 1991, pp. 2-9). In media studies, scholars such as Mosco (1979), Jin (2011) and Kunz (2007) have used this method to examine the relationship between media corporations and media markets. The institutional method allows me to investigate how media laws and policies have affected structures of the media market as stated above. This approach also enables me to examine who benefitted from the media reforms in the period from 1998 to 2012.

In addition, I employ corporate profiling, a method for analyzing corporate structure, ownership, revenues and human resources, to examine how media owners control their media corporate structure. Several media scholars have used this method. For example, Danielian (1939) has investigated integrations between American capitalists and the American Telephone & Telegraph Company (A.T. &.T). Wasko (2001) has explored connections between the Disney family and financial institutions in the United States. Further, Meehan (2010) has employed corporate profiling to analyze the corporate structures of media conglomerates in the U.S. (e.g., GE-NBC, Viacom and News Corporation).

I employ these three methods (e.g., the case study, the institutional method and the technique of corporate profiling) in order to investigate the media ownership of the three Korean chaebol groups within the four media markets.

1.5.2. Time Frame

The timeframe for this study ranges from1998 to 2012. During this period, the Korean regimes of Kim Dae-jung (1998-2002), Rho Moo-hyun (2003-2007), and Lee Myung-bak (2008-2012) reformed the Korean media systems in order to develop the media as a national business. I have three other reasons for the selection of the aforementioned timeframe.

First, media scholars have overlooked the relationship between the change in media laws and policies and their impact on media markets from 1998 to 2012. In 1998, the Kim Dae-jung government re-regulated existing media laws and policies with a focus on media ownership (Kim, 2002). In 2007, the Rho Moo-hyun enacted free trade agreement with the U.S. at the cost of a screen quota system in the Korean film industry (Jin, 2008a). In 2009, the Lee Myung-bak government re-regulated media laws and policies to create the Korean media conglomerates. This eliminated legal barriers regarding cross-media ownership between the print and broadcasting industries. Steps taken by the Lee regime allowed chaebol groups to own holdings across all media industries (Kim, 2010).

New reforms also increased the ceiling limits for the flow of foreign capital and for transnational corporate ownership in the broadcasting industry, including the digital media (Lee, 2008a). In 2011, the Lee regime decided to abolish the government-controlled monopoly broadcasting advertising agency, the Korea Broadcasting Advertising Corporation (KOBACO). In the following year, the regime replaced KOBACO with new media representative systems—i.e., broadcasting advertising agencies were allowed to freely pay advertising money to the broadcasting stations. In brief, the Korean government from 1998 to 2012 introduced new policies for all media operations regardless of ownership. The reforms that the three governments put in place resulted in the expansion of 1) the number of outlets across all Korean media industries, 2) the volume of the media industries' market and 3) growing revenues from domestic and international media markets (Jin, 2011). However, there are not many comprehensive studies on how changes in media laws and policies affected media markets and the media ownership of chaebol groups.

Second, media scholars have rarely explored how chaebol groups readjusted their internal structures and ownership to maximize their advantage. Past research has focused on the relationship between chaebol's media expansions and the structural changes of the Korean political economy. The restructuring of chaebol groups, however, has received little attention. This issue matters because owners of the first-tier chaebol groups (e.g., Samsung, LG and Hyundai) reorganized their corporate structures into at least three chaebol groups, and transferred ownership of these groups to their family members (Jung, 2007). Without considering the chaebol' reorganization from the mid-1990s to early 2000s, we cannot explain how the Korean media markets were structured by chaebol groups.

Another issue that has thus far eluded research interests is the nature of interlocked ownership within an entire chaebol group. As Kim (2007) and Shin and Kwon (1999) found, owners of chaebol groups with a small amount of capital controlled at least fifty subsidiaries through circular ownership between the parent company of a chaebol group and its holdings. This circular ownership is characterized by heavy cross ownership within an entire chaebol group. In spite of this, critical media scholars such as Lee (2008), Lee (2008a) and Kim (2002) have focused primarily on the corporate structures of media holdings. While that insight is valuable, it does not suffice to explain the characteristics of chaebol's media ownership. Holistic analysis between the parent company of a chaebol group and its media holdings in relation to media markets more accurately describes the power of chaebol groups over the Korean media markets.

This study's time fame also draws attention to the fifteen years from 1998 to 2012, when the Korean state poured the national budget into the cultural industries, actively invited chaebol groups and transnational corporations as business partners and encouraged Koreans, especially the younger generation, to establish media companies (Park, Rho& Lee, 2007). These neoliberal laws and policies have had visible effects. For example, the Korean media products that have emerged from recent structural reforms are popular in East Asia and Southeast Asia (Shim, 2008). The Korean advertising market has transformed from a chaebol dominated structure to co-existence between chaebol groups and transnational advertising agencies (Lee, 2008b; Kim & Cha, 2009). The numbers of broadcast channels, newspapers and film production houses have also increased (Jung, 2006; Jin, 2011, p.1; Kim, 2010; Ahn, 2007; Yecies & Shim, 2011). There has been quantitative growth across the four markets (i.e., advertising, cable television, film and newspaper) that have been the principal beneficiaries of new neoliberal laws and policies. There is, however, little research evidence as to which among the four markets in the last fifteen years have captured greater attention from chaebol groups and for what reasons. I have thus selected the period from 1998 to 2012 as the timeframe for this study.

1.5.3. Data

I analyze written documents from both governmental and secondary sources. My primary data comes from governmental organizations from the Ministry of Culture, Sports, and Tourism (MCST); the Fair Trade Commission (FTC); and the Korean Financial Supervisory Commission (FSC).

The MCST is responsible for setting up media policies and for executing national budgets for cultural industries. This government body regularly publishes white papers that contain media laws and policies, including data on imports and exports of media products. For the period between 1998 and 2012, fourteen white papers were published.

I also collected data from the FTC which monitors chaebol's economic activities in the Korean economic sectors, including media markets. This organization rarely covers regular reports about market issues of the media, but has reported them on special occasions (e.g., mergers and acquisitions among major market players or unfair actions of market leaders over small and medium-sized companies). At most, fifty market reports regarding media businesses of the three chaebol groups were available during the periods from 1998 to 2012.

I finally gathered sources from the Korean Financial Supervisory Commission (FSC), in charge of supervising the financial activities of the chaebol groups. The FSC publishes annual reports and financial statements (equivalent to 10-K reports in the U.S.) of all Korean chaebol groups. I collected information from 173 annual reports and financial statements about media operations owned by CJ, JoongAng Ilbo and Samsung. I paid particular attention to four sections of the statements: ownership structures, business summaries, members of boards of directors and revenues. The ownership structure shows how the Lee family controls media operations. The business summaries indicate information about the media diversification of the three chaebol groups that are the focus of my inquiry. The lists of members of boards of directors reflect how the Lee family uses informal ties (e.g., family ties and marriage ties) within their corporate structures. Finally, the revenue reports indicate how CJ, Samsung, and JoongAng Ilbo make profits within the Korean media industries.

In addition to governmental documents, I used secondary sources which include newspaper articles and scholarly works with a focus on the media holdings owned by the three chaebol groups in the advertising, newspaper, cable television and film markets.

1.5.4. Data Collection

All data used for this study are available online. I gathered data from the governmental websites of the Ministry of Culture, Sports, and Tourism (http://www.mcst.go.kr), the Fair Trade Commission (FTC) (http://www.ftc. go.kr), and DARTS (Data Analysis, Retrieval and Transfer System) of the Korean Financial Supervisory Commission (FSC) (dart.fss.or.kr). I collected data from the websites of two secondary sources, Korean Integrated News Database System (KINDS) (http://www.kinds.or.kr) and DBpia (http://www.dbpia.co.kr/), a Korean academic website.

1.6. Organization of the Study

This dissertation is composed of nine chapters. In chapter 2, I review the literature about media ownership and media markets in the field of political economy of communication.

In chapter 3, I survey the nature of chaebol groups in modern Korean capitalism. I also cover chaebol's media businesses with a focus on the four media industries of advertising, broadcasting, newspaper and motion pictures.

In chapter 4, I detail the history of Samsung, including that of the CJ and JoongAng Ilbo groups. This section outlines the family ties among the three chaebol groups, corporate governance and the media businesses of Samsung in the history of Korean mass communications.

In chapter 5, I review the media laws and policies adopted by the Korean government from 1998 to 2012. This chapter highlights three points: 1) re-regulation of the former media laws and policies; 2) the privatization of state-owned media companies and 3) the application of a developmental model for Korean media industries.

In chapter 6, I probe the first research question of how neoliberal laws and policies affected the structures of advertising, cable television, newspaper and film markets from 1998 to 2012. I focus on two points: 1) the outcomes of media reforms (e.g., the contribution of media industries to the GDP in Korea, the patterns of exports and imports of media products, the changes in the number of media companies) and 2) the changes in the structures of the four media markets.

In chapter 7, I investigate the second research question of how Samsung, CJ and JoongAng Ilbo used informal ties, including family ties, within corporate structures in the process of expanding their media businesses. This chapter focuses on two points: 1) overview of Samsung, CJ and JoongAng Ilbo (e.g. core businesses and ownership structure of each chaebol group) and 2) media expansions and corporate structures of media holdings owned by the three chaebol group (e.g. media ownership structures, directorships and power connections between the Lee family and Korean power elites).

In chapter 8, I analyze the third research question of who among the four market structures (e.g., advertising, newspaper, cable television and film) benefitted most by investigating two points: 1) capital and structures of the four media markets and 2) corporate censorship of the four media markets by the three chaebol groups.

In chapter 9, I present my key findings, highlight their theoretical implications, state some of the limitations of this study and make recommendations for future research.

CHAPTER 2 – LITERATURE REVIEW: MEDIA OWNERSHIP & MEDIA MARKETS

In this chapter, I review literature related to media ownership and corporate censorship over the media markets, depending on the scholarly tradition of political economy of communication. I primarily discuss the four major subjects of (1) the political economy of communication; (2) four research areas of media ownership in this academic field; (3) the rise of media conglomerates in the era deregulated media; (4) and media markets and corporate censorship of the media giants.

2.1. Political Economy of Communication

Political economy of communication is an academic approach that seeks to explain the relationship between capitalism as a historical process and media systems as institutions by studying patterns of interaction among people, organizations and practices in a given society (Murdock & Golding, 2000; McChesney, 1998). This academy focuses on a structural inquiry into "what happened, who was involved, and what interests were served" (Meehan, Mosco, & Wasko, 1993, p. 114). This means that political economists explore structural change and continuity as reflected in the relations among political institutions and actors, economic sectors and communication industries, thereby finding who received benefits from these structural changes. By maintaining an inter-disciplinary approach – i.e. without divorcing the discipline of mass communication from history, economics, sociology, and political science—political economists devote attention to structural fluidities (e.g. allocation of resources, structural continuity and change) within the web of social and power relations (Wasko, 2004). Mosco (2009) defines political economy of communication as "the study of the social relations, particularly power relations, that mutually constitute the production, distribution, and consumption of resources, including communication resources" (p. 2).

This holistic approach is based on a central assumption that the economic base is inseparable from the political one (Smythe, 1981). This assumption derives from the history of monopoly capitalism, defined as a capitalistic system supported by large corporations (Baran & Sweezy, 1966). The infant imprints of monopoly capitalism can be traced back to the latter half of the 19^{th} century in the fields of finance and transportation, placing its adolescence around the turn of the 20^{th} century in heavy-chemical industries, and its adulthood after the Second World War in the climate of Keynesian politics that fostered oligopolies in a market by market and industry by industry basis (Foster, 2006, p. 2; Baran & Sweezy, 1966, p.28).

In monopoly capitalism, the role of the state[2] was important in that the state served the existing social order and defended the free enterprise system (Miliband, 1973). The state is a market regulator, allocator of public resources to free enterprise, conflict coordinator between private and public and the largest customer in the private sector. Its main goal is to stabilize production output of a business cycle and link economic activities to employment. It also provides national resources and regulations for large corporations and encourages protective

[2] "The state" refers to "a number of particular institutions which together, constitute its reality, and which interact as parts of what may be called the state system." (Miliband, 1973, p. 46) The state is composed of five institutions: the government; the administration; the military and the police; the judicial branch; and finally sub-central government and parliamentary assemblies (Miliband, 1970; 1973; 1983). The government refers to elected legislative and executive authorities at the national level, which are responsible for national policy. The administration includes the civil service bureaucracy, public corporations, and regulatory commissions. The military and the police are the coercive apparatus, in charge of the deployment and management of violence. The courts, jails and prisons and other parts of the criminal justice system are referred to as the judicial branch. The sub-central governments are provinces, departments, counties, municipal governments and special districts. These five institutions exercise state power, which is part of the system of power in a capitalist society. Through political socialization, a process performed by these five institutions, the state exercises its great power over a capitalistic society to buttress the existing social order (Miliband, 1973).

oligopoly instead of full blown competition that could bankrupt one or more of the wealthy corporate owners (Sweezy, 1968, pp. 239-253; Foster, 2002). As major partners, gigantic enterprises exploited state revenues (e.g., state credit, public debts and collective consumption), exerted extra-economic compulsion (e.g., quota-setting, forced cartelization and tariffs) and created coercive but stable business environments (e.g., information gathering, lobbying and social networking with the elites) (Jessop, 1982, pp. 45-46).

The shared and symbiotic economic relationship between the state and large companies allowed for the national economy to sustain the existing socio-economic systems (Domhoff, 1990). Under the auspices of the state, a handful of large corporations at the top of big businesses associated with national economy dominated over the markets and industries. Their economic actions inevitably affected each other, small and medium-sized companies, the consumer and labor (Baran & Sweezy, 1966, pp. 52-57). The gigantic enterprises with larger market forces were able to control prices to the maximum extent of their profit margins and market shares in monopoly capitalism (Foster, 2006). This meant that large corporations in monopoly capitalism were able to exercise the power to evade the competitive discipline of the markets by controlling the volume of production, prices, and the types and amounts of capital (Baran & Sweezy, 1966, p. 6). Thus, large corporations were qualified as price controllers in this market system.

That was to say, the capitalist state and big corporations were intertwined with each other within the structures of monopoly capitalism. Because of this intertwined relationship, political economists in communication assume that the economic base organically affects politics, technologies, cultures and information – and vice versa (Meehan, Mosco, & Wasko, 1993). Instead of a fragmented approach to the media, they focus on the interconnections among the media companies around political, economic and cultural realms in order to illustrate how the existing economic and political power affects the media.

In sum, political economy of communication explores the interactions of the circulation of communication as commodity, the market structures of media industries, and corporate and state power relations in order to explore the dynamics of media companies in multiple social and historical contexts (Garnham, 1986; Chomsky & Herman, 1988).

2.2. Four Research Areas of Media Ownership

Political economists investigate the dynamics of media companies which manufacture and disseminate cultural products vital to public discourse and popular culture (Golding & Murdock, 2000). To do this, they maintain a comprehensive approach to structural analysis, as such an approach reveals how media owners respond to structural changes, control corporate structures of media operations and affect media markets (Murdock, 1990). Thus, critical media scholars focus on "the complex interplay between intentional action and structural constraint at every level of the production process" (Murdock, 1982, p. 125). Intentional action can be revealed by the technique of corporate profile, which examines the question of "who controls the corporations" and investigates corporate structures of media companies (Murdock, 1982, p. 124). Corporate structures refer to an array of major stockholders, boards of directors, and media businesses (Murdock, 1982, pp. 122-129). Structural constraint can be demonstrated via structural inquiry, which explores the question of "what factors constrain corporate controllers" (Murdock, 1982, p. 124)—i.e., structural constraint explores corporate activities within the context of more general economic and political context (Wasko, 2001, p. 7). Taken together, political economists commit to a comprehensive research canvas in examining media ownership that includes inquiries into who determines what is and what is not produced as well as how, where and to whom these products are distributed (Wasko, 2001). Media ownership research, thus, entails an investigation into who controls the means of communication in a given society.

Specifically, political economists develop four broad arenas in their studies: 1) media owners, 2) corporate structures, 3) power networking of media owners and 4) media laws and policies and media companies. I begin here by examining the nature of media owners, because they possess both economic and legal rights as the largest stockholder within the corporate structure. Media owners allocate resources, set the strategies for media companies and wield the most power over the boards of directors (Murdock, 1982). Media owners also exercise their power over media corporate structures by employing certain personnel, funding special projects and providing media platforms for ideological interest groups (Murdock, 1990; Tunstall, 2008).

For example, media owners carry out three principal activities: (1) they handle issues concerning financial stability (e.g., corporate debts, advertising and costs of production); (2) they maintain constant contact with power elites of local and national levels; and (3) they deal with internal organizational matters (e.g., promotions of individuals, actively heading the multilevel censorship and authority structures and maintaining an active upper hand in decisions about content) (Freiberg, 1981, p. 39). This means that media owners are in charge of managing external influences to make profits and of exercising their influence over media content through decision-making processes within the organization. They own the decisive right to appoint the chief editors in charge of manufacturing media content (Schiffrin, 2000; 2010). The political colors and business objects of media owners often become central determinants that shape editorial pages of newspapers and television stations (Edge, 2007; Freiberg, 1981). Because media laws and policies can affect economic activity of media companies, media owners tend to support (or protest) a particular party during elections, or exert their editorial privilege to shape public opinion toward a government policy (McKnight, 2010; McKnight & Hobbs, 2011). In other words, media owners attempt to control both organizational appointments and media content.

Another topic explored by political economists is that of corporate structure, which remarks on the nature of the institutional connection between media companies and the business community in a given society. Danielian (1939) investigated the American Telephone and Telegraph Company (AT&T), its ownership, the impact of scientific research on industrial control and the social aspects of Bell System policies. By analyzing governmental documents, Danielian revealed the dictatorial nature of AT&T over American political, economic and cultural realms. This telecommunication company was not a publicly owned corporation, but a privately owned company whose major stockholders, Morgan Stanley and the Rockefellers, controlled technological innovations. Similarly, Guback (1986) and Freiberg (1981) investigated the relationship between financial institutions and boards of directors in media enterprises. They found that (1) the financial institutions were involved into the decision-making process of media companies via financial strategies (e.g., term loans, revolving credit lines and the public or private placement of bonds) and (2) they also facilitated mergers and acquisitions among media companies. Further, Wasko (2001) discovered that Disney's dominant shareholders came from the financial groups that played central roles in allocating resources and in diversifying Disney's businesses. Wasko also found that Disney manufactured fantasy through strong copyright enforcement, enlisting state support for its business, strict employment policies and creative promotional and marketing techniques in both domestic and foreign markets. Simply put, media corporate structures were closely linked to the capitalist system at the macro-institutional levels.

The third topic examined by political economists is that of power connections at the instrumental levels between the boards of directors of media companies and the power elites, as media corporations play a central role in forming a power complex among the political, economic and cultural elites within corporate structures. The power elites refer to those who have power to decide matters of major consequence in the political, economic, and cultural realms (Mills, 1967). The power elites consist of members of the coalescence of a single power complex intertwined with economic, political, and cultural power. This power complex is connected by related institutions (Domhoff, 2006).

For example, the economic power elites, mainly owners of large enterprises, are located at the center among members of the power elites. They provide foundation grants to policy-making groups, hire experts involved in policy issues in order to make corporate capitalism function more smoothly and send top personnel to implement policies for the capitalistic state. In fact, many politicians in the U.S. are recruited from the ranks of big business and corporate law firms, which are linked to the owners of big business through diverse social networks such as policy-making groups, think tanks and foundations. In 2007, power elites made up only one percent of the total population of the U.S, but earned 21.3 percent of the nation's yearly income and owned 38.3 percent of the stock in public corporations (Domhoff, 2010). This example reflects formal ties among the power elites at the institutional levels. These formal ties are associated with the informal ties that include the same social clubs (e.g., Links Clubs, Bohemian Club, and Aviary) and educational backgrounds (e.g., Harvard, Yale, and Princeton) (Domhoff, 1998). Based on these informal ties, economic elites share seats on the boards of directors of each others' corporations (Domhoff, 1998; pp. 71-124). In other words, the economic elites of owners in gigantic enterprises use formal and informal ties to connect to the political and cultural elites.

For instance, Murdock (1976-77) found that two-thirds of the chairmen and vice-chairmen of the ten largest press groups were educated at a public school and/or Oxbridge, from where many of Britain's financial and industrial elites were also recruited. The chairmen also belonged to many of the same social clubs (e.g., their favorites being the Royal Yacht Club and White's) (as cited in Curran, 2003, p. 83). Mosco (1979) discovered the revolving doors of high officers in the Federal Communication Commission (FCC). After the members of FCC retired from their positions, they tended to join boards of directors in media enterprises. Mazzocco (1994) found that members of boards of directors in media enterprises (e.g., CBS, Disney and ABC) as well as major stockholders from financial companies were involved in media policy-making processes in the early 1980s, thereby lowering the limits of media ownership and loosening the investment barriers of bankers over media companies.

Similarly, Bettig (1996) revealed that family capitalists in the business community attempted to control media corporate structures and copyrights in the 1990s. Herman (1999) analyzed corporate structures of the New York Times Company, and found that the Sulzberger family was the largest stockholder of a holding company controlling multiple subsidiaries and shared the seats of boards with businesses leaders from IBM, First Boston (a major investment bank), the Mercantile Bank of Kansas City, Bristol-Myers Squibb and other corporations. The final example comes from McChesney (2000) who showcased the interlocking directorships among media companies. In the latter 1990s, GE, as the parent company of NBC, had seventeen direct corporate links to top ten media giants. This conglomerate also established a joint venture, MSNBC, with Microsoft. Time Warner was also directly linked to seven of the top ten media conglomerates in the U.S. Corporate media which are closely linked to each other and to the highest echelons of the corporate community. In other words, media corporate structures, including boards of directors, reflect a power indicator of how privileged groups link to each other. Media owners use the seats of boards of directors to connect with the power elites across diverse sections of the business community.

Finally, political economists investigate the relationship between the media laws and policies and media companies. By using the institutional method, political economists have investigated how the state deals with the media as a national economy to reallocate national resources (Schiller, 1969/1992; Melody,1985). Streeter (1996) found that the American state cooperated with large corporations in order to establish the commercial broadcasting system in the period between the 1920s and 1930s, thereby marginalizing the public broadcasting service in the U.S.

Moreover, Mosco (1979) discovered that the Federal Communications Commission (FCC), in charge of executing American broadcasting policies, maintained a conservative stance to protect the historically established American broadcasting markets. Instead of solving existing problems of both AM radio and VHF television through the introductions of relatively new media (e.g. FM radio, UHF, cable, and subscription television), the FCC protected the interests of established media companies and avoided the uncertainty created by new services. For example, AM radio operators came to control FM radio because the FCC encouraged AM owners to acquire FM stations for program duplication. The VHF television system, especially the dominance of the three major networks (e.g., ABC, CBS, and NBC), was also supported by the FCC's control over UHF, cable and subscription television. This meant that the FCC, rather than competition between the existing media system and the relatively new media, intentionally kept three innovations in a secondary position to increase the value of established VHF stations. Although the FCC did not directly interrupt the broadcasting markets, its conservative actions resulted in the dominance of AM radio and VHF television systems, solid profits for the companies owning these stations and a general ignorance about the general lack of diversity in radio and television programming (Mosco, 1982). Further, Blevins (2007) explored the relationship between U.S. broadcast ownership regulation and free speech after the Telecommunications Act of 1996, finding that the American courts fundamentally protected the public interest from broadcasters' individual speech rights. In other words, studies about the relationship between media enterprises and media laws indicated that the state cooperated with large media companies to sustain the media systems already in place.

Taken together, media companies are fully integrated into economic, political and cultural power structures in a given society. Within this web of power, media owners cooperate with the state to sustain existing media systems, connect to power elites within media corporate structures and exercise strong influences over internal operations and media content.

2.3. The Rise of Media Conglomerates in the Era of Deregulation

In this section, I survey the rise of media conglomerates around the world. I specifically focus on two phenomena: (1) the rise of media conglomerates and (2) the nature of media ownership in cultural conglomerates.

The rise of media conglomerates was related to emergence of neoliberalism. This market-oriented ideology emphasized that free market promoted free competition among market players, abolished artificial barriers to entry, prevented any one firm from controlling price or eliminating its competitors, thereby maximizing individual freedom of choice (Friedman, 2002). This meant that neoliberalists considered the markets as institutions guaranteeing fair competition, and rejected political intervention in market functions.

This market-oriented ideology has affected the media systems since the 1970s (Murdock & Golding, 1974; McChesney & Herman, 1997). Each state around the world adapted this market-oriented ideology to media systems in the name of promoting “fair competition over the media markets,” thereby establishing “a for-profit, highly concentrated, advertising saturated, corporate media system” (McChesney, 2000). Privatization and deregulation were the twins of the neoliberal media mode. Specifically, privatization involved the sales of state-owned corporations in public sectors, including telecommunication and broadcasting industries, to private business investors (Murdock, 1990, p. 9). For example, AT&T from the U.S. was divided into eight regions in the 1980s. British Telecom (BT) of the British was also privatized in that decade. In both cases, privatization required the relaxation for media re-regulations relative to qualifying conditions about media corporations (Jin, 2008). Another markedly neoliberal activity was deregulation (or re-regulation), which involved in reducing legal limits of media ownership or loosening legal conditions required for non-media companies to take over media companies (McChesney, 2003). For instance, the FCC repealed Financial Interest and Syndication Rules[3] and Paramount decrees[4] in the motion picture and television industries. Abolishment of both regulations consequently facilitated vertical consolidation among media corporations within the same industry and consolidation across different industries in the U.S (Kunz, 2007).

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[3] These rules prohibited the three networks (e.g. NBC, CBS and ABC) from participation in domestic syndication of both off-network and first-run programs and from acquiring additional rights to independent production licensed for broadcast on the networks to increase program diversity and limit the market control of the three broadcast networks. These rules expired in 1995(Kunz, 2007, p. 234-235).

[4] The Paramount decrees mandated that studios cease all unfair business practices such as block booking and runs and clearances, and forced the studios to break ties between their production and distribution operations and the movie theaters that the studios owned (Kunz, 2007, p. 241).

Both privatization and deregulation allowed non-media companies (e.g., banks and other institutional investors) to diversify their businesses to involve the media industries, which dictated the policies of media enterprises with the goal of ever-rising profits (Murdock, 1990; Guback, 1986; 1987; Herman, 1999). The media industries became a source of huge profits for capital. Also, media companies with financial capital increased their body sizes through continuous consolidations, thereby transforming into cultural conglomerates, corporations owning multiple media holdings within and across media markets under the centralized ownership (Kunz, 2007). This tendency led to the collapse of small and medium-sized media companies. For example, in 1983, fifty media giants controlled the majority of all major US media – newspapers, magazines, radio, television, books and movies. In 1985, Capital Cities Communication purchased ABC. GE took over NBC. The News Corporation entered into American television networks. This trend of mergers and acquisition in the American media industry accelerated after the passage of the Telecommunication Act of 1996, which eliminated market entry barriers for entrepreneurs and other small businesses in the provision and ownership of communication services (Jin, 2008a). Consequently, the number of media corporations decreased, to the point that ten media corporations dominated all media industry in the U.S (Bagdikian, 2000).

In short, media markets were structured by a few cultural conglomerates associated with financial capital. In the very early 2000s, American media markets were controlled by six media conglomerates in the entertainment industries: NBC-GE, ABC-Disney, CBS-National Amusements, News Corporation, Sony and Time-Warner (Meehan, 2005). Later, NBC spun off from GE and established NBC Universal with Vivendi. CBS also became independent from National Amusements (Meehan, 2010). Media giants became bigger and bigger, while small to medium media companies vanished from the media market (McDonald & Wasko, 2008; Schiffrin, 2000; 2010).

These cultural conglomerates tended to control their internal operations with concentrated media ownership. For example, Rupert Murdoch and his family members were the largest stockholders of News Corporation in the U.S. This cultural conglomerate owned and operated media subsidiaries in the newspaper, film, cable television and broadcasting industries. In film, this conglomerate owned four production studios in Hollywood, a distribution operation, a merchandising subsidiary, and a music recording company. In television, it had three operations producing and distributing television programming. In cable, this corporation ran and re-runs media products produced by its own production studios through its eleven cable channels with a focus on media content, including business, sports, movies, reality shows, auto racing, and extreme sports (Meehan, 2010). While some specific and structural variations might exist, the web of ownership and control that News Corporation exercised in the media industry was an example of how a handful of other media conglomerates controlled the media industry and extended their tentacles.

These phenomena of both the rise of cultural conglomerates and their effects over the media markets were not limited to the U.S. but were also found on other continents (Winseck, 2008). Since the 1980s when each country in Europe, Latin America and Asia experienced both political and economic liberalization, each state has re-regulated media systems and allowed foreign capital to invest in its media industries (Chakravartty & Zhao, 2008). These liberalized environments permitted existing media companies, owning the mainstream newspapers, to diversify to broadcasting, film, cable television and the digital media, thereby growing non-

American media giants with multiple operations across multiple media markets (George, 2008; Mastrini & Becerra, 2002).

For example, in Latin America, media conglomerates were emerged with multiple media holdings in the press, broadcasting, music and the Internet, cable and/or telecommunication industries. Typical conglomerates included Televisa (Mexico), Globo (Brazil) Cisneros (Venezuela) and Grupo Clarín (Argentina) (Mastrini & Becerra, 2002; Waisbord, 2002). In Asia, media giants also emerged with multiple media operations in advertising, press, broadcasting, film, recorded-music and/or digital media convergence between broadcasting and telecommunication. Lists of distinguishable media conglomerates were the Cheil Jedang group (Korea), the Doordarshan group (India), the ABS-CBN and GMA (Philippine), the Shenzhen Press (China) and the Utusan Melayu Group (Malaysia) (Georgia, 2008; Lee, 2008; Lee, et.al, 2006).

In Western Europe, the media conglomerates came from three different economic sectors: manufacturing conglomerates, service conglomerates and communication conglomerates (Murdock, 1990). The first origin was from industrial conglomerates with manufacturing operations across economic sectors. Vivendi in France was a typical example of a media conglomerate that grew from industrial conglomerates and came to own multiple media operations in broadcasting, telecommunication, computer-mediate communication, film, recorded-music and publishing industries (Stephanie, 2004). The second one was service conglomerates, which rarely focused on manufacturing industries but held a variety of subsidiaries in real estate, finance and retail industries. These service conglomerates, such as the Berlusconi group in Italy and the Bertelsmann group in Germany, owned and managed national newspapers, major cinema chains and main commercial television networks (Keane, 1991). The final origin of media giants in Western Europe was communication conglomerates, which focused on information and entertainment industries. Maxwell Communications Corporation in the United Kingdom (U.K) was a typical communication conglomerate (Murdock, 1990).

In other words, media conglomerates arose around the world. Under a market-oriented ideology, each state adapted deregulatory media laws and policies to its media system, which allowed large corporations to become cultural conglomerates. In the process of media restructuring, media markets became the arena of competition by capital. Non-media companies with financial capital diversified to media industries. Existing media companies also expanded their media business across media markets. The media industry thereby became the arena of struggle of economic capital.

However, different patterns of media ownership emerged around the world. Media conglomerates from the U.S. and the E.U. shared media ownership and seats of boards with financial capital and manufacturing conglomerates (Wasko, 2001; Meehan, 2010). On the other hand, cultural conglomerates from Asia and Latin America showed concentrated family ownership as well as foreign capital with Western media giants. I discuss the nature of media ownership in both American and European countries first and then deal with patterns in Latin America and Asia.

First of all, both European and American media conglomerates maintained corporate ownership. They shared their media ownership and directorships with each other for two reasons. As the number of media companies in the markets declined due to media consolidations, each merger or acquisition between ever larger corporations became more and more expensive (Bagdikian, 2004). Secondly, buying out other media companies was the safest way to maximize profits and to sustain a stable market (McChesney, 2000). For instance, GE owned 80 percent of

NBC-Universal (NBC-U) and the remaining 20 percent was owned by Vivendi. NBC-U was the holding company of GE's media businesses, which owned multiple media holdings in broadcasting, cable, film and merchandising. Vivendi was another partner of NBC-U. Vivendi Universal Entertainment (VUE) was responsible for owning and operating its media subsidiaries under Vivendi (Meehan, 2010). Another example is Time Warner's partnership with both Bertelsmann and News Corporation in the European cable operation (Bagdikian, 2004). Through shared media ownership and directorships, they exchanged their media products and advertising in both American and Western European media markets. For these reasons, Croteau & Hoynes (2001) argued that media conglomerates from Western countries are comparable to the keiretsu, a Japanese business model characterized by informal, collaborative associations between companies in related fields (p. 133).

Unlike Western media conglomerates, media giants from both Latin America and Asia tended to maintain concentrated family media ownership with foreign capital (Mastrini & Becerra, 2002; Lee, 2002; Prasad, 2008; Seneviratne, 2008). Because media conglomerates from less developed countries were short of both capital to expand their media businesses and know-how regarding media management, they tended to use informal ties (e.g., family and marriage ties) to control media corporate structures and to cooperate with media conglomerates from developed countries (Isnmartono, 2008; Lee, 2008). For example, the *Hindustan Times* group, a media giant from India, launched its own Home TV channel in collaboration with the Pearson Group from the U.S. This media group was controlled by the Birlas, one of India's largest business families (Prasad, 2008, p. 61-63). In Korea, the CJ group, a media conglomerate, shared its media ownership and seats of its boards of directors in cable television with News Corporation from the U.S (Lee, 2008a). This group was controlled by the Lee family. In

Argentina, Grupo Clarin group, controlled by the Noble family, shared media ownership with Goldman Sachs, a U.S. investment bank (Mastrini & Becerra, 2002, p. 10).

These alliances between family capitalists and foreign capital were also due to their overlapping interests (Pendakur, 1991). Foreign capital with Western media conglomerates needed local partners in order to better cope with cultural barriers so they might successfully penetrate local media markets in order to reduce business risks and to maximize profits. At the same time, local media businesses also needed foreign partners in order to acquire much needed to capital to expand their media businesses as well as learning management know-how regarding media businesses from the West (Prasad, 2008; Thussu, 2007).

Apart from these mutual benefits of cooperation between foreign and local capital, critical media literature has recognized three distinctive roles played by foreign capital from the U.S. and Western European media conglomerates. The first role was media investors who provided the financial resources, marketing know-how and media content for Asian media conglomerates (Murdock & Wasko, 2007, p. 3; Sussman & Lent, 1991). The second role was major advertisers who financially supported Asian media conglomerates (Pendakur, 1991; Zhao, 1998). The third role was business partners who shared ownership and directorship with domestic power groups (Lent, 1987; Lee, 2008a; Mastrini & Becerra, 2002).

Further, other forms regarding forms of media ownership were found in Asian countries. Media conglomerates in China adhere to state ownership—i.e., the Chinese state is the largest stockholder (Lee, et.al, 2006). In Singapore, the state is not the largest stockholder but the major stockholder in Singapore Press Holdings with foreign capital (Lent, 1987; SPHs, 2013). In spite of showing different types of ownership pattern, these media conglomerates from China and

Singapore cooperate with foreign capital associated with Western transnational corporations in their domestic markets.

In summary, two kinds of cultural conglomerates with concentrated media ownership exist. The first-tier media conglomerates are from developed Western countries (e.g., the U.S. and the E. U.), which share economic ownership and seats of boards with themselves and exchange media products and advertising. They are also investors, advertisers and counselors of cultural giants in Latin America and Asia. The second-tier conglomerates come from Asia and Latin America. They maintain concentrated family media ownership and cooperate with the first-tier conglomerate in domestic markets.

In the following part, I review how the cultural conglomerates have affected the structures of media markets and how they have exercised corporate censorship over the information and entertainment industries.

2.4. Media Markets and Corporate Censorship

The rise of cultural conglomerates has intensified media concentration more than in any previous eras. According to Winseck (2008), the market concentration was a global trend. He introduced the concept of concentration ratios, a standard tool used to measure whether media markets were becoming more or less consolidated. This concept measured the proportion of markets controlled by players in specific media markets and across the media as a whole. Concentration ratios set thresholds to judge the competitiveness of markets, with the control of more than 25 percent market share by three firms (C3), 50 percent or more by four firms (C4) and 75 percent or more by eight firms (C8) indicating high levels of concentration. When concentration was high, there was a high potential for big players to use anti-competitive and collusive behavior to squelch competition (p. 36). Winseck cited Albarran's (2003) research of market situations in the U.S that included concentration indices as follows: music (C4=98 percent), television (C4=84 percent), film (C4=78 percent), cable television (C4=61 percent) and newspaper (C4=48 percent).

This concentrated market situation is likewise found in other countries. In Canada, the top five newspaper groups' share of circulation grew from 73 percent in 1994 to 79 percent in 2003. In terms of television, the top five groups owned 68 percent of all stations in 2000, more than double the total 20 years earlier. Their share of English-speaking audiences for conventional as well as cable and satellite channels also rose to one half in 2002, from 42 percent 5 years earlier. In Latin America, Mexico's largest private television network, Televisa, controls over 75 percent of all advertising revenue. Mexico's situation is not unique but represents a general trend throughout Latin America (Winseck, pp. 36-38).

As shown in the examples above, media markets were structured by a few media conglomerates that held multiple media operations with high market shares. Oligopolistic market structures by the media giants meant that cultural conglomerates were able to exercise the determinant market power of what to produce (or not), how to distribute (or not), and how much to spend on media content within and across media markets (Meehan, 2005). Cultural conglomerates were able to determine modes of communication, which allowed them to censor the ideas that gained entry into the media markets (Jansen, 1988). As Smythe (1981) elaborates:

> The act of modern censorship is essentially a decision as to what is to be mass produced in the cultural area. So long as current cultural production is in the hands of privately owned giant corporations, they must also make decisions as to what is to be mass produced in the cultural area and what will not be produced. Because in monopoly capitalism, privately owned giant corporations are regarded as legal persons, we are accustomed to yield them the same privileges to which natural persons are entitled. It is as accurate therefore to refer to corporate decision as being censorship as it is to refer to government decision making by that pejorative term (p. 235).

This means that cultural conglomerates can exercise corporate censorship over a society. Corporate censorship can be defined as a conceptual term reflecting the power of cultural conglomerates over the media markets. Media giants are major players in the oligopolistic markets, which allow them to limit the circulation of media products associated with democracy and popular culture (Herman & Chomsky, 1988; Herman, 1999). Depending on high market shares, the media giants can install barriers to entry to reduce market competition, restrict consumers' choice of media outlets and shift the prevailing definition of information from that of a public good to that of a privately appropriable commodity (Keane, 1991, p. 89). By controlling the circulation of cultural commodities, cultural conglomerates attempt to control the means of communication in a society. As Atkins & Mintcheva (2006) argued, in neoliberal democracies, the largest threat to free expression comes from large corporations with high market shares rather than the governmental suppression of speech.

Several media scholars have explored corporate censorship of media conglomerates. In the publishing industry, Schiffrin (2000; 2006; 2010) revealed how media conglomerates exercise corporate censorship over media content and market structures. First, the media giants tightly control the internal organization to control media content in the name of profit. Because financial and marketing staffs regularly supervise the processes of content creation, chief editors focus on profit-oriented contents rather than value-loaded books. Because their salary and job security heavily depend on a standard of how many books are sold, chief editors, in the interest of their job security, have strengthened self-censorship and diverted their focus to the most profitable avenues. Second, active mergers and acquisitions by media giants have led to the collapse of small and independent publishers since they're unable to compete at an equitable economic scale. Finally, the media giants have also affected employee's working situations by relocating the employees' positions in accordance with mergers and acquisition.

These changes by the media giants were similarly found in audio-visual media markets. Meehan (2005) discovered that media conglomerates were reluctant to provide new products for the media markets. Instead, they created superficial synergies through recirculation, repackaging, recycling, reversioning and redeployment of old media products. The number of new products has gradually declined, while the number of reworked old products has increased. In addition, these changes have influenced the entertainment workforce. Media have exercised bifurcated market strategies in regard to production, distribution and exhibition, owning various sized media holdings in the media production, distribution and exhibition markets, which has further enabled them to control the media markets. For example, Hollywood studios have produced and distributed big-budget blockbusters, while independent studios owned by cultural conglomerates have been responsible for typically low-budget products. Mid-range production, which formerly provided the "bread-and-butter" jobs in film and television, has been reduced (Chirstopherson, 2008). In the process to distribute and to exhibit media products, cultural conglomerates have controlled, via their media operations, what is to be seen and what is not to be seen by the public (Wasko, 2008). This has resulted in less content diversity and in more recycled media products (Meehan, 2005; Murdock & Wasko, 2007).

Finally, the newsrooms are now under corporate control. The media giants, by the logic of profits, have changed the newsroom from a truth-seeking operation to one that serves the interests of advertisers (McChesney, 2004; Cohen, 2005). The news media simply reflect a softer and more advertiser friendly news. Curran (2003) and Soley (2006) commonly discovered that the media largeness has led to the prevailing commercial and conservative news articles which best piqued the interests of advertisers. This means that advertisers structurally exercised their influences over the press industry, because advertisers tended to be reluctant to support critical news articles financially, including those that are anti-corporate (e.g., anti-smoking and pro-alternative energy which depict power abuse of large corporations over the markets) and politically radical viewpoints. In addition, advertisers directly affect news tones by submerging editorial integrity and by blurring the lines that separate news articles and advertising (Kim, 2008a). These are known as special sections, a term that can be defined as advertiser-friendly articles, including gossip about the shows, restaurants, discos, attire, décor and other cultural habits of the upwardly mobile, attractive to fashion trade and other advertisers (Herman, 1999).

Corporate control over the newsrooms especially tends to push journalists to evade investigative news about the power abuse of major advertisers, media owners or political leaders, thereby increasing self-censorship of journalists (Herman, 1999; Bagdikian, 2000; McChesney, 2004). Self-censorship can be defined as a set of editorial actions ranging from omission, dilution, distortion, and change of emphasis to choice of rhetorical devises by journalists (Lee, 2000, p. 313). Self-censorship of journalists is due to invisible internal filters, established by media owners who have the decisive right to appoint both directors responsible for managing financial resources and advertising business and the chief editor in charge of manufacturing news contents (Tapsell, 2012; Coronel, 2008). Depending on the authority of personnel affairs over the newspaper companies, media owners can attempt to exercise their influences over the news content. The chief editor is an agency for the media owner, because he/or she has been selected for his or her willingness to conform to the established rules and to the existing political culture (Chomsky & Herman, 1988, p. xii). In addition, wealthy politicians and corporations (advertisers) tend to repress journalists by threatening to file defamation action to stop any negative stories about them from being published. Since the economic elites can afford exorbitant legal fees, and reporters cannot, the capitalists have used it as a tactic to stop reports on issues (e.g., corruption or misuse of power), a phenomenon known as Strategic Lawsuits against Public Participation (SLPP). These suits tend to tie up critics in court for years, forcing journalists to incur massive legal expenses (Sicam, 2004 as cited in Seneviratne, 2008, p. 27). In short, self-censorship is a norm among journalists in newsrooms. Political and economic power elites, including corporations, effectively control the newsrooms without even having to excise direct pressures. As a result, alternative voices about social issues are marginalized. Democratic debates have declined, while infotainment has eroded journalistic practices (Bettig & Hall, 2003; Cohen, 2005).

In sum, media conglomerates become market controllers, which are able to decide what is to be produced, distributed and exhibited in oligopolistic markets. The greater concentration of media markets by a few media giants has led to collapsing small and medium-sized media corporations, increasing self-censorship of journalists and narrowing the diversity of content in the information and entertainment industries.

Conclusion

In this chapter, I have reviewed literature concerning interactions between media ownership and media markets via the discipline of political economy of communication. Political economy research has illustrated that media companies are a power complex associated with political, economic and cultural institutions and the power elites working in these organizations. Further, scholarship indicates that deregulatory media laws and policies have allowed large media corporations to transform into cultural conglomerates through cooperation with financial capital. As a result, the media systems are now more profit-oriented than in any other epoch. In turn, these concentrated market structures turned out reducing alternative voices associated with unbiased democratic issues and collapsing independent media companies and the diversity of media content.

In the following chapter, I survey chaebol groups of Korean conglomerates and their media businesses in the Korean context.

CHAPTER 3 – CHAEBOL GROUPS IN MODERN KOREAN HISTORY

Chaebol groups, known as Korea's family-controlled conglomerates, are historical entities created by interactions among the Korean state, the Korean power elites and sacrifices of Korea's workers in modern history (Oh, 1975; Woo, 1991). The Korean state created and nurtured chaebol groups with tight control over labor for the rapid development of the Korean economy (Cumings, 1984). In Korean economic sectors, chaebol groups involved multiple businesses across economic sectors from food, fabrics, heavy chemicals, construction, semiconductors to leisure industries (Kim, 1997). They also ran media businesses ranging from advertising, broadcasting, recorded music, games, print to film industries (Seo, 2003). This section separately focuses on the nature of chaebol groups and their media businesses in relation to the changes in Korean political-economic processes. The early part of this chapter pays attention to the nature of chaebol groups (e.g., corporate governance and power networking among Korean power elites) and the development of chaebol groups in modern Korean history. The latter part of this chapter focuses on media businesses of chaebol groups from the 1960s to 1997, before the Korean state applied neoliberal media laws and policies to the Korean media industries.

3.1. Chaebol Groups

A chaebol is defined as a gathering of formally independent firms under the single common administrative and financial control of one family (Kim, 2006, p. 186). A chaebol's economic activities range from agriculture, light industry, heavy chemicals, information technology to mass media (Seoul Shinmun, 2005). The number of chaebol groups varied from at least thirty in the 1980s to at most sixty conglomerates in the early 2000s (Secretariat of National Assembly, 2010). From 1987 to 1992, the industrial assets for chaebol amounted to at least 400 billion Korean Won[5] (U.S. $500 million at that time) (Kim, 2008, p. 63-64). The criterion of a big-business group is based only on the industrial assets of the corporations. The financial assets are excluded (Seong, 2006). However, in 2002, the Korean government increased the standard of entry to 5 trillion Won[6] or more (U.S. $5 billion). Since then, the number of chaebol has ranged from forty three to sixty-three, including both the thirty largest business groups (e.g., Samsung, Hyundai and LG groups) and some privatized corporations (e.g., Korean Electronics and Korea Telecommunication) (FTC, 2002; 2005; 2010). As implied by the number of chaebol, a chaebol is not a single big enterprise but a diversified big business group (*daegyumo kiopjipdan*) controlling a variety of subsidiaries across Korean economic sectors (Kang, 1997). The Korean government therefore deals with chaebol as chaebol groups.

Chaebol groups are divided into two tiers. The first tier conglomerates consists of members top-ten conglomerates, including Samsung, Hyundai, Lucky and Gold Star (renamed LG) and sometimes Daewoo, SK, Hanjin and Lotte. The other conglomerates comprise the second tier chaebol (Haggard, et.al, 2003, pp. 40-60). Simply put, chaebol groups are Korea's diversified big businesses groups.

3.1.1. Corporate Governance of Chaebol Groups

In this section, I discuss the characteristics of corporate governance in chaebol groups, which include ownership forms and the corporate culture of chaebol groups.

As stated by Church (1993), family-controlled firms (or conglomerates) are enterprises in which the founders and their heirs continue to be influential shareholders, hold executive managerial positions, and exercise decisive influence on a company's control (p. 18). Chaebol

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[5] The monetary unit in Korea is Won.

[6] The official exchange rate between Korea's Won and U.S. $ was flexible since the mid-1990s. In this project, the rate was 1,000 Won to the dollar.

groups, then, can be categorized as family-controlled conglomerates, since the families maintain control over the corporate structures (Fox, 1995; Chang, 1988). Since most of the original chaebol founders have died, their children and heirs now own and operate the holdings. This highlights the significance of informal ties (e.g., birth, marriage or adoption) that are central to control of corporate structure in chaebol groups (Ryu, 1991). For instance, Samsung is owned and controlled by the Lee family, Hyundai by the Chung family, LG by the Koo family, and SK by the Choi family. As the major stockholders, these family members exercise their influences over the corporate structures of multiple holdings.

In fact, family-control of major business and corporate enterprises is not unique to Korea (Colli, 2003; Sjogren, 2006). At the turn of the twentieth century, family firms represented 17 percent of the top 100 corporations in both the United States and Germany, accounting for 8 percent and 12 percent of GNP respectively. In 1993, 46 percent of the major Dutch corporations were family companies, while about one-third of the top 100 Swiss corporations were family corporations. In Italy, the proportion of family firms among the 100 largest companies has been estimated to be 50 percent for the same period (Colli, 2003, p. 27). Also, in the early 1990s, one-third of Fortune 500 companies in the U.S. were family controlled companies (Shanker & Astrachan, 1996). About one in eight of the British companies listed in the FTSE's largest companies possessed strong family connections in 1989 (Sjogren, 2006, p. 162). A similar pattern can be seen in East and Southeast Asia, including Japan, Singapore and Taiwan (Hamilton & Kim, 1990; Church, 1993; Jones & Rose, 1993; Chung, 2008).

Because of family firms' visibility, critical scholars have explored the nature of both ownership and directorship patterns in family-controlled conglomerates. For instance, Scott (1986) analyzed ownership patterns and corporate structures of family-owned conglomerates in the U.S., the U.K. and Japan. Lincoln, et.al (1992) investigated ownership and organization of Keiretsu networks in the Japanese economy. Zeitlin & Ratcliff (1988) and Silva, et.al (2006) examined the impacts of Chile's family-controlled conglomerates in its market structures. Zang (1999) and Brookfield (2010) investigated the inter-corporate directorships among family members in big business groups located in Taiwan and Singapore. Casson (1999) and Sjogren (2006) explored corporate governance of Sweden's family-owned conglomerates, Kadusin (1995) researched the nature of corporate governance in the French family conglomerates. These scholars commonly found that family companies played central roles in sustaining the economic structure of family capitalism and utilized informal ties (e.g., family ties, regional ties or social circles) to create corporate alliances with other family capitalists—i.e., family capitalists across the globe have created class cohesion and inter-directorship within corporate structures through co-sharing ownership, irrespective of differences in socio-economic settings in different countries (Ungso, et.al, 1997; Zang, 1999; Chung, 2008). Having said this, the corporate culture of family enterprises around the world are affected and shaped by national context and different historical conditions (Colli, 2003).

Corporate culture refers to values, behaviors and norms shared by organizational members across organizational levels (Cho & Yoon, 2002, p. 71). Family companies rooted in Protestantism, mainly developed Western countries, (e.g., the U.S., the U.K. and the France), show more individualistic corporate culture within corporate organization than family enterprises based on Confucianism in East and Southeast Asia (e.g., Japan, Korea, Taiwan and China) (Hofstede, 1980; Ungso, et.al, 1997)—i.e., East Asian patterns of corporate culture pay more attention to social relationships within both in-group and out-groups than the Anglo-American forms that emphasize individual liberties (Hofstede & Bond, 1988).

Confucianism has played an especially fundamental role in forming the collective corporate culture of family-controlled conglomerates from Japan, China and Korea (Chang, 1988). Confucianism is essentially a humanities-oriented philosophy, emphasizing values of patriarchal authority, filial piety, loyalty and the need for social relations among the extended family. The major principle of Confucianism was based on moral principles such as loyalty to the state, filial piety for the elders, especially male elders, and allegiance to the family blood with focus on the father's side. The male-oriented moral system established a hierarchy within a web of duties and obligations. This inequality within a family extended into social, economic and political orders (Chen & Chung, 1994). Although Confucianism focused on hierarchical orders, it also weighed emotional harmony among members within families and organizations to sustain a harmonious social order (Kim, 2009). This meant that Confucianism is a philosophy related to humanism and social relations with a focus on both individual and collective harmony. This ideology has affected the patterns of interpersonal communications within in-groups as well as organizational communications in East Asia (Yum, 1987).

In Korea, social relations and activities have been associated with the key component of *inhwa*, or harmony on the basis of respect to hierarchical relationships, including submission to authority. In Japan, public relations have operated within the context of *wa*, stressing group harmony and social cohesion (Alston, 1989). In both Japan and Korea, employees have often considered their workplace as a family environment with the company director as family head. They have been taught to identify themselves as members of a big family, typically organized in the order of a Confucian family hierarchy (Kim, 2009). In China, social relations and organizational practices have been related to the core concept of *Guanxi*, or personal connections, which worked at the individual level. *Guanxi* connected two persons of unequal ranks. The weaker partner might call for special favors for which he rarely has to equally reciprocate (Alston, 1989). This individualistic aspect of *Guanxi*, apart from the primary stress on family ties, has played a central role in connecting communities in both mainland China and Greater China, including Hong Kong, Taiwan and Singapore (Zang, 1999; Kim, 2009).

In spite of shared Confucian social norms and values, the three examples discussed above illustrate layered differences in meanings of harmony between one Asian culture and the other. Japanese harmony (wa) emphasizes the group itself, while Chinese harmony (guanxi) stresses relationships (networking) beyond the group. Korean harmony (inhwa) is similar to Chinese harmony (quanxi), but inhwa pays more attention to the emotional aspect of relationships than Chinese guanxi, which focuses on the exchange of favors (Cho & Yoon, 2002, p. 73; Alston, 1989).

