

# CHAPTER I

## INTRODUCTION

### 1. 1 RESEARCH BACKGROUND

Netflix is one of the most popular platforms known by many people, both children, teenagers, and parents. This is because Netflix is becoming one of the platforms that is easier to use anywhere, whether at home or on the go. Netflix is in demand by anyone who does not want to go outside the house and can watch what they are interested in multiple times a day. Netflix was founded in 1998 in Los Angeles, California, United States by Marc Randolph, and Reed Hastings. They had the idea of renting DVDs by mail that could be rented online at a price that could be reached by the public. At that time Netflix provided 925 movies ready to be rented online which then had a price of about 3 dollars for rent and 2 dollars for shipping, then added to a monthly subscription which was then done in 1999, one year after the formation of Netflix.

Netflix is one of the multinational companies that become non-state actors which have an important role in conducting international relations and become one of the tools for the development of globalization. The changes that can be in demand and easy to use by many people, the Company will certainly choose a country that will have a good impact on the Company for Netflix collaboration. In recent times South Korea has become one of the most sought after destinations by many people because it provides some quality and stunning looks. These include actors and actresses who have good acting skills, cinematics and storylines that provide different stories from different stories from others, as well as the ability to make the drama or series known by worldwide audience (Sun, Xinyang, 2022).

Netflix is a platform that is in demand because through social media, they can be easier to get information directly, and get more diverse and have a broad perspective. Whereas the film industry is a cultural industry sector that is easily in demand and can get a broad market perspective globally. People are starting to switch from cinemas to Netflix due to social restrictions that occurred during the pandemic. Previously, South Korea has a big branding in their film industry from dramas, movies, reality shows, and so on.

South Korea's cultural export sector known as "*Hallyu*" has a large enough market form that makes the phenomenon of "*Hallyu Wave*" in the wider cultural sector to various other film industry markets, which were previously only famous for dramas, films and reality shows.

Now it has expanded to animation products, music, beauty, fashion, webtoons and even food, then South Korea is considered to have a good trend for the international market because almost all of their industries are in demand by many people.

South Korea was able to accept Netflix's collaboration and investment which is done on a large scale because it benefits the South Korean country to expand the *Korean Wave* they have, which improves the economy and film industry of South Korea. South Korea is one of the countries that uses the film and music industry as their economic driver in introducing their culture, thus the collaboration between South Korea and Netflix benefit both parties (Pramadya, 2018).

The funds to produce quality dramas or films in the film industry in Korea can reach 2.5 US dollars. In an April 2023 Netflix interview, it was said that Netflix will double the investment it has made since 2016 in South Korea with the first collaboration film between South Korea and the United States titled *Okja*, by Bong Joon Ho. The announcement comes after Netflix co-CEO Ted Sarandos met with South Korean President Yoon Suk Yeol in Washington DC. This investment will go to many productions in the film industry such as drama series, films, variety shows and so on related to the film industry. Even the webtoon trend in South Korea can be used as a drama series or film by Netflix if the webtoon story is interesting and in demand by many people (Bhattacharya, 2023).

Along with the development of the times, relations between countries do not only focus on political and economic affairs which are usually the benchmark for a country's relations in conducting a diplomatic relationship, in this globalization era, relations such as soft diplomacy have an important role in introducing the existence and culture of a country to be reached throughout the country. South Korea is often known for conducting soft diplomacy or soft power relations to introduce their culture, which is considered very attractive by many people around the world and is now a trend that young people like.

Starting from South Korea's screen quota policy that requires cinemas in South Korea to show films in theatres on certain days only. This leads to a lack of promotion or some films not playing in theatres because of rules that prevent the screening they have. Thus, South Korea cooperates in bilateral investment with the United States, which is the country from which Netflix originated. Screen quota is considered to hamper film production that will take place because the time can change every day, so this will harm the cooperation they have made if the screen quota for the United States is added while their own country must be reduced because

of the cooperation they already have. This raises a lot of concern from the public if it is agreed then South Korea will be colonized by the United States (Parc J. , 2022).

Therefore, the government continues to run the screen quota system because in the end, South Korean films have become cultural giants recognized in the international arena. This screen quota system can be a good alternative that helps the South Korean film industry develop and become more competitive both at home and abroad. Like the *Parasite* film which is famous throughout the world because of the tight screen quotas system, they have made many films well selected to be worthy of airing in South Korean cinemas (Glodev, 2023).

