The Film Industry in Taiwan: A Political Economy Perspective

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This thesis is submitted for the Degree of
Doctor of Philosophy

University of East Anglia
School of Political, Social and International Studies
March 2011

Abstract

The main purpose of this thesis is to critically analyse the film industry in Taiwan from a political economy perspective and to compare Taiwan's film industry with that of Hong Kong. The thesis will examine the development of the film industries in Taiwan and Hong Kong in the 1990s and analyse the decline of these film industries. The study takes into account how the governments' policies have been framed and examines the interaction between the governments and the industries in the 1990s.

This thesis will start by expounding the approach of political economy and explain how it will be applied to the study of Taiwan's film industry. The approach of political economy will provide a historical analysis of the film industry and review the industry's development in terms of both political influence and economic factors. This approach will provide a more comprehensive study of these film industries. The framework assumes that the development of the film industry in Taiwan has been influenced by government policy and especially government subsidies and that this policy has directed the industry.

A film in Taiwan is regarded as an art form, perhaps with a diplomatic purpose, rather than as a commercial cultural product. A film in Hong Kong is mainly made for the commercial market with the purpose of entertaining audiences. The distinction between Taiwanese cinema and Hong Kong cinema provides a diverse view of the Chinese-language film market.

After examining the development of the film industry in Taiwan and Hong Kong from a political economy perspective a new image for the Chinese-language film sphere will be discussed. The advantages and disadvantages of the film industry in two places will be summarised and used to provide some suggestions for the future development of "New Chinese Cinema" in the twenty-first century.

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Acknowledgements

It took a quarter of my life to complete this thesis. I have experienced the most difficult time but also had the most precious lesson in my life. I feel immense gratitude to those people who helped me during my study.

I must offer my special thanks to my supervisors, Professor John Street and Dr. Sanna Inthorn. Many thanks to them for always being very supportive and patient with my slow progress and providing many critical comments. Without their supervision and encouragement I could not have completed this thesis.

I would also like to extend my special thanks to my examiners, Dr. Rayna Denison and Dr. Andy Willis. This final version of my thesis benefited extensively from the time they spent reading an earlier draft. I am also very grateful for the thoughtful discussion that they provided via my viva. Dr. Willis' speciality on Hong Kong cinema helps bring a spark of light to this thesis. Dr. Denison's marked copy was very helpful in assisting with revisions, for which I am eternally grateful. I really appreciate their efforts, without which my thesis could not have reached this stage.

I want to thank my parents and my brother a million times over. Their unconditional support, both financial and spiritual, is the force to drive me to finish. I am very lucky to have them as my family. This degree is for them.

I wish to give my heartfelt thanks to Jimmy in innumerable ways. Without his support I would be broken. Thanks to all Jimmy's family for their warmness and for making me feel at home in Norwich; especially Rose and Harry for their constant support and encouragement.

I am very grateful for meeting the following people who shared this priceless time with me: Seiko Tannaka, Federica Alberti, Matthew Boldero, Estrid and Andrew Heron and Wendy Wang.

In addition, I wish to thank the School of Political, Social and International Studies, the University of East Anglia, and the postgraduate office and international office for offering me enormous assistance during my study.

Also I would like to thank my proofreaders, Ben Corrigan and Sebastian Manley, for the timely assistance they provided in polishing this thesis.

Without the help and encouragement from the people above I could not have made it this far. This thesis is dedicated to all of them, my grandad, and especially to my dearest granny—who passed away in the first year of my study and always believed in me.

Chapter One
Introduction and Theoretical Framework

1.1 Introduction to the Film Industry in Taiwan in the 1990s
1.2 Theoretical and Analytical Framework: The Political Economy Approach

Introduction

Research in world cinema addresses three major areas of Chinese-language cinema: Chinese cinema, Hong Kong cinema and Taiwanese cinema. Most research on Chinese-language cinema focuses on kung fu movies, authorship, political identity, gender, and aesthetics. The best-known research on Taiwanese cinema relates to Taiwanese New Cinema and authorship. This thesis aims to approach Chinese-language cinema from the political economy perspective. The research focuses on how film policy has influenced the development of the film industry. Taiwanese New Cinema is the most significant development resulting partly from Taiwanese film policy. Therefore this thesis takes Taiwanese cinema as a central focus and uses a political economy approach to analyse how film policy has influenced the development of the film industry. The political economy approach utilised is cross-disciplinary, and it analyses the film industry at the macro level. Furthermore, I have chosen Hong Kong cinema as a comparator which has been subject to a completely different film policy. The thesis investigates how the different film policies have influenced the film industries in Taiwan and Hong Kong. The analysis focuses on the 1990s because this was the period in which the governments of Taiwan and Hong Kong started to intervene in the film industries and launch new film polices. The 1990s was also the period in which both Taiwanese cinema and Hong Kong

cinema declined dramatically. Therefore the research takes the 1990s as the period of analysis. Since different film polices applied in the 1990s, changes in the development of the film industries in Taiwan and Hong Kong will be analysed and current movements will be discussed at the end of the thesis.

In this chapter, I will start by outlining the development of the film industries in Taiwan and Hong Kong in the 1990s and by mapping the structure of the research. Then I will move on to the theoretical framework and explain why I chose to focus on political economy and film policy in this thesis.

1.1 Introduction to the Film Industry in Taiwan in the 1990s

In 2006, Ang Lee won the Academy Award for Best Director at the 78th Oscars for the film *Brokeback Mountain* (2005). This was the first time that a Taiwanese director or even a Chinese-language director had won this award. However, it was not the first time that the Western film industry had paid attention to Taiwanese directors or Taiwanese films. In 2001, the film *Crouching Tiger, Hidden Dragon* (2000) won the 73rd Annual Academy Awards for Best Foreign Language Film, Best Art Direction, Best Cinematography, and Best Music (Original Score). The director was Taiwan-born Ang Lee. It was the first time a Taiwanese film had been viewed in the mainstream world film market.[1] However, in the same year, there were only twenty-three films produced in Taiwan, which amounted to 5% of the total number of movies shown in Taiwan in 2001.[2] While there has been renewed interest in Chinese-language films around the world, fewer and fewer Taiwanese films have

[1] Some critics think *Crouching Tiger, Hidden Dragon* was an international co-production financed by Hollywood and featuring an international casting. However, according to an interview in the biography of Ang Lee, the Hollywood distributors, Sony and Warner, only had negative pick-up for a few years. Most of the capital was from the Completion Bond Company. Ching-Pei Chang, *The Biography of Ang Lee* (Taipei: China Times, 2002), pp. 381–382.

[2] In 2001, there were 322 foreign movies and 99 Chinese-language films issued in the Taiwanese film market. In the same year, only 23 Taiwanese films were produced, which amounted to 5% of the total movies shown in 2001 (23÷(322+99)x100%=5.46%). Source: Government Information Office, *The Data of Industry*, 17 January 2011, <http://info.gio.gov.tw/ct.asp?xItem=12713&ctNode=3614> (accessed 16 September 2011).

been produced each year, and Taiwanese films accounted for just 2% of box office takings in Taiwan during the 1990s.[3]

Taiwanese cinema has been noticed at film festivals around the world since 1989. The film *A City of Sadness* (1989), directed by Hou Hsiao-Hsien, won the highly coveted Golden Lion at the Venice International Film Festival in 1989. The Golden Lion is the most prestigious award at the Venice Festival. This was the first time that a Taiwanese film had won an award at an international film festival. After this, and throughout the 1990s, many Taiwanese films won awards at many international film festivals and the Taiwanese government started to give subsidies to encourage more Taiwanese film production. In 1993, *The Wedding Banquet* (1993), directed by Ang Lee, won the Golden Bear award at the Berlin International Film Festival and *The Puppet Master* (1989), directed by Hou Hsiao-Hsien, won the Palme d'Or at the Cannes Film Festival.[4] In 1994, *Vive L' Amour* (1994), directed by Tsai Ming-Liang, won the Golden Lion at the Venice International Film Festival. In 2000, *A One and a Two* (2000), made by Edward Yang (Yang De-Chang), won the Best Director award at the Cannes Film Festival. This award is a great honour for a film director. Edward Yang told journalists that he felt very pleased to receive the award, but he also criticised the environment of the film industry in Taiwan, saying that it was not good for filmmakers. He pointed out that if a good product does not sell well, the problem may be due not to the creator, but to how it is promoted.[5]

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[3] The average box office share of Taiwanese films was 5.78% in 1990, 3.56% in 1991, and 1.68% in 1992. The figure was 4.15% in 1993, 3.77% in 1994, 1.30% in 1995, 1.46% in 1996, 0.89% in 1997, 0.44% in 1998 and 0.46% in 1999. The average box office share during the 1990s was 2.349%. The data is derived from the website of the Taiwanese film database: <cinema.nccu.edu.tw>. *The Database of Taiwan Cinema*, 'Statistics', 26 August 2007, <http://cinema.nccu.edu.tw/cinemaV2/index.htm> (accessed 22 June 2006).

[4] Hou Hsiao-Hsien received Best Film and Best Director awards from prestigious international film festivals in Venice, Berlin and Hawaii and from the Festival of the Three Continents in Nantes. In a 1988 worldwide critics' poll, he was championed as "One of the three directors most crucial to the future of cinema".

[5] Zai-Yang Tang, 'Yang De-Chang: Like speeding across the sky', *United Evening News*, 22 May 2000, p. 3.

Between *A City of Sadness* (1989) and *A One and a Two* (2000), Taiwanese films achieved wide acclaim in international film circles. However, during this decade, the number of Taiwanese films produced fell dramatically every year. Some have commented that Taiwanese films faced many difficulties, in terms of both their market and their production, leading people to lose confidence in them.[6] Some film critics have pointed out that Taiwanese filmmakers always behave wilfully, and fail to consider the Taiwanese film market.[7] Some workers in the film industry have criticised the government's film policy, especially regarding subsidies, and have suggested that the more the government assists, the worse the situation becomes for the Taiwanese film industry.[8] In the 2006 Golden Horse Awards, which is the biggest film event in Taiwan and the most notable film ceremony in the Chinese-language film market, the jurors pointed out that the nominated films should touch the audience and that the aim of films is to entertain people and not only to accomplish the director's ideals. These comments inspired a new vision and direction for the Taiwanese film industry. In recent decades, the Taiwanese film industry has pursued international affirmation and ignored the demands of Taiwanese filmgoers. Taiwanese films are well known at various film festivals but do not achieve success in the global mainstream or domestic markets. The question is not only about whether the Taiwanese film industry should focus its efforts on art films or commercial films, but also about how the Taiwanese film industry has coped with the dramatic rise of the whole Chinese-language film market.

Meanwhile, the Taiwanese government began to pay attention to the film industry due to the success of certain Taiwanese films at international film festivals. Government Information Office, which is the government organisation in charge of the film industry, initiated a subsidy, to be augmented annually, to encourage the production of Taiwanese films. Furthermore, the government announced the

[6] Hsiung-Ping Chiao (Peggy Chiao), *Taiwanese New Wave Cinema in the 1990s* (Taipei: Rye Field, 2002), p. 7.
[7] Guo-Zhi Shu, 'A Letter to the Production Team in the Film "The Moonlight Boy": To View the Spirit of Foppishness in Taiwanese Films', *The China Times*, 27 May 1993, p. 6.
[8] You-Feng Hu, 'Taiwanese Film: The More the Government Does, the Worse the Taiwanese Film Will Be', *United Daily News*, 6 October 1994, p. 26.

establishment of the "Cinema Park" in 1993.[9] During the 1990s, many internal film festivals and events were held around Taiwan and the government displayed a very positive attitude towards the film industry. At the same time, the top eight American film corporations began to invest in Asian films, including those from Taiwan, Hong Kong and mainland China, such as *Crouching Tiger, Hidden Dragon* (2000), *Hero* (2002), and *Double Vision* (2002) (the directors of *Crouching Tiger, Hidden Dragon* and *Double Vision* are Taiwanese). Columbia, Time Warner and Disney established Asian offices in order to oversee the investment in commercial films in Asia.[10] This demonstrated that foreign investors had confidence in Taiwanese films, despite the fact that many people in Taiwan were more pessimistic. Although the Taiwanese government tried to promote the film industry, the production and box office of Taiwanese films experienced a significant decline in the 1990s. The contrast between internal pessimism and external optimism should be viewed in light of the political and economic development of Taiwan in the 1990s. Compared to the Taiwanese film industry, the Hong Kong industry had a far greater reputation and was known as the Eastern Hollywood, and yet the Hong Kong film industry also faced decline in the 1990s. The governments in Taiwan and Hong Kong have completely different attitudes towards the film industry, which leads to different film policies. This thesis aims to analyse the Taiwanese government's intervention in the film industry in the 1990s and to use the political economy approach to illustrate the importance of the role of the government in the development of film policy and the film industry in Taiwan. Furthermore, I will use Hong Kong as a case study to compare its film policy and film industry with that of Taiwan in the 1990s in order to illustrate that different film policies may lead to different developments in film.

[9] In 1995, the government started to launch an extensive project called the Asia-Pacific Regional Operations Centre, and never mentioned the Cinema Park. It seems the government wanted to expand the media industries to compete with other Asian countries. It was a big project in the media industries in Taiwan. The details of the Asia-Pacific Regional Operations Centre and comparisons with projects in Hong Kong and Singapore can be found in Appendix 2.

[10] Ta-Wei Ko, 'American Film Corporations Attracted by the Market of Asian Cinema', *United Daily News*, 17 June 2003, p. 3.

In the next section I will briefly outline the film industries in Taiwan and Hong Kong in the 1990s from political and economic perspectives, before moving on to a discussion of the political economy approach.

The Film Industry in Taiwan in the 1990s

Since the 1980s, there have been several notable features of the Taiwanese film industry. The production of Taiwanese films declined after the mid-1970s, and the industry experienced serious problems in terms of both production and box office in the 1990s. However, some Taiwanese films developed a good reputation and won various prizes at international festivals around the world. The Taiwanese film industry presents a paradox of internal decline and enhanced international reputation. In addition, the government has paid considerable attention to film development since the 1990s. After 1987, the government declared an end to martial law and the political regime moved towards democracy. The regulation which restricted collaboration with China was loosened.

The Taiwanese film industry started to cooperate frequently with workers from Hong Kong and mainland China. This cooperation was encouraged and facilitated by the similarities in culture, language and history; there are also many landscapes in mainland China that provide good locations for the shooting of historical dramas. Furthermore, media innovation developed rapidly in Taiwan. This innovation included the rise of the video rental business, cable television, satellite TV, MTV studios, and new communication technologies. New media technologies also affected the development of the film industry in Taiwan. Some film workers have suggested that the new technology contributed to the decline in cinema audiences.[11] However, examination of box office receipts in the early 1990s shows that audiences rose significantly.[12] More and more people were going to the cinema to watch films,

[11] Feii Lu, *The Taiwanese Cinema: Politics, Economy, Aesthetics, 1949–1994* (Taipei: Yuan-Liou, 1998), p. 373.
[12] The total box office returns for films in Taiwan in 1990 was NTD 1815,079,740. The figure rose rapidly every year. The highest was NTD 2,857,395,700 in 1997. The average box office of films in

albeit mostly films of foreign origin. The new technology did not reduce cinema audiences, but in fact expanded the market for film production into new areas, such as the production of DVDs and video games. When considering these events, a confusing picture of the Taiwanese film industry appears. The film industry has been in recession for a long time, but few people have investigated this problem as a whole. What is the cause of the depression in the Taiwanese film industry? How does the government respond to this problem? What role does the government play in the film industry? How does film policy influence the film industry in Taiwan?

There are various arguments and discussions about the Taiwanese film industry. Some experts have provided suggestions for overcoming this predicament, such as reference to the film policy of the European Union or of France,[13] decreasing the production budget of films,[14] or appealing to the government to assist more in the distribution of Taiwanese films in order to revive the industry.[15] Some scholars have focused on cultural criticism of Taiwanese cinema and the aesthetics of cinema.[16] The scholar Lu Feii has analysed the historical literature for the Taiwanese film industry from 1949 to 1994. His research focuses on the origins and history of the Taiwanese film industry.[17] Other research concerns the analysis of the political and economic development of the Taiwanese film industry during specific periods.[18]

Taiwan in the 1990s was NTD 2,382,182,837. (N.B. NTD is the Taiwanese dollar and the exchange rate between GBP and NTD is GBP 1 to NTD 50). The box office data is from the website of the Taiwanese film database: <cinema.nccu.edu.tw> (calculations by the author).

[13] Chieh-San Feng and Su Heng, *The Analysis of Media Industry Policy of GATT and Evaluation for Taiwan* (Taipei: Industrial Technology Research Institute, 1994).

[14] Xing Lee, 'The Common Consensus for National Subsidy', *United Daily News*, 3 May 1995, pp. 22–23.

[15] Chin-Feng Liao, 'The Analysis of Resources in the Taiwanese Film Industry: Production, Distribution and Exhibition in 1995', *Journal of National Taiwan College of Arts*, 59 (1996), 194–205 (p. 201).

[16] For example: Mei-Jung Li (2008), *Towards an Alternative Cinematic Poetics*, Wan-Ying Lu (2006), *A Comparison in the Movie Aesthetics between Ang Lee's 'Brokeback Mountain' and Yimou Zhang's 'House of Flying Daggers'*, Te-Ling Chen (2002), *Filming Taiwan Alternatively: A Study of the Boundaries Blurred by the Cinematic Representations in Floating Islands*, Wen-Chi Lin, Hsiao-Yin Shen, and Chen-Ya Le (2000), *The Dramatic Life: The Study of Hou Hsiao-Hsien's Films*, Mei-Feng Huang (1999), *The Aesthetics of Hou Hsiao-Hsien's Films*, Hsiang-Wen Tu (1999), *The Revolution of Aesthetics in Chinese Swordplay Films* and Feii Lu (1998), *The Taiwanese Cinema: Politics, Economy and Aesthetics, 1949–1994*.

[17] Lu, *The Taiwanese Cinema*, pp. 105–106.

[18] Such as Ti Wei, 'The Current Analysis of Political Economics in the Taiwanese Film Industry'

There was very little research about Taiwanese cinema before the 1990s,[19] and most research on Taiwanese film appeared after the 1990s. Most of the film research has focused on authorship or aesthetics or on the political identity of the New Taiwanese Cinema. There is only a limited amount of research literature available on the structure and development of the Taiwanese film industry as a whole, as mentioned above. As Thomas Guback pointed out, film studies has tended to ignore the economic characteristics of film.[20] Janet Wasko also argued that "even as film critics and cinema-studies scholars continue to produce seemingly endless studies of individual films, stars, genres, and styles, more attention has been devoted to Hollywood as a business over the past decade or so".[21] This thesis takes a different approach, analysing the Taiwanese film industry from both economic and political perspectives and examining the industry in the 1990s, rather than focusing on an individual director or short-term development. In the next section, I will briefly introduce the Hong Kong film industry in the 1990s and illustrate the relationship between the Taiwanese film industry and the Hong Kong film industry. I will also explain why Hong Kong is used as a comparative case for Taiwan.

(Master's thesis, National Cheng Chi University, 1994).

[19] Studies on Taiwanese cinema before 1990 were extremely few and far between. The earliest academic work on Taiwanese cinema is a Master's dissertation published in 1991: Xiu-Ru Huang, 'The Rise and Decline of Taiwanese Dialect Cinema'. Although there was not much academic work on Taiwanese cinema before 1990, there were some film magazines which reported some local entertainment news and introduced film information to Taiwanese readers. The first film magazine was called *The Entertainment News* and was first published on 15 February 1950, closing in 1956. *The World Screen*, established in 1966, has the longest history in Taiwan and mainly reports information on films from around the world. Film magazines became the forum for cultural and film studies during the 1960s and were the main information channel for movie fans. These magazines included *Theatre* (1965–1968), *Influence* (established in 1972 but officially published from 1989 to 1998), *Four Hundred Hits (Su Pai Chi)* (1985–1986), and *Long Take* (1987–1988). They were avant-garde in terms of film information and research. However, we can see that most of the film magazines mentioned above did not last very long. The above information also shows that film study in Taiwan has been neglected for a long time. Information sources:
'The Database of Taiwan Cinema', *Film Forum*, 20 January 2003, <http://cinema.nccu.edu.tw/cinemaV2/squareinfo.htm?MID=12> (accessed 22 August 2011);
Eye-Movie, 'History of Taiwan Cinema', June 2007, <http://movie.cca.gov.tw/bin/home.php> (accessed 22 August 2011).

[20] Thomas Guback, 'Are We Looking at the Right Things in Films?', paper presented at the *Society for Cinema Studies Conference*, 1978, Philadelphia, PA.

[21] Janet Wasko, 'Critiquing Hollywood: The Political Economy of Motion Pictures', in *A Concise Handbook of Movie Industry Economics*, ed. by Charles C. Moul (New York: Cambridge University Press, 2005), p. 6.

The Film Industry in Hong Kong in the 1990s

Hong Kong's dominance

Since the 1970s, the Hong Kong mass-market film industry has been regarded as both dynamic and ingenious. Hong Kong nearly surpassed all Western countries (except America) in terms of the number of films released in the 1990s. Hong Kong cinema is one of the most interesting and successful stories in the film industry. The 1980s and the early 1990s were the prime time for Hong Kong cinema. Between 100 and 200 feature films were produced each year, making Hong Kong one of the most prolific feature-film-producing nations, alongside the United States and India.[22] However, films produced in India were mainly for the domestic market and not for export. In fact, in terms of exports, the Hong Kong film industry was second only to the United States.[23] In the 1990s, the average number of films produced per year was over one hundred, earning more than 100 million Hong Kong dollars every year. The territory of Hong Kong is very small and the profitability of Hong Kong cinema relies on the Pan-Asian market. From the 1980s, Hong Kong cinema was very popular in Taiwan, Singapore, Malaysia, Indonesia, Thailand, South Korea, mainland China and other neighbouring countries. Furthermore, over 20% of Hong Kong's exported films were bought by Taiwan after 1984.[24] Hong Kong distributed films to overseas markets by selling films to the video market, delegating authority to local television stations or broadcasting through satellite.

The industrial relationship between Taiwan and Hong Kong

[22] Pao-Hsien Chung, *Hong Kong Cinema for One Hundred Years* (Hong Kong: Joint Publishing, 2004), p. 26.
[23] Ibid., p. 27.
[24] Before 1984, Singapore and Indonesia were the two countries that bought the most Hong Kong films. In 1984, 21.9% of the Hong Kong films for export were bought by Taiwan. From 1990, over 30% of Hong Kong films for export were bought by Taiwan. Source: Li-Chuan Liang and Tao-Wen Chen, *The Relation between the Hong Kong Cinema and Overseas Market from 1950 to 1995* (Hong Kong: Hong Kong City Hall, 1997), p. 142.

During this period, Hong Kong cinema had a very close relationship with the Taiwanese film industry. Since more and more Hong Kong movies were being brought to Taiwan, some Taiwanese film companies and investors started to invest huge amounts of money in producing films in Hong Kong.[25] The history of the Hong Kong and Taiwanese film industries is intriguing, each having a great influence on the other. The capital for many films made in Hong Kong came from Taiwanese investors, especially from the late 1980s and 1990s, because Hong Kong cinema had good box office takings in the Taiwanese film market. Some Taiwanese filmmakers even criticised the fact that Hong Kong directors received more Taiwanese financing than they did from the Taiwanese film industry in the 1990s.[26]

Despite the effect on the domestic box office and the outflow of finance, the Taiwanese government did not have a limiting quota on the importation of Hong Kong cinema. From a political point of view, the Taiwanese government wanted to align itself diplomatically and ideologically against mainland China. From an economic point of view, the film market showed that the demand for Hong Kong cinema was increasing. Film companies had not regularly profited from Taiwanese films but were optimistic about Hong Kong cinema, expecting it to make huge profits.[27]

The large number of Hong Kong features released and distributed also represented an extensive range of films. From John Woo's action pictures to the adventures of Jackie Chan, Hong Kong film had enthralled global audiences and their directors had attained cult status in Western countries. In the 1990s, both John Woo and Jackie Chan were invited to Hollywood to produce blockbusters such as *Face/Off* (1997), *Rush Hour* (1998), *Who Am I?* (1999), *Mission: Impossible II* (2000). In the 1990s, Jackie Chan became a symbol of Hong Kong cinema. As the scholar David Bordwell pointed out, Hong Kong cinema was not only "crowd-pleasing" but also

[25] Chin-Feng Liao, *The Imagination of Chinese Culture: The Media Empire of Shaw Brothers* (Taipei: Rye Field, 2003), pp. 128–145.
[26] Liao, 'The Analysis of Resources in the Taiwanese Film Industry', p. 199.
[27] Chung, *Hong Kong Cinema for One Hundred Years*, p. 29.

had significant inventiveness and skilful production. He regarded Hong Kong movies as great entertainment and sometimes great art.[28]

However, the box office of Hong Kong cinema declined dramatically after 1993. The box office of Hong Kong films was around 1,133 million Hong Kong dollars (HKD) in 1993, but dropped to HKD 353 million in 1999.[29] Similarly, Hong Kong films had an 82% share of the domestic market in 1992, which had declined to less than 50% by 1997. Golden Harvest Entertainment Company was one of the biggest film companies in Hong Kong. It made a profit of HKD 99 million from 1994 to 1995 but lost HKD 90 million from 1997 to 1998.[30] The executive director of Golden Harvest Entertainment Company, Tan Kou-Hsiun, pointed out that

> The 1980s is the climax for Hong Kong cinema. Every citizen watched over ten movies per year in the 1980s. Now every person watches only three films per year on average. The film industry in Hong Kong is in a predicament now.[31]

Initially, I shall explain the history of the Hong Kong film industry and how it became successful in the 1980s and declined through the 1990s. How did the "Eastern Hollywood" lose its advantage? What was the Hong Kong government's response to this problem? Generally speaking, Hong Kong has many advantages in the film industry compared to other Pan-Asian countries, which include complete basic facilities, professional and creative people, the ability to speak English, a financial centre and an international port. These conditions help Hong Kong to develop its film industry and sell its films to the world, but they cannot help to change the content of its films. The content of Hong Kong films is one of the important reasons for the collapse of the Hong Kong film industry. This also had a

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[28] David Bordwell, *Planet Hong Kong* (Cambridge: Harvard University Press, 2000), p. 5.
[29] *The North American Market for Hong Kong Films* (Hong Kong: Hong Kong Trade Development Council, 2000), p. 10.
[30] *Yazhou Zhoukan* (*Asia Weekly*), 9–15 November 1998, pp. 24–28. (*Yazhou Zhoukan* is the first global Chinese weekly magazine for international political, economic and cultural news. It is also one of the largest and most influential Chinese magazines.
Source: <http://www.yzzk.com/cfm/About.cfm>.)
[31] Ibid., p. 26.

great impact on the Taiwanese film industry and even on the development of Chinese-language film as a whole. In addition, I shall explore the origin of the relationship between the Taiwanese film industry and Hong Kong cinema and analyse the film policy for both places.

If we regard Hong Kong cinema as crowd-pleasing entertainment, then Taiwanese films are more art-oriented. Hong Kong cinema focuses on commercialism, while Taiwanese cinema emphasises ideology or aesthetics.[32] Even though the two places have cultural proximity, they have developed under different political regimes and environments; however, the respective film industries have influenced each other for a long time. It will be helpful to discuss the Hong Kong film industry when we try to examine the whole picture of the Taiwanese film industry in the 1990s and find out the influence of and differences between the governments' interventions in these two places.

The Structure of the Thesis

The main purpose of my thesis is to critically analyse from a political economy perspective the film industry in Taiwan in the 1990s and to present a comparative case study with Hong Kong film. This thesis will examine the history of film development in Taiwan and Hong Kong in the 1990s, taking into account how government policies have been framed and examining the interaction between the governments and film industries in these two places in the 1990s.

Chapter One will continue by expounding on the political economy approach and explaining how it will be applied to film study. Critical political economy encompasses various different approaches, but critical political economy of communication involves the study of the powers that influence cultural production and how they limit or change public discourse. It can be used for two main purposes. The first is to examine the ownership of media organisations and how ownership

[32] Lu, *The Taiwanese Cinema*, p. 300.

controls communication activities. The other is to investigate the relationship between governmental control and media institutions. In this thesis, the focus will be on the relation between the nation and the film industry, rather than on ownership. The Taiwanese government's intervention in the film industry will be analysed, and the influence that the national policy has on the film industry will be highlighted. I will explore the political economy approach and explain why it is the most appropriate approach to use in the analysis of the Taiwanese film industry. What role does the Taiwanese government play in the development of the Taiwanese film industry? How did the Taiwanese government intervene in the film industry in the 1990s? I shall focus on film policy and how film policy has influenced the direction of the Taiwanese film industry in the 1990s. The main principles of the critical political economy of communication approach – including history, social totality, moral philosophy and praxis – will be used in order to understand the development of the Taiwanese film industry and view it holistically.[33]

The theoretical framework assumes that the development of the film industries in Taiwan and Hong Kong has been influenced by government policies directing each film industry in a different direction. Film in Taiwan is usually regarded as an art form with a potential diplomatic purpose, rather than a commercial cultural product. Films in Hong Kong are mainly made for commercial purposes and for the entertainment of audiences. Given the differences between Taiwanese films and Hong Kong films, a study of both categories of film offers a diverse view of the Chinese-language film market. Overall, the aim of this thesis is to analyse the film industry from multidisciplinary approaches in order to contribute to making Asian film study more comprehensive.

Chapter Two and Chapter Three will look at the development of the Taiwanese film industry, mainly in the 1990s, although Chapter Two will also trace some important changes during the 1980s which had an impact on the industry's development in the 1990s. Adopting a political economy approach, the research focuses on the

[33] Vincent Mosco, *The Political Economy of Communication* (London: Sage, 1996).

production of cultural products and pays attention to the influence of cultural production on cultural consumption. It will investigate the Taiwanese film industry, what kinds of films are produced in Taiwan and how these films influence the consumption of the film market in Taiwan. In addition, the production and consumption of Taiwanese films are analysed in order to explain the particular Taiwanese film production trend called Taiwanese New Cinema and how this special form of production has influenced the development of Taiwanese film.

The main analysis concerns Taiwanese cinema from 1989, because this year ushered in a new age for Taiwanese films due to the fact that, for the first time, a Taiwanese film had won an award at an international film festival. The government then began to subsidise national Taiwanese film production, which had an important effect on the subsequent development of Taiwanese films. A detailed explanation will be provided later in the thesis. In addition to adopting the historical approach of critical political economy of communication, this research examines the political and economic situation in the 1990s, as well as current developments, to analyse how those conditions affected the film industry during this period. In the past, the film industry was defined either as an artistic activity or as a form of propaganda for national purposes and, as such, was not categorised as playing an important role in national policy. Taiwanese cinema could be seen as serving the function of propaganda. Even after the regime changed to a democracy, the Taiwanese government subsidised the film industry to promote the image of Taiwan in international spheres in order to counter oppression from mainland China. In order to develop this argument, I will discuss national cinema and film policy in Chapter Four.

Chapter Four will focus on film policy in Taiwan in the 1990s. There are essentially two methods of national intervention. Firstly, the nation requests that the commercial or private media industry produce diverse cultural productions for the benefit of the public. Secondly, the nation subsidises the industry to protect the diversity of cultural productions. In Taiwan, the government has chosen the second

method – subsidising the film industry. However, this did nothing to help increase the diversity of Taiwanese films and in fact limited the creativity of the film industry. In addition to the subsidies, state censorship will also be discussed in this chapter. This will help develop an understanding of how the government intervenes in the film industry through policy-making and of the political factors behind those policies. The film policy in Taiwan will be analysed to examine how the government's film policy influenced the development of the film industry in Taiwan in the 1990s.

Chapter Five illustrates how the subsidy policy influenced the direction of Taiwanese cinema. Furthermore, I shall discuss British and Australian film policy and explore the differences between the film policies of the Labour government and the Conservative government. I will discuss how, when the British regime changed, the government responded to film policy change, and what influence this had on the film industry. This chapter will question what the political intentions, if any, were behind the government's subsidy of the film industry. In additional to outlining the history of the subsidy policy and discussing the political intentions behind the subsidy policy, I shall discuss the criticisms of the subsidy policy and the debates that the policy prompted. Furthermore, I will evaluate what this policy achieved and analyse the latest changes.

Chapter Six will discuss the film industry and film policy in Hong Kong. If the main film policy in Taiwan is censorship and subsidy, the film policy in Hong Kong is licence-based regulation. The Hong Kong government believes in a laissez-faire approach and regards a film as a commercial product. The governments' attitudes and policies in these two places are completely different, and they lead the film industries in opposite directions. The Hong Kong film industry also had a recession in the 1990s, which happened at a similar time to that in the Taiwanese film industry. However, the Hong Kong government was aware of the decline in the film industry and started to establish film funding in 1999. The film funding was established 10

years later than Taiwan's film subsidy. I will analyse the film funding in Taiwan and in Hong Kong and compare the government policy for Taiwanese cinema and for Hong Kong cinema in this chapter.

Finally, Chapter Seven summarises the overall findings. After examining the development of the film industries in Taiwan and Hong Kong using the political economy approach, the thesis will here offer a summary of the strengths and weaknesses of the film industries in Hong Kong and Taiwan, in order to provide some suggestions for future development. The government film policy had a great impact on the Taiwanese film industry in the 1990s. The film policy not only changed the development and direction of Taiwanese cinema, but also influenced the image of Taiwan in the international film arena. The Taiwanese government's political ambition led Taiwanese film towards realism and art film aesthetics and away from entertainment and economic aims. Furthermore, I will discuss how the Taiwanese and Hong Kong film industries can be integrated into the global film market. In addition to the aforementioned objectives, my research aim is to rethink the future of Taiwanese cinema and to map a new film empire – a "New Chinese Cinema" – for the twenty-first century.

1.2 Theoretical and Analytical Framework: The Political Economy Approach

Mapping Political Economy

This section presents an overview of political economy, as well as providing a model (an approach) to analyse the Taiwanese film industry in the 1990s, especially the role of government in the film industry. I will start with a brief history of political economy and will illustrate the political economy of communication. Furthermore, the key elements of political economy will be discussed and applied in order to

analyse the film industry. Finally, the relationship between the government and the film industry (media and state) will be analysed in order to understand the effects of film policy on the development of the film industry in Taiwan in the 1990s.

The History of Political Economy

The foundation of political economy can be traced back to the eighteenth-century Scottish enlightenment and to the English moral philosophers' debate in the nineteenth century.[34] Political economy contains elements of economics, politics and sociology, and cultural and policy studies. Adam Smith, John Stuart Mill and Karl Marx attempted to look at social relations from a holistic perspective and to understand the interaction between economic structures and political life using historical, moral and philosophical principles. Political economy was also used to respond to the rise of capitalism and mercantilism and to the resultant problems for the nation and markets.[35]

Classical economists, such as Adam Smith, defined political economy as the study of the allocation of resources, with the emphasis being on the function of the market. An individual can express demands or wants in the "marketplace". Smith opposes intervention by the state in the economy and mercantilism. This view stands for a free economy and no regulation in the free market. Classical economy generally focuses on the four components that comprise political economy research – historical analysis, social totality, moral philosophy and praxis – with a consistent focus on social concerns.[36]

However, the focus on economics changed during the nineteenth century, and this fundamental change was also revealed in the name of the subject. The name changed

[34] Mosco, *The Political Economy of Communication*, p. 39.
[35] Peter Golding and Graham Murdock, 'Capitalism, Communication and Class Relations', in *Mass Communication and Society*, ed. by James Curran, Michael Gurevitch and Janet Wollacott (London: Edward Arnold, in association with Open University Press, 1977), pp. 12–43.
[36] Mosco, *The Political Economy of Communication*, p. 18.

from political economy to economics and the field shifted its concerns from moral philosophy to individual pleasure. In response to classical economics, neo-classical economists, such as William Stanley Jevons, described economics as the study of "the mechanics of utility and self-interest":

> To satisfy our wants to the utmost with the least effort — to procure the greatest amount of what is desirable for the expense of the least that is undesirable — in other words, to maximize pleasure, is the problem of economics.[37]

Neo-classical economics introduces the concept of "marginal utility" to economic analysis and seeks to identify the principle of equilibrium. Its emphasis is on transforming economics by using mathematical formulae and on becoming an economic science by studying market behaviour as part of an experiential investigation. The standard for measuring the value of goods or labour is the utility of the marginal unit. Alfred Marshall formulated these insights and developed the neo-classical system. The key point of this system is that market price is determined at the intersection of a downward sloping demand curve and an upward sloping supply curve.[38] However, neo-classical economics gives up the four beliefs of classical economics. It is devoted to analysing the market price and now occupies the mainstream of economics.[39]

Also in response to classical economists, neo-classical economists retain the four components of historical analysis, social totality, moral philosophy and praxis, which become the basis for contemporary political economy. Different sociologists and scholars have developed different approaches to political economy, according to their own interests and concerns, such as Marxist political economy, neo-conservatism, utopian socialism, institutional political economy, public choice political economy, constitutional political economy, feminist political economy and environmental political economy. In short, contemporary political economy is a

[37] William Stanley Jevons, *The Theory of Political Economy* (New York: A. M. Kelly, 1965), p. 101.
[38] Alfred Marshall, *Principles of Economics* (London: Macmillan, 1961, orig. 1890).
[39] Mosco, *The Political Economy of Communication*, pp. 47–48.

multidisciplinary subject that includes contemporary economics, politics, sociology, policy study, and so on. It integrates various kinds of themes from different subjects.[40] In communication studies, some scholars have taken the institutional approach: a radical, critical or Marxist political economy tradition that analyses the media and the powerful control and structuring of production. This approach in communication studies has been referred to as "the political economy of communications".[41]

The Political Economy of Communication

As the political economist of communication Vincent Mosco points out:

> Political economy and communication studies are considered entry points to examine the broad scope of social life. The political economy approach to communication is one starting point or gateway among a range of others, such as cultural studies and policy studies, major approaches that reside on the borders of political economy.[42]

Furthermore, "The political economy approach is also distinguished by the many schools of thought that guarantee a significant variety of viewpoints and vigorous internal debates."[43] This approach can be used to analyse the film industry from an interdisciplinary perspective – taking into account cultural, political and economic view points – and to gain a better understanding of the bigger picture of the development of the film industry.