Based on these social norms and values, chaebol groups in Korea maintain a unique pyramidic structure (Ryu, et.al, 2005). The owner of a chaebol, called the chairman, and his kinship are the largest stockholders of a holding company. This holding company controls a few core subsidiaries. These core subsidiaries are, in turn, major stockholders of sub-subsidiaries across Korean economic sectors. Ownership in individual sub-subsidiaries is also interlocked within a smaller grid structure embedded in the overall structure (Kim, 2003). This means that affiliates of a chaebol group have technical autonomy, but are institutionally linked to a group-level headquarters office, controlled by the owner. Thus, the owner within a chaebol group is called chairman (Kim, 2005b; Song, 2010).

Within the hierarchical corporate structure, the structural planning office (the secretarial office of the chairman) is the control tower located at the apex of the corporate structure of a chaebol group (Kim, 2005b). The head director of this office, appointed by the chairman, controls a few elite employees selected from multiple subsidiaries (Kim, 2010a). This control tower enables owners of a chaebol group to control multiple holdings easily (Kim, et.al, 2005). The chairman's people are charged with these tasks: (1) to establish group-related policies (e.g., long-term goals, strategic financing, and investment planning); (2) to direct the individual affiliates' daily businesses; (3) to manage the owner's assets, including succession of properties; and (4) to administer human resources for all the subsidiaries (Hwang & Seo, 2003; Chang, 2003; pp. 99-103).

In other words, chaebol groups of family-controlled conglomerates maintain centralized decision-making mechanisms, highly diversified structures and a highly complex network of subsidiaries (Oh & Park, 2002). By applying Confucian social norms and values to corporate structures, owners and their family members exercise paternalistic and authoritarian leadership.

3.1.2. Chaebol's Power Connections

In the previous section, I reviewed the nature of corporate structures of chaebol groups on the basis of Confucianism. In this section, I review how owners of chaebol groups connect to the Korean power elites with a focus on the Korean concept of "Uye-ri" ("justice" or "just cause" in English), defined as an abstract concept describing the binding rule of social interactions among members in a group (Yum, 1987).

In fact, the concept of Uye-ri is not new but springs from old legacies rooted in Confucian values of communal life. Uye-ri connotes both obligatory reciprocity and interdependence among in-group members, where, in a sense, a person is forever indebted to others (Chen & Chung, 1994; Yum, 1987). For example, if you had a close friend or were in a position to incur Uye-ri from another person, you would be able to ask for a very heavy favor from that person because you knew that you would be able to reciprocate someday one way or another. Those who are asked are not able to easily refuse the favor because it would mean that he did not abide by Uye-ri and eventually this could mean being ostracized by the group (Yun, 1987, p. 90 - 91). Through Uye-ri, owners of chaebol groups particularly tend to find social, economic and political connections. Uye-ri is a social rule that guarantees reciprocation and mutual dependence in the Korean society. Thus, Uye-ri has a very cohesive power within a chaebol group to create informal ties among power groups in the Korean society (Park, et.al., 2000; Chen & Chung, 1994).

As Mills (1967) and Domhoff (1998; 2006) have argued, owners of large corporations tend to utilize social ties (e.g., schools or clubs) to connect to the power elites and create a power complex within their corporate structures. Similarly, Korean scholars (e.g., Kim [2007]; Kong [1989] and Hong [1993]) have explored how owners of chaebol groups connect themselves to the power elites in the Korean context. Under post-colonial and authoritarian regimes, high military officers, bureaucrats and politicians were among the prominent power elites (Hong, 1993). After the fall of those regimes, journalists and professors have replaced military officials in that role (Kim, 2005). Consequently, informal ties (e.g., regionalism, school ties and marriage ties) began to play a crucial role in linking owners of chaebol groups to Korean power elites. Kim (2007), Kong (1989) and Hong (1993) also discovered that Korean power elites were junior partners of chaebol groups responsible for allocating natural and financial resources and monopolistic rights to chaebol groups.

Specifically, owners of chaebol groups have used the conceptual but strong ideology of Uye-ri to create a power complex with the Korean power elites, depending on the three basic connections: regional ties (or regionalism), school ties and marriage ties (Kim, 2008, p. 177-180; Shin & Song, 2003; Cho, 2004). Regionalism can be defined as a connection based on the same or similar hometowns and early educational locations (e.g., high schools). Regionalism, in particular, was openly promoted during the presidential campaign of 1971 and has since been a major factor in defining political practices. Ruling groups have often been formed by people from the region where the president came from (Park, et.al, 2000, p. 115).

Let's take the example of "TK mafia" to illustrate how chaebol groups have used regional ties to exercise political power. This power group was made up of politicians, military generals and owners of chaebol groups from Taegu in the Kyongsang province. The letters "T" and "K" in the title refers to *T*aegu and *K*yongsang. TK mafia has been the strongest of the power elites since the early 1960s. For example, Samsung established its businesses at Taegu and recruited members of TK mafia to fill its high positions. As such, Samsung employed Shin Hyun-hawk, a former prime minister and the so-called "Godfather of the TK mafia," as honorary chairman of Samsung. In 1992, in return, Samsung won government approval to enter the securities business and to produce commercial vehicles (Kim, 2008, p. 178).

Regional ties have played an especially vital role in connecting media owners in the mainstream newspapers with those in political power, including the president. According to Park, et.al (2000), media companies have filled their top posts with people from the region where the power of the ruling camp was based. This meant that media owners have tended to replace their senior staff with figures from the hometown of the president. For example, after the government of Kim Dae-jung (1998-2002) was inaugurated in February 1998, major newspaper and broadcasting organizations rushed to appoint figures from Jella Province, Kim's political bastion, to their top posts. This implied a feudalistic feature of the relationship between the government and the Korean media (p. 115). Moreover, owners were involved themselves in the presidential elections to extend their power to the next administration. They rarely publicized their preferential candidate in the presidential election but put forth a concerted effort to ensure that the presidential candidate who maintained a close relationship with them got elected. They sent their staff or journalists to the election camp to analyze public opinions and to set up presidential election strategies (Park, et.al., 2000, p. 115; Yoon, 1989).

This regionalism was supported by both school and marriage ties between the owners of chaebol groups and the Korean power elites. School ties played an intermediate role in promoting personal interactions among both the Korean capitalists and the Korean political and economic elites (Kim, 2008; 2007). Marriage ties were also a key mechanism for creating corporate alliances (Kong, 1989; Cho, 2004). The maintenance of marriage and kinship networks played an integral role not only for the business elites but also for Korean power elites. Through marriage, the Korean power elites built up a bulwark for their world (Kong, 1989; Kim, 2007).

In other words, chaebol groups used the informal ties to connect to the Korean power elites according to the Confucian-derived concept of “Uye-ri”, thereby creating a power consolidation.

Next, I review how chaebol groups have been established and how they have diversified across multiple economic sectors in Korea.

3.1.3. Chaebol Groups in Korean Political Economy

Modern Korean history can be divided into five phases: Japanese occupation (1910-1945); the formation of the postcolonial state (1945-1960); military regimes (1961-1987); the transitional period from authoritarian to neoliberal authoritarian regimes (1988-1997); and neoliberal authoritarian governments (1998-present).

In 1910, Japan forcefully annexed the Korean Peninsula and began turning it into an Eastern Asia colony. The Japanese colonization marked the collapse of the Chosun Dynasty, the last of its kind in Korean history. Colonial Japan intervened in the Korean economy, created a market for Japanese manufacturing products, and spawned new industries for the Japanese economy. Japan also installed an authoritarian political system of colonial state under the control of the Government-General, headquartered in Seoul (Cummings, 1997). Several economic apparatuses were also installed as vanguards of Japan. They included the Bank of Korea as the central bank; the Industrial Bank of Chosen, which was responsible for deposits of commercial banks and small loans to local financial cooperatives; the Oriental Developmental Company, which arbitrated for the reorganization and purchase of land and agricultural settlement; and the Railway and Communications Bureau, which controlled transportation and communications in the Korean Peninsula (Woo, 1991, pp. 21-41).

These apparatuses allowed Japan to exploit Korean economic resources. By 1930, the economic structure of Korea was geared to provide a food base for Japanese markets. Japan did not permit Koreans to own factories without its permission, and thus eliminated Korean industries that could potentially compete with their Japanese counterparts. As a mercantilist, Japan maximized resource extraction from the colonies and captured markets for Japanese goods (Choi, 1985). From 1930 to 1945, the colonial policies shifted from mercantilism to a base for war suppliers. Japan had invaded Manchuria, the northern part of the Chinese mainland. During this time, Korea was considered a natural supplier of an abundant variety of mineral resources, cheap labor, and hydroelectricity. The colonial state promoted 'pre-zaibatsu' in the Korean Peninsula, a term referring to the expansion of large Japanese corporations, owned and managed by a family or kinship group before World War II. Mitsubishi, Mitsui, Nissan, and Sumitomo were typical zaibatsu. They were the economic partners of the Japanese state on the Korean

Peninsula. However, the zaibatsu were forced to retreat after the defeat of Japan in 1945 (Hart-Landsberg, 1993; McNamara, 1990).

The second phase of modern Korean history, marked by the formation of the post-colonial state, lasted from 1946 to 1960. This period can further be divided into two parts, the first (1945-1948) being that of American Military Government in Korea (AMG).[7] The post-AMG period between 1948 and 1960 was the second phase of the post-colonialism when Rhee Seung-man ruled as the first president of South Korea.

During the period from 1945 to 1948, the U.S established AMG and built the anticommunism system in order to block the expansion of the Soviet Union and China across East Asia and to institutionalize liberal democracy in the peninsula (Jeon, 2002). The AMG built a Korean army to defend the line of control (the thirty-eighth parallel), which became a confrontation zone between South and North Korea. The AMG also rebuilt coercive apparatuses such as the police, the bureaucracy and the judiciary. The Americans used the existing governing agencies without any reforms to counter a leftist threat. The AMG formed an alliance with South Korean security agencies, who had maintained a pro-Japan stance. Thus, the groups that were empathetic to earlier Japanese occupation retained their high positions within the AMG (Park, 2002).

Further, the American officials oppressed the Korean leaders, who opposed the separation of the Korean Peninsula, and demanded the liquidation of the vestiges of Japanese imperialism in the Korean peninsula. They labeled Korean nationalists as communists or leftists, and eventually purged them from all government agencies, including broadcasting,

[7] Franklin Roosevelt and Joseph Stalin made agreements at Yalta in February 1945, which divided the Korea at the 38th parallel. The U.S. took the south. The Korean Peninsula became the frontline between communism and capitalism in East Asia (Kim, 1994, p.48).

telecommunication, agriculture, treasury, police and schools. As a result, the AMG transplanted the American liberal democracy and its institutions to South Korea's political and judicial system (Park, 2002). Specifically, the AMG supported the formation of the Korean Democratic Party (KDP), which formed the political base of Rhee Seung-man whom the American military authoritarians chose as a local partner for the U.S. Rhee Seung-man, who had earned a doctoral degree from Princeton and lived in the U.S for more than forty years, publicly expressed strong anti-communist and pro-American sentiments (Kim, 2003).

Rhee Seung-man took office as the first president of Korea in 1948, after the U.S transferred state power to him. President Rhee reshuffled the Korean economic structure, which nationalized all of the formerly Japanese-owned state enterprises and controlled public monopoly offices in transportation, communications and electricity. The Rhee regime reassigned confiscated properties, left by the Japanese, to a few private firms that were politically well-connected to the Rhee regime (Hart-Landsberg, 1993). It also set the assessed value of the vested industrial properties at 25-30 percent of the market value. The new owners of these properties provided kickbacks to Rhee's regime in return for the windfall. As such, Samsung, Hyundai, and LG were notable beneficiaries and benefit-exchange partners with the Rhee regime (Kim, 1976). Further, the regime discretionarily allocated aid goods and dollars (mainly from the U.S), import licenses, and government contracts to a few chosen firms as a means of consolidating this power base (Ryu, 1991). At the time, the U.S. which provided raw materials such as, sugar, cotton yarn, white flour and dollars, was a life vest that allowed for the survival of the Korean state. In essence, with support from the U.S, the Rhee regime established a type of crony capitalism in Korea, favoring a few chosen firms (Kang, 2002).

As it turned out, the Korean War (1950-1953) contributed to Japan's economic reconstruction in a way comparable to what the Marshall Plan did for Western Europe. The Japanese lobbied intensely to get the U.S to spend its Korean aid in a way that was beneficial for Japan (Kim, 1976). In addition to Japan's economic recovery, the Korean War played a fundamental role in reshaping conservative and anti-communist Korea. After the Korean War, Rhee Seung-Man, during the second term of his presidency, strictly prohibited any kind of trade unions and progressive social movements. Anti-communism became the most important national policy to gain political legitimacy during the Rhee regime. Later, military dictators, including Park Jung-hee (1961-1979) and Chun Doo-whan (1980-1987), deployed anti-communism as a catalyst for economic development (Cumings, 1984; Kim, 1998).

In May 1961, General Park Jung-hee carried out a military coup against the civilian government, took political power, and became the third president of South Korea. Dictator Park grafted the Japanese developmental model onto the Korean economy (Kim, 1997), meaning that the state became responsible for economic planning and for providing huge amounts of capital to support as well as to discipline big business. As examined earlier, the Japanese state used finance as a tool to implement industrial policy and to create an entrepreneurial class that heavily relied on the political leadership (Chandler, Amatori, & Hikino, 1997). Unlike Japan, the Park regime nationalized all commercial banks, which were under the supervision of the Ministry of Finance. This department made major monetary decisions such as setting interest rates and discount rates and conducting open market operations (Chang, 1993 p. 133). By controlling a credit-based system of industrial finance and owning the monopolized rights to allocate policy funds to chaebol groups, the Park regime cultivated chaebol groups to become a big business group in the 1960s (Kim, 2005).

The Park regime acted as an entrepreneur, banker and architect of the industrial structure, and provided a vision for a new society (Chang, 1993). The regime was the only agency that represented the interests of the whole society from the 1960s to the 1970s (Chang & Rowthorn, 1995). This meant that chaebol groups gained momentum to accumulate capital due to the financial and industrial monopolistic support from the Park regime. As a result, Korean economic structures transformed from light industry (e.g., textiles, apparels and wigs) in the 1960s to heavy-chemical industry (e.g., steel, petrochemicals and shipbuilding) in the 1970s. In maintaining this cooperative relationship, the Korean state and chaebol groups established a large corporation-oriented economy structure (Kim, 1997; Amsden, 1989).

Dictator Park was assassinated by his junior staff, Kim Jae-kyu, a chief of Agency for National Security Planning (equivalent to the America Central Intelligence Agency) on October 26, 1979. Two months later, Kim Jae-kyu was arrested on an offense against the safety of the state and General Chun Doo-hwan and his followers executed him in early 1980. After that, Chun Doo-hwan became president of Korea.

Because of both internal (political) and external (economic) reasons, the Chun Doo-hwan regime (1980-1987) abandoned the developmental model of Park Jung-hee’s regime and moved toward neoliberalism as a new economic model (Kim, 1999). Politically, the Chun regime desperately sought for a way to develop the Korean economy to obtain greater political legitimacy. Like the previous dictator, Park Jung-hee, Chun had taken political power by military coup. In opposition to the coup, in the early 1980s, college students and the middle classes built and expanded massive protest movements, all across the Korean Peninsula (Choi, 2006).

According to Jin (2011), college students at Chunnam National University of Kwangju, in southern Korea, were part of the largest national protests against the military takeover of

General Chun. When the students were viciously attacked by soldiers, outraged citizens joined the protest. Paratroopers killed them indiscriminately. Angered, people across the Kwangju area seized arms from police stations and army stockpiles, drove the army out of the city, and controlled the city for 6 days beginning on May 21, 1980. On May 27, the Chun regime sent the 20th Army Division into Kwangju and staged a massacre there (p. 20). While it quelled the uprising, this brutal slaughter led to the Chun regime losing its political legitimacy. Dictator Chun had to seek for a means to offset this political illegitimacy through economic re-growth. Instead of adopting the developmental model used by the previous regime, the Chun regime selected the neoliberal mode as the new strategy for the Korean economy (Ryu, 1991; Lee, 1990).

At the same time, the Chun regime was under external pressure from the U.S to open its economic markets to international organizations and to institute more comprehensive and rapid financial liberalization (Sa, 1993). Dictator Chun appointed neoliberal economists as high officers in economic and financial departments and vitalized economic marketization and privatization. This resulted in the spread of neoliberal thinking across all national policies. These neoliberal officers pursued for a market-oriented ideology in the financial sector to bring the Korean economy into compliance with the changing global economic environment (Kim, 1999).

Further, the Chun regime attempted to control chaebol groups by introducing the Monopoly Regulation and Fair Trade Act (MRFTA), the Korean antitrust law. Chaebol groups misused their market-dominant position to the detriment of small to medium Korean companies, so the Chun regime enacted the Monopoly Regulation and Fair Trade Act (MRFTA) in 1986 in order to prevent the excessive concentration of economic power among members of chaebol groups (Lee, 1990). This Korean antitrust law prohibited chaebol's unfair business practices, including abuse of a market-dominant position, anticompetitive mergers and acquisitions, and resale price maintenance (Seong, 2007).

On June 10, 1987, however, the Chun regime collapsed as a result of mass democratic movements of the Korean middle class. Although this government succeeded in economic re-growth through neoliberal policies with chaebol groups, it failed to obtain popular support. The military regime coercively oppressed the democratic movements, and illegally arrested, tortured and even killed ordinary Koreans, including college students and activists. In February 1987, the Chun regime killed Park Jong-chul, a student at Seoul National University, by using water torture. The death of Park Jong-chul sparked continuous protests over four months in 1987, and served as the tipping point for the fall of the Chun Doo-hwan regime (Choi, 2006).

The fourth phase of modern Korean history is a transitional period from authoritarian to neoliberal authoritarian regimes (1988- 1997). Although political power came from free election and economic power drew from the market, Korea was under an incomplete democracy due to the formidable legacy of cultural norms of the previous authoritarian regimes (Choi, 2006).

In 1988, Rho Tae-woo (1988-1992), ex-military General and a close friend of Dictator Chun Doo-hwan, was elected president. Because of its close relationship with the marred Chun regime, the Rho government suffered from a lack of political legitimacy. Also much like the earlier regime, it experienced pressures from the U.S to further liberalize the Korean economy. The Rho regime was forced to liberalize the Korean economy, which included the partial liberalization of the financial and media sectors (Sa, 1993). Subsequently, Kim Yong-sam (1993-1997) accelerated the move toward neoliberalism. The Kim regime launched active responses in the name of Segyehwa (Korean for globalization) by joining the Organization for Economic Cooperation and Development (OECD) (Kim, 1997). In 1996, the U.S presented deregulation and economic privatization as pre-requisite conditions for becoming a member of OECD (Kristof, 1999). To join the OECD, Korea lifted all financial barriers, which resulted in direct and financial investment in Korea (Hart-Landsberg, et.al, 2007).

In this deregulated environment, chaebol groups expanded their financial markets, freely issuing bonds and stocks in overseas markets without the Korean state's permission and borrowing short-term money from international capital markets. Most of the inflow of foreign capital in Korea was in the form of short-term speculative funds rather than direct foreign investment (Lee & Crotty, 2001). The rapid increase of short-term speculative funds made the economic structures of Korea respond sensitively to external economic environments. In the mid-1990s, as the financial crisis of Thailand and Indonesia spread into South Eastern Asia, foreign financial institutions which had provided financial loans to chaebol groups, pushed family-owned conglomerates and the Korean government to redeem the loans in late 1997. Foreign institutions demanded that the Korean government guarantee short-term loans. They also refused to roll-over loans borrowed or issued by chaebol groups. These pressures from foreign financial institutions drove chaebol groups to the brink of bankruptcy, which inevitably drove the Korean economy close to default (Woo-Cumings, 2001).

In summary, neoliberal authoritarian regimes during the periods from 1988 to 1997 focused on financial liberalization and privatization of state-owned companies, which allowed chaebol groups to expand their businesses to financial and telecommunication industries; in turn, however, excess foreign loans by chaebol groups led to financial crisis in Korea.

The final phase of modern Korean capitalism (1998-2012) is centered on neoliberal authoritarian governments. The Korean civil government had to exercise more institutionalized neoliberalism than the previous regimes to escape the financial crisis (Lee, 2010). In December

1997, Kim Dae-jung was elected president. He had to make an agreement with the International Monetary Fund (IMF) in return for receiving emergency funds of $57 billion from both the IMF and the World Bank. Both international institutions required the Kim regime to implement structural reforms, which included corporate reforms of chaebol groups, labor relations, privatization of state-run corporations, and financial restructuring (Lee & Crotty, 2001).

The financial reform included restructuring through the closure, sale or merger of insolvent financial institutions, the settlement of bad debts by injecting public funds and the expansion of the assets of financial institutions. The Kim regime also revised the regulation of mergers and acquisitions (M&As) to activate the financial markets for the first time. For example, the ceiling on foreign equity ownership in a Korean company increased from 55 percent to 100 percent of total stocks. The ownership limit by a single foreign nation increased up to 33 percent of total stocks in the companies. This provision applied to Korean companies as well. Moreover, the Kim regime simplified regulations on small-scale mergers and acquisitions (M&As) in the Korean economy, and carried out industrial reforms related to restructuring of both chaebol's businesses and its corporate structures, called the "Big Deal Plan" (Chang, 2003, p. 209). The term refers to business swaps among chaebol groups. This plan included restructuring the core of businesses of chaebol groups, increasing the accountability of owners of chaebol groups, and enhancing management transparency of chaebol groups (Ahn & Lee, 2000).

Under this restructuring, chaebol groups were forced to streamline their businesses according to a selected line among eight industries: semiconductors, petrochemicals, aerospace, railroad vehicles, power generation machinery, shipping, engines, oil refining, automobiles and electronics. In the process of swapping subsidiaries in accordance with the core business lines of each conglomerate, 20 affiliate members of chaebol groups were shut down (Jung, 2007). For example, Hyundai Electronics acquired LG semiconductor, while in the oil refinery industry, Hyundai took over Hanhwa. In the automobile industry, Hyundai acquired Kia. Samsung sold 80 percent of its total stocks to Renault of France. In railroad vehicles, Hyundai, Daewoo, and Hanjin established a new joint company. Similarly, Hyundai, Daewoo, and Samsung established a joint business entity in the aerospace industry (Chang, 2003, pp. 204-207).

The Kim government carried out these structural reforms relative to chaebol groups. The first reform was to revise the Monopoly Regulation and Fair Trade Act (MRFTA), the Korean anti-trust law, in order to disclose internal information about chaebol groups (e.g., their assets, their decision-making processes, activities of boards of directors, and their businesses) (Song, 2007). The second one was to require chaebol groups to appoint outside directors and independent auditors as members of their boards of directors (Jung, 2007). The final action was to require chaebol groups to abolish the structural planning office (Ahn & Lee, 2000).

Chaebol groups, however, used the structural reforms initiated by the Kim government to transfer some businesses to their family members (Kim, 2007). For example, the first-tier chaebol groups (e.g., Samsung, Hyundai, LG and SK) had more interest in corporations' separation than the second-tier ones did. There were two reasons for this. The first reason was that the first-tier chaebol groups felt more compelled to reorganize the companies' sizes to evade the government's control than the second-tier ones, because they owned more assets than the second-tier ones (Seoulshinmun, 2005). Another reason was that owners of first-tier chaebol groups wanted to resolve the chronic issue of inheritance among their family members (Kim, 2005). For instance, Samsung reorganized into six conglomerates in the 1990s: CJ, Hansol, Samsung, JoongAng Ilbo, Shinsaegae, and Saehan. These conglomerates are called Pan-Samsung (or New Samsung) (Kim, 2007). In the early 2000s, Hyundai group likewise reorganized into Pan-Hyundai (or New Hyundai), which included Hyundai, Hyundai-Kia Automobiles, Hyundai Department, and Hyundai Heavy groups. The final example was LG group, owned by the Goo and Hur families. They split the old LG into a New LG groups, including LG, GS and LS-LG groups. Most of the spilt corporations from the first-tier chaebol groups currently belong to the second-tier ones in the Korean economy (Seoul Shinmun, 2005).

In sum, this chapter has discussed the nature of chaebol groups in relation to modern Korean capitalism. The Korean state applied the Japanese economic model of strong state and big business to the Korean economy, which in turn allowed chaebol groups to become a big business conglomerate of monopoly capital in Korea.

3.2. Chaebol Groups in the History of Korean Mass Communication

In this section, I briefly discuss how and when chaebol groups penetrated the Korean communication system. I deal with chaebol groups in the media businesses, primarily focusing on changes in media laws and policies and their relationship with four media markets (e.g., newspaper, broadcasting, advertising and motion pictures). Kwak (2012) divides the Korean political systems into three categories: the authoritarian regimes (1961-1987); the transition from authoritarian to neoliberal authoritarian regimes (1988-1997); and neoliberal authoritarian regimes (1998-present). I weave the narratives in this section with the appropriate between the 1960s and the 1990s, according to Kwak's categorization.

From the 1960s to the 1990s, chaebol's attitudes toward the media changed. While in the early years the media were used primarily as shields to protect chaebol interests from authoritarian regimes, the communication systems gradually became big businesses that function as means to earn profits (Shim, 2000). In the early years, authoritarian regimes considered the mass media as an educational tool to cultivate the demand (or need) for economic development, drum up public support for the military regimes and promote anti-communism throughout Korea (Hahn, 1978). Under these circumstances, chaebol groups used their media holdings as channels to maintain a benefit-exchange relationship with the state. They also deployed their media operations as means to resist political pressures (Seo, 2003).

In the 1990s, after authoritarian periods, the Korea state applied the neoliberal mode to the Korean media industries. At that time, Korea faced limited economic growth. Labor costs were rising at home and the manufacturing sector was faltering. Uruguay Round (UR) agreements and the World Trade Organization (WTO) pushed Korea to further open its long-closed service markets including finance, tourism, retailing and media. These internal and external pressures made the Korean government turn to alternative industries to advance the Korean economy (Chang, 2003). In this process, the Korean state recognized the economic potential of information technology and communication, which was deeply related to Korea's manufacturing industries, and started to test cable television and film as experimental subjects (Shim, 2000). Adapting to these changes in national policies, chaebol groups gradually increased investments in cable television and film industries. They looked to the media as a new profit businesses (Shim, 2002). Simply put, chaebol groups adjusted and evolved their media business outlooks and interests in accordance with the policies of the political regimes, especially after the dawn of the neoliberal era.

3.2.1. Newspapers and Chaebol Groups

The Korean state revised media laws and policies four times during the period from 1960 to 1997, which included abolishment of Ordinance No. 88 in 1960, enactment of the Law Concerning Registration of Periodicals in 1961, enactment of the Basic Press Act in 1980 and enactment of the Act on Registration Periodicals in 1987. The revisions of media laws and policies corresponded to the political changes in Korean society. The years of 1960, 1961 and 1980 belonged to authoritarian regimes, which controlled newspaper companies—directly or indirectly— with political power rather than via economic ownership. Since 1988, Korean newspapers have been under market-oriented structure (Yoon, 1989).

In April 1960, the Korean state abolished Ordinance No. 88, a media law that had been established by the U.S military regime. Temporarily, Korea enjoyed almost unlimited press freedom in the second republic of Korea (July 1960-May 1961). The number of newspapers increased to 112 in 1960 from 41 in 1959, while the number of news agencies was 274 in 1960 compared to a mere 14 in 1959 (Jin, 2005, p. 78). General Park Jung-hee, however, led a military coup in May 1961 and ended the unlimited freedom of the press. The Park regime enacted the Law Concerning Registration of Periodicals, which specified minimum standards and required newspapers and news agencies to register with the government. This junta also canceled about 1,170 periodicals in the name of purification of the media industry. Following the regime's media cleansing, only 23 newspapers and 6 news agencies remained (Kim & Shin, 1994).

Chaebol groups under the Park regime owned and operated newspapers to protect their interests from political pressures as well as to create an audience favorable to their other business interests (Hahn, 1978). As such, Samsung group ran the *JoongAng Ilbo*, a nationally circulated daily newspaper. LG group published the *Kukje Shinmun* and the *Kyung Nam Ilbo*, a local daily newspaper with a focus on the southeastern region of the Korean Peninsula. Samyang and Kyung Band groups published the *DongA Ilbo*, a nationally circulated daily newspaper. IlShin group controlled the *Chungchong Ilbo* covering the middle west of the Korean Peninsula. Donhae group owned and ran the *Kangwon Ilbo*. Ssangyong group owned *Dongyang News Agency.* Finally, Doosan group controlled *Hapdong News Agency* (Jin, 2005, pp. 94-95). As seen with the military regimes, a few members of chaebol groups entered the press system in order to protect their interests from political pressures, support the interests of subsidiary companies of chaebol groups and publicize their new businesses (Yoizi, 1988, p. 81; Seo, 2003; Kim, 2004).

In 1980, however, the Chun Doo-whan regime enacted the Basic Press Law, which integrated media law regarding newspaper, broadcasting, and advertising industries. The Basic Press Law banned the cross media ownership of newspaper and broadcasting stations and forbade individual business from advertising in the broadcasting sector. This act also limited the number of papers and even the number of pages via heavy censorship. Through the Basic Press Law, the Chun regime forced the press to fire 933 journalists, enforced mergers of press corporations by chaebol groups and closed 172 periodicals, 15 daily newspapers, and 2 news agencies in the name of the "Plan for the Purification of the Press" (Kim & Shin, 1994). These forceful steps taken by the Chun regime led to further strangulation of the Korean press. As such, the "Daily Guidelines for Reporting" issued by the Public Coordination Office under the Ministry of Culture and Information was an effective tool to control the press in the 1980s. This daily guideline set the boundary for how or whether to report certain events. The staff from the Agency for the National Security Plan regularly visited newsrooms around deadline times (Jin, 2005, p. 102).

Because of the policy of no cross-media ownership between newspaper and broadcasting, under the Chun regime, most chaebol groups were forced to choose between a newspaper identity and a broadcasting identity. LG group deserted the *Kuk Je Shinmun* and the *Kyung Nam Ilbo.* Samyang and Kyung Band groups selected the *DongA Ilbo*. Il Shin group and Donhae group gave up *Chung Cheong Ilbo* and the *Kangwon Ilbo* respectively. Additionally, Ssangyong (*Dongyang News Agency*) and Doosan (*Hapdong News Agency*) groups gave up their news agencies, as the Chun regime had forcefully nationalized them. Unlike other members of chaebol groups, however, Samsung kept *JoongAng-Ilbo*.

In addition, Dictator Chun exercised conciliatory methods to placate media owners and journalists. For example, his regime allowed media owners to receive bank loans with low interest, borrow foreign capital and diversify their businesses into magazine publications. This regime also reduced taxes regarding the imported machines of the newspaper companies and the income tax of journalists and provided public funds for training journalists (e.g., overseas training and overseas observation trips). The regime promoted the welfare of journalists (e.g., loans for housing and the education of children), regularly bribed journalists with cash or gifts and recruited journalists as politicians and bureaucrats (e.g., minister and vice minister at the Ministry of Culture and Information). These favors quieted the frustrations of media owners and journalists and created a patron-client relationship between the Chun regime and the media owners with journalists largely cooperating with the dictatorial regime (Park, et.al., 2000, pp. 113-114; Yoon, 1989).

These institutional and personal favors for media owners and journalists led to the creation of a press cartel or a "political power-press" complex among the military regime, media owners and journalists. Through the press cartel, the military regimes easily controlled the media and disseminated the ideology of dictatorship-for-development, including anti-communism, a growth-at-any-cost policy, a middle class bias and the consumption-is-virtue orientation (Kim & Shin, 1994, p. 45). Through political cooperation, media owners were allowed to access high-quality information (e.g., the developmental policies of real estates and the future policies of economic developments) and to exercise their influence on presidential elections by sending journalists to election campaigns as key staff for setting up election strategies (Park, et.al, 2000, p. 115).

In early 1987, however, Korea was under pressure from mass democratic movements that had cropped up across the country. The Korean middle classes and young college students held protest rallies following the killing of a college student who had died due to water-torture by the state. They demanded that the Chun regime step down and revise the constitution to make direct presidential elections possible. Although the Chun regime cracked down on the mass protests and averted immediate threat, it had to concede to the demands of the Korean people on June 29, 1987 when Rho Tae-woo, his close friend, announced that the Korean president would be directly elected by ordinary people for a single five-year term. Rho Tae-woo was elected as the new president in 1987. Although Rho's political foundation was that of a military regime, he had to follow the pervasive market rationale in the Korean economy, including the media (Kim, 1999). The Korean newspapers finally put an end to the paper cartel that privileged a few selected companies. With the shift to political liberalization in 1987, the Korean newspapers were forced to enter into a more competitive market.

Rho Tae-woo, newly elected president in 1987, announced that "the government cannot control the media, nor should it attempt to do so" (Yoon, 1994, p. 207). He abolished the Basic Press Act, established by the previous Chun regime, and enacted a new press law—i.e., the Registration of Periodical Publication – in November 1987, which contained the notion of Korean freedom of press. While the Basic Press Act emphasized the function of forming public opinion via the press, it primarily focused on a sound development of the press. This meant that the Rho regime at least tried to "deauthoritarianize its restrictive legal mechanism" (Youm, 1994, p. 67). For example, the Registration of Periodical Publication abolished the licensing system regarding newspaper companies, allowed chaebol groups and religious organizations to establish new companies without strict conditions and empowered media owners to control corporate structures. This meant that the Korean state officially gave up controlling the newspaper companies, accepted demands for freedom of the press, and loosened regulation of the printing businesses. New press laws guaranteed freedom to publishing, expansion of the advertising market as necessitated by economic growth and an explosion in demands for information (Kim & Shin, 1994). As a result, the total number of paper companies rapidly increased from 2,412, including 30 daily papers, in 1987 to 7,867, including 112 daily papers, in 1993 (Kwak, 2012, p. 33).

In 1988/1989, four news dailies – the *Hankyoreh*, the *Pyung-Hwa*, the *Kukmin* and the *Segye* – were established in Seoul alone. Except for the *Hankyoreh*, all three papers were owned and operated by religious organizations. The first newspaper of the *Hankyoreh*, established by the citizen funds, was owned by about 3,000 Koreans. In addition, chaebol groups established new dailies, including economic newspapers, and acquired existing newspaper companies. The Hyundai group launched the *Munhwa*, an evening paper. The Lotte group established the *International*. The Daewoo and Duksan groups founded local dailies of the *Pusan Maeil* and the *Moodeung Ilbo* respectively. The Daenong group launched an English paper, the *Korea Herald*. The Hanhwa group acquired the *Kyunghyang* (Kwak, 2012, pp. 32-33; Kim, et.al, 2000). This meant that political liberalization empowered chaebol groups and monied religious organizations to exercise their power over paper markets (Yoon, 1989).

As Kwak (2012) argues during the transitional period from authoritarian to neoliberal authoritarian regimes (1988-1997), the Korean press moved from being under direct state control to being under market control. New phenomena occurred, including 50 percent annual growth in advertising income among the major dailies from 1989 to1992 (Cho, 2003 as cited in Kwak, 2012, p. 33), which increased the number of pages to allocate more advertising space and to meet the growing demand of advertisers. The growing competition among daily papers made commercial revenue all the more important. They also allocated greater coverage for various stories that included feature pages or specialized sections, such as money/ finance or women's issues. This obviously provided the readers with more versatile and in-depth information. Moreover, the proliferation of the papers brought about pluralism in news reporting, as journalists were able to write more freely and critically than before and to access more diversified news sources than in previous times (Kwak, 2012, pp. 30-50).

In other words, the Korean papers transitioned from a state-controlled structure to a market-oriented structure, paralleling shifts in Korean political and economic reality.

3.2.2. Television and Chaebol Groups

Like the newspaper industry, the development of Korean television was related to the Korean political liberalization from authoritarian to neoliberal authoritarian regimes (Yoon, 1994). During the periods of military regimes (1961-1987), the dictators used both television and radio as tools to acquire political legitimacy and social integration (Kang & Kim, 1994). Under the transition between authoritarian and neoliberal authoritarian regimes (1988-1997), the political leaders dealt with broadcasting as a national industry (Nam, 2008).

During the late 1950s to the early 1960s, the Korean television broadcasting system remained in its infancy as compared to print media, because Korea was still recovering from its civil war (Hahn, 1978). Television broadcasting in Korea started in 1956 with the opening of HLKZ-TV, established by the RCA Distribution Company (KORCAD) in Seoul. However, HLKZ found it difficult to secure financial backing, because the Korean economy had not yet reached the level of mass production and mass consumption required for broadcast advertising. One year later, HLKZ was sold to Chang Ki-yong, the owner of the *Hankook Ilbo* and renamed DBC-TV. Yet, change in ownership did not resolve the financial issue and the company had to close after a mysterious fire. The second television station in Korea was the American Forces Korean Network (AFKN), established by the U.S in 1957. The AFKN began broadcasting for a target audience of 60,000 U.S military personnel, civilian employees, and their dependents (Yoo, 1994, pp. 198-200).

In 1961, the Park Jung-hee regime introduced the public broadcasting system in order to promote its new political legitimacy and to advance its political economic ideology and started the Korea Broadcasting System (KBS)-TV, a state-owned company. Although KBS-TV was branded as a public broadcasting system, its money initially came from both advertising and a monthly subscription fee from the ordinary Korean. This meant that the Dictator Park regime established the fundamental foundation about the co-existence between the commercial media system and public broadcasting system in order to buy the broadcasting devices and to expand the broadcasting zones nationally (Hahn, 1978).

Additionally, this military regime allowed chaebol groups to own commercial television stations in the 1960s. The Park regime provided preferential treatment to the oligopoly of established communication companies that supported the authoritarian rule in return for their loyalty (Yoon, 1994). Two commercial television networks were Tongyang Broadcasting Company (TBC) Television, established by Samsung in 1963, and Munhwa Broadcasting Company (MBC) founded by Kim Ji-tae, owner of the *KyungHang Shinmun*, in 1969. Both of them were financially supported by advertisers. They focused on commercial media content to acquire more advertisers, which led to fierce ratings competition between KBS (the state-owned station) and both TBC and MBC (chaebol owned stations) (Kang & Kim, 1994). Although these three television stations competed with each other to earn advertising money, they were all under direct control of the military regime. On a monthly basis, stations reported summaries of their broadcasting to the state. Especially, as long as both TBS and MBC shared the state's economic interest in the process of dependent development, the authoritarian state of the Park regime was committed to maintaining the existing economic relationship (Yoon, 1994, p. 203).

In the early 1970s, dictator Park issued new television licenses to chaebol groups: LG group owned Pusan MBC and Jinju MBC; Donga group controlled Taejeon MBC; Ssangyong group operated Taegu MBC; IlShin group ran Chungju MBC; Miwon group controlled Chungju MBC; Donhea group owned and operated Chunchun MBC and Samchuk MBC. Chaebol's broadcasting stations disseminated their corporate ideology to the public (Jin, 2005, p. 94-96). However, this military regime forcefully took over Seoul MBC from Kim Ji-tae and other affiliated local MBC stations owned by these chaebol groups, and then established additional state-owned broadcasting stations. Since then, MBC has been re-categorized as a public broadcasting company (Yoon, 1994, pp. 200-204).

Following the military regimes, the Chun Doo-whan changed the Korean broadcasting system in 1980 from co-existence (public broadcasting and commercial broadcasting systems) to only public broadcasting system. Based on the "Basic Press Law" in 1980, Chun confiscated what had been a private broadcasting system and brought it under government control. He forcibly reshuffled 29 broadcasters into an oligopoly of two public broadcasters, Korea Broadcasting System (KBS) and Munhwa Broadcasting Company (MBC) (Shim, 2008, p. 23). All television stations were integrated into KBS and MBC-TV. KBS absorbed TBC, which became the KBS-2 broadcasting station. KBS also bought 65 percent of the shares of MBC that later became the second public broadcasting network. Unlike the Park regime, Chun banned cross-media ownership of newspaper and broadcasting (Kang & Kim, 1994).

Based on this media policy, chaebol groups that had owned both newspaper and broadcasting companies had to give up their broadcasting stations. Samsung group gave up TBS, because it owned the *JoongAng Ilbo*. Samyang and Kyung Band groups had to abandon DBS due to the *DongA Ilbo*. Il Shin group selected Chungju MBC instead of the *Chung Cheong Ilbo*. Finally, Donhae group gave up the *Kangwon Ilbo*. Additionally, the Ssangyong (*Dongyang News Agency*) and Doosan (*Hapdong News Agency*) groups gave up their news agencies, because the Chun regime forcefully nationalized them. The *Yonhap News Agency* became only the news agency by 2002. Most chaebol groups selected broadcasting stations in spite of the local affiliates of MBC, while three Samsung, Samyang, and Kyung Band groups chose their national daily newspapers over broadcasting stations (Jin, 2005, pp. 99-119).

Subsequently, the Rho Tae-woo regime (1988-1992) revised the Broadcasting Act to reorganize the public broadcasting system to allow for the co-existence of public and commercial systems. In 1990, the National Assembly enacted the new Broadcasting Law, by which the government granted a license to a new commercial broadcasting company, Seoul Broadcasting System (SBS), in 1991. SBS was the first commercial television station to be established since 1980 (Shim, 2008, p. 23). This revised broadcasting regulation also split to KBS and the education broadcasting system (renamed EBS) in 1991 (Jin, 2005, pp. 205-211). However, chaebol groups were not allowed to own a national broadcasting system. The chaebol groups were indirectly involved in the Korean broadcasting system as program producers, because the Rho regime started to enforce the "outsourcing system" on territorial broadcasting channels in 1991. This regulation required 3 percent of all broadcasting programs to be supplied by independent companies. The Rho regime also enacted the Cable Television Act in December 1992 to provide the legal foundation for cable television (Shim, 2009, p. 29).

Following the start of the neoliberal authoritarian regime, Kim Yong-sam (1993-1997), introduced cable television at the national level in 1993. The Korean cable TV industry was divided into three subcomponents, which included the program provider (PP), the system operator (SO) and the network operator (NO). The PP was in charge of media content for cable television. The SO was responsible for distributing media content as the cable networker. The NO took charge of establishing the infrastructure of cable television and internet broadband. The government's rationale for designing the industrial structure of cable in this tripartite way was to ensure the rapid growth of the industry and to promote structural diversity in the industry both horizontally and vertically (Nam, 2008).

Under this cable television plan, the Kim regime allowed chaebol groups to become the program provider (PP) in 1993. In order to induce balanced development among PP, SO and NO by 1997, it rarely permitted them to enter into a system operator (SO) or network operator (NO). Chaebol groups, thus, focused on acquiring 14 channels categorized as gold channels. The potentially most profitable were taken by the first-tier chaebol groups. The Samsung group took the only pay film channel, while Daewoo had the movie channel, and Hyundai group acquired the entertainment channel (Kim, 1996; Jin, 2005). The first-tier chaebol groups owned the cable channels and audio-visual corporations, including film importations and video film production. Instead of establishing media subsidiaries, some of chaebol groups' subsidiaries ran the audio-visual businesses. Chaebol groups were reluctant to invest capital in the early stage of the Korean audio-visual media industries. Seemingly, chaebol groups, familiar with the favors of the Korean government, were waiting for preferential treatment from the government in order to minimize losses from the cable business.

Chaebol groups also made alliances with transnational corporations to broadcast over the new cable channels because they had not prepared sufficient content for their new media businesses. Instead of importing media products from TNCs, chaebol groups exercised two strategies: exclusive licensing agreements with partnership and direct investment in Hollywood. For example, Samsung's pay channel *Catch One* made exclusive licensing agreements with Disney, Warner Brothers, Paramount, 20th Century Fox, and Universal Studios. Samsung's basic cable channel “Channel Q”, the Korean equivalent of Discovery Channels, made program supply contracts with Japan's NHK, the BBC, and Discovery. Daewoo group also made an agreement with Hollywood independent New Line Cinema to bear a percentage of the studio's production costs (6 percent for the first two years) in return for the distribution rights in Asian markets. Hyundai group, running the entertainment cable channels HBS, made an output deal with the French studio Canal Plus. Finally, SK group made a production contract with independent Hollywood studios Cinergy Motion Picture and Mandalay Entertainment, guaranteeing 5 percent of each studio's budget (Shim, 2000, pp. 232-243).

In 1995, the Kim regime continued the licensing of regional private broadcasters for the chaebol groups in four large cities: Pusan, Taegu, Kwangju, and Taejon. The continuous introduction of new media in the audiovisual sector resulted in “a full scale return to commercial broadcasting” after a decade of duopoly in the 1980s, consisting of the Korean Broadcasting System (KBS) and the Munhwa Broadcasting Corporation (MBC) (Kim, 1996, p. 91).

In sum, the authoritarian regimes tightly controlled Korean television broadcasting stations. However, the political liberalization allowed chaebol groups to be out of the control of the state and expand their media businesses into network television, cable television and local broadcasting stations. In the 1990s Korea entered a multi-channel television era.

3.2.3. Advertising and Chaebol Groups

As advertising had been considered a profit-seeking business, the Korean state did not develop advertising policy (Kim, 1996, p. 143). Chaebol groups established the Korean advertising industry in the 1970s. As chaebol groups diversified their businesses to include heavy chemicals during the 1970s, they felt the need for an in-house advertising agency to sell their manufacturing products effectively and established in-house advertising agencies, which covered full services including marketing strategies, advertising production, media planning, and consumer research (Yun, 2008). For example, Cheil Communication was responsible for all the advertising of Samsung group and its subsidiaries. LG group controlled LG Ad. Taepyungyang group controlled Dongbang Ad. This meant that chaebol groups' in-house agencies were under the supervision of chaebol groups. The main reasons chaebol groups developed in-house advertising agencies have been attributed to the economic imperative to save money as well to exert control over campaign development (Kim, 1994, pp. 278-280). The advantages of in-house agencies include the acquisition of expected clients without external factors such as economic recession, and to obtain detailed information on marketing strategies from their inside clients (Kim, 1996, p. 135). By 1980, chaebol groups' advertising agencies directly transacted with Korean press corporations and broadcasting corporations, without external brokers. This trading practice between chaebol groups and their advertising holdings, however, was changed in the Chun Doo-hwan regime.

In 1980, Dictator Chun Doo-hwan enacted the Korean Broadcasting Advertising Corporation Law (KBACOL) which stipulated the Korean Broadcasting Advertising Corporation

(KOBACO) as the only sales agent for all broadcast time. The main functions of KOBACO were to recognize advertising agencies and to sell advertising time on the broadcast media. That was to say, the major roles of KOBACO focused on accrediting advertising agencies and selling advertising time. KOBACO also collected a certain percentage of commission on advertising revenues from the broadcast media to provide the collective public fund for small to medium media corporations. KOBACO returned approximately 9 percent of the commission to the advertising agencies and kept about 1 to 1.5 percent for operational expenses (Kim, 1996, p. 144). In 1981, only four advertising agencies received a certification from KOBACO. In 1989, KOBACO certified 35 advertising agencies (Lee, 2008, p. 77).

As the Korean government liberalized the Korean advertising market, the number of adverting agencies increased. In 1988, the Rho government was under pressure, mainly from the U.S, to open the advertising market to American agencies. The U.S pushed this government to (1) have daytime broadcasting; (2) raise prices for advertising time/space in media; (3) establish new private television stations; and (4) increase the amount of advertising time from 8 percent of total broadcasting air time to 10 percent. As a result, in 1991, the Korean government launched a new commercial broadcasting network-the Seoul Broadcasting System (SBS) and increased the air time of broadcasting advertising (Kim, 1996, p. 142). Also, it gradually opened Korean advertising markets to foreign advertising agencies in the late 1980s and completely liberalized the Korean advertising market in the late 1990s.

In short, chaebol groups owned in-house advertising agencies, which provided financial support for Korean papers and broadcasting stations. This meant that chaebol groups were owners of advertising agencies as well as big advertisers. In addition, since the 1980s, the Korean state has established a state-controlled advertising agency, the KOBACO, to control the broadcasting advertising market. Further, the Korean advertising market was liberalized in the late 1980s, which allowed transnational advertising agencies to enter the Korean advertising market.

3.2.4. Motion Pictures and Chaebol Groups

The Korean film industry was strictly controlled under authoritarian regimes, which considered motion pictures as mechanisms to perpetuate Cold War ideology, militarism and political centralism (Park, 2002). In 1962, the Park regime enacted the Motion Picture Law, which introduced a registration system for film producers, importers and exporters. Only registered film producers were allowed to produce motion pictures to import foreign films. This law also stipulated that motion picture producers should have 35 mm movie cameras and over 661 square meters of studio to register as film producers, and must produce more than 15 motion pictures every year to maintain their status as film producers. Further, in 1966, the Park regime introduced the system of screen quotas, which required local theaters to play Korean films 146 days per year.

Based on the Motion Picture Promotion Ordinance, this junta transferred the supervising rights of screen quota to local governments, which had 40 days of discretion. This meant that the local governments could allow theaters to play the Korean films for 126 days in large cities and for 106 days in small cities. Through the strict market controls over Korean motion pictures, the Park regime allowed the two dozen registered producers to monopolize the Korean film market rather than chaebol groups. They determined what to produce, what to distribute and what to exhibit at Korean film markets (Shim, 2000, p. 107). Simply put, in the 1960s and the 1970s, the Korean state tightly controlled local film market and provided monopolized rights for a few privileged persons instead of chaebol groups.

In the early 1980s, however, Korea was under consistent pressure from the U.S Trade Representatives (USTR), which used Section 301 of the Trade Act of 1974, to open the Korean markets to insurance, tobacco, wine and film (Sa, 1993, pp. 130-131). To delay U.S pressure on the Korean manufacturing sector, the neoliberal authoritarian regime of Rho Tae-woo government allowed Hollywood to distribute films directly to Korea in 1988. As a result, Western TNCs set up branches in the Korean film market. As such, United International Pictures (UIP), Twentieth Century Fox, Warner Brothers, Columbia, and Walt Disney established branches for the video trade. CIC, Buena Vista, Col/Tri-Star, Warner Brothers, and Fox Video earned licenses to import foreign videos in 1988 (Jin, 2005, pp. 227-236).

These steps were met with criticism from the public, which accused the Korean government of abandoning the domestic film industry. To suppress the criticism, the Korean government took steps to reestablish the screen quotas, which in turn played a central role in supporting the domestic film market in the 1980s (Jin, 2005, p. 117). In addition, the Korean government deregulated the licensing system. If independent filmmakers were Korean citizens and notified the government of their intention, they were able to make one film a year without registering. The Korean government also removed the import quota for foreign films. As a result of deregulation in the Korean film markets, foreign films' share of all Korean box office receipts increased. As of 1989, foreign films held 79.8 percent ($ 44.2 million) of the box office total in Korea. That was to say that the Korean film industry had been eclipsed by Hollywood and struggled to survive in the 1980s (Shim, 2000, pp. 110-111).

In spite of these film market situations in the 1980s, chaebol groups made inroads through the video industry (Shim, 2000, pp.110-112). For example, Daewoo, LG, Samsung, and SK groups entered into the video production industry, by manufacturing video cassette recorders

(VCRs). They established media holdings to create demand for VCRs, focusing on importation of American films and production of the video film. Samsung group established Starmax, a video-circulation company. SK group founded SKC, another major video circulation company. In the 1990s, these video holdings began to produce and distribute motion pictures (Jin, 2005, pp. 118-121).

In 1995, the Kim Yong-sam regime enacted the Promotion Law of the Korean Motion Picture in order to promote the Korean film industry for the Korean economy. This law loosened the legal barriers regarding ownership, financing, and market strategies. It also reclassified film production from a service industry to a manufacturing industry in order to provide tax breaks for the production companies. Moreover, the Kim regime considered chaebol groups as one of the main elements for revitalizing the domestic film industry, especially film production (Jin, 2011, p. 132). In this environment, chaebol groups, including Samsung, SK and Daewoo, expanded their media businesses to include film production. They funded capital ranging from 20 percent to 50 percent of production costs for several domestic films (Jin, 2011, p. 133). They also articulated their advanced business know-how (e.g., systematic planning, marketing, and accounting) to Korean film producers (Shim, 2008, p. 19). Further, family-owned conglomerates held independent film festivals and film scenario contests with considerable cash prizes, recruited fresh talent to infuse new sensibilities into Korean cinema and financially supported young directors with degrees from prestigious film schools all over the world. In brief, chaebol groups entered the video industry in the 1980s, and informed and developed the Korean film industry at large its experiences in this area in the 1990s.

In this section**,** I reviewed media businesses of chaebol groups from the 1960s to 1997. Chaebol groups expanded their media businesses within the changes proffered by the Korean political economy. Under the military regimes, family-controlled conglomerates held multiple holdings in the press, broadcasting, advertising and video production industries and in turn received the favors from the military regimes, thus protecting their private interests from political pressures. However, during the 1990s of transition from authoritarian to neoliberal authoritarian regime, chaebol groups approached the media as a profit-oriented business, as the Korean government was testing whether the media could function as a national economic engine. Within this environment, Korean monopolies capital increased media investment in transnational media corporations in cable television and film production. Simply put, by 1997, the Korean media markets were no longer structured by chaebol groups.