The Korean government utilizes cultural and creative industries with an economy in the name of culture that South Korea has. Like the agreement made by South Korea and the United States which was carried out to establish cooperation in the film industry and the screen quotas policy they have, the negotiations they took advantage of by conducting cooperation in the film industry became a very important benchmark to expand and introduce the film industry to the world. South Korea government is proud to invest heavily in the creative and cultural industries by utilizing supporters like Netflix to introduce South Korea to the world. In 2020, the Ministry of Culture, Sports and Tourism announced an ambitious strategy, pledging to invest 2 billion dollars in public funds annually, with the aim to grow the industry by 22.5 per cent by 2022. Of the 11 strategic priorities in the field of creative and cultural industries, film only controls about five percent of the market.

*Parasite* film became the first way to the success of the film industry in South Korea, at first the *Parasite* film won many awards in the film industry, won three Oscars and became the first Asian film to win the category as the best film and became a viewing trend throughout the world, therefore the South Korean government certainly took advantage of the opportunity to produce many quality films and could used by South Korea as a tool of cultural diplomacy to various parts of the world in carrying out diplomatic relations of the South Korean state. Due to the influence of South Korea which continues to be a trend, Netflix continue to invest heavily in South Korea to produce quality films that can be enjoyed by all people around the world (Lee, 2022).

However, after the *Parasite* film went global in many countries, the COVID-19 pandemic made the film industry in South Korea experience a slight setback due to the lack of firm policies that the South Korean government has. So that during the attention of international film consumers on South Korean films, the COVID-19 pandemic has threatened South Korean

film production and marketing activities to the global market. South Korea's film industry experienced a significant decline in revenue due to the implementation of government policies related to social contact restrictions, which had an impact on cinema ticket sales.

Because the government implements a policy of limiting social contact, so the social restriction changes the culture of watching in theatres into watching through live streaming. Netflix Executive Director Reed Hastings in Kim, 2020 revealed that one of the reasons for Netflix's entry into the South Korean streaming service market is because South Korea is a country that has strong communication and broadband technology and high consumer standards. This makes South Korea a massive internet-based service market and is one of the most strategic and profitable markets for Netflix content marketing and Netflix Original production activities (Pauley, Alexandra, 2021).

Many new terms have emerged introduced by Netflix and South Korea to attract many fans from the shows released by Netflix and South Korean productions. The Netflix effect is one of the trends that continue to appear on social media such as twitter and other social media platforms. Every new actor who appears in the Netflix series, can be a topic of conversation that will continue to be discussed, because people on every social media will continue to appear to discuss that the Netflix effect is one of the current trends. The Netflix effect itself means that there is the emergence of an actor or an actress who is not very well known but already has a charming face and very good acting skills so that the actor or actress is immediately famous in just one day or even a few hours after the drama or film airs on Netflix.

Currently, South Korea has lifted almost all COVID related restrictions including restrictions on food consumption in theatres and the domestic film industry is hopeful of a recovery. It is a good time for South Korea to revisit decades-old screen quotas, which may not be able to adjust to the new realities in cinema. The South Korean film industry's argument that it needs protection from Hollywood is also weakening. It is precisely South Korean films that enjoy, and will continue to rely on, open markets around the world. Thus, streaming services like Netflix become the main way and role in watching a streaming service that is done.

In this case, South Korea and Netflix use the benefits of collaboration between the two parties as something useful that can be used by South Korea and Netflix to benefit the country and also the company. The challenge that becomes one of the most daunting challenges in the Korean film industry is the large budget that involves the production of the selection of actors and actresses who have good acting skills, screenwriters who are known for their work

worldwide and various producers are involved to produce a film that is mesmerizing and accepted by the public.

The number of series that continue to emerge due to the cooperation between South Korea and Netflix brings many opportunities and benefits for both parties related. For example, the *Parasite* film and the drama series *Squid Game*, are some of the most successful example of their strategy in developing local content through culture introduced through children's games to build new cultural trends. Netflix continue to invest continuously in South Korea beyond the estimated figure of 500 million dollars just for the country alone, which is almost half of Netflix's spending on content in Asia Pacific.

This power makes many other contents begin to emerge and be known by many people to watch and enjoy. Similarly, Netflix, in addition to South Korea, also invests a lot in other countries to produce quality films and has been known by many people as one of the companies from the film industry that will usually release interesting drama series and satisfying storylines. This lead people to be happy to wait for collaborations between Netflix and other countries or current trends.

## **1. 2 RESEARCH QUESTION**

With that, the question which arises is : How does Netflix and South Korea strategize to expand the film industry in the global market?