Vincent Mosco defines political economy as "the study of the social relations, particularly the power relations, that mutually constitute the production, distribution,

[40] Ibid.
[41] Janet Wasko, 'Studying the Political Economy of Media and Information', *Comunicação e Sociedade*, 7 (2005), 25–48 (p. 26).
[42] Mosco, *The Political Economy of Communication*, p. 3.
[43] Ibid., p. 17.

and consumption of resources".[44] In the political economy of communications, the emphasis is on social relations, the power to control people, processes, production, distribution and consumption.[45] When this perspective is adopted to look at the film industry, the focus is on production (who has the power to produce the films), distribution (who controls the retailers or distributors of films), and consumption (who purchases these films in the marketplace). The political economy of communications emphasises "the institutional circuit of communication products".[46] Nicholas Garnham offered the following clear interpretation: "In order to understand the structure of our culture, its production, consumption and reproduction and of the role of the mass media in that process, we need to confront some of the central questions of political economy in general."[47] In order to clarify the definitions of critical political economy in communications and help people to understand this approach, Mosco describes the four central characteristics of political economy, as follows.

(1) Social change and history

Research in the political economy of communication is based on historical materialism and focuses on the process of social transformation. It looks into the contemporary transformation of cultural production in the context of the history of capitalism and also surveys the challenges related to its history.[48] As Ingram points out, "societies are subject to a process of development" and "no social fact can be really understood apart from its history",[49] and political economy has a tradition of examining social change and historical transformation and paying attention to the relationship between social structure and social reproduction.

[44] Ibid., p. 25.
[45] Ibid.
[46] Ibid.
[47] Nicholas Garnham, 'Contribution to a Political Economy of Mass Communication', *Media, Culture and Society*, 1 (1979), pp. 123–146 (p. 129).
[48] Mosco, *The Political Economy of Communication*, p. 27.
[49] John Kells Ingram, *A History of Political Economy* (London: A & C Black, 1923), p. xviii.

(2) The social totality

The political economy of communications emphasises holistic analysis and has roots in the analysis of social totality. This means that the research moves its focus from the realm of exchange to the analysis of ownership and production under the system of the cultural industry. Mosco states that political economy is "the study of the rules governing the connection between individual and institution".[50] The political economy approach can be applied to all forms of social behaviour and the social arena in general. Understanding social totality means understanding the connections among the political, the economic and the cultural.

(3) Moral philosophy

The most important feature of the political economy of communication is that it goes beyond the issue of benefit and is concerned with the basic moral issues of justice, equality and public interest. In an ideal situation, the media is a public forum and helps to enforce a citizen's rights. However, this is an ideal that is not often realised and that does not acknowledge the conflicts between investors, media owners and citizens. Furthermore, public debate tends to emerge with the development of the middle class; the working class, females and other minority groups, which have few opportunities to engage in the debate, are usually excluded. Despite its defects, political economy still stresses the importance of keeping and extending public areas and maintaining equal opportunities to express opinions.[51]

(4) Praxis

Drawing inspiration from moral philosophy, political economists expect there to be a surmountable distinction between research and social intervention. They think the aim of research is not simply to present social reality but also to constitute a process of questioning and reviewing analytical objectives. They

[50] Mosco, *The Political Economy of Communication*, p. 30.
[51] Ibid., pp. 21–22.

suggest that a process of intervention, open to all, be established to correct the inequalities in the market that have arisen due to public interest.[52]

These four characteristics outlined clarify the nature of the field of political economy and suggest the ways in which the research can engage with other approaches, such as political, economic, social and cultural analysis.[53] As mentioned earlier, Peter Golding and Graham Murdock also defined political economy as holistic, historical, concerned with the balance between private capital enterprises and public intervention, and concerned with drawing attention to basic moral questions, such as justice, equality and the public good.[54] This definition broadens the scope of the political economy of communication. In short, the political economy of communication takes a holistic and historical approach in order to examine social change and the nation; study the relationship between private enterprises and government intervention, institutional structures and social relations; and engage with policy issues and moral questions. Ultimately, political economists aim to achieve social change and changes in practice. This approach can be applied to my study of the Taiwanese film industry. Examining social change and the nation contributes towards a better understanding of how governments intervene in private film enterprises and of the nature and purpose of policy-making. Hence moral principles can be adopted to engage with policy issues.

Furthermore, in 1996, Mosco redefined political economy and generalised three important concepts for the political economy of communication: (1) commodification, (2) spatialisation, and (3) structuration.[55] He also discussed the relation between political economy and cultural and policy studies, and synthesised this approach with other disciplines in communication research. I will interpret these

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[52] Vincent Mosco, 'Transforming Telecommunications', in *Illuminating the Blindspots: Essays Honouring Dallas W. Smythe*, ed. by Janet Wasko, Vincent Mosco and Manjunath Pendakur (New Jersey: Ablex Publishing, 1993), p. 351.
[53] Mosco, *The Political Economy of Communication*, p. 17.
[54] Peter Golding and Graham Murdock, 'Culture, Communication, and Political Economy', in *Mass Media and Society*, ed. by James Curran and Michael Gurevitch (London: Edward Arnold, 1991), pp. 15–32.
[55] Mosco, *The Political Economy of Communication*, p. 138.

three concepts briefly in the following section and discuss the interaction between political economy and other disciplines in a later section.

(1) Commodification

Capitalist society is established on the privatisation of property and the production of commodities. The concept of commodification permeates every social level. It forms a commercial structure for every stage. It transforms the media, politics, culture, leisure, education and sports into various kinds of commodities. It is like Marx's idea of an "immense collection of good".

In relation to the process of commodification in the capitalist system, Dallas Smythe came up with the idea of "the audience commodity". This refers to the fact that while media companies produce media content to attract audiences, at the same time the companies regard the audiences as a commodity to sell to advertisers. The audience members work for the media company (by watching television, listening to the radio, etc.) in addition to carrying out their official work and they themselves are commodities which are sold to advertisers.[56]

(2) Spatialisation

The concept of spatialisation refers to the progress of information technology and communicational implementation that promotes the growth of global networks. Furthermore, it links the circulation of information and commodities in different cities around the world. Spatialisation also functions to give individuals who are in central regions more power to control the network of global circulation.[57]

(3) Structuration

[56] Dallas W. Smythe, 'Communications: Blindspot of Western Marxism', *Canadian Journal of Political and Social Theory*, I (1977), pp. 1–27.
[57] Saskia Sassen, *The Global City: New York, London, Tokyo* (Princeton, NJ: Princeton University Press, 1991).

> Social life and change comprise structure and action. People act inside the structure but their actions will remake the structure. This is the meaning of structuration. The political economy of communication uses the concept of structuration to examine gender, race and, in particular, social class. It analyses the meaning of class power and reviews how the capitalists from an elite class produce and reproduce the control of the communication industry. In addition, it also criticises the form of those upper classes.[58]

Mosco thinks that political economy is concerned with social relations, particularly the power relations that mutually constitute the production, distribution and consumption of resources. He argues that the political economy of communication is mainly concerned with the role of "power" in the relations between production, distribution and exchange in the media industry. Furthermore, the political economy of communication approach examines historical transformation to analyse social relations and social changes under the terms of social totality.[59] Political economists tend to concentrate on a specific set of social relations organised around power or the ability to control other people, processes, and things, and even to confront resistance. The political economy of communication approach looks at shifting forms of control along with production, distribution, and consumption. Moreover, as Golding and Murdock have pointed out, the political economy goes "beyond technical issues of efficiency to engage with basic moral questions of justice, equity and the public good".[60] Political economists of communication have a strong belief in emphasising moral philosophy to question powerful private interests.[61]

In conclusion, the political economy of communication focuses on analysing the structure of power operations and examining how power transfers in the process of communication and the commercialisation of social relations. It emphasises the reality of a global political economy which relies on the development of

[58] Mosco, *The Political Economy of Communication*, p. 213.
[59] Ibid., pp. 25, 89.
[60] Golding and Murdock, 'Culture, Communication, and Political Economy', p. 18.
[61] Mosco, *The Political Economy of Communication*, pp. 36–37.

communication technology and pays attention to the phenomenon that multinational media enterprises gradually assume control of the systems of communication.[62]

If a society is regarded as a "totality", then the effects of political systems should be brought into the analysis of the film industry. The main political analytical unit is the state (nation). Taiwan has been administered by various forms of authoritarianism for several hundred years,[63] and during that time the government has intervened in and controlled the cultural industry at every level. The declaration of the end of martial law in 1987, and the regime's slow edging towards democracy in the 1990s, mirrored the collapse of authoritarianism and the rise of a market economy. However, the relationship between the nation, domestic capital and multinationals is still a big issue even today. The political and economic sectors are both essential considerations in the analysis of the development of the film industry in Taiwan.

The object of the political economy of communication is to investigate what kind of role power plays in media production, distribution and exchange. With reference to the discussions above, this thesis will take a critical political economy of communication approach in order to analyse the evolution of the Taiwanese film industry and the role of the government in the history of film. Two important scholars in the political economy of communications, Peter Golding and Graham Murdock, indicated in the 1970s that the starting point of the political economy of communication is to realise that, first and foremost, the mass media are commercial organisations for the production and distribution of a commodity. The next point concerns ideology.[64] They believe that the only way to understand the mass media in a capitalist society is to start by analysing the economy.[65] However, they also emphasise the analysis of ideology, but only through investigating how ideology is

[62] Vincent Mosco, *The Digital Sublime: Myth, Power, and Cyberspace* (London: MIT Press, 2004).
[63] Authoritarianism in Taiwan can be traced back to the Ming Dynasty. After the Kuomintang took over Taiwan in 1949, the nation remained under martial law until the regime changed step by step towards a democracy after 1987.
[64] Peter Golding and Graham Murdock, 'For a Political Economy of Mass Communication', in *Socialist Register*, ed. by Ralph Miliband and John Saville (London: Merlin Press, 1974), pp. 205–206.
[65] Golding and Murdock, 'Capitalism, Communication and Class Relations', pp. 12–43.

made concrete through production. At the same time, these scholars of the political economy of communication think the role of the nation is very important, but that the power of the nation should not be exaggerated. They think a nation should be perceived in terms of the world system of capitalism[66] and view its power as a public intervention in cultural production.[67]

Golding and Murdock identify four characteristics in their approach to the political economy of communication. The first characteristic of the political economy of communication is that it is a holistic approach. The research takes economic analysis as a starting point, but it does not exclude analysis at other levels, such as political analysis or ideological analysis. The research focuses on the interaction between various social entities, and on power. It focuses not only on how macroeconomic power forms specific micro-situations, but also on how communication activities are designed or restricted in situations where material and symbolic resources are not distributed equally. Another scholar in political economy studies, Janet Wasko, refers to the society of capitalism as a "structured totality".[68] One of the first scholars of political economics, Dallas W. Smythe, argues that the questions that need to be answered in communication are when, from whom, on what occasions, and how to obtain finance and labour, and when, from whom, on what occasions, how and in what ways to offer finance and labour.[69] The same is true, no doubt, in the case of the Taiwanese film industry. That is to say that we must look more carefully into the role that the government plays and investigate when, in what situations and how the government controls the resources of the film industry and in what ways and how the government offers films to audiences.

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[66] Peter Golding and Graham Murdock, 'Ideology and the Mass Media: The Question of Determination', in *Ideology and Cultural Production*, ed. by Michele Barrett et al. (New York: St. Martin's Press, 1979), pp. 198–224.
[67] Golding and Murdock, 'Culture, Communication, and Political Economy', pp. 15–32.
[68] Janet Wasko, 'What's So "New" About the "New" Technologies in Hollywood? An Example of the Study of the Political Economy of Communication', in *Rethinking Communication. Vol. II: Paradigm Exemplars*, ed. by Brenda Dervin, Lawrence Grossberg, Barbara O'Keefe, and Ellen Wartella (Newbury Park, CA: Sage, 1989), p. 475.
[69] Dallas W. Smythe, 'On the Political Economy of Communications', *Journalism Quarterly*, 37 (1960), pp. 563–572.

Secondly, research into the political economy of communication is historical. Relating my discussion to historical materialism, I will look at the change in contemporary cultural production under the historical progress of capitalism. This progress may be considered under the following headings: the growth of media, the expansion of media enterprises, the commodification of culture and the change in the interventional role of the nation and government.[70] In respect of these points, we must draw attention to the evolution of media and the way in which new technology has affected the film industry; the change in film enterprises before the 1990s; the position and purpose of film in history and how it became a cultural commercial product; and the level of the nation's intervention.

Thirdly, research in the political economy of communication concerns the balance between private capital enterprises and public intervention. The nation plays an important role in coordination in a capitalist society. In the view of Marxism, a capitalist state must serve the interests of the bourgeoisie (masses). Even if we sympathise with the behaviour of the contemporary nation, we cannot also look for a solution suiting individualism or the free market. Scholars in political economy believe that the only way to redress abnormality and an unbalanced situation in a market system is by public intervention with the purpose of public service.[71] This offers the key to an understanding of the role of the Taiwanese government over the past few decades. Due to a history of authoritarianism, since martial law ended in 1987 there has been a tendency to dislike governmental intervention, and a preference for the operation of free market forces. Special emphasis may be laid on the trend towards detesting or attempting to subvert the role of the government and appeasing the rise and expansion of private capitalists, either unwittingly or deliberately, which is not very good for national development. It will be useful to keep in mind this tendency, which Golding and Murdock refer to as the function of nation and public intervention, as I examine the role of the Taiwanese government in the film industry.

[70] Golding and Murdock, 'Culture, Communication, and Political Economy', p. 19.
[71] Ibid., p. 21. Nicholas Garnham, 'Public Service Versus the Market', *Screen*, 24 (1983), pp. 6–27.

Fourthly, and possibly most importantly, research in the political economy of communication pays attention to basic moral questions, such as those of justice, equality and public welfare, more than technological issues and the concern with "efficiency" emphasised by many economists. Scholars of the political economy of communication believe that the system of mass media should provide people with easily obtainable, convenient information, allowing them to learn about their environment, both locally and globally. At the same time, such scholars argue, the mass media should offer diverse opinions and debates on public issues to help people make free choice. [72] Furthermore, researchers also criticise cultural penetration at various levels in contemporary society, and expose contradictions within the process of ideological production. Janet Wasko suggests these critiques could offer a strategy of potential intervention, opposition, and transformation. [73] The Taiwanese film industry was infiltrated extensively in the 1980s by Hollywood films and, at the same time, there was an important movement called the "Taiwanese New Cinema" in the late 1980s that became an alternative mainstream in the domestic film market. The argument about cultural infiltration by Hollywood films would be accepted as the main reason for the decline of the Taiwanese film industry by most scholars, but it leaves unanswered the question of how the government was involved in the Taiwanese New Cinema movement from the late 1980s.

This is an important matter to stress. Acknowledging the importance of the element of moral philosophy in the political economy of communication, the questions to address are: how did the government control domestic film resources, and what kinds of films were provided for audiences? Did audiences have an adequate choice of domestic films? If not, how did the government react to this? If the Taiwanese government regards film production as a diplomatic channel that can play a role in international activities, how did this policy affect the development of the Taiwanese film industry? I shall consider the diplomatic function of film production and

[72] Golding and Murdock, 'Culture, Communication, and Political Economy', p. 22.
[73] Wasko, 'What's So "New" About the "New" Technologies in Hollywood?', p. 477.

examine the government's intervention in the film industry and its attempts to find a feasible strategy for changing the situation.

In the next section, I will develop the perspectives of political economy in relation to the media and film industry more fully, and apply this approach to analyse the Taiwanese film industry.

Political Economy of the Media Industry

The concept of the political economy of communication leads us further into a consideration of political economy in the media industry.

The political economy scholars Golding and Murdock claim that the mass media is a commercial organisation for producing and distributing commodities under the economic system of capitalism. On the other hand, the cultural industries (such as newspapers, advertising, television, film and music) have many characteristics similar to those of the manufacturing industries and fuse with the capitalist structure. The system of mass media has dual features and has become one part of the cultural industry. On the other hand, the media displays visions and images to audiences and plays a key role in shaping people's perceptions of the world.[74] The media industry is part of our everyday lives and the system of communication has also become part of the cultural industry.[75]

The media industry advanced and developed after World War II, and many scholars of the political economy of communication started to pay attention to this field, investigating the ownership, control, distribution and production of the media, and, furthermore, the connections between political, economic and cultural perspectives.

[74] Oscar H. Gandy Jr., 'The Political Economy Approach: A Critical Challenge', *Journal of Media Economics*, 5 (1992), pp. 23–42.
[75] Ibid., p. 36.

The capitalist system usually produces content that fits in with the taste of the masses and contemporary values to attract the greatest number of consumers and facilitate the most advertisements. Scholars of the political economy of communication are concerned with the economic structure of media production and interpret who is interested in the media work and who controls and produces the message. In other words, the media are perceived to operate their business concentrically and diversely and to gradually monopolise the market by analysing the ownership and control of the media.[76] The Hollywood film industry is a good example of a media enterprise that monopolises the market (in this case the global film market).

McQuail expounds further on this issue and points out that it seems that we look at mass media as a social structure and not as an industry. In fact, he thinks that the mass media has become more and more like an industry, instead of only a social structure. Thus, we need to make use of political analysis, socio-cultural analysis and, most importantly, economic analysis to understand the power and main principles of the media structure.[77] The media are plural, and therefore represent numerous industries with divergent aims.

However, scholars of communication and cultural studies usually criticise scholars of political economy because they think economics prevails every time and in every case. In response to this criticism, Golding and Murdock provide a good explanation; they point out that the approach of political economy focuses on the communicational interactions between economic organisation, political, social and cultural life and the academic tradition of political economy, following from the thoughts of Marx. But the main concept of political economy does not adopt the viewpoint of Marxism, which links everything with economic elements and holds that the economic decision is final.

[76] Murdock and Golding, 'Capitalism, Communication and Class Relations', pp. 12–43.
[77] Denis McQuail, *McQuail's Mass Communication Theory*, 4th edn (London: Sage, 2000), p. 154.

The economic situation is therefore a very important aspect of communication activities; however, economic elements fail to provide a complete explanation of communication. Though scholars of political economy emphasise economic analysis, they disagree about the issue of economic reductionism.[78] Murdock thinks that the purpose of the media industry is to produce commercial goods, but also that the industry has a cultural meaning. Research in the political economy of communication should comprise the fields of both economics and ideology; otherwise, it cannot view the whole picture.[79] For film studies, political economy provides an insight into social change, economic factors and movement related to the film industry. It is of use to film studies not focusing on micro-analysis but mapping the film industry with macro-analysis.

Cultural studies scholars think that the nation plays a key role in the social structure and maintains social rationalisation, and they only analyse the relationship between the media and the nation. Taking a different perspective, scholars of the political economy of communication also think that the nation is an important analytical point, but they view the nation in the context of the economic structure of global capitalism within the world system.[80] They emphasise the movement of domestic and transnational capital and, by paying attention to this process, can tell much about the role and importance of the nation.

The political economy approach provides the first step in researching cultural production, because it enables an analysis of the production and consumption of the communication industry. To understand the essence of the development of the media, the economic structure – and the relationship with production – needs to be analysed first. Furthermore, Golding and Murdock pointed out that the starting point of the political economy of communication is the realisation that mass media is, first and foremost, a commercial organisation for producing and distributing goods. To

[78] Golding and Murdock, 'Culture, Communication, and Political Economy', p. 18.
[79] Peter Golding and Graham Murdock (eds), 'Introduction: Communication and Capitalism', *The Political Economy of the Media* (Cheltenham: Edward Elgar, 1997), pp. xiii–xviii.
[80] Murdock and Golding, *Capitalism, Communication, and Class Relations*, pp. 12–43.

understand the problem of ideology adequately, it is necessary to understand the message presented by media production and the movement and context of political economy.[81]

In short, the political economy of communication includes an understanding of the structure of power operations and how power related to both the process of communication and the commercialisation of social relations. It emphasises the reality of a global political economy which relies on the development of communication technology, and pays attention to the phenomenon whereby multinational media enterprises gradually assume control of the systems of communication. It is also concerned with how a global economic environment is controlled by individual syndicates, governments and supranational organisations, such as the WTO, and, furthermore, it examines class formations in relation to global and local power.[82]

Political Economy Applied in Recent Media Study

Janet Wasko

Janet Wasko uses the political economy of communication to analyse the Hollywood film industry, including the issues of structure, policies, new technologies in Hollywood and labour and the working class in the media industry. Examples of her studies include *Hollywood in the Information Age: Beyond the Silver Screen*,[83] *Understanding Disney*[84] and *How Hollywood Works*.[85] She also edited several books in communication studies with renowned political economists, including *The*

[81] Graham Murdock and Peter Golding, 'For a Political Economy of Mass Communications', in *Social Register*, ed. by Ralph Miliband and John Saville (London: Merlin Press, 1974), pp. 205-234. Murdock and Golding, 'Capitalism, Communication, and Class Relations', pp. 12-43.
[82] Vincent Mosco, *The Digital Sublime: Myth, Power, and Cyberspace* (London: MIT Press, 2004).
[83] Janet Wasko, *Hollywood in the Information Age: Beyond the Silver Screen* (UK: Polity Press, 1994).
[84] Janet Wasko, *Understanding Disney* (Malden: Blackwell, 2001).
[85] Janet Wasko, *How Hollywood Works* (London: Sage, 2003).

Political Economy of Information with Mosco,[86] *The Contemporary Hollywood Film Industry* with Paul McDonald[87] and *The Handbook of Political Economy of Communications* with Murdock.[88] She points out that political economy is "much less common in film studies than in communications research"[89] and that somehow "film sometimes still represents 'only entertainment' ... [and] seems to receive less careful analysis than other forms of media or communications".[90] Wasko thinks it is important to study film within a wider capitalist system, to critique the unequal allocation of wealth and distribution of power and to "challenge the industry rather than accepting the status quo".[91]

Wasko applied the political economy approach to examine the Hollywood film industry and analyse production, distribution, exhibition and how to expand, promote and protect the industry. She thinks that the Hollywood film industry and its international expansion is a good case study that will help researchers better comprehend the development and evolution of globalisation in the media industry. Nowadays those multinational media cooperations not only produce films and other media products but also distribute those products and own the exhibition channels and outlets (one example is the Walt Disney Company).[92]

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[86] Vincent Mosco and Janet Wasko (eds), *The Political Economy of Information* (Madison: University of Wisconsin Press, 1988).
[87] Paul McDonald and Janet Wasko (eds), *The Contemporary Hollywood Film Industry* (Malden: Blackwell, 2008).
[88] Janet Wasko, Graham Murdock and Helena Sousa (eds), *The Handbook of Political Economy of Communications* (Malden: Blackwell, 2011).
[89] Janet Wasko, 'Critiquing Hollywood: The Political Economy of Motion Pictures', in *A Concise Handbook of Movie Industry Economics*, ed. by Charles C. Moul (New York: Cambridge University Press, 2005), pp. 5-31 (p. 25).
[90] Ibid., p. 26.
[91] Janet Wasko, 'The Political Economy of Film', in *A Companion to Film Theory*, ed. by Toby Miller and Robert Stam (Malden: Blackwell, 1999), pp. 221-233 (p. 228).
[92] Wasko, 'Critiquing Hollywood: The Political Economy of Motion Pictures', p. 27.

Toby Miller et al.: *Global Hollywood*

Toby Miller, Nitin Govil, John McMurria, Richard Maxwell and Ting Wang, also apply the political economy approach to analyse the Hollywood film industry. Instead of textual analysis of Hollywood cinema, he and other authors combine political economy, cultural studies and cultural policy approaches to analyse the Hollywood film industry in the book *Global Hollywood 2*. As they point out in the introduction:

> Because Hollywood's cultural products travel through time, space and population, their material properties and practices of circulation must be addressed in a way that blends disciplinary perspectives, rather than obeying restricted orders of discourse, be they dustily academic or utopically brassy.[93]

He and the other authors address the issues of distribution, exhibition, copyright, marketing and hidden government intervention and subsidies. These scholars think the success of Hollywood cinema cannot be simply explained by cultural imperialism and a laissez-faire market. There are other factors related to the expansion and success of Hollywood cinema. They explain the methodology of analysing Hollywood cinema:

> Instead, we address global Hollywood both theoretically and empirically, deploying a mixture of methods from screen studies (the left-liberal humanities bent to what are variously termed film, cinema and media studies) and communications (the radical end to social-science approaches), via an admixture of critical political economy and cultural studies.[94]

[93] Toby Miller, 'Introduction', in *Global Hollywood 2*, ed. by Toby Miller, Nitin Govil, John McMurria, Richard Maxwell and Ting Wang (London: BFI, 2005), pp. 1-49 (p. 5).
[94] Ibid., p. 6.

Miller and the other authors state that the "denial of the role of government"[95] should stop, emphasising the importance of the role of government in the film industry and the promotion of engaged policy analysis. They argue that the US government plays a key role in maintaining the success of Hollywood and helps Hollywood extend its business globally. They argue that "these *laissez-faire* shibboleths and Hollywood fictions woefully misread the constitutive nature of US governmental assistance to Hollywood".[96] The US film industry benefits from public policy, "tax-credit schemes, State and Commerce Department representation, [and] the Informational Media Guaranty Program's currency assistance".[97] Miller and the other authors provide an alternative view of government in film studies. Their research is conducted on both macro and micro scales, and it considers global capitalism, national ideology and local work in relation to film studies.

Koichi Iwabuchi: *Recentering Globalization*

Koichi Iwabuchi analyses Japan's perception of "Asia", the complexity of its national/cultural identity, how Japanese cultural products (popular music, television drama) are popular in East Asian countries and how "Asian" popular culture (especially Hong Kong popular culture) is perceived in Japan. Iwabuchi explains how Japan regarded itself as being more important than other Asian countries and separated itself mentally from the discourse of "Asia". Japan has constructed its national/cultural identity in relation to a "modern" and "developed" Western world and against a "traditional" and "underdeveloped" Asian context.[98] Iwabuchi argues that "No matter how strong its economy becomes, Japan is culturally and psychologically dominated by the West."[99]

[95] Ibid., p. 43.
[96] Ibid., p. 96.
[97] Ibid., p. 96.
[98] Koichi Iwabuchi, *Recentering Globalization: Popular Culture and Japanese Transnationalism* (Durham: Duke University Press, 2002), p. 7.
[99] Ibid., p. 2.

However, through interactions with other Asian countries and owing to the economic rise of "Asian values", Japan has developed a complicated ideology of a "return to Asia", which has had an impact in the cultural sphere in other Asian countries.[100] Reconsidering its position in Asia has led Japan to restructure its national/cultural identity. As Iwabuchi points out, "Japan's modern national identity has … always been imagined in an asymmetrical totalizing triad between 'Asia,' 'the West,' and 'Japan.'"[101] (Taiwan provides an interesting point of comparison, because its national identity has been ambiguous between "China" and "Taiwan", and it has culturally been more receptive to the "Japanese" than the "Chinese", because Japan presented itself as a modern and westernised society.)

Iwabuchi uses the term "transnationalism" to analyse the export of Japanese culture and to examine the state role in transnationality and rethink contemporary Japan.[102] Transnationalism addresses local context and cultural flow beyond national boundaries. Iwabuchi claims the growing interest in Japanese culture also acts to raise Japan's cultural position in Asia.[103] He points out that:

> the transnationalization of Japanese popular culture has not simply regenerated a conception of Japan's leading position in Asia, it is also conveniently regarded as helping Japan suppress and overcome its historically constituted, problematic, and uneven relationship with other Asian nations.[104]

Owing to the spread of Japanese popular culture in other Asian countries, Japan has reconsidered its position in Asia and restructured its national/cultural identity since the 1990s. Meanwhile, Taiwanese New Cinema started to challenge Taiwanese national/cultural identity, and some films during this period started to address local Taiwanese society, dialect and culture. In 1949, the Kuo Min Tang (KMT)

[100] Ibid., p. 5.
[101] Ibid., p. 7.
[102] Ibid., p. 52.
[103] Ibid., p. 17.
[104] Ibid., p. 53.

government lost the civil battle with Communists in China and retreated to Taiwan. The KMT government originally planned to regain the lost territory in China and regarded Taiwan as a temporary base. Therefore the KMT government had emphasised Chinese culture/identity and used Mandarin as the official language. For decades, Taiwanese local culture was hidden behind a big Chinese map. Some films of the Taiwanese New Cinema questioned the confused national/cultural identity of Taiwan, which culturally and historically has been related to China but which politically, geographically and practically had been independent from China since 1949. (I will address this issue more thoroughly in Chapter Six, when I analyse the relationship between Taiwan, Hong Kong and China.)

Iwabuchi provides an alternative approach to review national/cultural identity through popular culture products. The growing interest in Japanese cultural products in other Asian countries made Japan rethink its position in Asia and regain its ideology of superiority.[105] Meanwhile, the growing interest in local Taiwanese culture and language expressed in cultural products made Taiwan rethink its national/cultural identity. Furthermore, these cultural products received international awards that benefited Taiwan and enabled it to regain a position in the international arena.

David Hesmondhalgh: *The Cultural Industries*

David Hesmondhalgh's cultural industries approach combines a political economy approach with aspects of cultural studies, sociology, communication studies and social theory to provide an overview of the key debates surrounding cultural production and consumption. He considers both the entertainment and the information sectors and combines analysis of the contemporary scene with a wide-ranging historical perspective that draws on examples from around the world. Comparing the cultural industries approach with the traditional political economy

[105] Ibid., p. 17.

approach, Hesmondhalgh argues that the former allows "for complexity, contestation and ambivalence in the study of culture".[106] He points out that the cultural industries approach is more suited to dealing with issues of "contradiction, the specific conditions of cultural industries, tensions between production and consumption, symbol creators, information and entertainment and historical variations in the social relations of cultural production".[107] Furthermore, Hesmondhalgh analyses the cultural industries through assessing change and continuity and discussing changes of policy in regulation, ownership, organisation and new media emergence.

The "cultural industries" approach represents a move beyond the Frankfurt School "cultural industry" approach. Cultural industries scholars have had different views from those of the Frankfurt School (Theodor Adorno and Max Horkheimer). They have made two main arguments. First, Walter Benjamin and Bernard Miège contended that industrialisation and new technology not only led to commodification in cultural production but also resulted in new innovation.[108] They did not share Adorno and Horkheimer's cultural pessimism. Second, cultural industries scholars regard the cultural industries as a contested, unstable zone. They are interested in how capitalism extends its power to the field of culture. Adorno and Horkheimer thought that, on the contrary, culture had been taken over by capitalism and the contest had been lost.[109]

Nowadays cultural products have become more complex, and easily and rapidly circulate globally via various new communication technology. As Hesmondhalgh points out "there are more and more products of all kinds, across a wider range of genres and across a wider range of forms of cultural activity".[110] The economic scale of cultural industries is getting significantly bigger and is having an ever greater impact on a country's economic activities. Due to the complex nature of cultural

[106] David Hesmondhalgh, *The Cultural Industries* (London: Sage, 2002), p. 33.
[107] Ibid., pp. 33-35.
[108] Ibid., p. 16.
[109] Ibid., p. 16.
[110] Ibid., p. 2.

products and the rapid development of new technology, "cultural policy and regulation have undergone significant shifts".[111]

In these circumstances, the roles of the nation and of government policy become essential elements to consider when analysing the cultural industries. Hesmondhalgh focuses on government communications policy and analyses the changes in governments' communications policies in the 1980s and 1990s. In particular, changes were made to encourage the development of the commercial cultural industries; these included the privatisation of public corporations and the unbinding of the regulation of media and culture. Changes "continue today, across all these regions/polities, concerning the convergence of the cultural industries with telecommunications and computers sectors".[112] By analysing changes in policy and the government's role, Hesmondhalgh provides a better understanding of the nation's positioning by the cultural industries.

Hesmondhalgh's clearly written, thoroughly argued overview of political-economic, organisational, technological and cultural change represents an important intervention in research on cultural production. A combination of a cultural industries approach and a political economy approach will form the methodological platform of this thesis. The thesis adopts the political economy approach to analyse the film industry within a wider political, economic and social context. It also adopts historical and holistic perspectives and incorporates a cultural industries approach, examining film policy and the government's role via an assessment of change and continuity. The government's film policy will be analysed and considered in relation to the growing importance of the cultural industries in order to create a new map of the contemporary Taiwanese film industry. This analysis will help to position the Taiwanese film industry in the global Chinese cultural industries market and will provide a consideration of film policy-making.

[111] Ibid., p. 2.
[112] Ibid., p. 9.

The Political Economy of Film Studies

The tradition of film studies has focused mainly on genres, individual films and directors, stars and the star system, and film styles and texts. Devoting attention to film as a business and to economic factors in media and film studies was something scholars started to do only in the 1980s. As Guback pointed out in his essay in 1978, film studies at this point did not pay much attention to the economics of film. He regarded the cinema as an economic institution and adopted an institutional approach to studying film which was not very common at that time.[113]

Media economics is another approach focusing on economic issues in communication studies that emerged in the late 1980s. Media economists focus on the success, profits and operation of media companies and consumers in the media market. According to Gillian Doyle, media economics "combines the study of economics with the study of media. It is concerned with the changing economic forces that direct and constrain the choices of managers, practitioners and other decision-makers across the media."[114] Robert Picard claims media economics "deals with the factors influencing production of media goods and services and the allocation of those products for consumption".[115] Media economists focus on issues of industry competition, strategy, pricing and trade and on the consumers and markets of media firms, but they do not emphasise the issues of ownership and control which political economists emphasise. Although political economists are concerned with economic factors in the media industry, they also emphasise a moral grounding and historical and holistic perspectives. However, media economists are inclined to conduct micro-analysis rather than macro-analysis of the political, economic and cultural arena. In short, media economics concerns "what is" in the

[113] Thomas Guback, 'Are We Looking at the Right Things in Film?', paper presented at the *Society for Cinema Studies Conference* (Philadelphia, Pennsylvania: Temple University, 1978).
[114] Gillian Doyle, *Understanding Media Economics* (London: Sage, 2002), p. 2.
[115] Robert Picard, *Media Economics: Concepts and Issues* (Newbury Park: Sage, 1989), p. 7.

economics of media firms, while political economy considers "what ought to be" in media ownership or control.[116]

Media economics can provide an insight into the operation of film companies, multinational trade and marketplace information that would be of use in analysing the Taiwanese film industry. However, it cannot map the development or the history of the film industry in terms of social change and movement. The development of the Taiwanese film industry is also a story of a shift in regime from autarchy toward democracy. This shift cannot be analysed looking only at economic factors and without paying attention to political and social change. The characteristics of political economy, as discussed previously, are social change, history, social totality, moral philosophy and praxis. A more comprehensive approach, considering these fundamental elements, is more suitable for studying Taiwanese cinema. Firstly, political economy regards films as commercial goods, and this definition is clearly relevant when considering the aims of the Taiwanese government. Secondly, as films are commercial goods, they have to be viewed within an industrial structure. We cannot ignore the economic aspects of a film (a commercial good) or neglect a film's production, distribution, exhibition or market. Thirdly, examining social change and movement is essential in developing an understanding of changes in the film industry and, more importantly, how the state is involved in the film industry and what film policies it makes during these changes.

These political, economic and cultural changes are interactive and related. An analysis of the development of Taiwanese film has to take into account the entire structure of political power (regime change, international exposure and film policy), economic factors (the market and globalisation) and cultural ideology (pro-China and pro-Taiwan). The political economy approach will be applied to analyse the development of the Taiwanese film industry within the broader social totality and in

[116] Douglas Gomery, 'Media Economics: Terms of Analysis', *Critical Studies in Mass Communication*, 6 (1989), pp. 43-60 (p. 58).

the context of other social relations. This approach will also question government intervention and policy from a moral standpoint.

Chapter Two
Historical Background

2.1 Historical Background of the Taiwanese Film Industry in the 1990s
2.2 The Development of the Taiwanese Film Industry in the 1990s
2.3 The New Media Technology and the Film Industry in Taiwan

After addressing the political economy model in analysing the film industry in the previous chapter, this chapter is going to focus on historical analysis of the Taiwanese film industry. By coming to understand the trajectories and development of the Taiwanese film industry, we may be better positioned to examine the social change and, in later chapters, to look at how these changes and interventions have influenced film policy.

One characteristic Mosco specifies in relation to political economy is social change and history, as I discussed in Chapter One. Social change is "located in the historical interaction of the economic, political, cultural and ideological moments of social life".[117] Political economy is a holistic and historical approach. In terms of analysing the film industry, it is necessary to explore the historical relationship between commodities and institutions – in other words, to examine the relationship between the films (commodities) and the institutions (who produces the films and who controls the film industry). As John Kells Ingram points out: "It is now universally acknowledged that societies are subject to a process of development, which is itself not arbitrary, but regular; and that no social life fact can be really understood apart

[117] Wallace Clement and Glen Williams, 'Introduction', in *The New Canadian Political Economy*, ed. by Wallace Clement and Glen Williams (Kingston: McGill-Queen's University Press, 1989), p. 7.

from its history."[118] This highlights the fact that it is impossible to do holistic research without examining historical development. First, I begin with a historical overview of the changing forms of the Taiwanese film industry, mainly in the 1990s, but also with a brief look at the 1980s. Secondly, I will explain the development of the Taiwanese film industry and discuss the film market in the 1990s. Finally, I will analyse the changes of the Taiwanese film industry in the 1990s, which have seen the emergence of a new era of Taiwanese cinema. Exploring the historical background of the Taiwanese film industry and the changes that have taken place in it will result in a better understanding of the change and continuity in the development of the film industry, and will enable an analysis of the government film policy, conducted in later chapters.