Conclusion

In this chapter, I have discussed the nature of chaebol groups, the power shifts between the Korean state and chaebol groups and media expansions of chaebol groups, with a focus on the period from the 1960s to 1997, that is, before the Korean government carried out more complete neoliberal media reforms. The Korean state nurtured chaebol groups and allowed them to become monopoly capital to avoid the rapid development of the Korean economy. Within this process, chaebol groups connected to the Korean power elites by using formal and informal ties and also tightly controlled multiple subsidiaries with concentrated family ownership. In addition to the power connection to Korean power elites, chaebol groups expanded their media businesses from newspaper and broadcasting in the 1960s to advertising in the 1970s and by 1997, to cable television and film industries. Simply put, chaebol groups are a Korean monopoly capital with multiple media operations.

In the next chapter, I review the history of Samsung, its media businesses and the family ties of the conglomerate's founder Lee Byung-chul.

CHAPTER 4 – THE HISTORY OF SAMSUNG (1936 -1997)

In this chapter, I trace the history of Samsung from its early beginnings as a small rice-mill to its meteoric rise as one of the world's biggest transnational corporations. I focus on the history of Samsung from the 1930s to 1997, when Samsung divided its corporate structure into six chaebol groups – Samsung, CJ, JoongAng Ilbo, Hansol, Shinsaegae and Saehan. I also chronicle its corporate governance, social ties between the Lee family and the Korean power elites and the expansion of Samsung in the Korean mass communication industry.

I use secondary sources to reconstruct Samsung's history, given that no scholarly work has yet fully covered the whole history of Samsung from the mid-1930s to the 1990s. I draw information from documents published by Samsung and by family members as well as scholarly research by historians, economists, and sociologists. Specifically, I collect information from books, authored by the founder and his first son, Samsung's web sites, yearbooks, and the conglomerate's annual historical books. The yearbooks include *The History of Fifty Years of Samsung* (1988), *The History of Sixty Years of Samsung* (1998), and *The Fifty Years of Cheil Jedang* (2003). Books related to the founder of Samsung include *The Autobiography of Hoam* (the pen-name of Lee Byung-chul) published by Samsung in 1986, *The Untold story about Samsung* published by Lee Mang-hee (the first son of the founder of Samsung) in 1993, and *The Words Spoken by Hoam of Lee Byung-chul*, published by the Hoam Foundation in 1997. Finally, I gather accounts from Samsung's web sites (e.g., www.Samsung.com; http://english.cj.net; http://joongang.joins.com), which contain information about the history of Samsung. In addition, I draw from academic articles and books in the fields of economics, sociology, and mass communication. For example, Lee Jung-won (1989) focuses on how Samsung established its businesses from 1945 to 1960. Woo Jung-en (1991) examines the political logic of the Korean financial structures during the authoritarian regimes of Korea. Kim Yong-rang (1993) deals with the processes of Samsung's diversification and its structure of ownership. Kang Chul-kyu (1997) elaborates on Kim Yong-rang's dissertation, with a focus on Samsung's role in the history of chaebol groups. Kim Eun-mee (1997) explores the collusion and conflict between the Korean state and chaebol groups. Finally, Bruce Cumings (1997) investigates Korea's modern history from the early 1900s to the mid-1990s in respect to its international political economy in East Asia. These academic references relative to Samsung from the field of economics are navigational tools that guide me in historical expedition.

In sociology, Kong Jeong-ja (1988) deals with the marriage ties between chaebol groups and Korean power elites. Yoizi Isigawa (1988) investigates how Lee Byung-chul built up the Samsung Empire. Hong Duck-ryul (1993) analyzes the formation of the capitalist class in Korea by looking at the historical process of the Federation of Korean Industries, the inner circle of chaebol groups. Kim Yun-tae (2008) explores the state and chaebol groups from the 1960s to the 1990s.

In the mass communication, Lee Jin-ro (1997) deals with the formation and growth process of the Korean computer-based communication industry. Seo Hyun-jin (2003) analyzes how Samsung's ownership structure affected the media content of JoongAng-Ilbo in the 1960s. Kim Ju-hwan (2004) examines why Samsung owned a newspaper company (the *JoongAng- Ilbo*) and broadcasting company (TongYang Broadcasting Company) in the 1960s. Cho Kwang-myung (2004) explores the marriage ties among the owners of mainstream newspaper companies of *Chosun Ilbo*, *JoongAng Ilbo*, and *DongA-Ilbo*. Finally, Seoul Shinmun (2005) examines the family history of chaebol groups, including Samsung.

I will consult literature from a kaleidoscope of avenues in an effort to document a more informed history of Samsung. This history is arranged in the following four sections: (1) Samsung in the Korean economy; (2) corporate governance of Samsung; (3) the Lee family and the Korean power elites; and (4) Samsung in the Korean media system.

4.1. Samsung in the Korean Economy

Samsung developed its businesses in accordance with the changes in the Korean political economy. As discussed in chapter 3, the Korean political economy sifted from Japanese-sanctioned colonialism to U.S. imposed post-colonialism, and thereafter from an authoritarian model architected by military regimes to neoliberal authoritarian civil governments. Throughout these changes in the political economy, Samsung diversified from food businesses, to low-tech exports, to heavy-chemical production, and to high-tech industries (Kim, 1993). The developmental history of Samsung in this review is divided into three periods: establishment (1936-1960), diversification (1960-1987) and reorganization (after 1988).

4.1.1. The Establishment of the Samsung Group (1936-the 1980s)

Samsung started its business during the period of Japanese occupation. In 1936, Lee Byung-chul, the founder of Samsung, opened a rice mill and a small transportation company at Masan, on the southeastern coast of the Korean Peninsula. Masan was the largest port city in Korea at the time used by imperialist Japan as an exit station to transport exploited Korean resources to the battlefields. Because of this economic situation, Lee Byung-chul started his businesses at Masan (Lee, 1986, p. 25). In 1937, when war broke out between China and Japan, founder Lee was forced to move his business to Taegu in northeastern Korea. He established the Samsung General Store, which exported dried fruits, dried sea foods, and general goods to Manchuria, in the northeastern part of mainland China, which was also a Japanese colony. Lee also launched small flour milling and cotton ginning businesses. Samsung was financed by the Lee family and the Japanese Bank (Yoizi, 1988, p. 78). The ability to borrow money from the Japanese Bank demonstrated Lee's business competency, as the general public did not have access to such funds. In 1943, Lee acquired liquor companies that manufactured raw and refined rice wine (Yoizi, 1988, p. 78). His business expanded rapidly during World War II when he mobilized workers living in barracks on the grounds of his factories (Cumings, 1997, p. 327). Although Lee did not make huge profits at that time, he learned how to run firms, how to turn a basic profit, and when to enter a market (Lee, 1986). Lee carefully observed how *zaibatsu*, the pre-war Japanese conglomerates, ran and owned their corporations in Korea, and applied *zaibatsu* business practices to Samsung's diversification (Cumings, 1997, pp. 306-308).

During the U.S military administration (1945-1948), Lee Byung-chul moved his business headquarters to Seoul from Tae-gu. In 1948, he established the "Samsung Trading Corporation," which later became one of the top 10 trading firms[8] in Korea (Yoizi, 1988, p. 79). At that time, trading was a high profit business, because it did not require outside capital. It was similar to legal smuggling, in that the Rhee regime issued trading licenses to only a few businesses, including Samsung Trading Corporation among them. Most commodities came from Japanese military storage in Korea and from the inventory of Japanese trading firms in Manchuria. After Japan was defeated in World War II, it abandoned the military goods that it had stored in Manchuria and Korea, and Lee made huge profits in the trading business (Lee, 1989, pp. 12-19). By 1950, Samsung had established trading companies in Masan, Taegu, and

[8] The Samsung Trading Corporation in 1948 differed from the Samsung Corporation in 1951, despite their similar business, trading. The Samsung Trading Corporation was established by Lee Byung-chul and 5 other businessmen, including Cho Hong-je, a founder of Hyosung, a second-tier Chaebol. The Samsung Trading Corporation went bankrupt after the Korean War broke out in 1950. In 1951, Lee Byung-chul established the Samsung Corporation (Yoizi, 1988, p. 79).

Seoul, but went bankrupt once again, as a result of the Korean War on June 25, 1950. Founder Lee had to flee to Busan with empty hands since, except for Busan, the Korean Peninsula was under North Korea's control.

In spite of the war, Samsung kept growing. After United Nations Forces, including the U.S., entered the Korean War in September 1950, relief supplies and capital poured into Korea. The U.S. provided the financial resources and materials necessary to reconstruct Korea for the Rhee regime, which considered Korea an anti-communism bulwark in East Asia (Cumings, 1997). Along with these external conditions, Samsung grew rapidly because of political favors it received from the Rhee regime. President Rhee provided foreign aid and capital for Samsung to diversify its businesses to include food, trading, sugar refining, liquors, textiles and clothing. He also guaranteed monopolized rights in the manufacturing markets and selected Samsung as a priority firm when entering private contracts for national projects (Lee, 1989, pp. 12-34). Thus, Samsung further expanded its business from food and clothing industries to include banks, security, insurance, fertilizer, and even cements in the late 1950s (Samsung, 1998, pp. 42-61).

During this time, Samsung founded three important firms that marked its emergence as an empire: Samsung Corporation (a trading company); Cheil Foods and Chemicals (a food firm); and Cheil Wool and Textile Corporation (a clothing firm). The Samsung Corporation, established in 1951, which was in charge of exporting and importing military materials (e.g., scrap iron), sugar, and fertilizers during the Korean War. While imposing strict limits on other firms, the Rhee regime set Samsung's export quota at approximately 50,000 tons of scrap iron. Samsung Corporation became a central node responsible for importing raw materials needed by Samsung and for exporting industrial products produced by Samsung (Lee, 1989, pp. 12-19). Another Samsung firm was Cheil Foods and Chemicals Inc, established in 1953, in charge of processing sugar, flour, and canned food. At that time, because of deficient production in the domestic markets and heavy dependence on importation, these items were considered as the golden geese. Enormous profits were made possible for firms that succeeded in localizing these goods. However, the food business required huge amounts of money and large factory sites. This meant that no firm could start a food business without favors from the Korean state. The Rhee regime, via the Chosun Bank, loaned Samsung approximately $180,000, the cost of equipment needed to fund Cheil Foods and Chemicals, and provided factory sites to Samsung at cheap prices (Lee, 1989, pp. 20-28). It, thus, is unsurprising that from 1954 to 1956, the average annual rate of growth of Cheil Foods and Chemicals Inc. was 93 percent (Kim, 1993, p. 28).

In 1954, Samsung founded the Cheil Wool and Textile Corporation, which was responsible for its clothing business. Like Cheil Foods and Chemicals Inc., the clothing firm also received favors from the Rhee regime in terms of the cost of equipment and factory sites. For Samsung, the Rhee regime purchased spinning machines from West Germany. Although the spinning machines were technically a national asset, Samsung retained exclusive use of them (Lee, 1989, pp. 20-28; Yoizi, 1988, p. 78). The Cheil Wool and Textile Corporation also grew rapidly at an average annual rate of 91 percent during the years between 1956 and 1960 (Kim, 1993, p. 28). Such successful ventures enabled Samsung to become the largest company in Korea during the 1950s (Yoizi, 1988, p. 79). In addition to manufacturing businesses, Samsung also took over three of the five commercial banks controlled by the Rhee regime: the Hanil Bank in 1957; the Commercial Bank of Korea in 1958; and the Chohung Bank of Korea in 1959. Samsung acquired Chunil Security in 1957 and Ahn Kun Fire Insurance in 1958 (Kim, 1993, p. 38). As for heavy chemicals, Samsung acquired Samchuk Cement in 1957 and Honam Fertilizer and Hankuk Tier in 1958 (Kim, 1993, p. 169).

Simply put, the favors of the Rhee regime allowed for Samsung's rapid growth between 1948 and 1960. During Korean War and the postwar recovery, Samsung diversified from trading to include food, clothing, cement and even financial industries.

In the 1960s, Samsung diversified further to heavy chemicals, and laid its imprints in the insurance and service industries. As for heavy chemicals, Samsung established the Ulsan Fertilizer company in 1961. It in 1963 also acquired the Hanil Nylon Company and the Daehan Oil Refining Company. Hankuk Fertilizer was added in 1964 and the Jeonju paper manufacturing company was acquired in 1965. Samsung also aggressively pursued financial subsidiaries. Purchasing Dong-Yang Fire Insurance in 1962, acquiring three more insurance firms: Ahn-Kuk Fire and Marine Insurance, Dong-Bang Fire and Marine Insurance, and Tong-Yang Fire and Marine corporations[9] in the following year. In addition to these acquisitions and mergers, Samsung poached several service subsidiaries, including Dong-bang Department Store,[10] Dong-Nam Security and Dong-Hwa Real East.[11] In 1964, after Samsung sold Taegu University, SungKunkwan University became one of its properties. In 1965, Samsung established the Korea Hospital[12] and the Samsung Cultural Foundation.[13] In the same year, Samsung acquired a seasoning corporation and a paper-processing firm (Yoizi, 1988).

In 1963, Samsung started to build the Hankuk Fertilizer Corporation, the largest fertilizer factory in Asia. Lee Byung-chul borrowed construction funds from foreign companies, in large part from a Japanese firm, Mitzi, and imported raw materials as well as machines to manufacture

[9] Tong-Yang Fire and Marin Insurance was sold by Hanjin, a chaebol group, in 1967. The other two firms merged with Samsung Life Insurance in 1989 (Yoizi, 1988, p. 79; Samsung, 1998, p.; Kim, 1993, p. 170).
[10] After acquiring the Dong-bang Department Store, Samsung renamed it the Shinsaegae Department Store (Samsung,1998, p. 74; Kim, 1993, p. 169).
[11] This firm was merged with JoongAng Development in 1966 and has been responsible for all businesses related to Samsung real estate. Later, it was renamed Samsung Everland. (Kim, 2005, pp. 109-115).
[12] Later, renamed the Kangbuk Samsung Hospital (Samsung, 1998, p. 176).
[13] This nonprofit organization played a central role in supporting Samsung's family ownership (Yoizi, 1998, p. 81).

fertilizer (Lee, 1993, p. 124). In the process, Samsung illegally imported raw materials such as saccharine, whole wheat, cement and the machinery needed to process raw food. As a result, Lee Byung-chul announced in 1967 that he would give up the fertilizer business, donate 51 percent of the Hankuk Fertilizer[14] stock to the Park regime, and resign as Chairman of Samsung (Kim, 1988, p. 110; Lee, 1993, pp. 130-180). These actions illustrate the illegal activities that Samsung subscribed to, when necessary, to continue its diversification.

Several years later, Lee Byung-chul returned to the position of Chairman and established the Samsung Electronics Company (SEC). He forged connections with transnational corporations (TNCs) in order to acquire technological and financial resources needed for further expansion. Dictator Park Jung-hee, who was the ruler during that period, accommodated for the growth of Samsung in electronics, by enforcing favorable regulations such as the Basic Plan for Electronics Industry Promotion and the Electronics Industry Promotion Law. These regulations reduced corporate taxes by up to 50 percent for export incomes, exempted tariffs for imported raw materials, provided low-interest loans for export industries and firms and established the Korean Trade Promotion Corporation and the Korean Foreign Trade Association to provide information about overseas markets (Jin, 2002, pp. 82-85). In the 1970s, Samsung particularly strengthened its electronics and semiconductor business. Lee Byung-chul actively set up joint ventures with TNCs to acquire investment and technology (Kim, 1997, pp. 131-163). Samsung received technology transfers from TNCs, especially from electrical and electronics corporations, with some in shipbuilding, textiles and petrochemicals. Founder Lee preferred joint ventures to become a subsidiary to Japanese TNCs, such as Sanyo and the Nippon Electric Corporation. Samsung-Sanyo Electric produced its first TV sets in 1970. At first, most TVs were exported

[14] Samsung regained this corporation in 1994 (Samsung, 1998, pp. 76-81).

because local demand was small. Production of television sets for the domestic market began in 1972, followed by refrigerators and washing machines. In the latter half of the 1970s, Lee Byung-chul decided to expand Samsung's modest electronics business into semiconductor chips, since he considered this field to be the future of the electronics business (Lee, 1993, pp. 194-230).

Along with the electronic businesses, Samsung kept expanding into heavy chemicals, hotels, machinery, the construction industry, and a theme park in the 1970s. Between1972 and 1974, Samsung's operations in heavy chemicals included agricultural chemicals, petrochemical manufacturing, paints, coatings and other finishing product manufacturing, plastic and fiber manufacturing. In 1973, Samsung established Hotel Shillar. Samsung's machinery businesses included shipbuilding, automobiles, aerospace products, trains, and helicopters. From 1975 to 1978, Samsung established a variety of construction companies in the fields of heavy and civil engineering, nonresidential and residential construction, and highway and street construction.

In the 1980s, Samsung added knowledge-based industries, ranging from a system security business, a medical business, a professional baseball team, computer-mediated communication business and an economic research group. Specifically, since 1982, Samsung has owned commercial buildings' maintenance and securities services. The same year that the Korean government encouraged chaebol groups to establish professional baseball teams, Samsung launched a professional sports business. In 1984, Samsung established a medical system with a focus on pharmacies, hospitals, and nursing. The following year, in 1985, Samsung entered into computer-mediated communication business, founding Samsung SDS. This company was responsible for computer-based communication, such as internet chatting, e-commerce, and Internet's content business (Lee, 1997). Further, in 1986, Samsung established the Samsung Economic Research Institute (SERI) based on Lee Kun-hee's suggestion in 1986.

SERI has conducted research for Samsung's projects as well as Korea's long-term vision relative to economic, political, and social issues. SERI focuses on promoting neoliberal thinking on the news by providing special information for journalists (Kim, 2007; SERI, 2006).

In brief, since Lee Byung-chul established Samsung in 1936, Samsung has diversified its economic activities moving into food, textiles, petro-chemicals, heavy industry, electronics, service business and finance. Time-wise, the 1960s belonged to the first stage of Samsung's diversification into chemicals, insurance, real estate, department stores, hotels, universities, cultural foundations and even media. The 1970s, its second stage, focused on heavy industry and electronics. By the mid-1980s, Samsung covered almost all Korean economic sectors. Samsung's entrance into petro-chemicals, heavy industry, and electronics was bolstered by the shift in national economic policies from light industry (e.g., textiles, wigs, and toys) to heavy and chemical industries (petro-chemicals, fertilizer, and electronics). With the encouragement of the Korean state, Samsung evolved from a low-technology operation to heavy-chemicals and electronics (Kim, 1993; Kang, 1997).

4.1.2. New Samsung Groups

In November 1987 upon the death of Lee Byung-chul, Samsung entered a new phase. Lee Kun-hee, his third son, took charge of this conglomerate. Unlike his father, Lee Kun-hee upgraded Samsung's position from an Original Equipment Manufacturer (OEM) of developed Western TNCs to a transnational corporation in the global market. After founding the Samsung Winners Card in 1988, Lee Kun-hee expanded its financial businesses to include investments, savings and loans, securities and insurance (life, fire, marine and casualty). However, he did not own any commercial banks, because the Korean state did not allow chaebol groups to control them (Samsung, 1998, pp. 172-73). In 1993, Chairman Lee announced "Samsung's New

Management," which led to the restructuring of Samsung from cheap and quantity-oriented production to high quality goods. This meant that under Chairman Lee Kun-hee Samsung would take more business risks and discard old management styles. This included radical changes in working hours and practices, and the decentralization of operations and authority. Samsung introduced new working practices in order to facilitate the company's internationalization and technological advance. The firm hired more professional managers than before and focused on electronics as a core field. Samsung also empowered the majority of its top executives and engineers who were familiar with technological challenges (Dodgson & Kim, 1997, p. 57-58).

In addition to management reform, Chairman Lee employed both horizontal integration and spin-off[15] in the Samsung Electronics Company (SEC). Samsung added 28 firms in this period, 24 of which were built and four of which were acquired. The electronics and electric industry accounted for nine of them, heavy machinery industry for three, and petrochemicals for three. This meant that Samsung reorganized its businesses to focus on the electronics industry. The SEC was the core firm, which controlled other subsidiaries producing the parts, components, and materials for electronics. Together with its vertical expansion in electronics, Samsung diversified horizontally into the service areas important for people with high incomes or advanced age (Kang, 1997, p. 43). As a result, Samsung became a transnational corporation with a focus on digital devices in the 1990s. SEC played a central role in transnationalizing Samsung, and became the largest producer of dynamic random access memory (DRAM) and memory chips, owning 62 overseas offices in 50 countries. Samsung also owned 8 domestic and 13 international research and development (R&D) centers established alongside regions or institutions which specialized in scientific and technological expertise. Under control of Samsung, the domestic and

[15] "Spin-off" is an economic term used when a division of a company becomes an independent business in the same industry (Kang, 1997, p. 43).

global R&D centers also maintained cooperative relationships under control of Samsung (Dodgson & Kim, 1997, 57-64).

Within the transformation of Samsung from a domestic conglomerate to a transnational corporation, Lee Kun-hee regrouped Samsung's businesses into six corporations in the 1990s: Samsung (electronics, finance, heavy-chemicals, information technology, advertising, and trading); CJ (food, bio-chemical, and audio-visual media businesses); Saehan (textiles and components of digital devices); Shinsaegae (department stores and retail); Hansol (a paper manufacturing company and telecommunication); and JoongAng Ilbo (telecommunication devices, convenience stores, and media). More specifically, Lee Kun-hee divided the shares of Samsung among five people: a brother, two sisters, a nephew, and a brother in-law. For example, Lee In-hee, the eldest sister of Lee Kun-hee, inherited Hansol in 1993. Lee Chang-hee, the second brother of Lee Kun-Hee, became responsible for running Saehan in 1995. Lee Myung-hee, the youngest sister of Lee Kun-hee, was in charge of distribution businesses with a focus on retail and department stores in 1997. Lee Kun-hee transferred the shares of CJ to Lee Jae-hyun, his nephew in 1997. Finally, Samsung transferred shares of both the *JoongAng Ilbo* and its some parts of manufacturing businesses to Lee's brother-in-law, Hong Seok-hyun in 1999 (Seoul Shinmun, 2005, pp. 12-150).

In short, after starting as a small rice mill in 1936, Lee Byung-chul, the founder of Samsung, expanded its businesses from low-tech manufacturer, heavy chemical producer, and, finally, to high-tech maker conglomerates, as seen in Table 1a. Founder Lee also maintained close relationship with the Korean state to receive favors. After Lee Byung-chul died in 1987, Lee Kun-hee, the third son of the founder Lee, transformed Samsung into a multinational corporation and also broke Samsung into six corporations: Samsung, Hansol, Saehan, Shinsaegae, CJ, and JoongAng Ilbo. Each corporation was controlled by the Lee family members. Except for Saehan, each of the corporations belongs to members of chaebol groups. Samsung is a first-tier chaebol. Hansol, Shinsaegae, CJ and JoongAng Ilbo are members of the second-tier chaebol groups and Saehan was assigned to the commercial banks (Seoul Shinmun, 2005).

Table 1a: Samsung's Diversification from the 1930s to the 1990s

Periods	Industry	Businesses
1936-1945		Trading, Rice Milling, Baking Bricks
1945-1948	Food	Rice-Wine, Yeast
1950s	Finance	Five Commercial Banks, A security, Insurance
	Food	Sugar, Flour, Food-processing
	Clothing	Textiles, Wool
1960s	Petro-Chemicals	Fertilizer, Nylon, Paper-Processing
	Electronic Industry	Electronics
	Medicine	Hospitals and Pharmaceuticals
	Finance	Insurance (Life, Fire & Marine) and Securities
	Table1a (Continued)	
	Distribution	Department Stores
	Education	Universities
	Mass Media	Newspaper and Television and Radio Stations
	Other.	Real Estate and Cultural Foundations
1970s	Petro-Chemical	Agricultural Chemicals, Paints, Plastic and
	Machinery Industry	Fiber Manufacturing, Shipbuilding,

Table 1a (Continued)

		Automobile, Aerospace & Trains
	Construction	Heavy & Civil Engineering, Nonresidential and Residential Construction and highway and Street Construction
	Electronics	Semiconductors, Household Appliance and Consumer Products
	Leisure	Theme Park, Hotels
	Mass Media	Advertising
1980s	Security	System Security
	Medicine	Pharmacies, Hospitals and Nursing
	Sports	Professional Baseball Team
	Mass Media	Recorded-Music and Computer-mediated communication
1990s	Mass Media	Cable Television, Online Newspaper and Film

Sources: Author's elaboration on Kim (1993, pp. 169-172), Kang (1997) and Seoul Shinmun (2005).

4.2. Corporate Governance of Samsung Group

In this section, I review Samsung's corporate governance, defined as a set of rules, processes (or established business practices), ownership structure, or laws needed to operate (or control) a corporation (Monks & Minow, 1996). Three factors – Samsungnism, ownership structure of Samsung and the structural planning office – are intertwined within a Samsung group.

Samsungnism refers to the founding principles of Samsung, which consisted of a set of the rules adhered to sustain the Samsung Empire. These principles, established by Lee Byung-chul, legitimate the Lee family's control of multiple subsidiaries. Samsungnism is composed of three sub-categories: business for national interests (*Saupbokuk*, Korean); support for "talented people first" policy (*InjaeJeil*, Korean); and the pursuit of rationalism (*Haprichuku*, Korean) (Lee, 1986, pp. 40-247). Business for national interests indicates that Samsung regards its development in the same light as that of the Korean economy. Founder Lee Byung-chul had emphasized that "As each Korean does not maintain a Korean identity without Korean nationality, so should businesses in Samsung do: without Korean national development, but for businesses in Samsung; vice versa." (Lee, 1986, p. 46) Although Samsung's development was based on political favors from authoritarian regimes, founder Lee slightly skewed this perspective so that Korean economic development was attributed to the contributions of Samsung. In essence, founder Lee based the first Samsungnism on the economic nationalism of Korea.

The second Samsungnism is the support for "talented people first" policy. This ideology illustrates Samsung's management style with respect to employees (Hoam foundation, 1997; pp. 64-125). Samsung implants elitism among staff, using the mantra "Samsung treats you best. Thus, you are best" to suggest that Samsung respects the discretionary power of employees. However, Samsung tightly controls new staff training them to become Samsung-men who will show high loyalty for the Lee family and produce outstanding results for the company (Kim, 2010). Since the 1950s, Samsung has regularly educated new employees and existing ones to become Samsung-men and has also evaluated them at the end of every year. Staff members receive various rewards or punishments based on their performance evaluation by the Lee family, staff receiving high records are promoted, while others are left behind. Thus, Samsung's control and management of human personnel is highly centered on the concept of meritocracy and the delivery of capitalistic results.

The final Samsungnism is the pursuit of rationalism to maximize profits (Lee, 1986). The management style of Samsung is fundamentally based on long-term profits. The Lee family has the final decision in whether to enter new businesses. For example, Lee Byung-chul decided that Samsung would strengthen the business of semiconductors in the early 1980s. Since semiconductor businesses required huge amounts of money and high technology at that time, the think tanks within the conglomerate and its business allies held strongly opposing viewpoints about Samsung's expansion into the semiconductor business. Lee Byung-chul, however, contrary to conventional wisdom, decided to make semiconductors the core business of Samsung. Despite early setbacks and challenges, within the next decade Samsung had become one of the top three semiconductor firms around the world (Samsung, 1998, pp.111-121).

Further, in 1993, the Chairman, Lee Kun-hee declared "Samsung's New Management," which led to restructuring Samsung from cheap and quantity oriented production to high quality production and distribution venture. Samsung's management style changed from a "look even at a stone bridge before one leaps (acts with utmost caution)" to a "leap if you see just a wooden bridge without being afraid" approach (Rowley & Bae, 2003, p. 197)—i.e., Samsung reformed and aggressively took businesses risks and discarded old management styles (Samsung, 1998, pp. 212-289). Samsungnism is thus the fundamental principle for sustaining the Samsung Empire, and plays a vital role in legitimating Samsung in the Korean economy, in entrenching recruited staff as Samsung-men, and in diversifying Samsung's businesses (Lee, 1986; Lee, 1993; Kang, 1997).

As to the ownership structures of Samsung, the Lee family is the largest stockholder, which holds at most 10 percent of the value of the Samsung group (Kim, 2007). Instead of direct control with stocks over all its multiple subsidiaries, the Lee family controls Samsung group through circular corporate structures, defined as a complex web of ownership structure within a chaebol group to maintain tight managerial control over multiple subsidiaries (Lee, 2008, p. 443). The Korean corporate law approves the corporation as a legal stockholder, which allows the Lee family to create the pyramid ownership structure within the intra-group. This means that Chairman Lee and his family members become the largest stockholder of a holding company (or a de-fact holding company). This holding company maintains an interlocked ownership with a few leading subsidiaries within the entire Samsung group dominating over the sub-leading ones. The holding company is located at the top of the ownership structure of a chaebol group.

For example, the Lee family is the largest stockholder of Samsung Everland, a de-facto holding company of Samsung and the largest theme park in Korea. Other major stockholders of Samsung Everland include Samsung Electronics Company, Samsung Corporation, and Cheil Wool and Textile Corporation. These leading companies control multiple sub-subsidiaries in multiple economic sectors and also share ownership with each other, including that of Samsung Everland. This interlocked ownership structure between a de-facto holding company and a few core holdings institutionally allow the Lee family to control the Samsung empire either directly or through layered structures, as they are the largest stockholder of Samsung Everland and a few leading companies (Kim, 2007).

The hierarchical orders exist within the Lee family as well. At the top of the hierarchy is Chairman Lee Kun-hee, who exercises his power over all members of the Lee family (Jeong, 1985). The relationship between the Chairman and his family is based on filial piety and an authoritarian hierarchy reflecting the influence of Confucianism and patriarchy. Top executive positions are also occupied by prominent members of the family. While a key executive position in the subsidiaries may be rationed to nonmembers, as the dominant stockholders of core subsidiaries, Lee's family holds the right to appoint or dismiss any executives who are responsible for managing subsidiaries under the Samsung flagship (Kim, 1997, p. 55-58).

Equally important is the structural planning office, which plays a vital role in maintaining the hierarchical corporate structure of Samsung (Kim, 2005). The structural planning office belongs to the Chairman's office, as it is thus located at the apex of the hierarchical structure. Chairman Lee rarely involves himself in the working of the structural office, but regularly meets the chief director of the office and a few of its directors. The chief director of the structural planning office, appointed by Chairman Lee, is called the Samsung's second-in-command. He accounts for all affairs of the structural planning office. This office is in charge of (1) personal management; (2) financial affairs and the Lee family's assets; (3) account auditing as a supervisory tool for internal deals related to Samsung; (4) promotional relation for enhancing Samsung's image; (5) information gathering about the power elites of both political leaders and high officers in the National Tax Service and Public Prosecutors; and (6) legal issues related to Samsung's internal and external affairs (Kim, 2010). Members of the structural planning office come from Samsung's subsidiaries. Without permission of the Chairman, however, nobody becomes a member of this control tower (Kim, 2010).

To recap, the Lee family controls the Samsung Empire. Through controlling hierarchical corporate structures, this family wields influence on the structural planning office, which in turn controls the CEOs of affiliates. Although the CEOs in the Samsung's subsidiaries have exercisable power over their organizations, they are ultimately under the control of the structural planning office, which represents the Chairman Lee and his family. Because of the pyramid like structure through which power flows, the management style of Samsung is known an "emperor-like management" (Kim & Kim, 2008, p. 48).

4.3. Lee Byung-chul and His Children

In this section, I discuss the founder Lee Byung-chul and his family members. Samsung founder Lee used the marriage ties of his children to connect Korean power elites, which allowed him to receive favors from the military regimes and to establish a power complex between the Lee family and the Korean power elites.

Lee Byung-chul (1910-1987) was born in Uiryeong-gun, located in the southeastern part of the Korean Peninsula. His father was a landlord, which enabled Lee Byung-chul to study at Waseda University in Japan. Although he did not graduate, he started working at a small general store in the mid-1930s (Lee, 1986, pp.10-20). Lee rarely made big money at the time of the Japanese occupation.

However, his experience during the Japanese occupation period taught him how to forge connections with the power elites. For example, Lee Byung-chul conducted his businesses in Taegu, the southern center of Kyongsang province, in the period of the American military occupation (1945-1948). He owned a special license, one not available to ordinary people, to manage the largest factory of rice wine in Korea as well as to produce refined rice wine (Yoizi, 1988, p. 78). His liquor license signified his capability of managing informal ties, since ordinary people were excluded. Lee organized a friendly society, called "Ulyuhoi," and invited most of the managers appointed by the U.S. military to become members. At that time, members of "Ulyuhoi" were Korean power elites who had a close relationship with the American military government. Through his experience with Ulyuhoi, founder Lee realized the power of informal ties, which later played important roles in the expansion of Samsung's businesses (Lee, 1989, p. 12-13; Kim, 2007).

During the post-colonial periods (1948-1960) and the authoritarian regimes (1961-1987), Lee Byung-chul used regional ties to connect with power elites. These ties involved connections based on hometown geography and early educational locations (e.g., high schools (Kim, 2007). Most Korean power elites came from the Kyongsang province, the most powerful region of Korea. Lee Byung-chul contacted the retired high officials from political and military realms whose hometown was in the Kyongsang province, and then recruited them as Samsung-men with high positions of subsidiaries within Samsung. Through these Samsung-men, Lee formed a network with the Korean power elites (Yoizi, 1988, p. 84-87).

Founder Lee also extended his family's connection with Korean power elites through the marriage of his three sons and five daughters (Kong, 1989). As seen in Table 1b, marriage was a key mechanism for creating social ties between the Lee family and Korean power elites. His children married children of political leaders, an ex-Cabinet member, chaebol groups, a Japanese businessman, a hospital owner and a professor. The new family members, added by marriage, were involved in Samsung's management as executives or top managers. Founder Lee and his relatives by marriage cooperated to expand Samsung's businesses, shared high positions within Samsung, and formed a power group among their companies (Yoizi, 1988, pp. 81-86; Ryu, et.al., 2005, pp. 338-339).

Specifically, his first son, Lee Mang-hee (1931~), married Sohn Bok-nam (1933~), a daughter of the Kyonggi governor as well as the owner of the Ahn-Kuk insurance company. Since the early 1970s, however, Lee Mang-hee was not been involved in Samsung's businesses, because Lee Byung-chul designated Lee Kun-hee (1942~), his third son, as his heir in the mid-1970s (Yoizi, 1988, p.81).

Table 1b: Children of Lee Byung-chul and Marriage Ties

Children	Marriage	New Samsung
1st daughter	A son of the Owner of the Korean Hospital (Renamed the Kangbuk Samsung Hospital)	Hansol
1st son	A daughter of the Governor in Kyonggi Province & owner of Ahn-Kuk Insurance company	CJ
2nd Son	A daughter of the owner of MMKA, a Japanese Company	Saehan
2nd daughter	The second son of LG group	
3rd daughter	A professor of SeoKang University	
4th daughter	A son of a middle class person	
3rd son	A daughter of an ex-Cabinet member	Samsung JoongAng Ilbo
5th daughter	A son of the owner of Dongbang Department	Shinsaegae

Sources: Author's elaboration from Seoul Shinmun (2005, pp. 15-38); Yoizi (1988, p. 83).

Instead of Lee Mang-hee, his children and his wife's family members became involved in Samsung's food business, CJ (see Appendix A1). Lee Jae-hyun (1960~), the first son of Lee Myung-hee, was the owner of CJ (Seoul Shinmun, 2005, pp. 100-116; Kong, 1989). Lee Myung-hee also had one more son and a daughter, both of whom have been involved in CJ's businesses as high managers.

The second son, Lee Chang-hee (1933~1991), married a Japanese woman, a daughter of the owner of MMKA. Although he was one of his father's closest assistants, he was not appointed as Samsung's successor. After being jailed for smuggling saccharin in the case of the Hankuk Fertilizer Corporation in 1967, he was relegated to manage a paper company, a videocassette and audiocassette company, and textile firms (Seoul Shinmun, 2005, pp. 58-70; Yoizi, 1988, p.83). Lee Chang-hee had three sons and a daughter, who married other members of chaebol groups, including the Dong-Ah, the Dong-bang, and the Life Group.

The third son, Lee Kun-hee (1942~), married Hong Ra-hee (1945~), a daughter of Hong Jin-gi (1917~1986), who had been a judge during the period of Japanese occupation and an ex-Cabinet member in the Rhee regime (see Appendix A2). Hong Jin-gi played the role of mediator in connecting the Lee family to Korean political elites. Through the Hong family, founder Lee Byung-chul connected to the Korean power elites, because children of Hong Jin-gi married to children of chaebol groups and those of powerful politicians, such as Lee Hoo-rak, ex-chief head of the Agency for National Security Planning (the Korean equivalent of the CIA) under the Park regime, Keum Jin-ho and an ex-cabinet member in the Chun regime (Ryu et.al, 2005, p. 338).

Hong Jin-gi made certain his six children received an elite education: All of them graduated from Seoul National University (the equivalent of Harvard University in the U.S). He has four sons and two daughters: Hong Ra-hee, his first daughter, is the wife of Lee Kun-hee and holds several high positions in cultural foundations sponsored by Samsung; Hong Seok-hyun (1949~), his first son, is an owner of the JoongAng Ilbo; Hong Seok-jo (1953~), his second son, is an ex- chief high prosecutor; Hong Seok-jun (1954~), his third son, in the vice-chairman of Samsung SDI; Hong Seok-kyu (1954~), his youngest son, is the Chairman of Bokwang group;

and Hong Ra-yong (1960~), his youngest daughter, married the second son of Rho Shin-yong, an ex-prime minister (Seoul Shinmun, 2005, pp. 30-34).

Lee Kun-hee and Hong Ra-hee have three children: son Lee Jae-yong (1968-); daughter Lee Pu-jin (1970-); and daughter Lee Seo-hyun (1973-) (see Appendix A.3), all of whom have held high positions within Samsung. Lee Jae-yong, the only son of Lee Kun-hee, married a daughter of Daesang, a second-tier chaebol conglomerate, but later divorced her. Lee Pu-jin, the first daughter of Lee Kin-hee, is married to an ordinary person from middle class man. The other daughter, Lee Seo-hyun, is married to the second son of the *Dong-A Ilbo*, one of the big three Korean daily newspapers.

Samsung's women have limited involvement in the daily management of the firms, in spite of their substantial share of ownership (Kim, 1997, pp. 57-69). The founder's eldest daughter, Lee In-hui (1928~), was responsible for Hansol, which focuses on both paper manufacturing and telecommunication. However, she did not have an official title but was a powerful adviser. She married Cho Uhn-hae (1925~), a son of the owner of the Korea Hospital (renamed the Kangbuk Samsung Hospital) (Seoul Shinmun, 2005, pp.118-132). Lee Byung-chul's second daughter, Lee Suk-hui (1935~), is married to Ku Ja-hak (1937~), the second son of LG, a first-tier chaebol conglomerate. Through this marriage tie, Samsung connected to other members of chaebol groups (e.g. Daelim, Hanjin, and Doosan) to connect to ex-president Park Jung-hee, an ex-Prime Minister of Kim Jong-phil, and an ex-Cabinet member of Kim Dong-jo (Ryu, et.al, 2005, p. 338). The third daughter, Lee Sun-hui (1939~), is married to Kim Kyu, a professor in the communication department of SeoKang University. For a couple of years, her husband worked at a broadcasting firm, TBC, as a general manager. Lee Duk-hee (1940~), his fourth daughter, is married to a Samsung man, Lee Jong-ki (1936~), a general manager of

JoongAng Ilbo (Yoizi, 1988, p. 83). Finally, Lee Myung-hui (1943~), his fifth daughter, is a major stockholder and a managing director of Shinsaegae, a second-tier chaebol conglomerate. Shinsaegae businesses include retail, department stores, civil construction, a food processing business, hotels, and a system integration company. She is married to Jung Jae-un (1939~), the third son of the owner of Dong Bang Insurance. Unlike founder Lee's other daughters, the eldest and the youngest have been actively involved in Samsung's businesses.

In summary, Lee Byung-chul used informal ties (e.g., blood, marriage, and region) to establish a power bloc within corporate structures of Samsung. Through regional ties, Lee Byung-chul connected to political elites in order to receive the political favors. With marriage tie between the Lee family and Korean power elites, founder Lee cemented a power complex within Samsung's corporate structures. Further, founder Lee willed Samsung his third son and allowed his other children to be involved in Samsung's businesses (Seoul Shinmun, 2005, pp. 15-150).

4.4. Samsung in the History of Korean Mass Communication

Samsung was the first member among chaebol groups to enter the Korean broadcasting and newspaper industries in the 1960s (Seo, 2003). Since then, it has increased its media holdings to include advertising, computer-mediated communication, video production, cable television, film and digital media industries. In this section, I survey the history of Samsung's media businesses from the 1960s to 1997.

Chronologically speaking, Samsung entered the Korean media market in 1963 when it established the JoongAng television station serving Seoul and Pusan, Korea's second-largest city, and founded TongYang Broadcasting Company (TBC) broadcasting FM radio in Seoul. Samsung combined the JoongAng television station with TBC later. In 1965, Lee Byung-chul and Hong Gin-gi co-founded the *JoongAng Ilbo,* which was based on Japanese daily newspapers, such as the *Asahi*, the *Yomiuri*, and the *Minitz*. Hong Gin-gi was an ex-cabinet member in the Rhee Seung-man regime and also the father of Hong Ra-hee, the wife of Lee Kun-hee, the current owner of Samsung. Hong Gin-gi and Lee Byung-chul maintained a close relationship with each other as personal friends, as family members by marriage, and as business partners (Lee, 1986.; Yoizi, 1988, p. 85). Lee Byung-chul provided financial support for the *JoongAng Ilbo*, while Hong Gin-gi was involved in managing the newspaper (Samsung, 1998, pp. 86, Seoul Shinmun, 2005, pp. 470-472). In 1966, Samsung further expanded its empire by establishing Samsung Everland, a theme park, which was the first amusement park in Korea.

In the 1970s, Samsung set up Samsung Publishing (1972) and Cheil Communication (1973), mainly to establish media holdings and to support Samsung's corporations. For example, Samsung owned almost 90 subsidiaries in the manufacturing industries. Each holding needed a publishing corporation to distribute its information to the public as well as to Samsung's subsidiaries. The role of Cheil Communication was similar to that of Samsung Publishing. In fact, Cheil Communication was the in-house advertising agency of Samsung that provided full services for its clients – from marketing strategies, advertising production, media planning to consumer research (Kim, 1994, p. 178; Samsung, 1998, pp. 460-462). Most of Cheil Communication's clients were Samsung's subsidiaries in the food, clothing, electronics, chemicals, machinery, and construction industries.

The 1980s for Samsung was a decade of ups and downs. Samsung had to give up TBC, a broadcasting network, in 1980, because the Chun Doo-whan regime (1980-1987) would not allow chaebol groups to own network broadcasting stations. The Chun regime wanted to control the mass media, and forcefully integrated TBC into the Korean Broadcasting System (KBS). Although Samsung lost TBC, it did not lose its other media businesses. Samsung jumped into the video business for two reasons: First, Samsung was a major manufacturer of video home systems (VHS) and videocassette recorders (VCRs), and wanted to create more demand. Second, as the videotape market gradually increased, Samsung entered into video production (Choi, 1998 cited in Jin, 2005, p. 118). Its main customers were the general population, as the two network broadcasting stations, Korean Broadcasting System (KBS) and Munhwa Broadcasting Company (MBC), directly produced television drama and entertainment shows and imported foreign movies and television drama to fill their schedules (Choi, 1998; Park, 1994).

In 1984, Samsung founded Starmax as a subsidiary of Samsung Corporation, a trade subsidiary of Samsung. Starmax whose brand name was Dreambox was responsible for producing movies on VHS, and importing foreign films for customers after the Chun regime opened the Korean film market to Hollywood (Park, 1994). This experience in the video business helped Samsung recognize the potential growth of the film industry (Jin, 2005, p. 119). In the following year, 1985, Samsung established Samsung SDS, which has been responsible for developing software for computer-based communication, including Internet chatting, online games, and e-commerce. Most of the customers have been private corporations and government institutions rather than individuals (Lee, 1997, pp. 123-134). In 1989, Samsung also established Cheil-Bozell, a joint venture with Bozell, a U.S. company responsible for facilitating joint ventures between Samsung and foreign companies in Korea.

In the 1990s, Samsung established Orange, brand name Nices, a recorded music company, as a subsidiary of Cheil Communication (Variety, 1997). When the Korean government launched cable television in 1993, Samsung was allocated only two cable channels: a paid channel, Catch-One, and a documentary channel. Instead of establishing an independent holding, Samsung added a cable business to Cheil Communication, the advertising agency of Samsung. To prepare media content for the paid channel “Catch One,” Samsung made exclusive licensing agreements with Disney, Warner Brothers, Paramount, 20th Century Fox, and Universal Studios. Samsung's basic cable channel, “Channel Q” (the Korean equivalent of the Discovery Channel), made program supply contracts with Japan's NHK, BBC, and Discovery. Samsung also invested $60 million for a 7.6 percent stake of the independent Hollywood studio New Regency Productions to guarantee Korean distribution rights to films made by that studio (Shim, 2002).

Two years later, in 1995, Samsung reorganized its audio-visual businesses. Samsung launched Samsung Entertainment Group (SEG), which was responsible for incorporating previously separate film, music and cable industries into a single unit. SEG also opened an annual Scenario Contest and Short Film Festival to showcase promising local directors and writers, co-produced film with foreign film directors and provided television drama and animation for network television (Variety, 1997). SEG played a central role in applying advanced business know-how, including systematic planning, marketing and accounting, into the media subsidiaries under Samsung. For example, SEG held independent film festivals and film scenario contests with considerable cash prizes, supported young directors with degrees from prestigious film schools all over the world and hired competent staff members from diverse lines of business within chaebol groups (Shim, 2008). Moreover, in 1995, CJ, as a subsidiary of old Samsung, established CJ Media, which was responsible for cable television (Lee, 2003, pp. 101-103). In the film industry, CJ founded Dreamworks SKG, a film and drama importer from Hollywood in 1995 (Ahn, 2007, pp. 14-18). In 1997, CJ entered film exhibition business by establishing Gold Village, the first multiplex theater in Korea (Ahn, 2007, pp. 22- 23).

To summarize, Samsung, CJ and JoongAng Ilbo groups owned media holdings across the media industries from the 1960s to by 1997, as seen in Table 1c. Since these conglomerates entered the broadcasting industry in the 1960s, they have expanded into the printing, advertising, computer-mediated communication, recorded-music and film industries.

Table 1c: The History of Samsung's Media Businesses

Period	Media Industries	Names of Media Holdings
The 1960s	Broadcasting	TongYang Broadcasting Company (TBC)
	Newspaper	JoongAng Ilbo
The 1970s	Advertising	Cheil Communication
The 1980s	Video Production	Cheil Communication
	Recorded-Music	Cheil Communication
	Computer-mediated Communication	Samsung SDS
The 1990s	Film	Samsung Entertainment Groups CJ
	Advertising	Phoenix Communication
	Cable Television	Cheil Communication and CJ

Sources: Author's elaboration from Samsung (1997); Lee (1997); Kang (1997) and *Variety* (1997).

These conglomerates maintained two tracks for its media holdings. Media operations in printing and broadcasting have played central roles in protecting old Samsung's interests from political pressures, disseminating commercial information and entertainment to Korea, and in diluting the negative image of old Samsung (Kim, 2005). Secondly, when the Korean government decided that the media industries would become part of its national economic strategies, Samsung changed its attitude about media to more profit-oriented businesses (Kim, 2002). Samsung and

CJ played a central role in grafting the Hollywood mode of production to Korean cable and film industries. By allying with media conglomerates, mainly from the U.S., Samsung and CJ distributed media products from developed countries for its cable channels, mastered media business know-how from Hollywood, and implanted the logic of capital to the Korean cable and film industries (Economic Review, 2003; Shim, 2002).

Conclusion

In this chapter, I have reviewed the history of Samsung, which included corporate governance, networking between the Lee family and the Korean power elites and its media businesses. The development of Samsung was rooted in the changes in Korean political economy. After starting as a small rice mill in 1936, Samsung established its foundation during the postcolonial period (1948-1960); diversified from light industry and heavy-chemicals, including electronics, to information technology during the authoritarian regimes (1961-1992), and upgraded a transnational corporation under the civil government (mid-1990s to present).

The Lee family has built up the Samsung empire in Korea, by connecting to Korean power elites and maintaining the tradition of family ownership and management. After founder Lee Byung-chul died in 1987, his heir Lee Kun-hee split Samsung into six corporations: Samsung, Hansol, Saehan, Shinsaegae, CJ, and JoongAng Ilbo (Seoul Shinmun, 2005). Among the six new corporations, Samsung ran its media businesses in advertising (Cheil Communication), computer-based communication (Samsung SDS) and theme park (Samsung Everland) industries. CJ ran audio-visual corporations in the cable, film, recorded music and game industries — respectively, CJ Media and CJ O-shopping; CJ Entertainment and CJ CGV; Mnet and CJ Internet. Finally, JoongAng Ilbo held multiple media corporations in the printing (the *JoongAng Ilbo*), cable (jTBC) and advertising (e.g., Phoenix Communication) industries.

In chapter 5, I analyze how neoliberal laws and policies from 1998 to 2012 affected the structures of four media markets (advertising, newspaper, cable television and film).

CHAPTER 5 – NEOLIBERAL MEDIA LAWS AND POLICIES (1998-2012)

In this chapter, I discuss media reforms that occurred in Korea between 1998 and 2012 with three different political governments at the helm: the Kim Dae-Jung government (1998-2002); the Roh Moo-hyun administration (2003-2007); and the Lee Myung-bak regime (2008-2012). The Kim government laid foundations for reform, which included the reorganization of existing media laws and policies, the establishment of the cooperative systems between the government and private financial institutions and the application of the developmental model to cultural industries (Shim, 2000; Jin, 2011). Building on Kim's media policies, the Rho's administration (2003-2007) started the construction of media cities across the Korean Peninsula and launched the state-funded public project to build cyber Korea (Park, Lee & Rho, 2007). Therefore, the Lee regime (2008-2012) abolished legal barriers to cross-media ownership thereby permitting mainstream newspapers to run the new broadcasting stations (Lee, 2009). The three administrations made for a radically transformed national media system and launched the neoliberal developmental model for media (i.e., Korea Inc.).

Thus I discuss media reforms—i.e., (1) the re-regulation of existing media laws and policies; (2) privatization; and (3) the developmental model for Korean media—that characterized this transformational period. The following four industries will be the focus of this inquiry: advertising, newspaper, cable television and film.

5.1. Re-regulation of Media Laws and Polices

While reforms in advertising and printing industries had commenced in the late 1980s, in the period between 1998 and 2012, major liberalized reforms centered on the broadcasting, newspaper and film industries, (Yoo, 1989; Park, 2005; Yun, 2008). By the mid-1990s, the Korean government had completely liberalized the advertising industry, thereby in the late 1990s allowing transnational advertising agencies to compete with domestic players without any legal barriers (Yun, 2008). In the years that followed (i.e., between 1997 and 2001), the Korean government intensively revised about 70 percent of the existing media laws and regulations. The revised laws lowered ceiling limits of media ownership, relaxed conditions for the media industries and replaced licensing systems that encouraged private media ownership. These liberalized steps attempted to promote the media industry as integral to the new neoliberal economic drive (Park, Lee & Rho, 2007).

For example, in 1999, the Korean government revised the Act on Registration of Periodicals, lowering legal barriers of media ownership in the printing industry and allowing foreigners to own up to 30 percent of total shares in a daily newspaper company and up to 50 percent of total stock in a magazine and/or weekly newspaper company (Kim, 2002). Concurrently, in the film industry, the Korean government revised the Motion Picture Promotion Law. The revised regulation guaranteed the freedom of expression in motion pictures, replaced the registration system with the reporting system as the condition of establishment for film companies and completely liberalized independent film production (Shim, 2008). These liberalized media laws and policies led to an increase in the number of private owners and foreign stakeholders in these media industries (Kim, 2010).

Until the turn of the new millennium, Korea had maintained a bi-polar broadcasting system—i.e., public and commercial broadcasting systems (Jin & Shim, 2007). The territorial broadcasting corporations were owned either by the Korean government or the Korean capitalists. Three public broadcasting companies existed: the Korea Broadcasting System (KBS); the Munhwa Broadcasting Company (MBC); and the Educational Broadcasting System (EBS). The Korean government held 100 percent of the total stock of both KBS and EBS. It also owned 70 percent of the total shares in MBC. The other 30 percent of MBC shares belonged to the Chongsoo Foundation. Although these three public broadcasting corporations belong to the public broadcasting system, they had a dual financial system that collected television reception fees and earned revenue from commercial advertisement. Along with these three public companies existed other broadcasting stations (e.g., Seoul Broadcasting System, a national network, cable television, religious stations, local stations and digital satellite stations) that belonged to private commercial broadcasters who earned revenues from advertising (Yoon, 2002; Jin & Shim, 2007).