## **1. 3 THEORETICAL FRAMEWORK**

### **1. 3. 1. Soft Power**

The Korean wave phenomenon is increasingly known and has become part of globalization and makes it the most important aspect of international relations. Diplomacy is one of the important aspect in activities carried out between two or more countries, to carry out the national interests of the country so that it can create an image that illustrates the strength of the country. Diplomacy is divided into two parts, namely diplomacy by means of soft power and hard power. In this paper, the concept of diplomacy by means of soft power will be explained. This is because South Korea uses the term Korean Wave to attract attention from other countries through diplomacy.

Soft power diplomacy is a concept in the form of diplomacy that was first initiated by Joseph Nye who stated that soft power diplomacy is an approach that is an emphasis through the relationship of cultural instruments in attracting the attention of the community and other countries to achieve national interests as the goal of a country that conducts soft power diplomacy. It is explained that soft power is a diplomatic policy that usually depend on three main points, namely culture, political policy and foreign policy. Thus, soft power is the ability to influence others but not with the result of coercion such as military or wars that take many lives.

In the relationship between South Korea and Netflix, of course, both use the soft power of diplomacy through the cultural process. Cultural diplomacy is a process of interaction between two directions involving collaborative efforts to promote the characteristics of a country, introduce what cultures they have and about how a country sustain the culture that has existed since ancient times so that the government intelligently maintains the culture to understand the moral values of a country's culture so that people from each country can learn about each other (Nye, 2004).

Korean culture has recently become one of the most popular concerns among people around the world. It can be seen with examples of soft power diplomacy that affects the economy of other countries, such as the emergence of the boy band BTS, a drama series entitled *Squid Game* and a film entitled *Parasite* which have won many awards. Therefore, soft power brings a new perspective to South Korea, which influence is present from one country to another in the global political process. This is achieved through many things related to soft power diplomacy, such as culture, beliefs of the political system, and foreign policy. These three things are important keys to the definition of soft power.

South Korea has many advantages that benefit the country such as the many successes they have that lead to the superior quality they have. Such as modern products and services from famous brands, or the quality and unique storyline of the film industry, making many companies and countries imitate things related to South Korea. Soft power and promotion or cultural diplomacy that have been carried out in South Korea has succeeded in attracting world interest and attention (Huang Y. , 2022).

Korean wave is a form of diplomacy used to manifest international power, in the cultural element. It is increasingly seen that now many fans are fanatical, and many South Korean products are everywhere, such as beauty products, food and even fashion trends. This

culture is known by many people, especially by adolescents. The Korean wave experienced 3 periods. The early period is known for the popularity of dramas that emerged in 1990, such as the Korean drama entitled *Winter Sonata*, which was popular in China and Japan. This gave rise to the term hallyu in China, as many drama series became known in China. In this period, the popularity of South Korea is only known geographically in the Asian region, where the focus of this content is on TV, as it followed the era of television.

The second period of soft power carried out by South Korea was in 2010, where the expansion of this market through social media networks such as YouTube became popular. People even use and pay for online sites that provide streaming services. The music industry this year became one of the most recognized through promotions carried out by artists under the agency SM Entertainment and expanded to markets in the United States, United Kingdom and countries in Europe. Then in the third generation, South Korea has a fairly rapid increase in the promotion of their country through their soft power. Not only music, but other industries such as animation or cartoons, especially in the film industry, are also increasing rapidly (Minsung, 2022).

Diplomacy through soft power activities using the culture they have makes South Korea widely known through the promotion of cooperation between countries to introduce South Korean culture, which certainly leads to economic improvement in their own country. In addition, with this soft power, South Korea has amassed interest among international audiences, where the popularity of this culture makes many people around the world learn Korean to learn about or visit the country.

### **1. 3. 2 Digital Diplomacy**

Digital diplomacy is one of the developments in information and communication technology that is being used by many people around the world to obtain the dissemination of information widely and evenly to achieve the national interests of a country. Moreover, it can be used by multinational corporations in a country that conduct diplomatic relations with other countries, which then the Company and the country use digital diplomacy as a form of spreading the cooperation they are conducting. The definition of digital diplomacy itself according to Manor and Elav, is the development of the use of social media platforms by countries by achieving the interests and foreign policy goals of a country that is carried out

actively to spread diplomacy that is well known and accepted by many people around the world (Rosyada, 2022).