2.1 Historical Background of the Taiwanese Film Industry in the 1990s

Taiwanese society underwent many dramatic changes in the 1990s. After 1987, the government declared an end to martial law and the regime changed progressively towards a democracy. Gradually the government also lifted its censorship of the press. In the film industry, the trend of "Taiwanese New Cinema"[119] began in the 1980s but declined gradually in the 1990s. The Taiwanese film industry moved forward into a new epoch. Taiwanese directors, such as Ang Lee, Hou Hsiao-Hsien, Edward Yang and Tsai Ming-Liang, gained prominence on the international film

[118] John Kells Ingram, *A History of Political Economy* (London: A & C Black, 1923), p. xviii.

[119] Douglas Kellner defines the Taiwanese New Cinema as "an excellent series of films to explore social tensions and problems in cinematically compelling and often original ways, blending social realism with modernist innovation … several world-class directors have emerged including Hou Hsiao-Hsien, Edward Yang, and Ang Lee." Douglas Kellner, 'New Taiwan Cinema in the 80s', *Jump Cut*, 42 (December 1998), pp. 101–115 (p. 101). Kuan-Hsing Chen thinks Taiwanese cinema has a "strategic ideological function within the wider cultural history of Taiwan and, more precisely, its historical turn on the discovery and construction of the 'Taiwanese self'". Kuan-Hsing Chen, 'Taiwanese New Cinema', in *World Cinema: Critical Approaches*, ed. by John Hill and Pamela Church Gibson (New York: Oxford University Press, 2000), p. 174.

stage by attending international film festivals and receiving notable awards from around the world. Their efforts raised awareness of Taiwanese films in the international sphere. They extended their sphere of influence to the global movie market. Taiwanese New Cinema (sometimes called New Taiwan Cinema) has a diverse thematic focus, incorporating elements related to history, identity, nativism and politics. The emergence of Taiwanese New Cinema is not only attracting attention in the international film festivals, but is also a mirror reflecting changes in Taiwanese society during the 1980s and 1990s. Furthermore, it has influenced film policy in Taiwan over these decades.

In the first section of this chapter, the relationship between the Taiwanese government and the film market in the 1980s and 1990s will be briefly discussed. This is to provide a better understanding of the political changes during the 1980s and 1990s, and to give a clear big picture of the history in each decade. The second section will analyse the role of the government and the interaction with the film industry, examine the supply and demand of the film market, and discuss the current film market. The third section will discuss how the government acts as a medium for the film industry and what its effect will be, and will try to draw a complete picture to explain its evolution in the 1990s. An exploration of social changes and the government's interaction with the film industry will provide a profound understanding of these issues, which will enable the analysis of the government's film policy in the later chapters.

The National and Market Power in the 1980s

The Kuo Min Tang (KMT) government in Taiwan depended on America from 1949. From the beginning of the 1950s to the middle of the 1960s, America supported the KMT government in both economic and military affairs due to the Cold War. It resulted in Taiwan's reliance upon America, which continues to the present day. From a political perspective, the controversy of sovereignty lies between Taiwan and mainland China. This situation led Taiwan to struggle to find support from core

countries in international affairs. Taiwan tried hard to join many international organisations for the sake of breaking through disadvantageous international relations. The Taiwanese government strove to become members of international or regional economic organisations, for example, GATT and the WTO.[120] The government endeavoured to open markets and move towards economic liberalisation. From the middle of the 1980s, the Taiwanese government made concessions on economic issues under pressure from America, for example, reducing custom duties, lifting the restriction on imports, and opening the market for financial and domestic transportation, as well as the appreciation of the Taiwanese dollar. The preceding description shows that Taiwan followed the development of capitalism in the world system.[121]

Due to the change in the political situation in the 1980s (the government declared an end to martial law in 1987 and the regime moved progressively towards democracy), internal policy became linked with international trends. From 1949 the state, led by the KMT, encouraged the accumulation of capital, and the main national target was economic development. However, the authoritarian government started to lose authority due to rapid economic development. The counterforce against KMT government developed in the middle of the 1970s and gradually mobilised into larger numbers in the 1980s. The rising social movement demanded the liberalisation and democratisation of politics. Furthermore, issues about labour and environmental consciousness emerged. The movements challenged the legitimacy and authority of the state. Therefore, from 1987, the KMT undertook measures for liberalisation and democratisation, including declaring an end to martial law, terminating the restrictions on political parties and the press, and reintroducing election for the parliament. However, the scholar pointed out that the reformation of the KMT outlasted the ideology of martial law.[122] The KMT government attempted

[120] Taiwan became the 144th member of the WTO on 1 January 2002. Source: Chinese Industry, Commerce, Economy, Trade, Science & Technology Development Association: <www.icet.org.tw>.
[121] Industrial Economics & Knowledge Centre, Taiwan, *Strategy for the Development of Taiwanese Industry in 2015, Version 1.0*, February 2007, pp. 1–3. <http://cdnet.stpi.org.tw/techroom/keyfacts/pdf/00_policy_006.pdf> (accessed 20 January 2011).
[122] Huai-En Peng, *A Political Story of Taiwan* (Taipei: Feng Yun Lun Tan, 2008), p. 102.

to obtain support from all classes and groups in society. Nevertheless, the KMT government could not satisfy the people and the opposition parties, and it caused frequent social movements. At this key moment, the KMT government decided to cooperate with the capitalist system in order to maintain the accumulation of capital and social order. This direction was close to capitalism and linked with the trend of liberalisation and internationalisation in the world economy, which the core countries led

The media industries were at the vanguard of this restructuring of the world economic system. A great deal of the cultural products and information exported from the core countries were dumped on periphery countries in the name of the free circulation of information. The phenomenon of media imperialism gradually increased. In the interests of political correctness, the imperialist media used positive terms such as globalisation and internationalisation, adopting a positive ideology to replace the old type of imperialist ideology.[123] The media industries, led by the Hollywood film industry in America, are in an advantageous position. Therefore, the conflict between America and other central countries, especially Europe, is more acute than other periphery or semi-periphery countries.[124] In international trade, the media industry brings about multilateral relations. In domestic situations, imperialism is driven by the state, local capital, external capital and the elite from local society at specific times and places.[125] From a cultural point of view, it is not to say that Western values led by America are completely imported to periphery countries. However, it may be said that the production from capitalist countries has changed the ideology, consumption and culture in our social life.[126]

[123] Marjorie Ferguson, 'The Myth about Globalization', *European Journal of Communication*, 7 (1992), pp. 69–93.
[124] Tun Cheng, 'Rethinking of Communication Imperialism', *Contemporary Magazine*, 78 (1992), pp. 98–121.
[125] Colleen Roach, 'The Movement for a New World Information and Communication Order: A Second Wave?', *Media, Culture and Society*, 12 (1990), pp. 283–307.
[126] Sreberny-Mohammadi, 'The Global and the Local in International Communication', in *Mass Media and Society*, ed. by James Curran and Michael Gurevitch (London: Edward Arnold, 1991), pp. 130–134.

In terms of its media industry policy, Taiwan has been subject to the trend discussed above. Since the mid-1980s, on the one hand, the Taiwanese government has had to respond to the demands for democratisation by citizens. On the other hand, the government had a good relationship with the capitalists and maintained economic growth. The result was to carry out the policies for creating various kinds of mass media, such as lifting the ban on newspapers, opening satellite and cable TV, giving permits for the terrestrial channels, and so on. Feng Chien-San argues that the motive for these changes (such as lifting the newspaper ban and raising new technology), practically, is to allow capitalist expansion into the global market. He pointed out that capitalism goes deep into the media system, which was originally a public tool in society.[127] The KMT government monopolised political public power for forty years, but needed to change gradually in order to maintain its regime.

In the 1990s, new technology industries in Taiwan developed many media products. Foreign media products had had an advantageous position and occupied the domestic media market. This growth endangered internal cultural products. A neglected state media policy, local capital and overseas capital combined to create the phenomenon of media imperialism.[128] In the meantime, the ideology of globalisation and cultural pluralism also emerged.

The following section will discuss how the Taiwanese film industry was affected by the state and capitalism. Furthermore, this study will also analyse how the state intervenes in the film industry and the results of its influence.

Adorno and Horkheimer pointed out that most people think their demand is satisfied by the cultural industry, but that this demand is in fact satisfied in past by anticipation. Since people will always be consumers, they are objects of the cultural

[127] Feng Chien-San, *Information, Money and Power: Political Economy Study of Media Culture* (Taipei: China Times, 1992).
[128] Feng Chien-San, 'The Political Economy for Opening the Television Channels', *Research for Taiwanese Society*, 16 (1994), pp. 79–118.

industry.[129] Although people are actively consuming culture, the supply and demand is limited by the operation of the film industry in this instance and moulded by power at political, economic and cultural levels. Adorno and Horkheimer were critical of "pseudo individuality":

> The constant pressure to produce new effects (which must conform to the old pattern) serves merely as another rule to increase the power of the conventions … Pseudo individuality is rife: from the standardized jazz improvisation to the exceptional film star whose hair curls over her eye to demonstrate her originality … The defiant reserve or elegant appearance of the individual on show is mass-produced like Yale-locks, whose only difference can be measured in fractions of millimetres.[130]

The film industry is not only part of the cultural industry, but can also be an implement used by the state. The audiences regard a film as entertainment and think they have liberty to choose what they like to watch. However, individuality is pseudo because all consumption is controlled by the cultural industries. In addition, when the state uses films as political propaganda, the audiences' options are limited by the ruling party. In the following section, the method by which the Taiwanese government controlled the film industry in past decades shall be examined.

The Nation, Film Industry and Film Market

Before the 1980s, the Taiwanese film industry and film market were guided by the state. The government restricted and led the direction of the film market. Firstly, in general, the development of the nation was the top priority.. Secondly, in terms of the film policy, on the one hand, the government regarded a film as a propaganda machine and controlled the film industry by means of censorship, high customs duties, and intervention in film production; this happens, for example, when the state runs a film company to produce films with the same ideology as found in state

[129] Theodor W. Adorno and Max Horkheimer, *Dialectic of Enlightenment* (London: Verso, 1979), p. 142.
[130] Ibid., pp. 128, 154.

policies. On the other hand, the film market is open as a commercial system. The government has gradually relaxed its control of the operation of distribution and exhibition but retain control over the ideology and the content of films.

When the KMT government initially moved to Taiwan in the 1950s, the state-operated film company Central Pictures Corporation did not produce enough movies. The movies from the state-operated film company could not satisfy consumers and private production was not developed at that point.[131] A great deal of foreign films, especially American and Hong Kong films, were imported to Taiwan and catered to the demands of the market.[132] This situation started to open the Taiwanese film market to foreign films. Foreign films were imported and expanded their market share and power over the following fifty years.

The Historical Politico-Ideological Relationship Between Taiwan, Hong Kong and Mainland China in the Film Industry

The relationship between Taiwan, Hong Kong and mainland China has always been complex. Historically, the KMT government claimed its sovereignty in Taiwan, and the initial and official name of Taiwan is the Republic of China (ROC). Until September 2003, the Taiwanese passport used the term "Republic of China (Taiwan)" instead of "Republic of China". The confusion of Taiwanese identity has been debated for decades. After Taiwan was forced to withdraw from the United Nations in 1971, it struggled to regain international recognition. The Taiwanese government had been allied with Hong Kong against mainland China since the 1950s. Politically, Taiwan is an independent country but has been bullied by mainland China in international diplomacy. Receiving international awards from international film festivals became a form of cultural diplomacy and a strategy for regaining an international position for Taiwan. Ideologically, the KMT government came from mainland China and used to identify itself as Chinese rather than

[131] Tsai Kuo-Jung, *The Study of Chinese Artistic Cinema in Modern Times* (Taipei: Chinese Taipei Film Archive, 1985), p. 30.
[132] Lee Tain-Dow, *Taiwanese Cinema, Society and History* (Taipei: Asiapac Books, 1997), pp. 66–67.

Taiwanese. The identity and ideology of Taiwan became a topic of debate in the 1980s. Taiwanese New Cinema is one example of the emergence of Taiwanese ideology.

The Taiwanese government gave preferential treatment to Hong Kong films in terms of the import quota due to its close political relationship with Hong Kong. Until the Taiwanese government declared an end to martial law in 1987, films from mainland China were banned from being exhibited in Taiwan and cooperation was illegal.[133] Not only did Hong Kong film receive preferential treatment in terms of the import quota, but it was also financed by Taiwanese local capital during the 1990s. Furthermore, the Taiwanese film industry cooperated more and more with mainland China after 1987. At the beginning of the 1990s, the structure of the Chinese film industry was "Capital from Taiwan, leading workers from Taiwan and Hong Kong, landscape and labour from mainland China". By the end of the 1990s, the structure of cooperation could be described as "Capital from Taiwan, leading workers from Hong Kong and mainland China, landscape and labour from mainland China".[134] The relationship between Taiwan, Hong Kong and mainland China at the level of the film industry became closer in the 1990s.

The following section will discuss foreign, Hong Kong, and Taiwanese films in order to interpret the changes in the film market and the film industry.

Foreign Films

The first point to be discussed is foreign films. In the early 1920s (when Taiwan was occupied by Japan), circuit films appeared in Taiwan, and these films were mainly foreign. Circuit films were not shown in fixed places or at fixed times. They were shown in open spaces using temporary facilities or, if it was permitted, in existing

[133] Ibid., p. 211.
[134] Ibid., p. 216.

cinemas. These films were mainly Japanese, European and American.[135] After the outbreak of the Second Sino-Japanese war, the Japanese government banned the importation of Chinese films to Taiwan.[136] During this period, there were mainly American and a few other foreign films.[137] When the colonisation of Taiwan by Japan ended, the KMT government moved to Taiwan and took control. American films constituted over half of the film market during these decades. Although the KMT government carried out quota restrictions from 1945, the proportion of American films still exceeded fifty per cent of the market share in 1957.[138] It demonstrates that American films have had an advantage and influence in the Taiwanese film market through to recent times.

However, from the consumer perspective, American films were not the most popular in the early stages. In the period of the colonisation of Taiwan by the Japanese government (from 1895 to 1945), the films imported from China were the most popular. After the colonisation ended, the demand for Chinese-language films increased further.[139] This demand was related to the return of Taiwan and the identification with Chinese culture. After 1949, although the Chinese-language films made by state-operated film companies were not that popular, the box office of films in the Taiwanese dialect and Hong Kong films from private film companies was better than that of American films.[140]

However, American films had a stable supply at all times and were shown in theatres with better facilities. Furthermore, America had more advanced technology and skills and was in the lead in the film industry compared to other countries. From silent film to sound motion picture, from black-and-white film to Technicolor

[135] Lu Su-Shang, *The History of Taiwanese Drama and Cinema* (Taipei: Yin Hua Press, 1961), p. 17.
[136] Taiwan was colonised by Japan from 1895 to 1945.
[137] Lu, *The History of Taiwanese Drama and Cinema*, p. 29.
[138] The Department of Cultural Affairs, Ministry of Education, *The Current Development and the Future of the Film Industry in the Republic of China* (Taipei: Ministry of Education, 1971), pp. 47–48.
[139] Li Tao-Ming, 'The History of Taiwanese Cinema During the Colonisation by Japan', in *The Chronicle of Taiwan Cinema 1989–2000*, ed. by Huang Chien-Yeh (Taipei: Ministry of Culture, 2005), p. 14.
[140] Lu, *The History of Taiwanese Drama and Cinema*, p. 100.

movies and from small format to wide-screen films, the American film industry was at the vanguard of technological advances.[141] American films had advantages in other countries, especially in places where the film industry had not developed very well. In the late 1950s, the amount of American films decreased in the Taiwanese film market,[142] but the reason was not the reduction in box office.

On the contrary, American films comprised large productions, big stars, and advanced technology, resulting in greater box-office success and extended running times. Since the Taiwanese government treated the top eight American film studios with great respect, American films had the highest quotas in the foreign film quota restrictions. This seriously divided the film market.[143] The American government subsidised domestic film production and negotiated international film trade with import countries. The American government assisted domestic film enterprises in expanding their business and pressed other countries by means of political negotiation.[144] The success of American films in the global film market also shows the importance of the government's role in film development. The government can be a great aid for promoting domestic production to the international market, especially with political negotiation.

Hong Kong Films

The second point to be discussed is Hong Kong films. After 1949, films from China were banned as imports. The demand for domestic films in the Taiwanese film market was partly provided by Hong Kong films. In the 1950s, the Chinese-language films from big Hong Kong film companies had better quality and technology than the films from the Taiwanese state-operated and local film companies. These kinds

[141] Lee, *Taiwanese Cinema, Society and History*, p. 65.
[142] Lu, *The History of Taiwanese Drama and Cinema*, p. 107.
[143] The Department of Cultural Affairs, Ministry of Education, *The Current Development and the Future of the Film Industry in the Republic of China*, p. 52.
[144] Thomas H. Guback, 'Non-Market Factors in the International Distribution of American Films', *Current Research in Film: Audiences, Economics, and Law*, 1 (1985), pp. 111–126.

of films from Hong Kong generated good box office receipts. Among the top ten blockbusters, there were often seven films from Hong Kong.[145]

However, there is an important political perspective to the relationship between Hong Kong and Taiwan, particularly in the film industry. After the KMT government moved to Taiwan in 1949, the KMT government tried to draw Hong Kong right-wingers onto its side against Communism in China. In the early 1950s, film was a tool for propaganda for both leftists and rightists. The rightists won the power in the film industry in the early 1950s and the KMT government had a friendly attitude towards the Hong Kong film industry in order to keep Hong Kong on its side against Communism. The KTM government even set a regulation to Hong Kong films in 1955. This was the beginning of film policy forming around Hong Kong films.[146] For this political reason, the Taiwanese government did not limit the amount of Hong Kong films and provided preferential treatment for tax. It caused the number of imported Hong Kong films to surpass domestic film production.[147] This situation was mitigated after 1965, when Taiwanese films started to be produced, but Hong Kong films already had an important position in the Taiwanese film market by that point.

In the 1970s, the Hong Kong film industry matured under this laissez-faire economic policy. The studio system and vertical integration in Hong Kong film enterprises had already overtaken Taiwan. The martial arts films led by Bruce Lee were characteristic of this period. This is the reason why the Hong Kong film industry adapted to the market system so well, even when television entered the media market, as well as following the raising of the importation barrier in Southeast Asia

[145] Tsai Kuo-Jung, *The Study of Chinese Artistic Cinema in Modern Times* (Taipei: Cinema Library Press, 1985), pp. 30–47.
[146] Lu Feii, *Taiwan Cinema: Politics, Economics, Aesthetics 1949–1994* (Taipei: Yuan-Liou Publishing, 1998), pp. 52–53.
[147] The Department of Cultural Affairs, Ministry of Education, *The Current Development and the Future of the Film Industry in the Republic of China*, pp. 54–55.

in the mid-1970s.[148] In fact, Taiwan increased the importation of Hong Kong films. From 1984 to 1992, Taiwan was the biggest purchaser of Hong Kong films.[149]

Taiwanese Films

With regard to Taiwanese films, Taiwanese dialect films developed in the mid-1950s. The Taiwanese dialect films contained a great deal of material from folk legends or about social change. This material was also displayed as traditional operas. These kinds of films were popular because of their language. Compared with Hong Kong or foreign films and also official propaganda films, the Taiwanese dialect films were easily accessible. However, the basis of production for the films in the Taiwanese dialect was unstable due to strict censorship and an oppressive film policy, which included films and language.

The KMT government implemented a policy of using Mandarin as an official language and encouraged people to speak Mandarin more than the local dialect (the Taiwanese dialect). The films in the Taiwanese dialect tended to be considered vulgar. Technological skills of production could not be promoted either due to the lack of capital and small production.[150] In this respect, the films in the Taiwanese dialect could not have large or permanent productions. After the popularisation of television in the 1970s, the whole film market was affected, especially films in the Taiwanese dialect. There were three terrestrial television stations in Taiwan at that time and they provided programmes featuring traditional operas in that dialect. These kinds of programmes proved fatal for the films in the Taiwanese dialect.[151]

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[148] Leung La-Kuen G, 'The Evolution of Hong Kong as a Regional Movie Production and Export Centre' (Master's thesis, Chinese University of Hong Kong, 1993), pp. 55–66.
[149] Ibid., pp. 35–37.
[150] Huang Hsiu-Ju, 'The Rise and Decline of Films in Taiwanese dialect' (Master's thesis, National Chengchi University, 1991), pp. 44–48.
[151] The Department of Cultural Affairs, Ministry of Education, *The Current Development and the Future of the Film Industry in the Republic of China*, pp. 23–25.

The production of Mandarin films, on the other hand, was supported by the government, especially in the 1960s. At that time, domestic politics were stable and the market for films was larger than ever. First of all, the government guided and assisted Mandarin films. The state-operated film company Central Pictures Corporation was responsible for producing Mandarin films to promote the government's policies and ideology.[152] Secondly, the human and material resources from the dialect productions were directed to the working teams for Mandarin films.[153] Thirdly, the market expanded to Southeast Asia, for example Hong Kong, Indonesia, Singapore, Malaysia, the Philippines and Vietnam.[154] These three elements resulted in improvements for the production of Mandarin films. From the point of view of consumers, the Taiwanese films in Mandarin kept pace with the Hong Kong films in the top ten most successful films at the box office after 1966.

However, it seemed that the Taiwanese films (Taiwanese films in Mandarin) gradually reclaimed the domestic market. Special emphasis should be placed on the reasons for the Taiwanese films in Mandarin regaining an audience at that time. Firstly, the state guided the consumption of films away from the dialect productions on purpose. The films in the Taiwanese dialect tended to represent social reality. Though they were oriented towards entertainment and their aesthetic achievement was not perfect, the material in them was valuable because it was close to people's life and folk culture. However, the KMT government promoted Chinese culture, including Mandarin and the ideology of unification, after it moved to Taiwan in 1949. The government avoided the Taiwanese dialect and culture. Secondly, the popularisation of television drew a great deal of the audience from the films in the Taiwanese dialect. There were Taiwanese dialect programmes on the television, and the television industry attracted talent from the Taiwanese dialect film field.[155] In addition, after the rapid development of the economy, the demand for stimulating entertainment and technology gradually rose. Those elements changed the

[152] Lee, *Taiwanese Cinema, Society and History*, p. 120.
[153] Ibid., p. 121.
[154] Liao Chin-Feng, 'From Light to Dark: Taiwanese Cinema from 1972 to 1978', in *The Chronicle of Taiwan Cinema 1989–2000*, ed. by Huang Chien-Yeh (Taipei: Ministry of Culture, 2005), p. 34.
[155] Lee, *Taiwanese Cinema, Society and History*, p. 129.

mainstream of the film market. Though a few of the blockbusters contained local cultural concerns, most of the content of the blockbusters in Mandarin was distant from the real society in those days.[156] The blockbusters were promoted by big film stars and publicity. The content of them was purely imaginary and romantic, such as the romantic films based on stories by Chiung-Yao.[157] Chiung-Yao was a famous female novelist and excelled at writing romantic stories that were detached from reality. The "Chiung-Yao-style" romantic films were very popular in the 1970s in Taiwan. Her novels were adapted for films and became blockbusters during the 1970s and 1980s. These films included *You Do Not Tell Him* (1971), *Outside the Window* (1973) and *Cloud of Romance* (1976).

Taiwanese films were still conservative in terms of political ideology and most of them preached traditional values or national ideology.[158] From the entertainment point of view, there was no apparent difference between Hong Kong and Taiwanese films. In fact, many film workers or actors in Taiwanese film productions came from Hong Kong. For example, the main staff from National United (the big film studio in Taiwan at that time) were from Hong Kong.[159]

In these circumstances, the environments and constitutions of the film industries of Taiwan and Hong Kong were different, but they provided similar productions. However, at the start of the 1970s, there was an important change. In Hong Kong, martial arts films were presented as a highly skilled and mature film genre. In Taiwan, on the other hand, there were successive diplomatic defeats, resulting in withdrawal from the United Nations and the breaking of diplomatic relations with Japan. The state had produced propaganda for the national consciousness during this crisis of legitimacy. Therefore, there were many films in the Taiwanese film market during this period that promoted government policy and national patriotism.

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[156] Tsai Kuo-Jung, *The Study of Chinese Artistic Cinema in Modern Times* (Taipei: Cinema Library Press, 1985), pp. 39–46.
[157] Wu Chi-Yen, *The Memory of Undeveloped Times* (Taipei: Tang-Shan Press, 1993), p. 16.
[158] Tsai Kuo-Jung, 'The Change of the State-Operated Film Company', *Four Hundred Hits*, 8 (1986), pp. 47–55.
[159] National United Film Company was a notable film company in the 1970s.

In this case, the audience who were used to stimulating entertainment diverted their attention towards Hong Kong and foreign films. At this time, Taiwan could not respond to the recession of the market in South East Asia. Though Taiwanese films were still produced, the technology and creation of subjects in the film industry had gradually come to a standstill. The independent production companies declined and the whole film industry started to face difficulties.[160] Furthermore, as new media emerged over time, the domestic film industry, especially the production companies, was unable to quickly adapt to the changing market. For example, when video arrived in the 1980s, the film industry was suffered by the video rental business.

This section will closely inspect the circumstances within the film industry from the 1970s to the 1980s. Foreign films were limited by quota restrictions and language barriers, so they did not occupy significant parts of the film market in this period. However, this space was seized by Hong Kong films due to their technological skills and entertaining character films. (It is the opinion of the author that Taiwanese films benefited by not sharing similarities with American movies.) Moreover, the contents of Hong Kong films tends to focus on entertainment and the language and cultural characteristics of Hong Kong films were closer to those of Taiwanese society. This is the reason Hong Kong films had an advantage and high market share in the Taiwanese film market in the 1980s. The domestic film industry in many countries was menaced by the American film industry and declined. This situation was made worse in Taiwan because there were "Two Americas" colonising the Taiwanese film industry: one being the State and the other being Hong Kong.

As Taiwanese films failed in terms of both production and consumption, the distributors diverted the direction of resources. Distributors reduced investment in domestic production and devoted resources to Hong Kong and American films because they made profits. However, some Taiwanese films with small capital and

[160] Huang Yu-Shan, 'The Development of the Independent Production in Taiwan', in *Cinema Year Book in Republic of China: 1989*, ed. by Government Information Office, Republic of China (Taiwan) (Taipei: Chinese Taipei Film Archive, 1989), pp. 149–159.

small profits emerged in the market. The "Taiwanese New Cinema" was one example of this type of film (small production, little profit). Furthermore, there were eight major American film studios occupying the market, which resulted in the comparative compressing of domestic production. The competition from the distribution of Hong Kong films was also extraordinarily intense. However, the keen competition among distributors was impeded slightly in the middle of the 1980s. The Lung-Hsiang and Hsueh-Che film corporations were the two largest domestic distributors at that time and the resources for filmmaking in Taiwan were monopolised by a few film corporations. The main strategy of domestic distributors was to reduce local production and increase foreign film imports.[161] This direction of distribution has been maintained by their industrial successors as well. Consequently, the change of resource distribution speeded up the decline of domestic film production and intensified local tastes for foreign films at the same time.

From the middle of the 1970s to the 1980s, the whole situation of the film market could be viewed as follows. Hong Kong films and American films grew steadily in the market. The quantity of American films in the market was stable. The number of Chinese-language films was changeable. The gap between Taiwanese films and Hong Kong films widened. The amount of Taiwanese films decreased significantly after 1989. Understanding the historical background and the development of the Taiwanese film industry during this period helps us to analyse the changes and continuity in the 1990s, and this understanding will form the basis of the examination of the film policy in the later chapters.

Table 2.1: Film Market from 1970s to 2005 in Taiwan

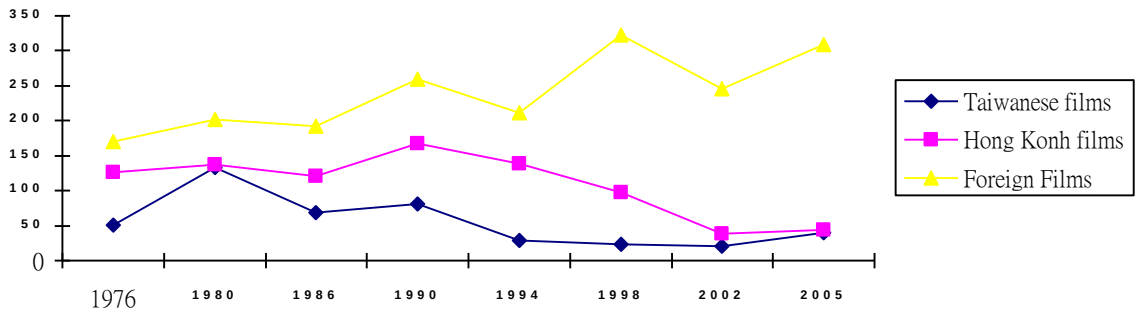
Year	Taiwanese Films	Hong Kong Films	Mainland China Films	Foreign Films	Total
1976	51 (14.7%)	126 (36.3%)	0	170 (49.0%)	347
1978	95 (22.9%)	124 (30.0%)	0	195 (47.1%)	414
1980	133 (28.2%)	137 (29.0%)	0	202 (42.8%)	472
1983	74 (18.5%)	119 (29.8%)	0	207 (51.7%)	400

[161] Lu, *Taiwan Cinema: Politics, Economics, Aesthetics 1949–1994*, pp. 292–296.

1986	69 (18.1%)	121 (31.7%)	0	192 (50.2%)	382
1989	93 (12.7%)	166 (22.6%)	0	474 (64.7%)	733
1990	81 (15.9%)	167 (32.9%)	0	260 (51.2%)	508
1991	33 (6.5%)	183 (36.1%)	0	291 (57.4%)	507
1992	40 (7.5%)	200 (37.3%)	0	296 (55.2%)	536
1993	26 (5.9%)	195 (43.9%)	0	223 (50.2%)	444
1994	29 (7.7%)	139 (36.7%)	0	211 (55.6%)	379
1995	28 (6.6%)	136 (31.9%)	0	263 (61.5%)	427
1996	18 (5.0%)	92 (25.3%)	0	253 (69.7%)	363
1997	29 (7.4%)	97 (24.9%)	5 (1.3%)	259 (66.3%)	390
1998	23 (5.0%)	98 (21.9%)	1 (0.2%)	322 (72.9)	454
1999	16 (3.4%)	121 (25.6%)	8 (1.7%)	327 (69.3%)	472
2000	17 (5.0%)	100 (29.1%)	5 (1.4%)	222 (64.5%)	344
2001	23 (5.2%)	98 (22.1%)	1 (0.2%)	322 (72.5%)	444
2002	21 (6.7%)	38 (12.2%)	7 (2.2%)	246 (78.9%)	312
2003	14 (4.9%)	40 (14.1%)	8 (2.8%)	222 (78.2%)	284
2004	24 (7.5%)	48 (15.1%)	0	246 (77.4%)	318
2005	40 (9.8%)	44 (10.8%)	14 (3.4%)	309 (76.0%)	407

Source: The Government Information Office, Executive Yuan, figured by the author

Figure 2.1: The Trend of the Film Market in Taiwan from the 1970s to 2005



2.2 The Development of the Taiwanese Film Industry in the 1990s

If the change of consumption in the film market is observed, then the number of viewers, and the frequency with which each person went to the cinema, appears to have declined progressively after the beginning of the 1970s. One reason for this is the popularisation of television, through the establishment of three terrestrial TV stations called Taiwan Television Enterprise (TTV), China Television Company (CTV) and Chinese Television System (CTS). The appearance of television affected the film industry, especially in the Taiwanese dialect film sector, as mentioned in the previous section. At the same time, the appearance of television highlighted how the Taiwanese film industry failed to cope with the change in the market compared with the Hong Kong and foreign film industries. However, the number of people going to the cinema increased after 1975. The number of people going to the cinema peaked in 1981, with attendance figures reaching two hundred million. The growth in consumption of movies was related to the baby boom of the 1960s, as younger audiences went to the cinema as popular entertainment.[162]

In general, the Taiwanese film industry declined from the middle of the 1970s and its box office could not compete with Hong Kong films from the beginning of the 1980s.[163] This raises the question of why more people went to the cinema, even though the Taiwanese film industry was starting to decline. The reasons may be examined from two perspectives. Firstly, television became more popular in the 1970s, but the state monopolised the three terrestrial TV stations. Though the programmes from the three TV stations were mainly entertaining in nature, the characteristics of propaganda were apparent within their content. Television programmes might attract the audience for a short while, but movies were more attractive due to their strongly entertaining effects, especially for young audiences.

[162] Wang Fei-Lin, 'From the Point of the Structure of Human Resource: The Development of Capitalism in the Taiwanese Film Industry', *Four Hundred Hit*, 6 (1985), pp. 16–21.
[163] Lu Feii, 'Fifty Years of Taiwanese Cinema in Numbers', in *The Chronicle of Taiwan Cinema 1989–2000*, ed. by Huang Chien-Yeh (Taipei: Ministry of Culture, 2005), p. 53.

The birth rate in Taiwan had increased in the 1960s, creating a group of young consumers in the 1970s that cinema could exploit. However, although the audience figures increased, the Taiwanese film industry could not cope with this change due to the limiting conditions and environment inside the industry. This is one reason why the audience for cinema increased but did not choose Taiwanese films as their entertainment. Secondly, the American and Hong Kong film industries had an abundance of material and advanced skills they could use to compete with television programmes. Compared to Taiwanese films, American and Hong Kong films were more attractive and spectacular. Therefore, the number of people going to the cinema increased during the mid-1970s, and most of them went to see American and Hong Kong films.

The number of people going to the cinema decreased again after 1982. The range and speed of the decline was very rapid this time. The main reason for this is related to new media technologies. video, small audio-visual studios (MTV) and cable and satellite television developed and became popular in succession. These new media made a great impact on the film industry. However, the influence of the new media in the 1980s was different from the influence of television in the 1970s. Most content of the new media products (video, cable and satellite television) was mainly provided by films. The content was the same, but the facility and channels for showing films changed. It meant that people could watch films at home by renting a video or installing cable and satellite television instead of going to the cinema. The difficult position of cinema affected the different parts of the film industry in Taiwan. At that time, film companies reduced the investment in Taiwanese films in order to cut down the risk. On the other hand, the film companies and distributors proceeded to gather up and weed out other competitors.[164] The enterprises and distributors who survived this period gradually cooperated with the new media and multinational media enterprises in order to share these media channels. The audience still had a

[164] Lu, *Taiwan Cinema: Politics, Economics, Aesthetics 1949–1994*, pp. 239–249.

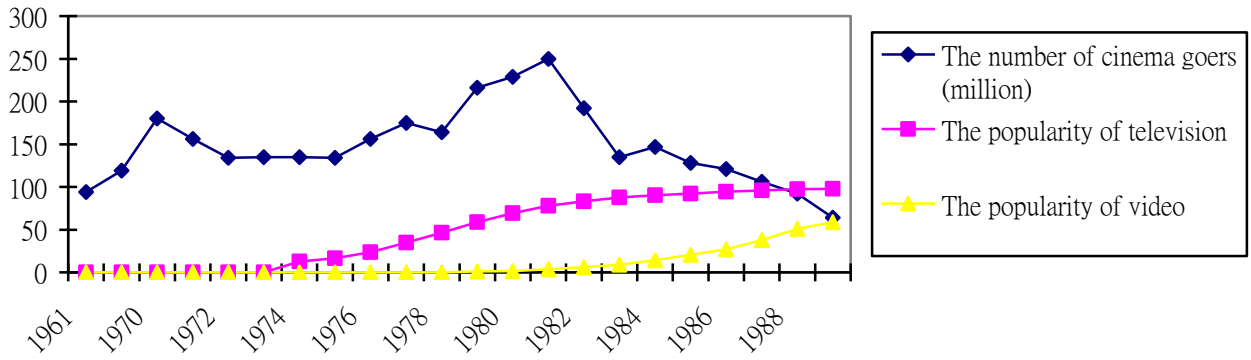
strong interest in films, but changed the ways they watched them. The cinema was no longer the only medium for watching films.

Table 2.2: The Change in the Film Market and the Development of New Media (1961–1989, selected specific years)

Year	The number of cinema goers (million)	The average frequency of cinema goers	The popularity of television (%)	The popularity of video (%)
1961	94	8.6	0	0
1965	119	9.6	0	0
1970	180	12.4	0	0
1971	156	10.5	0	0
1972	134	8.9	0	0
1973	135	8.7	0	0
1974	135	8.6	12.91	0
1075	134	8.4	16.42	0
1976	156	9.6	23.48	0
1977	175	10.5	34.70	0
1978	164	9.4	46.57	0
1979	216	12.5	58.64	1.09
1980	229	13.0	69.29	1.45
1981	250	13.9	77.90	3.75
1982	192	10.5	83.12	5.83
1983	135	8.1	87.79	9.09
1984	147	7.9	90.41	14.22
1985	128	6.5	92.31	20.70
1986	121	6.2	94.42	27.11
1987	106	5.4	95.78	37.66
1988	92	4.6	97.34	50.99
1989	64	3.2	97.80	58.93

Source: Council for Economic Planning and Development (1990) and the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan (1992)

Figure 2.2: The Trend of the Change in the Film Market and the Development of New Media



There are two points to be examined. The first point is the successive generations. People born after the 1960s started to become the consumers for the film market in the 1970s and the people born after the 1970s joined this market in the 1980s. The second point concerns audience age. It is assumed that young people (less than 40 years old) are the main consumers of cinema. The main consumers of cinema before the mid-1980s were the people born between the 1950s and the mid-1960s. However, this thesis focuses on the 1990s, and the main consumers of cinema in the 1990s were the people born between the 1960s and the mid-1970s. The consumption of cinema can be illustrated by the following statistics. According to the statistics in 1990 (see the table 2.3), 40 per cent (10%+30%) of people between 15 and 29 years old and 19 per cent (5%+14%) of people between 30 and 39 years old went to the cinema at least once a month. Only 7 per cent of people over 40 years old went to the cinema at that rate of frequency. It can be deduced that the core cinema audience at the beginning of the 1990s was between 15 and 29 years old – in other words, those born in the 1960s and up to 1975. The research into cinema audiences in 1993

undertaken by the Motion Picture Development Foundation also indicated that people between 15 and 29 years old were more interested in going to the cinema.[165]

Table 2.3: The Frequency of Cinema Attendance in Taiwan by Age Group in 1990

Age (years)	Once a week at least	Once a month at least	Once every few months	Never	The index of interest
15–29	10%	30%	46%	14%	35.41
30–39	5%	14%	47%	34%	15.69
Over 40	2%	5%	29%	64%	–10.20

Source: The Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan (1991)

The following section will discuss what sorts of films were popular in the market in the 1990s.