While the bipolar broadcasting architecture was not dismantled, the Korean government markedly revised broadcasting laws in 2000 and 2009. In 2000, the Korean government reorganized the entire broadcasting industry – including terrestrial, cable, satellite and digital television – under an umbrella regulatory scheme (Nam, 2008).

More specifically, the Korean government replaced the licensing system of program providers in cable television with an open registration system. It also allowed both chaebol groups and foreigners to own up to 33 percent equity in cable networks and digital satellite television and up to 100 percent equity in cable program providers (Jeong, 2006). And, while the Korean broadcasting law did not allow formally the first-tier allow chaebol groups and foreigners to own media holdings in the territorial television and radio businesses at that time, the cross-media ownership between territorial network broadcasters and cable channels was allowed (Yun, 2005). As a result, three players – chaebol groups, foreigners, and territorial networkers – became the multiple system operators (MSO) and multiple program providers (MPPs) in both cable television and satellite and digital television (Nam, 2008).

Ten years later, in 2009, the Korean government re-revised both the Act of Broadcasting and the Act on Registration of Periodicals covering newspapers and magazines. The effect of these revised laws would be the Korean equivalent to the 1996 Telecommunication Act in the U.S. The Korean government abolished the Maginot Line that had protected the public interests from transnational media corporations (TNCs) (i.e., chaebol groups) in the broadcasting industry (Kim, 2010). In fact, it was in 1980 when the Korean government had passed regulations that disallowed corporatists to own cross media subsidiaries (Kim & Kang, 1994). However, the Korean government in 2009 destroyed the legal barrier between the newspaper, news agency and broadcasting industries, thereby issuing five new cable channels to four newspaper companies (e.g., the *Chosun Ilbo*, the *JoongAng Ilbo* and the *Dong-A Ilbo*, and the *Maeil Economic Daily*) and a news agency (Yonhap News, the state owned news agency). As Kim (2010) argues, the acquisition of media licenses threatened content diversity as media companies published very conservative articles.

For example, as seen in Table 2, the individual investor could own up to 40 percent of total shares in a territorial television company, a comprehensive programming channel, or a cable news channel. The comprehensive programming channels refer to new cable channels providing original news content on top of entertainment programs, sports broadcasts and documentaries for cable subscribers through cable networks. The news agencies and the newspaper enterprise could also run broadcasting stations, and hold up to 10 percent of total shares in the national media, up to 30 percent of total stocks in the comprehensive programming channels and news cable channels and up to 49 percent of total shares in the cable network, satellite digital television, and program providers of IPTV industries. Further, each member of a chaebol group could own up to 10 percent of total shares of the national broadcasters, up to 30 percent of the total stocks in the comprehensive programming channels and news cable channels and up to 49 percent of total stocks in the IPTV's company. Finally, foreigners could own up to 20 percent of company shares in comprehensive channels, up to 10 percent of total shares in the cable news channel and up to 20 percent of total stocks in an IPTV's corporation. They also could increase their

Table 2: The Legal Changes of Media Ownership, unit: %

Medium	**The maximum limit of a person**		**Newspaper and news agency**		**Chaebol groups**		**Foreigners**	
	By 2008	Since 2009	By 2008	Since 2009	By 2008	After 2009	By 2008	After 2009
National networks	30	40	no	10	no	10	no	no
Comprehensive programming channels	30	40	no	30	no	30	no	20
News channels	30	40	no	30	no	30	no	10
Cable TV			33	49			49	49
Satellite TV			33	49	49	49	33	49
IPTV content			no	49	no	49	no	20

Sources: Author's elaboration from Lee (2009) and Kim (2010).

In addition, this revised law implied that the Korean government institutionally entrusted relatively new media to the TNCs of chaebol groups (Lee, 2009). For example, chaebol groups were able to own the national broadcasting stations, the comprehensive programming channels, and the Internet Protocol Television (IPTV). Until 2008, the Korean government had not introduced comprehensive programming channels. Although comprehensive channels belonged to cable television, their media power would be equal to that of national broadcasting, because about 86 percent of total households in Korea were members of paid cable television networks.

In other words, the Korean government reorganized the existing media laws to cultivate the media as a national priority. Media reforms focused on relaxing the legal limits of media ownership in the broadcasting industry, permitting cross-media ownership between newspaper and broadcasting companies and abolishing pre-censorship of media content in the film industry. It also allowed foreign capital with TNCs to become major stockholders or the largest stockholder in their Korean printing, cable television and IPTV holdings The Korean media were under the control of capital.

5.2. Privatization of State-Owned Media Companies

Another step taken by the Korean government was the privatization of state-owned media companies in the advertising, broadcasting and telecommunication industries. The state-owned media companies were (1) the Korea Broadcasting Advertising Corporation (KOBACO), the only broadcasting advertising agency; (2) the Munhwa Broadcasting Company (MBC), one of public broadcasting companies; (3) Korea Telecommunication Cable Television (KTCA), the largest cable network system operator; and (4) Korean Telecommunication (KT), the only state-owned wired corporation (Hyun & Lent, 1999; ; Jin, 2002; Lee, 2008; Im, 2012). The plan to privatize these media enterprises was realized in the early 2000s with the exception of the MBC. This meant that the Korean government liberalized the KOBACO, the KT and the KTCA. In the following paragraphs, I discuss why the Korean government failed to privatize MBC first and then review the privatization process centered on the three other media companies (the KOBACO, the KT and the KTCA).

As Jung (2006) points out, the Korean government failed to privatize the MBC for two reasons. First, Korean civil society strongly resisted the privatization of the MBC, which led to animosity about the plan to privatize state-owned media companies. Thus, the Korean government had to give up the plan to privatize MBC. Another reason was due to political conflicts between the Korean government and Park Gun-hye, a political leader for the conservative party and daughter of the military dictator Park Jung-hee. The shares of MBC were held by the Korean government (70 percent) and the Chongsoo Foundation (30 percent). In the early 2000s, the government, which owned 70 percent of the stock, conceived a plan to privatize the MBC by selling its stocks publicly. However, the remaining 30 percent caused invisible tension between the Korean government and Park Gun-hye, the largest stockholder of the Chongsoo Foundation.

This foundation had been established by Dictator Park Jung-hee. After the military coup on May 16, 1961, Dictator Park had seized the fortunes of Kim Ji-tae, including shares of the MBC, and then had founded the May 16 Foundation. After Dictator Park was murdered by his successor in 1979, his first daughter Park Gun-hye returned much of the assets to Kim Ji-tae and his family members. After that, she retained the May 16 Foundation and renamed it the Chongsoo Foundation (Yoo, 1994). Since then, Park Gun-hye was the largest stockholder of this cultural foundation, with 30 percent of the total shares in MBC. Because of this historical background, the Korean civil governments had to give up the plan to privatize MBC. They did not want to allow for a worse case to emerge wherein the dictator's daughter might become the largest stockholder of the privatized MBC. The Korean civil governments in the interim, thus, suspended plans to privatize the MBC (Lee, 2009).

However, the Korean government did privatize each of the other three state-owned media companies: the KOBACO, the KT and the KTCA. The KOBACO had been established by the Chun Doo-hwan regime in 1981. This state-owned company had been in charge of allocating the total TV and radio advertising time in Korea. This meant that broadcast advertising time was sold exclusively through the KOBACO (Kim, 1994). This state agency had also financially supported small and medium sized broadcasting corporations (Yun, 2008). However, foreign and domestic advertising agencies took legal suit with an argument that the KOBACO was unconstitutional. Eventually, in 2008, the Constitutional Court ordered the Korean government to prepare alternative ways to replace the KOBACO and protect interests of small broadcasting corporations (Im, 2012). Following the Constitutional Court decision, the Korean government started to discuss the introduction of privately operated sales agents or media representatives for broadcasters' advertising slots. Media representatives can be defined as the agents that buy media time or space from media owners and then sell them to national advertisers. The introduction of media representatives implied that the Korean broadcasting markets entered the commercialized era, as the Korean government had heretofore controlled the Korean broadcasting companies through the KOBACO (Im, 2012).

In addition, the Korean government privatized the KT, the state-owned telecommunication company, and the KTCA, the state-owned cable network company. Rather than chronic deficits, the privatization of both companies was due to trade pressures from the U.S. Both companies had earned large net profits over the previous few decades (Jin, 2006). Since the late 1980s, the U.S. had pressured the Korean government to privatize KT in the name of bilateral trade liberalization. The Korean government had to accept the American trading pressures, as the U.S. was the largest country of Korea's export markets. The Korean government also needed money to install information technology infrastructures (Hyun & Lent, 1999). Under this trade pressure and in financial preparation for a digital Korea, the Korean government carried out KT's privatization, directly or indirectly controlling the process including how to sell the government's shares of KT, when to sell them, and to whom they would be sold. As a result, foreign institutional investors and chaebol groups were the major stockholders in KT's shares. The foreigners had 49percent of the KT stock, which included Brandes Investment Partners, a global investment advisory firm (6.39 percent), and Microsoft (3 percent). Among members of chaebol groups, SK Telecomm, the largest mobile telephone company, acquired an 11.34 percent stake. LG Electronics, a first tier chaebol, held a 2.27 percent share. Daelim, a second-tier chaebol group owned 1.3 percent share. Other major stockholders included individual and institutional investors (27.1percent), KT employees, and People Welfare Pensions in Korea (2.7percent) (Jin, 2006).

Within the plan to privatize the KT, the Korean government liberalized the KTCA that ran cable networking, broadband, media production and broadcasting advertising businesses, as the KT with 100 percent stocks was the parent company of the KTCA. Further, the Korean government sold the KTCA through open bid to CJ Home shopping, a media holding of CJ group (Lee, 2008). In this way, the Korean government privatized state-owned media companies.

5. 3. The Developmental Model in the Korean Media Industries

The developmental model used by previous military regimes (1961-1987) for Korea's economic growth in the manufacturing industries was likewise applied to the cultural industries (Shim, 2000). But, unlike the military regimes controlling chaebol groups through financial resources, the civil government cooperated with them to develop the media as a catalyst for the new economy (Kweon, 2008). Through enacting the Basic Law on Promotion of Cultural Industries (BLPCI), the Korean government justified its involvement in Korea's cultural industries to establish infrastructures necessary to develop the media as a national economy (Park, Lee & Rho, 2007; Lee, 2011). The Korean government also launched digital projects to establish a digital Korea (Hong, 2007; Jin, 2011). The following segment discusses the role of the Korean state with focus on the two aspects of (1) the enactment of the Basic Law on Promotion of Cultural Industries and (2) the establishment of a digital Korea.

5.3.1. The Basic Law on Promotion of Cultural Industries

In 1999, the Korean government enacted the Basic Law on Promotion of Cultural Industries (BLPCI), which specified four major points: (1) the definition of the cultural industries; (2) the designation of media companies as venture companies; (3) the institutional role of the Korean government; and (4) the introduction of new media venture funds among the Korean government and the private financial institutions (Park, Lee & Rho, 2007).

The BLPCI named the cultural industries as those dedicated to cultural production, distribution, and consumption. Under this umbrella were the industries of advertising, animation, broadcasting, character, digital media (e.g., digital multi-media content, computer-mediated communication, and e-learning), film, games, play, print and recorded music industries (KOCCA, 2006). Secondly, the BLPCI allowed the Korean government to designate prospective media companies in the game, recorded music, broadcasting, and film industries as venture media companies. The assigned media companies received tax favors when they imported media devices and financial favors when they borrowed investment from financial institutions (Korpa, 2009). Thirdly, the BLPCI permitted the Korean government to deploy the national budget to construct cultural clusters across the Korean Peninsula. Finally, the Korean government established investment associations with private financial institutions (Weon, 2008). Simply put, the BLPCI allowed the Korean government to exercise its power over the Korean cultural industries institutionally and financially. In the following segment, I review the institutional and financial roles of the Korean government as they relate to Korean cultural industries.

5.3.1.1. The Institutional Role of the Korean Government

The Korean government devoted its attention to establishing infrastructures for Korea's cultural industries. It constructed cultural clusters across the Korean Peninsula, focused on educating specialized media human resources and introduced a programming quota system (KOCCA, 2008). The government also introduced the concept of the cultural cluster, defined as the multi-industrial complex in charge of researching and developing media content in the audio-visual media industries, in order to build up media cities. Both government and private institutions were involved in this project to revitalize the local economy (Park, Lee & Rho, 2007).

For example, the Korean government constructed thirteen cultural clusters by 2007 (see Appendix B1). Chuncheon, located in the eastern part of the Korean Peninsula, focused on the animation business. Pusan, a south-eastern city of Korea, specialized in motion pictures. Kwangju, Mokpo, Jeonju, and Jeju, all southwestern cities, focused on the computer-generated imagery (or 3D computer graphics) and mobile content. The central parts (e.g., Cheongju and Daejeon) were responsible for the gaming and edutainment industries. Edutainment is a term that combines education and entertainment to form a new content type mixing cartoon, character creation, animation, recorded music and games for digital devices (e.g., web-based and Mobile). Another cultural cluster was Pucheon, the suburban area of Seoul, which focused on animation.

Finally, Seoul, the capital of Korea, specialized in digital content for digital television, IPTV and mobile devices.

Another role of the Korean government was to train media specialists to provide stable human resources for the media industries (see Appendix B2). The number of educational institutions for media rapidly increased. These institutions were in charge of running comprehensive curricula which ranged from planning, pre-production (e.g., storytelling), production, post-production (e.g., editing), to marketing (Park, Lee & Rho, 2007).

For example, 942 media education departments existed in 2006, including colleges (345), universities (347), and graduate schools (250). The departments were comprised of broadcasting (42.2 percent), animation (19.7 percent), recorded music (9.1percent), gaming (9.0 percent), film (4.1 percent), character creation (1.8 percent), and Manhwa (1.6 percent). These departments introduced different curricula at different educational levels, as the colleges were charged with cultivating media technicians. At the middle level, the university curricula paid attention to the planning, production, and marketing. At the higher level, graduate schools were in charge of training top-level human resources personnel.

The Korea Advanced Institute of Science and Technology (KAIST, equivalent to Korea's MIT) is one example. The KAIST opened up the Graduate School of Culture Technology in 2005, providing an interdisciplinary education program encompassing cultural arts, sociology, and media technology for graduate students (KOCCA, 2006). Moreover, the Korean government induced the universities to focus on specific media content rather than general content in order to enhance the quality of education (see Appendix B3). Each higher educational institution, thus, ran specialized curricula to turn out media professionals. For example, Sukmyung Women's University, located in Seoul, specialized in media content planning and scenarios for media production. Hoseo University paid attention to teaching classes on animation graphics and design for game production. JoongAng University focused on virtual reality and human sensibility ergonomics.

The third policy adopted by the Korean government was to introduce a program quota system in the broadcasting industry to provide stable distribution among independent production companies (KOCCA, 2007). The Korean government applied program quota system differently to territorial broadcasting companies and non-territorial ones. All territorial broadcasting networkers broadcast media artifacts manufactured by Korean firms for at least 80 percent of total scheduled programming per day with Korean film ranging from 20 to 40 percent of total film shows; Korean animation from 30 to 50 percent of total animation running time; and Korean popular music from 50 to 60 percent of total pop music air time. In addition, all non-territorial broadcasting networkers, including cable television and satellite and digital television, followed the programming quota system. They scheduled media products made in Korea for at least 50 percent of total shows per day with Korean film ranging from 30 to 50 percent of total film running time; Korean animation from 40 to 60 percent of total animation time; and Korean pop music from 50 to 80 percent of total pop music time. Moreover, the Korean government required all broadcasting networkers to allocate Korean media artifacts manufactured by the independent production companies for at least 15 percent of all scheduled programming during prime time from 7:00 P.M. to 11 P.M. every day (Ha, 2008). In brief, the Korean government introduced the broadcasting quota system in order to acquire stable distribution outlets across Korean production companies as well as to enhance the quality of media content made in Korea.

Although the Korean government advanced promotional policies in the cultural industries, it failed to maintain consistency when media policies were in conflict with the interests of the national economy (Jeon, 2007). The case of Free Trade Agreement (FTA) with the U.S. in April 2007 is an example. The FTA refers to a bilateral trade treaty between the U.S. and Korea, the omni-directional market openness ranging from basic necessities, electronic devices, automobiles, even to the cultural products. The Korean government reduced the screen quota in the Korean film industry from 146 to 73 days per year in order to meet FTA regulations. The screen quota system, intended to protect the domestic film industry, stipulated that all exhibitors should show Korean movies so many days per year. The reduction of screen quota in the Korean film industry can be attributed to chaebol groups and U.S trade pressures. Internally, chaebol groups, especially the first-tier chaebol ones (e.g., Samsung, LG, and Hyundai), continuously urged the Korean government to accept the free trade agreement with the U.S., the largest market in the world. Externally, the U.S. had repeatedly required the Korean government to lessen (or abandon) the screen quota system of the film industry as a condition of complying with the FTA (Jin, 2006a). Thus, the Korean government reduced the screen quota in the film industry. So, because articles of the FTA specifically included revisions of Korea's media laws and policies, the Korea government had to revise the related media laws and policies once again.

Specifically, the Korean government allowed the American media giants to hold 100 percent media ownership in a broadcasting company and in a newspaper company of Korea. Secondly, the Korean government extended the period of royalty payment from 50 to 70 years after an original copyright holder dies. Thirdly, the Korean government reduced the obligatory programming time in the broadcasting channels from 35 percent to 30 percent for animations made in Korea and from 25 percent to 20 percent for Korean movies. Fourth, the Korean government increased the import restrictions of a country from 60 percent to 80 percent of a channel's programming. Finally, the Korean government abandoned the rights to expand the screen quota again in the future even if the industry hits a serious recession (Jeon, 2007; Lee, 2009). These actions can imply that the Korean government considered the media industry as a negotiable card to increase the U.S. exports.

In other words, the Korean government attempted to implant a developmental model in the Korean media industries, in spite of having shown an inconsistent stance in relation to pressures from both chaebol groups and the U.S. It constructed cultural clusters with a focus on large Korean, cultivated specialized human resources in universities to meet media industry needs and introduced the quota system in the broadcasting industry.

5.3.1.2. The Financial Role of the Korean Government

The Korean government established financial foundations for the media industries, which included the national budget, public funding and media venture funds between the Korean government and private financial institutions. The first financial resource came from the national budget. The Korean government tried to allot at least one percent of the national budget, which played a vital role in establishing the infrastructures for the Korean cultural industries. This money was used for constructing the cultural clusters, growing the professional manpower and providing seed money to raise the promotional fund for the production companies (NABO, 2005; 2012). The second financial resource was promotional funds, which came from three sources: the national budget, box office sales and broadcasting advertising. This fund was to be used for loan projects for the independent production companies; the modernization of the cultural facilities or the structural improvements regarding the distributions in the audio-visual industries; co-production between the Korean and the non-Korean media firms; seed money to establish media venture funds; and for foreign marketing costs to increase media exports (NABO, 2005; 2012).

The last financial resource was from investment associations, or media venture funds. The Korean government introduced this system in 1999 to resolve chronic financial difficulties (Korpa, 2009). Members of investment associations could be the Korean government, chaebol groups with financial institutions and other private financial institutions. Generally, the Korean government contributed up to at most 20 percent of the individual accounts of the investment associations. The other 80 percent of the total invested money came from private financial institutions. Each investment association selected specified media content in the audio-visual media industries, and then invested in the media companies in these fields. This meant that chaebol groups with investment holdings and venture capital in non-chaebol groups' holdings, including foreign capital, provided financial resources for production companies in the audio-visual industry (Lee, 2011).

Although the Korean government exercised licensing rights regarding the establishment of investment associations, it was rarely involved in the decision-making process (Weon, 2008). These investment associations started to be established in 1999 (see Appendix B4). The capital size of each investment association ranged from $5 million up to $ 13.5million, and their members included the independent financial institutions (e.g., Moohan, Mearae Asset and Cowell), the financial holdings owned by chaebol groups (e.g., Samsung Venture, both Dream Discovery and Peta Capital of CJ) or both the Korean government and the financial institutions (NABO, 2005; 2012). These financial resources invested in motion pictures, games, television drama, animations, character creation, e-books and digital multi-media (see Appendix B5).

Shown here, the Korean government played a vital role in establishing the financial foundation for Korean cultural industries. It used the national budget to establish infrastructures for the media industries, raised the promotional funds to modernize the old media machines and to promote Korean media products in the global media market and allowed chaebol groups and financial institutions to become members of media venture funds.

In other words, the Korean government carried out media reforms institutionally and financially. With the principle of "no-intervention but yes-supports for the markets," it applied the developmental model to the Korean cultural industries. These promotional policies allowed the Korean government to construct media complexes across Korea, allocate at least one percent of the national budget and establish the investment association of media venture funds between the Korean government and the private financial institutions.

5.3.2. A Digital Korea

Since the early 1980s, the Korean government had continuously tested the economic possibilities of a digital economy, which created a new digital economy and allowed the manufacturing industries to enhance economic efficiency (Lee, 1997). By the mid-1990s, government had launched public digital projects, which included improvements in the delivery of electronic services within the administration departments; the registration of new-born babies, real estate and automobiles; and the application of electronic services to the media industries (e.g., online newspapers, Internet chat and online communities) (Hong, 2007). In the late 1990s, these public projects enabled the Korean government to pay special attention to the information technology of communication (ICT) as a new economy (Shim, 2000).

In the early 2000s, with the catchphrase that "Korea would be a global leader in the digitalized era," Korea launched an e-Government Special Committee to prepare a master plan for improving the delivery of information and services to individuals and businesses (Yoon, 2002). The members of this commission included the prime minster, high government officials and digital experts from the civil organizations. They focused on how to link various government agencies and their activities via a networking system, how to enhance the quality of administrative works within governmental agencies, and how to activate the participation of ordinary people in national affairs. Consequently, this committee submitted a report regarding the 11- pronged e-government businesses approach. It covered e-procurement, home tax services, integrated social insurance, local government information systems, educational administrative information systems, and digital signatures and e-seals. Based on the report published by the special commission, the Korean government launched the state-funded public project to establish the foundation of e-government, defined as the electronic government system that included online processing of civil affairs and administrative information exchange via the Internet. The public project was to wire the public organizations, from governmental agencies of both central and local administrations, to the national assembly, and the judiciary and even state-owned firms (Hong, 2007).

The Korean government also poured funds into the national budget to construct infrastructures that relied on information communication of technology (Kong, 2013). For example, the Korean government poured in a total of 290.3 billion Won (equivalent to U.S. $ 290.3 million) for computer networks at its major offices for speedy administrative measures and enhanced services. This project focused on linking up different public databases and streamlining electronic administrative procedures. Moreover, the Korean government installed digital broadband Internet facilities nation-wide, including the introduction of commercial broadband Internet services across the Korean Peninsula (Jin, 2011). From 1998 to 2002, six telecommunication companies provided this service to Koreans. The KT occupied around 50 percent of the total broadband market and five other companies (e.g., Hanaro Telecom, Thrunet, and Onse Telecom, Daecom and Dreamline) held the remaining markets. As a result, the number of broadband Internet subscribers increased from .37 million to 10 million and the number of Internet users accounted for more than 60 percent of the total population (Hong, 2007).

Further, the Korean government introduced new digital media, which included digital satellite television and digital media convergence of telecommunication and broadcasting (Jin, 2011). In 2002, the Korean government launched digital satellite broadcasting (brand name, Skylife) which aired on 94 channels. The major stockholders of Skylife were Korean Telecommunication, the privatized telephone company; Korean Broadcasting System; a public broadcasting company; and Samsung group, the first leader of chaebol groups (Jin, 2005).

Later, the Korean government launched digital convergence media between telecommunication and broadcasting (Ha, 2008). Typical examples were the Digital Multimedia Broadcasting (DMB) in 2004 and Internet Protocol Television (IPTV) in 2008. The DMB refers to personal pocket multimedia allowing people to enjoy media content, including film, television shows, and online games, over portable devices. Two kinds of DMB exist: the satellite DMB: the territorial DMB, which allow people to enjoy the media contents, including film, television shows, and online games, over portable devices. Both DMB types are available for both wired and wireless devices. Similarly, the IPTV refers to an Internet-based television service that allows a user to search the Internet, send or receive e-mails, enjoy chats, make electronic bank transactions, or purchase clothes on a high-definition TV screen. Unlike web television, IPTV asks the audience to use a television set linked to set-top boxes in order to watch television shows, to access the Internet, and to use wired phone serves through a single broadband connection (Shim, 2009). These digital convergence media allowed chaebol groups to expand their media businesses over the digital media, as the Korean government issued the licenses to run these digital convergence media to the Korean monopoly capital.

In other words, the Korean government constructed the infrastructures for the digital Korea Inc. and introduced the digital convergence media between broadcasting and telecommunication, which inevitably allowed chaebol groups to earn big revenues and to increase the number of digital media outlets.

Conclusion

The Korean government reformed the Korean media industries from 1998 to 2012 and with neo-liberal thinking, a market-oriented ideology, carried out the institutional and financial reforms to develop the media industry as a new national economy. The Korean government also applied the developmental models used by the previous military regimes to the Korean cultural industries. This neoliberal mode inevitably transformed Korean media systems from a state-controlled structure to a market-oriented one, which allowed capital (e.g., chaebol groups, foreigners and mainstream newspaper corporations) to become the dominant players in the commercialized Korean media market (Jin, 2011; Kwak, 2012).

In the following chapter, I analyze how neoliberal media laws and policies affected structures of the four media markets (e.g., advertising, newspaper, cable television and advertising) from 1998 to 2012.

CHAPTER 6 – CONCENTRATION vs. COMPTETION IN FOUR MEDIA MARKETS

In this chapter, I analyze government documents and secondary resources to explore the structures of the four media markets (advertising, newspapers, cable television and film) during the period between 1998 and 2012. The governmental documents I analyze include White Papers, published by the Ministry of Culture, Sports, and Tourism (MCST), and special reports, published by the Fair Trade Commission (FTC). The MCST is in charge of Korean media laws and policies, and its white papers report on Korean media market structures, revenues, imports and exports. The FTC supervises the Korean media market, including activities of chaebol groups, and its special reports reflect the economic activities of major media players across all the four markets. While government sources constitute primary data, I review supplementary resources such as scholarly works and news articles for secondary data.

These sources are reviewed to answer the first research question of how neoliberal media laws and policies affected the structures of the four media markets. This chapter is arranged into two sections: one, chronicling the outcomes of media reforms from 1998 to 2012— i.e., the contribution of the media industries to the gross domestic product (GDP) in Korea, the patterns of both media exports and media imports and the trends of the numbers of media companies; and the second investigating how these trends have shaped the structures of the four media markets— i.e., the characteristics of the four media markets, which cover the changed patterns of market structures and the major players.

6.1. Media Reforms (1998-2012)

Korea's media reforms between 1998 and 2012 brought three big changes to the media landscape: a seismic shift in total revenues, market sizes and the number of media companies. The total revenues from the Korean cultural industries increased about nine times from 8 trillion

59 million Won (approximately $U.S. 859 million) in 1999 to 82 trillion 410 million Won ($U.S. 8,241 million) in 2011 (see Appendix C1). Since the total revenue from the Korean media industries consistently increased, cultural industries represented up to 6.2 percent of the total gross domestic products in 2011. The market size of each media industry generally increased, as seen in Table 3a.

Table 3a: The Changed Patterns of Market Size (1999-2011); Unit: $ million

Year	**1999**	**2003**	**2006**	**2009**	**2011**	Growth ratio
Film	661	1,142	3683	3,306	3,457	523
Animation	930	405	288	418	551	-59
Recorded music	380	490	2,400	2,740	3,869	1,018
Games	900	1,500	4,500	6,580	9,202	1,020
Characters	3,220	4,808	4,509	5,358	7,214	224
Cartoons	N/A	759	730	739	757	similar
Printed media	N/A	15,500	19,900	26,091	21,024	137
Broadcasting	3,020.0	7,100	9,700	10,680	14,550	482
Advertising	4,620	4,800	9,100	9,186	11,715	253
Digital content	N/A	1,300	1,180	2,036	2,828	217

Sources: Author's elaboration of data from White Papers (2000; 2004; 2007; 2010; and 2012).

Audio-visual media industries expanded much more than the printed industry. Both the recorded music and game industries recorded a tenfold growth between 1999 and 2011. Other media industries, including film, broadcasting and advertising, doubled or tripled their growth in the same timeframe. The secondary media industries (i.e., character creation and digital media) also showed significant growth. Although the print media (i.e., newspapers, magazines and publishing) occupied the largest portion of the total revenues in the Korean cultural industries, the growth rate of this industry was slower than most other markets.

The growth in media revenues and market sizes was related to the increase in the amount of media exports and imports. The total amounts of both media exports and imports grew consistently in each media industry during the periods from 1998 to 2012 (see Appendix C2). Specifically, gaming media was the largest export, followed by broadcast media and recorded music, and then by audio-visual exports. Gaming and film were among the biggest media imports into the Korean market. Both completed forms and licenses accounted for the majority of media exports (see Appendix C3). For example, the completed forms of Korean media exports increased from 42.2 percent of the total media exports in 2006 to 45.9 percent of the total exports in 2008. During the same periods, licensing media exports increased from 26.6 percent of total media exports in 2006 to around 36 percent of total media exports in 2008. However, the media exports of original equipment manufacturing gradually decreased from 24.1 percent of total media exports in 2006 to 19.7 percent of total media exports in 2008. These trends of media exports showed similar patterns in the early 2000s.

It is also important to note that the pattern of Korean media exports and imports show differences. Korean media exports outweighed Korean imports from Asian markets, while imports outweighed Korean exports to the U.S. While most of the Korean media exports were to Japan, China and Southeast Asia, the imports of media into the Korea market were predominantly from the United States. For example, in 2010 (see Appendix C4), Japan was the largest consumer of Korean audio-visual media products, with 26.2 percent of the total amount of media exports, and China was the second largest, with 24.5 percent of the total amount of exports. The amount of media exports to Southeast Asia accounted for 22.0 percent of the total exports. Other amounts of exports were to the U.S., the European Union and South America for a total of 27.3 percent of the total exports in 2010. On the other hand, the U.S. was by far the largest country from where Korea imported its media products. The U.S. accounted for 38.9 percent of total imports, followed by China (19.2 percent) and Japan (15.6 percent).

In addition, neoliberal media reforms generally led to an increase in the number of media companies. There was a sevenfold increase in the number of media firms in the game industry, whereas film companies increased fourfold between 1998 and 2012 (see Appendix C5). The media companies in the recorded music and print industries doubled during the same period. Most media companies in the audio-visual media industries were established after the 1980s (see Appendix C6). Over 80 percent of the total number of media companies were established during the period between the mid-1990s and early 2000s. However, there was a marginal decline in the number of firms in the advertising and broadcasting industries.

Specifically, the total number of media companies in the print industry increased from 6,785 in 1998 to 12, 072 in 2010. The daily newspapers increased from 108 in 1998 to 673 in 2010. The number of Internet newspapers also increased from at most 50 in 1998 to 2,484 in 2010. In the advertising industry, agencies and production companies rapidly increased from at most 300 in 1999 to at least 2,184 in 2010. In the film industry, while the number of production companies increased from 116 in 1998 to 2,465 in 2010, the number of distribution companies increased from zero in 1,998 to 575 in 2010. Multiplex theaters grew from one in 1998 to 301 in 2010.

Similarly, the number of media channels in the broadcasting industry increased from at most 20 networks and 100 cable television companies in 1998 to 54 networks, six territorial digital multimedia broadcasting (TDMB) companies, one satellite digital multimedia broadcasting (SDMB) company, 200 cable television companies, one digital satellite broadcasting, and about 400 production companies in 2010. Among these media companies, a few leading companies were listed at the Korean stock markets, which included 20 game companies, 20 broadcasting enterprises, 10 printed media companies, 9 recorded music firms, 9 film companies, 6 animation and character companies, 4 computer mediated communication firms and 2 advertising media firms.

These empirical figures suggest that neoliberal media reforms in Korea allowed the media industry to become a national economy that contributed to about 6 percent of the gross domestic product (GDP) in the Korean economic sectors by 2012. The total amount of revenue from the Korean cultural industries grew at least ten times during the periods from 1998 to 2012. The growth of Korean media industries was associated with increases in media exports and imports as well as rapid growth in the number of media companies.

6.2. Market Structures (1998-2012)

In this section, I investigate the structures of the advertising, cable television, film and daily newspaper markets to explore how neoliberal media laws and policies affected the structures of the four media markets during the time from 1998 to 2012. I deal with the advertising market first, which played a vital role in financially supporting the commercial media systems. After that, I examine the daily newspaper market, which manufactured the public discourse in a given society. The advertising and daily newspaper markets were associated with each other in terms of their information functions in the media. In addition, I analyze the structures of both the cable TV and film markets that played a central role in creating and disseminating popular culture.

6.2.1. Market Structure in Advertising

The Korean government started to liberalize the advertising industry in the late 1980s and had completely liberalized the advertising markets into transnational advertising agencies (TNAAs) in the early 1990s. In spite of the liberalization of the advertising industry, in-house agencies owned by chaebol groups had dominated the Korean markets in the 1990s. They occupied at least 80 percent of the total market shares, while TNNAs had occupied at most 3.2 percent of the total market shares (Lee, 2008b). However, these trends shifted during the periods from 1998 to 2012.

The Korean advertising market increased from about 4.6 trillion Won ($ U.S. 4.6 billion) in 1999 to about 9.7 trillion Won ($U.S. 9.7 billion) in 2012. As seen in Table 3b, the increase in broadcasting advertising markets (e.g., territorial television, radio and cable television) was much more significant than the print industry markets.

Table 3b: The Changed Patterns of Total Advertising (1999-2012); unit: $ million

Media	1999	2002	2005	2008	2012
Television	1,492.1	2,439.4	2,149.1	1,899.7	1,930.7
Radio	175.1	278.0	268.3	276.9	235.8
Cable TV	128.1	234.5	436.8	860.0	1,321.8
Newspaper	1,805.5	2,020.0	1,672.4	1,658.1	1,654.3
Magazine	130	546.5	436.8	480.4	507.6
Internet	81.2	185.0	566.9	1,190	1,854.0
Others*	808.6	1,140.8	1,473.5	1,432	2266.4
Total	4,620.6	6,844.2	7,003.8	7,797.1	9,770.6

Sources: Author's elaboration of data from White Papers (1999; 2002; 2005; 2008; and 2012).

Note: * Includes SP, Outdoor, Production and digital media convergence.

Cable television recorded the fastest growth rate, while territorial television registered the largest advertising revenue. Revenues in print advertising also increased. Much like the traditional media markets, markets in the new media also exhibited enormous growth rates. From 1998 to 2012, the Internet (e.g. computer-mediated communications) recorded a growth of 230 times its size. Others (e.g. sales promotion, digital satellite broadcasting, digital convergence media between broadcasting and telecommunication) also indicated about threefold growth.

While total advertising revenues expanded across all markets and platforms, advertising volume shifted from the traditional (e.g., television and newspapers) to the new media (e.g., Internet, satellite TV, cable TV, IPTV and DMB). The volume of television advertising consistently shrank from 38.1 in 1999 to 23.0 percent of total advertising in 2009. Similarly, newspapers advertising also shrank from 32.3 percent in 1999 to 20.7 percent in 2009. On the other hand, advertising in new media rapidly grew from 5.4 percent in 1999 to 28.3 percent in 2009. The shift in advertising size suggested that there has been a shift in media consumption among Korean audiences from traditional media to new media.

Another characteristic of the Korean advertising industry from 1998 to 2012 was the rapid growth of global advertising agencies, or transnational advertising agencies (TNNAs). Most TNNAs entered Korea's advertising markets, which included Publicis, Interpublic, WPP, Dentsu, Omnicom and Havas groups. These TNNAs acquired in-house advertising agencies owned by chaebol groups or established joint ventures with chaebol groups. In fact, after Korea's financial crisis in 1997, chaebol groups completely sold out their in-house advertising agencies to TNAAs or transferred the partial stakes of in-house agencies to the TNNAs to save parent companies (Yun, 2008).

For example, Grey Global Group (CCG), a British global agency, acquired Kumkang Communication, owned by Hyundai group, in 1999. In the same year, TBWA, an American global agency, acquired Taekwang Multi AD, owned by SK group. WPP, another British global agency, acquired LG AD, an in-house agency of LG group, in 2002. Havas, a French agency, took over Korad, an in-house agency of Haitai group, in 2004. The second strategy exercised by TNNAs was to establish joint ventures with chaebol groups' in-house advertising agencies (see Appendix D1). For instance, DDB founded Lee & DDB Korea with Daehong Communication, an in-house agency of Lotte group, in 2000. Dentsu established Dentsu Innovack, a joint venture with JoongAng Ilbo in 2001. Both Dentsu and JoongAng Ilbo co-owned Phoenix Communication. Consequently, about one hundred TNNAs ran their advertising businesses in Korea in 2009, thereby increasing the market shares from 6 percent in 1998 to about 47 percent of the total advertising markets in 2003. This meant that global advertising agencies became major players in Korean advertising markets, thereby competing with in-house agencies owned by chaebol groups (Yun, 2008).

Interestingly, the restructuring in Korea's advertising markets allowed chaebol groups' in-house advertising agencies to re-dominate the market in 2009. The market shares of chaebol groups' advertising agencies decreased from 1998 to 2003. However, they rebounded and increased their advertising market shares from 2005, as the first-tier chaebol groups (e.g. Hyundai, SK and LG) refused to renew advertising contracts with TNNAs after they established their new in-house advertising agencies (Hahm & Seo, 2011). In spite of intense competition between foreign and domestic agencies, independent advertising agencies hardly ever became the members of top-ten advertising agencies. This meant that chaebol groups regained lost ground and profited alongside TNNAs in the Korean advertising market.

The reemergence of chaebol groups in the Korean advertising markets was attributed to the fact that chaebol groups were major clients of advertising agencies and owners of major Korean advertising holdings (see Appendix D2). For example, Samsung Electronics was a subsidiary of Samsung group, which controlled Cheil Communication, the largest advertising agency in Korea. SK Telecommunication, the largest wireless phone company in Korea, was a media holding of SK group, which owned the SK & MC. Hyundai Car and Kia Car were members of pan-Hyundai group, which held the Innocean. Other advertisers were the subsidiaries of the second-tier chaebol groups. Through re-establishing in-house advertising agencies, chaebol groups regained their lost market shares.

As a result, big money of both TNNAs and chaebol groups dominated Korea's advertising markets. They belonged to top-ten advertising agencies, which increased market shares from at least 65 percent of the total advertising sizes in 2003 up to 81.1 percent of the total market size in 2011. As seen in Table 3c, agencies of chaebol groups included Cheil Communication (Samsung group), Daehong Communication (Lotte group), Innocean (Hyundai group), Hancomm (Hanhwa group), Phoenix Com. (JoongAng Ilbo group), NongShim (NongShim group), HS AD (LG group) and SK MC (SK group). Three advertising companies (Innocean, HS AD and SK MC) were re-established by chaebol groups after 2005. Affiliates of TNNAs covered LG AD, TBWA Korea, Korad, Kumkang Communication, Well Com. and JWT Adventure. Independent agencies included Seoul Advertising and Welcommunication. This meant that the Korean advertising market at the time was structured by top ten advertising agencies. This also implied that others of about 1,500 small and medium sized advertising companies struggled to occupy the left-over market shares.

Table 3c: Top Ten Advertising Agencies and Market Shares (1999-2011), unit: %

Year rank	1999	Parent Company	2009	Parent Company	2011	Parent Company
1	Cheil (15.30)	Samsung*	Cheil (30.4)	Samsung*	Cheil (32.7)	Samsung*
2	LG AD (11.76)	LG*	Innocean (23.8)	Hyundai*	Innocean (27.5)	Hyundai*
3	Kumkang (11.74)	Hyundai*	HS AD (7.0)	LG*+WPP#	HS AD (4.8)	LG*+WPP#
4	Daehong (5.18)	Lotte*	Daehong (5. 7)	Lotte*	Daehong (4.2)	Lotte*
5	Korad (4.8)	Haitai*	SK & MC (4.2)	SK*	SK & MC (3.4)	SK*
6	Phoenix (4.4)	JoongAng Ilbo* +Dentsu#	TWBA Korea (2.5)	OMNICOM#	TBWA Korea (2.4)	OMNICOM#
7	JWT Adventure (3.7)	WPP#	NongShim (2.3)	NongShim*	LBest (2.1)	LG*
8	Oricom (3.6)	Doosan*	Oricom (2.2*)	Doosan*	Hancom (1.5)	Hanhwa*
9	Universal McCann (2.9)	Interpublic#	People Works (2.0!)	Independent	Dentsu (1.3)	Dentsu#
10	Seoul (2.5!)	Independent	Hancomm (1.9*)	Hanhwa*	Welcom (1.2!)	Independent
Total	65.88		82.00		81.1	

Sources: Author's elaboration of data from White Papers (2000; 2010; 2011) and Editing Room (2012).

Note

(*) refers to in-house agencies of chaebol groups.

(#) refers to the advertising agencies owned by TNNAs

(!) refers to the independent advertising agency

In other words, the Korean advertising markets were structured by top-ten advertising companies that were subsidiaries of both chaebol groups and TNNAs. They together occupied at least 65 percent of the total advertising market in 1999 and 81.1 percent in 2011. Both domestic and foreign capital controlled Korea's advertising markets.

6.2.2. Market Structure of Daily Newspapers

Like advertising markets, the Korean government had already liberalized the daily newspapers in the late 1980s, which led to an increase in the total number from 85 in 1990 to 107 in 1997 (Kwak, 2012; Yoo, 1989). Liberalization policies had encouraged chaebol groups and other Korean capitalists to establish paper companies or acquire them at the local and national levels. The Korean newspaper markets existed as two tiers in the 1990s. The first-tier group was the national newspapers, including general publications (covering social, economic and political issues), economic papers (focusing on economic issues) and sports papers. The top ten papers included the *Chosun Ilbo*, the *JoongAng Ilbo*, the *Dong-A Ilbo*, the *Hankuk-Ilbo*, the *KyungHang Shinmun*, the *Hankyoreh*, the *Nae-il Shinmun*, the *Munhwa Daily Newspaper*, the *Mae-Il Economic Daily* and the *Kukmin Ilbo*. These set the public and national agenda in Korean society (Kim, 2002). The second tier consisted of the regional papers focusing on localized issues in the Korean Peninsula (Jang, 2008).

Within this two-tier structure, chaebol groups had ownership at the national levels more than at the regional level, since the national papers understandably played a more central role in framing the national discourse rather than the local ones (Kim, 2002). For example, at the national level, Hanhwa group, a second-tier chaebol group, acquired the national daily *KyungHang* in 1990. Hyndai group, a first-tier chaebol group, founded the national *Munhwa Daily Newspaper* in 1991. Chaebol groups also established local and national papers at the same time. For example, Duksan group, a second-tier chaebol group, established the regional *Moodeung Ilbo* in 1988 and the national *Ilgan Today* in 1994. Two years later, Line group, a second-tier chaebol group, purchased the *Moodeung Ilbo* from Duksan group (Kim, et.al, 2000).

Korea's financial crisis, however, pushed chaebol groups to change the ownership structure of newspapers to save the parent companies. Thus, in 1998, Hyundai group, which owned *Munhwa Daily Newspaper*, transferred its media ownership to the employees of the newspaper and two cultural foundations affiliated with Hyundai group. Hanhwa group also transferred its media ownership to the employees of the newspaper (Kwak, 2012). Line group with the regional *Moodeung Ilbo* went bankrupt in 1998 (Kim, et.al, 2000).

Following these fluctuations in the newspaper market, the number of companies gradually increased from 1998 to 2012. As seen in Table 3d, the total number of daily newspaper companies at both national and local levels increased from 125 in 1998 to 290 in 2009. In fact, national newspapers nearly tripled in number, while local newspapers increased twofold.

Table 3d: The Number of Daily Newspapers (1998-2009)

	1998	2004	2009
National Newspapers	55	58	152
Local Newspapers	70	77	138
Total	125	135	290

Sources: Author's elaboration of data from White Papers (2000; 2005; and 2010).

The rise in newspaper companies was associated with the interjection of neoliberal laws and policies in the print industry. The Korean civil government relaxed regulations that allowed for the establishment of several media companies and a concentration of media ownership. The state rarely cared about news content. As a result, these national and regional papers freely reported and criticized any issues that involved the government, politicians and the president. News reporters covered government wrongdoing, any signs of misdeed, abuse or corruption. Both national and regional papers, however, rarely criticized big advertisers or their parent companies (Kwak, 2012, pp. 70-90).

It is important to note, however, that the market situations of daily newspapers worsened from 1998 to 2012 because of the gradual reduction of readership and subscription rates (see Appendix F1). The newspaper industry had also become polarized between "the big three companies" and others. The big three companies – the *Chosun Ilbo*, the *JoongAng Ilbo* and the *Dong-A Ilbo* – were together dubbed as "Cho-Joong-Dong." Others included seven national papers (e.g., the *KyungHang Shinmun*, the *Hankyoreh* and the *Nae-il Shinmun)* and regional ones. In terms of market shares between the major three companies and others, Cho-Joong-Dong increased its market shares from 52.3 percent of total circulation numbers in 1998 to 67.7 percent in 2009. Although the number of companies increased more than twofold, from 125 in 1998 to 290 in 2009, Cho-Joong-Dong accumulated a monopoly of Korean daily papers (see Appendix F2).

In fact, the three companies of Cho-Joong-Dong had maintained a close relationship with the military regimes to receive favors (e.g. tax and financial rewards), thereby forming a patron-client relationship between the strong state and media owners of the three mainstream newspapers (Park, et.al. 2000). They had also disseminated the market-oriented ideology in the name of market supremacy to protect the private interests of big advertisers and chaebol groups (Shin, 2005)—i.e., the three major papers formed strategic alliances with the vested groups (Kim & Shin, 1994; Kwak, 2012). These power alliances between Cho-Joong-Dong and vested groups remained intact. In addition, the three newspaper companies maintained concentrated family media ownership. The *Chosun Ilbo* was owned by the Bang family and its own cultural foundation. The Hong Family and its relatives owned The *JoongAng Ilbo* and the *Dong-A Ilbo* was controlled by the Kim family and its cultural foundation. These family-controlled newspapers tended to publish articles that served and protected their vested interests, including the interests of the ruling classes, the military regimes and chaebol groups. The newspapers also manufactured the public opinion in favor of military leaders to make sure candidates in their interest domain were elected presidents (Ryu, 1994).

In sum, the market structure of the daily newspapers worsened, polarization grew and the benefit-exchange mechanisms between Cho-Joong-Dong and the ruling classes strengthened. The big three mainstream papers encroached on 70 percent of the total circulation shares, while the other 287 daily papers competed against each other to appeal to the remaining 30 percent of the market. The widening gap of market shares between the three companies and others led to severe inequity in print advertising, because advertisers preferred the big three papers with high market shares to the other small and medium papers (Lee, 2011a; Lee, 2009). Although the number of newspaper companies increased more than twofold during the fifteen years of media reforms, Korea's newspaper market became highly concentrated.

6.2.3. Market Structure in Cable Television

Korean media reforms brought three main changes in the Korean broadcasting markets: an increase in the number of paid subscribers, a decrease in the number of media companies and greater market share inequity between a few leading companies and independent newspapers.

Since the mid-1990s when cable television (cable TV) initiated broadcasting services, the Korean government has consistently advanced technological innovation in the Korean broadcasting markets. Digital satellite television was launched in 2002. Digital media convergence between telecommunication and broadcasting (e.g., TDMB and SDMB) was introduced in 2005. Internet Protocol Television (IPTV) and the comprehensive cable channels were added to the national services in 2008 and in 2009, respectively (Jin, 2011; Kim, 2010). Korea expanded multi-media channels, which led to an increase in the total number of paid subscribers in the broadcasting markets (see Appendix G1). The total number of paid subscribers increased from about 7.8 million in 2001 to 23.36 million in 2010, and over 90 percent of Korean total households began to use paid broadcasting services (Kim, 2010). The market share of cable TV, however, gradually decreased from 97.3 percent in 2001 to 64 percent in 2010. On the other hand, digital, satellite and internet television subscriptions gradually increased. Thus, the competition between cable and new technology companies intensified over the years.

In addition, the Korean media reforms led to a decrease in the number of cable TV companies. As seen in Table 3e, the total number of media companies in the cable TV business decreased from 649 in 2004 to 398 in 2008. There has been a greater decrease in network operators and music system operators than program providers and system operators. In contrast to cable TV, the number of media companies in network radio and television gradually increased during the same period. On the other hand, the number of digital convergence media companies remained stable.

Table 3e: Changed Numbers of Broadcasting Companies (2004-2008)

		2004	2005	2006	2007	2008
Networkers (TV & Radio)		43	43	46	50	53
Cable Television	Total	649	524	443	412	398
	System Operator (SO)	119	119	107	103	103
	Network Operator (NO)	299	198	139	115	108
	Music SO	72	63	10	6	0
	Program Provider (PP)	159	144	187	188	187
Digital Satellite TV		1	1	1	1	1
Digital Media Convergence (e.g., TDMB and SDMB)		N/A	7	7	7	7
Electronic Broadcasting		42	45	40	34	34
Total		735	614	531	498	490

Sources: Author's elaboration of data from FTC (2010, May 28) and White Papers (2004; 2007; and 2010).

Neoliberal media laws and policies were the main reason for the decrease in the number of media companies in cable TV, since deregulation allowed chaebol groups and foreign financial capital to expand the cable businesses through mergers and acquisitions (Jang, 2010). This meant that political power institutionally permitted the money play of both domestic and foreign capital, which aggressively took over the independent media companies in cable TV.

Specifically, financial capital came from foreign institutional investors (e.g., Citigroup from America and Macquarie Bank from Australia), private property investors (e.g., New Asia East Investment and Foross Cable Investment), American cultural conglomerates (e.g., both Viacom and ABC-Disney) or Japanese cultural conglomerates (e.g., TMC Entertainment and Music on TV) (see Appendix G2). Foreign capital rarely established media subsidiaries in Korea but invested to the Korean-owned cable companies (e.g., chaebol groups, independent companies and the Korean state) (Lee, 2010a). The most sought-after partner was chaebol groups with co-ownership of media holdings. For example, Orion group cooperated with New Asia East Investment Fund, Capital International and HBFS-B-TABX; the CJ group shared its media ownership with Formosa Cable Investment, AA Merchant Banking, Music On TV, NGC Network; and Macquarie Bank. Both LG and Taekwang groups received foreign investments as well. The second most desirable partners were independent cable companies (e.g., Curix and CNM), which shared ownership and seats of boards of directors with them. Finally, foreign capital invested in media holdings owned by MBC, a public broadcasting networker (Jang, 2010).

The cooperation between domestic and foreign capital consequently brought about centralized market structures in cable TV. The first change was the emergence of multiple system operators (MSOs), multiple program providers (MPPs) or multiple system providers (MSPs). The appearance of major players (e.g. MPPs, MSOs or MSPs) was related to the second change in centralized market structures in cable TV in terms of economic profits. The MPPs tended to recirculate media content among cable TV, digital satellite television (e.g., SDMB and TDMB) and Internet Protocol Television (IPTV). The MSOs could also sell broadband and Internet phone services. These MSOs and MPPs further invested in other paid broadcasting companies in digital media convergence and IPTV. This meant that major players in cable TV were able to exercise their influence over other paid broadcasting markets located at the top of their hierarchical structures (Ha, 2008). These economic potentialities were attributed to the appearance of a market structure centered around five to seven cable companies.

For example, the market structure of program providers (or cable channels) was polarized between the top-five MPPS (e.g., CJ, Orion and the three territorial networkers) and about 150 other independent cable companies (see Appendix G3). The top-five MPPs consistently increased their market shares from 33.2 percent in 2004 to 46.7 percent in 2008. Both CJ and Orion groups became more powerful players than the territorial networkers (e.g., MBC, KBS and SBS). The two groups ran motion pictures, animation, cartoon, sports, fashions and online game channels. The other three networkers rebroadcast their media contents to these cable channels.

Much like the structure of the program provider market, the cable system operating market was also concentrated among a few cable companies. The top seven MSOs (Taekwang, CJ, Orion, GS, Curix and C&B) occupied at least 80 percent of the total system operating market in 2010 (see Appendix G4). Three among the top seven occupied at least 62 percent of the total cable system operating markets [(Taekwang (25 percent), CJ (18.6 percent -19.3 percent) and CNM (18.3percent)] triggering a tertiary hierarchical order with three meta firms at the top, the four mid-size businesses at the second-level and the remaining small business at the bottom. Further, unlike the market structure of program providers, the three territorial networkers were rarely involved in the cable system business.