In addition, digital diplomacy has a lot of emphasis on communication. The benefits of the development of technology and information in the era of globalization make many countries use digital diplomacy to utilize algorithms from social media to introduce various cultures they have, thus, this is certainly inseparable from social media which has a continuous influence and a lot of incoming information. Social media such as TikTok, Instagram, YouTube, Twitter and Google have massive potential to expand the Korean wave to various countries, thus they also play an important role for the spread of Korean wave and culture (Suyastri, 2019).

Ranked at the top in terms of things that include social media needs include connectivity problems or internet speed, as well as ownership of sophisticated mobile phones and people who use social media. As South Korea is now a leader in the use of digital technology in digital diplomacy issues, people in South Korea are ready to adapt and use their strengths in digital diplomacy issues to improve people-to-community diplomacy around the world. Thus, the most important challenge in digital diplomacy is the new goal of the Korean government to create the latest innovations in using social media as one of the diplomatic tools.

South Korea uses different social media channels as one of the supplements for the younger generation in the promotion of various industries that have been known to many people, so that people also participate and are responsible for digital diplomacy enthusiastically and use social media as a means of helping the government. Therefore, cooperation would involved both the government and the community in promoting the country. So, the success in the use of social media and other technology-related platforms by South Korea and Netflix makes the success of digital diplomacy equally beneficial for both parties (Robertson, 2017).

It is believed that digital diplomacy is an important means of diplomacy in a country between the community and its government because the purpose of digital diplomacy itself is as a platform to increase mutual understanding and communication between the government and the community. This is compared to the dissemination of diplomacy ideas that are only carried out in one direction due to lack of interest that occurs and has not been evenly widespread. Thus consideration of aspects of communication and involvement between diplomatic staff and other public audiences are the most important means of targeting digital diplomacy (Park S. , 2019).



In addition, digital diplomacy can also turn the government into the main actor in having ideas, which then design various programs or cultural activities from the state that can be carried out with the help of social media promotion. This is because many non-state actors will later help the ongoing digital diplomacy to build a positive image in other countries. Netflix uses digital diplomacy as a non-state actor who helps promote companies in their own countries and countries that have diplomatic relations with Netflix. With this, streaming platforms for movies, dramas or reality shows and other things related to the film industry use digital diplomacy as a form of relationship to shape and disseminate their culture.

#### **1.4 ARGUMENTATION**

Based on the concept of soft power and digital diplomacy, the argument of this study is that Netflix as a multinational corporation which has an important role in advancing the South Korean economic sector by providing investment and collaborating with South Korea government to advance their film industry and Netflix with the benefit to get a lot of country collaboration and expand the film industry on Netflix application. Moreover, this include the influence of South Korea which uses soft power and digital diplomacy to promote their culture.

#### **1.5 RESEARCH METHODS**

The author chooses to use qualitative data to explain the thesis entitled "**THE COLLABORATION BETWEEN NETFLIX AND SOUTH KOREA IN INTERNATIONALIZATION OF SOUTH KOREA FILM INDUSTRY**". This qualitative research uses literature search and research by reading various books, journal and other literature publications related to the research topic to produce the aims and objectives of the issues to be discussed, so that the paragraph is formed to explain the problem in question. Then the quality data is analysed by classifying, finding similarities and differences, and providing views, as well as combining.

Netflix and South Korea are the subjects of research that will be the source of information from this thesis. Hence, qualitative data sources are derived from sources such as journal articles, or books, to analyze events between Netflix and South Korea in the investment, to gain an explanation of the questions asked in the previous research question and acquire conclusions from the problems found.

## **1. 6. SCOPE OF RESEARCH**

This thesis research is about why Netflix chose South Korea to collaborate and provide a large investment compared to other countries, and explore the strategies used to expand the Netflix market and the South Korean market to the international arena. Moreover, it will delve into the history and what factors ultimately support Netflix to continue to invest in South Korea.

## **1. 7. WRITING SYSTEMATICS**

### **CHAPTER 1: INTRODUCTION**

This chapter contains a description of the background, theoretical framework, and methodology of the research.

### **CHAPTER 2: DISCUSSION**

The discussion section will explain how Netflix has collaborated and invested in South Korea and what strategies they use to benefit both parties and what supporting factors have helped the collaboration produce something that continues to be known by the international market.

### **CHAPTER 3 : DISCUSSION**

This section will explain the relationship between South Korea and Netflix through the concepts of soft power and digital diplomacy. Where both have an important role in helping a country's diplomacy, especially the way of cultural diplomacy used by South Korea and Netflix to achieve the goals of their interests.

### **CHAPTER 4 : CONCLUSION**

This chapter contains a description of research conclusions and recommendations in the form of relevant suggestions based on the research findings.