The Taste for Films: Mass Culture and Two-tier Market Structure

The main audience for cinema in the 1980s was born after the 1950s and lived in an improved economic situation. They had been educated well and this generation developed an affinity with Western culture via different channels, such as television programmes, films and informal education. The government did not restrict the development of Western culture in the content of formal education or language learning. Those people born after the 1950s were more familiar with the English

[165] The Motion Picture Development Foundation, *The Survey of Moviegoers in Taipei* (Taipei: The Motion Picture Development Foundation, 1993).

language as a result of these shifts in media and education and were more open to capitalist ideology than previous generations.[166]

In general, Taiwanese society changed noticeably at the end of the 1970s. The income of people increased substantially, as did the ratio of cultural and leisure spending.[167] The conspicuous phenomenon was the consumption of cultural products. cultural products spread via mass media was mainly imported from America and Japan. Even local popular culture copied foreign content.

Film is a cultural product. In the 1950s and 1960s, the state controlled the film industry and used it as a tool for national propaganda. In the 1970s and 1980s, the power of the state weakened gradually due to the political regime, and the economic development changed. People spent more on cultural consumption and the trend of cultural commercialisation and capitalisation became more and more conspicuous. The commercialisation of and capitalism within cultural consumption also appeared in the film industry.

In the 1980s, the Hong Kong film industry adjusted its strategy to market change, especially for the emergence of video and the changes in popular taste. Their strategies included recruiting famous television stars to join film productions, making blockbusters and raising the cost of film production in order to strengthen

[166] Su Chien-Chou and Chen Wan-Fei, 'The Study of Media Usage in Different Generations: Based on the Eastern Integrated Consumer Profile in 2005', *Journal of Cyber Culture and Information Society*, 10 January 2006, pp. 205–234 (pp. 208–209).

[167] The percentage of spending of entertainment, education and culture increased constantly from the 1960s. The increase was 54% during the 1980s and 1990s. People spent more money on entertainment and cultural products. This shows that people spent more on cultural consumption when they had better material living conditions.

Cultural consumption spending as a percentage of people's income (1964 to 1992, selected years)

	1964	1972	1982	1988	1992
Entertainment, leisure, education and culture	1.2%	7.1%	8.7%	11.7%	13.4%
Food	59.7%	47.8%	38.7%	35.0%	29.8%

Source: The Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan (1992).

the special effects and present the particular features which were not able to be displayed on television, such as the action in Jackie Chan's films. The aim of these strategies was to cater to the international film market, especially the Asian markets.[168] Therefore, the content of films could not be related to sensitive politics or Hong Kong political issues. From the beginning of the 1980s, these types of Hong Kong films were very popular and usually appeared in the box office top ten in Taiwan,[169] especially the films made by Jackie Chan, whose films were always number one at the box office for Chinese-language films in Taiwan. The American film industry produced films with advanced skills much earlier than Hong Kong films in the 1970s, such as blockbusters like *Star Wars* (1977), *Superman* (1978), *Raiders of the Lost Ark* (1981) and *E.T. the Extra-Terrestrial* (1982). These films were also popular in Taiwan in the 1980s.[170]

The Taiwanese film industry would also try to catch up with this trend of blockbuster type films. On the one hand, the state-operated film company Central Pictures Corporation tried to make blockbusters but mainly produced policy films, for instance, *The Battle for the Republic of China* (1981). The failure of such films at the box office showed that young audiences were no longer interested in propaganda films. On the other hand, Taiwanese film companies also produced commercial films without political ideology. For example, the theme of mafia violence and pornographic films were popular at the end of the 1970s and the beginning of the 1980s. These films were called "social and realistic films".[171] Moreover, in the mid-1980s, local comedy films started to become popular, especially those directed by Chu Yen-Ping, for example *Big Surprise in 1983* (1983), *Funny Face* (1985) and *It's a Mad Mad Prison* (1988). These comedies were also blockbusters, but they began

[168] Leung La-Kuen, *The Evolution of Hong Kong as a Regional Movie Production and Export Centre* (Master's thesis, Chinese University of Hong Kong, 1993).
[169] Lee Tain-Dow and Chen Pei-Chih, 'The Sociology of the Taiwan New Cinema in the 1980s', in *Proceedings of the Second International Conference on Film and Television, Taipei, April 25–26*, 1990, ed. by Communication Arts Research Institute and Fu Jen Catholic University (Taipei: Communication Arts Research Institute, 1990), pp. 239–241.
[170] Chen Pei-Chih, 'The Social and Historical Analysis of the Taiwan New Cinema in the 1980s' (Master's thesis, Fu Jen Catholic University, 1991), p. 86.
[171] Lu Feii, 'Fifty Years of Taiwanese Cinema in Numbers', p. 54.

to lose their appeal after the release of several similar products. However, these comedies still appealed to some audiences at that time.[172] Generally speaking, the subject-matter area, content or skills might be different for Hong Kong, American and Taiwanese films, but the aim of all these films was entertainment, most notably in the Hong Kong and American films. Furthermore, Hong Kong has cultural proximity to Taiwan, which was another advantage compared to American films in the Taiwanese market. The next section will discuss the alternative form of films since the 1980s in the Taiwanese film market.

Taiwanese New Cinema

Different types of films from the same period, called "Taiwanese New Cinema", will be discussed here. The content and form of Taiwanese New Cinema was an alternative to popular films. The main characteristic of Taiwanese New Cinema was realism. The changes in Taiwanese society provided the themes and content for Taiwanese New Cinema. For example, the stories in the film *In Our Time* (1982) spanned from the 1950s to the 1980s and reflected the changes in Taiwanese society, while *Sandwich Man* (1983) presented the life of ordinary Taiwanese during the economic development of the 1960s, when Taiwan was confronted with Western culture. In terms of expression, Taiwanese New Cinema had loose or multiple narratives. They used long takes, deep focus and long shots to present the film.[173] Taiwanese New Cinema had a particular film language.[174] Although Taiwanese New Cinema represented a breakthrough achievement in terms of its international reputation, the main production company of Taiwanese New Cinema and other private film companies regarded it as a commodity. They hoped Taiwanese New Cinema to survive between Hong Kong and American films in the competitive market. However, Taiwanese New Cinema presented a particular film style and was

[172] Teng Shu-Fen, 'Popular Film Factory: Chu Yen-Ping', *Taiwan Panorama*, January 1996, p. 98.
[173] Chiao Hsiung-Ping (Peggy Chiao), *Taiwanese New Cinema* (Taipei: China Times Publishing, 1998).
[174] Chen Ju-Hsiu, *The Historical and Cultural Experience of Taiwanese New Cinema* (Taipei: Wen-Hsiang, 1993).

supported by the audience at the beginning of the 1980s. There were some reasons for its popularity at that time.

The trend of internationalisation and commodification in the film market was mentioned above. From the creation and consumption perspective, Taiwanese New Cinema represented a trend in localisation. A cultural campaign emerged in the 1970s and this campaign was against the trend of Western thought and was focused on local Taiwanese cultural events. It proposed that the content of cultural products should be concerned with local people and local life. Local colour and folk songs were representative of this campaign. Local literature and folk songs had been the focus in the 1970s and the localisation debate spread to film in the 1980s. This is the originating factor for Taiwanese New Cinema.[175] The trend towards localisation started to be influential in different areas and there was a huge controversy over literature and language usage. Though Taiwanese New Cinema also used the elements of localisation and realism and was supported by audiences at the beginning of the 1980s, it had been produced without focus and subsequently declined rapidly.[176] The short period of success for Taiwanese New Cinema demonstrates that the commoditisation of entertainment content (like Chu Yen-Ping) were more attractive for the audience in the film markets.

However, the decline did not mean that Taiwanese New Cinema ended. The emergence of and change in Taiwanese New Cinema had a huge influence on the Taiwanese film industry. In the following section, diversity in the film market will be discussed. In general, the influence of Taiwanese New Cinema was to create a particular approach to film aesthetics in Taiwanese cinema. Even though there were different groups within Taiwanese New Cinema, there was a notable difference between the genre of Taiwanese New Cinema and commercial films.[177] In fact, those

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[175] Wu Cheng-Huan, 'The Culture of Taiwanese Cinema from Two Different Perspectives', in *Contemporary Chinese Cinema*, ed. by Lee Tain-Dow (Taipei: Yuan-Liou, 1996), pp. 17–31.
[176] Chen Ju-Hsiu, *The Historical and Cultural Experience of Taiwanese New Cinema* (Taipei: Wen-Hsiang, 1993), p. 146.
[177] Ibid., pp. 143–146.

Taiwanese directors who won awards at the international film festivals mentioned in the previous chapter were inseparable from Taiwanese New Cinema.

From the Taiwanese New Cinema in the 1980s to the festival or art films of the 1990s, they created a unique aesthetic for Taiwanese cinema. Thereby, a new type of art film emerged. The film workers in this group shared the same aesthetics, and the films resonated with critics and consumers. The audience in this group apparently distinguished themselves from the audience who like commercial films.. (Often they regarded themselves as intellectuals or elites in the society.) This group were interested in alternative cinema, such as Taiwanese New Cinema or overseas "art films".[178] At the same time, the critics in this group had a major influence in social and cultural areas.

From the 1980s, there were some changes in consumption and production in the Taiwanese film industry. In a capitalist society, there will be disparity between the rich and the poor. In consumption and production, a two-tier market structure will emerge. When cultural industries provide products for the audience, the audience who have abundant material or cultural resources will attempt to approach the cultural products which are usually hard for other audience to obtain. Nicholas Garnham pointed out that a two-tier market structure will increase the gap between different classes, which are unequal in terms of materials and cultural resources.[179] Film production companies will make films which appeal to the largest audience. At the same time, some film production companies want to produce the art house genre of films in order to cater to the small elite market. In the 1980s, the gap between rich and poor widened in Taiwan. This also divided the cultural consumers into different groups. Taiwanese New Cinema was supported by a particular group of audience. In the beginning, Taiwanese New Cinema attracted some audiences who pursued fresh themes of films. After some time, audiences found that the later work of Taiwanese

[178] Liu Hsien-Cheng, 'Review of the Prejudiced Discourse of Taiwan Cinema from the 1980s to the 1990s', in *Contemporary Chinese Cinema*, ed. by Lee Tain-Dow (Taipei: Yuan-Liou, 1996), pp. 79–102.
[179] Nicholas Garnham, 'Toward a Theory of Cultural Materialism', *Journal of Communication*, 33 (1983), pp. 314–329 (p. 325).

New Cinema was getting harder to understand and returned to popular cultural productions.[180] For example, the commercial films made by Chu Yen-Ping started to become very popular during this period.

The reasons for forming this particular group of people are as follows. The first reason is the intervention of cultural critics. By the end of the 1970s, some of the critics who had studied abroad returned to Taiwan. Those people combined with some film workers and challenged conservative film critics. This group of people became supporters of Taiwanese New Cinema.[181] These critics had similar aesthetic tastes, which were close to (or in favour of) international art house films. As an intermediary, these critics attracted the group of audiences who shared the same taste as them. A second reason is the establishment of the Chinese Taipei Film Archive (CTFA). This film library introduced a great amount of classic foreign art films and theory to Taiwan and supplied a source of film studies. It cultivated groups of people who had greater abilities to examine and appreciate films and break with the conventions of Hollywood. A third reason is the emergence of regional and locally based international film festivals. Taipei Golden Horse Film Festival,[182] held by the Motion Picture Development Foundation, showed international art films, and audiences got bigger and bigger. Furthermore, a number of small film festivals emerged in big cities in Taiwan, for example Fanciful Film Festival, Woman Film Festival and Taipei Film Festival (TaipeiFF). The number of film festivals increased and larger audiences gathered for these film events. By 2009, there were 20 film festivals held regularly in Taiwan.[183]

From the end of the 1980s to the 1990s, the Taiwanese film market actively integrated with capitalism in the world system. The taste in popular films was more entertainment-oriented and the two-tier structure of film tastes grew progressively

[180] Chiao Hsiung-Ping (Peggy Chiao), *Taiwan New Cinema* (Taipei: China Times, 1988).
[181] Wu Chi-Yen, *The Memory of Undeveloped Times* (Taipei: Tang-Shan, 1993), pp. 12–26.
[182] The Taipei Golden Horse Film Festival (TGHFF) started in 1979. The first Golden Horse Awards were in 1962, and these were the first film awards launched in the Chinese-language film arena. Source: Taipei Golden Horse Film Festival, 2012, <http://www.goldenhorse.org.tw/ui/index.php> (accessed 20 June 2012).
[183] Fan Wu, *Film Exhibition* (Taipei: Bookman Books, 2009), pp. 47–49.

wider. Firstly, the ratio of cultural consumption increased rapidly. On the one hand, the government opened the market for internal and external cultural industries, and the market share of Hong Kong and American films increased significantly. The Hong Kong action movies and Hollywood films had high production values used advanced technologies to create spectacle and made use of their star systems. New generations of film consumers were more close to these popular films.

On the other hand, the choice for film consumption in Taiwan was full of Hollywood cinema. For example, the top ranking box office movies (American films) in Taiwan were very similar to the box office rankings for American films in the global market. There were six American films that were ranked among the top ten films in the Taiwanese market which also ranked among the top ten in the global box office in 1993. Film corporations in Taiwan had to catch up with this trend and make films with stars and popular styles of narration instead of producing more experimental art films. However, the skills and technology of Taiwanese local film corporations were inferior to those of Hong Kong and American films. The content of Taiwanese New Cinema was hard to understand for general audiences and the quality of local popular films could not compete with Hong Kong and American films. As a result, Taiwanese films declined rapidly in the 1990s.[184]

Furthermore, the two tiers of production and consumption in the film market become more conspicuous in the 1990s. Some local film companies deliberately imported overseas art films in an attempt to seize the consumers in this group. However, the main art films are from European countries or America (except a few art films from Hong Kong and mainland China). The films from the third world are still unable to be shown in the commercial cinema system in Taiwan.

Secondly, as a result of film companies and the nation starting to promote Taiwanese art films at international film festivals, local art film groups had tighter relations with

[184] Wu, 'The Culture of Taiwanese Cinema from Two Different Perspectives', pp. 26–29.

overseas art film associations. When a film obtains an international award in an overseas market, it also tends to have a good reputation in the domestic art film market. In other words, a Taiwanese film may be abandoned by domestic audiences due to its differences from commercial films, but it could be appreciated by overseas critics for art film, mainly at European or American film festivals. Taiwanese art films seem to have similar features to European art film culture, and these features have raised their artistic reputation and even commercial achievement.[185] Therefore, in Taiwan, not only the commercial films but also the art films are assessed against overseas criteria. The film culture in Taiwan is internationalised by overseas film cultures, whether they are commercial or art films. This internationalisation makes for a two-tier market structure – one is commercial popular films from America and Hong Kong, and the other is art films from European countries.

Furthermore, this standard also affects the creation of Taiwanese art films, which are under the protection of the state. Taiwanese art films can be idiosyncratic and tend to show particular perspectives on local elements and local culture, which attract overseas critics when these films are shown abroad. This is the bias (perspective?) by which Western society views Taiwanese or Chinese cultures. Taiwanese creators follow overseas standards to produce films which cater to the image of oriental societies in the Western film market and attempt to seize international attention. However, domestic audiences stand aloof from these Taiwanese films. For example, *The Wedding Banquet* was directed by Ang Lee in 1993 and won several international festival awards. However, the critic Wang Wen-Hua pointed out that although *The Wedding Banquet* was a good film, it had a largely negative influence on the Taiwanese image. The film presented some perspectives of Chinese culture

[185] Statistics for film audiences in 1989 showed that 44.8% of the audience often considered whether a film had won a prize or not when they were considering going to the cinema. Source: The Motion Picture Development Foundation, *The Survey of Film Population and Opinion* (Taipei: The Motion Picture Development Foundation, 1989). Moreover, statistics for audiences in Taipei in 1993 show that 45.4% of audience members considered whether a film had won a prize when they were considering going to the cinema. Source: The Motion Picture Development Foundation, *The Survey of Moviegoers in Taipei* (Taipei: The Motion Picture Development Foundation, 1993).

and Taiwanese experiences in wedding issues and deliberately emphasised the contrast between American and Chinese cultures. Wang Wen-Hua also mentioned that this is the reason why some Americans prefer Chinese cinema: because it proves their bias for Chinese-language films.[186]

However, the most important point is not what Taiwanese creators make, but how much autonomy they have. Moreover, for what purposes do they make a film? Most film festivals are driven by commercial intentions more than artistic performance, especially when considering the famous film festivals. The potential commercial imperative operates throughout the international film events, but Taiwanese films makers value their achievements through overseas critical acclaim. It is absurd to judge Taiwanese films (or Chinese-language films) only by the standards of Western film festivals and to ignore the opinions of domestic audiences.

The Taiwanese film industry has divided into two opposing extremes. If its development under the sequence of social change is viewed, a comprehensive understanding of the Taiwanese film industry can be obtained. In conclusion, the Taiwanese film market may be divided into two tiers. The art films imported from overseas and produced by Taiwanese creators are on the upper tier. The consumers are a particular group of filmgoers. The popular films imported from Hong Kong and America occupy the lower tier. The popular films occupy the greatest market share. In addition, there are some indistinct films between the two tiers as well. However, the whole film market tends to polarise the structure. Therefore, there are only two ways to proceed for the film creators – to work on the upper production (art films) or lower production (popular films). The aesthetics and artistic value of the two types of films are worlds apart, but there is a common point of their production – low cost and low required skills.

[186] Wang Wen-Hua, 'Wedding Banquet in America', *China Times*, 20 August 1993, p. 27.

2.3 The New Media Technology and the Film Industry in Taiwan

The influence of television and video on the film market was briefly mentioned in the previous sections. In this section, the details of how television and video affected the film market from the 1980s will be discussed to understand how these factors affected the development of the Taiwanese film industry. The influence of new communication technology relates not only to attracting the audience away from the film market but also to the impact it had on local taste in film.

The government and the big media enterprises controlled the development of new communication technology. Basically, the government regarded new communication technologies as private institutions. The government initially contrived to develop new communication technologies and subsequently made policies for their legalisation afterwards. This caused the external programmes to form the market first and then retrieve the profit legally. In other words, the government created channels to make a profit for external or internal capitalists in developing new communication technology. Moreover, the government obtained support from the capitalists as well.

The video market was an extension of the film market. The video product was almost the same as that from film production. The minor exception in the video market was the importation of pornography. Pornographic videos were outlawed prior to 1993, when the ban was lifted. Cable television was another noticeable new media channel which could provide hundreds of channels. The content and range of programmes increased rapidly. According to cable television law in 1993, the government proclaimed that at least 20% of the content of cable television channels had to be domestic programmes (Article 36). As a result, this policy provided more opportunities for domestic production, including films and video programmes.[187] If

[187] Lee Tain-Dow and Liu Hsien-Cheng, *Mapping Asia Pacific Media: Constructing the Terrestrial/Cable Television* (Taipei: Asiapac Books, 1999), p. 394.

domestic creators could produce more programmes of good quality and quantity, the development of cable television provided an opportunity to change the media culture in Taiwan. Furthermore, it provided another channel for presenting domestic production and changing the advantage possessed by overseas media products.

However, Feng Chien-San pointed out that the ideas mentioned above were just ideal plans. He analysed the programmes on cable television and found that most programmes were imported. The programmes made by local companies were usually low cost and of poor quality.[188] Some cable television channels only repeated old programmes bought from Hong Kong and America. The other cable television channels showed simply-made programmes like refresher courses, beauty education, sports, religious discourse, and so on. Feng Chien-San pointed out that cable television proprietors were not required to monitor the quality of domestic programmes and just applied the rule to about 20% of internal programmes. Regarding the cost of domestic programmes, cable television companies only offered the same cost, or sometimes a little bit higher, when buying overseas productions, due to the economic pressure on operating private television channels.[189]

In this regard, some media creators had opportunities to produce programmes and were offered channels to present them, but the cable television proprietors usually chose the cheaper or more popular productions. The proprietors would not give much space for creators because they needed a large number of cheap entertainment productions. Serious productions might be produced cheaply, but they required more time and space. Therefore, cheap entertainment programmes could be produced more easily for the cable television market.

[188] Feng Chien-San, 'Opening-up of Television Spectrums in Taiwan: A Political Economic Perspective', *Taiwan: A Radical Quarterly in Social Studies*, 16 (1994), pp. 79–118 (p. 90).
[189] Ibid., pp. 93–94.

Satellite TV programmes were mainly from the Japanese NHK television station in the 1980s. The main programmes from NHK were close to high-level culture, such as news, opera, films, educational programmes, and so forth. The data showed that the users were mainly teachers, doctors, the intelligentsia and businessmen. It meant that upper class consumers had more opportunities for choosing cultural products. Before the popularity of cable television, satellite TV programmes provided more programmes, specifically for upper class consumers. In 1993, around 1.5 to 2.0 million households subscribed to cable television, which amounted to 30% of the households with televisions.[190] In 2002, according to statistics from Government Information Office, the amount of household with cable television was at 56.09%. However, in general, the amount of household with cable television was over 80%, and the Government Information Office also questioned the validity of those figures due to the data being reported by the cable television proprietors.[191]

Public service broadcasting is intended to be public and independent from the government, political parties and profit organisations. Public service broadcasting "offers a different output in terms of programming than commercial broadcasting ... because public service broadcasting is a different way of organizing communication".[192] Therefore public service broadcasting can provide alternative programmes without needing to consider profits in the way that commercial broadcasting does. Although the number of households with cable television in Taiwan was high, there was no proper public television service until 1998. Thus, once television emerged, programmes were mainly made by commercial organisations. It is for this reason that most programmes on television in Taiwan are market-oriented or have a commercial purpose.

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[190] Ibid., pp. 105–106.

[191] Government Information Office, *A White Paper for Broadcasting and Television* (Taipei: Government Information Office, 2004). <http://info.gio.gov.tw/ct.asp?xItem=13303&CtNode=3359&mp=27> (accessed 30 August 2010).

[192] Jean-Claude Burgelman, 'Issues and Assumptions in Communications Policy and Research in Western Europe: A Critical Analysis', in *International Media Research: A Critical Survey*, ed. by John Corner, Philip Schlesinger and Roger Silverstone (London: Routledge, 1998), p. 130.

Government Information Office doubted that cable television proprietors reported the real numbers and announced that it would set up a system to monitor the development of cable television in a White Paper.[193] In short, the emergence of cable television extended the market for films and video and provided a large number of entertainment programmes, which were mainly overseas entertainment programmes which shared similar tastes with popular films. On the one hand, these programmes strengthened the existing taste in transnational forms of popular culture. On the other hand, it strengthened the two-tier market structure for media cultural consumption. The largely upper class consumers had more cultural resources and materials to obtain more information, but the lower class consumers still tended to consume entertainment and popular products instead of being interested in messages about public issues.[194]

Hence, the emergence and popularity of cable television increased profits for products from American, Hong Kong and local agencies. The production of cable television is the same as film and video. Cable television provided more channels for these products and made more profit. The taste of media production does not change and the profit from these popular media products will be directed back into production again. It is a big system to maintain the popular cultural production. We cannot expect the capitalist proprietors to feedback some profits into non-mainstream productions – except through the intervention of the state. Having outlined the historical background of the Taiwanese film industry in the 1980s and 1990s, in the next chapter, the government's role in the film industry will be examined and government film policy will be analysed.

[193] Hsieh Ying Ching, 'The Future of Communication Policy in Taiwan: A Perspective from Broadcasting White Paper', in *The Discussion of Telecommunication Law* (Taipei: Commonwealth Publishing, 2008), p. 90.
[194] Feng, 'Opening-up of Television Spectrums in Taiwan: A Political Economic Perspective', p. 105.

Chapter Three
Mapping Film Policy in Taiwan

3.1 Introduction of Film Policy in Taiwan

Film and Film Policy

According to Robert G. Picard, government intervention in media economics occurs through a number of different mechanisms: regulation, advantages, subsidies, and taxation.[195] The three types of regulation – technical, market structure and behavioural – are justified as means of protecting the public welfare and ensuring that the market can operate effectively.

The first type of regulation is technical regulation. Technical regulation occurs in setting the standards for broadcast and cablecast and also in the assignment and protection of electromagnetic frequencies. For example, in Taiwan, according to Telecommunication Law Number 29, announced in 1977, the frequencies and the business for wireless telecommunications were administrated and monitored by the Ministry of Transportation and Communications.[196] However, technical regulation is more related to the regulation for broadcasting and television. Therefore, technical regulation is not the issue in this thesis.

[195] Robert G Picard, *Media Economics: Concepts and Issues* (Sage: London, 1989), p. 97.
[196] Cheng Tsung-Ming, 'Policy of Telecommunication', *Mass Communication Research*, 55 (1997), pp. 4–13 (p. 4).

The second type of regulation relates to market structure. In Taiwan, the regulation that is intended to manage the market structure is the Radio and Television Act. Radio and Television Act occurs in the granting of broadcast licences and cable franchises and in antitrust actions aimed at controlling vertical and horizontal integration and the development of a monopoly in specific markets. Radio and Television Act aims to prohibit cross-ownership of certain media and limit multiple ownership of broadcasting stations.[197] Antitrust laws, for example, prohibit motion picture producers from owning exhibition houses. In Taiwan, broadcast and cable television licences have to be verified by Government Information Office (GIO. In Taiwan, there was also Film Law Number 16, announced in 1983, which stated that film exhibition companies could not monopolise exhibition markets.[198] This law aims to maintain fair competition. The objective of these regulations are to prevent monopolies and maintain diversity in the market. Therefore, with reference to Radio and Television Act, the government uses authentication and the issue of licences and franchises to control the amount of producers and sellers in markets.

The third type of regulation is behavioural regulation.[199] Behavioural regulation is used to control the content of media. For example, there is regulation to control offensive speech in television or radio and sexual content in films, videos, books and magazines. This kind of regulation is related to ideology and value enhancement. In this case, the government intervention in the film industry mainly focuses on behavioural regulation. Behavioural regulation will be the main point of discussion in this section and will be analysed with regard to censorship.

There are many cases related to behavioural regulation when we talk about film policies. The main reason for this is that film can have the function of propaganda and education. A film can influence people's behaviour and thinking. Therefore, it

[197] Government Information Office, *A Selection of Communication Regulation* (Taipei: Government Information Office, 2004), p. 373.
[198] Ibid., p. 261.
[199] Robert G Picard, *Media Economics: Concepts and Issues*, p. 97.

can maintain the advantage of the ruling class. Lenin believed that film was the most powerful tool to educate the masses. Richard Taylor claims that propaganda is "concerned with the transmission of idea and/or value from one person, or group of persons, to another".[200] Film was a fundamental and effective systematic propaganda tool. The governing class could use film to practise propaganda, promoting the ruling class's ideology and cultural domination so as to guarantee obedience. There have been many cases in which films have been used for propaganda in film history.

For example, when President Franklin Roosevelt launched the "New Deal" to reform the financial system and to help the economy recover from the Great Depression, he used the press, broadcasting, photography, news documentary, films and television to promote the government's policy and mould his personal image. He was depicted as a popular president in America. Promoting an American image, American democracy and the American dream became the hallmark of Roosevelt's late period in office in the 1940s.[201] This is an example of how governments and politicians use film as a tool for promoting governmental policy or moulding a leader's personal image. In Taiwan, the KMT government used films for promoting an anti-Communist ideology in China and for promoting Mandarin language.

Since a film is a useful propaganda tool, the KMT government in Taiwan definitely pays attention and actively controls it, whether through passive regulation or positive subsidy. In general, the intervention of government in the film industry takes place mainly through behavioural regulation. This chapter will focus on the intervention of government in the Taiwanese film industry by means of behavioural regulation.

One example of behavioural regulation in Taiwan was the martial law, which was used to restrain speech and creativity from 1949 to 1987. Due to these restrictions, film creators only could operate in line with state political ideology. Therefore, the

[200] Richard Taylor, *Film Propaganda: Soviet Russia and Nazi Germany*, 2nd revised edn (London: I.B. Tauris Publishers, 2009), p. 7.
[201] Richard Maltby, *Hollywood Cinema*, 2nd edn (Oxford: Blackwell, 2003), pp. 276–279, 287–290.

films produced during this period in Taiwan were usually responses to the government's requests and political propaganda films were popular in the 1950s.[202] Martial law dominated the constitution for almost forty years (from 1949 to 1987) in Taiwan. People did not have freedom of speech, freedom of publishing, the right of assembly, or freedom of association. The government used martial law to control the whole media industry and the biggest influence was the censorship of the film industry.

In the 1980s, the film industry faced external challenges from new media, such as television and video, and internal challenges from strict censorship, a weak industrial structure, and loss of professionals to Hong Kong. The Taiwanese film industry had lost the advantage of dominating the entertainment business and faced the big challenge of economic survival. In response to the serious decline in the Taiwanese film industry, film workers and scholars proposed many suggestions for film policy in the National Cinema Association in 1991, especially with regard to revising the film regulations. They suggested the abrogation of Article 26 of Film Law – restraining the content of films by censorship.[203] Article 26 of Film Law regulated that the content of film could not (1) Oppose the national interest or dignity (2) Oppose the government's policies or regulations (3) Oppose the law or instigate the public to commit a crime (4) Damage teenagers' or children's body and mind (5) Interfere with the social order or good customs (6) Promote vicious ideas (7) Defame ancient sages or twist history.[204] If the content of a film was thought to be capable of achieving any of the above, the film would have to be revised, or it might simply have been banned. However, the examination of a film's content was the responsibility of the officers of the Government Information Office, and the standard was vague. Film workers hoped the government would change this article, since the declaration of martial law in 1987 gave more freedom to films in terms of content.

[202] Hung Zan, *Film and Political Propaganda* (Taipei: Wang-Shun, 1994), p. 5.
[203] Ching Ying-Jui, *Cinema in the Republic of China 1991 Yearbook*, p. 19.
[204] Government Information Office, *A Selection of Communication Regulation*, p. 269.

We can see that film policy plays an important role in the development of the film industry and especially that censorship is an obstacle for the film industry. In this case, behavioural regulation continue to have an impact on the development of the Taiwanese film industry. A later section will analyse behavioural regulation in Taiwanese film policy through censorship, film laws and so on. In addition, it will discuss some influences on the Taiwanese film industry that come from American Article 301 on copyright.

Government Information Office (GIO)

Before I discuss the Taiwanese film policy, I shall examine the organisation which is in charge of film affairs and of making those regulations – Government Information Office. I shall begin by presenting the historical background of this organisation and the development of GIO since its inception. GIO plays a very important role in the film industry in Taiwan. It is not only the organisation that is in charge of regulation and censorship but also the body that controls film funding and other media issues, such as radio and television. In short, GIO is the main government organisation to respond to media industry issues, mainly those in film, radio and television.

The history of Government Information Office (GIO)

Government Information Office (GIO) is the main organisation in charge of film affairs in Taiwan and has been for more than sixty years. In April 1947, the Republic of China (ROC)[205] government moved from political tutelage to constitutional rule, completing all preparations for the implementation of constitutional government and expanding all ministries, commissions, and councils under the Executive Yuan.

[205] Taiwan is the name we use nowadays to distinguish the country from the People's Republic of China. The Republic of China was established in mainland China in 1912. After the ruling party of ROC-KMT lost the battle with the Communists, the KMT government moved to Taiwan in 1949 and continued the regime of the Republic of China, which we call Taiwan nowadays in the international sphere. I will use the term "Taiwanese government" in this thesis when the discussion refers to events that happened after 1949.

Executive Yuan is the highest government administration organisation in Taiwan. Government Information Office (GIO) and other agencies for health, irrigation, and land affairs were established. GIO was formally set up in Nanjing on the Chinese mainland, on 2 May 1947, with three departments overseeing domestic and international publicity, media industry guidance, and news analysis.[206]

On 21 March 1949 the ROC president promulgated the revision of Articles 3 and 5 of the Organic Law of the Executive Yuan, whereby the organisation of the Yuan was streamlined and its agencies were regrouped into eight ministries, two commissions, and one department.[207] Two weeks later, on 5 April, at its 52nd meeting, the Executive Yuan approved the establishment of an Information Department under the Secretariat of the Executive Yuan. Twenty days later, the headquarters of the Information Department were transferred to Guangzhou, Chinese mainland, along with the central government.[208]

Following the central government's relocation to Taipei, Taiwan, on 7 December 1949, the Executive Yuan was reorganised in March 1950 and the Information Department was abolished. On 24 April the Executive Yuan, by administrative order, established the Office of Government Spokesman, which was responsible for issuing press releases.[209]

GIO was reactivated under its original structure on 1 January 1954 in response to press issues domestically and abroad. In December 1968, GIO was revamped to incorporate three departments (for domestic publicity; international publicity; and compilation and translation) as well as two offices (for audio-visual materials; and information and liaison). In August 1973, GIO also became responsible for mass media guidance and regulation, which was previously under the jurisdiction of the

[206] Government Information Office, <http://info.gio.gov.tw> (accessed 10 December 2011).
[207] Ibid.
[208] Ibid.
[209] Ibid.

Ministries of the Interior and Education and other related agencies.[210] Departments of publication affairs, motion picture affairs, and broadcasting affairs were subsequently established under GIO.

In February 1981, the domestic and international publicity departments were renamed the Department of Domestic Information and the Department of International Information, respectively. The audio-visual materials office was expanded into the Department of Audio-Visual Materials. In addition, the Department of Planning was established at this time.[211]

When streamlining the government, the Taiwan Provincial Department of Information was converted into GIO's central Taiwan office on 1 July 1999. As this office continued to engage in domestic services, on 16 September 2001 it was renamed the Department of Local Information. To date, GIO has retained this structure, which comprises nine departments and five offices. In short, GIO has been always responsible for issues related to the press or media.

The Organisation and Function of GIO

GIO's most important functions are to release government information to the public, both in Taiwan and abroad, on the government's policies, regulations, and actions, and to promote development of the mass media (including the film, television, and publishing industries). GIO is controlled by a cabinet-level minister and two deputy ministers and there are nine departments, five offices, and two committees: the Department of Domestic Information, Department of International Information, Department of Publications, Department of Motion Pictures, Department of Broadcasting Affairs, Department of Compilation and Translation, Department of Audio-Visual Materials, Department of Planning, Department of Local Information,

[210] Ibid.
[211] Ibid.

the Information and Liaison Office, General Affairs Office, Accounting Office, Personnel Office, Civil Service Ethics Office, Information Technology Unit, Legal Affairs Committee, and Petitions and Appeals Committee.[212] The Department of Motion Pictures plays a very important role in the development of the Taiwanese film industry because it is in charge of most of the film policy-making, censorship, and film laws and regulations. The issues I discuss in this thesis, in connection to the GIO, mainly relate to the Department of Motion Pictures. In the following section, I shall explain the function of this department and the role it plays in the Taiwanese film industry.

The Department of Motion Pictures

The Department of Motion Pictures enforces legislation related to the film industry, administers film industry subsidies and awards, licenses films, administers film ratings, and conducts on-site investigations of movies being shown in theatres. The main work carried out by the Department of Motion Pictures is as follows:

- Research and draft the guiding regulations concerning films
- Guide the development of creativity and technology in the film industry
- Cultivate and train professionals for the film industry
- Examine the importation of film facilities and digital facilities and tax issues
- Deal with applications for tax reduction for producing domestic films
- Keep good contact with film workers and relevant film associations
- Supervise the Chinese Taipei Film Archive and relevant film associations
- Subsidise domestic production and digital technology for production
- Prepare the Taiwanese Cinema Centre
- Execute marketing and promotion for domestic film events
- Assist Taiwanese films to appear at international film festivals and to be exhibited around the world

[212] Ibid.

- Collect and research overseas film events and market information
- Support Taiwanese overseas embassies to hold Taiwan cinema events abroad
- Guide and assist the Taipei Golden Horse award event, Taipei Golden Horse Film Festival, domestic film festivals
- Guide and assist Asia Pacific Film Festival
- Educate about film culture and increase the number of movie-goers
- Guide and assist international film events with other countries
- Establish, maintain and update the website of Taiwan Cinema
- Plan and execute film events with Hong Kong and mainland China
- Examine the classification of films
- Issue permissions for film exhibition
- Impromptu check for films shown in cinemas and theatres, film advertisements and film posts
- Issue the permission for film importation
- Issue permissions for film production, distribution and establishment of film companies
- Protect the rights of film consumers
- Issue licences for film workers
- Plan the Taiwanese Film Subsidy and track the production after issuing the subsidy
- Guide the government's investment in films and television
- Guide the loans on favourable terms for the media industry
- Assist with international cooperation in Taiwanese film production
- Recruit international film companies to produce films in Taiwan or to cooperate with Taiwanese film companies
- Plan and promote scenic spots for film shooting
- Set a special contact for dealing with media production
- Plan and make strategy for the Taiwanese film industry under the WTO[213]

[213] Ibid.

From the tasks listed above that the Department of Motion Pictures is responsible for, we can see that the government's role in the film industry is mainly to assist or guide the film industry. The tasks and responsibilities listed above are updated, and show that the government pay more attention to helping Taiwanese films to appear at international events and that the overseas embassies hold more events to promote Taiwanese cinema in other countries. The government has changed its focus from domestic censorship of films to marketing Taiwanese film products to an international audience. In this respect, the Taiwanese Film Subsidy is particularly important to the Taiwanese film industry. We can see that the government does not offer much other financial support for film production besides the Taiwanese Film Subsidy and loans on favourable terms for the media industry.[214] However, the loans on favourable terms, which were introduced in 2005, can not exceed 100 million Taiwanese Dollars (which is not very much to produce a big production) and the applicant has to use collateral to get this loan.[215] Therefore, the Taiwanese Film Subsidy is like a prize for film workers. The circle is as follows:
The film workers receive the subsidy and they produce the film. Then the government assists the film to appear at international film festivals where hopefully it wins an award and the government rewards the film further (e.g. offers another amount of money).