In addition, a few chaebol groups (e.g., CJ, GS and Hyudai groups) became major MSPs with foreign capital. The appearance of MSPs in cable television started in 2001 when the Korean government allowed cross media ownership between program providers and cable system operators. In 2001, Orion group became a multiple system provider (MSP) with eight cable channels and six cable system operators. CJ group became an MSP with four cable channels and 13 cable system operators. GS group was a MSP with a home shopping channel and 16 cable system operators. Hyundai group was an MSP with a home shopping channel and seven cable system operators. Eight years later, in 2009, the three chaebol groups (CJ, GS and Hyundai) still belonged to major MSPs, which occupied at least 40 percent of the total Korean cable TV market.

In other words, Korean cable TV became heavily concentrated among a few chaebol groups with foreign financial capital, as seen in Table 3f. In the program provider market (cable channels), chaebol groups and three territorial networkers occupied about 50 percent of the total market size and MPPs. In the cable system operating markets, the top-seven companies held at least 80 percent of the total market size and MSOs. They were major MPPs and MSOs, thereby becoming MSPs. They represented big money in Korean cable TV.

Table 3f: Lists of the Top Four Cable Companies in 2009, unit: %

Rank	**MPPs**	**MSOs**	**MSPs**
1	CJ group (31.9)	Taekwang group (27.8)	CJ group (26.7)
2	MBC (6.3)	CJ group (22.0)	Taekwang group (8.8)
3	SBS (5.4)	C&B (17.3)	GS group (7.5)
4	KBS (3.1)	Hyundai group (6.9)	Hyundai group (7.5)
Total	46.7	74.2	50.3

Sources: Author's elaboration of data of FTC (2010, May 28); White Paper (2011); Jang (2010).

6.2.4. Market Structure in Film

In accordance with a trade agreement with the U.S, by the late 1980s, the Korean government had liberalized the distribution market and opened doors for transnational media corporations (Ryo, 2008). Since then, American media conglomerates have established distribution branches in Korea, thereby holding at least 80 percent of Korea's film market in the mid-1990s (Shim, 2002). This meant that by the 1990s the Korean film markets were dominated by Hollywood studios rather than chaebol groups.

In this market climate, since 1998, the Korean government has started to corporatize the film industry by welcoming private capital, including the chaebol groups, thereby changing Korea's film markets (Park, 2005). Neoliberal laws and policies allowed for the increase in the number of film production, production and exhibition companies, which led to enlarged Korean film production and centralized structures of both distribution and exhibition markets. The policy reforms displaced the dominance of Hollywood films in the Korean market, and produced a limited competitive environment involving American cultural conglomerates and the Korean media companies, including media holdings of chaebol groups, in the early 2000s. In the following section, I examine the changed trends in film markets generally and film production particularly, and then cover the centralized market structures of distribution and exhibition markets.

6.2.4.1. Film Production

During the period of media reforms, the number of film companies increased geometrically. As seen in Table 3g, the total number of film companies grew fourfold from 1999 to 2011. The increase of production firms was much higher than that of distribution, importation and exhibition companies. The growth in the number of film companies inevitably brought about an increase in the number of domestic film productions and a decrease in the number of imported films (see Appendix H1). The number of Korean film production companies increased from 49 in 1999 to 150 in 2011. On the other hand, the number of the imported motion pictures slightly decreased from 348 in 1999 to 289 in 2011. In sum, the growth in the Korean film industry was associated with the increase in Korean film products.

Table 3g: Changed Numbers of Film Companies (1999- 2011)

	1999	2002	2004	2006	2009	2011
Production	367	1,081	1375	2,154	2,365	2,664
Importation	215	428	509	820	741	813
Distribution	155	290	315	435	559	641
Exhibition	409	557	654	983	715	829
Total	1,146	2,356	2,853	4,392	4,380	4,947

Sources: Author's elaboration of data from White Papers (1999; 2004; 2007; 2009; and 2012).

Moreover, the increase in Korean film production can be attributed to the stable finances from investment associations (or media venture funds) established in 1999 by both the Korean government and financial institutions in 1999 (see Appendix H2). The members of these investment associations were the independent financial institutions (e.g., Moohan, Mearae Asset and Cowell), the financial holdings owned by chaebol groups (e.g., Samsung Venture, both Dream Discovery and Peta Capital of CJ), the Korean government itself and other financial institutions. Although the Korean government invested at most 20 percent in individual accounts in these investment associations, it was rarely involved in the execution of capital, which was entrusted to the financial institutions. Thus an individual financial institution was in charge of managing total production costs toward the end of making profit. The total number of investment associations gradually increased from 2 in 1999 to 23 in 2007. Each association financially supported at least 45 Korean films, and accounted for at least 40 percent of total production costs in the early 2000s (see Appendix H3).

Participation of the financial institutions especially led to an increase in production and marketing costs (see Appendix H4). The cost of filmmaking grew exponentially between 1999 and 2012. Average production costs increased at least 130 times and marketing costs grew sevenfold. 2006, however, was a point of attrition. From 1999 to 2006, the average costs of both production and marketing expanded exorbitantly. After 2006, both production and marketing costs stabilized.

In other words, Korean film production showed a heavy quantitative growth between 1998 and 2012. Investment associations for film production enabled film producers to manufacture blockbuster films, which led to increase in production and marketing costs.

6.2.4.2. Film Distribution

Before 1998, only American film distributors had existed in Korea. They had enjoyed the monopolized right to distribute both Korean and American motion pictures across the Korean Peninsula. After 1998, however, the Korean film distributors appeared. They included the second-tier chaebol groups (e.g., CJ group, Lotte group and Orion group) and independent distributors (e.g., Cinema Service, Korea Pictures and Chung-A-Ram) (Park, 2005). This was the beginning of an era of competition between Korean and Hollywood distributors. They released foreign and domestic motion pictures. In this segment, I analyze the nature of the changed market structure and then investigate the characteristics of both Korean and non-Korean motion pictures.

Table 3h indicated the general changes of the distribution market, including major players and market shares, from 2001 to 2010. The top five companies controlled Korea's distribution market, which included both American (e.g., Warner Brothers, Sony Pictures and Buena Vista, Buena Vista/Walt Disney and 20 Century Fox) and Korean distributors [(e.g., CJ, Cinema Service (renamed as Plenus), Orion, Korean Pictures, Chung-A-Ram and Lotte)]. Among the Korean members of the top five, three companies (e.g., CJ, Orion and Lotte) belonged to chaebol groups, while independent distributors included Cinema Service, Korean Pictures and Chung-A-Ram. The top five distributors occupied 59.6 percent of the total market share in 2001 and 68.9 percent in 2010.

Table 3h: Top Five Film Distributors (2001-2010); unit: %

Ranks	2001	2003	2007	2010
1	Cinema Service (22.6)	CJ (21.79)	CJ (29.7)	CJ (28)
2	CJ (14.7)	Plenus (18.70)	Orion (12.3)	20 CF (12.3)
3	KP (13.2)	WBs (8.15)	WBs (11.3)	SP &BV (9.9)
4	WBs (9.1)	Chung-A-Ram (7.63)	SP &BV (9.8)	Lotte (9.8)
5	N/A	BV (6.4)	Lotte (8.6)	WBs(8.9)
TMS 5	59.6	62.67	60.4	68.9

Sources: Author's elaboration of data from White Papers (2002; 2004; 2008 and 2011).

Note:

WBs: Warner Brothers; Sony Pictures and Buena Vista: SP & BV;

Buena Vista/Walt Disney: BV; 20th Century Fox: 20 CF; Korea Pictures: KP

Between 2001 and 2010, the Korean distribution market was volatile because of continuous mergers and acquisitions among members of the top five distributors. For example, Cinema Service was acquired by Locus group in 2001, and renamed Plenus. Locus group was an emerging media group, which ran a variety of media businesses in film distribution and production, online gaming, recorded music and television drama and film studio production. However, Locus group sold out all media businesses to CJ group in 2004. Since then, CJ has become the first ranked film distributor in Korea. In addition, mergers and acquisitions among members of Korean distributors affected Hollywood distributors. For instance, Walt Disney and Sony Pictures together established a joint venture (Sony Pictures and Buena Vista) to expand their influence in Korea's distribution market. The mergers and acquisitions among chaebol groups and Hollywood distributors led to a centralized market structure. Together, they controlled at least 68.9 percent of the total market share.

In the following paragraphs, I separately investigate the changed market structure of both Korean and non-Korean motion pictures, since both the chaebol groups and Hollywood studios were involved in the distribution of Korean films.

The top five distributors that released Korean motion pictures held market shares ranging from 68.9 percent to 90.5 percent (see Appendix H5). Most Korean films were distributed by the Korean companies such as Cinema Service, CJ and Orion groups, which held at least 80 percent of the total market share. American film distributors (e.g., WBs, KP and SP& BV) reached at most 9.9 percent of the total number of Korean film distribution. In the early 2000s, Cinema Service was the only distributor in Korean motion pictures, but CJ acquired the parent company of Cinema Service, thereby making it the leading distributor in Korea.

Much like the distribution market of Korean motion pictures, the top five companies also controlled the distribution market of foreign motion pictures. The major distributors of foreign films were WBs, UIP and 20 Century Fox, CJ, Orion, New and Plenus (see Appendix H6). The top five distributors occupied at least 67.9 percent of total market shares in 2001 and 81.1 percent of the total market shares in 2007. Although both domestic and foreign distributors controlled Korea's foreign film distribution market, the trends of market shares between them looked different. Hollywood distributors gradually lost their market shares, holding 83.6 percent of Korea's total foreign distribution in 2001 and only 66.8 percent of this market share in 2007. Conversely, Korean distributors increased their market share from at least 16.4 percent in 2001 to 33.8 percent in 2007.

Taken together, chaebol groups and Hollywood studios controlled the Korean foreign distribution market. While chaebol groups had a greater market share in the distribution of domestic films, Hollywood distributors controlled the majority of foreign film distribution.

6.2.4.3. Film Exhibition

By early 1998, independent movie theaters were in charge of the exhibition of all motion pictures in Korea. However, CJ group opened a multiplex theater in the Gang-byun area of Seoul in 1998. Since then, chaebol groups (e.g., Orion, JoongAng Ilbo and Lotte) have expanded their media businesses to the film exhibition market. They constructed multiplex theaters in downtowns of several major cities and precipitated the fall of independent theaters. Hollywood studios have yet to venture into the exhibition market. As seen in Table 3i, the number of screens increased from 588 in 1999 to 1,974 to 2011. The total number of independent theaters, however, decreased from 409 in 1999 to 292 in 2012. While chaebol groups constructed multiplexes that could screen five or more movies, independent theaters typically consisted of a single screen in each theater.

Table 3i: Changed Numbers of Theaters and Screens (1999-2011)

Years	1999	2003	2007	2009	2011
The numbers of screens	588	1,132	1,451	2,055	1,974
The numbers of theaters	409	302	314	301	292

Sources: Author's elaboration of data from White Papers (1999; 2003; 2007; 2009; and 2012).

Independent theatres collapsed because of the changing tastes of cinema audiences, who preferred the updated facilities of multiplex theaters to the old independent ones. Moreover, film exhibition was tightly linked to distribution, which required theater owners to provide at least five screens as contract condition to release a motion picture. These two factors pushed the owners of independent film theaters to accept the commissioned management of major exhibitors (Park, 2005). As a result, the Korean exhibition market changed from an independent theater-oriented structure to multiple theater-models, in charge of exhibiting about 95.6 percent of the total motion pictures exhibited in Korea in 2012. Eventually, multiplex theaters displaced small and media-sized movie theaters.

Let's see the changed market situation during the period from 2010 to 2012. In 2010, the top four film exhibitors controlled 83 percent of the total number of film screens, and exhibited motion pictures at their own multiplex theaters. As seen in Table 3j, CJ was the most prominent film exhibitor, owning 104 multiplex theaters and 806 film screens. Lotte was the second largest film exhibitor, and owned 55 multiplex theaters and 478 film screens. Both JoongAng Ilbo and Orion had also emerged as major exhibitors of films in Korea. Two years later, in 2012, JoongAng Ilbo acquired Orion, thereby becoming the third ranked exhibitor, meaning that the Korean exhibition market was structured by three chaebol groups (e.g., CJ, Lotte and JoongAng Ilbo). Moreover, since 2003, these major exhibitors have begun to assert their influence by engaging in the business of commissioned management with independent movie theaters. Small and medium sized film exhibitors transferred the rights to manage movie theaters to owners of multiple theaters in order to survive in the tough market situation. Both CJ and Lotte, however, paid more attention to commissioned management than JoongAng Ilbo.

Table 3j: Major Film Exhibitors in 2010

		Total number of multiplexes	Total number of screens	Management Type	
				Direct management	Commissioned management
CJ	CGV	71	623	45	32
	Premus	32	183	10	15
Lotte		55	478	32	33
Orion		16	133	12	4
JoongAng Ilbo		31	240	7	26
Other multiplexes		32	199	0	0
Non-multiplex		69	147	0	0
Total		305	2003		

Source: White Paper (2010, p. 255).

In summary, the Korean exhibition market was structured by the top five exhibitors, owned by chaebol groups. Since the end of 1998, a few chaebol groups (e.g., CJ, Orion and Lotte groups) have constructed multiplex theaters and also run the commissioned management of independent exhibitors around the Korean Peninsula.

Conclusion

In this chapter, I have analyzed the outcomes of media reforms and the changed market structures of the four media markets during the period from 1998 to 2012. As a result, fifteen years of Korean media reforms made the media industry integral to the nation economy, accounting for approximately 7 percent of the country's Gross Domestic Product (GDP) in

2012. The total revenue from the media industries increased from $859 million in 1999 to U.S.$ 8,241 million in 2011. The rapid growth of the Korean media industries was associated with growth in media exports and advertisement market sizes, as well as an increase in the number of media outlets domestically. In spite of increasing quantitative growth in the Korean media, the total number of media companies shown different growth tendencies in each of the four media markets. The number of media companies in three of the media markets (i.e., advertising, daily newspaper and film) increased, while the number of cable companies decreased.

Moreover, the fundamental changes in the media market systems led to the formation of oligopolistic structures by a few media companies that the chaebol groups, transnational media corporations and the existing mainstream papers. They occupied from 50 to 80 percent of the total markets shares in the four media markets. That was to say, chaebol groups, mainstream papers and transnational media conglomerates were able to determine what to produce, distribute and exhibit as well as what to not produce, distribute and exhibit. This implied that the polarization between a few market controllers (e.g., chaebol groups and the transnational media conglomerates) and many minors of independent media firms in the media markets became more serious from 1998 to 2012.

Further, within all four media markets, chaebol groups held more market shares than the transnational media conglomerates did. It seems that chaebol groups were the beneficiaries of centralized market structures formed by Korea's media reforms. However, chaebol groups and transnational media conglomerates cooperated with each other, shared media ownership and/or established joint ventures together.

In Chapter 7, I investigate the interactions among Korea's media reforms, media expansions of the three chaebol groups (e.g., Samsung, JoongAng Ilbo and CJ) and family ties of the Lee family, who owned the three chaebol groups. I also show how the Lee family used the structural changes of the neoliberal mode to increase the number of media holdings within and across media markets and how and why the Lee family deployed informal ties (e.g., blood and marriage ties) to control multiple operations.

CHAPTER 7 – MEDIA EXPANSIONS, FAMILY TIES AND OWNERSHIP STRUCTURE OF SAMSUNG, CJ AND JOONANG ILBO GROUPS

In this chapter, I analyze the media expansions of the three chaebol groups (i.e., Samsung, CJ and JoongAng Ilbo) and the familial ties existing among the corporate leaders of these groups from 1998 to 2012. During this time, the Korean government applied a neoliberal model to Korean communication systems and relaxed the rules for expansions, mergers and acquisitions. These political moves made possible the restructuring of Samsung that I will describe here. My conclusions are based on extensive analysis of the annual reports and financial statements (the equivalent of 10-K reports in the U.S) published by the Financial Supervisory Service (FSS), the Korean government organization that oversees all media holdings of the three chaebol groups.

In total, I gathered 173 annual reports and financial statements about the media operations owned by the three chaebol groups (http://dart.fss.or.kr). The analyzed data included information about (1) personal connections among the owners of three chaebol groups and their families; (2) ownership structures existing between the parent company of each chaebol group and its media subsidiaries; (3) media expansion by the chaebol groups, including mergers and acquisitions; (4) members of the boards of directors; and (5) chaebol revenues. Additionally, I use secondary data from news resources and scholarly works to elaborate upon and confirm my analysis of the governmental reports.

On this basis, I examined how the owners of the Samsung, CJ and JoongAng Ilbo chaebol groups have utilized personal connections to expand their media businesses and control multiple media holdings within and across Korean media markets. I began with an analysis of the Samsung group, followed by the analyses of the CJ and JoongAng Ilbo groups.

7.1. Overview of Samsung Group (1998-2012)

In this section, I examine the characteristics of Samsung's corporate structures, including its core businesses, ownership structures and management within the Samsung group (hereafter, Samsung). I also investigate the processes by which the Lee family used Korea's financial liberalization to restructure Samsung from 1998 to 2012 and to resolve inheritance issues among the members of the Lee family while expanding its media empire.

Samsung owned multiple subsidiaries in five economic sectors: electronics (e.g., semi-conductors and digital devices), finance (e.g., insurance, securities and investments), manufacturing (e.g., machinery, petro-chemicals and medicine), service (e.g., leisure, construction) and media (Song, 2011). Under Samsung, seven leading subsidiaries (e.g., Samsung Electronics, Samsung SDI, Samsung Finance, Samsung Credit Card, Samsung Heavy Machine & Samsung Chemicals, Samsung Everland and Samsung Corporation) controlled multiple sub-subsidiaries of Samsung in Korean economic sectors. Specifically, Samsung Electronics and Samsung SDI supervised multiple sub-subsidiaries in the electronic industry. Samsung Finance and Samsung Credit Card managed Samsung's affiliated holdings in the financial industry. Samsung Heavy Machine & Samsung Chemicals paid more attention to the heavy chemical industry, while Samsung Everland and Samsung Corporation focused on the service industry.

These seven leading subsidiaries were intertwined by virtue of circular ownership structure within a Samsung group. This structure, to be described in detail below, enabled the Lee family (Samsung's owners) to control multiple subsidiaries while holding relatively small amounts of stock in each (Song, 2011). Here, the "Lee family within Samsung" includes Lee

Kun-hee (owner of Samsung); Hong Ra-hee (his wife); Lee Jae-yong (the only son of Lee Kun-hee) and Lee Kun-hee's three daughters, Lee Pu-jin, Lee Seo-hyun and Lee Yun-hyung[16].

The Lee family was the largest stockholder of Samsung Everland, while a few leading subsidiaries (e.g., Samsung Insurance and Samsung Corporation) were major stockholders of Samsung Everland. This meant that Samsung Everland was a *de facto* holding company of Samsung, as illustrated in Figure 1 below.

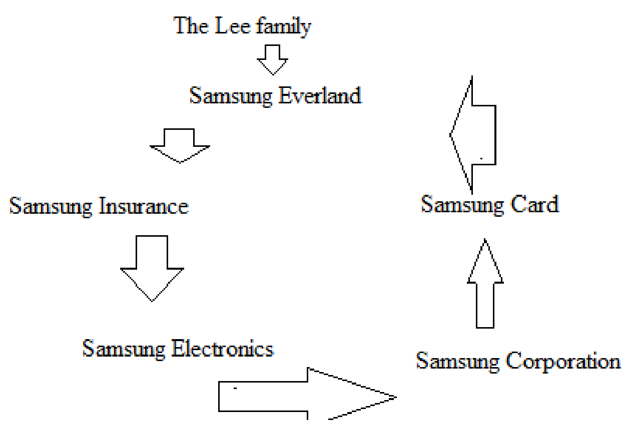

Figure 1: The Ownership Structure of Samsung Group in 2010

Sources: Author's elaboration of data from Lee (2011b); Kim (2010a) and Song (2010).

In 2009, the Lee family owned 46 percent of Everland, which in turn held 13.3 percent of Samsung Insurance, the biggest life insurance company in Korea. Samsung Insurance owned 7.2 percent of Samsung Electronics, the world's biggest electronics company, and Samsung Electronics owned 35.3 percent of Samsung Card, Korea's biggest credit card company. Samsung Card, in turn, owned 25.6 percent of Samsung Everland (The Economist, June 6, 2009). This intertwining and circular ownership structure enabled the Lee family, the largest

[16] She died in 2005.

stockholder of Samsung Everland, to control multiple subsidiaries in the four Korean economic sectors (Lee, 2011b).

In addition to the circular ownership structure of Samsung, the Lee family used Samsung's structural planning office to control the Samsung Empire. The structural planning office was essentially the control tower of Samsung, responsible for managing all of Samsung's affairs. These included (1) personnel management; (2) financial affairs, including the owner's assets; (3) internal inspections regarding unfair deals within Samsung; (4) promotional and networking relationships; (5) information gathering about the power elites, both political leaders and highly placed officers in the National Tax Service and Public Prosecutors' office; and/or (6) the law (Seoulshinmun, 2005). Within Samsung, members of this office were called the "selected Samsung men." They were groomed to become the chief executives and vice-executives of Samsung's affiliates after working at the structural planning office. Thus, members of the structural planning office were power elites within the Samsung Empire (Kim, 2010).

This control tower was headed by Lee Kun-hee, the chairman and owner of Samsung. In the mid-1990s, Chairman Lee appointed Lee Hak-soo, an expert in financial affairs, as chief of the structural planning office of Samsung. As an agent of Chairman Lee within Samsung, Lee Hak-soo selected members of the structural planning office who were then approved by the chairman. Lee Hak-soo was involved in all issues related to Samsung's affairs, including the reorganization of Samsung and the inheritance issues of the Lee family (Kim, 2010). He was also in charge of using bribery for political leaders (e.g., candidates for president, as well as high officers at the National Tax Service, Public Prosecutors' Office, High Courts and the Supreme Court) to favor Chairman Lee's plans (Lee, 2012). Put simply, Samsung's structural planning office controlled Samsung, and Chairman Lee controlled the structural planning office. By depending on circular ownership structures and the structural planning office, the Lee family controlled Samsung Empire and all its subsidiaries by the early 2000s.

Next, I investigate how Chairman Lee utilized Korea's financial liberalization to reorganize Samsung's structure (i.e., into Samsung, CJ, JoongAng Ilbo, Shinsaegae, Hansol and Saehan) and transfer Samsung to his children. This issue is important for two reasons. First, Samsung's reorganization aptly illustrates the interconnections among the three chaebol groups as seen within the corporate structures of Samsung's media holdings. Secondly, it also shows the relationship between financial liberalization and media expansions within the three chaebol groups. Thus, I examine the relationship between Korea's financial liberalization and the reorganization of the old Samsung group before I analyze the media expansions and media corporate structures of Samsung.

7.1.1. Korea's Financial Liberalization and Samsung Group

In the 1990s, the Korean state actively reformed the financial industry, which introduced both convertible bonds (hereafter, CBs) and bonds with warrants (hereafter, BWs) and promoted the activation of mergers and acquisitions (M&As) among companies (Kim, 2007). According to the financial glossary from Reuters.com, CBs are securities that are convertible into shares at a pre-set conversion price. WBs are bonds with an attached warrant entitling the purchaser to a certain number of shares of the borrowing company for a certain period at a price fixed in advance. Both CBs and BWs were used to resolve the financial deficiencies of various companies in Western countries. The Korean state allowed both listed and unlisted enterprises to freely issue CBs and BWs.

However, the Korean government rarely enacted specific provisions for these securities (e.g., the issuance volume, terms and transaction takes of CBs and BWs). By utilizing legal loopholes, Chairman Lee started to transfer Samsung holdings to his children and family members in the 1990s (Lee, 2010). He utilized the structural planning office to determine which subsidiaries would be able to issue CBs and BWs and who would buy these newly issued stocks. The process went as follows. Chairman Lee legally provided money for his children (e.g., Lee Jae-yong, Lee Pu-jin and Lee Seo-hyun) to buy new shares of unlisted Samsung holdings. Lee's children paid only the inheritance and gift tax to the National Tax Service. After that, they used their inherited money to buy CBs or BWs of the unlisted Samsung subsidiaries that would enter the Korean stock markets within a few months.

Despite being evaluated as financially sound, most major stockholders of Samsung's affiliates gave up their rights to purchase these new shares. After that, Lee Jae-yong and his sisters purchased all the forfeited shares at relatively low prices, and then sold these new shares on the Korean stock markets after Samsung's subsidiaries were listed. As a result, Lee Kun-hee's children made huge profits through stock transactions, and became the largest stockholders of Samsung Everland, a *de facto* holding company of the Samsung Empire (Kim, 2010; Bae, 2009, June 2).

In early 1995, Chairman Lee Kun-hee handed over approximately sixty billion Won (equivalent to $U.S. 60 million) to Lee Jae-yong and his sisters. Lee Kun-hee's children paid sixteen billion Won (equivalent to $U.S. 16 million) for a gift tax to the National Tax Service. After that, they purchased 120,000 CBs of S-1, a safe security company under Samsung, at the price of 2.3 billion Won ($U.S. 2.3 million) just before S-1 was listed on the Korean stock market. The purchase price per stock of S-1 was 19,000 Won ($U.S. 19). A month later, S-1 was listed on the Korean stock market at 300,000 Won ($U.S. 300). Lee and his sisters sold out all securities of S-1, thereby making profits of about 33.72 billion Won ($U.S. 33.72 million). They applied the same strategies to Samsung Engineering, a refinery, water treatment and energy subsidiary of Samsung. By selling new shares of both S-1 and Samsung Engineering, Lee Jae-yong and his sisters made huge profits in early 1996. They used these profits to purchase all forfeited CBs issued by Samsung Everland, an unlisted Samsung subsidiary.

In October 1996, members of the board of directors of Samsung Everland decided to issue nearly 10 billion Won ($U.S 10 million). The major stockholders of Samsung Everland were the subsidiaries of old Samsung (e.g., JoongAng Ilbo, Samsung Electronics, CJ, Cheil Industries, Hansol, a Samsung Cultural Foundation and Samsung Corporation). All major stockholders of Samsung Everland, except for CJ, forfeited their opportunity to buy the CBs of Samsung Everland. After three months, Lee Jae-yong and his sisters again purchased all forfeited shares of Samsung Everland at 7700 Won ($U.S. 7.7) per share. This price was lower than the market price of about 85,000 Won ($U.S. 85) at that time. In fact, Hansol, a major stockholder of Samsung Everland, had sold all shares of Samsung Everland at 85,000 Won ($U.S. 85). Shares of Samsung Everland could have been sold on an open market for at least at 85,000 Won ($U.S. 85). However, none of the major stockholders sold in a single share of CBs issued by Samsung Everland. Lee and his sisters purchased all forfeited shares of Samsung Everland, which made them its largest stockholders (Bae, 2009, June, 2; Kim, 2010).

This case of Samsung Everland shows two intentions of Chairman Lee Kun-hee. The first is that Chairman Lee wanted to streamline inheritance issues among his family members. Chairman Lee's brothers and sisters received some businesses from the old Samsung at the cost of giving up new CBs issued by Samsung Everland, thereby becoming the owners of the new Samsung subsidiaries (i.e., CJ, Hansol, Saehan, Shinsaegae and JoongAng Ilbo). His second intention was that his children would gain managerial control over the Samsung empire by controlling Samsung Everland, located at the top of the ownership pyramid of Samsung.

Lee applied the same financial logic to reorganize Samsung's media holdings, which included Cheil Communication (an in-house advertising agency) and Samsung SDS, a Samsung subsidiary within the information technology communication sector. In 1998, Lee Jae-yong purchased the forfeited BWs issued by Cheil Communication before it went public, thereby becoming the largest stockholder of Cheil Communication. Similarly, in 1999, Samsung SDS issued three-year BWs worth 23 billion Won ($U.S. 23 million), and then privately placed these BWs with Lee Jae-yong and his sisters at 7,150 Won ($U.S. 7.15) per share. Lee purchased 20 percent of its total BWs and his sisters bought 45 percent of its total shares in Samsung SDS, thereby becoming the major shareholders in this first-ranked, systematically integrated Korean company (Song, 2008). Cheil Communication was listed in 1998, while Samsung SDS was not listed.

In summary, Lee Kun-hee, the top decision-maker of the Samsung Empire, utilized Korea's financial liberalization to restructure Samsung into six chaebol groups (Samsung, Hansol, JoongAng Ilbo, CJ, Shinhan and Shinsaegae). He also used Samsung's three media operations (Samsung Everland, Samsung SDS and Cheil Communication) as channels to hand down the inheritance to his children.

7.2. Samsung's Media Expansions and Media Ownership

During the period from 1998 to 2012, Samsung was also involved in advertising and computer-mediated communication industries. As seen in Table 4a, Samsung Everland was involved in Internet incubating businesses. Samsung SDS was in charge of building up infrastructures for computer networking and computer-mediated communication, while Cheil Communication focused on the advertising industry.

Table 4a: Samsung's Media Businesses and its Media Holdings (1998-2012)

Industry	Name	Businesses
Information technology	Samsung Everland	Internet-incubating
Information technology	Samsung SDS	System Integration
		Internet-incubating
		Computer-mediated communication
Advertising	Cheil Communication	Advertising Agency
Information technology		Advertising Production
		Internet-incubating

Sources: Author's elaboration of data from the annual reports of Samsung Everland, Samsung SDS and Cheil Communication from 1999 to 2012.

In the following sections, I examine the corporate structure of Samsung Everland, including its media businesses, ownership structures and boards of directors. I then examine media corporate structures of both Samsung SDS and Cheil Communication.

7.2.1. Corporate Structure of Samsung Everland

Samsung Everland (hereafter Everland), established in 1963, was an unlisted Samsung subsidiary. Everland owned multiple holdings in environmental industries, real estate, food industries, resorts and media. Moreover, this company was responsible for administrating Samsung's real estate and commercial buildings across the Korean Peninsula (Kim, 2006). The ratios of revenue in Everland were as follows: leisure (27-43 percent); food (35-39 percent); real estate (23-27 percent); and environment (11-18 percent).

Everland rarely ran media businesses directly, but was a powerful investor in computer-mediated communication. Since Lee Jae-yong became the largest stockholder in Everland in the late 1990s, Everland has horizontally diversified its holdings into computer-mediated communication, a newspaper, online newspapers and a professional baseball team. Everland paid more attention to its Internet-incubating businesses, including online newspapers, than other media businesses. This was the so-called "e-Samsung" project. Under the support of the structural planning office of Samsung, Lee Jae-yong was responsible for this project. He established 14 joint venture companies with 9 subsidiaries of Samsung (e.g., Samsung SDI, Cheil Communication and Samsung SDS). Companies included a wide range of products from e-finance (e.g., Value Net and All@), data processing (e.g., 365 homecare), web portals (Empass), web design (e.g., Design Storm), e-medicine (e.g., 10 DR Implant), e-learning (e.g., Credue), e-commerce (e.g., i-market Korea), 3D (Inooka), e-security (e.g., Hauri and secu-i) to online gaming (e.g. Battletop and N-forever). Lee also invested in small and medium-sized enterprise investment associations (e.g., KTB Investment Association, Software Development Investment Association and Media Valley). The number of companies in which he invested rose from 10 in 1999 to 65 in 2001. Moreover, Everland was a major stockholder of the *Hankuk Kyung-je Shinmun*, a daily economic newspaper and its online affiliates.

The major stockholders of Everland included the Lee family, Samsung's leading subsidiaries and Samsung's cultural foundation. The Lee family together held at least 55.18 percent of total shares in Everland. Lee Jae-yong, the only son of Lee Kun-hee, was the largest stockholder, with 25.1 percent of total Everland shares. Thus, Lee Jae-yong would essentially inherit Samsung, because Everland was a *de facto* holding company of Samsung. Each of his three sisters (e.g., Lee Pu-jin, Lee Seo-hyun and Lee Yun-hyung) held 8.37 percent shares of Everland's total stocks. When Lee Yun-hyung, the youngest daughter of Lee Kun-hee, passed away in 2005, her stocks (8.37 percent) transferred to Samsung's cultural foundations. Lee Kun-hee, the owner of Samsung, personally owned 3.72 percent of its total shares. Lee Jae-hyun, the owner of CJ, owned 1.52 percent of Everland's shares by 2005. Other major stockholders were Samsung's leading subsidiaries and cultural foundations, which included Samsung Credit Card (14 percent), Samsung Capital (11.62 percent), Cheil Industries (4 percent), Samsung Electro-mechanics (4 percent), Samsung SDI (4 percent) and cultural foundations (0. 88 percent). Taken together, the Lee family (e.g., junior Lee, his two sisters, Lee Kun-hee and Lee Jae-hyun), Samsung's five subsidiaries, and its cultural foundations controlled 98.15 percent of the total shares of Everland.

Although Lee family members were major stockholders in Everland, only Lee Kun-hee was a member of the board of directors, and only from 1999 to 2004. Except for these five years, no Lee family member belonged to the boards of directors. All members of board of directors in Everland were Samsung men who came from the structural planning office of Samsung or Samsung's leading subsidiaries.

In sum, Everland was an unlisted media company that got involved in the Internet-incubating businesses and printed newspapers. Lee Jae-yong was the largest stockholder in this company, sharing ownership with his two sisters, his father and the five leading subsidiaries of Samsung. However, he did not hold a seat on the board of directors of Everland, but entrusted them to selected Samsung men.

7.2.2. Corporate Structure of Samsung SDS

Established in 1985, Samsung SDS (hereafter, SDS) was in charge of Samsung's information and technology businesses, including system integration, computer-mediated communication and digital media investments. SDS played a central role in constructing the "digital Korea" that built up e-government, e-commerce, e-finance and e-learning systems. The main clients of SDS came from the public sector (e.g., the National Tax Service, Incheon Airport, the National Prosecutors Office, the National Education Center and Navy), finance sector (e.g., National Industrial Bank and National Farm Bank) and education (e.g., Myung Ji-University). SDS also ran computer-mediated communication (brand name: Unitel) that provided online chatting, online communities and online data services in the late-1990s. Further, SDS ran Internet-incubating businesses associated with the "e-Samsung project," initiated by Lee Jae-yong.

SDS also invested in various online companies, including online securities (e.g., Ahn Chul-soo Lab), portal sites (e.g., NHN and Daum), online newspapers (e.g., the *Dong-A* and the *Hankuk Economic Daily*), e-learning (e.g., Credue), web design (e.g., Design Storm), e-medicine (e.g., 10 DR Implant), e-finance (e.g., Hankuk Information Certification), online data processing (e.g., Com Net+) and online text messaging (e.g., Yu-in Communication).

SDS maintained two patterns of media investments. In the first pattern, SDS cultivated (and financially and technologically supported) in-house venture teams. SDS then allowed their venture teams to establish independent companies in order to be listed on the Korean stock market. NHN (brand name: Naver), for example, was the first in-house venture team within SDS. NHN became independent from SDS in 1999 and was listed in 2002. By 2012, NHN became the top ranked portal site in Korea, providing online search services, online gaming, online advertising and online shopping. In 2012, the total revenue of NHN reached over one trillion Won (equal to $ U.S. one billion). This revenue was equivalent to Korea's total advertisement expenses in 2012.

SDS's second media expansion pattern was to acquire promising online companies outside Samsung. For instance, SDS acquired Credue, an e-education company, in the late 1990s and then listed Credue at the Korean stock market in 2006. Using these two patterns of investment, SDS increased its revenues by about 3.5 times from 550 billion Won ($.U.S. 5.5 billion) in 1999 to 19.2 trillion Won ($.U.S. 19.2 billion) in 2012. Most revenue came from system integration (around 30-60 percent); systems management (about 20-30 percent) and education (10-20 percent).

The ownership structure of SDS was similar to that of Everland. The major stockholders were the Lee family, Samsung's leading subsidiaries and Samsung's cultural foundation. Between 1998 and 2005, the Lee family held 22.9 percent of SDS's total stock. Since 2006, the Lee family has owned 17-18 percent of total SDS stock. Other major stockholders of SDS were Samsung's subsidiaries: Samsung Electronics (21.27 percent), Samsung Corporation (18.29 percent) and Samsung Electro-mechanics (8.44 percent).

Interestingly, two Samsung men owned SDS stock. Lee Hak-soo, the chief of the structural planning office of Samsung, owned 4.5 percent of total shares in SDS and Lee In-joo, responsible for managing the assets of the Lee family, held 2.2 percent. Although the Lee family was the largest stockholder in SDS, they did not take seats on boards of directors. As was the case with Everland, most of the SDS directors came from Samsung's structural office and its subsidiaries (e.g., Samsung Electronics, Hotel Shilla and Samsung Automobile).

Like Everland, SDS was an unlisted Samsung online media company. It built up the infrastructure for information communication technologies and invested in online media companies for the development of software.

7.2.3. Corporate Structure of Cheil Communication

Established in 1973, Cheil Communication (renamed Cheil Worldwide Inc. in 2008; hereafter, Cheil) was the in-house advertising agency of Samsung.

Historically, Cheil ran media businesses in advertising (e.g., advertising agencies, production, media planning and public relations), broadcasting (e.g., drama production and cable channels), recorded-music (planning and music production) and film (e.g., production and exhibition). After 1998, Cheil reorganized its media businesses in accordance with Samsung's restructuring project. Under the reorganized Samsung, Cheil transferred most of its media businesses (e.g., cable channels, a film theater and an advertising agency) to the JoongAng Ilbo group. Cheil also established advertising sub-holdings including Essence Production (advertising production) and Hakuhodo-Cheil (advertising agency and advertising production for the Japanese companies in Korea and Japan). Further, Cheil acquired several global and online advertising agencies in the global markets.

From 1998 to 2012, Cheil focused on the advertising industry while functioning as Samsung's in-house advertising agency. For fifteen years, Cheil became the first-ranked in-house advertising agency in Korea. Cheil held 20-30 percent of Korean advertising market shares. Regular clients of Cheil included Samsung's subsidiaries (e.g., Samsung Electronics and Samsung SDI) and old Samsung companies (CJ, Hansol and Shinsaegae groups). Other major clients included SKT (the largest wireless carrier in Korea), KT (a privatized wired and wireless carrier), Hite (a beer manufacturing company), Dong-Seo Food (Korea's largest soft drink company) and Korean (a cosmetics corporation). Samsung's subsidiaries (e.g. Samsung Electronics, Samsung SDI and Samsung SDS) were also Cheil clients in the domestic and global markets.

Especially, Cheil expanded its advertising areas to the global markets. The global growth of Cheil was dependent upon that of Samsung's affiliated companies. As seen in Table 4b, Cheil acquired the global advertising agencies across the world.

Table 4b: Sub-Holdings of Cheil Communication (1998-2012)

	Patterns	**Areas**
Essence Production (1998)	Establishment in Korea	Broadcasting & Advertising Production
Hakuhodo-Cheil (2000)	A joint venture with Hakuhodo group from Japan	Advertising agencies
Samsung Advertising (2000)	Establishment in China	Advertising agency
BMB Group (2008)	Acquisition in the U.K.	Advertising agencies
Barbarian Group (2009)	Acquisition in the U.S.	Advertising agency for online advertisement
Herezie group (2010)	Establishment in France	Advertising agency & Advertising production
McKinney Ventures (2012)	Acquisition in the U.S.	Advertising agency
Bravo Asia (2012)	Acquisition in China	Advertising agency

Sources: Author's elaboration of data from annual reports of Cheil Communication from 1998 to 2012.

In fact, revenue from global markets reached 66 percent of the total revenue of Cheil in 2012. Cheil owned about thirty global branches, including six global sub-holdings. Cheil acquired five independent advertising companies on the global advertising market. Global Cheil sub-holdings included Beattie McGuinness Bungay (a U.K advertising agency) in 2008; Barbarian Group (a U.S digital advertising agency) in 2009; McKinney Ventures (a U.S advertising agency) in 2012; and Bravo Asia (an advertising agency in China) in 2012. Further, in 2010, Cheil established Herezie, a French advertising and production agency.

Along with global expansion, Cheil made inroads into sports sponsorship. Cheil financially supported professional sports teams/leagues (e.g., Chelsea in Europe and the NFL in the U.S.), the Beijing 2008 Summer Olympics, the Vancouver 2010 Winter Olympics and the 2010 Asian Olympics. It also sponsored individual athletes (e.g., Kim Yun-a, a figure skater, and the 2009 & 2013 World Champion).

Further, Cheil was a major investor in the "e-Samsung" project. Cheil contributed to e-Samsung in the areas of advertising (e.g., Airmail, AD gate.com and BM Communication), online data gathering and processing (e.g., Valuenet, 365 homecare and Joy link Korea), online education (e.g., Credue), games (e.g., Battletop and N-forver) and online newspapers (e.g., Dong-A and Hankyung).

As a result, Cheil increased its revenue from 570 billion Won ($ U.S. 570 million) in 1998 to about 2.4 trillion Won ($ U.S. 2.4 billion) in 2012. The largest component of this business was advertising production, which covered 29.94 to 74.1 percent of its total earnings. The second largest revenue percentage was generated from Cheil's advertising agency. Their revenue ranged from 17.88 to 70.06 percent of total company revenue. Marketing consulting generated at most 1to 2 percent of Cheil revenue.

Samsung controlled the reorganization and expansion of Cheil just as it controlled Everland and SDS. Major Cheil stockholders were Lee family members and Samsung's leading subsidiaries. The Lee family held its shares only in 1998 and in 1999. Lee Jae-yong was the largest stockholder (29.75 percent) and Chairman Lee held shares under five percent of the total shares in 1998 and 1999. After that, the Lee family did not appear on the lists of major stockholders. In its place, a few leading Samsung subsidiaries and members of the old Samsung structure were major stockholders. These included Samsung Electronics, Samsung Corporation, Cheil Industries, Samsung Insurance, Samsung Fire Insurance and JoongAng Ilbo. From 1998 to 2012, Samsung- affiliated companies constantly held at least 20 percent of the total shares of Cheil. This meant that Cheil was controlled by Samsung in the same type of circular ownership as with other Samsung subsidiaries. Moreover, domestic and foreign institutional investors intermittently owned Cheil shares. These included Korean institutional investors (e.g., National Pension, Hankuk Investment and Hyundai Investment) and some non-Korean ones (e.g., Morgan Stanley, SSB-Small cap, Capital Group and Putnam).

Members of the board of directors of Cheil included Samsung men and Korean power elites (e.g., professors, lawyers associated with big law firms and former highly ranked political and economic officials). From 1998 to 2012, the total number of boards of directors in Cheil went from eight to nine, with the ratio between Samsung men and Korean power elites at 2:1. Samsung men occupied the positions of the chief executive officer and chief financial officer. These men were mainly chosen from the structural planning office of Samsung. The Korean power elite were in charge of supervising financial audits and long-term strategies. They typically came from business schools (Seongkunkwan University, owned by Samsung, and National Seoul University), the National Tax Service, the Fair Trade Commission (which was in charge of supervising chaebol groups' economic activities) or the National Congress in charge of enacting political, economic and cultural regulations.

Moreover, two interesting implications were discovered in the corporate structure of Cheil. The first point is that Chairman Lee used Cheil as a channel to transfer Samsung's wealth to his only son, Lee Jae-yong. Three current events have led me to infer that Cheil was involved with Samsung's transference from Chairman Lee to junior Lee. First was that Lee Kun-hee became a member of boards of directors in Cheil from 1998 to 2000. Second, Lee Hak-soo, the chief leader of structural planning office in Samsung group, was on Cheil's board of directors from 1998 to 1999. In addition to his position in the structural planning office, Lee Hak-soo was a financial expert responsible for the Lee family's assets. Finally, Lee Jae-yong was the largest stockholder of Cheil in 1998 and 1999, with 29.75percent of its total shares. The appearance of both Samsung Chairman Lee and Lee Hak-soo of the Samsung structural planning office on the Cheil boards of directors was suspicious. Chairman Lee rarely registered his name on the boards of directors within the corporate structures of Samsung, but he did in Cheil. His proxy, Lee Hak-soo did so as well. These men utilized Cheil as a channel to pass Samsung down to Lee Jae-yong.

The marriage tie between the Lee family and the owner of a media group, Dong-A group, is also relevant here. Lee Seo-hyun, the second daughter of Chairman Lee, married Kim Jae-yol, the second son of Kim Byung-kwan, the former chairman of Dong-A media group. Both Lee Seo-hyun and her husband have been involved in the media management of Cheil. They rarely owned shares of Cheil. Except for Lee Seo-hyun and her husband, no other members of the Lee family were involved in media management in Cheil.

In summary, Cheil was an in-house agency of Samsung in charge of Samsung's domestic and global advertising businesses. As a consequence of Samsung's global expansion, Cheil became one of the top 15 global advertising agencies. The ownership structure of Cheil was interlocked with Samsung's circular ownership structure, and based on this, the Lee family indirectly controlled Cheil, as most members of the board of directors were either Samsung men or Korea power elites appointed by Samsung men.

7.2.4. Conclusion of Samsung Group

I have analyzed the corporate structure of Samsung and Samsung's three media holdings (Everland, SDS and Cheil) with a focus on the period from 1998 to 2012. Thanks to blood and marriage ties, Chairman Lee was able to restructure Samsung and expand Samsung's media businesses vertically and horizontally. For fifteen years, all three media operations expanded their media businesses. Everland diversified horizontally into digital media as a major media investor. SDS expanded its businesses vertically from computer-mediated communication to systems integration and Internet incubating businesses. Cheil expanded its media businesses within the advertising industry both domestically and globally.

The Lee family controlled these Samsung media holdings based on the interlocked and circular ownership structure within Samsung. The three children of Chairman Lee were the largest stockholders in both Everland and SDS, but rarely owned shares in Cheil. In spite of this, the Lee family was reluctant to become members of the board of directors in the three media operations. Instead of the Lee family members, Samsung men under control of Chairman Lee occupied seats on the boards of directors. The Korean power elites also shared seats on the boards of directors in the case of Cheil. As Domhoff (1990) argued, the owners of large corporations typically use seats on boards of directors to connect to the power elite. The Lee family specifically used seats on the board of directors in Cheil to connect to the Korean power elites.

7.3. Overview of CJ Group (1998-2012)

Since 1997 when the CJ group (hereafter, CJ) was separated from the old Samsung, CJ has diversified vertically and horizontally into distribution (i.e., logistics), finance, leisure, construction and pharmaceuticals. They have also expanded into media industries, thereby becoming a second-tier chaebol group in Korea. The number of its subsidiaries has increased from 13 in 1997 to 224 in 2012 (including 84 within Korea and 140 holdings across the world).

CJ's growth was closely associated with financial liberalization in Korea. CJ aggressively used Korea's financial liberalization to increase its number of subsidiaries within and across economic sectors. The Korean government allowed chaebol groups to issue BWs and CBs freely at the stock markets and also loosened legal limitations regarding mergers and acquisitions (M&As) among domestic and foreign companies (Kim, 2005). These political steps enabled CJ to tap into financial resources by issuing new shares (bonds with warrants: BWs). In turn, the revenue from these bonds allowed CJ to purchase multiple other companies.

Moreover, CJ invested in multiple Samsung subsidiaries in the trading (e.g., Samsung Corporation), electronics (e.g., Samsung Electronics and Samsung Electricity), military (e.g., Samsung Airspace), leisure (e.g., Samsung Everland, Hotel Shilla and Samsung Lions), petro-chemical (e.g., Samsung Chemical) and machinery (e.g., Samsung Engineering) industries (Lee, 2011c). Simply put, Korean financial liberalization enabled CJ to expand its businesses and share ownership with Samsung across Korean economic sectors in Korea.

As seen in Figure 2, the Lee family established hierarchical ownership structures within CJ, which paralleled the interlocked and circular ownership structure of the entire Samsung empire.

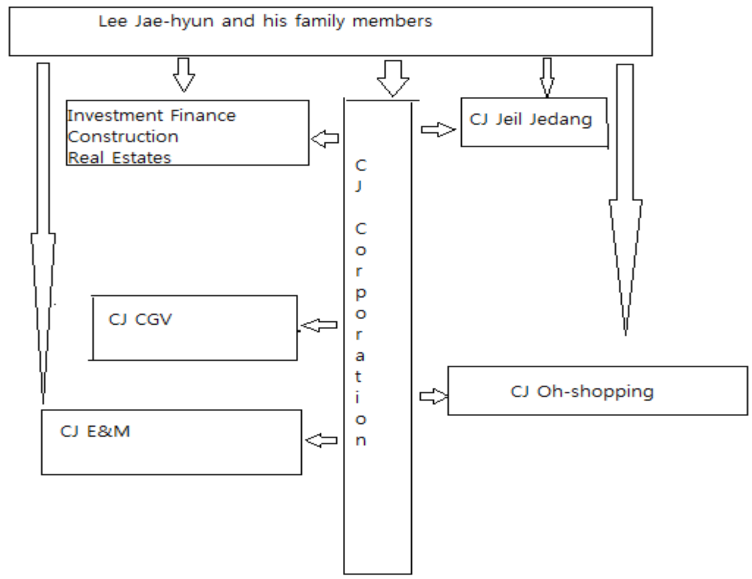

Figure *2*: The Ownership Structure of CJ Group in 2012

Sources: Author's elaboration of data from annual reports of CJ (2010) and Lee (2011c).

The Lee family within CJ includes eight persons: Lee Jae-hyun (the owner of CJ), his wife (Kim Hee-jae), his two children (Lee Kyung-hoo and Lee Sun-ho), a sister (Lee Mee-kyung), a brother (Lee Jae-hwan), a sister in-law (Min Jae-won) and an uncle (Son Kyung-sik). According to the following circular structure of ownership in CJ, the Lee family gained control over the entire organization (Lee, 2011c).

Specifically, the Lee family was the largest stockholder of CJ Corporation, a holding company of CJ. Lee Jae-hyun held the most stock in CJ. CJ Corporation was the largest stockholder of a few leading subsidiaries (CJ Jeil Jedang, CJ O-shopping, CJ CGV, CJ E&M, CJ Finance). CJ Jeil Jedang was in charge of sub-holdings in food processing and animal feed. CJ Finance was responsible for CJ's financial businesses. The three media holdings (e.g., CJ O-shopping, CJ CGV and CJ E&M) were in charge of supervising CJ's media businesses in cable television, film, gaming, recorded music and digital convergence media between the telecommunication and broadcasting industries. This interlocked and hierarchical ownership structure between CJ Corporation and a few leading subsidiaries allowed the Lee family to control the CJ Empire.

Unlike Samsung, the Lee family was actively involved in CJ's management. Lee Jae-hyun, the owner of CJ, was the chief executive of CJ Corporation and CJ Jeil Jedang. Chairman Lee also was a member of the board of directors in CJ's holdings (e.g., CJ system, CJ CGV, CJ GLS, CJ Food Ville, CJ Oh-shopping and CJ E&M). His elder sister, Lee Mee-kyung, was a vice-chairman of CJ E&M. His younger brother, Lee Jae-hwan, worked at CJ's media subsidiaries (e.g., CJ Mooter, Fortune Communication and Anypark). Other relatives of Chairman Lee (such as his uncle, Son Kyung-sik, and his sister-in-law) were members of the boards of directors of several CJ subsidiaries. Along with members of the boards of directors, the Lee family used the structural planning office to control the corporate structures of CJ.

In sum, CJ diversified horizontally and vertically within and across Korean economic sectors. Lee family within CJ group used the circular ownership structure between the parent company and multiple holdings to control CJ empire from 1998 to 2012.

Next, I analyze the general trends of media expansions in CJ and then the corporate structures of CJ's media holdings from 1998 to 2012.

7.4. CJ's Media Expansions and its Media Ownership

CJ has diversified vertically and horizontally into the audio-visual media industries, thereby establishing a media empire, as seen in Table 4c. To establish a media empire in the early 2000s, CJ paid more attention to mergers and acquisitions (M&As) than to the establishment of media holdings in the cable television, film production, film distribution and exhibition, gaming and recorded music markets. Through mergers and acquisitions, CJ increased the number of its media holdings from about four cable channels and one broadband service company in 1998 to thirty media holdings in 2012. Importantly, CJ's acquisition of Plenus in 2004 and On-Media in 2009 allowed CJ to become the leading company in the entertainment markets. In 2004, CJ took over Plenus with multiple media operations in the gaming and film industries. By acquiring Plenus, CJ became the first ranked film distributor and exhibitor as well as gaming company. The 2009 acquisition of On-Media, owned by the Orion group, enabled CJ to become the most powerful media company in the paid broadcasting markets (e.g., cable television, Internet TV, digital satellite TV, SDMB and TDMB).

Table 4c: CJ's Leading Media Holdings in 2010

Media Industry	**Names of Media Holdings**	**Businesses**
Cable Television	CJ O-shopping	Cable channels & media acquisitions
	CJ Media	Program (Contents) providers
	CJ Hellovision	Cable networks
		Broadband service
		Internet telephone
Recorded-music	Mnet	Cable channel
		Music production & concerts
Game	CJ Internet	Game production & distribution, including online games
Film	CJ Entertainment	Film financing & distribution
	CJ CGV	Film exhibition

Sources: Author's elaboration of data from annual reports from CJ's media holdings from 1998 to 2012.

In the processes of active M&As, CJ set up seven *de facto* holding companies. In cable TV, the three media holdings of CJ O-shopping (renamed from 39 home-shopping), CJ Hellovision (renamed from Yangcheon Cable Television) and CJ Media (renamed from SA management) played vital roles in expanding CJ's cable businesses. CJ O-shopping was a cable channel dedicated to the sale of manufactured products; CJ Hellovision was responsible for cable network, broadband businesses and Internet telephone service; and CJ Media focused on providing media content for the paid broadcasting markets.

In the recorded music industry, Mnet was a leading media holding of CJ. In the gaming industry, CJ Internet was involved in game production, distribution and development. In the film industry, CJ Entertainment ran film co-financing and distribution businesses. CJ CGV exhibited Korean and foreign motion pictures. Four CJ media holdings (e.g., CJ Media, CJ Entertainment, Mnet and CJ Internet) merged into CJ E&M in 2010.

In addition, CJ was involved in media production in the entertainment industries. Their activities included (1) direct investment through CJ's financial holdings (e.g., CJ Venture Capital and Discovery Venture); (2) indirect investment by becoming members of media venture funds; and (3) a media constructor of which CJ owned 50 percent of the total shares. This enabled CJ to construct the East Pusan Theme Park, a specialized film media city in Korea.

In sum, CJ was a trans-sectoral conglomerate across the Korean economic sectors, including the media industry. Through active M&As, CJ diversified to the Korean entertainment markets, thereby establishing a media empire in Korea.

In the following sections, I scrutinize the corporate structures of CJ's media holdings in the paid broadcasting (e.g., CJ O-shopping, CJ Hellovision and CJ Media), the recorded-music (e.g., Mnet), game (e.g., CJ Internet) and film (e.g., CJ Entertainment and CJ CGV) markets.

7.4.1. Corporate Structure of CJ O-shopping

CJ O-shopping played a central role in expanding CJ's cable businesses, given that it was in charge of acquiring other cable companies (Lee, 2008). CJ did not establish this cable company, but acquired 39 Home-shopping, owned by Samgoo group, in 1999. CJ renamed 39 Home-shopping as CJ O-shopping. In the same year, CJ O-shopping acquired Yangcheon, a cable networking company owned by Korea Telecommunication (KT), a state-owned wired and wireless carrier. CJ used CJ O-shopping to accomplish this takeover. In Korea, the cable system operators also provided broadband services. So, through the M&A of Yangcheon, CJ entered the broadband service market.

Since 1999, CJ O-shopping has been involved in continuous M&As in the cable networking service and broadband markets. This cable company paid more attention to the mergers and acquisitions of cable networkers located in big cities in Korea than in rural areas, as about 70 percent of the Korean population lives in the apartment complexes of big cities. Moreover, CJ O-shopping acquired On-Media, owned by Orion group, in 2009. On-Media was a multiple program provider (MPP) with 19 cable channels, 8 digital satellite television channels, 10 channels in IPTV and a multiple system operator (MSO) covering four local regions over Korea. CJ O-shopping transferred its cable networking business to CJ Hellovision in 2008 and transferred cable program services to CJ E&M in 2010. I will later investigate corporate structure of both CJ Media and CJ E&M.

Further, CJ O-shopping was a media investor in Korea's media production companies. This cable company has held at least 10 percent of the shares of several media ventures (e.g., Discovery Broadcasting and Film Venture Associations, CJ Investment for Broadcasting and Film Venture Associations, Benex Digital Cultural Contents Associations).

Most CJ O-shopping revenues came from home shopping sales (74 percent-100 percent), Internet-related businesses (1 percent-20 percent) and advertising (4.2 percent-20 percent). Internet-related businesses included digital broadband service, digital high definition broadcasting and Internet-phone (e.g., VoIP).

In terms of ownership structure, CJ Corporation was the largest stockholder with the shares ranging from 30 to 40 percent of the total shares. Other major stockholders were flexible. From 2000 to 2001, Samgoo group, a collapsed second-tier chaebol group, held shares from 10.40-8.55 percent of the total stocks. Foreign investors, mainly private equity funds, temporarily became major stockholders. These included CitiCorp. (6.84 percent) in 2000, T Rowe Price International (6.3 percent) and Sansar Capital Management (5.20 percent) in 2006, and Macquarie Bank IMM (5.07 percent) in 2008. Domestic institutional investors also were major stockholders. These included National Pension Service (8.81 percent) and Mirae Assets Management (7.67 percent) in 2012.

Most members of the board of directors in CJ O-shopping came from the Lee family, Samsung men, CJ men and Korean power elites. The membership of the board of directors ranged from four to ten from 1999 to 2012. Interestingly, members of the Lee family did not occupy the position of chief executive officer from 2000 to 2012, but intermittently took seats on the board of directors. The chief executive officers were from Samsung and Samsung subsidiaries (e.g., Samsung Corporation, Samsung Fire Insurance and Samsung Electronics). Generally, CJ men working at CJ's subsidiaries were responsible for marketing strategies, while Samsung men supervised the finances. As for outsider directors, Korean power elites typically occupied two or three seats on the board of directors. Most Korean power elites were professors in the financial, management or communication departments of universities (Seoul National

University and Korea University), or retired high officers in the Fair Trade Commission, the National Tax Service, the Ministry of Culture and Tourism or the commercial banks. Both the Fair Trade Commission and the National Tax Service supervised chaebol's economic activities, while the Ministry of Culture and Tourism was responsible for media laws and policies, including renewing licenses of media companies.

In summary, CJ O-shopping played a vital role in expanding CJ's cable businesses. This cable company ran media businesses, including the home-shopping sales, broadband services, media investment, media production and Internet-related businesses. CJ Corporation, a holding company of CJ, was the largest stockholder. Major members of the board of directors came from Samsung and CJ groups as well as the Korean power elites.

7.4.2. Corporate Structure of CJ Hellovision

CJ Hellovision, which was independent from CJ O-shopping in 2008, ran cable networking businesses, broadband services and digital convergence services. Like CJ O-shopping, CJ Hellovision aggressively acquired other cable networking companies, thereby occupying at least 25 percent of the total Korean cable operating market share in 2012. In other words, CJ Hellovision was the 2nd largest MSO in cable television.

CJ Hellovision acquired revenue from cable television subscribers (93 percent to 49.2percent), advertising (1percent to 21 percent) and Internet-related businesses, including broadband users and Internet related businesses (e.g., VoIP, an Internet phone, and IPTV) (1-23.5percent).

CJ O-shopping was the largest stockholder in CJ Hellovision, which held shares ranging from 46.01 to 87.2 percent of total stocks. Foreign institutional investors accounted for the second most shares held. In 2009, for example, Sable Asia held 13.32 percent of its total stocks, and AA Merchant Bank owned 10.88 percent of its total stocks. Formosa Cable Investment occupied 7.98 percent of the total shares. The third major stockholder was CJ Hellovision with 11.19 percent of total shares. This ownership pattern continued from 2010 to 2012.

Members of the board of directors in CJ Hellovision included CJ men and foreign institutional investors (e.g., Lehman Brothers M.B Groups, Banks Trust Company and Royal Bank of Scotland). CJ men came from CJ's structural planning office or general directors of CJ's other media holdings (e.g., CJ O-shopping), who were in charge of media management or marketing. Foreign directors were responsible for the financial audits and marketing strategies.

In sum, CJ Hellovision was involved in cable networking service, broadband and digital convergence. This holding was a joint venture company with foreign capital. CJ men and foreigners from private financial institutions shared media ownership and seats on the board of directors.

7.4.3. Corporate Structure of CJ Media

CJ Media (renamed from SA Management) was established in 1999 when CJ acquired two cable channels, Look TV (a lifestyle channel) and DNG (a food channel). CJ Media has provided media content for paid broadcasting markets (e.g., cable TV, digital satellite TV, TDMB, SDMB and IPTV). Genres broadcast by CJ Media include entertainment, music, documentary, animation channels, fashion, food, sports, films and television drama. The most popular genres were film, fashion and animation channels (FTC, 2010, May 28). Moreover, CJ Media reran this media content on the 17 channels of digital satellite television, 10 channels of SDMB and TDMB and 10 channels of IPTV.

In addition, CJ Media cooperated with American media conglomerates to establish a sub-media holding of CJ NGC Korea, a joint venture with National Geographic from the U.S., in order to rebroadcast documentary films to the paid broadcasting markets. It also acquired several cable channels (e.g., entertainment, music, re-run television drama, fashion, animation, gaming, film, sports and documentary). Its biggest M&A was to acquire On-media, with 19 of its cable channels. As noted above, CJ O-shopping took over On-Media and then transferred it to CJ Media. Consequently, CJ Media increased its number of cable channels up to 41 channels in 2010.

Like other media holdings of CJ, CJ Media was a powerful media investor in the audio-visual media industries. This company was directly and indirectly involved in media venture capital, financially supporting media production companies. Moreover, CJ Media directly invested in other media companies in digital media convergence, entertainment agency and script development. For example, CJ Media owned shares of TU Media (.12 percent), in charge of SDMB service; SK link (.35 percent), a music sound for the wireless company; DY Entertainment (12.99 percent) and Phantom Entertainment (2.31 percent) in the entertainment agencies; A-Story (19.97 percent), a professional script company; Daewon Digital Broadcasting (10.7percent) and Dramamax (12.07 percent) a cable content provider.

These media acquisitions and media investments allowed CJ Media to become the most powerful MPP and media investor in Korea. However, CJ Media restructured its multiple media holdings into CJ E&M in 2010 in order to be listed on the Korean stock market, an issue which will be discussed in this section.

Most CJ Media's revenue came from advertising, cable subscribers and media product sales. From 1998 to 2009, advertising revenue gradually decreased from 82 percent in 2000 to 50 percent of total revenues in 2009. Media product sales increased from 8 percent in 1999 to 32 percent of total revenue in 2007. Cable subscribers slowly increased to 20 percent of total revenue in 2009 from 10 percent in 1999. This means that CJ Media earned most of its profits from advertising and product sales rather than cable subscribers.

CJ Corporation, a holding company of CJ, was the largest stockholder in CJ Media from 1999 to 2012. Other major stockholders included CJ Entertainment, a media holding covering CJ's film production and distribution, domestic and foreign investors and the Lee family.

From 1999 to early 2010, before CJ Media integrated into CJ E&M, this cable company experienced major stockholder changes. Before 2001, CJ Corporation was the largest stockholder, holding 94.2percent of total stocks. Other members included MTV Asia (2.44 percent), a foreign investor, Goni Mechanics (1.74 percent) and Yong Distribution (1.24 percent). From 2002 to 2004 when CJ Media issued new BWs, CJ Corporation reduced shares from 81.62 percent to 54.76 percent of total stocks, while CJ entertainment (34.69 percent) was the 2nd largest stockholder in CJ Media. Stockholders included Sony Music (6.02 percent to 3.40 percent), CJ Media (4.53 percent) and MBC (2.35 percent), a public broadcaster.

In 2005, CJ Media re-issued the new BWs to allocate new shares to members of the Lee family (e.g., Lee Mee-kyung, a sister of CJ's owner, and Lee Kyung-hoo, only son of owner of Lee Jae-hyun). As a result, the ownership structure was changed. It included CJ Corporation (58.06percent), CJ Entertainment (31.16percent), Lee Kyung-hoo (3.24percent) and Lee Mee-kyung (1.74percent). The ownership structure in CJ Media was changed again from 2007 to 2009. CJ Corporation was the largest stockholder, which held the total shares at most 50.17percent and at least 49.93percent of CJ Media. Two other major stockholders were Shinhan Private Equity (16.59percent), a Korean institutional investor, and Free Moris Private Equity (10.03percent), a foreign institutional investor. Finally, CJ Media was integrated into CJ E&M in 2010.

Interestingly, CJ Media did not show any information about members of the board of directors. Korean law requires chaebol groups to disclose their ownership structures, the investment in the Korean economy and total stocks owned by the owners of chaebol groups and their family members. However, the Korean government did not ask for the members of the board of directors in the unlisted subsidiaries owned by chaebol groups (Kim, 2005). I assume this is why CJ Media did not reveal the members of their board of directors in the annual reports and audit reports.

In sum, CJ Media was in charge of media content businesses in the paid broadcasting markets. CJ Corporation was the largest stockholder in this media company.

7.4.4. Corporate Structure of Mnet

Mnet (renamed from CJ Media Line, CJ Music) was in charge of CJ's music businesses, which included cable music channels, recorded music production, performance and media investment across the Korean recorded music industry.

Historically, CJ established CJ Media Line as a sub-holding of CJ Media to enter the music industry in 2003. From 2003 to 2006, CJ Media Line was renamed CJ Music. CJ Media issued new shares (BWs) in 2006 to take over Mediopia, a listed information technology company (e.g., system integration learning and cable system operation). Late in 2006, the brand name of CJ Music was changed to Mnet. CJ changed this name to create a "back-door listing" in order to list its music company on the Korean stock market. A back-door listing is a reverse takeover or reverse merger by which a privately-held company, which may not qualify for the public offering process, purchases a publicly traded company (2013, Investopedia.com). It was a kind of free ride to evade strict financial regulations and to save time and money in listing CJ's media company. The back-door listing created a legal cover for the company with cash flow (Lee, 2007). After that, CJ Media integrated its music businesses to Mediopia and then renamed Mediopia to "Mnet."

Mnet was responsible for recorded music, musical performances (e.g., Cats, Phantom of the Opera and Mama Mia) and live concerts. This music company also invested in entertainment agencies (e.g., Gap Entertainment, Woolim Entertainment, and Orange Shock), called "star manufacturing factories." This meant that Mnet was involved in recruiting potentially talented singers and then training them to become popular stars. Like CJ's other media holdings, Mnet was a member of media investment associations (e.g., CJ Game Investments, KTF-CJ Music, and Michigan Global Contents).

Since 2006, Mnet has continuously taken over media companies, including KMTV (a cable music channel); Good Concert (a record production company); Phoebus (a record production company); GM planning (an entertainment agency); AD 2000 (a digital music production) company; Seijong DMS (a digital music production) company; and Gretech (an online game company). Moreover, Mnet cooperated with mobile service companies (e.g., LG Telecommunication, Korea Telecommunication Freetel and TU Media), a manufacturing company (e.g., Samsung Electronics) and a leading portal site (e.g., NHN) to increase revenues in the music downloading businesses. As a result, Mnet became the first leading music company in Korea, but was integrated into CJ E&M in 2010.

Most revenue in Mnet came from recorded music, online music and advertising. The ratio of these three revenue streams were as follows: recorded music (33 percent to 44 percent); online music (21percent to 34 percent); and advertising (27 percent to 35 percent). Although the three businesses accounted for relatively equal percentages of the total revenue in Mnet, a distinct pattern was discovered. Revenue from the recorded music gradually decreased from 44 percent of total revenue in 2007 to 33 percent in 2009, while those from online music gradually grew from 21 percent in 2007 to 34 percent in 2009.

In terms of ownership structure, CJ Corporation, a holding company of CJ, was the largest stockholder in Mnet. It held shares ranging from 20.4 percent in 2004 to 33.25 percent of total shares in 2010. Other major stockholders were CJ Media and Phoebus. CJ Media increased its stocks from 6.44 percent in 2006 to 15.07 percent of total shares in 2009. Phoebus, a subsidiary of Mnet, held 20.5 percent in 2006, and dropped to 8.7 percent of total shares in 2009.

On the board of directors, major members included CJ men, ex-Samsung men and Korean power elites. CJ men refers to those coming from the structural planning office of CJ or CJ's media subsidiaries (e.g., CJ Powercast and CJ Media). "Ex-Samsung men" refers to those working at the Samsung Audio and Visual Agency, a subsidiary of the former Cheil Communications. As mentioned earlier, Cheil Communication had withdrawn from the Korean audio-visual media businesses (drama production, recorded music production and film co-financing) in 1998. After that, those working at "Samsung Audio and Visual Agency" kept working at CJ's media holdings, including Mnet. CJ men and ex-Samsung men occupied six seats on the board of directors, who supervised overall financial and marketing strategies. The other three seats were held by Korean power elites, who were retired high officers from the National Tax Service and the Korean Blue House (the equivalent to the U.S White House). They were in charge of outside directors in Mnet.

In summary, Mnet was a media holding of CJ in charge of music production, distribution and investment. CJ Corporation, a holding company of CJ, was the largest stockholder. Most members of the board of directors were ex-Samsung men, CJ men and Korean power elites. The

Lee family rarely occupied seats of boards of directors. Mnet was interlocked with parent company, CJ in terms of media ownership and the board of directors.

7.4.5. Corporate Structure of CJ Internet

CJ Internet was responsible for gaming businesses that developed, produced and distributed a variety of games including casual games, arcade games, board games, massively multi-player online role playing games (MMORPG) and online games in Korea. Like CJ's other media holdings, CJ Internet invested in gaming venture funds (e.g., MVP Culture Fund, Online Game Revolution Fund and CJ Private Equity).

CJ Internet was not established, but acquired by CJ in 2004. Like Mnet, CJ used this acquisition and a back-door listing to expand its game businesses. CJ took over media businesses from Locus Holdings, a listed media enterprise with multiple media holdings in the gaming and film industries. After consolidation, CJ integrated the online game business of Locus Holdings with CJ Internet in order to list CJ Internet on the Korean stock market. The acquisition of Locus Holdings allowed CJ to become the most powerful player in the gaming industry because Locus Holdings was already ranked as the leading gaming company with multiple game holdings (e.g. Sonnolee, a game developer; and Net Marble, a game portal site). Put briefly, CJ entered the Korean game industry by acquiring a leading independent game company in 2004.

After 2004, CJ Internet continued to increase its sub-media holdings. They acquired gaming companies including Media Web, Anypark, GameAlo and Aramaroo and Seed9. Media Web was the largest company to control the Korean paid Internet café. Anypark and GameAlo were leading game developers working on game storylines, characters and marketing. Seed9 focused on developing characters within game products. These acquired companies were sub-holdings of CJ Internet. Moreover, CJ Internet established two sub-media holdings: CJ IG was in charge of developing game content, and CJ Sports was in charge of professional game competitions among professional gamers.

CJ Corporation was the largest stockholder, holding shares from 10.48percent in 2004 to 27.45percent of total stocks in 2009. Other major stockholders included CJ Entertainment and foreign institutional investors. CJ Entertainment consistently owned around 9percent of total shares, while foreign investors temporarily held CJ Internet's shares [(e.g., T. Rowe Price International (8.75 percent) in 2004; Willington Management (7.41 percent) in 2005; MiraeAsset Private Equity (8.39 percent) from 2005-2006; Templeton Asset (6.4 percent) in 2009]. Interestingly, Bang Jung-hyuk owned 5.08 percent of total shares. He was a founder of Net Marble, a top-ranked game portal site. He seemed to receive shares of CJ Internet as sales prices, because CJ Internet acquired Net Marble. Although Lee Jae-hyun, the owner of CJ, was not categorized as a major stockholder in CJ Internet, Chairman Lee held around 2 percent of the total shares of CJ Internet.

In addition, Lee Jae-hyun was a member of the board of directors in CJ Internet. The number of members on the board of directors fluctuated from seven to fifteen. They included CJ men and the Korean power elites. The ratio of both groups was roughly 2:1. CJ men came from the structural planning office of CJ, CJ Corporation and CJ CGV, a film exhibition company. They were in charge of the financial and marketing aspects of CJ Internet, and also occupied seats on the boards of directors in sub-holdings of CJ Internet. Korean power elites were the outside directors. Three kinds of outside directors existed in CJ: 1) retired high officers in the National Tax Service, the Korean Customs Service and the National Prosecutors' Office; 2) pioneers in Internet-mediated communication who had run the portal sites (e.g., Yahoo Korea and Net Marble) and 3) professors in the communication departments of Korean universities.

To summarize, CJ Internet produced, distributed and invested in game contents. CJ Corporation was the largest stockholder of CJ Internet. The ownership structure of CJ Internet paralleled the circular ownership structure of CJ. The media businesses of CJ Internet integrated with CJ E&M in 2010.

7.4.6. Corporate Structure of CJ E&M

After 2010 when CJ integrated five media holdings (e.g., CJ Media, CJ Entertainment, CJ Internet, Mnet and the division of media contents in CJ O-shopping) into CJ E&M, which was a *de facto* media holding company of CJ group.

From 2010 to 2012, the revenue of CJ E&M was composed of broadcasting, advertising and subscription fees (54.8 to 55.6 percent), games (15.2 to 18.2 percent), films (14.6 to 15.7 percent) and recorded music (11.6 to 14.3 percent). In addition, the largest stockholder was CJ Corporation (43 percent). Institutional investors (22.6 percent), foreigners (6.1 percent), CJ's holdings (3.2 percent) and the total of individual stockholders (26.6 percent) comprised the rest.

Further, the membership of the board of directors ranged from seven to eight. Lee Jae-hyun, the owner of CJ, was directly involved in the media management of CJ E&M as CEO. This is unique because the owners of chaebol groups tended to be reluctant to register their name on the boards of directors. Other members of the board of directors were CJ men, the ex-CEO of On-Media and Korean power elites. CJ men came from the structural planning office of CJ and were responsible for setting up marketing strategies and executing financial plans. The ex-CEO of On-Media occupied a seat on the board of directors and was in charge of managing the media businesses of On-Media. The final board members were Korean power elites, who included the retired high officers (e.g., from the National Tax Service, the Korean Tourist Corporation, the

National Congressman and a High Court), an ex-journalist and a lawyer of Kim & Jang Law Firm, the largest law firm in Korea.

In sum, CJ E&M ran media businesses in the paid broadcasting markets, gaming, film co-financing and recorded music industries. This was a *de facto* media holding of CJ after 2010, and therefore interrelated with CJ's circular ownership.

Next, I analyze CJ's film businesses and the corporate structures of its media operations (CJ Entertainment and CJ CGV) from 1998 to 2012.

7.4.7. Corporate Structure of CJ Entertainment

CJ Entertainment (formerly IMM Consulting, SNT Global) was responsible for co-financing, film distribution and investment businesses. Historically speaking, CJ established a film consulting company, IMM Consulting, in 1997, and changed its name to SNT Global in 1999 and again to CJ Entertainment in 2000. Behind these name changes, the Lee family monopolized newly issued stocks (BWs) to increase their influence over the corporate structure of CJ Entertainment. As a result, CJ Entertainment was listed at the Korean stock market in 2002.

CJ Entertainment diversified vertically in the Korean film industry. The biggest deal among M&As in CJ Entertainment was the acquisition of Cinema Service which occupied 10 to 15 percent of total film distribution market shares by 2002. The acquisition of Cinema Service was related to the acquisition of Plenus, owned by Locus Holdings with media holdings in the gaming, film and recorded music industries, in 2004. After acquiring Plenus, CJ reorganized its media businesses in accordance with its internal corporate structures. It transferred Cinema Service and a production studio (i.e., Art Service) to CJ Entertainment and an exhibition holding of Plenus (e.g. Premus) to CJ CGV. Moreover, CJ Entertainment acquired independent film production companies (e.g., Myung Film) and digital distribution companies. As a result, this company owned five sub-holdings including CJ Nkino (e-tickets, online marketing and media production), Art Service (home video system, digital video disc and characters businesses), CJ Code (e.g, online video on demand) and CJ Entertainment America, which were in charge of supporting its main businesses (e.g., co-financing and distribution).

Like other CJ media holdings, CJ Entertainment was a powerful media investor in the Korean film industry. It co-financed several medium sized production companies (e.g., Cidus, FHN, LJ Film, Object and MBC Production). The number of co-financed motion pictures ranged from five in 2001 to twelve in 2005. Moreover, CJ Entertainment indirectly invested in Korean motion pictures through membership in film media funds (e.g., IMM Cultural Contents; CentryOn Visual Investment 1• 2; K&J Entertainment; ISU Entertainment; Discovery Fund; Tube Entertainment; Chicken Run Foreign Consortium; and CJ Film 3•5•6). Further, CJ Entertainment individually loaned the production costs to popular film directors (e.g., Kang Woo-seok and Chae Seung-jae) and major production companies (e.g., Taewon Entertainment and Myung Film).

Thirdly, CJ Entertainment was involved in Korean film exports and foreign film imports. Japan was the largest export market for CJ Entertainment. Japan held at least 75 percent of total exports of CJ Entertainment. Other export countries included Thailand, Taiwan and Singapore. CJ Entertainment also imported the only motion pictures manufactured by Hollywood. It owned the ten-year exclusive right to distribute film works (e.g., *Gladiator* and *Shrek*), manufactured by Hollywood's Dreamworks SKG, co-founded by director Steven Spielberg and CJ. It also owned ten-year exclusive rights to distribute films produced by Dreamworks SKG in East and Southeast Asian film markets. Finally, CJ Entertainment provided these motion pictures, manufactured by

CJ Entertainment and by Dreamworks, for the Korean public broadcasting companies, paid cable channels and digital media (e.g., SDMB, TDMB and IPTV).

With these business models, CJ Entertainment earned revenues from motion pictures, ancillary media businesses and film exports. The highest revenue was from film distribution, which ranged at least 52.2 percent in 2003 up to 76.4 percent of total revenues in 2012. The second highest revenue percentage came from ancillary media markets, including the direct sales of VHS, DVD and VOD, as well as indirect sales of motion pictures to the broadcasting channels. The ratio of revenue from ancillary markets increased from 8 percent of total incomes in 2001 up to 28.6percent of total revenue in 2012. The final revenue component was the export of Korean motion pictures to East and Southeast Asian markets, which ranged from 3.93percent of the total CJ Entertainment revenue in 2001 to 13percent in 2006. However, CJ Entertainment was integrated into CJ Corporation, a holding company of CJ, in 2006, and then re-integrated into the CJ E&M in 2010.

In terms of media ownership, the largest stockholder shifted from Lee Jae-hyun (24.05percent) in 2001 to CJ Corporation (36.69percent) in 2002. Lee Jae-hyun remained the 2nd largest stockholder. Other major stockholders included domestic institutional investors (e.g., Hyundai Investment; the National Pension Service).

Like CJ's other media holdings, members of the boards of directors in CJ Entertainment were composed of the CJ men and Korean power elites. CJ men included those coming from the structural planning office of CJ, who were in charge of the short and long-term strategies, investment and marketing. Lee Jae-hyun was a member of the board of directors in only 2001, and then transferred his position to Shin Hyun-jae, a person from the structural planning office of CJ. Korean power elites were retired high officers from the National Tax Service and Public

Prosecutors Office, as well as professors in the communication department at the universities. They were in charge of outside directors.

In sum, CJ Entertainment was the most powerful film co-financer, distributor and investor in Korea. The ownership structure of CJ Entertainment was interlocked with that of the parent company of CJ.

7.4.8. Corporate Structure of CJ CGV

CJ CGV was in charge of exhibiting motion pictures. Historically, CJ CGV was a joint venture with CJ Entertainment and Village Road Show from Australia in 1996. Village Road Show maintained its partnership with Warner Brothers and Goldman Harvest. Two years later, in 1998, this joint company constructed a multiplex theater at Kangbyung in Seoul. It was the first multiplex theater in Korea. Since 1998, CJ CGV has continuously constructed multiplex theaters, owning 97 sites with 732 screens in 2010.

CJ CGV owned five sub-holdings, which included a multiplex theater construction company (Premus Cinema), a digital cinema exhibition company (D-Cinema of Korea), a VHS/DVD rental company (Joycube) and an entertainment presentation system (CJ 4D Plex and Simuline).

Like other CJ media holdings, CJ CGV invested in media venture funds (e.g., CJ Venture Investment 9, Bennex Film Venture and Master Image). CJ CGV expanded its theater business to China (11 sites with 78 screens), Vietnam (11 sites with 79 screens), Malaysia (one site with 20 screens) and the U.S. (one site with four screens).

CJ CGV earned revenues from three sources: admission fees (63-74 percent); sales of foods at the theater cafeterias (15-17 percent) and advertising (10-11 percent).

During the period from 2004 to 2012, the largest stockholder in this company was changed from CJ Entertainment to CJ Corporation. This change was related to CJ's restructuring of its media businesses. Chairman Lee decided to integrate CJ Entertainment and CJ Corporation in 2006. Before 2006, CJ Entertainment was the largest stockholder of CJ CGV, which held from 50 to 36.73 percent of its total shares. After 2006, CJ Corporation was the largest stockholder, which held from 36.73 to 40.5 percent of total shares in CJ CGV. Other major stockholders included domestic and foreign institutional investors. Korean institutional investors included the National Pension Service (5.43 percent to 9.07percent) in 2006 and 2012, the Korea Investment Trust (5.9 percent) from 2010 to 2012 and USB Equity in Hana Commercial Bank (5.03percent) in 2009. Non-Korean major stockholders included Asia Cinema Holdings (31.83percent) in 2004, Franklin Mutual Advisers (7.36percent) in 2005, Hermes Investment (6.20percent) in 2009 and Small Cap World Fund (5.99percent) from 2010 to 2012.

Members of the board of directors in CJ CGV were composed of CJ men and Korean power elites. The board of directors had seven members. CJ men occupied four seats on the board of directors, while the Korean power elites held three seats. The Korean power elites included retired high officers from the Fair Trade Commission or the Blue House, as well as professors from university communications departments. Although Korean and non-Korean institutional investors were major stockholders of CJ CGV, they were rarely involved in the management of CJ CGV. To sum, CJ CGV built up multiplex theaters over Korea, China, Vietnam, Malaysia and the U.S. This film exhibition company was under control of CJ.

7.4.9. Conclusion of CJ Group

From 1998 to 2012, CJ diversified vertically and horizontally to include the paid broadcasting (cable TV, IPTV, TDMB and SDMB), film, recorded music and gaming industries.

Using M&As and back-door listings, CJ increased the number of media holdings from at most five in 1998 to fifty operations in 2012. In addition, CJ directly and indirectly invested in production companies and constructed a media city at Pusan, Korea. CJ became the most powerful investor, distributor, exhibitor and constructor in Korean media markets, establishing a media empire for fifteen years.

The Lee family used ownership connections among CJ Corporation as a holding company of CJ and a few leading media operations (e.g., CJ Media, CJ O-shopping, Mnet, CJ Internet, CJ E&M, CJ CGV) to control multiple media holdings. CJ Corporation was the largest stockholder of CJ's leading media holdings (e.g., CJ O-shopping, Mnet, CJ Media, CJ Internet, CJ Entertainment and CJ CGV). The leading CJ media holdings had ownership overlap with CJ's other media holdings. CJ O-shopping was the largest stockholder of CJ Hellovision; CJ Entertainment was the major stockholder of CJ CGV, CJ Media and CJ Internet; and CJ Media was the major stockholder of Mnet. Through these interlocked ownership structures, the Lee family exercised its influences over multiple CJ media operations.

Most of the boards of directors in CJ's media holdings were populated by CJ men working at the structural planning office of CJ and by Korean power elites. CJ men seemed to be placed as proxies to protect the interests of the Lee family within CJ. The Korean power elites occupied the seats of outside directors. Further, CJ cooperated with foreign media companies in the cable television and film markets, and constructed multiplex theaters with a film exhibitor, established joint ventures with American media conglomerates and distributed imported media contents made only in the U.S over paid Korean media channels.

Next, I analyze the corporate structures of JoongAng Ilbo group and its media holdings from 1998 to 2012. This will include 1) an analysis of its core businesses, 2) the reorganization of the JoongAng Ilbo group to JoongAng Ilbo and Bokwang groups and 3) its media corporate structures.

7.5. Overview of JoongAng Ilbo Group (1998- 2012)

The JoongAng Ilbo group became legally independent from the old Samsung group in 1999. Since then, the JoongAng Ilbo group has expanded its business sectors to include electronics (e.g., semi-conductors and liquid crystal display), finance (e.g., investments), retail (e.g., convenience stores), leisure (e.g, ski resorts, golf courses) and media (e.g., the advertising, printed, cable television and film exhibition) industries. Within this diversification process, JoongAng Ilbo group was divided into JoongAng Ilbo and Bokwang groups at the end of 2005.

Samsung, JoongAng Ilbo and Bokwang were linked by marriage and blood connections. The JoongAng Ilbo and Samsung groups were related by marriage between the Lee family and the Hong Family. Lee Kun-hee, the owner of Samsung, married Hong Ra-hee, the first daughter of the Hong Family. Here, "the Hong family" refers to those including Hong Seok-hyun, the largest stockholder of JoongAng Ilbo, his mother (e.g., Kim Yun-nam), his three brothers (e.g., Hong Seok-jo, Hong Seok-jun and Hong Seok-kyu), a younger sister (e.g., Hong Ra-yong) and his son (e.g., Hong Jeong-uk). The JoongAng Ilbo group was also linked to the Bokwang group in terms of a blood relationship within the Hong family. As such, JoongAng Ilbo played an inter-mediate role between the Samsung and Bokwang groups.

Historically, the JoongAng Ilbo group was connected to the ownership structures of Samsung Everland between 1996 and 1999. During these three years, Hong Seok-hyun, a brother of Hong Ra-hee, was the largest stockholder of Samsung Everland. At the same time, Lee Kun-hee, the husband of Hong Ra-hee, was the largest stockholder of JoongAng Ilbo. However, the situation between JoongAng Ilbo and Samsung Everland changed. Both Samsung Everland and

JoongAng Ilbo issued the new shares of CBs in 1996. Hong Seok- hyun abandoned the right to buy the newly issued CBs of Samsung Everland, even though doing so would cause him to lose his position as the largest stockholder in Samsung Everland (Kim, 2010). Three years later, in 1999, Hong Seok- hyun became the largest stockholder in JoongAng Ilbo. At the same time, the Lee family members, including Lee Kun-hee and his brother and sisters, disappeared from the lists of shareholders in JoongAng Ilbo. This implied that the Lee family and the Hong family exchanged their stocks of Samsung Everland and JoongAng Ilbo. Subsequently, Lee Kun-hee reorganized Samsung in the late 1990s. Samsung Everland under Lee Jae-yong became a *de facto* holding company of the Samsung group. JoongAng Ilbo under the Hong family was independent from the old Samsung in 1999, becoming the JoongAng Ilbo group with multiple subsidiaries across Korean economic sectors.

Taken together, the Hong family of JoongAng Ilbo was involved in the old Samsung as major stockholders. This was rooted in personal ties between the families that included the marriage between Chairman Lee Kun-hee and Hong Ra-hee, as well as a blood tie between Hong Ra-hee and her eldest brother of Hong Seok-hyun. Just how and why JoongAng Ilbo group was associated with Samsung has been hidden in the official records.

Interestingly, Hong Seok-hyun, the largest stockholder of the JoongAng Ilbo group, divided its corporate structures into JoongAng Ilbo group and Bokwang group in 2005. He transferred various holdings of the JoongAng Ilbo group in the manufacturing, finance, service and advertising industries to his three brothers and a sister, thereby creating Bokwang group.

As seen in Figure 3, the JoongAng Ilbo group was in charge of media holdings in the information and entertainment industries, while Bokwang group was responsible for businesses in the advertising, digital manufacturing, finance and service industries. This meant that the

Hong family controlled the corporate structures of both the JoongAng Ilbo and Bokwang groups at the same time. Hong Seok-hyun was the largest stockholder in JoongAng Ilbo, a *de facto* holding company of JoongAng Ilbo group. His three brothers and a sister together were the largest stockholder of Bokwang, a *de facto* holding company of Bokwang group.

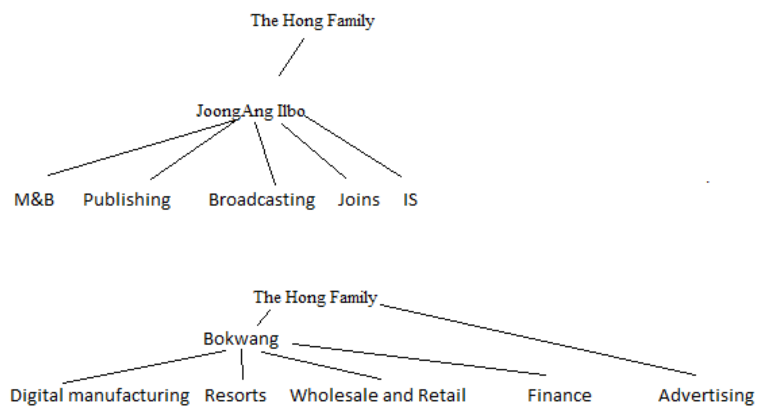

Figure 3: The Ownership Structure of JoongAng Ilbo and Bokwang Groups in 2012

Sources: Author's elaboration of data from annual reports of both JoongAng Ilbo (2012) and Phoenix Communications (2012).

In summary, the JoongAng Ilbo group was separated from old Samsung in 1999 and then divided its corporate structures into the JoongAng Ilbo and Bokwang groups in 2005. Both family-controlled conglomerates were controlled by the Hong family, relatives of Chairman Lee of Samsung group. Next, I analyze how the Lee family and the Hong family used personal ties to control media corporate structures of JoongAng Ilbo from 1998 to 2012.

7.6. Media Expansions of JoongAng Ilbo (1998-2012)

JoongAng Ilbo group vertically and horizontally diversified, thereby increasing the numbers of their media operations from at most ten in 1998 to forty-eight media holdings in 2012. 2005 was the turning point of media expansions in the JoongAng Ilbo group. Before 2005, the JoongAng Ilbo group diversified vertically within the advertising, printed and computer-mediated communication industries. After 2005, JoongAng Ilbo group diversified horizontally going into cable television, film and digital content markets.

The patterns of media expansion taken by JoongAng Ilbo group were similar to CJ's strategies. They included active mergers and acquisitions (M&As), issuing new shares (e.g. BWs) and back-door listings. JoongAng Ilbo aggressively acquired other companies (e.g., IS Plus, an entertainment and sports daily newspaper and Mega-box, a major theater multiplex) to enter the entertainment industries. It also issued BWs of media holdings under the JoongAng Ilbo group (e.g., JoongAng Ilbo and JoongAng M&B) to take over other media companies.

Finally, JoongAng Ilbo used the back-door listing to list its media holding on the Korean stock market. The JoongAng Ilbo and Bokwang groups also directly and indirectly invested in multiple media companies in the Korean cultural industries. JoongAng Ilbo fortified global partnerships with American media conglomerates (e.g., News Corporation, Viacom and Time Warner) in cable television, while the Bokwang group strengthened its partnership with Japanese media conglomerates (e.g., Dentsu). As a result, the Hong family controlled both the JoongAng Ilbo and Bokwang groups and established a media empire in 2012. As seen in Table 4d, the JoongAng Ilbo group was involved in the print, broadcasting, performance and computer-mediated communication markets, while Bokwang group focused on the advertising market.

Table 4d: Media Businesses of JoongAng Ilbo and Bokwang Groups in 2012

Parent Company	**Leading holdings**	**Sub-media holdings**	**Media Businesses**
JoongAng	JoongAng Ilbo	JoongAng Ilbo	Daily Newspapers

Table 4d (Continued)

Ilbo Group		JoongAng M&B	Weekly and monthly magazines
		JoongAng Books	Publishing
		J-cube Interactive	Online newspapers
		J P&R	Papers distributions
		A Printing	Paper printings
		Etc.	Media Literacy; Agency businesses of newspaper's proofreading & editing;
	J Content Tree	J-TBC	A comprehensive cable TV
		JoongAng Broadcasting	Cable channels
		Mega Box	Film Exhibition
		JoongAng Entertainment	Film Distribution
		Drama House	TV drama production
		Seol & Company	Plays and musicals
		A Story	Scripts for TV drama and Film
		Free Egg	Entertainment
Bokwang Group	Phoenix Communication	Phoenix Communication	Advertising agency
		PDS Media	Advertising agency
		Dentsu Innovack	Advertising agency
		CN Marketing	Advertising- agency for small & medium sized companies

Table 4d (Continued)

KTF m How's	Mobile advertisements
Saatchi & Saatchi PCI	Advertising production for online & mobile advertisements
Interworks Media	Advertising agency for online & mobile advertisements

Sources: Author's elaboration of data from annual reports of JoongAng Ilbo (2000; 2005; 2012) and Phoenix Communication (2000; 2005; 2012).

Specifically, both JoongAng Ilbo and J Content Tree played vital roles in media expansions. JoongAng Ilbo supervised the printed and paper-related businesses, including online newspapers and media literacy, while J Content Tree was responsible for cable television, film and performance businesses. Moreover, Phoenix Communication, under the Bokwang group, ran advertising businesses, including an advertising agency, advertising production, media planning and online advertising. The media holdings of the JoongAng Ilbo and Bokwang groups owned multiple sub-media operations.

The ownership structure of both the JoongAng Ilbo and Bokwang groups was similar to that of both the Samsung and CJ groups in terms of maintaining the interlocked and circular ownership structure between a *de facto* holding company and a few leading media operations. As an example, in 2012, JoongAng Ilbo was the largest stockholder of JoongAng M&B, J-cube Interactive, JoongAng Broadcasting and JoongAng Books. It was also a major stockholder of J-TBC. All of these media operations were not listed. Moreover, JMnet was a *de facto* holding company of the JoongAng Ilbo group, which controlled the corporate structures of J Content Tree in charge of the entertainment businesses of JoongAng Ilbo. Both JMnet and JoongAng Ilbo were categorized as special relatives in Korean commercial law because Hong Seok-hyun and his family members controlled both JMnet and JoongAng.

In sum, JoongAng Ilbo group became independent from the old Samsung in 1999 through stock exchanges between Lee Kun-hee, the owner of Samsung, and Hong Seok-hyun, the owner of JoongAng Ilbo. After that, Hong Seok-hyun reorganized the JoongAng Ilbo group into the JoongAng Ilbo and Bokwang groups.

In the following section, I investigate media expansions and media corporate structures under the Hong family. Under the JoongAng Ilbo group, I focus on both JoongAng Ilbo and J Content Tree. As for the Bokwang group, I concentrate on Phoenix Communication.

7.6.1. Media Expansion and Corporate Structure of JoongAng Ilbo

JoongAng Ilbo, established in 1965, expanded its media businesses within and across media markets and increased its media holdings from six media operations, print and computer-mediated communication operations in 1998 to 44 in the broadcasting, digital media between broadcasting and telecommunication, film, performance and print industries in 2012. Over fifteen years, JoongAng Ilbo established a media empire with one listed holding and 43 unlisted operations in Korea and a global branch in the U.S.

JoongAng Ilbo used three marketing strategies to increase its media holdings: the establishment of media holdings; the establishment of joint ventures with American media conglomerates; and active mergers and acquisitions (M&As).

First of all, JoongAng Ilbo plied their existing media holdings to increase the number of media operations in the print and computer-mediated communication industries. Their existing media holdings served two purposes: 1) being the sub-center of media expansions, and 2) acting as the channel to generate revenue in media related businesses. In 1999 for example, JoongAng

Ilbo established several online sub-media holdings under the Joins in charge of publishing the online newspapers. Newly-established online holdings focused on developing specialized media content (e.g., cars, real estate and golf). Another example was JMN U.S.A. JoongAng Ilbo entered the daily paper market in the Korean-American communities in Los Angeles in 1999, and a few years later, JoongAng Ilbo expanded JMN U.S.A to New York, Chicago, Washington and Atlanta.

In addition, JoongAng Ilbo deployed their existing media holdings to enter ancillary markets. Korean Institution focused on copyediting articles published by small newspaper companies. JoongAng Design was responsible for running the editing businesses of newspapers. A-Printing printed articles published by small newspapers and magazine companies. AJIT Academy developed foreign languages textbooks and media-literacy education tools for teenagers' essay tests.

Secondly, JoongAng Ilbo established joint ventures with American media conglomerates in computer-mediated communication and broadcasting industries. For example, JoongAng Ilbo established a joint venture with Microsoft, Joins-MSN, to run portal site businesses. It also founded the joint venture J-TBC with Time Warner and the News Corporation. J-TBC was a comprehensive cable channel that provided news, drama, motion pictures and documentaries for its subscribers. JoongAng Ilbo also founded Cartoon-Network Korea with Turner Broadcasting, a media holding of the Time Warner. Further, JoongAng Ilbo cooperated with FOX television studio, a media holding of News Corporation, to co-produce television drama and to own the exclusive distribution rights over the nine Asian countries.

The final strategy taken by JoongAng Ilbo to expand its media businesses was to acquire other media companies. In 1999, JoongAng Ilbo took over Q-channel and Catch-On, cable channels from Cheil Communication. Since then, JoongAng Ilbo has acquired several media companies, which include Seol & Company in plays and musical performances; Cinus in film exhibition; Drama House in drama production; A-Story in professional script writing; AHIT in film development; J Content Tree (renamed from IS Plus) in sports and entertainment; JoongAng Broadcasting in cable television; and JoongAng Mobile & Broadcasting in digital mobile content.

Like other media holdings owned by the Samsung and CJ groups, JoongAng Ilbo was a powerful media investor in media production companies. Investments included *Money Today*, an economic daily newspaper; the *Metro*, the most widely circulated free daily newspaper; Yonhap News, a news agency with the largest market share among the news agencies; A-Story, the first professional script company; Skylife, the only Satellite Digital Television; e-Channel, an information-based cable channel; Free Egg and i-Popcorn, animated video sharing; Daeduk Net and Korea Wisenet, online data processing companies; Tigen, a hobby site; as well as e-Pursi and FutureBook, the e-publishing companies.

Moreover, JoongAng Ilbo was a major member of Korea's media venture funds (e.g., IMM Media Venture Fund; YeonYang Venture Fund; and Company K-Partnership), which focused on producing digital media content fitting into portable media, plays and performances.

Finally, JoongAng Ilbo was involved in the construction of the digital media city in Seoul, Korea. It focused on the development of digital media content (e.g., games, virtual realities and 3-D motion pictures). JoongAng Ilbo owned 25. 81percent of the total shares in DMCC Project Financial Investment, in charge of collecting capital to construct the digital media city in Seoul. It also held 22.73percent of the total stock of the DMCC Management which supervised the digital media city.

In terms of revenues, most of JoongAng Ilbo's revenue came from the print markets (e.g., advertising and subscription fees), ranging from 93 percent of total revenue in 1999 to 83 percent in 2012. This can be interpreted to show that JoongAng Ilbo focused on the information industries (e.g., the print and computer-mediated communication).

The ownership structure of JoongAng Ilbo showed a variety of changes from 1998 to 2012. I categorize the changes of JoongAng Ilbo into three patterns: (1) the time of ownership transition from the Lee family to the Hong family; (2) co-ownership between the Hong family and the Lee family within CJ group; and (3) the establishment of JMnet.

The first period was from 1998 to 2002 when the Lee family within the old Samsung transferred media ownership in JoongAng Ilbo to the Hong family. In 1998, Hong Seok-hyun, a brother-in-law of Lee Kun-hee, was the largest stockholder in JoongAng Ilbo with 21.5 percent of total shares. With 20.3 percent of total shares, Lee Kun-hee was the second largest stockholder. Hansol and its holding were the third largest stockholders with 18.4 percent of total stock. Other stockholders were CJ Corporation (14.71 percent) and Cheil Fabrics (8.6 percent), Samsung Corporation (3.9 percent) and 14 Samsung men (8.4 percent). In 1999, the Hong family replaced Lee Kun-hee and took over the three subsidiaries of the old Samsung (Cheil Fabrics, Samsung Corporation and Samsung Electricity). By 1999, the names of Lee Kun-hee and the leading subsidiaries of the old Samsung disappeared from the lists of stockholders in JoongAng Ilbo. Four years later, in 2003, Hansol and 14 Samsung men replaced the Yumin cultural foundation, which owned the 19.99 percent of total stocks in JoongAng Ilbo. Yumin was the pen name of Hong Jin-kee, the father of Hong Seok-hyun.

The second change of ownership structure in JoongAng Ilbo occurred during the period from 2003 to 2008. For five years, JoongAng Ilbo was owned by Hong Seok-hyun and CJ's subsidiaries (e.g., CJ Corporation, CJ Construction or CJ Olive Yong). Hong Seok-hyun was the largest stockholder with shares ranging from 36.79 to 43percent of total stocks. The second largest stockholder was CJ's subsidiaries with about 26percent of total shares.

The third ownership change occurred from 2009 to 2012. In 2009, the Hong family and CJ's subsidiaries together established JMnet. This was a paper company of the JoongAng Ilbo group. It rarely ran media businesses under the JoongAng Ilbo group, but owned the media holdings of the JoongAng Ilbo group. JMnet was the largest stockholder of JoongAng Ilbo with 32.86 percent of the total shares. The second largest stockholder was Hong Seok-hyun with around 30 percent. Other members of the Hong family also owned shares of JoongAng Ilbo. JMnet became a *de facto* holding company of the JoongAng group in 2012.

The board of directors in JoongAng Ilbo was composed of Hong Seok-hyun, a few JoongAng Ilbo men and Korean power elites. The ratio of JoongAng Ilbo men to Korean power elites was about 2:1. JoongAng Ilbo men refers to those working at JoongAng Ilbo and its media subsidiaries with high positions (e.g., chief editor, chief executive officer and chief executive financial officer). The Korean power elites included an ex-prime minister, the retired high officers in the High Court or the Public Prosecutors Office, and a chief executive officer of Daum, a leading portal site in the Korean computer-mediated communication industry.

Two interesting points regarding members of the board of directors were found in JoongAng Ilbo. First, a few JoongAng Ilbo men (e.g., Song Pil-ho, Park Jang-hee and Im Kwang-ho) held the multiple seats on the board of directors in JoongAng Ilbo media holdings (e.g. JoongAng Broadcasting; JoongAng M&B in the weekly and monthly magazines; Cinus in film exhibition; JoongAng Books in publishing; and IS Plus (renamed to J Content Tree) in the sports and entertainment businesses). The second point is that Hong Jeong-do, the son of Hong

Seok-hyun, was involved in media management of second tier media operations of JoongAng Ilbo. Like Lee Kun-hee in Samsung, Hong Seok-hyun attempted to transfer the JoongAng Ilbo group to his son, because the owner of a chaebol group traditionally tended to train his potential heir in the name of management.

In summary, JoongAng Ilbo was a media producer, distributor, exhibitor, investor and constructor in Korea. Through M&As, the establishment of media operations and joint ventures with American cultural giants, JoongAng Ilbo established a media empire controlled by the Hong family and JMnet, established by Hong Seok-hyun and CJ's subsidiaries. Members of the board of directors came from the Hong family, JoongAng Ilbo men and Korean power elites.

Next, I will analyze corporate structure of J Content Tree, a listed media holding of the JoongAng Ilbo group. Corporate structures include the history of J Content Tree, how JoongAng Ilbo acquired J Content Tree in the Korean newspaper industry; roles of J Content Tree within media expansions of JoongAng Ilbo group; its ownership structure and its board of directors.

7.6.2. Corporate Structure of J Content Tree

J Content Tree (formerly Ilgan Sports, IS Plus) was a media holding of the JoongAng Ilbo group responsible for media production, distribution and exhibition in the entertainment markets. This media holding owned eight sub-media operations, including JoongAng media Q-channel (TV drama production and drama exports), Drama House (TV drama production), Seol & Company (plays and musical performances), Megabox (film exhibition), film distribution (Cinus Entertainment), digital media content fitting into the portable media devices (J Content hub), IS Ilgan sports (online and offline newspapers for sports and entertainment) and JoongAng Ilbo Cultural Businesses in the secondary media markets.

In 2005, the JoongAng Ilbo group acquired *Ilgan Sports*, a daily sports & celebrity newspaper. In fact, this newspaper had been owned by the Jang family controlling the Hankuk media group. This media group had been belonged to be among the top four (i.e., *Chosun*, *Dong-A*, *Hankuk* and *JoongAng*) in the daily paper market. However, the 1997 financial crisis forced *Hankuk* to shrink its market power, because the parent company of the Hankuk media group was under financial crisis. Thus, the Jang family took over Hangil Trade, a listed company on the Korean stock market, to resolve the financial difficulties. This was a back-door listing. Like the CJ group, the Jang family of the Hankuk media group used the back-door listing to list *Ilgan Sports* of the Korean stock market. But unlike CJ group, listing *Ilgan Sports* didn't help the financial situation of the Hankuk media group. This pushed the Jang family to issue CBs of the *Ilgan Sports* in 2003. JoongAng Ilbo purchased about 11percent of total CBs for the *Ilgan Sports*.

The action taken by JoongAng Ilbo brought about conflicts between the JoongAng Ilbo and Hankuk media groups, which had long been print media competitors. Lee Kun-hee, the owner of Samsung, met with Jang Jae-gu, the owner of Hankuk media group, to resolve this conflict (Lee, 2003, August, 27). This action of Chairman Lee indicates that the JoongAng Ilbo group was under control of the Samsung group. Chairman Lee rarely got involved in the issues of M&As, except for his family issues.