I shall discuss this film subsidy in more detail in Chapter Five. After discussing the background of the government organisation that is in charge of film issues in Taiwan, I shall discuss the issue of censorship in Taiwan.

[214] Wang Tien-Pin, *The History of Communications in Taiwan* (Taipei: Asiapac Books, 2002), p. 89
[215] The Regulation of the Loan on Favourable Terms for the Film and Radio and Television Industry: <http://info.gio.gov.tw/ct.asp?xItem=31828&ctNode=4919&mp=2>.

3.2 State Censorship

When the KMT government moved to Taiwan in 1949, the government did not have any experience or foundation in the Taiwan territory. The government had to establish national identity, integrate social diversity, establish a system of bureaucracy, distribute resources equally, and defend against outsiders (Communism in China).[216] In this situation, the government had to play an active role and used ideology to control the whole nation in order to maintain social order. Film became an important tool for stressing national identity because of its propaganda function. Therefore, the KMT government controlled the film industry when it moved to Taiwan. In this respect, film was not regarded as a commercial product and was not seen in economic terms. It has been seen as holding a political function in Taiwan since the 1950s. This has influenced film policy, which was made in consideration more of political factors than of economic ones.

Even though the country was not very wealthy and the society was not very stable in the 1940s, the theatres were full of people. Going to the cinema was the main form of entertainment, and a film was something away from the reality of people's tough day-to-day lives. Even though there was inflation in the 1950s, the business of theatres was very good.[217] At this time, films were important in people's lives and the population had increased. Therefore, the demand for theatres and films had also increased.[218] The government faced huge demand for films and controlled them by means of censorship. Hence, censorship for the Taiwanese film industry has an historical meaning and symbols.

Censorship by the KMT government started in 1929. The main policy was that a film should not be against the principles of party and nation, should not damage

[216] Shih Cheng-Feng, *A Political History of Taiwan* (Taipei: Han Lu Publisher, 2007), p. 36
[217] *Chinese Daily Press*, 20 October 1947, p. 3.
[218] After Taiwan was returned to China in 1945, the restriction on light in the evening was relaxed. It meant that the theatres could open in the evening. In 1946, there were 149 theatres in Taiwan.

tradition or public security, and should not promote any cult,[219] such as the Christian Gospel Mission from Korea. The KMT government had just established the nation, so it was very keen to ban any thought of communism. In 1932, the film censorship committee changed to the central film censorship committee.

By 1948, the political situation had gotten intense in mainland China. The propaganda potential of films was becoming important. The ROC president announced the "Film Censorship Law" on 26 November 1948 and every film, whether produced domestically or a foreign production, had to be shown with a licence. The principles for revising or banning a film were if the film:

1. Damaged the interests of Republic of China (Taiwan) or national dignity.
2. Damaged public order.
3. Harmed good traditional customs.
4. Promoted superstition or heresy.[220]

In 1955, the film censorship department established in GIO meant that the KMT government started to put tight controls on films in Taiwan. It also meant that film censorship in Taiwan moved into a new era. The change in the history of censorship reflected the change in the times.

When the film censorship department in GIO was put in charge of censorship, it immediately formulated the principles of censorship and issued them in June 1956. These new principles not only continued to protect public order and traditional customs but also emphasised the protection of the national regime. If any film contained any statements about Communism and Russia; praised Communist activities or supported Russia; reduced people's confidence in the nation or president; damaged the national interest; or twisted the situation in Taiwan or presented any negative image of the country, it would be censored or banned completely.[221] After

[219] Government Information Office, *A Selection of Communication Regulation*, p. 269.
[220] Government Information Office, *A Selection of Communication Regulation*, p. 299.
[221] Huang Jen and Wang Wei, *One Hundred Years of Taiwan Cinema*, p. 205.

1956, the government actively issued propaganda on the ideology of fighting with Communists and also banned any Communist statements.

We can say that the Film Censorship Law of 1955 was a fundamental regulation in Taiwanese film censorship. Even after that, the laws were revised many times, but the direction of control and spirit had been confirmed and established. Though the language (words) of censorship was very abstract/loose, it was useful to imply or extended explanation. Therefore, it strongly limited the creativity of film development, and restricted the representation of society in films. Hence, under strict control, Taiwanese film moved away from realism and towards unrealistic themes, such as Utopian subjects or romances. Film censorship deeply influenced the development of Taiwanese films and the industry faced the challenge of censorship until 1983. In 1983, the films *Son's Puppy* and *The Taste of Apple* had been threatened with blackmail before they were shown. The blackmail list stated that the content of *The Taste of Apple* was not appropriate and pushed the film company to delete some contents. This news was reported by the *Daily News* and caused a big debate in society. It caused the society to challenge the system of censorship. This event was known as the "Peer Apple Event". Film workers were angry about the government's action. The censorship system meant that Taiwanese films were limited to the ideology that was permitted by the government. The eagerness for change spread in the 1960s and 1970s under the oppressive and depressive political regime. It caused the loss of film creators and the decline of Taiwanese films. In general, the history of censorship has been closely linked with the political situation in Taiwan. The principles of censorship changed when the politics changed. However, the principles of censorship have some basic points as mentioned previously regardless of the political situation.

However, the censorship law and the film law have been revised many times. The basic spirit of the censorship system emphasises the protection of teenagers from contamination and at the same time aims to offer more choices for adult audiences.

The revision of censorship has resulted in the elimination of principles not appropriate to this age, for example the principle of not damaging national dignity or twisting history. The revised regulation allowed films to contain critical and controversial ideas about national identity and history.[222]

We can see that outdated regulations were finally removed as times changed. However, the development of the Taiwanese film industry has been influenced by these restrictions. The film industry was particularly restricted during the period of anti-Communism. Even America experienced this phenomenon. In 1945, Harry S. Truman became US president and the relationship between the US and Russia changed. In 1947, the House Un-American Activities Committee (HUAC) started to investigate how communists intervened in the film industry. However, this time, the US political environment changed. Chinese communists won the battle in China. Following the success of nuclear weapons in Russia and the Korean War, the anti-Communists held conferences in 1951 and 1954. The people in the American film industry were asked to declare their political allegiance. Two hundred film workers refused to cooperate with the government and were put on the blacklist. Some of them lost their jobs and some directors were exiled. Blacklists, the exile of film workers, and censorship from the right wing caused Hollywood in the 1930s to produce more science-fiction movies, western films (cowboy pictures), film noir and anti-Communist films instead of humanist, anti-fascist, and social realist films.[223]

However, after the political intervention in the American film industry in the mid-1940s, the American film industry began to decline. The relation between politics and cinema in the American film industry was gradually relaxed. The Hollywood film industry struggled for 20 years to be independent from political intervention. The relation between Taiwan and mainland China is still not very stable and the

[222] Government Information Office, *A Selection of Communication Regulation*, p. 300.
[223] Huang Jen and Wang Wei, *One Hundred Years of Taiwan Cinema*, pp. 115–116.

countries have opposing ideologies. A film is a powerful form of propaganda and both governments would like to intervene and use its function.

However, films also reflect the reality of life. Banned films are also a reflection of different values in different societies. There are three stages in Taiwanese film censorship: the first check, the second review and the final check.[224] If a film passes the first check, it will not need to be sent to the second review. The GIO argues that the censorship process protects the rights of the audience, but, in reality, there is some vagueness within the process. One of the reasons for this is that there are many problems with the aforementioned censorship procedure. For example, an unnoticed film which doesn't have any content against the law is sent to be censored in GIO. In the first check, two officials will watch the film. One is the main official and the other is the assistant official. If one of them falls asleep or does not pay full attention to the film, they will not pass the film because they do not want to take responsibility for any risk. Therefore, they will send the film to the second review in case there is any inappropriate content in the film. However, the officials in the second review committee think that if a film is sent to the second review, there must be something wrong with it. So they view the film with hostility and are very picky in finding something inappropriate. In the end, the film is banned due to these "conscientious" officials.

Consequently, any step of this censorship procedure could destroy any film and cause production companies huge losses. If a film did not pass the first check, the vast majority of them had very little chance of being shown in the theatres. However, GIO censored films by 'principles for film censorship' published in 1956 and 'regulation for film censorship' issued in 1988.[225] These two regulations were neither 'law' nor 'order' in legislation. They seemed not to have any legal force, but practically they were super powerful for film censorship in Taiwan for a long time.

[224] Government Information Office, *A Selection of Communication Regulation*, pp. 268–289.
[225] Ibid., p. 299.

The role and the principles of the film industry have been influenced by the era. In the past, the government regarded the film industry as a special business and it affected the development of the film deviation. Furthermore, films were controlled by the government in order to establish the identity of the nation and limit the development. Until proper film laws were passed, films were regarded as a formal cultural industry, but were still subject to lots of intervention from the government. Table 4.1 presents the changes in the censorship of the film industry in Taiwan.

Film Law

Besides censorship, the Film Law has also played an important role in the film industry in Taiwan. Therefore, the next section will examine the development of Film Law and its relationship with censorship. In 1971, the Bureau of Cultural Affairs drafted changes to 'Law of Film Business' and the 'Film Law' providing clear regulations in relation to the function of film; that is, a film had the functions of art, culture, and education. After several years of delays and revisions, the Film Law was eventually published in 1983 and defined film as a cultural business.

The Film Law replaced the censorship regulations which had been used for over 20 years. There are several points relating to the spirit of the Film Law:

1. It defined that the professional missions and targets of film were to promote Chinese culture, propagate national policy, educate society and promote proper entertainment.
2. It defined that this film law applied to all film affairs, including production, distribution, exhibition and industry workers.
3. It defined that there were two institutions of authority for film affairs: in central government, GIO; in local government, city councils.

4. To improve the standard of the film industry: to enhance the educational degree of the people who were in charge of film affairs in government and also to regulate some conditions for establishing film business.

5. Anti-monopoly to maintain fair competition: regulate film distributors so that they can not monopolise the markets of film exhibition.

6. Confirm the policy for protecting domestic films: regulate film exhibition companies so that they show a certain percentage of domestic films. At the same time, the import and export of films must be permitted by GIO.

7. To respect the qualifications of film workers: regulate the registration of film workers and ensure they do not display any behaviour or speech which would damage the nation or the film industry.

8. Censorship: any film, except educational films, must be censored by the central institution and be given a licence to be shown in theatres. Without a licence, no film can be exhibited. In addition, the central institution has the power to change or ban films.

9. To pay attention to the development of children: if a film is regarded to have a bad influence on teenagers or children, children and teenagers should be banned from seeing the film. If a film has special content, the places in which it can be shown should be limited. Any film not suitable for children should be banned for children under six.

10. To check the films showing in theatres: prevent exhibitors showing films without censoring or mixing up illegal films in the cinema.

11. To establish a system of reward and assistance: expanding the reward and guidance for the film industry and film workers in order to improve the standard of Taiwanese film production. In addition, to encourage domestic production to expand international markets and improve the technology and skills of film production. Also, start to pay attention to the image of film workers.

12. Enhance punishment to stop illegal business: regulate articles to stop film workers going against orders.[226]

[226] Ibid., pp. 261–276.

In general, there are three points to Film Law: control, censorship and guidance. This Film Law had an epochal meaning. Firstly, it defined the character and mission of the film industry. Secondly, it expressed clearly that the government would like to protect domestic films and offer assistance. Therefore, the film law was revised several times and was eventually sent to the Legislative Yuan to be examined on 7 December 1999. In amending the Film Law, the principles were redefined.

The Film Law comprised 11 chapters and 58 articles. The eleven chapters were:

1. General principles
2. Film production
3. Film distribution
4. Film exhibition
5. Film industry
6. Film workers
7. Film import and export
8. Film censorship
9. Reward and guidance
10. Penalty clause
11. Supplementary

However, the amended Film Law comprised 7 chapters and 56 articles. The seven chapters were:

1. General principles
2. Film business
3. Film deliberation
4. Reward and guidance
5. Preservation of cultural film assets
6. Penalty clause
7. Supplementary

The amendment introduced some changes to the Film Law. The amendment to the Film Law deleted the chapters of film workers and film import and export. According to the film law, film workers had to register with the government. This regulation caused inconvenience and trouble for film workers who were involved with Taiwanese film production, especially film workers from Hong Kong and mainland China. Therefore, to improve efficacy and simplify the administration process, the amendment to the Film Law cancelled this regulation.[227]

With regard to the regulation of film import and export, the principle of Film Law was to regulate public film exhibition. Before being shown in the cinema, any film had to be examined and classified. Therefore, in order to go through customs more efficiently, simplifying the administrational process and removing an obstacle to trade, the amendment to the Film Law also cancelled this regulation.[228] I

The revised Film Law eliminated many outdated regulations and provided the film industry in Taiwan with more assistance and flexibility.

Copyrights

Before the copyright law was introduced in 1992, piracy had a big influence on the Taiwanese film market. Firstly, when a new film was released in theatres, a pirate copy was also sent to the cable television companies. People could watch the latest movie on their cable television channels. Therefore, less people would go to watch the movie in the cinema. This piracy seriously affected the box office and the film industry. From 1986 to 1991, the number of cinemas in Taiwan fell from 404 to 286. In Taipei, the number of cinemas fell from 82 to 64 and in Kaohsiung the number dropped from 68 to 32. Taipei and Kaohsiung are the two biggest cities in Taiwan. The main reason for piracy was that the government was too slow in reacting and in

[227] Executive Yuan, Republic of China, *The Revised Statement of Film Law*, December 2012, p. 28: <http://www2.ey.gov.tw/public/Attachment/91191265171.doc> (accessed 16 January 2012).
[228] Ibid., pp. 11–12.

making laws to stop piracy. Before the regulation of copyright came into practice, cable television could show films fairly quickly after they had finished being shown in cinemas. The time gap was not very long, so audiences would choose to pay for cable television rather than to go to the cinema. Because piracy caused huge losses for film box office, it also got American film companies' attention. Therefore, the American Film Export Association established the Motion Picture Export Association of America (MPEAA) and set up an agency of Federal Visibility Monitoring Program (FVMP)[229] in 1987. In the summer of 1992, the Taiwanese government published the Law of Copyright. Piracy subsequently declined and the box office suddenly increased by 40% compared to the previous year. It showed that the attitude of the government in putting law into practice had a great impact on piracy.

There is another example of how policy can have an impact on the film industry. A German television station bought the rights to broadcast one of Hou Hsiao-Hsien's films for 4 million Taiwanese dollars, and could only show the film once on television. However, cable television stations that bought films had the right to repeat those films as many times as they wanted. In addition, cable television could show films soon after they had finished being shown in cinemas. Audiences did not need to buy a ticket to go to the cinema to see a blockbuster and could just pay a small monthly fee for cable television to access unlimited films. The monthly fee for cable television was around NTD 500 to 800, and one movie ticket was NTD 180 to 250. The amount spent on watching two films at the cinema could pay for cable television for one month.[230] The number of households with cable television increased rapidly due to the cheap monthly fee and quick exhibition. At this time, how the government reacted to piracy and the implementation of the copyright law were important for the film industry.

[229] Ching Ying-Jui, *Cinema in the Republic of China 1991 Yearbook*, p. 62.
[230] Liu Yu-Li, *Management and Strategy of Cable Television* (Taipei: Cheng Chung Book, 1997), pp. 60–62.

There were many factors in the decline of the Taiwanese film industry. The importation of foreign films, new technology appearing, and the unsound structure of the Taiwanese film industry are factors usually proposed by critics. Another important factor is that the government did not protect films with copyright, and piracy became a serious problem from the mid-1980s onwards. A good example is the appearance of MTV audio-visual centres in Taiwan. MTV audio-visual centres began in 1985 in Taipei – the first store was called "Luang-Tang MTV audio-visual centre". Luang-Tang MTV audio-visual centre imported MTV music videos from America and broadcast them in its store to attract customers. It became very popular in a short time and it changed to a store with an individual stateroom to broadcast various video tapes. Some of the MTV audio-visual centres (for example, Solar System MTV audio-visual centres) had extensive collections and provided abundant sources of films for movie fans, stirring up a great mass fervour for film art and film study. In 1988, there were more than 800 MTV audio-visual centres in Taiwan, around 300 of which were in Taipei. In Kaohsiung, there were around 60 MTV audio-visual centres. The consumers were half women and half men, 60% working people and 40% students. MTV audio-visual centres became a popular form of entertainment in society. The programmes shown in MTV audio-visual centres were mainly copies of various movies and annual business volume could reach fifty hundred million Taiwanese dollars.[231] MTV audio-visual centres had more privacy and more choice than cinemas (the centres had pirate copies before 1992 copyright regulation was released), and viewers could watch a film with a small group of people or just with one other person. Suddenly cinema-going was not attractive, and watching films at MTV audio-visual centres was more fashionable and convenient for the audience. As a result, such centres gave the film industry in Taiwan a big hit.

The huge profits of MTV audio-visual centres had an impact on normal cinema business and the film industry realised the severity of the situation. In 1987, the film workers Chang Wen-Sang and Chang Wei-chang organised a group to protest to GIO. In 1988, some distributors and cinema associations organised an 'anti-piracy'

[231] Lu, *Taiwan Cinema: Politics, Economy and Aesthetics*, pp. 373–374.

alliance against the MTV audio-visual centres. However, the government was not clear in defining the business of MTV audio-visual centres as either "video rental business" or "video exhibition business". After many protests from the film industry, GIO promised that the government would negotiate with MTV audio-visual centres to improve the situation. The government did not take effective action until the American film industry intervened.

In fact, the main impact of MTV audio-visual centres was on Western, and in particular American films. American film companies claimed that they lost about 10 to 15 million US dollars due to pirated films in Taiwan.[232] American film companies started to put pressure on the Taiwanese government, since their profits had decreased dramatically. In 1988, when Taiwan negotiated with America over intellectual property rights, America strongly asked the Taiwanese government to define MTV business as "public exhibition" and to put it under the protection of copyright. In May 1992, Taiwan was under threat from the American "Special 301 Articles on Multi-trading" and passed the amendments to copyrights very quickly.[233] The amendments to copyrights related to the rights of American audio-visual products and strictly limited the conditions for operating MTV audio-visual centres. Suddenly, most MTV audio-visual centres collapsed in a very short time. Distributors once again controlled the ways in which Taiwanese audiences could watch movies. Even though the government had addressed the problem of piracy, the solution mainly benefitted the foreign film market, distributors and exhibitors. The Taiwanese film industry still hung by a thread. It demonstrates that the Taiwanese government did not pay much attention on the development of the film industry and the film policy before the 1990s. The regulations for films before the 1990s were made mainly for censorship. And the copyright regulation was enforced by American political factor and without consideration of the protection of cultural production. Internal weakness (lack of government's and domestic audience's

[232] Lu Yueh Chu, 'The Revenge: America is Coming. Our Cable Television is Full of Pirated Films', *China Times*, 2 March 1992, p. 26.
[233] Wang Wei-Ching, 'Copyright and Media Industry in Taiwan', *Mass Communication Research*, 111 (2012), 129–197 (p. 160).

support) and external attack (Hollywood films and American political pressure) has hit the Taiwanese film industry for a decade.

Film Policy under the KMT Government

The film policy of the KMT government, when it controlled state power both in mainland China and in Taiwan, recognised the ideological and industrial character of film, as all governments do, and combined the two. Because film was seen as a pivotal ideological apparatus, the content was strictly controlled or even directly produced by state-owned (or party-owned) organisations. At the same time, film was also seen as a commercial entertainment business. But it was not an entertainment business as it is commonly recognised today. Rather, it was one of the 'special businesses' which also included bars, pubs and nightclubs. In the social context of Taiwan in the twentieth century, these locales were strongly associated with the sex industry and gang activities. This led to a duality in film policy. The production sector was regulated on the basis of its ideological role, while the distribution and exhibition sectors were regulated as 'entertainment' in the sense just defined. The resulting inconsistencies in film policy led to the distorted development of the Taiwanese film industry before the 1990s.

The fact that the film industry was regarded as a 'special business' may be traced back to some stereotypical ideas in 'traditional' Chinese culture. Before the KMT started to use film as a tool of ideological struggle in the 1930s, the film industry was developed as a pure entertainment industry in China. In major cities, cinemas, along with nightclubs and bars, provided amusement and diversion for people's night lives. Even when the artistic and ideological aspects of film were recognised later, this thinking was carried over by the KMT government when it moved to Taiwan.

There were two major planks in policy-making in relation to film as an entertainment industry. First, the growth of the commercial film distribution and exhibition sectors was promoted for their contributions to the national economy and to citizen's leisure activities. In this context, 'how to maximise the exhibition market' was more important than 'how to facilitate local production', because imported film could also fulfil demand.[234] In the early 1950s, the number of cinemas increased enormously, while local production had not substantially started to develop before the mid-1950s. There were about forty or so cinemas in Taiwan before 1949. The number rose to 122 in 1951 and to 374 in 1954, and kept on increasing till the early 1970s. By 1970, there were 788 cinemas in Taiwan.[235] During the period of 1968 to 1973, an application to open a cinema 'has to pass complicated procedures, but [is] never rejected'.[236]

This related to the second major focus of policy. As one of the 'special businesses', there were over thirty laws and regulations regulating the film exhibition business, from opening times to the size of seats. There was also heavy taxation. In the early 1970s, cinemas had to pay three kinds of regular tax, which, taken together, accounted for nearly a third (32.138%) of the ticket price. In addition, there was a levy for supporting the national education service.[237] The taxes on the importation of filming facilities and negative copies of films were also relatively high. Unlike the state-owned (or party-owned) companies who had plenty of resources, most small and medium-sized private film companies could not afford these costs and often rented facilities from state-owned (or party-owned) studios.

The KMT government adopted two measures to control film content. The first was to establish state-owned (party-owned) organisations that directly intervened in the film industry. The second was strict film censorship backed by the nation. In 1938, the KMT-controlled Military Committee established the China Film Studio for

[234] Huang Jen and Wang Wei, *One Hundred Years of Taiwan Cinema*, p. 252.
[235] Culture Bureau, *The Present and Future of the Chinese Film Business* (Taipei: Culture Bureau, 1971), p. 18.
[236] Ibid., p. 27.
[237] Ibid.

filming newsreels. The Agricultural Education Film Company (AEFC) was subsequently established in 1945 to promote post-war rebuilding works in rural areas. After their defeat on the mainland, however, the KMT remained in control of film and other mass media.

Their first action in rebuilding the island's film system in 1949 was to make the Taiwan Film Studio (which had been established in 1945 by being given the defeated Japanese colonial government's film production properties) subject to instructions from the Taiwanese Provincial Government. Its main task was to support propaganda initiatives promoting public policies. The position of the China Film Studio also changed, as it came under the command of the Ministry of Defence in 1950. Its duty was to make military promotional films and military education films. Finally, in 1954, the AEFC and the Taiwanese Film Company (which had received the Japanese colonial government's film distribution and exhibition properties in 1945) were merged to form a new vertically-integrated 'Central Motion Picture Company' (CMPC) wholly owned by the KMT.[238] The CMPC was assigned to become a major force in making feature films. With this act, the KMT completed the establishment of a film system which could promote political ideology in the administrative, military, and party sectors. Before 1990, these state-owned (party-owned) film institutions, with comparatively plentiful resources, significantly influenced the development of the Taiwanese film industry. In contrast, private film companies did not obtain substantial support from the state until 1989.

The KMT was also actively involved in civil film industry activities. The Cultural Division of the Party had close relationships with many local and Hong Kong private film companies and sometimes directly guided their production strategies. It also participated in the organisation and operation of professional film and trade associations with the directors of the state-owned (party-owned) film companies

[238] The AEFC was a governmental institution and the Taiwanese Film Company was state property. Chiang Kai-Shek's instruction simply transformed these two institutions into the KMT's property, apparently revealing one of the characteristics of the KMT party-state regime. See Lu, *Taiwan Cinema: Politics, Economics and Aesthetics 1949–1994*, p. 47.

taking key positions on the central councils of the major associations and other members of the councils also being KMT members.

The only film law the government implemented before 1949 was the 1934 Film Censorship Law,[239] executed by the Central Film Censorship Committee (under the guidance of the Central Propaganda Committee). In 1955, the KMT government set up a Division of Film Censorship within the Government Information Office (GIO) responsible for the censorship. Film Censorship Standard Regulations were released the following year. The 'standards' were actually abstract principles and allowed considerable space for interpretation by the people in charge. They covered not only moral concerns about violence and sex but also political considerations. Any film content that violated the policy of anti-Communism, contained poisonous Communist ideas, damaged national unification and humiliated the country's leader stood to be severely cut or banned. The arbitrary application of these regulations seriously restricted the space available for film creation and resulted in filmmakers imposing self-censorship for over thirty years.[240] Filmmakers chose safe themes and kept a distance from political issues and even sensitive social issues. The diversity of film production was poor in these decades.

Looking at the development of film regulation, we can see that for most of the post-war period the ultimate significance of film for the KMT government was ideological rather than cultural or entertainment-related. The film industry was governed by the Ministry of Interior Affairs when the KMT moved to Taiwan. In the mid-1950s, the government established a Committee for Supporting Film Business within the Ministry of Education, while the Division of Film Censorship within GIO was responsible for film censorship. Two years later, the duty of support was moved to GIO. By 1967, a Cultural Bureau within the Ministry of Education was established and took charge of film governance. It was the first time that film in Taiwan had been regarded as 'culture'. Indeed, the Cultural Bureau was the only

[239] There was a simpler version. Actually, Film Censorship Regulations were implemented in 1920.
[240] Lu, *Taiwan Cinema: Politics, Economics and Aesthetics 1949–1994*, pp. 71–72.

governmental unit that ever took a serious interest in trying to resolve the problems of the film industry. Unfortunately, this institution was dissolved after six years and GIO once again took charge, a position it still holds.

As mentioned above, the number of cinemas in Taiwan increased enormously from 1949 to 1954. In the same period, no restrictive measures were placed on film importation and substantial local film production had not yet started.[241] As a result, the film market was flooded with foreign (mainly American) films, a process which profoundly affected the formation of film exhibition and consumption in Taiwan.

In 1954, the government finally introduced Regulations for the Importation of Foreign Films. These included restrictions on the annual importation number, the number of prints allowed of each imported film, and screen/cinema quotas. However, the importation quota was set according to the number of films imported in the previous year and decreased progressively. For example, 349 American films were imported from July 1952 to June 1953, and so the quota for American films in 1954 was 349. The number of American films imported during mid-1954 to mid-1955 (expected to be fewer than 349) would be the quota for the following year. From 1954 to 1970, the quota of American films decreased from 349 to 162 and the quota of all foreign films dropped from 444 to 275. There were several issues relating to the importation of films, as described below.

Firstly, the introduction of restrictions on film importation came relatively late. Secondly, Hollywood had by then already altered its production and marketing strategy to focus on fewer productions with bigger budgets. The number allowed to be imported was not therefore the pivotal factor. A senior manager of a Hollywood branch office in Taiwan said 'Seventy or eighty films a year is absolutely enough'.[242] Thirdly, American films remained the majority of imported films after

[241] The KMT government implemented *Measures for Dealing with Domestic Films in the Period of Mobilisation and Suppressing Rebellion* in 1949. That was for prohibiting films whose makers had yielded to the Chinese Communist Party.
[242] Li Ya-Huei, 'A Research on the Transition of Hollywood Majors in Taiwan: 1946–1999' (Master's

the quota system was implemented. Although the quota of American films decreased gradually, it in effect squeezed the number of films imported from other places. And last but not least, the quota system did not take the real demand for film in the local market into account. In the 1960s, the demand of Taiwan's film exhibition market was for about 300 films a year. Yet, the total quotas of imported films was over 300 while the average number of local productions was about 150, with a similar number being imported from Hong Kong.[243] In other words, the quota system did not protect local production effectively at all.

3.3 Conclusion

In short, after examining the long history of film policy and censorship in Taiwan, we have a clear historical and political background of the development of the Taiwanese film industry. We can see that the Taiwanese government used to use film as a propaganda tool and paid much attention to censorship. As time passed by, the government changed its attitude towards the film industry. However, there is still a political intention to the government's intervention in the film industry. In the past, the government used to promote nationalism; after the regime changed, the government used it to promote the image of Taiwan in the international sphere.

In the next chapter, I will examine the details of film production, film consumption and the structure of the film market. I focus on analysing the Taiwanese film market, the Hong Kong film market, foreign films and distribution and exhibition in Taiwan in the 1990s. The historical analysis of film policy in this chapter, together with the economic analysis in next chapter, will enable an analysis, in later chapters, of how government policy affected the film industry in the 1990s.

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thesis, National Chengchi University, 2000), p. 88.
[243] Ibid., p. 56.

Chapter Four

An Analysis of the Film Market in Taiwan in the 1990s

In the previous chapter, the historical background and the development of the film policy was introduced and interpreted. This chapter will explore the production and consumption of film and analyse the structure and distribution of the Taiwanese film industry. After examining the political (historical background) and economic (film market) factors, we will have a holistic picture of the Taiwanese film industry in the 1990s. The next chapter will discuss how government policy has influenced the development of the film industry and the film market.

4.1 Production and Consumption

Production of films

As can be seen in Table 4.1, less than 40 Taiwanese films were produced annually in the 1990s, except in 1990, when 81 films were produced. After 1990, the highest production year was 1992, when 40 films were produced; the lowest production year was 1999, when 16 films were produced. Therefore, between 1990 and 1999 (when 81 and 16 films were produced, respectively), annual production of films decreased by 80 per cent. These annual quantities for the production of Taiwanese films are far removed from the production statistics of the 1980s. More than one hundred films

were produced annually in the 1980s and two to three hundred films were produced annually in the 1970s.[244] This demonstrates that, after the 1980s and 1970s, the production of Taiwanese films declined hugely in the 1990s.

The quantity and ratio of Hong Kong cinema was always higher than that of Taiwan cinema in the 1990s. Despite the market share ratio of Taiwan and Hong Kong cinema rising to 1:2 in 1990, Hong Kong cinema occupied around 80% of the market share of Chinese-language films in the 1990s in Taiwan. In addition, Taiwanese investors started to invest in the film markets from mainland China in 1993. However, the Taiwanese government declared a new policy – "The policy on importing films from mainland China to Taiwan" – on 7 January 1997.[245] From then on, films from mainland China started to be shown legally in Taiwan. Even after 1997, there were still only limited numbers of films from mainland China due to quota restrictions. Despite the rapid decline in the number of Taiwanese films during this period, there were still two Taiwanese films to every one from mainland China in the market in 1999 (Table 4.1).

In addition to Chinese-language films, foreign films had a high market share in Taiwan in the 1990s. Table 4.2 shows the quantity and percentage of Taiwanese films and foreign films in the market in the 1990s. According to Table 4.2, the market share of foreign films in the Taiwanese film market was more than 50% in the 1990s. Towards the end of the 1990s, the market share of foreign films was over 60% and was gradually increasing.

[244] Lu, *Taiwan Cinema: Politics, Economics, Aesthetics 1949–1994*, pp. 320–324.
[245] Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000* (Taipei: Ministry of Culture, 2005), p. 1223.

Table 4.1: The quantity and market share of Chinese-language films in the 1990s

Year/Amount/Percentage	Taiwanese Cinema	Hong Kong Cinema	Mainland Chinese Cinema	Total
1990	81 (32.7%)	167 (67.3%)	0	248 (100%)
1991	33 (15.3%)	183 (84.7%)	0	216 (100%)
1992	40 (16.7%)	200 (83.3%)	0	240 (100%)
1993	26 (11.8%)	195 (88.2%)	0	221 (100%)
1994	29 (17.3%)	139 (82.7%)	0	168 (100%)
1995	28 (17.1%)	136 (82.9%)	0	164 (100%)
1996	18 (16.4%)	92 (83.6%)	0	110 (100%)
1997	29 (22.1%)	97 (74.1%)	5 (3.8%)	131 (100%)
1998	23 (18.9%)	98 (80.3%)	1 (0.8%)	122 (100%)
1999	16 (11.0%)	121 (83.5%)	8 (5.5%)	145 (100%)

Source: *Cinema Yearbook in Republic of China* (1991–2000)

Table 4.2: The quantity and percentage of Taiwanese and foreign films in the market in the 1990s

Year/Amount/ Percentage	Taiwanese Cinema	Hong Kong Cinema	Mainland Chinese Cinema	Foreign Cinema	Total
1990	81 (15.9%)	167 (32.9%)	0	260 (51.2%)	508 (100%)
1991	33 (6.5%)	183 (36.1%)	0	291 (57.4%)	507 (100%)
1992	40 (7.5%)	200 (37.3%)	0	296 (55.2%)	536 (100%)
1993	26 (5.9%)	195 (43.9%)	0	223 (50.2%)	444 (100%)
1994	29 (7.7%)	139 (36.7%)	0	211 (55.6%)	379 (100%)
1995	28 (6.6%)	136 (31.9%)	0	263 (61.5%)	427 (100%)
1996	18 (5.0%)	92 (25.3%)	0	253 (69.7%)	363 (100%)
1997	29 (7.4%)	97 (24.9%)	5 (3.8%)	259 (66.3%)	390 (100%)
1998	23 (5.2%)	98 (22.1%)	1 (0.2%)	322 (72.5%)	444 (100%)
1999	16 (3.4%)	121 (25.6%)	8 (1.7%)	327 (69.3%)	472 (100%)

Source: *Cinema Yearbook in Republic of China* (1991–2000)

In fact, some films were made by Hong Kong filmmakers using Taiwanese capital. However, detailed data on this was difficult to obtain due to the shortage of data regarding Taiwanese cinema. According to the list of Chinese-language films which were sent to be censored by Government Information Office in Taiwan between 1989 and 1993, around 5% of Chinese-language films were made by Hong Kong filmmakers from Taiwanese investment.[246] However, some film companies stated that this figure was more than 50%.[247]

Consumption of films

The data on film production in the market mentioned in the previous section cannot show the entire picture for consumption. For a detailed study of consumption, the films shown in cinemas, and their box office performance, need to be analysed. However, it is difficult to analyse the economics of film studies in Taiwan, because the correct data has never existed.[248] This problem is more serious in Taiwan than in many Western countries. This is because there has been no organisation for the gathering of cinema box office statistics until recently. The data for cinema box office receipts is usually gathered from theatres in the Taipei area.[249] Therefore, when this data is analysed, the data should be regarded as relative, and not absolute, values. Taipei is a major population centre and the capital of Taiwan, so including cinemas in less populated areas might alter the results.[250]

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[246] Wei Ti, 'The Current Situation of the Taiwanese Film Industry' (Master's dissertation, National Chengchi University, 1994), p. 29.
[247] Tsai Sung-Lin, 'A Predicament of Taiwan Cinema', *United Daily News*, 11 August 1990, p. 30.
[248] Nicholas Garnham, 'Media Theory and the Political Future of Mass Communication', in *Capitalism and Communication: Global Culture and the Economics of Information*, ed. by F Inglis (London: Sage, 1990).
[249] Wei, *The Current Situation of the Taiwanese Film Industry*, p. 34.
[250] The complete statistics for box office and production in Taiwanese cinema are from the *Taiwan Cinema Year Book*. Source: Lu Feii, 'The Exhibition in Taiwan: The Case of 1994', *Journal of Radio & Television Studies*, 9 (1997), pp. 167–191 (p. 172). It should be noted that, firstly, the data is mainly from the Taipei area, because Taipei was the first city to use computing to gather statistics. Other cities in Taiwan did not use this computer system, so it is hard to count the box office figures. Secondly, the organisations in charge of films often changed. There was no organisation to gather and arrange film data until recently. Thirdly, film studies is not prevalent in the academic arena in Taiwan, and there has therefore been a shortage of research and data collection.

The box office receipts for Taiwanese cinema have been low for a long time. The data shows that the percentage of the box office for Taiwanese cinema in the 1990s did not exceed 5%, except for a brief period in 1990, when it reached 5.78% (see Table 4.3). After 1997 it fell to below 1% for three years. Regarding the statistics of income at the box office, there were 14 Taiwanese films shown nationally in 1999 and total income at the box office was around NTD 11,000,000. In the same year, the number 53 ranked movie at the box office in Taiwan was *La vita è bella*, with box office receipts of more than NTD 12,000,000. The top-grossing movie at the box office was *The Mummy*, with receipts of NTD 140,000,000. In other words, the takings of any film ranked higher than number 53 in the annual box office, including both Hong Kong and foreign films, exceeded the annual gross of Taiwanese films in 1999. This shows how little interest audiences had in watching Taiwanese films. Is the quality of Taiwanese cinema declining? Or do Hollywood films monopolise the global film market? This chapter will focus on the consumption and market structure, and some problems will be discussed in further detail.

This section investigates the box office receipts for Hong Kong cinema. At the beginning of the 1990s, the income of Hong Kong cinema was equal to that of Hollywood films. Hong Kong action movies were very popular in 1992 and their box office share was 46.91% of the entire Taiwanese film market. This was nearly half of the market share of the box office in Taiwan. But after 1992, the market share of Hong Kong cinema decreased rapidly. The market share of Hong Kong cinema fell below 10% by 1996 and was only 2.87% in 1999. The income of Hong Kong cinema also decreased gradually following maximum box office takings of NTD 1,000,000,000 in 1992. In 1998, the income of Hong Kong films at the box office was less than NTD 100,000,000; this figure fell to only NTD 70,000,000 in 1999. However, it should be noted that the decrease in income does not necessarily represent a decrease in the size of the audience. In fact, the total number of box office receipts increased gradually in the 1990s. The loss of box office in Hong

Kong film was owing to a decline in the popularity of foreign films, rather than Taiwanese films.

Compared with the decrease of Chinese-language films, the development of foreign films in Taiwan surpassed all previous records, especially when considering the income at the box office. The income from foreign box office receipts exceeded NTD 1,000,000,000 in 1990[251] and never fell below this amount throughout the entire decade. In addition, the market share of foreign films was maintained at over 60% throughout the 1990s, except in 1992, when the market share fell to 51.41% due to the popularity of Hong Kong action movies. After 1996, the market share of foreign films was over 90%, and increased year on year. The maximum was reached in 1999 with a value of 96.67%. The entire annual income was in excess of NTD 2,400,000,000 after 1996 and reached a maximum of NTD 2,700,000,000 in 1998 (Table 4.3).[252] The above discussion makes it clear that the entire audience for cinema did not decrease and even increased in the 1990s. But viewers more frequently went to the cinema to watch foreign films than to watch Taiwanese, Hong Kong or Chinese films. The reason was not the decline in the production of Taiwanese and Hong Kong films. It was not only the quantity of the production but also the content of the films that resulted in smaller audiences. The decline of the film industry in Taiwan and Hong Kong in the 1990s was not only owing to production. More facts need to be taken into account.

[251] In the 1980s, the income of foreign films at the box office only exceeded NTD 1,000,000,000 in 1983 and 1986.

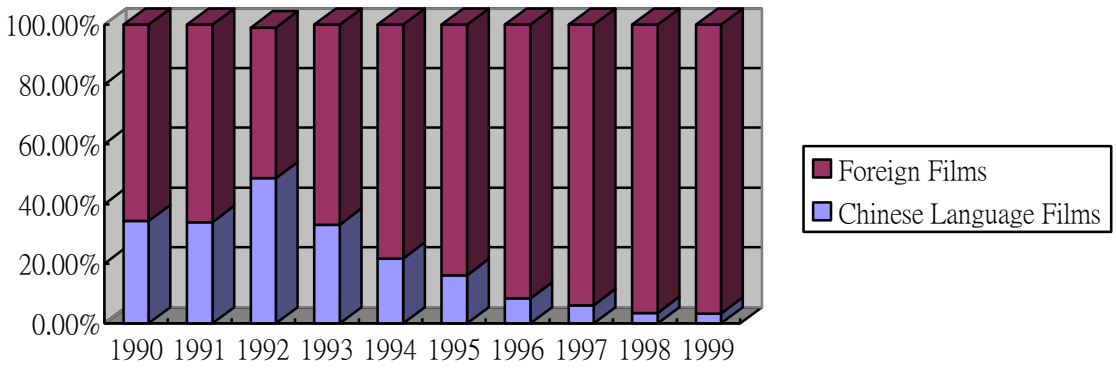
[252] The income of foreign films at the box office in the Taipei area in 1996 was NTD 2,616,908,150. A scholar estimated that the entire annual income of foreign films was between NTD 5,200,000,000 and NTD 5,500,000,000. Source: Wang Ching-Hua, 'The Brief of Foreign Films Issued in Taiwan', in *Cinema in the Republic of China 1997 Yearbook*, ed. by Chinese Taipei Film Archive (Taipei: Chinese Taipei Film Archive, 1997), p. 40.

Table 4.3: The Change of Box Office in the Taiwanese Film Market in the 1990s

Year	The box office of Taiwanese Cinema	The box office of Hong Kong Cinema	The box office of Foreign Cinema	The total of the box office receipts	The ratio of Taiwanese Cinema	The ratio of Hong Kong Cinema	The ratio of foreign Cinema
1990	104,916,398	517,264,727	1,192,898,615	1,815,079,740	5.78%	28.50%	65.72%
1991	63,777,162	544,256,718	1,182,943,791	1,790,977,671	3.56%	30.39%	66.05%
1992	36,570,610	1,021,612,714	1,119,588,712	2,177,772,036	1.68%	46.91%	51.41%
1993	103,144,502	720,195,626	1,662,816,250	2,486,156,378	4.15%	28.97%	66.88%
1994	84,534,960	402,385,540	1,758,113,514	2,245,034,014	3.77%	17.92%	78.31%
1995	31,033,280	354,748,913	1,998,256,130	2,384,038,323	1.30%	14.88%	83.82%
1996	39,583,272	188,115,562	2,489,516,301	2,717,215,135	1.46%	6.92%	91.62%
1997	25,401,536	151,035,720	2,680,958,444	2,857,395,700	0.89%	5.29%	93.83%
1998	12,367,760	87,735,171	2,725,643,021	2,825,745,952	0.44%	3.10%	96.46%
1999	11,676,805	72,415,775	2,438,320,845	2,522,413,425	0.46%	2.87%	96.67%

Source: Taiwan Cinema Database: cinema.nccu.edu.tw

Figure 4.1: The percentage of box office receipts for Chinese-language films and foreign films in the 1990s in the film market in Taiwan

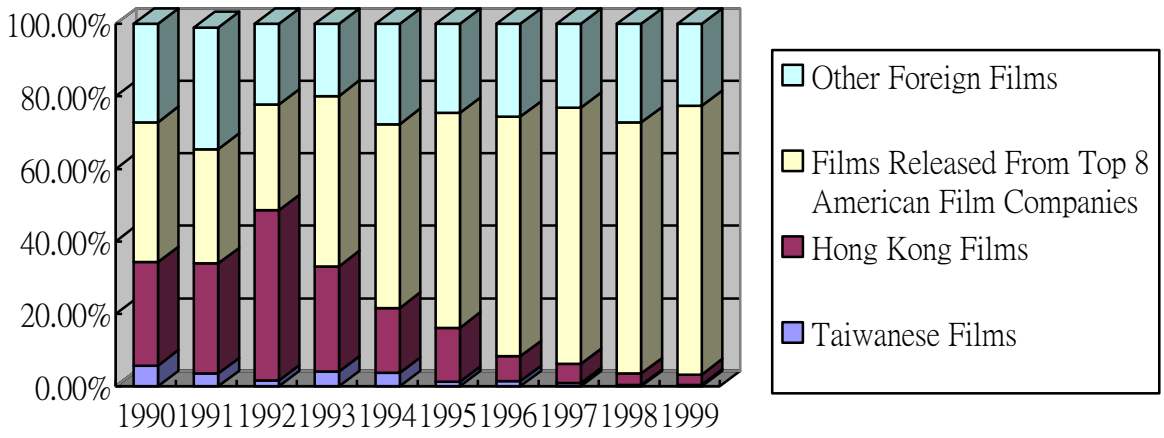


Source: *Cinema Yearbook in Republic of China* (1990–1999)

According to the data, Chinese-language films reached a high of 48.59% in 1992 and declined dramatically from that point on. In 1999, Chinese-language films had only a 3.3% share in the film market. The change can be seen in Diagram 4.1.

At the same time, the films released by the top eight American film companies dominated the box office in the Taiwanese film market. At the beginning of the 1990s, the films released by the top eight American film companies had around 30% of the market share of the box office, which increased to 74.06% in 1999. The gap between the highest and the lowest box office for the films released by the top eight American companies is 44.9%. The proportion of the box office secured by Taiwanese films, Hong Kong films, films released by the top eight American companies and other foreign films is illustrated in figure 4.2.

Figure 4.2: The comparison of the box office in Taiwan in the 1990s among Taiwanese films, Hong Kong films, films released by the top eight American film companies and other foreign films



More precisely, the decline of Taiwanese cinema happened before the 1990s, because Taiwanese cinema never had half of the market, whether in production or at the box office, during the whole of the 1990s. In addition, the change for other

foreign films was not too different to that of Taiwanese films. The gap between the highest and lowest box office of Taiwanese films was 5.34% and the value for other foreign films was 13.62%. The range of change was minimal. In contrast to these figures, the gap between the highest and lowest box office of Hong Kong films was 44.04%; for the films released by the top eight American film companies, this figure was 44.90%. The gap between the highest and lowest box office for Hong Kong films and for films released by the top eight American companies was nearly the same. This can be explained by the fact that the popular films in the film market moved from Hong Kong films to American films in the 1990s. This analysis of box office trends in the 1990s shows that the box office receipts of the top eight American film companies were the same as those of the movies from Hong Kong, but not those of Taiwanese films. Therefore, the decline of Taiwan cinema cannot be attributed to American films completely.

Table 4.4: The percentage of box office receipts for Chinese-language films and foreign films in the 1990s

Year	The percentage of Chinese-language film box office receipts			The percentage of foreign film box office receipts		
	Taiwanese films	Hong Kong films	Total	Films from the top 8 American companies	Other foreign films	Total
1990	5.78%	28.5%	34.28%	38.55%	27.17%	65.72%
1991	3.56%	30.39%	33.95%	31.48%	33.53%	66.05%
1992	1.68%	46.91%	48.59%	29.16%	22.25%	50.41%
1993	4.15%	28.97%	33.12%	46.97%	19.91%	66.88%
1994	3.77%	17.92%	21.69%	50.67%	27.64%	78.31%
1995	1.30%	14.88%	16.18%	59.24%	24.58%	83.82%
1996	1.46%	6.92%	8.38%	66.01%	25.61%	91.62%
1997	0.89%	5.29%	6.18%	70.65%	23.18%	93.82%
1998	0.44%	3.10%	3.54%	69.18%	27.28%	96.46%
1999	0.46%	2.87%	3.33%	74.06%	22.61%	96.67%

Source: *Cinema Yearbook in Republic of China* (1990–1999)

Generally, the decrease in Hong Kong cinema and the increase in foreign cinema can be seen clearly in the 1990s. For example, the production of Hong Kong cinema in 1999 occupied 25.6% of the market share and 112 films were shown in Taiwan. But the box office ratio of Hong Kong cinema was only 2.87%. Compared to the box office ratio of foreign cinema, which was 96.67%, the gap was enormous. Some scholars suggested its problems were due to Chinese dubbing or that political reasons affected the creativity of filmmakers (for example when Hong Kong returned to mainland China in 1997).[253] I believe that the policy of an import quota system for foreign films was another key point.

Before 30 September 1994, the number of import copies was restricted by Government Information Office to under 16 for every foreign film. A maximum of 6 theatres in the Taipei area were allowed to show these movies. This value rose progressively over the following years, from 24 copies in 9 theatres in October 1994 to 28 copies in 11 theatres by June 1995, up to 31 copies in 11 theatres by June 1996.

The policy for foreign films only benefited the eight American film companies and did nothing to help increase the market share for Taiwanese films. Moreover, it affected local (independent) film companies which imported foreign films but did not have as many resources as the American film companies.[254] However, the decrease in Chinese-language films occurred in the 1990s and some points about the Taiwanese film industry in the 1990s can be summarised from the data above, as follows:

1. The production of Taiwanese cinema was low for a long time and the annual production was under 40 films for many years.
2. In the beginning of the 1990s, the box office of Hong Kong cinema was nearly equal to that of foreign films. After 1992, though the import numbers were maintained around one hundred, the income of the box office decreased

[253] Mai Ruo-Yu, 'The Problem of Dub for Hong Kong Cinema in Taiwan', *Ming Sheng Daily News*, 8 December 1999, p. 21.
[254] Wang, *The Brief of Foreign Films Issued in Taiwan*, p. 40.

dramatically and never regained its former success.

3. By the end of the 1990s, foreign films nearly monopolised the film market in Taiwan. Foreign films' share of box office income was maintained at over 90% after 1996 and exceeded 95% after 1998. Chinese-language films, including Taiwan and Hong Kong cinema, all but lost their entire power in the market.

In the 1990s, multiplexes had emerged and had started to attract audiences away from traditional theatres. From 1998, Warner Bros Entertainment from America began a joint venture with Village Roadshow from Australia to open Warner Village Cinemas in Taiwan. Warner Village Cinema in Taipei had a one third market share of the box office receipts for the year. Afterwards, other traditional theatres copied its operation.

In addition, from 1994 to 1997, the Taiwanese government relaxed the restriction on importing foreign film copies and allowed an increasing number of screens to show the same film in one theatre.[255] In short, theatres changed in the 1990s as Multiplexes started to became more popular. There was more than one film shown in theatres and the audience had more choice at the same time. When a blockbuster was released, it could be shown on many screens in one theatre, which produced more profits.

If the audience behaviour for watching films is considered, there are two factors to analyse. One is to depend on the film information and the other is a subjective judgment of the film. From the point of view of acquiring film information, the information about Taiwanese films is not sufficient in the film market. The audience acquires the information from media reports, from producers' and distributors' promotion, through "word of mouth", and so on. If a film company has sufficient budget and many channels to promote a film, it is more likely to attract larger audiences or offer more information to audiences. Once the premiere of a film has

[255] The details of the foreign quota system will be illustrated in Chapter Four.

become a success and the film has a good reputation, it is more likely that audiences will have a subjective judgment and regard it as a film worth watching.

Subjective judgment depends on consumer standards and different values. For most audiences, the advertisements, marketing strategy, promotion and their own cultural values help to form judgments about films. In addition, some research has shown that audiences believe that films with powerful promotion and marketing are good films.[256] This is one of the important factors behind Hollywood being so successful in the universal film market.

In the film market, the abilities of film distributors are very different. The audience only has select information about films, especially from big distributors. In addition, Hollywood films have more resource for films through constant promotion and marketing and those information are more easy to approach to the audience. As a result, the box office receipts are reflected in the film market.

In addition to the market factors, the state system – through its film policy, which included subsidies for Taiwanese films and the release quota of foreign films – also had strong influences on the development of the film industry in the 1990s. The amount of subsidies rose annually and revised the range of films many times, but it did not result in good performance in the film market. Taiwanese films only had success at international festivals, and never succeeded in the domestic market. Regarding the quota system of foreign films, the Taiwanese government was eager to join the WTO in the 1990s and did not consider the "cultural exception" for the cultural industry in Taiwan. Due to the 200–300 films imported into Taiwan in the 1990s, most of the films to choose from were foreign films. In terms of quota system, in Korea, the government began their quota system in 1965. The government stipulates that theatres have to show Korean films at least 146 days a year. (If a theatre shows films 365 days a year, more than 40% of the films it shows must be

[256] Lu Feii, 'The Study of the Taiwanese Film Market: The Case Study in 1994', *Journal of Radio and Television Studies*, 9 (1997), pp. 167–192.

Korean.) In 2001, Korean films had 49% market share in the film market in Korea.[257] The example of Korean's quota system demonstrates that government's film policy has a big impact on the development of the industry.

4.2 Structure of the Film Industry in Taiwan

In the last section, the film market in Taiwan in the 1990s was illustrated. The production, distribution and exhibition of the film industry in Taiwan will be examined in detail in the following paragraphs.

Production department

The production sector of the film industry in Taiwan has an oligopolistic structure. A few companies control most of the resources and the threshold to entering the market is high. Appendix 1 lists the main producers and distributors in the film industry in Taiwan in the 1990s. Most of them had both production and distribution departments and, additionally, they have diversified their investments in other businesses.

From the point of view of film development in Taiwan, production departments have been weak in the film industry for a long time. The Taiwanese production companies have to compete with Hong Kong and foreign films. The film producers lack the confidence to invest in Taiwanese films and tend to cooperate with other countries in order to reduce the risk of investment. In addition, Taiwanese producers have frequently cooperated with Hong Kong and mainland China's film workers since the 1990s. As Appendix 1 shows, most Taiwanese film companies withdrew from production and focused on film distribution or other multimedia businesses. Many skilled workers who specialised in photography, developing and printing, film editing, stage lighting and so on moved to Hong Kong and mainland China in the 1990s due to the decline in Taiwanese productions. Both capital and professionals

[257] Anthony C.Y. Leong, *Korean Cinema: The New Hong Kong* (Canada: On-demand, 2001).

moved toward Hong Kong and mainland China as, correspondingly, the number of Taiwanese films produced fell to its lowest point in the 1990s.[258]

Due to the reduction in production, most Taiwanese film companies withdrew from the production business or closed down in the 1990s. In 1991, there were 212 production companies registered and only 40 of these companies really participated in film production. In 1999, there were 300 production companies registered and around 170 companies joined the Taipei Film Trade Association. However, there were only around ten companies producing films.[259] The reduced number of production companies explains the decline in the production of Taiwanese films in some respects.

In addition, Taiwanese film companies pursued more profitable production with their own investments in Hong Kong in order to exert greater control on the production during the 1990s. For example, there were 13 co-productions in 1993 – this represented the peak of co-productions in the 1990s. However, owing to the decline of Hong Kong films in the late 1990s, the Taiwanese film companies no longer had so many co-productions with Hong Kong companies. The co-productions in the 1990s are listed in Table 4.5.

[258] Lu, *The Taiwanese Cinema: Politics, Economy and Aesthetics 1949–1994*, pp. 325–330.
[259] The Government Information Office (GIO), Taiwan: <http://www.gio.gov.tw/>.

Table 4.5: The list of co-productions (Taiwanese film companies cooperating with Hong Kong and mainland China) in the 1990s

Year	Film Companies						
	Long-Sheng Entertainment Maltimedia Co., Ltd	Central Motion Picture Corporation	Chang Hong Films Ltd	ERA Communication Co. Ltd.	Tomson Film Co. Ltd	Scholarship Global Multimedia Co. Ltd.	Zoom Hunt International Productions Co. Ltd
1990		Song of the Exile, Tale of the East, Lucky Star			Red Dust	Funny Soldiers, Successful Mountain II, A Home Too Far	
1991					Five Girls and a Rope	Island of Fire, Shao Lang Hung, Come Fly the Dragon	
1992	Swordsman II	This Summer, Dragon Inn					
1993	The East is Red, The Magic Crane, Iron Monkey, A Warrior's Tragedy, La Peintre		Butterfly Sword	Raise the Red Lantern	Farewell My Concubine	Holy Weapon, Ghost Lantern, The Eagle Shooting Heroes, Legal Innocence, Daughter of Darkness	
1994	Wu kui, Don't Cry, Nanking, The Day the Sun Turned Cold	The New Age of Living Together	A Home Too Far II, Fairy-Fox, Boys Are Easy	To Live, Shadow of Dream, In a Distant Land			
1995	Treasure Hunt					Ashes of Time	
1996	The Great Conqueror's Concubine						
1997		Shadow Magic				Island of Greed	
1998		So-Called Friends				Flying Dance	

Source: *Cinema Yearbook in Republic of China* (1991 to 2000)

At the beginning of the 1990s, the Taiwanese film company called Scholarship Global Multimedia Corporation moved their production departments to Hong Kong and mainland China. Scholarship Global Multimedia Corporation abandoned the method of co-productions and adopted the strategy of "Taiwanese capital, made in Hong Kong"[260]. At the same time, Scholarship Global Multimedia Corporation cooperated with ERA Communications Corporation in Hong Kong to establish a film company called University Film Corporation. University Film Corporation gave behind the scenes financial assistance to Teamwork Production House. Teamwork Production House is part owned by the famous Hong Kong movie star Andy Lau. Andy Lau was a very popular movie star in Hong Kong, and his films were successful at the box office in the 1990s, both in Hong Kong and in Taiwan. He starred mostly in films produced by his own film company. Taiwanese film companies assumed that cooperating with his film company would guarantee box office success in Taiwan. This is one example of how Taiwanese film investors cooperated with the Hong Kong film industry in the 1990s.

From the point of view of competitive advantage, Taiwanese producers have sufficient capital, Hong Kong has professional film workers and mainland China has low-price manpower and is abundant in natural landscapes for shooting. In addition, the three locations have similar historical backgrounds and cultural proximity. These factors caused the Taiwanese film companies to move their production work to Hong Kong and mainland China. It was not only private film companies that produced films. The state-owned film company, the Central Motion Picture Corporation, produced fifteen films at the start of the 1990s, seven of which were co-produced with Hong Kong.[261] This demonstrates that the Taiwanese government

[260] Feng Chien-San, 'Interpreting the Rise and Decline of HK Film Industry', *Chung-Wai Literary Monthly*, 376 (2003), pp. 87–111 (p. 101).

[261] Seven films produced by the Central Motion Picture Corporation were co-produced with Hong Kong. The seven films were *Song of the Exile* (1990), *Tale of the East* (1990), *Crime Story* (1990), *Lucky Star* (1990), *Dragon Inn* (1990), *La Peinter* (1990) and *The New Age of Living Together (In Between)* (1994).

gave preferential treatment to Hong Kong cinema not only politically, but also economically, investing in Hong Kong cinema indirectly.

In addition to the Taiwanese capital invested in productions in cooperation with Hong Kong and mainland China, foreign film enterprises, like Sony Pictures Entertainment, began to invest in Chinese-language productions in the late 1990s. For example, Sony Picture Entertainment (previously called Columbia Pictures) invested in *Crouching Tiger, Hidden Dragon* (2000), *Double Vision* (2002), *Big Shot's Funeral* (2001) and several others. This shows that foreign film enterprises started to pay attention to and invest in Chinese-language films, seeing their potential for success in the film market in China.

In short, there were three problems about the production of the film industry in Taiwan in the 1990s. Firstly, the main capital was being exported and domestic productions were short of resources. Secondly, production was divided into two opposing forms: extremely artistic or cheap commercial. Thirdly, independent productions could not secure distribution in major cinemas because the distributors focused on Hong Kong or foreign films. Furthermore, most independent productions had to rely on government subsidies, an issue which will be discussed later in the chapter.

Distribution department

Distribution companies were dominant in the film industry in Taiwan in the 1990s. The integration of production companies with distribution businesses was followed by the trend of vertical integration. The distribution companies took the place of the leading theatres in controlling the film channels. Up to that point, the leading theatres in Taiwan had had the power to decide which films would be shown in theatres. However, the distribution companies combined with production businesses

and took control of film exhibition. The distributors had sufficient productions and blockbusters to do so. In addition, some of the distributors had multiplex cinemas and could decide which films to show, when to show them and how long to show them for. This vertical integration deepened the structure of distribution-orientation in the film industry. It reduced the distribution channels for independent productions, making it harder for them to access general audiences.

From 1990 to 1994, 209 Taiwanese films were released. The main distribution companies included the Central Motion Picture Corporation, San-Pen, Hsueh-Kuan, Hua-Liang, Hsiung-Wei, Scholarship Global Multimedia Corporation, and Long-Sheng Entertainment Multimedia Corporation. [262] These seven distribution companies released 74 Taiwanese films and occupied 30% of the whole distribution market. The Central Motion Picture Corporation released 17 Taiwanese films and accounted for around 23% of domestic distribution. Scholarship Global Multimedia Corporation and Long-Sheng Entertainment Multimedia Corporation accounted for around 43% of domestic distribution. In addition to these big distribution companies, Hua-Liang was the main distributor of pornographic movies.[263]

Generally speaking, at the beginning of the 1990s, the distribution of Taiwanese films was led by three domestic companies: Central Motion Picture Corporation, Scholarship Global Multimedia Corporation and Long-Sheng Entertainment Multimedia Corporation. By the end of the 1990s, the main distribution companies for Taiwanese films were reduced in number to Long-Sheng Entertainment Multimedia Corporation and Scholarship Global Multimedia Corporation. Central Motion Picture Corporation still released some films, but most of these films were co-produced with other companies, or the productions relied on government subsidies. At the same time, Spring International and New Action Entertainment Corporation released Taiwanese, Hong Kong and foreign films simultaneously.

[262] *The Database of Taiwan Cinema*: <http://cinema.nccu.edu.tw>.
[263] Ching Ying-Jui, *Cinema in the Republic of China 1991, 1992, 1993, 1994, 1995 Yearbook* (Taipei: Chinese Taipei Film Archive, 1994, 1993, 1994, 1995, 1995), pp. 78, 140, 141, 156, 180.

Spring International also released Hong Kong films made by the famous Hong Kong production company Golden Harvest Corporation.

In short, the production companies cooperated with distribution companies and exhibition businesses in the 1990s. Therefore, independent producers were hard-pressed to find channels through which to show their productions. Though the Taipei Film Trade Association, Taipei Theatres Association, and Government Information Office advocated establishing Taiwanese film theatres to protect the exhibition channels for Taiwanese films, this idea was not widely practised. Some independent producers adopted alternative ways of promoting their productions. For example, *The Personals* (1998), directed by Chen Kuo-Fu, *Darkness and Light* (1999), directed by Chang Tso-Chi, and *March of Happiness* (1999), directed by Lin Cheng-Sheng, did not rely on traditional forms of exhibition. They were only screened in selected theatres and, in addition, the productions were showcased around university campuses as another form of promotion.

This alternative promotion for independent productions may have alleviated some of the difficulties for the distribution and exhibition of movies in the Taiwanese film market. However, it was not a permanent and sound solution for distributing and exhibiting movies, and reflected the unsound structure of the film industry in Taiwan. The sound development of the film industry depends not only on independent producers' innovation but also on the government's policy and market structure.

Exhibition department

Exhibition is linked closely with distribution. As Ina Rae Hark points out, film exhibition involves the provision of various venues to show various films. The most significant aspect of exhibition is economic. Exhibition is the point at which the money directly comes in.[264] This is the reason why integrated film companies can

[264] Ina Rae Hark, *Exhibition, The Film Reader* (London: Routledge, 2002), p.2

make large profits. The emergence of new technology, such as digital TV and HDTV, means that a crisis of film exhibition might already be on the way. The situation is similar to when MTV audio-video centres emerged in Taiwan, causing a significant reduction in profits for the film industry. However, Hark is still optimistic about the future of cinema-going, because exhibition provides a public and social activity. As long as people want to go out, the cinema will retain its attraction to filmgoers.

Exhibition is a channel for a film to access the audience directly. In the past, theatres were, on the whole, the only places to watch films (few films were shown in open spaces). Since the emergence of new media, there have been more ways to watch films, for example television and video. However, most new films are still exhibited in theatres.

In the 1980s, theatres in Taiwan were in crisis due to the rise in illegal videos and MTV. MTV is an innovation specific to Taiwan. In this context, the term "MTV" does not refer to Music Television. Rather it refers to a small-scale theatre with many boxes inside. Each box is an individual room with a big screen inside. You can choose the size of the room and the video you want to watch. Therefore there can be 2 or 6 or 10 people in a box watching a video together. MTV gives viewers more privacy than a theatre and became popular in the 1980s. Illegal videos were often shown in MTV in the 1980s due to the loosening of restrictions. Therefore, MTV theatres became popular places to watch the latest films (illegal copies) or forbidden films, and this directly affected the business of theatres. However, the government introduced a ban on illegal videos shown in MTV and started to investigate MTV in May 1990. Since this regulation, many MTV theatres closed down, and only a few existed in 1992.[265] From 1980 to 1989, 199 theatres were closed down, which corresponded to around a third of all theatres, at their peak.[266] In the 1990s, the film

[265] Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000* (Taipei: Ministry of Culture, 2005), pp. 1028, 1098.
[266] Lin Hsiu-Li, 'The Changing Face of Cinema in Taiwan: A Study on the Cultural Forms of Movie-watching Space' (Master's thesis, National Cheng Kung University, 2002), pp. 49–50.

industry in Taiwan had to face the opening of its market and the importation of Hollywood films. The copies of foreign films increased, forcing domestic exhibitors to rearrange their operations. In response, some theatres changed from traditional theatres to multiplex cinemas, or established multi-function studios. For example, in 2000 there were 44 theatres with 162 screens. This is part of a global multiplex boom. The average number of screens in each theatre was four. The multiplex cinema became commonplace in the film market. The distribution of theatres and the number of screens in every theatre in Taipei is shown in Table 4.6.

Table 4.6: The number of screens in each theatre in Taipei in 2000

Theatre	Number of Screens	Theatre	Number of Screens
Ambassador	1	Eastern Global	8
Lux	4	Showtime, Hsin-Hsin	9
Showtime, Jih-Hsin	1	Scholar	13
Da Hsin	1	Chang Chun	4
Carnival	6	Ming Chu	1
Shih Tzu Lin	3	Fei Tsui	1
In 89 Digital	3	Dynasty	2
New World	2	Yuan Man	1
Chen Shan Mei	2	Superstar	6
Chinese	2	Broadway	7
His Men	2	Kuang Ming	4
Oscar	6	Chiao Hsin	4
Snow White	2	Chia Chia	1
Chueh Se	5	Lai Lai	2
Queen	1	Yang Ming	4
Southeaster	4	Kuang Hua	2
President	3	Li Feng	2
Plum Blossom	2	Ha La	8
Nan Shan	4	Yu Cheng	2
Ting Hao	3	Global Award	3
Century	2	Capital	1
Warner Village	17	Governor	1
Total	76	Total	86

Total: 44 Theatres and 162 Screens

Source: Taipei Theatres Association, 2000

The success of a film is decided not only by the factors of market competition, but also by the conditions of the distributors and exhibitors. The distribution and exhibition departments can decide which films to show, how long to show them for and where to show them. Therefore, the trend of multiplexes seems to provide favourable conditions for the top American film corporations. Firstly, the top American film corporations have plenty of films to release, but the box office of each film is uncertain. After relaxing the restriction on screen numbers, one film can be shown in different screens at the same time in the same theatre. When a film is successful at its premiere, it can be shown in more screens and can remain for a longer time. This means that the film has more opportunities to reach audiences. However, if a film does not produce good box office receipts in its first week, it may have a very short schedule for showing in a theatre. The operating of exhibitions in this way is not good for independent productions.

In addition, the traditional exhibition in Taiwan is called the "theatre system"[267]. It is a characteristic of exhibition in the film industry in Taiwan. The appearance of the theatre system can be traced back to the 1950s. At the beginning, only one or two very popular films were shown in one big theatre in Taipei. The audiences in other locations complained and requested that the films be shown in more places. Therefore, the main theatres in Taipei invited other suburban theatres and theatres in other cities to show the popular films at the same time around Taiwan. This became the model of the theatre system.[268] However, the structure of the traditional theatre system was loose and suffered greatly in the 1990s. In fact, the theatre system established the network for exhibition around the country and created channels to

[267] Huang Jen and Wang Wei, *One Hundred Years of Taiwan Cinema* (Taipei: Chinese Film Critics Association, 2004), p. 254.
[268] For example, the famous film *Tsui Tsui* by Yen Chun and Lin Tai was shown at the same time in several theatres around Taiwan at the beginning of the 1950s. Wu Ling Ke (1990), p. 69.

make profits in a short time. This system had sustained its influence over a long period, especially for the leading theatres. The leading theatres controlled the exhibition and negotiated with distribution companies to acquire blockbusters. Before the multiplex appeared, the distributors sought to show their films in these leading theatres in order to make the most profit, because these leading theatres were the biggest and always attracted the largest audiences.[269] The leading theatres also had the power to choose the films and had a better deal with distributors than other independent theatres.[270] Therefore, it was very hard for independent producers to show their productions in the leading theatres. The theatre system can be seen as the ultimate representation of film as a commercial product.

In 1997, the national subsidies for Taiwanese productions grew to one hundred and twenty million Taiwanese dollars in order to encourage film workers to produce more Taiwanese films.[271] At the same time, the government also gave subsidies to theatres that were willing to show these subsidised productions. In 1999, the Taipei Film Trade Association asked the Government Information Office to reduce the number of foreign film copies and limit their exhibition.[272]

The above action may be explained by the fact that domestic or foreign capital was being sought to pay for the government's assistance in expanding their business. In addition, illegal exhibition – such as on cable television and MTV – jeopardised normal theatre business. The aims of domestic associations and foreign capitalists were the same: to make more profits from films. Therefore, theatre owners asked the government to restrict illegal cable television and theatre performances.[273] The domestic producers asked the government to limit the number of copies of foreign films and to restrict theatres' ability to show foreign films.[274] This showed that the

[269] Yeh Lung-Yen, 'Exhibition in Taiwan', in *The Chronicle of Taiwan Cinema 1989–2000*, ed. by Huang Chien-Yeh (Taipei: Ministry of Culture, 2005), p. 48.
[270] Ibid., p. 48.
[271] Huang Jen and Wang Wei, *One Hundred Years of Taiwan Cinema*, p. 1243.
[272] Lo Shu-Nan and Li Ching-Jung, *2000 Cinema Yearbook in Republic of China* (Chinese Taipei Film Archive, 2000), p. 256.
[273] Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000*, p. 1088.
[274] Lo Shu-Nan and Li Ching-Jung, *2000 Cinema Yearbook in Republic of China*, p. 256.

exhibition business was not depressed. On the contrary, the exhibition business was rising and flourishing, and different proprietors wanted to benefit from this success.

The rise of the multiplex had a huge impact on traditional Taiwanese theatres. In 1991, the president of AMC (American Multi-Cinema) pointed out that Taiwan was a very suitable place for investing in multiplex cinemas.[275] Up until 1996, there were 213 theatres with 579 screens. The average number of screens in each theatre was 2.7.[276]

The Warner Village Cinema in Taipei started to operate in 1997, and its annual turnover accounted for 30% of all box office receipts in the theatres in the Taipei area.[277] It was astonishing that the Warner Village Cinema attracted the largest audiences in the Taipei area in such a short time. Big traditional theatres like Scholar, Global Award and Broadway Cinema accelerated the pace of change of their operations and became multiplex cinemas in 1998. Theatres with only one screen could not survive and gradually closed down in the 1990s. The theatres in the Taipei area which closed down in the 1990s are shown in Table 4.7. These changes in exhibition resulted in more channels for films. In principle, multiplex cinema should offer a greater choice of films for the audience. However, as seen in the discussion above, Taiwanese films did not benefit from these changes and did not have access to more exhibition channels. On the contrary, Hollywood films benefited from these changes in exhibition. American chain cinema cooperated with American distributors and showed more Hollywood films. Local Taiwanese cinema would rather show commercial Hong Kong films and Hollywood films and secure large profits than take a risk on Taiwanese films.

[275] Huang Chien-Yeh, *Cinema in the Republic of China 1997 Yearbook* (Taipei: Chinese Taipei Film Archive, 1997), p. 245.
[276] Wang, *The Brief of Foreign Films Issued in Taiwan*, p. 44.
[277] Huang Chien-Yeh, *Cinema in the Republic of China 1999 Yearbook* (Taipei: Chinese Taipei Film Archive, 1999), p. 63.

Table 4.7: Theatres in the Taipei area which closed down in the 1990s

Year	Theatres
1990	Yin Ho, Li Ming, Central, Star Cinema
1991	Ching Mei, Le Le, Hsin Le, Ta Sheng, Taipei, Pearl City, Wan Hua Cinema
1992	Hsin Sung Tou, Fu Shuen Cinema
1993	Kuo Tai Cinema
1996	She Tzu, Nan Kang First, Lucky Star, Golden Horse Award, Ta Fu Cinema
1997	Big World, Far East, Pao Kung, Hung Lou, Yin Shih, Pao Shih, Shuang Shih, Min Sheng Cinema
1999	Chung Hsiao, Chin Shih Cinema

Total: 29 theatres closed down in the 1990s in the Taipei area

Source: Taipei Theatres Association, 2000

As mentioned above, the Taiwanese government played an important role in the film industry in the 1990s. In 1991, the number of theatres that were allowed to show the same foreign film at the same time increased from four to six. Government Information Office (GIO) proclaimed that it allowed six theatres to show the same foreign film in the Taipei and Kaohsiung areas. This was due to the agreement on the negotiations of Economics and Trade between Taiwan and America in 1990.[278] From 1990 to 1999, the number of foreign copies increased from 12 to 58, and up to 18 theatres were allowed to show the same foreign film at the same time in the Taipei and Kaohsiung areas. The government did not regard the film industry as a cultural exception and opened the film market easily. The government sacrificed the subsistence of Taiwanese productions in exchange for better economic trade deals with America. Table 4.8 shows a list of the number of foreign film copies and the theatres that were allowed to show them simultaneously.

[278] Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000*, p. 1062.

Table 4.8: The number of foreign film copies and the number of theatres allowed to show the same foreign film simultaneously

Director of GIO	The date of proclamation	The number of foreign film copies	The number of theatres allowed to show the same foreign film simultaneously		
			Taipei and Kaohsiung areas	Other cities	The number of screens allowed to show the same film in one theatre
Shao Yu Ming	8/6/1990	12			
	2/1991		6	4	
Hu Tzu Chiang	6/1992	14			
	1/1994	16			
	1/10/1994	24	9	6	
	1/6/1995	28	11	6	
Su Chi	19/6/1996	31			
Li Ta Wei	1/6/1997	38			
	8/1997		11	10	3
	20/11/1997	50	18	10	3
Cheng Chien Jen	15/5/1999	58			

Source: *Cinema Yearbook in Republic of China* from 1990 to 1999

In short, the number of theatres decreased and the number of screens in every theatre increased in the exhibition business in Taiwan in the 1990s. Foreign film corporations started to introduce multiplex cinemas to Taiwan and changed the model of the exhibition of the film industry in Taiwan. In addition, the policy relaxation in 1997 allowed three screens to show the same film in one theatre. Consequently, film exhibition developed towards multiplexes and small screens. Traditional theatres had to change their operations, and 29 traditional theatres closed down in the 1990s.

In response to these exhibition changes, the main big distributors cooperated with American film corporations and became vertically integrated systems. This vertical integration provided a more stable background for productions and distribution. However, the local and independent producers and distributors had difficulties in competing for exhibition channels. Therefore, the Central Motion Picture Corporation endeavoured to establish the Chen Shan Mei Art Theatre and cooperated with the distributor Vanguard to protect domestic independent productions in Taipei from 1987. A few art theatres also appeared in Kaohsiung in 1995. The operation of art theatres was difficult, and many suffered losses in their box office receipts. In general, independent productions had a short schedule of exhibition in theatres due to unsuccessful box office receipts. The independent productions had already lost their opportunity to reach a wider audience. Hence, a vicious circle developed. The fact that there were fewer Taiwanese films in theatres meant that fewer viewers had access to and recognised Taiwanese films. As a result, profits for producers and investors were lower. Therefore Taiwanese films lost their attraction for investors, and this resulted in less and less production in the film market.

4.3 Conclusion

This chapter has discussed consumption in the film market and analysed the structure of the film industry in Taiwan in the 1990s. Furthermore, production, distribution and exhibition in the film industry in Taiwan were discussed in detail in order to better understand how the government's film policy has impacted on the film industry. There are four points to make in relation to the structure of the film industry in Taiwan in the 1990s.

Firstly, according to the data of the box office receipts, Hollywood films poached audiences from Hong Kong films but not from Taiwanese films. Audiences switched

from watching Hong Kong films to watching Hollywood films. The size of audiences attracted to Taiwanese films also diminished.