Two years later, in 2005, JoongAng Ilbo became the largest stockholder of the *Ilgan Sports*. JoongAng Ilbo renamed the *Ilgan Sports* IS Plus in order to use IS Plus as a media hub to expand its entertainment media businesses (e.g. drama production, cable channels, digital media contents and performances). Four years later, in 2010, IS Plus issued new CBs to acquire the film exhibition company of Mega-box, one of top-three film theaters in Korea. In 2010, IS Plus was renamed J Content Tree.

As J Content Tree focused on the entertainment businesses, revenues from media production and film exhibitions rapidly increased to about 72 percent of total revenue in 2012 from approximately 6 percent in 2006. From 2009 and 2010 alone, revenues from media production increased from 27.6 percent in 2009 to 37.3 percent of total revenues in 2010. Similarly, revenue from film exhibition grew from 35.4 percent in 2008 to 56.2 percent of total revenues in 2010. On the other hand, revenues from advertising and subscription fees from the print media reduced from 90 percent of total revenue in 2006 to at most 25 percent in 2012. The changes of revenue showed that J Content Tree was no longer a sports and celebrity newspaper, but a media hub of the JoongAng Ilbo group in entertainment markets.

The media ownership in this company was flexible. From 2006 to 2011, JoongAng Ilbo was the largest stockholder. It held shares ranging from 28.47percent of total stocks in 2006 to 20.38percent of total shares in 2011. One year later in 2012, the largest stockholder in this company changed from JoongAng Ilbo (11.24percent) to JMnet (11.26percent), a company co-established by the JoongAng Ilbo and CJ groups. The change of the largest stockholder of J Content Tree implied that the CJ and JoongAng Ilbo groups cooperated in the Korea's entertainment markets. Other major stock holders with at least 5 percent of the total stocks varied. From 2006 to 2008, Jang Jun-ho, ex-largest stockholder of the *Ilgan Sports* (before IS Plus) was the second largest stockholder with about 8percent of total stocks. Other major holders were Phantom Entertainment, an entertainment agency, with 5.49 percent of total shares, JoongAng M&B with about 5.3percent of total stocks and Hong Seok-hyun with 6.37 percent of total stocks. However, after 2008, Jang Jun-ho did not own any stock in IS Plus. On the other hand, JoongAng M&B still held shares of J Content Tree, although it rarely reached the minimum shares (5 percent) required to become a major stockholder.

The board of directors in J Content Tree was composed of four or five members. They included representatives of the Hong family (e.g., Hong Seok-hyun and Hong Jeong-do), a chief executive officer of the *Hankuk*, JoongAng Ilbo men and Korean power elites. Between 2006 and 2008, the Hong family was rarely involved as members of the board of directors, but two JoongAng Ilbo men participated as members of the board of directors. In 2006, a financial expert coming from Daeshin Stock Company, was the chief executive officer. From 2007 to 2008, a chief executive officer of the *Hankuk* occupied the position of the chief executive officer. However, since 2009, Hong Seok-hyun and Hong Jeong-do have been involved as members of the board of directors. Korean power elites were in charge of the position as outside directors. They included an ex-Prime minister, a chairman of Korean Broadcasting production, an advisory lawyer for the Ministry of Culture & Sports Department and a retired high officer of the Korean national courts.

In sum, JoongAng Ilbo acquired J Content Tree from the Hankuk media group, thereby establishing an entertainment hub for the JoongAng Ilbo group in the broadcasting, film and digital media between broadcasting and telecommunication industries. JoongAng Ilbo and CJ groups controlled J Content Tree. Only the Hong family participated in media management.

7.6.3. Corporate Structure of Phoenix Communication

Phoenix Communication (hereafter, Phoenix) was a listed advertising company under the Hong family. Phoenix ran an advertising agency and specialized in advertising production, sales promotions and online advertisement. This advertising company was involved in all aspects of marketing including executing, planning, producing and advertising events. Phoenix owned six other sub-holdings, which included PDS Media (advertising production); Dentsu Inovack (advertising agency for Japanese companies in Korea and for Korean enterprises in Korea; CN

Marketing (advertising business for small and medium sized companies); KTF m How's (mobile advertisements); Saatchi & Saatchi PCI (online & mobile advertisements); and Interworks Media (online & mobile advertisements).

Phoenix and its sub-media holdings were established by old Samsung, JoongAng Ilbo, Bokwang and transnational advertising agencies (TNNAs). The history of Phoenix's media expansions from 1998 to 2012 shows its transition from the old Samsung group to the JoongAng Ilbo and Bokwang groups, as well as cooperation between chaebol groups and TNNAs in the Korean advertising market. For example, in 1996, Cheil Communication, an in-house advertising agency for the old Samsung group, had established Phoenix with the Dentsu media group from Japan. The investment ratio between the old Samsung and Dentsu group had been 1:1. After JoongAng Ilbo separated from the old Samsung in 1999, this advertising agency was under the JoongAng Ilbo group. Six years later, in 2005, Phoenix was under control of the Bokwang group.

Similarly, sub-media holdings of Phoenix were established by cooperation between the JoongAng Ilbo group and TNNAs. In 1999, Phoenix established two sub-holdings of PDS Media and Dentsu Innovack with transnational advertising agencies. PDS Media was co-founded by Phoenix, the Dentsu group and the Leo Burnett Groups in order to do advertising production. Dentsu Innovack was also joint venture between Phoenix and the Dentsu group to do advertising agency for Japanese enterprises in Korea. In 2001, Phoenix and Dentsu Innovack co-acquired a Korean advertising agency, Whal-in, in order to focus on advertising for small and medium sized companies. After that, Phoenix renamed Whal-in CN Marketing. Three years later in 2004, Phoenix co-established KTF m How's with two partners, a Korean wireless carrier and the Dentsu group, to enter the mobile advertising market.

Hong Seok-hyun, the owner of the JoongAng Ilbo group, transferred Phoenix and its sub-advertising holdings to the Bokwang group, controlled by his two brothers and sister, at the end of 2005. Since then, these advertising holdings have belonged to subsidiaries of the Bokwang group. Further, in 2006, Phoenix founded a joint venture of Saatchi & Saatchi PCI with Saatchi & Saatchi for online and mobile advertising. Finally, in 2008, Phoenix established Interworks Media to focus on digital advertising for the digital convergence media between telecommunication and broadcasting industries (e.g., IPTV, SDMB and TDMB). That is to say, Phoenix was cooperating with the JoongAng Ilbo and Bokwang groups, as well as with TNNAs.

Regular clients of Phoenix included subsidiaries of the JoongAng Ilbo and Bokwang groups, Nestle Korea, P&G Korea, Fuji-Xerox, the Korean Ginseng Public Company and a few cosmetics companies. From 1998 to 2012, most revenue for Phoenix came from its advertising-agency and advertising production, including production and sales promotion. Revenue from advertising-agency businesses gradually reduced from about 56percent of total revenue in 1998 to about 25percent in 2012. On the other hand, the revenue from advertising production gradually increased from about 44percent of total revenues in 1998 to approximately 75percent in 2012. This implied that Phoenix paid more attention to advertising production than to advertising-agency.

In terms of ownership structure in Phoenix, the largest stockholders were Hong Seok-kyu, Chairman of the Bokwang group, and the Dentsu group. Both Hong Seok-kyu and Dentsu held the same percentage of shares in Phoenix. Foreign institutional investors temporarily included major stockholders, which covered Goldman Sachs International and Armor Capital. Although Hong Seok-kyu and Dentsu owned the same percent of shares, Hong Seok-kyu exercised managerial rights over the corporate structure of Phoenix. Members of the board of directors included Hong Seok-kyu, two Dentsu-men from Dentsu group, a few directors from sub-holdings of Phoenix and two financial experts. Unlike other media holdings of the JoongAng Ilbo group, Phoenix did not invite the Korean power elites to serve as the outside directors.

To summarize, Phoenix was an advertising holding for the Hong family and Dentsu group that focused on advertising production in the Korean advertising industry.

7.6.4. Conclusion of JoongAng Ilbo Group

Since becoming independent from Samsung in 1999, the JoongAng Ilbo group diversified horizontally and vertically in the Korean information and entertainment industries, thereby establishing a media empire with about forty-four media holdings by 2012. This media empire was controlled by both the Hong family and the Lee family. This means that JoongAng Ilbo used the personal connections to expand its media businesses during the periods from 1998 to 2012.

Conclusion: The Lee Family Established Media Empires in Korea

In this chapter, I analyzed the relationships among media expansions, family connection and media ownership within the three chaebol groups (e.g., Samsung, CJ and JoongAng Ilbo) from 1998 to 2012.

The Samsung group focused on advertising and computer-mediated communication. The CJ group expanded in the paid broadcasting (e.g., cable TV, IPTV, broadband service, SDMB and TDMB) and film markets. The JoongAng Ilbo group expanded its media businesses to paid broadcasting markets, media production, performances and film exhibition markets. The three chaebol groups were all major media investors in media production. They also constructed media cities across the Korean Peninsula. Put simply, the three chaebol groups established media empires in Korea.

These media empires were controlled by the Lee family. Lee Kun-hee was the owner of the Samsung group. His nephew, Lee Jae-hyun, was the owner of the CJ group. A brother-in-law of Lee Kun-hee, Hong Seok-hyun, was the owner of the JoongAng Ilbo group. Neither Chairman Lee Kun-hee nor his three children shared media ownership of the CJ and JoongAng Ilbo groups. The Hong family within JoongAng Ilbo rarely held ownership within the CJ or Samsung groups. However, Lee Jae-hyun, a niece of Chairman Lee Kun-hee, became a major stockholder of Samsung Everland, a *de facto* holding company of Samsung group, by 2005. Also, CJ's holdings (e.g., CJ Corporation, CJ construction and CJ Yong Olive) under Chairman Lee Jae-hyun were major stockholders of JoongAng Ilbo, a *de facto* holding company of the JoongAng Ilbo group from 1998 to 2011. The three holdings of CJ were integrated into JMnet, a company co-established by the JoongAng Ilbo and CJ groups in 2012. This shows that CJ group played a mediating role in linking the Samsung group to the JoongAng Ilbo group in the Korean media industries.

Similarly, the three chaebol group cooperated with each other in mergers and acquisitions (M&As). Three prime examples include (1) J Content Tree; (2) Plenus; and (3) On-Media and Mega Box. The first example showed the close relationship between the JoongAng Ilbo and Samsung groups. The other two cases reflected the cooperation between the JoongAng Ilbo and CJ groups. These M&As allowed both the JoongAng Ilbo and CJ group to become the most powerful players in the entertainment markets.

For example, in 2003, JoongAng Ilbo became a major stockholder of the *Ilgan Sports*, owned by Hankuk media group, which brought about a tacit conflict between the Hankuk media group and the JoongAng Ilbo group, longtime competitors in the Korean daily paper market. A year later in 2004, Lee Kun-hee, the owner of Samsung, met the owner of Hankuk media group

(Lee, 2004). Although specific information about this meeting was not disclosed, JoongAng Ilbo successfully acquired the *Ilgan Sports* in 2005, and then renamed it J Content Tree. Using J Content Tree, the JoongAng Ilbo group expanded its media businesses to drama production, cable channels, film exhibition and distribution, plays and digital media content.

Other examples reflecting the cooperation between CJ and JoongAng Ilbo were M&As of Plenus and On-Media and Mega Box. By 2002, Hong Seok-hyun had been a major stockholder in Plenus. Two years later in 2004, the CJ group successfully acquired Plenus. Another important example was the acquisition of On-Media (a major MPP and MSO in the cable television) and Megabox (one of the top four film exhibitors). Both media holdings were owned by the Orion group. JoongAng Ilbo had been a major stockholder of the Orion Cinema Network (cable television brand name On-Media). In 2009, the CJ group acquired On-Media. Three years later in 2012, JoongAng Ilbo acquired Megabox, thereby becoming the third ranked film exhibitor in Korea.

Interestingly, both the CJ and JoongAng Ilbo groups were associated with the comprehensive cable channel. In 2010, the Korean government was collecting applicants for licenses to operate comprehensive cable television for the Korean media businessmen. The CJ group did not apply for this business. Instead of the CJ group, the JoongAng Ilbo group submitted the applied and obtained license for comprehensive cable TV in 2010.

The examples mentioned above reflect the Lee family's family connections to expand its media businesses within and across media markets. Visibly, CJ and JoongAng Ilbo cooperated with each other to establish the media empires controlled by the Lee family. Behind the scenes, Samsung supported media expansions of the JoongAng Ilbo group because Chairman Lee resolved the conflict caused by the tension between the JoongAng Ilbo and Hankuk media groups.

However, the Lee family used different patterns in each chaebol group to manage media holdings. Within Samsung, the Lee Family was reluctant to join the boards of directors in the Samsung Everland, the Samsung SDS and Cheil Communication. Instead of the Lee family, Samsung men working at the structural planning office of Samsung were members of boards of directors in these three media holdings. The Lee family within CJ was intermittently involved in the management of CJ's media holdings when CJ established leading media operations or acquired the big media companies. Most of the board members in CJ's media holdings were CJ men working at the structural planning office of CJ and Korean power elites. Finally, the Hong family consistently held board membership in media holdings owned by both the JoongAng Ilbo and Bokwang groups.

Further, the Lee family commonly invited Korean power elites from the political, economic and cultural institutions to serve as outside directors on their boards. The three chaebol groups seemed to prefer the retired high officers from the Public Prosecutors Office, National Tax Office or Fair Trade Commission as outside directors over others. As Domhoff (1990) argues, the owners of large corporations used corporate structures to connect to the power elites in a given society, and, in keeping with this, the Lee family used the seats on the board of directors in Cheil to connect to the Korean power elites. The Lee family was able to coalesce their power in connection to Korean power elites within the media corporation structures of the three chaebol groups.

Taken together, the Lee family members used personal and family connections to expand their media businesses and control multiple media operations, thereby becoming the lords of media empires in the early 2000s.

In chapter 8, I investigate the third research question regarding who received the major benefits from the four media markets from 1998 to 2012.

CHAPTER 8 – WHO WERE WINNERS IN THE ERA OF MEDIA MARKETIZATION

In this chapter, I investigate the following research question of who received benefits in the four Korean media markets (advertising, cable television, film and newspaper) during the period from 1998 to 2012. This was a time when the Korean government carried out comprehensive media reforms over four media markets. In order to address this question, I analyze governmental data of both White Papers published by the Ministry of Culture Sports and Tourism (MCST) and special reports published by the Fair Trade Commission (FTC). By 2012, fourteen White Papers existed, which reflected the changed structures of the four media markets and also identified major market players and their market shares. Also, fifty special reports were available regarding the media businesses of the three chaebol groups (e.g., Samsung, CJ and JoongAng Ilbo) in the four media markets. Further, I gathered secondary sources from scholarly works and newspaper articles. These data epitomize how and why media owners of the Lee family exercised the corporate censorship over the four media markets from 1998 to 2012.

The corporate censorship can be defined as a conceptual term reflecting the power of media owners of cultural conglomerates. Schiffrin (2006; 2010) and Atkins & Mintcheva (2006) argue that the large media corporations are the most powerful institutions to limit freedom of expression in the era of media marketization, because they have the market power to set rules in media markets. Similarly, Smythe (1981), Schiller (1989; 1993) and Mazzocco (1994) contend that media giants are able to determine mode of communication, which can control structures of media markets through their media holdings with high market shares. Further, Murdock (1990) states that media owners of cultural conglomerates can directly exercise their influences over the media markets through their media holdings, which indirectly affects the activities of other companies within the media markets. These scholars, mentioned above, commonly argue that the media owners of cultural conglomerates are able to exercise corporate censorship over the media markets by their media holdings with high market shares.

Therefore, in this chapter, I trace how and why the Lee family exercised the corporate censorship over the four media markets. To do this, I investigate issues emerging from structural centralization in the four media markets and then examine the corporate censorship of the Lee family over the four media markets.

8.1. Capital and Media Markets

In this section, I analyze issues emerging from the interactions between the daily newspapers and advertising markets first and then examine issues from structures of the cable television and film markets from 1998 to 2012.

8.1.1. Newsrooms under Chaebol Groups

The top three companies (e.g. the *Chosun Ilbo*, the *JoongAng Ilbo* and the *Dong-A Ilbo*) became a media monopoly in paper market. The three companies was called Cho-Joong-Dong in Korea. The increase of Cho-Joong-Dong was due to illegal actions. Korean media law prohibits newspapers from distributing copies for free or giving out lavish gifts to subscribers. However, Cho-Joong-Dong ignored the Korean media laws. The *JoongAng Ilbo* engaged in more unfair actions, like providing free papers for six months, U.S. $100 gift cards or bicycles for the new or regular subscribers, than the *Chosun Ilbo* and the *Dong-A Ilbo* (Cho, 2004, March 10). These actions by the three players pushed other national papers to imitate the three's marketing strategies to survive and keep their subscribers. Losing subscribers brought about double loss of both advertisement money and subscription fees. The Korean daily market became an arena of a war to increase the market shares of the national papers.

For example, the Fair Trade Commission (FTC), in charge of investigating unfair activities in media companies, investigated these alleged unfair practices in the daily market in 2004. Seven national newspaper companies were found to have given away a total of 799 bicycles to lure subscribers through their 26 distribution branches. The *JoongAng Ilbo* doled out 380 bicycles, the greatest number among the newspapers inspected. The *Chosun Ilbo* and the *Dong-A Ilbo* followed with 183 and 121 bicycles respectively. Next were the *Hankuk Ilbo* (49), the *Hankyoreh* (10) and the *Segye Times* (six). The FTC imposed fines for delivering newspapers for free for prolonged periods and giving away gifts beyond a certain value when customers signed on for long-term subscriptions (Seo, 2004). However, these illegal sales and promotions rarely disappeared.

Interestingly, the financial resources for the sales promotions did not come from pockets of the Korean media monopoly (e.g. the *Chosun Ilbo*, the *JoongAng Ilbo* and the *Dong-A Ilbo*) but from sacrifices of small distributors or branch managers. They were not regular employees of the three companies, but were its subcontractors to deliver papers to the subscribers. These small distributors had to renew their distribution contracts annually. But the condition to renew the annual contract was to have met a certain quota in previous years. If they failed to fulfill a quota, they would not run the paper delivery businesses. Based on contracted conditions, they sent a certain fee to the three companies per month (Cho, 2002, July 11). This reflected that branch managers were under the control of Cho-Joong-Dong. For example, the *JoongAng Ilbo* unilaterally increased the fees from \$ 500 to \$ 5,000 per month and forced 500 branch managers to pay the costs of sales promotions. The similar patterns were found at the *Chosun Ilbo* and the *Dong-A Ilbo*. The centralized market shares held by the three companies were based on the exploitation of branch managers.

Worse yet, major revenues of the three paper companies have been decreased. The ratio of both advertisement and subscription fee decreased from 87.5 percent of the total incomes in 1999 to 74.5 percent of the total incomes in 2007. On the other hand, other income sources including advertising articles, increased from 12.5percent of the total revenues in 1999 to 25.5 percent of the total revenue in 2007 (Lee, 2010, January 3). The increased percentage of other revenues was due to the increased number of advertising articles in the papers in the form of special sections and advertiser-friendly articles on topics ranging from real estate, cosmetics, credit cards, motoring, education and travel to golf, food and drinks (Kim, 2008).

These advertising supplements were mostly based on public relations materials offered by advertisers of the chaebol groups. Even journalists, especially those who belonged to economic or information technology departments, rarely checked the accuracy of the information in PR materials. Newspaper articles no longer reflected the public's interest in social justice, but rather represented the private interests of the major advertisers, mainly chaebol groups. That is to say, the newsroom was under the pressure of capital.

Chaebol groups especially used advertisement money to manufacture amicable public opinions. For example, the owner of Hyundai group, Jung Mong-ku, was arrested on the suspicion of tax-evasion in 2006. At that time, the Hyundai group atypically funneled advertising money into the national daily papers, especially Cho-Joong-Dong, until the day when Chairman Jung Mong-ku was given a suspended sentence. Like responding to Hyundai's advertisements, national papers, especially the three paper companies, published articles on the chaebol's roles in the Korean economy, the contributions of chaebol owners to the Korean economy and the necessities of market-initiated policies in the economy. Journalists rarely reported the illegal tax-evasion and exploitative activities of chaebol groups in the Korean economy (Lee & Che, 2007).

Similar patterns were found in other chaebol legal cases (e.g., Doosan, Samsung and Hanhwa groups) (Erri, 2008; 2010). Korean journalists gave up the roles of watch dog for the Korean society. Thus, Lee Jung-hwan, a media critic, stated that journalists were no longer beings seeking for the truth and justice for the Korean society, but domesticated salary-men (Lee, 2010, January 3). Ironically, these examples also showed that the biggest obstacle to the freedom of speech was capital of major advertisers rather than state power in the Korean press.

Importantly, Cho-Joong-Dong manipulated public opinion to enter the cable market by aggressively propagating articles about re-introduction of cross media ownership between newspaper and broadcasting industries (Yang & Kim, 2008). In response to Cho-Joong-Dong, the Korean government in July 2009 revised existing print and broadcasting laws and reintroduced cross media ownership between papers and broadcasting companies. At the same time, Cho-Joong-Dong established the new broadcasting holdings with chaebol groups and American cultural conglomerates. The *Chosun* founded "Chosun TV." The *Dong-A* established "Channel A." The *JoongAng Ilbo* instituted "JTBC." (Cha, 2012, December 10). One year later in 2010, Cho-Joong-Dong successfully grabbed the comprehensive cable channel.

Cho-Joong-Dong sold bundle advertisements for its papers and cable channels. However, advertisers were reluctant to give big advertising money to the top three's cable channels due to low ratings. Each cable channel of Cho-Joong-Dong earned at most 1 percent of the audience in 2012. Moreover, Cho-Joong-Dong pressured the Korean government to raise the television subscription fee for public broadcasting and to deregulate advertising items about previously forbidden content. In this way, Cho-Joong-Dong tried to turn its deficits in the cable businesses into a national tax from the pockets of the public. This is why Cho-Joong-Dong was called the cultural gangsters in Korea.

In summary, the centralized market structure of the daily papers brought about three issues: (1) worsening of the market polarization between Cho-Joong-Dong and the other papers, including the progressive and local papers; (2) leaning advertising dollars in the direction of Cho-Joong-Dong, in spite of the increased the number of paper companies; and (3) marginalizing investigative news regarding unfair actions of major advertisers, mainly chaebol groups. This meant that the Korean daily papers rarely published articles to form public discourse, but instead overflowed with advertising supplements. The doors to enter the open Korean society were shut down in a neoliberal authoritarian Korea.

8.1.2. Speculative Cartel in Cable Television

Unlike the daily paper market, foreign capital, mainly from institutional investors, got involved in Korean cable television. It invested in cable companies owned by the chaebol groups (e.g., the CJ, Hyundai, LG, Orion and Taekwang groups). Under the neoliberal model, chaebol groups with foreign capital aggressively acquired small and medium-sized cable companies with a focus on both relay cable operators and system operators. What both the chaebol groups and foreign capital focused on in the cable system operating market was its economic potential. Cable system operators earned profits from paid subscription fees, advertising revenues, broadband and Internet phone services. By 2012, at least 87 percent of the total households in Korea were paid subscribers of cable television. Moreover, cable television was located at the top of the pyramid in paid broadcasting markets because media products shown on cable channels were rebroadcast to digital new media (e.g. digital satellite television, IPTV, SDMB and TDMB). These economic benefits induced the chaebol groups with foreign capital to perform aggressive mergers and acquisitions (M&As). As a result, the number of cable system operating companies decreased from 748 in 2002 to 199 in 2009. Only eight cable operating companies occupied up to 84 percent of the total market shares in 2009. Independent cable system operators collapsed and chaebol groups with foreign capital controlled Korea's cable system operating market.

However, foreign capital rarely got involved in the market of cable program providers (PPs) in charge of producing media content. Since 2001 when the Korean government replaced the licensing system of PPs with an open registration system, only chaebol groups (e.g., the CJ, Taeyoung and Orion groups) have acquired independent cable companies with a focus on popular cable channels (e.g., recorded-music, film and animation), thereby becoming the powerful multiple program providers (MPPs) with up to 50 percent of the total market share in 2010. As examined above, the chaebol groups were also major multiple system operators (MSOs).

Although foreign capital rarely invested in the cable content market, it was able to exercise its influence over the cable program providers through partnership with the chaebol groups. For example, CJ Media and On-Media, the powerful MSPs, played a vital role in manufacturing a phenomenon of "Med," a term combining the Korean words for American TV series (e.g., " Prison Break," " C.S.I. Crime Scene Investigation," "24," "Alias," "Lost," "Desperate Housewives," and "House."). Both CJ Media and On-Media were major Korean buyers of Hollywood studio content. They imported Hollywood's products in the form of an output deal, in which both Korean cable companies owned a priority right regarding Hollywood products within Korean media markets and the conditions of prepayment. This meant that both CJ Media and On-Media monopolized the rights to import media products made in America within the Korean audio-visual markets. After importing American drama, both MSPs broadcast over 30 American shows on their cable channels every week. For example, On Style, a female cable channel, re-ran the entire six seasons of "Sex and the City" for the past years. OCN, a cable film channel, broadcast entire episodes of "C.S.I. Crime Scene Investigation" continuously for 24 hours (Kang, 2007). These imported American dramas also rebroadcast other digital media channels (e.g, digital satellite television, IPTV, SDMB and TDMB). The Korean MSPs maintained a symbiotic relationship with American cultural conglomerates. The Korean cable companies imported American media products to fill their cable channels and recycled them at the digital media outlets. American cultural conglomerates sold their cultural products to the Korean cable companies.

Against these circumstances, the number of cable production companies slightly increased from 159 in 2003 to 187 in 2009. However, this increasing tendency was meaningless because of the hierarchical structure of cable television. Cable production companies, under control of multiple system operators (MSOs), provided the legal marketplaces for independent producers at the cable channels. MSOs owned the absolute rights to set programming over independent producers. Structurally, cable production companies were one of subcontractors for MSOs. Theoretically, independent producers could sell their works to other digital media (e.g., IPTV, SDMB and TDMB). However, it was not easy for program providers with poor finances, because MSOs occupied about 87 percent of the total paid broadcasting market shares. MSOs also were multiple program providers (MPPs) rebroadcasting media content to other digital media outlets. In addition, MSOs transferred the costs of sales promotion to independent production companies. Because MSOs owned programming rights over the cable channels, independent producers involuntarily accepted the unfair actions by MSOs. If small production companies refused to pay costs of promotional sales to increase the number of subscribers, they would lose the chances to broadcast their content on the cable channels. MSOs were gatekeepers of what to produce and distribute. This meant that MSOs were able to limit media access of cable users.

This is related to the issue of limiting the right of media access in cable television. MSOs often changed the broadcasting schedules without notifying cable users when some media products recorded high ratings. MSOs also changed the popular media products of cable channels from the basic and the expanded basic to the premium services. The more the audience watched some cable channels, the higher cable subscription fees. Market controllers of MSOs dealt with cable users as their means to earning profits. MSOs even forced cable users into bundled services with cable channels, broadband and Internet phone services. Because there was no option to select another company, cable users had no choice but to agree with the limited products presented by MSOs.

The unreasonable activities by MSOs were designed to limit free competition among media companies. The chronic exploitations by MSOs eventually made cable production companies give up their other media interests, thus blocking new entries into the cable production market. Even MSPs with multiple cable channels and cable system operators refused to transmit media contents to other digital media (e.g., SDMB, TDMB, IPTV and satellite digital television). The Korean broadcasting regulations recommended that the multiple program cable providers (MPPs) re-transmit media content to digital media in order to guarantee access to non-cable users. However, the market controllers ignored the legal recommendations and then stopped retransmitting media contents to other digital media companies.

In summary, Korea's cable markets were structured by chaebol groups with foreign capital and/or American cultural conglomerates. Chaebol groups were visible entities directly exercising corporate censorship over the cable television systems and channels, while foreign capital and/or American cultural conglomerates were invisible hands over the Korean cable markets exerting influence with advertising dollars. Through controlling market structures, domestic and foreign capital have exploited cable production companies, restricted free competition among media companies and limited the access of media users in cable television.

8.1.3. Motion Pictures by Chaebol Group

The Korean film distribution and exhibition markets were centralized by chaebol groups and Hollywood studios. In the distribution market, both market controllers paid more attention to distributing the foreign motion pictures than the Korean ones. The distribution ratio between foreign and domestic motion pictures was approximately 8:2. In the film exhibition market, chaebol groups dominated over Hollywood studios. Moreover, chaebol groups were major investors in the production of Korean motion pictures. They directly invested in Korean production companies and were indirectly involved in the production processes as the major members of film venture funds. Simply put, chaebol groups were more powerful market controllers than Hollywood studios in the Korean film markets.

Chaebol groups especially focused on the vertical integrations between the film distribution and exhibition markets. In the distribution market, chaebol groups (e.g. CJ, Orion, Lotte) aggressively acquired the independent companies (e.g., Cinema Service, Chung A-Ram and Myung Film), thereby increasing market power from zero in 1998 up to 89.7 percent of the total distributing market shares in 2006. The top three became market controllers at the cost of Korean independent distributors. Moreover, in the film exhibition market, chaebol groups (e.g., CJ, Orion and Lotte) constructed multiplex theaters across the Korean Peninsula, thereby increasing the number of multiplex theaters from zero in 1998 to 263 in 2012. The increase of multiple theaters inevitably contributed to increasing the number of film screens from 507 in 1998 to 2,081 in 2012.

However, the increase of the number of multiplex theaters led to decreasing the total number of film theaters from 409 in 1999 to 292 in 2011. The main reason was the vertical integration between major distributors and exhibitors within chaebol groups (e.g., CJ, Lotte and Orion groups). Major film distributors required each independent theater to at least five screens per theater. At that time, each theater had just one screen. To receive newly distributed motion pictures, independent theaters gave up the rights of the theaters' managements and then transferred them to chaebol groups. This was called as the commissioned management of film theaters. Although the independents owned the property rights regarding their theater buildings, they had to give up their theaters' managements and then became a branch of chaebol's film exhibitions. Simply put, small and medium-sized theaters collapsed, thereby becoming subcontractors in accordance with the annually or bi-annually renewed contracts with CJ, Orion (later integrated to JoongAng Ilbo) and Lotte groups. The three chaebol groups created a monopoly in the Korean film exhibition market.

In 2012, the CJ group occupied 44 percent of the total shares in the exhibition market. It owned both CJ CGV and Premus with 922 film screens (858 multiplex theaters' screens and 64 independent film exhibitors under commissioned management). The second leader was Lotte group with 645 film screens, including 55 independent film exhibitors under commissioned management. It held about 31 percent of the total market shares. The third ranked exhibitor was Megabox with 424 screens, owned by the JoongAng Ilbo group. Megabox experienced ownership changes from Orion group to Macquarie Investment to JoongAng Ilbo group. This multiplex held about 20 percent of the total market share. The total market share of top three film exhibitors reached 75.2 percent of the total exhibition market in 2012.

In fact, most of revenues in Korean film markets came from admission tickets, which ranged from about 74 percent of the total revenue in 2001 up to 78.55 percent of the total revenue in 2005, as seen in Table 5a. The other income was from film exports (3.43 percent to 12.30 percent), video rental services (3.05 percent to12.10 percent) and TV (3.56 to 5.08 percent).

Table 5a: The Ratio of Film Revenue; unit: %

	2001	2002	2003	2004	2005
Admission tickets	74.00	75.00	76.00	77.32	78.55
Video	12.10	12.18	7.97	6.41	3.05
DVD	.25	1.38	1.20	2.31	1.09
Television	5.08	4.90	3.56	4.77	4.31
Online	.14	.34	.48	.28	.35
Exports	7.10	3.43	9.67	7.95	12.30
Etc.	1.34	2.77	2.03	.96	.35
Total	100	100	100	100	100

Source: FTC (2008, June 2, p. 4).

Taken together, the chaebol groups (i.e., CJ, Orion, JoongAng Ilbo and Lotte groups) vertically diversified into the co-financing, distribution and exhibition markets at the same time. They thereby became market controllers at the cost of small and medium sized distributors and exhibitors. They were the gatekeepers able to set rules regarding what to produce, distribute and exhibit or what not to produce, distribute and release.

Depending on centralized market structures, chaebol groups exercised corporate censorship, which caused the social and cultural problems of (1) forming cartels to control the prices of admission tickets; (2) establishing exploitative structures over film producers; and (3) disturbing market orders.

First of all, the top three distributors (e.g., CJ Entertainment, Lotte Entertainment and Mediaplex) attempted to control the prices of admission tickets beyond the legal boundaries. The Korean government usually suggested the guidelines for the ticket prices on an annual basis. This was not a legal obligation for film exhibitors. In this situation, the top three distributors forced all exhibitors to stop the discounted admission to popular motion pictures. Film exhibitors generally provided several discounted services (e.g., membership discount, credit card's rewards and early/late admission tickets) for cinema audiences. However in 2007, the top three sent an official letter saying that they would not distribute motion pictures if exhibitors continued to offer discounted admissions. Consequently, discounted services for movie audiences disappeared. In addition, the top three exhibitors (e.g, CJ CGV, Lotte Cinema and Megabox) forced the local independent exhibitors to increase the prices of admission tickets. The ticket prices were flexible according to regional areas. The price in big cities tended to be more expansive than that in local areas. Consequently, the prices of admission tickets increased from $7 per film audience in 2001 to $9 per movie-goer in 2009.

The second problem caused by the centralized market was the establishment of exploitative structures by the three chaebol groups (CJ, Orion and Lotte) over the film producers. Because chaebol groups were the most powerful film investors, distributors and exhibitors, they were involved in the production processes that included the processes of film production (e.g. genres, plots and production costs), the periods of film's screening, the running times of films, places to release motion pictures and even the ratio of dividend profits about the popular motion pictures. For example, a production company with an original synopsis should contact one of the three chaebol groups and the private financial institutions at the same time to acquire the total production costs. The three chaebol groups tended to provide the 50 percent of the total production costs for a Korean film for the production company with some conditions. These included the preparation of 50 percent of the total production costs by each production company, scenario's revisions (e.g., emphasizing the human stories with humor and diluting any political aspects of films), main actors or actresses, commissions (10 percent distributed commission of the total profits per Korean film and 50 percent exhibited commission of the total admission incomes per Korean film), dividend incomes in the ratio of 6 to 4 between investor and producers.

These conditions reflected the exploitative structures among exhibitors, distributors and producers. As seen in Table 5b, exhibitors were located at the top of the hierarchical structures, which earned 50 percent of the total admission incomes per Korean film. The other 50 percent of the total admission incomes was divided to distributors, investors and producers. Distributors acquired 10 percent of the remaining 50 percent of the total admission incomes. The investors deducted the total production costs and also obtained their invested capital. The ratio of dividend profits between investors and film producers was 6:4. Worse, if film producers violated the conditions of contracts, the ratio of dividend profits was reduced from 4 to 2. Thus, film producers, located at the lowest place among the exploitative structures, received only 6 percent of the total admission profits per Korean film. This hierarchical structure, established by the three chaebol groups (e.g., CJ, Orion and Lotte groups), forced independent film producers to become subcontractors for the three chaebol groups or give up the film production.

Table 5b:

The Ratio of Dividend Profits among Producers, Investors, Distributors and Exhibitors

A motion picture	Total costs of a motion $.U.S four million, The ratio of dividend incomes in the ratio of 6 to 4 between investor and producers Distribution Commission: 10 percent Exhibition Commission: 50 percent The total admission tickets: 2.5 million Average admission price: $.U.S 5.4 per audience
Exhibitors	Profits: 6.75 $.U.S million (2.5 million * $.U.S 5.4 *. 50) (Commission=50 percent of the total admission incomes)
Distributors	Profits: .675 $.U.S million (6.75 $.U.S million*.10) (Commission=10 percent of the remaining 50 percent of the total admission incomes)
Investors	Profits: 1.25 $.U.S million (Deduction of total production costs $.U.S four million from $.U.S. 6.075 million and then obtained 1.25 $ U.S. from 60 percent of $ U.S. 6.075 million)
Producers	Profits: .825 $ U.S. million

Source: FTC (2008, February 21, p. 15).

For example, "May 18" (2007) was a Korean blockbuster with $ 10 million production costs. This film dealt with the resistance of ordinary people in the Kwangju Uprising in May 1980 against the military Chun Doo-hwan regime. This Kwangju film acquired over 730 million admission tickets in 2007. However, Planning, the production company of May 18, went into bankruptcy, in spite of the immense profits of both co-financer and distributor (CJ Entertainment) as well as exhibitor (CJ CGV) controlled by CJ group (Lee, 2009 January 15). A similar pattern was found with the film "Nom, Nom, Nom" (2008), the highest grossing film in Korean theaters in 2008. Thus, Kwak, a media critic, argued that the three chaebol groups were the biggest host, growing in the exploitative chains, thereby degrading the creativity of film producers and the quality of the Korean motion pictures (2012, September 7).

In addition, the three chaebol groups tried to manipulate market demands with their distributing and exhibiting power. For example, "The Typhoon" (2006) set one of the higher box-office records in 2006. It was distributed by CJ Entertainment and exhibited by CJ CGV. At that time, this film was released at 540 screens over the Korean Peninsula, which occupied over 30 percent of the total number of screens in Korea. The number of screens obtained by "The Typhoon" (2006) was higher than the Hollywood blockbuster "King Kong," which was only seen on 370 screens (Im, 2006, January 13). The similar pattern was found with the movie "Thieves," which set the highest box office record in 2012. This film was distributed and exhibited by the Orion group. "Thieves" occupied about 1,072 screens over the Korean Peninsula, about 50 percent of the total number of screens in 2012.

This monopolized power of the chaebol groups tend to block the low-budgeted films at Korean exhibition market. Even "Pieta" (2012), directed by Kim Ki-duk, only acquired merely140 screens within the Korea before director Kim won the Golden Lion Award at the Venice Film Festival in 2012. This film was an extremely low-budget film which only cost $0 .13 million from the director Kim Ki-duk's own pocket. After the Venice Film Festival in 2012, the three chaebol groups increased the number of screens from 140 to 330. However, a month later, Kim decided to give up releasing the Korean multiplex theaters for other low-budget films. However, his intended goodwill was of no avail. In fact, it was impossible for independent or experimental producers to get the chance to release their films at the multiplex theaters (Power, 2012, September 17).

Taken together, the Korean film markets were monopolized by the three chaebol groups [e.g., CJ, Orion (later integrated to JoongAng Ilbo) and Lotte groups]. The three chaebol groups dominated the Hollywood studios in both distribution and exhibition markets. The Korean film monopoly was able to set the rules at the Korean film markets. However, the monopolized power led to increasing the ticket prices per movie-goer, establishing an exploitative structure over the film producers and marginalizing film artists with high originality on the Korean film markets.

In sum, the Korean information and entertainment markets were controlled by big money, mainly chaebol groups with transnational media conglomerates and/or foreign capital. Chaebol groups with transnational media conglomerates exercised their power over the daily papers as the major advertisers, thereby setting public agenda and polluting newsrooms for the private interests of capital. They also made cable television speculative places with foreign capital through aggressive M&As. Further, only chaebol groups set the rules in the film production, distribution and exhibition markets. They perpetuate chronic exploitative structures over the film producers, perturbing market orders and manipulating the flow of motion pictures.

8.2. Corporate Censorship of the Lee family over the Korean Media Markets

The Lee family was the richest family in Korea. Lee Kun-hee, the owner of Samsung group, was the richest man in Korea. His youngest sister, Lee Myung-hee, was the richest woman in Korea, who was the largest stockholder of Shinsaegae group. His nephew, Lee Jae-hyun, the owner of CJ group, belong to one of Korea's 20 richest (Forbes, 2012). The economic power of Lee family controlling pan-Samsung groups contributed to 14. 70 percent of the Korean gross domestic product in 2005, as seen in Table 5c. Pan-Samsung groups included Samsung, CJ, Hansol, JoongAng Ilbo and Shinsaegae groups.

Table 5c: The Ratio of Pan-Samsung Groups in the Korean GDP, unit: %

Year	1990	1992	1994	1998	2000	2002	2004	2005
Ratio	7.32	8.84	12.19	15.38	13.44	12.41	13.64	14.70

Source: Korean Social Forum (2007).

Among members of pan-Samsung groups, three chaebol groups (i.e., Samsung, CJ and JoongAng Ilbo) owned multiple media operations with high market shares within and across the Korean information and entertainment industries. As investigated earlier in chapter 7, the three chaebol groups together established media empires across and within the Korean information and entertainment industries. The Samsung group focused on the advertising (e.g., Cheil Communication) and computer-mediated communication (e.g., Samsun Everland and Samsung SDS). JoongAng Ilbo controlled media holdings in the advertising (e.g., Phoenix Communication), daily paper and computer-mediate communication (e.g., JoongAng Ilbo), cable television (e.g., JTBC) and film (e.g., J Content Tree) markets. The CJ group owned multiple media operations in the cable television (e.g., CJ Home shopping, CJ Media, CJ Hellovision, Mnet), film (e.g., CJ Entertainment and CJ CGV) and game (e.g., CJ Internet) markets.

Moreover, these media operations controlled by the Lee family were market controllers in four media markets during the periods from 1998 to 2012. Both Cheil Communication and Phoenix Communication always belonged to members of the top ten advertising agencies. *The JoongAng Ilbo* was a member of the Korean newspaper monopoly, “Cho-Joong-Dong.” Both CJ Media and CJ Hellovision were market controllers in cable television, located at the top of the hierarchical paid broadcasting markets. CJ Entertainment was the most powerful film distributor. Both J Content and CJ CGV were the most powerful film exhibitors. Simply put, the Lee family's economic and cultural power made them able to exercise corporate censorship over the Korean information and entertainment markets. Thus, in following section, I analyze the corporate censorship of the Lee family over structures of information and entertainment markets. I analyze the relationship between the Lee family and information market (e.g., papers and advertising) first, and then examine entertainment markets (e.g., cable television and film) later.

8.2.1. The Lee Family and Information Markets

The Lee family used economic and media power to control the information markets. Methods used by this family included (1) advertisements; (2) legal suits of journalists; (3) social networking (or personal ties) between the Lee family and journalists; and (4) its media holdings. With both advertisements and legal suits, the Lee family attempted to control newsrooms under financial difficulties. With social networking, the Lee family built a press castle for the private interests of the Lee family in Korean society. With its media holdings (e.g., the *JoongAng Ilbo*, Cheil Communication and Phoenix Communication), the Lee family directly published articles regarding its private interests, diluted the news tones regarding scandals of the Lee family and got involved in the presidential election of Korea. The Lee family applied their economic and cultural power over the Korean journalism to manufacture the public opinion for their private interests.

First of all, the Lee family deployed advertisements to exercise its influence over Korean journalism. In the Korean paper markets, pan-Samsung groups, including Samsung, CJ, Shinsaegae and Hansol, were powerful advertisers. Let's take an example of only the Samsung group among members of pan-Samsung groups. According to Kim (Kim, 2008, November 19), Samsung's power over the Korean daily newspapers was absolute in the commercial newspaper market. As seen in Table 5d, the ratio of Samsung's advertisements in major national daily papers was up to 10.94 percent of the annual incomes per national paper.

Table 5d: The Ratio of Samsung's Advertisement for National Papers; unit: %

Names	Hankuk	Hankyoreh	JoongAng	Chosun	Dong-A	KyungHang
2007	5.37	5.45	8.14	9.67	8.23	5.17
2009	4.54	0.02	10.94	12.47	10.44	0.03

Source: Erri (2010, December, p. 25).

Samsung paid more advertising money to "Cho-Joong-Dong" than to other minor papers. The three mainstream papers, called "Cho-Joong-Dong," were very conservative papers maintaining pro-chaebol news and an anti-North Korea tone. The ratio of Samsung's advertisement within annual incomes of "Cho-Joong-Dong" ranged from at least 8.14 percent to 12.47 percent of the total revenues. Samsung also financially supported minor newspapers (e.g., Hankuk, Hankyoreh and KyungHang) that tended to maintain the critical news tones about unfair economic actions of chaebol groups, including Samsung. However, Samsung stopped the regular advertisements to both Hankyoreh and KyungHang papers in 2009, because both progressive newspapers critically reported about Samsung X-file and Samsung scandal (Kim, 2008, November 19).

Samsung X-file in 2005 and Samsung scandal in 2007 are examples of Samsung's power without responsibility. They included the creation of a slush fund, the bribery of prosecutors and government officials, tax evasion and the illegal inheritance of Samsung group from Chairman Lee Kun-hee to his three children. Both cases reflected Samsung's power over the Korean society, including political, economic and media realms. Thus, I will explain the outlines of both Samsung X-file and Samsung scandal first, and then investigate how the Lee family exercised corporate censorship over Korean journalism.

First of all, Samsung X-file was disclosed on July 21, 2005. Lee Sang-ho, an investigative journalist of Munhwa Broadcasting Company (MBC), one of public broadcasting companies, reported on Samsung X-file. This term was a coined name for 280 wiretapped recordings conducted by the National Intelligence Service (NIS, equivalent to America's CIA) in the end of 1997. The X-file tapes contained dialogues between Samsung's vice chairman Lee Hak-soo, the head of the structural planning office of Samsung, and Lee's brother-in-law, Hong Seok-hyun, the owner of JoongAng Ilbo. The dialogues included five points: (1) the slush fund for the presidential candidates in 1997; (2) Samsung's involvement in creating the image for the presidential candidate in the ruling party in 1997; (3) the lists of the Korean power elites connecting to Samsung; (4) the amounts of bribes; and (5) Samsung's trial to acquire Kia group in 1997 (Lee, 2012). Samsung's X-file reflected the cozy relationships among the Korea's political elites, the Lee family, prosecuting authorities and courts.

Samsung Scandal was another example of illegal interconnections between Lee family and the Korean power elites. In October 2007, Kim Yong-chul, ex-member of structural planning office of Samsung as an internal lawyer for Samsung for seven years, turned Samsung whistleblower. He made three main points: (1) Chairman Lee and his top aides belonged to the structural planning offices and illegally ordered transactions that allowed Lee's son to acquire the Samsung group through Samsung's subsidiaries at unfairly low prices; (2) Samsung regularly bribed Korean power elites in the government, the judicial branch and the media; and (3) Samsung trained Samsung executives to serve as scapegoats to protect the Lee family. A basic responsibility for all Samsung executives was to do illegal lobbying, buying people with money

(Choe, 2007, November 7). Kim also disclosed that the JoongAng Ilbo group was not independent from Samsung at the practical level, because the structural planning office of Samsung group was consistently involved in businesses of the JoongAng Ilbo group (Kim, 2010).

The Samsung X-file and Samsung scandal resulted in the appointment of a special prosecutor by parliament to investigate during a three month probe. The special investigation disclosed that (1) Samsung created the hidden money within its corporate structures by borrowing the bank account names of Samsung's executives; (2) Chairman Lee violated the breach of duty for incurring losses at Samsung when helping his son gain control of the Samsung group; and (3) Chairman Lee evaded taxes on income from trading of Samsung Group unit stocks which was channeled through accounts held by other executives.

In these circumstances, Samsung used both the carrot and the stick strategies to manipulate the public discourse to favor the Lee family. Methods included (1) advertising; (2) legal suits; (3) social networking (or personal ties) between Samsung and journalists; and (4) its media holdings (e.g., the JoongAng Ilbo, Cheil Communication and Phoenix Communication).

First of all, Samsung attempted to control the Korean papers through advertisement. Samsung increased the advertising money to the daily papers, especially Cho-Joong-Dong, which published Samsung-friendly articles. On other hand, Samsung stopped their regular advertising in the newspapers critical of Samsung's unfair actions in the Korean economy. Both Samsung and its subsidiaries stopped their regular advertisements without notifications. For example, both the *Hankyoreh* and the *KyungHang* critically reported about Samsung's tax evasions, its creations of the slush funds and its suppressions to trade unions. Samsung stopped their advertisements and financial sponsorships of both newspapers from 2007 to 2010. Both the *Hankyoreh* and the *KyungHang* had to refuse anti-Samsung ads. For example, Kim Yong-chul, the Samsung whistleblower, published a book, *Thinking about Samsung*, in 2010. However, the whistleblower of Samsung did not get a chance to advertise his book in the Korean national newspapers, even those newspapers critical of Samsung (Ahn, 2010, March 12).

Consequently, the critical anti-Samsung articles, especially the Lee family, have gradually disappeared from the Korean newspapers. The newsrooms have internally submitted to threats of Samsung capital. This means that the Korean journalists had to strengthen self-censorship about the major advertisers, including Samsung and even the chaebol groups, in order to keep their jobs. Journalists became salaried men rather than watch-dogs seeking for the social justice. This opened the door for promotional articles about the roles of chaebol groups, while the real news about chaebol corruption, misuse of power and marginalization of oppressed laborers goes untold.

In addition to advertisements, Samsung deployed Strategic Lawsuits against Public Participation (SLPP) to intimidate critical journalists. For example, Samsung raised several lawsuits against two journalists, Kim Yeon-kwang, editor of Monthly Chosun, and Lee Sang-ho, a reporter for MBC. In 2005, both journalists intensively published articles about the Samsung X-file. In fact, 280 wiretapped recordings, called Samsung X-file, were illegally conducted by the National Intelligence Service (NIS, equivalent to America's CIA). Thus, both journalists also criticized the old practices of NIS's illegal tapping. However, the Korean prosecuting authorities with the sole right to indict the cases to the courts ignored illegal actions of the Lee family mentioned on the tapes of Samsung X-file. Instead, they focused on investigating the illegal wiretapping conducted by NIS, arguing that the information-gathering works of journalists should be done within the boundaries of the law. They indicted the two journalists on charges of violating the Communication Privacy Protection Law. The Korean prosecuting authorities eventually cooperated with the Lee family, allowing them to use the legal suits to block information about Samsung X-file. As a result, both journalists were harassed by the endless trials.

The Samsung group used a similar strategy to control the progressive online newspapers with poor capital. In early 2008, Pressian, a financially unstable online-paper in Korea, published an investigative story saying that the Lee family built up a slush fund through Samsung Electronics, the biggest electronics company in Asia and a leading subsidiary of Samsung group. Pressian was accused of defamation and business interference by the Samsung group. By the end of 2012, this case was still in the courts. Samsung used Strategic Lawsuits against Public Participation (SLPP) in order to make the critical journalists be silent. This legal suit with expensive costs inevitably created fearful environments within newsrooms, taming the Korean journalists and fortifying self-censorship of reporters.

The third way that Samsung exercised corporate censorship over Korean journalism was to use personal ties between Samsung and journalists. This social networking was based on Samsung's favors for the journalists. Samsung provided several benefits for the journalists, which included the financial supports for foreign research, grants for special reports, the benefits about information-gathering works and the high paid jobs within Samsung's subsidiaries. This social networking enabled Samsung to create a press castle that was usually invisible, but effective at the critical time. Two examples existed in the early 2000s, which illustrate the power of Samsung's social networking over Korean journalism.

The first example was to close down the *Sisa Journal* in 2006. Apparently, closing the *Sisa Journal* seemed to be due to labor strife between the owner Keum Chang Tae and journalists of the *Sisa Journal*. However, the main issue was Samsung's invisible, but very sticky power of social networking rather than its financial power of advertisements. This weekly paper had a good reputation with a high quality. Unlike daily newspapers, the *Sisa Journal* was financially sound. It rarely depended on advertising incomes, but on the regular subscribers as its main revenues. It seemed that the *Sisa Journal* was free from Samsung. However, this weekly paper was caught in the web of Samsung's social networking. Keum Chang Tae, the owner of the *Sisa Journal*, had been the chief editor of the *JoongAng Ilbo* in the early 1990s. After retired in the *JoongAng Ilbo*, he became the owner of the *Sisa Journal* in 2003.

Under this circumstance, on July 15, 2006, journalists in the *Sisa Journal* attempted to publish a critical article about the internal power misuses of vice chairman of Lee Hak-soo, a head of structural planning office of Samsung. However, this article was not published, because of the owner Keum. He ordered the chief editor to delete this article, stopped the printing process after chief editor refused and then replaced the article on Lee Hak-soo with Samsung's advertisements. Against the owner's actions, journalists of the *Sisa Journal* filed vigorous protests. However, the owner fired all journalists participating in sit-down strikes during six months and shut down this independent paper in 2006. A few months later, the owner Keum re-published the *Sisa Journal* with several advertisements sponsored by Samsung group and news sanitized by capital. The voices to look for the truth and justice had disappeared. The case of *Sisa Journal* reflected Samsung's invisible control over the Korean newsroom through connections between the media owners and top executives of Samsung.

Unlike the *Sisa Journal*, Samsung attempted to control the newsroom at the practical level. Samsung peeped into the news intranet of MBC, a public broadcasting company for several years. MBC's news intranet was a cyber place to collect all news before broadcasting publicly. The news intranet was the heart of the newsroom in the digitalized era. On November

2010, MBC found an IP address linked to the intranet of Samsung Economic Research Institution (SERI), a research institution of Samsung group. A chief researcher of SERI consistently looked into the news intranet of MBC. He was an ex-journalist of MBC by 2005 when MBC reported on the Samsung X-file. That same year, he changed jobs from a journalist at MBC to a chief researcher at SERI. Although Samsung announced that his action was not related to Samsung but to his personal misbehavior, there was no investigation as to why a Samsung man and ex-journalist of MBC peeped into the internal newsroom of MBC and how he used the information (Choi, 2010, November 2).