Secondly, the domestic and foreign distributors focused their resources on several blockbusters in the film market in the 1990s. American distributors benefited from the fact that Hollywood productions could draw on large resources, and they cooperated with American chain exhibitors to maximise profits. Domestic distributors also preferred Hollywood or Hong Kong films, due to the greater potential profits. Therefore Taiwanese films were in an inferior position in terms of distribution.

Thirdly, the Taiwanese government did not make a policy from the cultural protection point of view in the 1990s. According to the whole film market in Taiwan in the 1990s, the government's relaxing of the restrictions on foreign films were reflected in shifts on the box office receipts. Foreign films accounted for more than 95% of the whole box office in the film market in Taiwan in the 1990s. It demonstrates that government plays an important role for the development of the film industry and film policy has big impact on the film market.

Fourthly, the production departments became the weakest area of the film industry in Taiwan during the 1990s. In addition to the competition from Hong Kong and foreign films, domestic investors lacked confidence in Taiwanese productions. Domestic producers moved their capital and cooperated with Hong Kong and mainland China in order to reduce the risk of investment. This resulted in fewer Taiwanese films being produced in the 1990s. Both capital and production departments moved away from Taiwan, which had a detrimental effect on domestic film production. This is input why the number of Taiwanese films declined in the 1990s.

Chapter Five

The Subsidy and the Taiwanese Film Industry

5.1 The Subsidy and the Film Industry

Film Subsidies in Taiwan

Since 1973, film law has defined the film business in Taiwan as a cultural industry. GIO also emphasised that Taiwanese films are important for cultural identity and representation through international promotion.[279]

In the past, the Taiwanese government focused on control more than guidance in the film industry. Since the controls were relaxed in 1987, films have been regarded as a cultural business, requiring the government to provide a proper policy to assist and guide the film industry. The most significant policy is the subsidy for Taiwanese films.[280] The subsidy is important for many film workers in Taiwan. Firstly, film directors find it hard to get funding to make films because not many investors are willing to provide finance for domestic productions. Receiving a subsidy means that a film has basic financial support. Secondly, as well as the money, this subsidy acts

[279] Government Information Office, *Report and Guidance on Improving the Taiwanese Film Industry*, 1990.
[280] Ching Ying-Jui, *Cinema in the Republic of China 1991 Yearbook*, p. 66.

as a sort of prize for creators, providing encouragement and honour. For example, the world-renowned director Ang Lee received this subsidy for three consecutive years early in his career. He has talked about receiving this subsidy, stating that "For an unknown director at that time, this subsidy indeed encouraged me, not only relaxing financial pressure but also to influence my emotion for creation".[281]

For a new creator, the subsidy is an important source of income and brings encouragement. Since the 1990s, GIO has focused on establishing a film information centre and a system of Taiwanese film subsidies. However, the film information centre, due to a complex lack of funding and staff, is effectively non-existent.[282] Regarding the Taiwanese film subsidy, there are lots of arguments about the system of subsidies in practice. Quite a lot of films that have been awarded the subsidy have won international film prizes and these will be listed in the next section. While winning international reputations, these films did not have good box office receipts. Many of these films were unknown or had very short exhibition periods in cinemas in Taiwan. The Taiwanese audience has shown little interest in these 'subsidised' or 'international film festival award-winning' films. The aim of this chapter is to analyse Taiwanese film subsidies and how they affected the Taiwanese film industry in the 1990s.

In 1951, the Ministry of the Interior held a conference, "Subsidies for Film Business", which marked the beginning of the government providing a subsidy for the film industry.[283] According to the conference, the aim of this meeting was to subsidise the development of Taiwanese films, and it was hoped that filmmakers would cooperate with the government and help strengthen propaganda against Communism and Russia.[284] Many government organisations joined this conference,

[281] Ching Ying-Jui, *Cinema in the Republic of China 1999 Yearbook* (Taipei: Chinese Taipei Film Archive, 1999), p. 49.
[282] Ching Ying-Jui, *Cinema in the Republic of China 1991 Yearbook*, p. 66.
[283] Liu Hsien-Cheng, 'State Interventions in the Taiwanese Film in the 1960s' (Master's thesis, Fu Jen Catholic University, 1995), p. 59.
[284] According to Article Four, related to Subsidising the Film Business, there were four objectives for this conference: 1) To discuss plans relating to film business, 2) To listen to suggestions about film business from film institutions, 3) To negotiate film business with film institutions and 4) To

including the Ministry of the Interior, the Ministry of National Defence, the Ministry of Foreign Affairs, Taiwan Province Government, Taiwan Province Government Public Security Force and other relevant associations.[285] Although many institutions were involved, this conference did not agree on any substantial action. From the list of institutions, we can see that the government regarded films as being a tool for propaganda in this period. This was the beginning of the idea of film subsidies in Taiwan. From the 1980s, the Taiwanese film industry was in decline and foreign films dominated the market. In order to reverse this tendency, the government actively subsidised the film industry by providing a subsidy fund for domestic film production. Times have changed and the government no longer wishes films to provide anti-Communist propaganda, although the government does still have a propaganda intention for the film industry. I shall explain this point in a later chapter.

The government started subsidies in 1989. The first regulation of the subsidy initiative states: "The aim of the Republic of China Film Development Foundation is to encourage film production companies to produce more Taiwanese films with cultural and entertaining content. The government has established 'The Subsidy Committee of Domestic Film Production' and the regulations for the subsidies have been announced."[286] After 1990, GIO took control of subsidy affairs and paid more attention to the film industry. Generally, the regulations were the same in 1989 and 1990 except for the change of institution.

While the film industry was in recession for a long time during the 1980s, the appearance of subsidies became a panacea for film workers. However, there are some critics of the subsidies. Firstly, the argument is about art and commercial films. Some critics think that the Taiwanese film industry should be revived by producing

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subsidise film associations and institutions for cinema issues. Source: Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000*, p. 199.

[285] Huang Chien-Yeh, *The Chronicle of Taiwan Cinema 1989–2000*, pp. 198–199.

[286] The full name of Taiwan is the Republic of China (Taiwan). In order to distinguish it from the People's Republic of China, people now call the country Taiwan instead of the Republic of China to avoid confusion. However, in the past, due to political ideology, official government documents always used Republic of China and did not mention Taiwan.

commercial films.[287] Nevertheless, the subsidies aim to provide a cultural perspective and do not consider the film market. Initially the government divided the subsidy into two types of funding: one for art films and the other for commercial films. But some critics argued that the government should not support commercial films that did not reflect Taiwanese culture. In order to try to eliminate the argument, the government decided to combine the two funds into one and has not distinguished between commercial and art films since 1998.[288] The argument about supporting art films and commercial films continues today. Some scholars also thought that the government should encourage filmmakers to produce cultural films combined with commercial promotion.[289] This idea suggests that a film should not only focus on content but also pay attention to marketing and promotion. Thus the government started to appropriate some money for film promotion and this was regulated formally from 1992. In 1992 the government started to sponsor film workers to attend international film festivals and until 2005 the government was to supporting film marketing and promotion expenses.[290] The details will be explained in a later section.

Another debate was about the selection of subsidy committee members. From the lists of subsidy committee members, there are two points that need to be discussed. Firstly, some people were members more than twice. From 1991 to 1999, nine people were members four times or more. Why have so many members overlapped? And why were these people chosen? Secondly, the committee members all provided different perspectives from different fields. GIO had invited people from academia, the film industry and film workers to join the subsidy committee. GIO declared that those committee members presented different perspectives, but in recent years there were more members who were from the film industry. The committee members had the power to decide who would get the subsidies. It became a competition from two

[287] Teng Shu-Fen, 'Save Taiwanese Film for NTD 120 million? Allocation of the Taiwanese Film Subsidy', *Taiwan Panorama*, November 1999, p. 48.
[288] *The Chronicle of Taiwanese Cinema 1990–1999*, Chinese Taipei Film Archive: <http://www.ctfa.org.tw/history/index.php?id=1100> (accessed 8 February 2012).
[289] Teng Shu-Fen, 'Save Taiwanese Film for NTD 120 million?', p. 48.
[290] *Taiwan Cinema Yearbook 2005* (GIO, 2005), p. 18.

sides: one side was academics and film workers who supported creative and art film workers, and the other side was film industry people who cared more about the film market and box office. Due to the subsidy being the main financial source for domestic production, most Taiwanese film workers were keener than ever to get government funding. In order to provide equity, the government revised the regulation of selecting committee members in 1998. The first change was to open the list of committee members in advance and the second was to open the process of members deciding the reward list to the media.[291]

In Film Law, the film industry is regarded as a cultural industry. Films have cultural communication, education and entertainment functions. In recent years, the government has tried to promote Taiwanese culture and has sent films to many international film festivals. During the 1990s GIO, and other institutions functioning abroad, realised that attending international film festivals provided a good opportunity to promote Taiwanese culture and international communication. Attending international festivals does not cost much and is considered to have extremely beneficial results. However, the production of Taiwanese films has reduced gradually.

There are two debates about the Taiwanese Film Subsidy. Since GIO launched this subsidy, from a positive perspective, these films enhanced the international reputation of Taiwanese cinema. From a negative perspective, these films tended to be art films. A strange situation also arose after the subsidy was launched: the production of Taiwanese films reduced dramatically from 1990 onwards. From Table 5.1 it can be seen that eighty-one films were produced in 1990, but by 1999 this had fallen to sixteen films. Furthermore, in 1999, half of these sixteen films were sponsored by the Taiwanese Film Subsidy. This demonstrates how heavily Taiwanese filmmakers relied on the government's subsidy for funding their work

[291] Chang Yu-Shung, 'The Precarious Time for Taiwanese Cinema', *Cinema in the Republic of China 1998 Yearbook*, ed. by Chinese Taipei Film Archive (Taipei: Chinese Taipei Film Archive, 1998), p. 6.

and indicates that, perhaps, there might not have been many Taiwanese films produced had there been no subsidy in the 1990s.

Table 5.1: Films given permission for exhibition in Taiwan in the 1990s

Year	Taiwanese Films	Hong Kong Films	Foreign Films	Mainland China Films
1990	81	167	260	0
1991	33	183	291	0
1992	40	200	196	0
1993	26	195	223	0
1994	29	139	211	0
1995	28	136	263	0
1996	18	92	253	0
1997	29	97	259	5
1998	23	98	322	1
1999	16	121	327	8

Source: Taiwan Cinema Yearbook (1990-1999)

The Taiwanese Film Subsidy and International Film Festivals

There are many debates about the Taiwanese Film Subsidy and international film festivals. The subsidy not only sponsors Taiwanese film workers but also aims to promote Taiwan's image in the international arena. Therefore, when the government realised that appearing at international film festivals would help to promote Taiwan's image and expand its film market, GIO selected some Taiwanese films (or

perhaps those films which might have more of a chance of winning prizes) and sponsored those films to appear at international film festivals. For example, in 1993, GIO selected fifty-nine Taiwanese films to appear at forty-eight international film festivals. *The Wedding Banquet* (Ang Lee), *The Puppetmaster* (Hou Hsiao Hsien), *Rebels of the Neon God* (Tsai Mingliang), *Hill of No Return* (Wang Tung) and *Eighteen* (He Ping) won awards at many international film festivals.[292] In addition to sponsoring the films' production, the government also gave rewards to the films after they had won international prizes. In 1998, GIO issued NTD 13,340,000 to reward Taiwanese films that had won awards at international film festivals.

Taiwanese films won many international film awards in the 1990s and became a good tool for international communication for the Taiwanese government. However, half of domestic production was sponsored by subsidy and most of the films which won international film awards were sponsored by subsidy. Tables 5.2 and 5.3 present more information on the Taiwanese Film Subsidy and the subsidised films that won awards at international film festivals. Therefore, making films to win international film prizes is more important than attracting audiences or diversifying film markets.

Table 5.2: Taiwanese films that received the Taiwan Film Subsidy in the 1990s

Year	The total number of Taiwanese productions	The number of films that received the Taiwan Film Subsidy	The number of films that received the subsidy as a percentage of total domestic production
1990	81	4	4.94%
1991	33	6	18.18%
1992	40	8	20.00%
1993	26	7	26.92%
1994	29	8	27.59%
1995	28	7	25.00%
1996	18	16	88.89%
1997	29	10	34.48%

[292] Ching Ying-Jui, *Cinema in the Republic of China 1994 Yearbook* (Taipei: Chinese Taipei Film Archive, 1995), pp. 73–76.

1998	23	9	39.13%
1999	16	12	75.00%
2000	18	11	61.11%

Source: Taiwan Cinema: www.taiwancinema.com, GIO: www.gio.gov.tw

Table 5.3: The number of films sponsored by the Taiwan Film Subsidy and the number of films that won international film festival awards

Year	The number of Taiwanese films that received the Taiwan Film Subsidy	The number of Taiwanese films that won international film festival awards	Overlapping (Taiwanese films that received the Film Subsidy and that also won international awards)	The percentage of international-award-winning Taiwanese films that had received the Taiwan Film Subsidy
1990	4	4	1	25.00%
1991	6	4	2	50.00%
1992	8	3	2	66.67%
1993	7	8	6	75.00%
1994	8	9	5	55.56%
1995	7	7	5	71.43%
1996	16	6	5	83.33%
1997	10	7	4	57.14%
1998	9	6	4	66.67%
1999	12	6	5	83.33%
2000	11	4	2	50.00%

Tables 5.2 and 5.3 show that the state interventions significantly affected the development of the Taiwanese film industry. Before the 1980s, the intervention was censorship and propaganda; after the 1990s, the intervention was subsidy and the direction of Taiwanese cinema. However, after the 1980s, along with the profound changes in political and economic conditions, the way the Taiwanese government related to film also changed.

Table 5.2 shows that, as a percentage of total domestic production, the number of films that received the Taiwan Film Subsidy increased dramatically after 1990, from 4.94% in 1990 to a peak of 88.89% in 1996; the figure increased 17 times after

1990.[293] In 1996, 18 Taiwanese films were produced, of which 16 received the film subsidy. The average percentage of films that received the film subsidy from 1990 to 2000 was 38.29%. This means that nearly 40% of the Taiwanese films shown in cinemas in the 1990s had received the film subsidy.[294] This is a very high percentage and demonstrates that the financing of Taiwanese productions in the 1990s relied heavily on the government's subsidy. In other words, if the government had not had this film policy of subsidising film production in the 1990s, the number of Taiwanese films produced might have been even lower. Although there have been many debates about the Taiwanese Film Subsidy, it did support the Taiwanese film industry to some degree.

One reason for this is that the government increased the amount of the film subsidy. Between 1989, when the subsidy was launched, and 1991, the total amount was 30 million Taiwanese dollars (NTD) per year. This amount rose to NTD 50 million between 1992 and 1995. The government increased the film subsidy to NTD 100 million in 1996. The increase in the subsidy caused an increase in the number of applications for the film subsidy. In 1995, there were 33 applications for the film subsidy; this jumped to 74 applications in 1996.[295] One of the reasons for increasing the subsidy was the conference held by GIO. GIO invited film workers and the film academy to hold the first conference for the Taiwan Film Subsidy in 1995. After the conference, GIO decided to increase the subsidy from NTD 50 million to NTD 100 million from 1996. GIO increased the amount again in 1999 to NTD 120 million. However, this increase of NTD 20 million was allotted to activities relating to promotion and film distribution. The amount for film production each year remained at NTD 100 million.[296] In this case, the amount of money spent on production was the same and did not help to increase production in Taiwan.

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[293] (88.89-4.94)÷4.94=16.99. See Table 5.2.
[294] (4.94+18.18+20+26.92+27.59+25+88.89+34.48+39.13+75+61.11)÷11=38.29. See Table 5.2.
[295] *Ta Cheng Pao*, 16 August 1995.
[296] Sources: *Taiwan Cinema*: <http://www.taiwancinema.com>; Government Information Office: <http://info.gio.gov.tw/mp.asp?mp=1>; *The Database of Taiwan Cinema*: <http://cinema.nccu.edu.tw/cinemaV2/>.

However, in Chapters Two and Three, we also analysed the box office revenue of Taiwanese productions and found that Taiwanese films did not have good box office profits and that, in the 1990s, the film market was dominated by American films and, in the early 1990s, by Hong Kong films. This shows that the films funded by the government subsidy, some of which won international prizes, did not succeed in attracting audiences in Taiwan in the 1990s.

Between 1990 and 2000, the Taiwan Film Subsidy totalled over NTD 800 million and supported the production of 98 films (see table 5.3). This might not be much money compared to big Hollywood budget productions, but this subsidy helped to maintain the basic production in the Taiwanese film industry. As stated previously, 16 of the 18 films produced in 1996 were sponsored by the film subsidy. This means that, excluding those films funded by the subsidy, there were only two Taiwanese films produced in 1996. This was a critical situation in the Taiwanese film industry. When I criticise the government and its intention of only subsidising films that had a chance of winning international film awards, I must not forget that this subsidy also sustained the fragile life of the Taiwanese film industry.

In short, the Taiwan Film Subsidy created a group of new directors, which mainly comprised the authors of Taiwan New Cinema, and the films by those directors won many international awards. On the other hand, the film subsidy preferred art films more than commercial films, as the analysis of the box office and international awards records shows. While those achievements were significant, they could not strengthen the structure of the fragile Taiwanese film industry. In another sense, this subsidy was leading the Taiwanese film industry in an alternative direction: that of a country which produces more art films than commercial productions.

In the next section, I shall look at other countries' film policies, analyse the differences and see what we can learn from other countries in terms of their film policy that might help the Taiwanese film industry.

5.2 A Case Study of Subsidies in Practice: Britain

Subsidies mean that the government gives money to particular industries to help them operate or raise their production. Subsidies may increase the profit and raise the benefit of related companies, thereby creating incentives for production. Subsidies can take the form of direct or indirect assistance. If a subsidy is given to an individual media organisation, for instance to a particular company, it is direct assistance. In general, the assistance from government subsidies is indirect, because they can be applied to a whole media system or other industry. However, the government can have a particular target; in this scenario, the government is clear about the particular industry or company it wants to help and is keen to assist this industry or company in reaching a certain amount of production.[297] For example, "The Taiwanese Film Subsidy" aims to promote the film industry in Taiwan.

British Film Policy

John Hill has analysed the film policy of the Conservative government led by Margaret Thatcher in the 1980s and examined the policy's influence on the development of the British film industry. The film policy in this period reflected the Thatcher government's strong belief in the free market. The film policy was mostly concerned with the commercial perspective of the industry and with less government intervention. Hill analysed three examples of film policy: the quota, the Eady levy and the National Film Finance Corporation (NFFC).[298]

[297] Chang Mei Ling, 'The Analysis of Advantage for Art Assistance Articles', *Tax Issue Journal*, 1467, p. 10.
[298] John Hill, 'British Film Policy', in *Film Policy: International, National and Regional Perspectives*,

In the 1980s, the British government tried to reduce its intervention in the film industry in order to carry through the belief in the free market. The government gradually abolished restrictions on the film industry. The quota was abolished in 1983, the Eady levy was cancelled in 1985 and the NFFC was replaced by British Screen in 1985.[299] Hill explained the history of these three film policies and how they were abolished gradually. The neoliberal term for the Thatcher government's policy is deregulation. He argues that it was not fair to criticise those film policies in the 1980s as being destructive. For example, the number of British film productions dropped from 98 films in 1971 to 48 films in 1979. The original purpose of the quota was to encourage British film productions and the decline in production proved the failure of this quota policy. The Eady levy was designed to invest a proportion of box office takings in film production. This levy policy was criticised for its allocation on the basis of box office success and the fact that it rewarded those films which were less in need of funding. However, the government was opposed to any kind of levy. Hill thinks that the Conservative government was unwilling to find a solution to support the British film industry in the 1980s and that this attitude was the key problem for the film industry.[300]

However, there was a significant change beyond all expectations for the British film industry in the 1980s. That was the appearance of Channel 4. Channel 4 was launched in 1982 and in its first twelve years, the company invested over £90 million in 264 films, including many successful films in the 1980s and 1990s. Channel 4's success in film investment encouraged other television companies to follow suit. In 1982, the film production invested in by television companies was 4%; this figure increased to 49% in 1989. Hill thought that the success of Channel 4 in film investment was due to the fact that the company did not rely on the profit return from film investment. As Hill points out, Channel 4 has already achieved a 'subsidy'

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ed. by Albert Moran (London: Routledge, 1996), p. 102.
[299] Ibid.
[300] Ibid., p. 103.

for film production in respect of its cultural value and its efforts in promoting British films, which the government film policy had not achieved.[301]

As mentioned above, besides abolishing the quota and the Eady levy, British Screen replaced the NFFC in 1985 and became the major means of state support for film production. British Screen provided £1.5 million annually for film production. Although British Screen received remarkable returns both on production numbers and commercial box office success, it was not able to achieve the government's goal of becoming a financially independent and profit-making enterprise. In addition, British Screen was expected to encourage British film talent and creators. For that matter, British Screen was not regarded as a commercial institution. In the 1980s, British Screen, the European Co-production Fund, the BFI Production Board, Channel 4, ITV and the BBC all funded film production.[302] However, by the end of the 1990s, British Screen and Channel 4 were the major sources of British film production.[303]

Despite the government's belief in the power of the free market, it was apparent that film production did not benefit from its free-market policy and relied heavily on state support. Hill points out that the withdrawal of government support was not helpful when it came to reviving the film industry and even weakened its competitiveness in the global market.[304] Like most other countries, Hollywood's domination had a big impact on the British film industry. Hill points out that the decline of the domestic market and the separation of production from distribution and exhibition interests in the British film industry were the results of Hollywood's influence. There were 342 film enterprises in the 1980s; of these, 250 enterprises only invested in one movie.[305] British films faced a problem of production but also struggled with finding theatres to show their movies. because the five major

[301] Ibid., p. 106.
[302] Sarah Street, *British National Cinema*, 2nd edn (Oxford: Routledge, 2009), p. 25.
[303] Ibid.
[304] John Hill, 'British Film Policy', p. 111.
[305] Ibid., p. 108.

distributors were all Hollywood subsidiaries[306]. The distribution and exhibition enterprises controlled the most profitable business in the film industry and did not want to take the risk of film production. British films struggled to find theatres for a cinema release. Hill points out that the shrinkage of the domestic market and the decline in UK film production were the main problems in the British film industry. In the 1980s, the British film industry relied on television and state support. Although the Conservative government originally did not want to intervene in the film industry and relaxed the regulations, the decline in British film production proved that the laissez-faire policy did not enable the film industry to develop independently. Furthermore, British film production had relied on the state's financial support and television investment, such as British Screen, the National Lottery and Channel 4. Therefore, the government realised that the free-market policy was not suitable for the film industry and changed its film policy to help the film industry in the 1990s. In 2000, the Labour government established the Film Council, which aimed to integrate the different organisations in order to promote the film industry. Dickinson and Harvey have analysed the New Labour film policy and suggested that it was targeted to economic goals more than cultural ones.[307] The British film policy of the New Labour government will be discussed in a later section and compared with the film policy in Taiwan in the 2000s.

In conclusion, Hill criticised the fact that the government did not provide enough political and cultural support for the film industry. He points out that British film production would suffer if the government did not have a proper policy for film and its relationship with television.[308] However, Hill also argued for the importance of a 'national cinema' in 1992, which I did not discuss here. [309]

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[306] Jane Stokes and Anna Reading, *The Media in Britain: Current Debate and Development* (London: Macmillan Press, 1999), pp. 82–83.
[307] Margaret Dickinson and Sylvia Harvey, 'Film Policy in the United Kingdom: New Labour at the Movies', *Political Quarterly*, 76 (2005), pp. 420–429 (p. 423).
[308] Hill, *British Film Policy*, p. 112.
[309] Ibid., pp. 101–113.

If I apply Hill's approach in analysing the Taiwanese film industry, conducting an analysis of policy followed by an analysis of its application in practice, there are some points to consider. Firstly, Chapter Four of this thesis contains the main discussion of the film policy in Taiwan. In addition, it may be important to illustrate the political circumstances and how the government made these film policies during the 1980s and 1990s. As Hill points out, the brief of the Conservative government was the free market, which was reflected in Britain's film policy in the 1980s. Due to the sensitive position of Taiwan in the international sphere, film became an important tool for international communication in the 1990s. This was reflected in the government's subsidy and had a great impact on the Taiwanese film industry. I shall develop this point in Chapter Five and discuss the subsidy policy. In Hill's analysis, there is quite a lot of discussion of Channel 4, which plays a very important role in the British film industry. In my thesis, I focus on the government's subsidy, which I believe changed the Taiwanese film industry. Moreover, Hill points out that the Conservative government realised that its free-market film policy did not work and made some improvements in 1990. In respect of the Taiwanese film policy, ten years after launching the subsidy, the government finally realised that giving money would not revive the Taiwanese film industry (especially such small amounts of money) and introduced a more substantial subsidy policy after 2000.

5.3 Conclusion

Jorge Schnitman has classified three types of film protection policy: limitation, subsidy, and composite policy. [310] Firstly, the government can limit the quota for the exhibition and importation of films or can charge higher taxes for importation. This policy of limitation can control the number of foreign films that enter the domestic market. This can help to protect domestic film production by limiting the number of foreign products in the market. Secondly, the government can provide a subsidy to the industry: for example, giving loans on favourable terms, offering prizes, giving money for film production, promoting the product to overseas markets, training professionals, and so on. The policy of limitation indirectly assists the industry by controlling the number of competitors. The policy of subsidy directly offers financial support to the industry by giving money to produce films or for promotion. Thirdly, the government can implement a composite policy that contains both limitation and subsidy.

Schnitman made this classification based on direct support or indirect support. From the discussion in this chapter, we can see that different countries use different policies to protect or support their film industries. The British Conservative government in the 1980s believed in a laissez-faire approach to the market and that the film industry should survive in the free market. However, the British film industry could not compete with the American film industry and still needed the government's support. Fortunately, British television stations invested in film production and became the main investors in British films. In the 1990s, the British government started to subsidise the film industry, such as using lottery funds and re-establishing organisations to assist film production. In addition, television companies continued to invest in domestic film production. In short, British film policy in the 1980s was laissez-faire and promoted free competition, but changed to a policy of subsidy in the 1990s.

[310] Jorge Schnitman, *Film Industry in Latin America: Dependency and Development* (Norwood, NJ: Ablex Publishing, 1984), p. 46.

If the intervention of the government in the film industries in Taiwan and the UK is indirect, the intervention of the Australian government in Australian film policy is much more direct. Usually, when the government subsidises the film industry, it just offers money or loans and leaves the film companies to be responsible for production. The Australian government not only offers money but also participates in the production together with the film industry.[311] It is the most direct film policy compared to other subsidy policies. The Australian government established organisations (mainly the AFC and the FFC, as mentioned in the previous section) to assist the film industry. The Australian government regards film as a cultural product and hopes to use the media industry to promote Australian culture. So the government supports not only the film industry but also television, and multi-media industries. The AFC is in charge of planning the production and subsidising pre-production. The FFC decides which films to invest in and is in charge of the production process. The government can participate in the production and also obtain some profit from the production.

In short, these countries all use subsidy policy to assist their film industries. However, the Taiwan Film Subsidy is not large enough to support a film industry. In the 1990s, the subsidy from the Taiwanese government totalled NTD 680 million (£14.2 million) and produced 80 films. In Australia, the government subsidy for the same period amounted to AUD 284 million (£178 million), which helped to produce 119 films. The question is: what does the Taiwan Film Subsidy aim to achieve? The government does not allocate a big budget to support the film industry. How does the government regard the film industry? And what are the government's aims for the film industry? It seems that the Taiwanese government does not have a very clear aim for the film industry. When Taiwanese films began to win international awards, the government offered more money to produce more films in order to win more awards. What does the government really want to achieve? Film, whether it is

[311] Ted Striphas, 'The Long March: Cultural Studies and Its Institutionalization', *Cultural Studies*, 12 (1998), pp. 453–475 (p. 456).

seen as a cultural product or as a commercial product, is a product. If a product wants to survive in the market, it must be sold. We may have to think about the government intervention and what the film policy aims for. In the next chapter, I shall discuss the Hong Kong film industry. As Taiwan is a main overseas market for Hong Kong cinema, the relationship between these two places will be analysed. We will have a better picture for analysing and comparing these two film industries due to their cultural and geopolitical similarities.

Chapter Six

A Case Study: The Hong Kong Film Industry in the 1990s

This chapter will introduce the development of the Hong Kong film industry and discuss its film policy in the 1990s, comparing it with Taiwanese film policy. Hong Kong has a reputation with its prolific productions and well-known film workers, for example Jackie Chan, John Woo, and Wong Kar-Wai. From 1989 to 1998, Hong Kong was the fourth most prolific feature-film-producing nation in the world; it produced 169 films on average per year.[312] However, the Hong Kong government neglected the film industry for a long time and did not take advantage of its achievements as an important cultural product for exporting abroad. In the 1990s, Hong Kong produced over one hundred films on average each year, but these films did not all have successful box office takings. After 2002, the feature films produced in Hong Kong each year dropped to below 100.[313] While in the 1990s Hong Kong was the fourth most prolific feature-film-producing nation, it dropped to eighteenth in 2004 and twentieth in 2007.[314] Furthermore, after 1993, the box office takings of Hong Kong films in Hong Kong kept falling.[315]

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[312] *Screen Digest*, June 1999, p. 130.

[313] There were 92 films produced in Hong Kong in 2002, 77 films in 2003, 64 films in 2004, 55 films in 2005, 51 films in 2006 and 50 films in 2007. Source: *Screen Digest*, June 2000, December 2001, July 2003, June 2004, June 2005, June 2006, July 2007 and July 2008.

[314] *Screen Digest*, June 1999, p. 130; June 2006, p. 206.

[315] Chen Ching-Wei, *The Structure and Marketing Analysis of the Hong Kong Film Industry* (Hong Kong: City Entertainment, 2000), pp. 7, 74, 79, 91.

In 2002, the main Hong Kong film workers' association, The Federation of Hong Kong Filmmakers, assembled nine relevant organisations from the Hong Kong film industry to hold a conference and appealed to the Hong Kong government to support the Hong Kong industry.[316] They had suggestions on film policy, preferential financial terms, production, distribution, developing overseas markets and launching more training and research projects.[317] In this chapter, the first section will introduce the Hong Kong film industry and the second part will analyse Hong Kong film policy. At the end of this chapter, a comparison will be made between Taiwanese cinema and Hong Kong cinema with regard to government policy.

6.1 Introduction to the Film Industry in Hong Kong

Hong Kong is the most prolific producer of films in Asia, excluding India and Japan. For its overseas market, Hong Kong exported its films to East Asia, Southeast Asia, South Asia and even to European and American markets.[318] Hong Kong directors have won international film awards and sell their films around the world.[319] Hong Kong cinema is one of the important cultural product in its cultural industry.

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[316] The nine organisations are the Hong Kong Film Directors' Guild, Hong Kong Screenwriters' Guild, Society of Cinematographers (HK), Hong Kong Film Arts Association, Hong Kong Movie Production Executive Association, Hong Kong Performing Artistes Guild, Hong Kong Cinematography Lighting Association, Hong Kong Stuntman Association, and Society of Film Editors (HK). The Federation of Hong Kong Filmmakers: <http://www.hkfilmmakers.com/>.

[317] Federation of Hong Kong Filmmakers, 'The Report of Promoting the Hong Kong Film Industry', in *Proceedings of the Conference of Promoting the Hong Kong Film Industry, Hong Kong, 18 September, 2002*, ed. by Federation of Hong Kong Filmmakers (Hong Kong: Federation of Hong Kong Filmmakers, 2002), p. 5.

[318] Hong Kong films are sold to East Asia (mainly South Korea), Southeast Asia (mainly Taiwan, Singapore and Malaysia) and South Asia (extending to Jordan and Pakistan). *World Culture Report*, UNESCO (2000), pp. 304–305.

[319] For example, Wong Kai-Wai has won 22 film awards and 36 nominations at international film festivals. Jackie Chan has won 24 film awards and 30 nominations and John Woo has won 9 film awards and 11 nominations. Fruit Chan has won 22 film awards and 18 nominations and Peter Chan has won 14 awards and 7 nominations. Data: *Internet Movie Database*: <http://www.imdb.com/>.

The average receipts of film box office from 1991 to 1997 were around 1.35 billion Hong Kong dollars (HKD).[320] This figure included the box office from foreign films. However, box office takings decreased from the mid-1990s onwards. Box office takings went from HKD 1.15 billion in 1997 down to HKD 0.9 billion in 2000. These figures illustrate the dramatic decline of the box office profit for Hong Kong cinema in the 1990s.

Table 6.1 analyses the economics of the Hong Kong film industry in the 1990s from the three perspectives of production, domestic profit and overseas profit. Table 6.1 shows that the whole output value was HKD 3.89 billion in 1991, which rose to HKD 6.23 billion in 1994. Afterwards it dropped constantly; the output value was HKD 4.28 billion in 1999. The output value of the Hong Kong film industry in 1999 declined by more than 30% compared to the value in 1994. However, in 2000, the gross output of the Hong Kong film industry started to increase, and was the second highest amount for the period 1991 to 2000.

Table 6.1: The value and revenue of the Hong Kong film industry from 1990 to 1999

Year	Gross output of the Hong Kong film Industry[321]	Box office takings	Revenue from local market for both local and foreign films[322]	Revenue from overseas markets for local films
1990	3,458	1,404	936	1,404

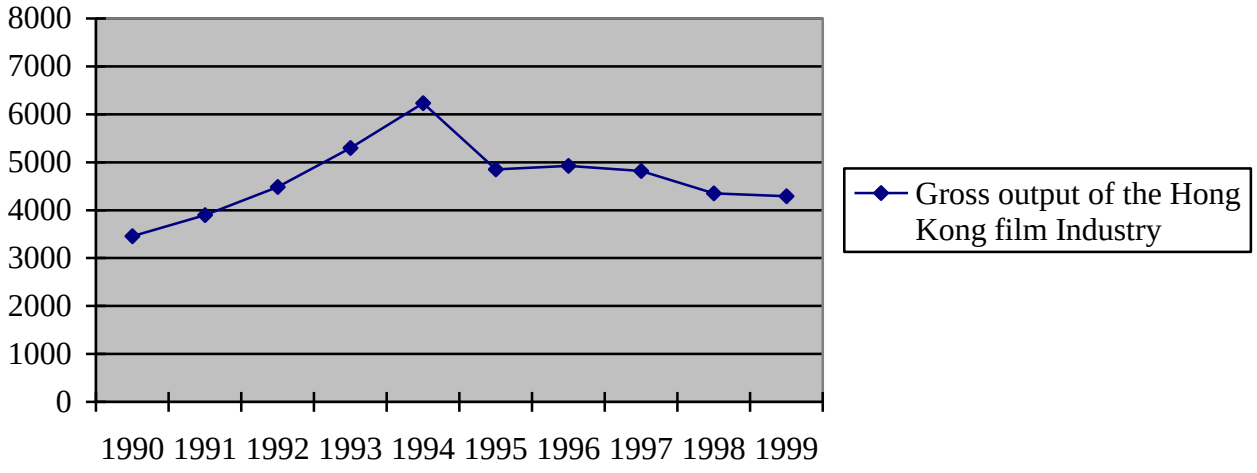
[320] One pound sterling is equal to twelve Hong Kong dollars. This was the exchange rate in 2009.
[321] Gross output comprises mainly receipts from services rendered in the form of fees, commissions and other service charges, margins on resale goods, and rentals received. Source: *The Statistical Digest of the Service Sector 2000 and 2001*, published by Hong Kong Census and Statistics Department.
[322] Revenue includes royalties from videos, laser discs, TV, hotels and theatrical rights. Source: *The Statistical Digest of the Service Sector 2000 and 2001*, published by Hong Kong Census and Statistics Department.

1991	3,898	1,288	994	1,491
1992	4,487	1,552	1,240	1,860
1993	5,301	1,539	1,133	1,699
1994	6,235	1,384	957	1,435
1995	4,853	1,339	776	1,164
1996	4,921	1,222	467	435
1997	4,815	1,156	353	329
1998	4,347	1,088	289	252
1999	4,287	916	353	N.A.

All the numbers refer to millions of Hong Kong dollars.

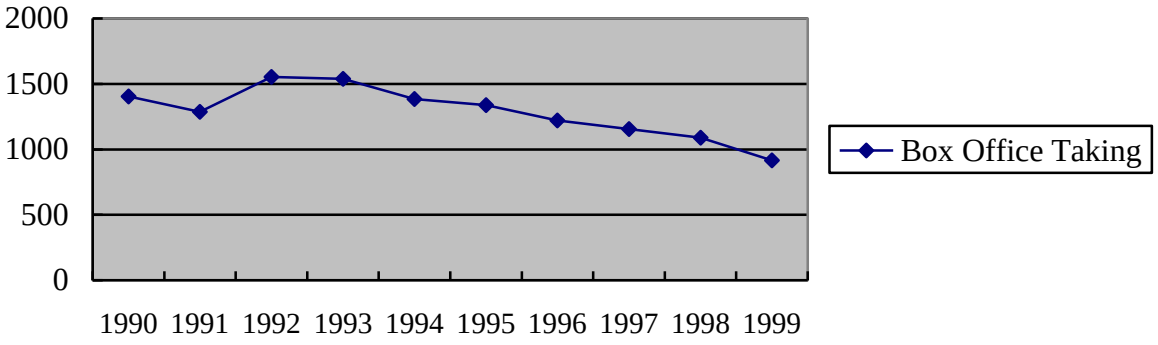
Source: The Statistical Digest of the Service Sector 2000 and 2001, published by Hong Kong Census and Statistics Department.