Taken together, Samsung applied informal ties to control the internal newsrooms at the high level and practical level. It created a press castle with the media owners and ex-journalists, thereby inevitably eroding the dignity of journalists and degraded the quality of news.

The final way applied by Samsung to manipulate the public opinion was the direct involvements through its media operations. The Lee family owned two major advertising agencies, Cheil Communication and Phoenix Communication, as well as the daily paper, the *JoongAng Ilbo*. In the advertising market, both advertising agencies were in charge of executing the advertising money of pan-Samsung groups to the Korean news companies, including digital media. Cheil Communication focused on advertising with businesses relative to Samsung, CJ, Hansol and CJ groups. Phoenix Communication paid more attention to advertising businesses of both JoongAng Ilbo and Bokwang groups than others. Both Cheil Communication and Phoenix Communication occupied the market shares ranging from at least 19.70 percent in 1999 up to 35 percent of the Korean total advertising market shares in 2012. The Lee family gradually increased its media influences over the Korean information industries through its advertising holdings. In the paper market, the *JoongAng Ilbo* was responsible for disseminating the market-oriented ideology in general and private interests of the Lee family in particular.

In fact, the *JoongAng Ilbo* was a vanguard for the Lee family in the Korean journalism history. It published articles for the private interests of the Lee family during the authoritarian regimes and still maintained this tendency in neoliberal authoritarian Korea. I will explain this with the example of Samsung X-file, which aptly showed the roles of *JoongAng Ilbo* relative to pan-Samsung groups.

The chairman Hong Seok-hyun, the owner of JoongAng Ilbo group, was related to Samsung X-file. On July 24, 2005 when the Samsung X-file was disclosed, Chairman Hong Seok-hyun was a Korean ambassador to America. At that time, chairman Hong dreamed of becoming the future president of Korea after becoming the United Nations (UN) general secretary (Lee, 2012). However, reports on the Samsung X-file in the Korean papers forced chairman Hong to resign from the position of the Korean ambassador of the U.S. as well as to give up his ambitious dreams. Thus, Hong Seok-hyun returned as the chairman of the JoongAng Ilbo group after he resigned the position of a Korean ambassador to America.

Within these circumstances, the *JoongAng Ilbo* skillfully twisted the news frame regarding the Samsung X-file. The *JoongAng Ilbo* rarely dealt with critical issues of the cozy relationships among political, economic and cultural power elites, but focused on the illegal wiretapping conducted by NIS, the Korean CIA. For example, the *JoongAng Ilbo* and the *Hankyoreh* framed the Samsung X-file very differently. The *Hankyoreh*, the publicly- owned daily newspaper, paid more attention to the articles about adhesions among the Korean power elites and apparent corrupt deals involving those in power than did the *JoongAng Ilbo*, the private paper owned by the Lee family (Kim, 2007).

In addition, the Lee family used its media operations, including the *JoongAng Ilbo* to connect to the Korean political elites. For example, in 1997, journalists from the *JoongAng Ilbo* wrote the strategic reports about the presidential election for the ruling party to reflect Samsung's long-term businesses strategies over Korean economic policies (Yun, 1999, November, 2012). This family also paid the image-making money for the presidential candidate in ruling party to Phoenix Communication. The Lee family further sent a JoongAng Ilbo man of KO Heng-gil, ex-chief editor of the *JoongAng Ilbo*, to the presidential election camp of the ruling party as an agent for the Lee family (Lee, 2012). Ten years later in 2009, Ko Heng-gil became chairperson of the media policy committee of the national congressman. At that time, he played a vital role in re-introducing cross media ownership between the daily newspapers and broadcasting companies. Based on the revised media laws, the JoongAng Ilbo group acquired a comprehensive cable channel.

In sum, the Lee family tried to censor Korean journalism directly and indirectly. This family was the most powerful advertiser and media owner, which allowed the Lee family to exercise corporate censorship over the Korean information markets. This family also created a web of social networking among the Korean power elites and journalists, which was able to exercise media influence over the newsrooms invisibly.

8.2.2. The Lee Family and Entertainment Markets

Overall, the Lee family within Samsung, CJ and JoongAng Ilbo groups was the most powerful media investor, distributor and exhibitor in the entertainment markets. The Lee family within both JoongAng Ilbo and CJ groups paid more attention to entertainment businesses than the Lee family within Samsung. In spite of showing a little different patterns regarding the expanded media areas, these three chaebol groups owned by the Lee family commonly used the mergers and acquisitions (M&As) to increase their numbers of media holdings. As a result, the CJ group became the first leading media company in the cable television and film markets. JoongAng Ilbo also used the strategy of M&As to enter the film exhibition market, thereby becoming one of top-three exhibitors in 2012. The Lee family was thus able to exercise corporate censorship over the Korean entertainment markets. Thus, I examine how the Lee family exercised its media power over cable television and film markets in this section.

First of all, multiple media holdings, owned by the Lee family, directly and indirectly invested in media companies. They directly established media venture funds (e.g. CJ Entertainment Discovery 1, CJ Film 3•5•6 and Peta Entertainment 1) and indirectly got involved in the production processes as the members of media venture funds (e.g., K&J Entertainment, ISU Entertainment and Chicken Run Foreign Consortium). Media operations also loaned production costs to the popular film producers (e.g., Kang Woo-seok and Chae Seung-jae) and major production companies (e.g., Taewon Entertainment and Myung Film). In addition, media operations owned by the Lee family was a powerful MPP (e.g., CJ Media and CJ E&M) and MSO (e.g., CJ Hellovision) in the cable television as well as a powerful film distributor (e.g., CJ Entertainment) and film exhibitors (e.g., CJ CGV, Premus and Megabox). These media holdings were able to manipulate cable television and film markets, because these media operations occupied the higher market shares in each media market.

For example, CJ Media with 16 cable channels was the most powerful program provider in the Korean cable TV, which occupied 20.8 percent of the total market shares in 2008. Another example showing the market power of the Lee family is the film exhibition market. As seen in Table 5e, CJ group increased from 15.33 percent in 2001 to 40. 6 percent of the total exhibition market shares in 2010. These market shares indicated the Lee family was the most powerful gatekeeper in the Korean cable television and film markets, because this family was the largest stockholder of these media companies with high market shares.

Table 5e. CJ's Market Share in Film Exhibition, unit: %

Year	2001	2003	2005	2007	2009	2010
Market share	15.33	22	28	30.6	37.7	40.6

Sources: Author's elaboration of data from both annual reports of CJ CGV from 2001 to 2010 and White Papers from 2006 to 2010.

The first effect by the Lee family was to establish the exploitative structures within media production, distribution and exhibition markets. Both the CJ and JoongAng Ilbo groups expanded their market power through the M&As. In 2001, the CJ group took over 9.09 percent of the total shares in Myung Film, a major independent film production. In 2004, CJ acquired Cinema Service that had been the first market leader in the film production and distribution markets, thereby becoming the most powerful film company in Korea. In 2006 and 2010, JoongAng Ilbo acquired entertainment media companies (e.g., Ilgan Sports and Megabox) respectively, thereby becoming one of top-three film exhibitors in 2012. However, the M&As by both chaebol groups facilitated the dependence of independent media producers on capital, because both chaebol groups were major media investors in the Korean entertainment industries. Media producers with poor capital had to pass the commercial barriers of the marketable tastes, established by both financial institutions owned by chaebol groups and independent financial companies with foreign capital. As capital exerted its influence, media producers often had to revise their scripts (e.g., storylines, plots and character's personalities) in order to acquire the production costs. The capital's screening inevitably forced media producers to manufacture the commercial media contents, thereby establishing the hierarchical relationship between media investors and media producers.

Moreover, both the CJ and JoongAng Ilbo groups played central roles in collapsing the independent film theaters. The CJ group with foreign capital introduced the concept of the multiplex theater to the Korean exhibition market in 1998. The Orion and Lotte groups imitated CJ's market strategy. As a result, screens of multiplex theaters occupied 97 percent of the total film market shares in 2010. This meant that most independent theaters collapsed or became the subcontractors of the three chaebol groups (e.g., CJ, Orion and Lotte groups) in the form of the commissioned managements of chaebol groups. In this market situation, JoongAng Ilbo group acquired Megabox, owned by Orion groups, in the end of 2010. That was to say, the Lee family within CJ and JoongAng Ilbo owned the market power to determine what to be distributed at the Korean film markets in 2012.

Similarly, The CJ group was the most powerful content provider in the paid broadcasting markets (e.g., cable television, digital satellite television, IPTV, SDMB and TDMB). CJ's market power was based on the cable television, located at the top of hierarchical structures in the paid broadcasting markets. The CJ group was the most powerful multiple program provider (MPP) in cable television, which focused on broadcasting the commercial genres (e.g., film, animation and sports) rather than non-commercial media products (e.g., the documentary and education). At the same time, the CJ group rebroadcast these cable's media contents to other paid broadcasting markets, because the Korean broadcasting regulation recommended that the multiple program providers in cable television re-transmit media contents to the digital satellite television in order to guarantee access to non-cable users.

Within the hierarchical market structures, the CJ group intensively organized more the commercial programs (e.g., film, animation, recorded-music, fashion and sports) than cultural programs (e.g., the documentary and education) (Yang, 2008). Commercial media products were produced by Korean companies related to CJ's media invested businesses or imported media products, mainly from Hollywood studios. Non-commercial media artifacts were produced by the independent media producers rarely receiving invested capital from CJ group. CJ's concentrated programs and commercial media contents inevitably marginalized non-commercial media artifacts in the paid broadcasting markets due to the interlocked structures between cable television and other paid broadcasting channels. That is to say, CJ was able to control structures of Korean entertainment markets.

For example, CJ group stopped sending the popular programs (e.g., films, the popular songs, animations and fashions) to Skylife, the brand name of digital satellite television, in 2003. This block-out happening was repeated in 2007. CJ argued that the re-transmission of Skylife rarely helps CJ's profits but increases the costs to purchase the media contents (Seo, 2007 May 4). Moreover, CJ group arbitrarily changed the popular cable channels from the basic service to the premium one in 2006, which inevitably led to increasing subscription fees of the cable users without notification. In the same year, CJ rapidly raised up the subscription fees of the cable users living in the apartment complex of the big cities (Kim, et.al, 2006, March 31). These examples reflected that CJ group became market controllers in the paid broadcasting markets. Consequently, the CJ group was able to manipulate structures of the Korean entertainment markets, thereby limiting the right of the media access as well as restricting the free competition of other media companies in these markets.

In sum, the Lee family was directly and indirectly got involved in the processes of media production, distribution and exhibition, which led to pushing the independent media companies out of business, disseminating the commercial media content to the media channels and manipulating the prices at the Korean entertainment markets.

Conclusion

In this chapter, I have examined who received the benefits from four media markets. For fifteen years in neoliberal Korea, the Korean state increased the national wealth, media exports and imports and sizes of media markets. At the same time, chaebol groups with foreign capital and/or American cultural conglomerates became the market controllers, which occupied higher market shares than independent media companies in advertising, cable television, daily papers and film markets. This meant that the Korean media markets were structured by chaebol groups with foreign capital, which let to collapsing the independent media companies and limiting rights of media access of media users.

Within these changed circumstances, the Lee family within Samsung, CJ and JoongAng Ilbo groups expanded the media businesses within and across the media industries, thereby establishing media empires with multiple media holdings. These media operations were recorded the higher market shares than other media operations owned by other chaebol groups. They were also the powerful media investors, distributors and exhibitors in the Korean entertainment markets. Moreover, this family was the most powerful advertiser in the Korean information markets. That was to say, The Lee family was the most powerful media lords in Korea, who got involved in media production, distribution, exhibition and advertisement. Depending on these market powers, the Lee family exercised corporate censorship over the Korean information and entertainment markets to protect the private interests of the Lee family even more than their earning profits.

CHAPTER 9 – CONCLUSION AND DISCUSSION

This study has been a multifaceted exploration of the nature of media conglomerates in Korea. I selected three media conglomerates, the Samsung, CJ and JoongAng Ilbo groups, as a case study of Korean family-controlled conglomerates called "chaebol." I have analyzed the period from 1998 to 2012 when the Korean state undertook sweeping media reforms. I have focused on examining the changes in the media markets initiated by the state and the political economy of media ownership between media owners of the three chaebol groups and their family members. I have parsed this examination into three major segments: (1) the relationship between media reforms and the structures of four media markets (e.g., advertising, daily newspaper, cable television and film); (2) the interconnections among media expansion, media ownership and family ties (e.g., blood and marriage ties) within three chaebol groups; and (3) the connection between the structures of those four media markets and corporate censorship by three chaebol groups over the four markets. In other words, this dissertation has investigated the interplay between media ownership and media markets in order to determine the major beneficiaries of media marketization.

While the characteristics of the three chaebol groups in the Korean media markets cannot represent the nature of all Asian media conglomerates, I conclude that the Korean media giants have exerted structural control over the media markets. This permitted family capitalists with foreign capital to censor those markets. This is decisively the most significant finding to emerge from my analysis.

In this conclusion, I revisit the original problem, research questions and the findings of the study. I also highlight the theoretical implications of the key findings. Lastly, I state some of the limitations of the study and make recommendations for future research.

9.1. Summary of the Study Problem

Since the 1980s when Asia underwent political liberalization, each state in the region began to apply a market-driven ideology of neoliberalism to its economic and media systems. Emphasizing market efficiency, Asian states have loosened legal requirements regarding media ownership and privatized previously state-owned companies. These media reforms have enabled existing media companies, as well as new media enterprises, to expand their businesses and cooperate with foreign capital and/or Western media conglomerates in local markets. These changes have provided a fundamental momentum for the emerging Asian media conglomerates.

Critical media scholars from developed countries (e.g., the U.S., Western Europe and Japan), however, have hardly investigated the development of Asian media giants and their effects on media markets at large. This topic bears great importance. As McChesney & Herman (1997) and Schiller (2007) argue, without comprehensive research regarding Asian media giants, one can hardly explain how global communication systems have subsisted and thrived in the era of media marketization. In fact, Asian media conglomerates have been in charge of producing, distributing and exhibiting cultural commodities (Pendakur, 1991; Lent, 1991; Georgia, 2008; Lee, 2008). They have also been the global partners of Western cultural conglomerates in local media markets (Lent, 1986; Lee, et.al, 2006). In order to fill this gap, I have conducted a case study investigating the nature of Korean media conglomerates, based on the political economy of communication.

Through the lens of the political economy of media, scholars have explored structural change and continuity in communication systems in relation to political institutions and actors, economic sectors and communication industries (Murdock, 1990; Smythe, 1981). Rather than limiting themselves to a myopic approach, however, political economists have employed an interdisciplinary approach to examine structural changes within the web of social and power relations (Wasko, 2004). Most of their interests have been in (1) media ownership; (2) corporate media structure; (3) connections between media owners and political elites; and (4) the relationship between media policies and media enterprises. But another key question for the political economy of communication is: who benefits from changes in media market structure? Political economists have examined how changes have happened, who has been involved, and what interests have been served (Meehan, Mosco, & Wasko, 1993, p. 114).

To address these key questions, my particular focus has involved a case study of the international business giant, Samsung, and two other conglomerates owned by relatives of Samsung's top executives of CJ and JoongAng Ilbo groups. I have raised three research questions: (1) how neoliberal media laws and policies (e.g., deregulation of media ownership, privatization of previously state-owned media companies and developmental model for the media industries) affected the structures of four media markets (e.g., advertising, newspaper, cable television and film); (2) how media owners used family ties to expand their media businesses and thus control corporate media structures; and (3) who became the major beneficiaries of changed media market structures.

To answer these three questions, I used both institutional analysis and the corporate profiling techniques. As Murdock (1982) and Schiller (1989) suggested, both methods have enabled researchers to explore the interconnections between media markets and media ownership in a given society. By using these methods, I analyzed data in Korea from 1998 to 2012. My primary data came from three governmental institutions – the Ministry of Culture, Sports and Tourism (MCST), the Fair Trade Commission (FTC) and the Financial Supervisory Service (FSS). The MCST, in charge of media policies, published 14 White Papers that contained information about (1) media laws and policies; (2) market structures and (3) the identity of major market players. The FTC, in charge of settling conflicts between major market players and independent ones, published 50 special reports on Samsung, CJ and JoongAng Ilbo groups. These reports showed how the Lee family exercised corporate censorship over the four media markets through its multiple media operations. Finally, the FSS produced 173 annual reports and financial statements—the equivalent of U.S. 10-K reports—on the media operations owned by the three chaebol groups. These data concerned (1) family ties among the owners of three chaebol groups and their families; (2) ownership structures existing between the parent company of each chaebol group and its media subsidiaries; (3) media expansions of the chaebol groups, including mergers and acquisitions; (4) members of boards of directors; and (5) revenues. Additionally, I relied on secondary sources, including scholarly works and news sources.

9.2. Neoliberal Media Mode and Media Markets

During the period from 1998 to 2012, the Korean state fundamentally reformed the country's communication system. This media reform enabled chaebol groups, foreign capital, American media conglomerates and existing media companies to expand their media businesses, thereby becoming market controllers.

The advertising market was dominated by ten advertising companies, mainly from chaebol groups (e.g., Samsung, Hyundai and SK groups) and TNNAs (e.g., WPP, Omnicom and Havas). Together they occupied at least 65 percent of the total advertising market in 1999 and 82 percent in 2012. This means that chaebol groups and TNNAs became market controllers, although the number of advertising companies increased from 300 in 1999 to 2,184 in 2010.

Similarly, cable television was dominated by four media companies in the system operating market and five media firms in the program provider market. The top four cable companies (T-bro, CJ Hellovision, CNM and AHC) occupied 70 percent of total market shares in the cable operation system in 2010. The top five cable companies held over 50 percent of total market shares in the Korean cable content markets. The major market controllers were either chaebol groups or independent companies with foreign capital. They actively acquired independent cable companies, which led to a decrease in the number of cable companies from 900 in 1999 to 383 in 2009.

The newspaper markets also became polarized, consisting of 'the big three companies and other companies. The big three companies were the *Chosun Ilbo*, the *JoongAng Ilbo* and the *Dong-A Ilbo*. Although the number of daily companies increased more than twofold from 125 in 1998 to 290 in 2009, three mainstream papers encroached on 70 percent of total circulation shares. The widening gap of market shares between the three companies and others led to severe inequity in print advertising, because advertisers preferred the big three papers with high market shares.

Finally, the film distribution and exhibition markets became centralized in the hands of a few media companies. In the distribution markets, five companies occupied 59.6 percent of the total market share in 2001 and 68.9 percent in 2010. Among them, three companies—CJ, Orion and Lotte—belonged to chaebol groups, and the other two included Hollywood studios (e.g., Warner Brothers, Sony Pictures and Buena Vista, Buena Vista/Walt Disney or 20 Century Fox). In the exhibition market, three chaebol groups—CJ, Orion (which merged with JoongAng Ilbo in 2011) and Lotte—occupied at least 83 percent of the total market share in 2012. These centralized market structures did not translate in a decrease in the number of media companies.

Conversely, the number of film companies increased geometrically. This included production companies (from 116 in 1998 to 2465 in 2010), distribution companies (from zero in 1998 to 575 in 2010) and multiplex theaters (from one in 1998 to 301 in 2010).

In summary, media reforms rarely cultivated competition among media companies, but formed oligopolistic market structures controlled by a few chaebol groups with transnational media companies. Polarization between chaebol groups and many minors newly established media companies occurred simultaneously in the advertising, daily newspaper, cable television and film markets. Moreover, these market controllers were major advertisers, media investors, distributors and exhibitors in Korea. By controlling the structures of media markets, they were able to exercise corporate censorship over the media markets.

This project's findings are similar to those of media scholars in the West. The market-oriented ideology of neoliberal media mode allowed existing large media companies to transform into cultural conglomerated. This threatened fair competition among media companies at the media markets (Guback, 1986; McChesney & Herman, 1997; Herman, 1999; McChesney, 2000; Meehan, 2005; Kunz, 2007). Also, my findings confirm that the neoliberal media mode allowed the media markets to become the arena of competition for capital (Croteau & Hoynes, 2001; McChesney, 2004; 2010; Bagdikian, 2000; 2004). In other words, big-money market determinists were the gatekeepers of investment, production, distribution and exhibition.

9.3. The Lee Family as Market Controllers

Lee Kun-hee, the top decision-maker of the Samsung Empire, utilized Korea's financial liberalization to restructure Samsung into six chaebol groups, the new Samsung groups (Samsung, Hansol, JoongAng Ilbo, CJ, Shinhan and Shinsaegae). Among members of the new

Samsung groups, the Samsung, CJ and JoongAng Ilbo groups were involved in the Korean media markets.

The Samsung group focused on advertising and the computer-mediated communication market. CJ group vertically and horizontally diversified into paid broadcasting (cable TV, IPTV, TDMB and SDMB), film, recorded-music and gaming industries. The JoongAng Ilbo group expanded its media businesses to include broadcasting, media production, plays and film exhibition markets. The three chaebol groups were all major media investors, distributors, exhibitors, advertisers and constructors. This meant that The Lee family used the structural liberalization to expand its media businesses and to increase the number of media operations in a variety of media markets.

The Lee family also deployed family ties (e.g., blood and marriage ties) to establish and control its media empire. Lee Kun-hee was the owner of the Samsung group. His nephew, Lee Jae-hyun, was the owner of the CJ group. A brother-in-law of Lee Kun-hee, Hong Seok-hyun, was the owner of the JoongAng Ilbo group. Neither Chairman Lee Kun-hee nor his three children shared media ownership of the CJ and JoongAng Ilbo groups. The Hong family of JoongAng Ilbo rarely held ownership within the CJ or Samsung groups. However, Lee Jae-hyun, a niece of Chairman Lee Kun-hee, became a major stockholder of Samsung Everland, a holding company of Samsung group, by 2005. Also, CJ's holdings (e.g., CJ Corporation, CJ construction and CJ Yong Olive) under Chairman Lee Jae-hyun were major stockholders of JoongAng Ilbo, a de facto holding company of the JoongAng Ilbo group, from 1998 to 2011. The three holdings of CJ were integrated into JMnet, a company co-established by the JoongAng Ilbo and CJ groups in 2012. Thus, the CJ group linked the Samsung group to the JoongAng Ilbo group.

Moreover, the Lee family controlled multiple media holdings based on the interlocked and circular ownership structure within each chaebol group. The Lee family controlled its media empire as a parent company of each of three chaebol groups and various media subsidiaries. The Lee family was reluctant to become members of the boards of directors for its various subsidiaries. Instead of the Lee family members, both the Samsung-man and the CJ-man working at the structural planning office of each of three chaebol groups were major members of boards of directors. This allowed the Lee family to indirectly exercise its power over multiple media operations through its managing agents. Equally, the Lee family commonly invited Korean political, economic and cultural power elites as the outside directors on their boards. In other words, the Lee family used the media corporation structures of the three chaebol groups to connect to Korean political, economic and cultural elites.

Further, the family ties among media owners of the three chaebol groups played a central role in expanding their media businesses. CJ and JoongAng Ilbo groups cooperated with each other to establish the media empires controlled by the Lee family. Behind the scenes, Samsung supported media expansions of the JoongAng Ilbo group because Chairman Lee resolved the conflict caused by the tension between the JoongAng Ilbo and Hankuk media groups.

In summary, the Lee family members used family connections to expand their media businesses and control multiple media operations, thereby establishing media empires.

My findings are consistent with those of other studies that have also found that media owners used family ties (e.g., blood and marriage ties) to establish media empires, control media corporate structures and connect to the power elites within corporate structures (Lent, 1966; Freiberg, 1981; Mazzocco, 1994; Bettig, 1996; Herman, 1999; McChesney, 2000; Wasko, 2001; Edge, 2007). Also, this study confirms that media owners utilized the structural changes initiated by the state to expand the media businesses within and across media markets (Schiller, 1989; Mosco, 1979; Melody, 1985; Streeter, 1996; Blevins, 2007).

However, the findings of this dissertation showed two points of difference. First, the structures of media ownership were interlocked with ownership structures of the parent company of each chaebol group. A possible explanation for this outcome may be the rapid media expansions under a deficient amount of capital. Another explanation may be business practices of chaebol groups that maintained the interlocked ownership between the parent company and its subsidiaries.

The second point of difference relates to the composition of boards of directors in media holdings. Although the Lee family members shared media ownership and seats on the boards of directors with foreign and domestic capital, they rarely shared them with other media companies owned by other chaebol groups. Also, they did not consistently occupy seats of boards of directors in media operations, but delegated these positions to their representatives working at the structural planning office of the parent company. A possible explanation for these two points may be due to the closed management styles of chaebol groups. To protect management rights from chaebol groups' domestic competitors, owners of chaebol groups rarely shared ownership and seats of boards of directors with members of other chaebol groups.

9.4. Who Were the Winners in the Era of Media Marketization

Korea's media reforms brought three big changes to the media landscape: a seismic shift in total revenues, market sizes and the number of media companies. The total revenues from the Korean cultural industries increased about nine times, which represented up to 6.2 percent of the total gross domestic product in 2011.

The growth of the Korean media was based on market polarization between a few major players and many minor ones in the advertising, daily newspaper, cable television and film markets. Major players included the chaebol groups, transnational media corporations and existing mainstream papers. In all four media markets, chaebol groups held more market shares than the transnational media conglomerates. It seems that chaebol groups were the beneficiaries of the centralized market structures that resulted from Korean media reforms. However, chaebol groups and transnational media giants with foreign capital cooperated with each other, shared media ownership and established joint ventures with a focus on the advertising and cable television markets. However, chaebol groups and Western media conglomerates rarely cooperated in the daily newspaper and film markets. Transnational media corporations hardly entered into the Korean daily papers in charge of creating public discourse, in spite of Korean papers being major advertisers. They also competed with chaebol groups in the Korean distribution market and rarely entered the film exhibition market. Although chaebol groups, transnational media corporations and existing mainstream papers showed slight variations across the four media markets, I have consistently found that they were market controllers. Relying on the centralized market structures, they exercised corporate censorship over the Korean information and entertainment markets.

For example, the centralized market structure of the daily papers brought a preponderance of advertising dollars to Cho-Joong-Dong, because chaebol groups with transnational media conglomerates were among their major advertisers. They preferred the wider market share of Cho-Joong-Dong to smaller papers. This led not only to marginalization of smaller papers, but also to the marginalization of investigative news content regarding unfair actions of major advertisers, mainly chaebol groups. In spite of the increased the number of paper companies, the Korean daily papers rarely published articles to form public discourse, but instead overflowed with advertising supplements. The doors to an open Korean media were closed in neoliberal authoritarian Korea.

The cable market was also structured by chaebol groups with foreign capital and/or American cultural conglomerates. Chaebol groups were visible entities directly exercising corporate censorship over the cable television systems and channels, while foreign capital and/or American cultural conglomerates were invisible hands that shared media ownership and seats of boards of directors within the corporate structure of chaebol's cable operations. This meant that Korean cable television became a site of speculation between local and global capital. Consequently, independent cable companies collapsed or became subcontractors of chaebol's cable operations. This inevitably limited free competition among media companies at the media markets.

Finally, in the film market, chaebol groups exercised more corporate censorship over the Korean film markets than Hollywood studios. Chaebol groups set the rules in the film production, distribution and exhibition markets. Chaebol groups created a Korean media monopoly, forming cartels to control the prices of admission tickets, establishing exploitative structures over film producers and disturbing the order of the market.

Under these changed market situations, the Lee family used economic and media power to control the structures of media markets. Methods used by the Lee family included: (1) advertisements; (2) legal suits against journalists; (3) networking (or personal ties) between the Lee family and journalists; and (4) its media holdings. These visible and invisible tools structurally enabled the Lee family to exercise corporate censorship over the four media markets.

The findings of this study—that family capitalists controlled structures of the four media markets through their media holdings with high market shares—are consistent with research outcomes found by critical media scholars (Lent, 1966; Freiberg, 1981; Jansen, 1988; Herman & Chomsky, 1988; Herman, 1999). Outcomes of this project also agree with critical media scholars that media owners were involved in manufacturing media content and exercising editorial privileges to shape public opinion when they were in crisis (Murdock, 1982; Schiffrin, 2000; 2006; 2010; Atkins & Mintcheva, 2006; Schiffrin, 2000; 2006; 2010). Further, this study has confirmed that the emergence of cultural conglomerates 1) facilitated inter-dependency among major players in different media markets, 2) led to collapsing independent media companies and 3) marginalized the progressive media companies (Curran, 2003; Bettig & Hall, 2003; Cohen, 2005; Herman, 1999; Jansen, 1988).

Theoretically speaking, these findings imply that media marketization structurally and institutionally allowed family capitalists media owners to determine all modes of cultural communication by controlling their media holdings with high market shares.

9.5. Contributions of the Study

Smythe (1981) and Schiller (1989) acknowledged the roles of cultural conglomerates in capitalistic societies, as media giants would be in a position to censor the structures of media markets. Thus, political economists have explored the interconnections between media markets and media ownership in relation to the structural changes of political, economic and cultural realms (Chomsky & Herman, 1988; Herman & McChesney, 1997; Herman, 1999; McChesney, 2000; Wasko, 2001; Curran, 2003; Meehan, 2005; Atkins & Mintcheva, 2006; Schiffrin, 2000; 2006; 2010; Kunz, 2007; McChesney, 2010). They commonly found that media conglomerates were gatekeepers that determined what to produce, distribute and exhibit as well as what to not produce, distribute and exhibit in the media markets.

With a few differences in patterns, this study found that Korean media giants exhibit characteristics similar to Western media conglomerates on two major points. First, Korean media conglomerates are market controllers established by the dynamics of structural changes in the country's economic and cultural foundations, changes that served the interests of a neoliberal state and its capitalists (Herman & McChesney, 1997; Meehan, 2005; Kunz, 2007). Second, the emergence of Korean media conglomerates facilitated interdependencies among media markets, thereby restricting free competition among media companies, collapsing independent media companies and limiting the right of media access (Curran, 2003; Atkins & Mintcheva, 2006; Schiffrin, 2000; 2006; 2010; McChesney, 2010).

The consistency of my findings with the literature signifies that the political economy of communication can be applied to research on Asian media conglomerates. This answers one of this study's initial questions: whether, as Lee (2000) suggests, the political economy of communication—rooted in Western monopoly capitalism—can be applied to studying state capitalist-rooted media in Asia. Although Korea has been in the transitional period from state capitalism to monopoly capitalism, research outcomes of Western media scholars rooted in monopoly capitalism show similar findings. My research contributes to the body of literature by finding the similar patterns regarding both power integrations among political, economic and cultural realms and the control of the media through markets. This the shows that the use of the political economy of communication to analyze cultural conglomerates is not limited by a difference in the economic structures of monopoly capitalism and state capitalism.

It should be noted, however, that some aspects of Korean media conglomerates show differences from Western media conglomerates. First of all, this dissertation does not demonstrate that the rise of cultural conglomerates resulted in decreasing the number of media companies in the media markets. American critical scholars such as Bagdikian (2000), Guback (1987) and Meehan (2005), have argued that active mergers and acquisitions (M&As) among major players inevitably decreases the number of media companies. Korea, however, as a newly emerged player on the international stage of media markets, showed a pattern different from the U.S.A., a fully mature media country. In Korea, M&As and the increase in the number of media companies happened simultaneously. Under oligopolistic market structures, the number of media companies showed an increase in three markets (advertising, daily newspaper and film), but not in cable television. Also, in spite of active M&As in advertising, cable television and film markets, active M&As rarely occurred in the daily newspaper market. A possible explanation for this may be that Korea was a newly developed media country in the world of communication systems. Because of their high potential to be more developed, new companies consistently entered the Korean media market. Furthermore, in order to increase the market shares in the Korean information and entertainment markets, Korean media conglomerates focused their M&As on media companies occupying high levels of market shares rather than newly established media companies.

The second difference is that family ties play a more central role in controlling Korean media empires than economic media ownership alone. On the basis of family ties, media owners have expanded their media businesses, connected to power elites and cooperated with foreign capital and Western media conglomerates. Conclusively, cultural value is a considerable player in the analysis of media ownership in Korean media conglomerates.

A third point of difference is that Korean media giants are media producers, distributors, exhibitors, advertisers and investors in the corporate media systems. This has allowed Korean media giants to exercise more media power over the Asian societies than Western media conglomerates. This is related to the fourth point of difference concerning the close relationship between Korean media conglomerates and neoliberal authoritarian state. Korean media giants composed of family capitalists were major partners of neoliberal authoritarian states in developing the media as a national industry. The fifth point of difference is that Korean media conglomerates show more interest than the West in producing, distributing, and exhibiting new media content, as opposed to re-circulating, repackaging, recycling and redeploying old media products. Although Korean media giants have been able to control structures of media markets, they seemed to prefer new media content produced by the independent media companies or imported media content to recycling existing media content. The final difference is that the emergence of Korean media conglomerates rarely affected change in the number of media companies in the information and entertainment markets.

9.6. Limitations and Future Research

My study analyzed the structure of Korean media conglomerates with a focus on the interactions between media markets and media ownership. Although my project described part of nature of Asian media conglomerates, it has hardly examined exactly how concentrated family media ownership has affected media content produced, distributed and exhibited by media holdings owned by these media giants. This matter needs further research using different methods. Critical discourse analysis could be a useful tool for exploring the relationship between media ownership and media texts (Freiberg, 1981; Chomsky & Herman, 1988; Golding & Murdock, 2000; Hobbs, 2010). Interviews of media producers and journalists could examine how media conglomerates directly and indirectly affect the process of creating public discourse and cultural products (Lent, 1966; Cristopherson, 2008; Tapsell, 2012).

In addition, I have paid attention to Korean media conglomerates, which leads to unexplored research holes regarding the nature of other Asian media conglomerates rooted in different political, economic and historical backgrounds. This should be examined by future critical media scholars. This means that critical studies can be conducted to compare and contrast media giants from Asia, Latin America, the European Union and North America.

In sum, I have analyzed media ownership of the Samsung, CJ and JoongAng Ilbo groups. Media operations owned by the three chaebol groups have run media businesses in global media markets generally and Asian countries particularly. They have been major media players, producing, distributing and exhibiting media content in the Asian media markets. These three chaebol groups have all experienced the Korean Wave, the phenomenon of the popularity of Korean media commodities across East Asia and Southeast Asia. In the future, I would be particularly interested in research that examines the relationship between the three media conglomerates and the "Korean Wave."

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APPENDICES

Appendix A1

Table A1: Children of Lee Mang-hee, first son of the founder

	Marriage	Education	Position
1st son	Daughter of a middle class person	Korean University	Chairman of CJ
2nd son	Daughter of a politician	Taiwan University	CJ General Director
Only daughter	Divorced	Seoul National University	Vice Chairman of CJ

Source: Seoul Shinmun (2005, pp.100-138).

Appendix A2

Table A2: Brothers and sisters of Hong Ra-hee, the wife of Lee Kun-hee

	Marriage	Education	Position
1st brother-in-law	A daughter of Director ANSP	SNU Stanford PhD	Owner of JoongAng Ilbo
2nd brother-in-law	A daughter of a politician	SNU	Ex-high prosecutor
3rd brother-in-law	N/A	SNU	CEO of Bokwang Investment
4th brother-in-law	N/A	SNU	CEO of Phoenix Communication
1st sister-in-law	A son of ex-Prime Minister	EWU	Director of Samsung Culture

Source: Seoul Shinmun (2005, pp. 31-34).

Note: ANSP refers to Agency of National Security Planning

SNU is the acronym for Seoul National University.

EWU is the acronym for Ehwa Women's University.

Appendix A3

Table A3: Children of Lee Kun-hee, the owner of Samsung

Children	Marriage	Education	Position
Only son	A daughter of Daesang (a second-tier Chaebol group)	SNU Harvard	CEO of Samsung Electronics Company
1st daughter	Son of a middle class person	Yonsei University	CEO of Hotel Shila
2nd daughter	The second son of the *Dong-A Ilbo*	Parsons New School for Design	Vice CEO of Cheil Textile

Source: Seoul Shinmun (2005, pp. 22-30).

Appendix B1

Table B1: The cultural clusters

Local cities	Specialized media contents
Jeonju	High Definition contents, film
Chuncheon	animation
Daejeon	Game, 3D
Pusan	Film and visual contents
Cheongju	Edutainment
Pucheon	Manhwa (printed cartoon) and animation
Daegu	Game, mobile content
Jeju	Mobile contents
Kwangju	Computer Graphics, Character
Mokpo	Tourism contents
Seoul	Digital Contents
Cheonan	Design
Koyang	TV shows, animation, and film

Source: Author's elaboration from Kocca (2006, 2007) and Park, Lee, & Rho (2007).

Appendix B2

Table B2: Trends in the number of media educational institutions

Industry	Before 2003	2006
Broadcasting	4587 (90-2002)	10,208
Film	114 (98-2002)	2648
Game	313 (2001-2002)	1262
Cultural Content	168 (2002)	37,108

Source: Park, Lee, & Rho (2007, p. 29).

Appendix B3

Table B3: The academic-industrial cooperation in Korea's local cities

University	The specialized field
Sukmyung Woman	Contents planning and Scenario
Hoseo	Animation graphic, design and game production
International Strategic Institution	Broadcasting production and character
Seongkunkwan	Contents storage, distribution, and management
Honam	Digital contents
JoongAng	Virtual Reality and human sensibility ergonomics
Yonsei	Intelligence musical fountain
Seogang	3- D film
Choseon	Intelligence contents production

Source: Author's elaboration from Kocca (2006) and Park, Lee & Rho (2007).

Appendix B4

Table B4: Lists of investment associations from 1999 to 2002; unit: $ million

Names	Amounts of money	Established year
Moohan	11.5	1999
Mearae Asset	10	1999
Dream Venture1	13.5	2000
Dream Venture 2	5	2000
Cowell	10	2000
Tube 1	10	2000
Sovic	10	2000
MVP1	10	2000
Il-shin	5	2000
Venture Plus	10	2000
Han-neung	5	2000
Samsung Venture	15	2000
Peta Capital	10	2000
Century-on Venture	6	2000
Tube 2	10	2001
Dream Venture 3	8	2001
Dream Discovery	8	2001
Je-woo Investment	8	2001
Shin-Bo Investment	7	2001

KTB Network	10	2001
Moohan 2	10	2001
MVP2	10	2002
Total	201.0	

Source: Weon (2008, p. 16).

Appendix B5

Table B5: Investment association for the cultural contents, (unit: million $)

The name of investment association	The total money (government contribution)	invested fields
Investment Association from 1 to 7	68.5 (10)	film
Game 1	15(5)	game
Cultural Contents 1	13 (4)	cartoon, animation, character, design
Cultural Contents 2	10.8 (3)	E-book, multimedia, online contents
Cultural Contents 3	10 (3)	cultural contents
Recorded music 1	20 (5)	planning and production
Game 2	10 (2.5)	game
Game 3	10 (2.5)	game
Film 8-9	20 (4)	film
CJ-1	14 (5)	film and broadcasting
CJ-5	14 (5)	film and broadcasting
CJ-7	14 (5)	film and broadcasting
KTB- 2	10 (4)	broadcasting and plays
Film and Broadcasting 3	15 (5)	film and broadcasting

Source: Author's elaboration from Korpa (2009, pp. 47-54); Lee (2011); and NABO (2012).

Appendix C1

Table C1: total revenues from the Korean media industries; unit, $ million

Year	1999	2003	2006	2009	2011
Revenue	859	4,410	5793	6,612	8,241

Source: Author’s elaboration of data from White Papers (1999; 2003; 2006; 2009; and 2011).

Appendix C2

Table C2: general trends in the total amounts of exports and imports, unit: $ million

Year	1999		2004		2009		2011	
Industries	exports	imports	exports	imports	exports	imports	exports	imports
Film	5.7	28.7	58.2	66.1	14.1	73.6	13.5	53.3
Animation	81.6	3.6	61.7	80.0	89.6	7.3	96.8	6.9
Game	107.6	46.6	387.6	205.1	1240.8	332	1,601	10.3
Recorded-music	10.6	4.2	34	20.5	31.2	11.9	83.2	10.3
Broadcasting	12.7	28.7	70.3	58.5	184.5	183	242.3	102.0
Total	218.2	111.8	611.8	430.2	1560.2	607.8	2044	182.5

Source: Author's elaboration of data from White Papers (1999; 2004; 2009; and 2011).

Appendix C3

Table C3: Forms of Media Exports, unit: %

Forms	2006	2007	2008
Completed exports	42.2	44.7	45.9
License	26.7	27.7	31.5
* OEM exports	24.1	21.9	19.7
Technology and Service	6.4	4.4	2.8
ETC	.6	1.3	.1
Total	100	100	100

Source: Author's elaboration of data from White Paper of Industrial Statistics on Media Industries (2009, p. 35).

Note: * OEM is a simplified character of original equipment manufacturing.

Appendix C4

Table C4: Major countries of media exports and imports in 2010, unit: %

	Japan	China	Southeastern Asia	The U.S.	The E.U.	Others	Total
Exporting ration	26.2	24.5	22.0	13.2	8.8	5.2	100
Importing ration	15.6	19.2	9.1	38.9	12.2	5.0	100

Source: White Paper (2011, pp. 73-74).

Appendix C5

Table C5: The evolution of media companies from 1999 to 2009

Year / Industries	1999	2004	2009
Printed	5929, including 113 daily newspapers	6810, including 135 daily newspapers	13,163, including 290 daily newspapers
Advertising	About 300	5091, including 1768 advertising agencies	4532, including 1501 advertising agencies
Film	1146, including 367 production, 155 distribution & 409 exhibition	2853, including 1375 production, 315 distribution & 654 exhibition	4380, including 2365 production, 559 distribution & 715 exhibition
Recorded Music	568 production 104 distribution	N/A	1266 production 623 distribution
Game	450 production 278 distribution	2567 production 1001 distribution	3317 production 1256 distribution
Broadcasting	30 TV networkers 900 Cable TV 400 production firms	42 networkers 451 Cable TV 1 digital satellite TV	54 TV networkers 383 Cable TV 1 digital satellite TV 1 SDMB

1 *SDMB	6 TDMB
6 *TDMB	3 IPTV
673 production firms	393 production firms

Source: Author’s elaboration of data from White Papers (2000; 2005; and 2010).

Note: SDMB is the acronym for Satellite Digital Multimedia Broadcasting.

TDMB is a simplified character of Territorial Digital Multimedia Broadcasting.

IPTV is the acronym for Internet Protocol Television.

Appendix C6

Table C6: The established year of media companies, Unit: number, %

	From the 1950s to the 1980s	The 1990s	The 2000s
Cartoon	18 (19.1%)	35 (37.3%)	41 (43.6%)
Recorded-Music	28 (11.5%)	104 (43.0 %)	110 (45.5%)
Film	70 (11.9%)	205 (34.9%)	313 (53.2%)
Animation	19 (10%)	74 (38.9%)	97 (51.1%)
Character	39 (15.7%)	76 (30.7%)	133 (53.6%)
Digital Contents	11 (5.3%)	76 (37.3%)	117 (57.4%)
The total numbers	185 (11.4%)	570 (36.8%)	811 (51.8%)

Source: White Paper (2010, p. 58).

Appendix D1

Table D1: TNNAs with chaebol groups

Name of group advertising	Name of agencies owned by group
Omni Group	TBWA Korea; Lee & DDB,
WPP Group	JWT Adventure ; M-Hurb; Ogilvy & Mather Korea; Grey Worldwide; AlkiMedia; LG AD; Diamond Ogilvy
Interpublic Group of Co	McCann Erickson; FCB Korea; Universal McCann (Media)
Publicis Group	Leo Burnett; WelcomPublis; Saatch & Saatch PLC
Dentsu Group	Phoenix Communication; Dentsu Innovack
Havas Group	Korad; Euro next; Euro RSCG 4D Korea
Hakuhodo Group	Hakuhodo Cheil;, Communication 21

Sources: Author's elaboration of data from White Papers (2003; 2012); Annual reports of Cheil Communication (1999;2003) and Phoenix Communication (1999; 2005); and Kim & Cha (2009).

Appendix D2

Table D2: Top ten advertisers from 1998 to 2009

Rank	1998	2004	2009
1	Samsung Electronics	Samsung Electronics	SK Telecom.
	(Cheil Communication*)	(Cheil Communication*)	(SK & MC)
2	SK Telecom.	SK Telecom.	Samsung Electronics
	(TBWA#)	(TBWA)	(Cheil Communication*)
3	DaeWoo Automobile	KTF	KT
	(Korad*)	(Cheil Communication*)	(Cheil Communication*)
4	Hyundai Automobile	KT	LG Electronics
	(Kumkang #)	(Cheil Communication*)	(HS AD#+*)
5	Taepyungyang	LG Electronics	Hyundai Automobile
		(LG AD #+*)	(Innocean*)
6	Namyang	Hyundai Automobile	Nong-shim
	(Cheil Communication*)	(Keumkang #)	(Nong-shim*)
7	LG Chemicals	Nong-shim	Kia Automobile
	(LG AD*)	(Nong-shim)	(Innocean*)
8	Nong-shim	LG Telecomm.	Dong-seo
	(Nong-shim*)	(LG AD #+*)	(Cheil Communication*)
9	KTF	Taepyungyang	Hi-mart
	(Cheil Communication*)	(WPP#)	(TBWA#)
10	Shinsegi Telecomm.	Lotte	Taepyungyang
	(Daehong*)	(Daehong*)	(BBDO Korea #)

Source: Author's elaboration of data from White Papers (2000; 2005; and 2011).

Note: * indicates chaebol groups. # signifies transnational advertising agencies (TNNAs).

Appendix F1

Table F1: Both reading time and subscription rate of newspapers, unit: %

	1996	2000	2002	2004	2006	2008	2010
Reading Time (minutes)	43.5	35.1	37.3	34.3	25.1	24.0	16.1
Subscription Rate (%)	69.3	59.8	52.9	48.3	40.0	36.8	29.0

Source: Kwak (2012, p. 74).

Appendix F2

Table F2: Comparison of market share in the daily newspapers, unit: %

Year	1998	2000	2002	2004	2006	2008	2009
Cho-Joong-Dong	52.3	64.3	67.5	65.0	56.6	60.9	67.7
Others	47.7	35.7	32.5	35.0	43.4	39.1	32.3

Source: Author's elaboration of data from White Paper (2006, pp. 55-56) and Kwak (2012, p. 71).

Appendix G1

Table G1: The evolution of the numbers of paid subscribers, unit: thousand

	2001	2002	2006	2007	2008	2009	2010
Cable TV	7,830	11,435	14,421	14,734	15,229	15,508	15,038
	(100%)	(97.3%)	(88.0%)	(87.3%)	(86.5%)	(84.4%)	(64%)
Digital		302	1,949	2,152	2,338	2,386	4,675
Satellite TV		(2.6%)	(12.0 %)	(12.7%)	(13.3%)	(13.0%)	(20%)
IPTV					45	469	3,645
					(0.2%)	(2.6%)	(16%)
Total	7830	11,737	16,190	16,886	17,612	18,363	23,360

Source: Author's elaboration of data from White Papers (2002 and 2007); FTC (2010, May 28); and Kim (2010).

Appendix G2

Table G2: Foreign capital in the Korean cable TV in 2008

Business Field	The Korean names	Foreign capital	Nation	Starting time
SO	Curix	SSB-Aim Group	China (Hong-Kong)	1999.8
		Citi Group Global	The U.S.	1999.8
	Hyundai group	Creative Investment	The U.S.	2006
		Modern Investment	The U.S.	2006
	CJ group	AA Merchant Bank	Netherland	2005
		Sable Asia	Malta	2005
		Foross Cable Investment	Malta	2004
PP	Daewon	Shogakukan Production	Japan	2001
		Toei Animation	Japan	2001
		TMS Entertainment	Japan	2001
		Asatsu-dk	Japan	2007
	CJ group	Music on TV	Japan	2001
		MTV Asia	China (Hong-Kong)	1999
		NGC Network	The U.S.	2004
		Macquarie Bank	Australia	2008
	MBC	ESPN Asia	Singapore	2001
	GS group	MGM	The U.S.	2002
	Orion group	New Asia East Investment Fund	Singapore	2000
		Capital International	The U.S.	2000
		HBFS-B-TABM	Portugal	

			2004
Taekwang	News Broadcasting	Japan	2005

Source: Author's elaboration of data from White Papers (2004; 2006; and 2008) and Lee (2010a, p. 30).

Appendix G3

Table G3: Market shares of MPPs in cable TV from 2004 to 2008, unit: %

Media companies	2004	2005	2006	2007	2008
CJ group	5.6	12.5	14.9	17.9	20.8
Orion group	14.0	12.2	12.3	13.5	11.1
MBC	5.6	4.3	4.7	5.9	6.3
SBS	5.4	4.7	4.9	5.6	5.4
KBS	2.6	2.0	2.0	2.4	3.1
The total of top-five market share	33.2	35.7	38.9	45.4	46.7
Independent PPs, ranging from 157 to 187	66.8	64.3	61.1	54.6	53.3
Total	100.0	100.0	100.0	100.0	100.0

Source: FTC (2010, May 28).

Appendix G4

Table G4: Lists of top-seven MSOs and market shares, unit: %

Names	Number of SO	Market shares	
		2008	2009
Taekwang group	22	25.9	25.9
CJ group	14	18.6	19.3
CNM	16	18.3	18.2
Hyundai group	10	8.3	8.5
C&B	12	5.6	5.3
Orion group	4	2.9	2.8
GS group	2	3.8	3.7
The total market shares by MSO	80	83.4	83.7
Individual SO	22	16.9	16.3
The total of SO	102	100	100

Source: Author's elaboration of data from FTC (2010, May 28) and Jang (2010, p. 35).

Appendix H1

Table H1: Trends of Korean film production and foreign film importation

Year	1999	2004	2006	2009	2011
Korean Films	49	74	110	118	150
Foreign Films	348	194	207	243	289

Source: Author's elaboration of data from White Papers (1999; 2005; 2009; and 2012).

Appendix H2

Table H2: Lists of media venture funds from 1999 to 2002, unit: $ million

Names	Amounts of money	Established year
Moohan	11.5	1999
Mearae Asset	10	1999
Dream Venture1	13.5	2000
Dream Venture 2	5	2000
Cowell	10	2000
Tube 1	10	2000
MVP1	10	2000
Il-shin	5	2000
Venture Plus	10	2000
Samsung Venture	15	2000
Peta Capital	10	2000
Century-on Venture	6	2000
Tube 2	10	2001
Dream Venture 3	8	2001
Dream Discovery	8	2001
Je-woo Investment	8	2001
Shin-Bo Investment	7	2001
KTB Network	10	2001
Moohan 2	10	2001
MVP2	10	2002

Source: White Paper (2002, p. 380).

Appendix H3

Table H3: The numbers of media venture funds in the film from 1999 to 2010

	99	00	01	06	07	08	09	10
The numbers of investment associations	2	12	7	20	23	21	21	15
The numbers of invested films per an investment association	N/A	N/A	N/A	45	57	47	53	69

Source: Author's elaboration of data from White Papers (2005; 2007; 2009; and 2011).

Appendix H4

Table H4: Trends of media funds of investment association, unit: $ million, %

	2006	2007	2008	2009	2010
The total amounts of invested capital	258.95	290.95	323.5	331.4	243.1
The ratio of dependence on investment associations	40.9	46	41.6	38.1	45.4

Source: White Paper (2010, pp. 260-261).

Appendix H5

Table H5: Average production costs per film, unit: $ million, %

Year	1999	2003	2006	2010	2012
Production costs	0.1	1.32	2.58	1.42	1.32
		(68.3)	(64.2)	(65.7)	(66)
Marketing costs	.9	2.84	1.44	.74	6.9
(Print and advertisement)		(31.7)	(35.8)	(34.3)	(20.3)
The total amounts of production costs	1	4.16	4.02	2.16	2.01

Source: Author's elaboration of data from White Papers (2005; 2009) and Kim, et.al (2013).

Appendix H6

Table H 6: The changed patterns of the top-five Korean film distributors, unit: %

Ranks	2001	2003	2007	2010
1	Cinema Service (45.2)	Cinema Service (30.08)	CJ (36.2)	CJ (28)
2	KP (24.9)	Plenus (27.78)	Orion (26.6)	20 CF (12.3)
3	Cinema World (8.0)	Chung-A-Ram (15.39)	Cinema Service (15.1)	Lotte (9.8)
4	BV(3.7)	Orion (8.99)	Lotte (8.3)	WBs (8.9)
5	Tube Entertainment (1.5)	Show East (4.41)	Prime Entertainment (4.3)	SP &BV(9.9)
Total	83.3	87.37	90.5	68.9

Source: Author's elaboration of data from White Papers (2001; 2002; 2007; and 2010).

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