Figure 6.1: Gross output and value added of the Hong Kong film industry from 1990 to 1999



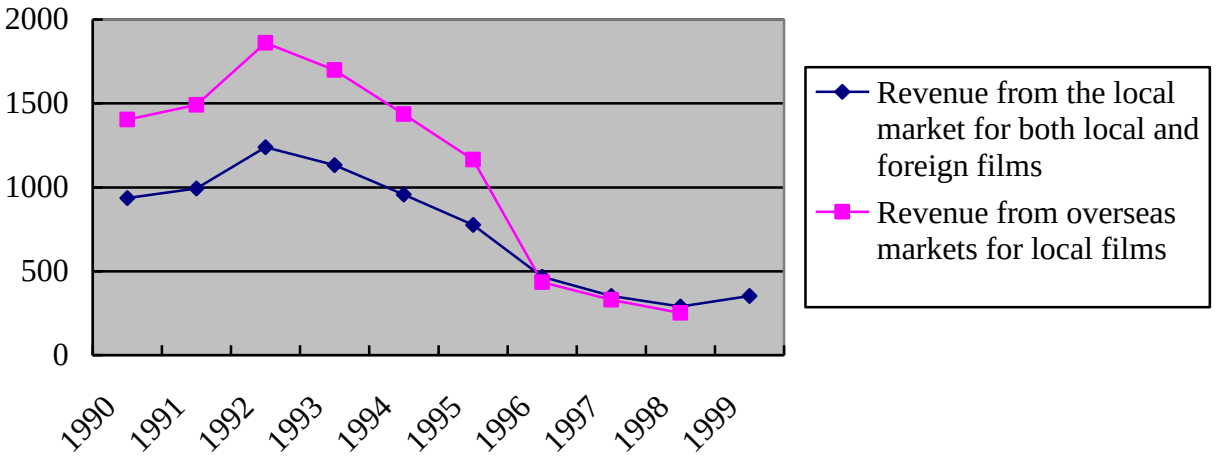
All the numbers refer to millions of Hong Kong dollars.

Figure 6.2: Box office takings of the Hong Kong film market from 1990 to 1999



All the numbers refer to millions of Hong Kong dollars.

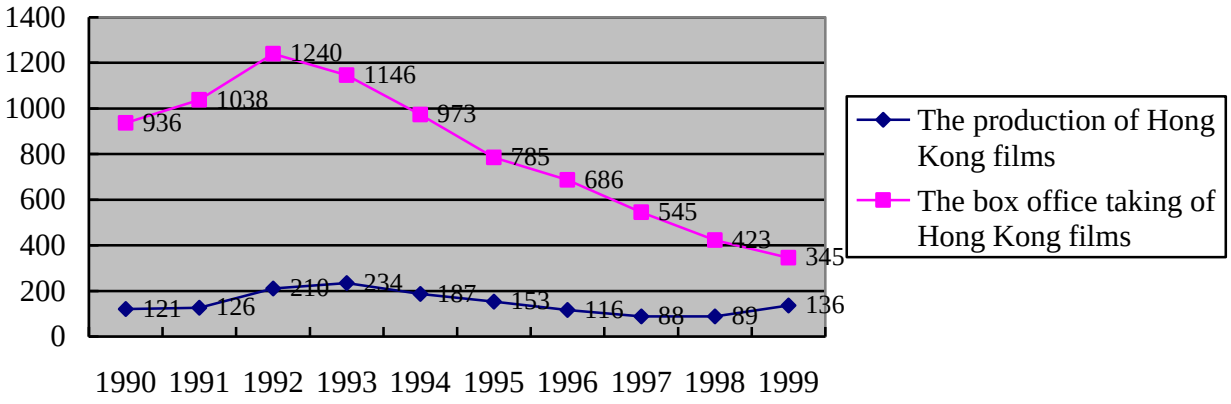
Figure 6.3: Revenue from local market for both local and foreign films and revenue from overseas market for local films from 1990 to 1999



All the numbers refer to millions of Hong Kong dollars.

From Figure 6.3, it can be seen that the peak of revenue from the local market was HKD 1.1 billion in 1992; revenue fell to 0.35 billion in 1999. The figure also shows that the revenue from overseas markets for local films shrank from HKD 1.86 billion in 1992 to HKD 0.25 billion in 1998. The export of Hong Kong films declined rapidly during these years and Hong Kong films faced a critical situation in both local and overseas markets. The decline in revenues from Hong Kong films in local and overseas markets also exacerbated the reduction in production. Investors were hesitant about producing films because of the fall in revenue.

Figure 6.4: The production and the box office takings of Hong Kong films from 1990 to 1999



The numbers for the box office takings refer to millions of Hong Kong dollars.

Source: Chen Ching-Wei, *The Structure and Marketing Analysis of the Hong Kong Film Industry* (Hong Kong: City Entertainment, 2000), pp. 7, 74, 79, 91.

From Figure 6.4, it can be seen that the production of Hong Kong films decreased after 1993 and dropped to less than 100 films in 1997. Although the production of Hong Kong films started to increase in 1999, it dropped under 100 films again between 2002 and the present day.[323] In addition to the falling number of films produced, Hong Kong films did not have good box office takings either. The box office takings of Hong Kong films decreased steadily after 1992. Even when the number of films produced increased, the box office takings still continued to fall.

The data above shows that the Hong Kong film industry steadily declined during the 1990s, both in the number of productions and in the box office takings. Although quantity and profits are not the only measurements by which to judge the film industry, the fact is that fewer people were watching local Hong Kong productions. The situation was similar to that in the Taiwanese film industry, although this situation happened earlier in Taiwan. In the space of a decade then, Hong Kong went from being the Oriental or Eastern Hollywood to producing less than 100 films per year, although still significantly more films than Taiwan. What happened to Hong Kong cinema? Are there any similar factors that can be applied to analyse Taiwanese cinema? What role does the Hong Kong government play in the film industry? In the following section I will analyse the economic and political aspects of the film industry in Hong Kong, applying the political economy approach to analyse the development of the Taiwanese film industry. After discussing the historical and overall development of the film industries in these two places, I will compare the film policies of Hong Kong and Taiwan.

[323] There were 92 films produced in Hong Kong in 2002, 77 films in 2003, 64 films in 2004, 55 films in 2005, 51 films in 2006 and 50 films in 2007. Source: *Screen Digest*, June 2000, June 2001, July 2003, June 2004, June 2005, June 2006, July 2007 and July 2008.

Economic factors in the decline of Hong Kong cinema

Filmmakers have claimed that the Asian economy was damaged after the Asian Financial Crisis and that this affected the demand for Hong Kong films from other Asian countries.[324] As I mentioned at the beginning of the chapter, the revenues from Hong Kong films in overseas markets are mainly from other Asian countries.

However, the decline of the Hong Kong film industry did not begin in 1997 when the Asian Financial Crisis happened; it started between 1993 and 1994, as can be seen from the data and figures above. There is an explanation for the drop in overseas markets, which relates to the quality of Hong Kong films and competition from other films. Neighbouring countries like South Korea started to promote its local productions and to export films to overseas markets. For example, the annual export of Korean cinema jumped from $6 million in 1999 to $15 million in 2002.[325] In that time, people had a greater choice of entertainment. In addition, Hollywood's success in securing a large global market share, the rise of Japanese cultural products (as mentioned in chapter one) and the drain of local Hong Kong talent to Hollywood (as was the case with John Woo) all contributed to the decline of the Hong Kong film industry.[326] Hong Kong cinema reached its peak in the 1990s partly owing to the adoption of particular industrial practices – for example, making a film in a very short time to compete with other film companies, repeating the same film theme or making several sequels to a blockbuster, increasing the remuneration of directors and actors, reducing the cost of production in order to make more profit, and so on.[327]

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[324] Federation of Hong Kong Filmmakers, 'The Report of Promoting the Hong Kong Film Industry', p. 13.
[325] Darcy Paquet, *New Korean Cinema: Breaking the Waves* (New York: Columbia University Press, 2009), p. 71.
[326] Stefan Hammond, *Hollywood East: Hong Kong Movies and the People Who Make Them* (USA: Contemporary Book, 2000), p. xi.
[327] Ibid., p. 14.

The Hong Kong film market is not big enough to support its whole film industry. The Hong Kong film workers usually have to consider both the local market and overseas profits. However, from Figure 6.3, it can be seen that the revenue from Hong Kong films in the overseas market kept falling after 1992. This created a vicious circle for the film industry. The investors put less money into film production, so the number of films decreased. The less films that were produced after 1993, the fewer films succeeded in overseas markets. From the middle of the 1990s onwards, the Hong Kong film industry faced the problems of capital deficiency, a decline in production, and a fall in its overseas revenue. As I mentioned in previous chapters, quite a few Hong Kong films were financed by the Taiwanese capital because they were successful at the box office in Taiwan. When Hong Kong films became less successful in the Taiwanese market, Taiwanese investors started to fund fewer Hong Kong films. Losing overseas revenue had an impact not only on profits for Hong Kong films but also on the capital available for production.

Ho Wei have pointed out that there was no proper film policy to protect the film industry in Hong Kong.[328] From the middle of the 1990s, illegal copies spread over the local market, strongly damaging the revenue of the local film market. Figure 6.4 shows that 210 films were produced in 1992 and that 136 films were produced in 1999. The number of productions dropped by about 35%. The box office takings of Hong Kong films were HKD 1,240 million in 1992 and HKD 345 million in 1999. The revenue dropped by about 72%. It seems that the decline of the Hong Kong film industry could be measured not only by the

[328] Pai Chieh, 'The Help for the Hong Kong Film Industry', 'An interview with the head of the Hong Kong Film Critics Association: Ho-Wei', The Association of Chinese Culture of Hong Kong, 2009: <http://www.acchk.org/tc/celebrity_detail.php?aWQ9MTQmX2VuY3J5cHRRdWVyeT0x> (accessed 22 June 2010).

number of films being produced, but also by the declining numbers of viewers who went to the cinema to watch those films.

Generally speaking, the Chinese-language film market refers to the markets in Taiwan, Hong Kong and mainland China.[329] Although there is a huge film market in China, China did not relax its quota system for foreign films until 1994.[330] China only allowed 10 films from America and Hong Kong to be imported per year at that time. From 1990 to 1999, there were 1,428 Hong Kong films given permission for exhibition in Taiwan (see Table 5.1). In the late 1980s, Hong Kong films accounted for more than 80% of the Taiwanese box office takings, as we discussed in Chapter Three.

The interesting point is that China regarded Hong Kong as a foreign country before 1997, whereas Taiwan regarded Hong Kong films as local productions, and Hong Kong films had the same preferential treatment as Taiwanese films. Taiwanese investors noticed the popularity and profit of Hong Kong films and started to put a great amount of money into Hong Kong film production after 1988.[331] In 1993, the highest copyright fee of Hong Kong films was HKD 20 million. At that time, the Taiwanese film companies paid the copyright fee to buy the right to show Hong Kong films in Taiwan and did not have to pay further fees or share any profits after the films were released. Therefore, in this case, if a Hong Kong film had successful box office receipts and the copyright fee was reasonable, the Taiwanese film companies could make a lot of profit. However, the Taiwanese film companies also had to pay marketing expenses to promote these films. And not many Hong Kong films could take box office

[329] The Chinese-language film market can also extend to Singapore, Malaysia, Indonesia and places on the America continent and in Europe where people speak Chinese.
[330] Chung Po-Han, *A Century History of the Hong Kong Film Industry* (Hong Kong: Joint Publishing, 2004), p. 365.
[331] Ibid., p. 355.

receipts of over HKD 20 million in Taiwan. In the early 1990s, the copyright fee of Hong Kong films was rising, but box office takings were falling. For that reason, the Taiwanese film companies or investors started to question the benefit of investing in or buying Hong Kong films in the middle of the 1990s.

From 1988 to 1993, there was a special situation, called "Pian Hua Chao", in which huge Taiwanese capital could be put into the Hong Kong film industry.[332] A Hong Kong film company could sell a film's copyright to other countries before production, mainly to Taiwan. A Hong Kong film company only needed to tell the buyers who would be the main actor/actress or director and give a brief description of the story. The buyers paid the copyright fee according to the cast of the film. A problem started to emerge. Firstly, without producing anything, the buyers had no clue as to the quality of the films. The only standard was the cast – famous actors/actresses. Secondly, the remuneration of Hong Kong actors/actresses rose rapidly in the early 1990s. The rising cost of production was also the reason why the copyright fee of Hong Kong films was rising. But the cost of films was mainly for actors/actresses and not for improving production. Thirdly, there was not a big cast for the Hong Kong film industry. These big actors/actresses had to star in many films at the same time. They did not have sufficient time to perform well and often the screen scripts were rough. For example, Andy Lau acted in 35 films from 1990 to 1992.[333] This means he acted in about 12 films per year on average. This is equivalent to acting in one film every month. There were other popular actors and actresses who acted similarly frequently during this period. The Hong Kong film industry therefore became a vicious circle, as mentioned in the previous section. Hong Kong film companies sold the copyright in advance in order to have capital to produce films, but they had to make films in a very short time for exhibition. The same subjects and

[332] *Pian Hua* means *films* and *Chao* means *trend* in Mandarin.
[333] The data is based on the films in IMDb and calculated by the author. <http://www.imdb.com/name/nm0490489/>.

casts kept appearing during this period of "Pian Hua Chao". Fourthly, audiences lost interest in these "instant films" and box office takings started to drop. Therefore, Taiwanese film companies asked to reduce the cost of production – mainly the remuneration of Hong Kong actors/actresses – in 1993. The Taiwanese investment in Hong Kong films thus decreased in the middle of the 1990s.

Moreover, there is an important issue about films made jointly with mainland China. The issue involved political and economic factors. From the mid-1990s, there was a new form of cooperation in film production: Taiwanese capital was used to produce films in Hong Kong and in China. This cooperation not only happened in the film industry but also influenced the production of television programmes. Because of the decline of the Hong Kong industry after the mid-1990s, some film workers started to move to mainland China for more work opportunities, causing big losses for the Hong Kong film industry.

Hong Kong Film Policy

The main countries in Asia have set up powerful policies for film development. The aim is not only for profit but also for cultural output and to promote the image of the country. Nevertheless, the situation in Hong Kong is the opposite. The development of film in Hong Kong depended on the industry for a long time.[334] The government ignored the film industry and hesitated in moving forward.

[334] Federation of Hong Kong Filmmakers, 'The Report of Promoting the Hong Kong Film Industry', p. 2.

The film industry has long been a symbol of Hong Kong. In its golden age, Hong Kong produced over 200 films per year. However, the status of Hong Kong film has dropped off in Asia. Foreign movies accounted for 60% of annual income. In fact, in the 1990s the film industry in Hong Kong faced the problem of a recession in the overseas market and slow development in the internal market. This problem became worse and worse after the financial storm. The film industry in Hong Kong had a lot of difficulties that had to be overcome.

In some ways, the depressed situation of the film industry in Hong Kong is affected by the global competition in the film market. Many cinemas give special discounts on tickets and provide gifts or free parking to their audiences. The aim is to attract more people to watch domestic films, but the results are not very good. People will spend money on foreign movies, like *Harry Potter and the Chamber of Secrets*, but do not want to spend money on domestic films, as they did before. There are a number of possible reasons for this: (1) The quality of domestic films declined gradually during the 1990s. The films were mercantile and lacking in originality and creativity. (2) The government of Hong Kong did not interfere in the film industry. The government ignored its development and recession and did not provide any powerful strategies for a long time. While other countries – for example, South Korea – made great efforts to promote their domestic films and their governments provided various means of support, the government of Hong Kong just kept silent.

6.2 Mapping Film Policy in Hong Kong

The Change of the Organisation for Film Policy Making

Before Hong Kong returned to China in 1997, film policy was made by the Broadcasting, Culture and Sport Division (BCSD) in Hong Kong. BCSD was in charge of broadcasting and entertainment business, including film affairs. The main work of film affairs at that time was to examine and supervise the content of films. BCSD had two main duties. Its first duty was to control broadcasting and entertainment business and to examine films. Its second duty was to supervise the administration of film policy. In addition, the leisure and sport departments of BCSD were responsible for giving permission to use fireworks in films, TV programmes, and stage productions. The culture department was in charge of subsidies from the Hong Kong Arts Development Council. Hong Kong Arts Development Council (ADC) was established in June 1995 to plan, promote and sponsor different kinds of arts development, including films, visual arts, performing arts, literature, and music. ADC also sponsored individual arts groups and artists.[335]

Another organisation involved in the execution of policy was the Television and Entertainment Licensing Authority (TELA). TELA was responsible for rating films, including examining the films shown in public according to the three-grade movie rating system, checking the promotion details of the third-grade films and inspecting theatres.

After 1997, the Broadcasting, Culture and Sport Division (BCSD) changed its name to the Broadcasting, Culture and Sport Bureau (BCSB). The chief

[335] Hong Kong Arts Development Council: <http://www.hkadc.org.hk/tc/content/home.do> (accessed 30 April 2012).

executive of BCSB, in its progressive development annual report, mentioned that the Hong Kong film industry needed to be promoted. Furthermore, BCSB allocated money for promoting the Hong Kong film industry in its annual budget of 1998–1999. In addition, BCSB put the Hong Kong Film Services Advisory Committee under its broadcasting and entertainment department in order to improve communication between the film industry and the government. Moreover, BCSB had allotted new resources to TELA to establish the Film Service Office (FSO) in April 1998. The annual budget for film affairs provided by TELA for 1998–99 was HKD 17.2 million, an increase of HKD 3.6 million from 1997–98. The budget for promoting Hong Kong film development increased by 26.5%. This shows that the Hong Kong government started to pay more attention to the film industry, allocating more of its budget to assisting the industry after 1997.

BCSB was reorganised into the Information Technology and Broadcast Bureau (ITBB) on 9 April 1998. ITTB is in charge of the policy of broadcasting and promoting film. It is also responsible for examining products within broadcasting, public entertainment or films. In 1996, the Hong Kong government appropriated HKD 100 million to establish the Film Development Fund. The Film Development Fund was administered by the Film Services Office (FSO) and its aim was to sponsor any project that would develop Hong Kong cinema in the long term. In the three years up to March 2002, this fund sponsored 38 projects at a total of HKD 33.2 million.[336] In 2007, the Hong Kong government invested HKD 300 million in the Film Development Fund to sponsor film productions with middle to low cost. From October 2007 to July 2009, the Film Development Fund sponsored 13 films at a total of HKD 35.89 million. Among these 13 films, there were 6 new directors. It shows that this fund did help to encourage and

[336] The Federation of Hong Kong Filmmakers, *The Report to Promote the Hong Kong Cinema*, October 2002, p. 16.

train pioneering film workers.[337] The Film Development Fund in Hong Kong had a similar purpose to the Film Subsidy in Taiwan. The film fund and the film subsidy will be discussed and compared in a later section. However, the Hong Kong film subsidy emerged about ten years later than the Taiwanese one.

ITTB executed the Entertainment Special Effects Licensing Authority (ESELA) on 16 March 2001 and created new restrictions on using dangerous material to create special effects in films, television programmes or stage performances[338]. In addition, the Hong Kong government allocated two pieces of land in Tseung Kwan O (TKO) on which services for film production could be built. The Hong Kong government hoped to improve the local production and develop Hong Kong as a centre of film production and post-production services.

In 2002, the Commerce and Industry Bureau combined with ITTB and became the Commerce, Industry and Technology Bureau (CITB). CITB is in charge of film service and policy. The advisory body named the Film Service Advisory Committee, the administrative machinery of the Film Service Office and the Television and Entertainment Licensing Authority (TELA) all remain. The changes discussed above were all part of the progress and development of institutions in the Hong Kong government which had some connection to film issues.

Every year since 1997, the Hong Kong Trade Development Council (TDC) has hosted the Hong Kong International Film and TV Market (FILMART) to

[337] Hong Kong Film Development Council, *Press Releases: Summary of Projects Financed by the 'Hong Kong Film Development Fund'*, 31 July 2009.
[338] CREATEHK, Special Effects Licensing Unit: <http://www.createhk-esela.gov.hk/eng/seo_list.php> (accessed 8 May 2012).

promote Hong Kong cinema. Hong Kong Economic and Trade Offices overseas hold Hong Kong Film Festivals to show Hong Kong films in other countries and to assist local film production companies with overseas film festivals, exhibition or trade in order to promote Hong Kong cinema.[339] Other relevant organisations, like the Hong Kong Art Development Council (ADC), Leisure and Cultural Service Department (LCSD), and Hong Kong International Film Festival Society, are all linked to the Hong Kong film industry. Appendix 3 lists the main government organisations in charge of film affairs and relevant institutions in Hong Kong.

In Appendix 3, we can see the different government organisations and relevant institutions in charge of film affairs in Hong Kong. Most organisations were set up under the cultural or commerce bureaus. From the administrative division point of view, there was nothing specially set up for film development before 1997. Furthermore, these organisations which dealt with film issues were not at a very high level of government administration. They were instead like committees under government bureaus or departments. It is the same as the film organisations in Taiwan. In Taiwan, GIO is the main body responsible for film policy and affairs and it is under Executive Yuan. However, most of the organisations were set up after Hong Kong returned to mainland China in 1997. When we investigated the history of Hong Kong film policy, there were no particular film policies during the British colonisation, besides examining films and classification. The reason for this was that the British adopted a laissez-faire attitude to government in Hong Kong in order to create a free market. On the one hand, this laissez-faire governance made Hong Kong into a financial centre in Asia and created an open environment for film productions. On the other hand,

[339] Hong Kong International Film and TV Market (FILMART): <http://www.hktdc.com/fair/hkfilmart-en/Hong-Kong-International-Film---TV-Market--FILMART-.html> (accessed 8 May 2012).

the laissez-faire policy applied to the film industry created a very different environment and atmosphere for Hong Kong cinema.

Important Government Policies for the Hong Kong Film Industry

Due to the progressive decline of the Hong Kong film industry after the mid-1990s, film industry workers and scholars strongly suggested that the government had to take action to prosper and rescue this industry. Here are some important policy suggestions and opinions pieces proposed by film workers and scholars to promote the Hong Kong film industry:[340]

A. Redefine the role of the government

(1) The Hong Kong film industry and market have to make adjustments. The government should play a strong role in improving this and make effective policies.
(2) The government has to set up a fund for film development and actively invest in domestic film.
(3) The government should raise funds from mainland China and cooperate with the government in China.
(4) To develop a system to manage the Chinese-language film industry around the world. This would include film productions, administration, connection of different systems and finance circulation.

[340] Cho Po-Tang, 'Is It Necessary to Save the Hong Kong Film Industry? How to Save It?', *Media Digest*, October 2002, pp. 2–3; Wang Mei-Yi, 'Does the Opening of the Chinese Market Save the Hong Kong Film Industry?', *City Entertainment*, 613 (10 October 2002), pp. 30–31; Mo Chien-Wei, 'Hong Kong Film Industry and Film Policy', *Media Digest*, December 2002, pp. 6–7; Chung Pao-Hsien, 'Vertical and Horizontal: The Glory and Decline of the Hong Kong Film Industry for a Hundred Years', *Media Digest*, January 2005, pp. 2–4; Ling Nan, 'Seek Creativity, Save the Hong Kong Film Industry', *Ta Kun Pao*, 2 May 2005; Chen Tao-Wen, Feng Ying-Chien and We Chun-Hsiung, 'Where Is the Hong Kong Film Policy Heading To?', *Media Digest*, February 2007, pp. 8–10; Wen Wei Po Critic, 'Use Film Fund Well to Promote Hong Kong Film Industry', *Wen Wei Po*, 3 March 2007: <http://paper.wenweipo.com/2007/03/03/WW0703030002.htm> (accessed 24 June 2008); Lin Pei-Li, 'Who Will Save Hong Kong Cinema?', *Yazhou Zhoukan*, 25 March 2007: <http://www.yzzk.com/cfm/Content_Archive.cfm?Channel=ah&Path=385780171/11ah.cfm> (accessed August 2008); Chen Tao-Wen, Feng Ying-Chien and We Chun-Hsiung, 'The Suggestion for Hong Kong Film Policy', *Media Digest*, October 2008, pp. 5–7.

B. Establish a Hong Kong Film Development Council

(1) To set up film policies and form a complete set of policies for the Hong Kong film industry.

(2) To reinforce the Film Consultative Committee and cooperate to plan out a new method for the film industry.

C. Set up a borrowing plan for film companies

(1) Credit funds: The government provides a limited fund and plays the role of guarantor. A film company can borrow 70% investment money from the bank and just afford the remaining 30% in basic credit. The government will be a credit guarantor for the 70% loan. This is to make sure that film companies can concentrate on film production and means that they do not have to worry about capital.

(2) Completion Bond: Hong Kong Film Association has the authority to supervise the progress of film production.

(3) Copyrights of those films belong to the government.

D. Hong Kong Independent Film International funding Examination Committee

(1) To assist film companies in raising funds from overseas and expanding their market.

(2) To make complete laws for intellectual property rights.

(3) To provide reliable statistics for film market research.

(4) It is a neutral organisation in Hong Kong.

E. Strategies for film production

(1) To allocate an area of land on which a centre of film production can be built.

(2) To combine with entertainment and tourism and cultural industries.

(3) To build a film theme park and a cinema village.

(4) The government provides technological support and rent to film companies at low price.

(5) To provide a public place for film production at a low price

(6) Make laws relating to renting a location for film production more flexible.

F. Strategies for issue and overseas marketing

(1) The government plays an important and active role in promoting domestic films to overseas markets.

(2) To invest in film companies to set up overseas branches.

(3) To hold a Hong Kong film festival in other countries regularly and help foreigners know more about the Chinese-language film industry.

(4) Cooperate with economic or trade departments locally to hold more film activities.

(5) Cooperate with foreign film companies and expand the overseas market.

G. Training, research and cultural policies

(1) To set up a fund to train film professionals.

(2) To establish a professional film college in Hong Kong.

(3) To announce statistics for film industry research regularly and supervise the progress of policies.

H. Centre for Cultural Policy Research[341]

From the suggestions for the Hong Kong film policy outlined above, there are three points for more general film policy: organisation, finance and market. This suggests that the Hong Kong government plays a strong role in the film industry, not only by offering financial support but also by recognising the cultural importance of film. Since the Hong Kong government neglected the film industry for decades, it took some time to change its attitude. The changes, historically, in the organisations that were in charge of film issues showed that the Hong Kong government never really established an independent organisation for film issues. The organisation responsible for film was always under a cultural or economic department, and was only regarded as an "office" working at an administrative level. The role of the Hong Kong government was redefined when an independent organisation was set up to specialise in film affairs. Once the organisation was set up, the relevant responsibilities could be classified.

The suggestion in relation to finance was to set up some funds or loans to help the film industry to have sufficient money to make productions. Since the Hong Kong government started to subsidise the film industry later than other countries, the results have not been evaluated precisely. The Hong Kong government set up the Film Development Fund in 1999 and the Film Guarantee Fund in 2003. The Film

[341] The Centre, overseen by a board of directors from local cultural, policy and research sectors, was founded in 1998, with the primary objectives of undertaking public policy research on culture and advising public bodies on the formulation of cultural policies. Since its founding, the Centre has played an active role in response to the formulation of public polices on culture, and facilitates multilateral exchange on related issues. It is now actively involved in the promotion of discourse and study on creative industries. This resulted in the co-organisation with the British Council and the ICA in London of a conference and workshop on 'Creative Cities: London-HK', which was held at the University of Hong Kong from 8–9 November 2002. In 2002, the Centre was commissioned by the Centre Policy Unit of the SAR Government to undertake a baseline study on Hong Kong's creative industries.

Development Fund will be used as a point of comparison with the Taiwan Film Subsidy in the next section.

The suggestion about the market shows that the Hong Kong film industry paid serious attention to overseas markets and profits. Table 6.1 showed that the revenue from overseas markets made big profits for the Hong Kong film industry. Therefore, when the film workers and academy made suggestions for film policy, they hoped that the government would help them to expend their overseas film market. In the next section, I shall make a comparison between Taiwanese cinema and Hong Kong cinema in terms of government film policy in order to understand how different film policies may lead to film industries developing in different ways.

6.3 A Comparison between the Government's Film Policy in Taiwan and that in Hong Kong

As I mentioned above, there was not a particular film policy in Hong Kong before 1997 due to British colonisation and the laissez-faire approach to the industry and the market. In Taiwan, before martial law was relaxed, censorship was the main focus for Taiwanese film policy. The government focused on economic development and regarded film as a propaganda tool for promoting the nation. After the 1980s, the society and regime changed gradually, and the government started to change its attitude from one of examination to one of assistance. The most important policy during the 1990s was the Taiwan Film Subsidy. The comparison I would like to make between Taiwanese cinema and Hong Kong cinema is in relation to their film subsidies.

The subsidy in Hong Kong is called the Film Development Fund (FDF) and was set up in April 1999. The subsidy in Taiwan is called the subsidiary grant for

Taiwan cinema and was set up in 1989. The Taiwanese subsidy was therefore set up 10 years earlier than that in Hong Kong. It will be difficult to compare the subsidies in this respect, because I want to focus on the 1990s and the influence of the subsidy in Taiwan during this period. It is therefore necessary to compare the Taiwan Film Subsidy from 1999 to 2009 with the Hong Kong Film Development Fund from 1999 to 2009. Rather than compare the subsidies for the same period, which is not possible in this instance, I shall compare these two film subsidies in terms of the amount spent and the way the subsidies were used, and to make an analysis accordingly. I aim to find out how the two subsidies impacted the film industries in Taiwan and Hong Kong in different ways. I will also discuss how the film industries in these two places reacted to these subsidies.

These are some analytic points for a comparison between the government's film policy in Taiwan and Hong Kong.

1. Administrative level

The organisation in charge of film issues in Taiwan is GIO– part of Executive Yuan. The organisation in charge of film issues in Hong Kong is FSO (the Film Services Office) which is a part of the Commerce and Economic Bureau. Both organisations are called "office" and of similar administrative level. Within GIO is the Department of Motion Pictures (DMP) which is in charge of film issues. GIO was set up in 1947 and the DMP was set up in 1973, while the FSO in Hong Kong was set up in April, 1998. FSO, set up 51 years later than GIO and 25 years later than DMP, demonstrates the different role the governments have played in the film industry and how the governments deal with film over recent decades. This is suggestive of the Hong Kong government neglecting the film industry for a long period. A comparison of these two organisations at the administrative level shows how the two governments have approached the film industries at the political and historical levels.

2. The committee of film subsidy

Regarding film subsidy, the Taiwanese and Hong Kong governments both set committees for film subsidies. The job of these committees is to examine and select the films to offer subsidies. The term of membership on the Taiwanese film subsidy committee is two to four months per year. The term of membership on the Hong Kong film subsidy is one year. The reason is the Taiwanese committee members only have to examine these applications once a year because the Taiwan Film Subsidy is allotted once each year. Therefore the term of those members' duty does not need to be too long and the length of duty term depends on the length of examination. However the Hong Kong committee members have to examine applications four times a year (every season). Therefore the length of membership is much longer than Taiwanese committee members. This does not mean that short membership periods create instability, but that longer membership periods create better continuity, which is useful in the process of examination.

3. The amount of the film subsidy

The Hong Kong film subsidy is called "Film Development Fund" (FDF) and the film subsidy in Taiwan is called "Taiwan Film Subsidy" (TFS). FDF was set up in 1999 and TFS was set up in 1989, 10 years earlier than FDF. Due to the time issue, we can not compare the annual budget but we can see differences in how TFS and FDF allocate money. In 1999 the TFS total budget was 120 million NTD (2.5 million pounds). This amount was allocated to 12 films: offering 30 million NTD for 6 small productions (each film has 5 million NTD) and 60 million NTD for 6 big productions (each film has 10 million NTD) and providing 10 million NTD for one short film or documentary production. In addition, 20 million NTD was allocated to film promotion, holding events, distribution and exhibition.

In 1999 the FDF total budget was 100 million HKD (7.9 million pounds) for five years (until 2004). If we divide this amount into five years, the annual budget was about 1.58 million pounds, less than the annual TFS budget of 2.52 million pounds. The Hong Kong government established the film subsidy 10 years later than the Taiwanese government. Moreover, the Hong Kong subsidy is 40% less than the

Taiwanese subsidy. The Hong Kong government did not use to intervene in the film industry, taking a laissez-faire attitude for decades, because the British government had a laissez-faire policy regarding Hong Kong economics. Even when it started to intervene in the film industry in the late 1990s, it still retained the laissez-faire attitude and did not invest much money in production. This was because the government still believed that Hong Kong filmmakers should be able to find capital and be commercially successful. The most successful parts of the Hong Kong film industry did not have support or receive subsidies from the government. Therefore the Hong Kong government did not have a strong intention to fund film production in the way the Taiwanese government did.

However the use of film subsidies in these two places is different. In Taiwan TFS mainly supports film production. Film workers need to apply for this subsidy in order to make a film, if they cannot secure other funding. In Hong Kong the FDF is tasked with promoting the development of the film industry and research projects. For example, from 1999 to 2002, FDF sponsored 38 projects for promotional and research purposes. Thus, FDF does not aim to sponsor film production directly. However in 2007, the Hong Kong government allotted 300 million HKD especially for small to medium film productions although it did not specify a period over which this was to be spent. This was because the production of Hong Kong films decreased from 91 films in 2002 to 50 films in 2007.[342] Hong Kong had never produced so few films per year. The government started to sponsor film production in the hope of increasing Hong Kong film production. However, since the mid-2000s, the Taiwanese film industry has had more stable production, producing 50 films in 2010 and 65 films in 2011. This was the first time the number of Taiwanese films produced had exceeded 50 since 1991. This improvement took nearly 20 years, and the government's subsidy had been issued without interruption since 1989. Developments in the Taiwanese film subsidy have been taking place for two decades, but the Hong Kong subsidy has just started. Therefore it will be some time before it is possible to observe the changes and continuities in the Hong Kong subsidy.

[342] See footnote 2.

Andy Willis mentioned that in the 1990s a number of important film personnel (such as Jackie Chan, John Woo and Jet Li) went to work in the American film and television industries and that this might be a signal of crisis for the Hong Kong film industry.[343] Although Willis' argument focused on Hong Kong cinema after 1997 his elaborate analysis of Hong Kong cinema could also be usefully applied to the industry before 1997. He took a broad review of several key film directors in the Hong Kong film industry, both in art and commercial areas before and after 1997. In short Willis thought the reasons for the decline of Hong Kong cinema are economic and political. Several financial crises happened from 1997 (economic factors) together with the handover to mainland China (a political factor). This has contributed to an uncertain atmosphere in Hong Kong society and some investors hesitated to invest in Hong Kong cinema due to these factors.[344] However, at this time the Hong Kong government had not offered any subsidy for the film industry.

Stephen Teo claims that the political circumstances, the Asian financial crisis and the health crisis (SARS), together with the political attempts to limit freedoms, caused the decline of the Hong Kong film industry.[345] The uncertainty and anxiety of the political situation was widely felt in Hong Kong before 1997. As Sheldon H. Lu points out:

> Needless to say, the question of national and cultural affiliation has been the most problematic and of the foremost importance in the minds of Hong Kong residents, for they have lived a life without a proper nationality, being neither Chinese nor British. Until the handover on July 1, 1997, most Hong Kong people have been denied British citizenship, yet they are ruled by the British. The

[343] Andy Willis, 'Hong Kong Cinema Since 1997: Troughs and Peaks', *Film International*, 7 (2009), pp. 6–17 (p. 7).
[344] Ibid.
[345] Stephen Teo, 'Hong Kong Cinema', in *The Cinema Book*, ed. by Pam Cook (London: British Film Institute, 2007), p. 225.

> mainland claimed them as its subjects and compatriots, but played no part in the daily administration of the city.[346]

However, even in these precarious circumstances, there were still over 100 Hong Kong films produced in the 1990s. Therefore the handover to China (a political event) was not the main cause of the decline of the Hong Kong film industry. However, after Hong Kong returned to China after 1997, there were many discourses and films about cultural and national identity. Furthermore, the year in which the fewest Hong Kong films were produced was 2007, which is 10 years after the handover.

Hong Kong cinema was at its peak as an Eastern Hollywood, the government did not support it or have any particular policy. When Hong Kong cinema started to decline in the mid 1990s the government still did not do much until the setting up of the FSO in 1998 to respond to film issues. From being the Eastern Hollywood to the dramatic decline the Hong Kong government's attitude remained the same in the 1990s. Strictly speaking Hong Kong government film policy really starts from the very late 1990s and the results or influence may be interesting for further research in the 2000s. However even though the Taiwanese government has intervened in the film industry for a longer period it seems the intervention does not sustain a healthy Taiwanese film industry. The film industry in Taiwan relies on government subsidies to produce films that would otherwise not be commercially viable.

The government's intervention in the Taiwanese film industry is politically motivated. But the government's intervention in the Hong Kong film industry is economically motivated. Although the subsidy in Hong Kong is 40% lower than the subsidy in Taiwan, the content of these subsidies should be considered further. The subsidy in Taiwan focuses on production and supporting international film festivals, but the subsidy in Hong Kong focuses on research, training and supporting

[346] Sheldon H. Lu, 'Filming Diaspora and Identity: Hong Kong and 1997', in *The Cinema of Hong Kong: History, Arts, Identity*, ed. by Poshek Fu and David Desser (Cambridge: Cambridge University Press, 2000), p. 275.

international festivals and overseas cultural events. In terms of intent, it can be said that the Taiwanese government aims to use Taiwanese films as a diplomatic tool to obtain more international exposure. In this respect, the Taiwanese government has achieved its aim, producing many international-award films in the 1990s. The Taiwanese Film Subsidy did also support domestic production and provide financing for many new creators who lacked capital in that period. Judging from the content of the subsidy, securing economic success with films was never the aim of the Taiwanese government. Therefore it is not surprising that Taiwanese films were not successful in the film market in the 1990s. Hence, although criticisms about the failure of the subsidy in film-market terms are valid, the Taiwanese Film Subsidy did achieve its political and diplomatic aims in the 1990s.

Chapter Seven
Conclusion

This thesis has critically analysed the film industry in Taiwan from a political economy perspective and provided a comparative case study with the Hong Kong film industry. It has examined the complex recent history of film development in Taiwan and Hong Kong and analysed the factors affecting the decline in these film industries. The study has taken into account how the governments' film policies in Taiwan and Hong Kong have been framed and the nature of the interaction between the government and the film industry in these two places.

This thesis began by outlining the political economy approach and explaining how it would be applied to film policy. The political economy approach maps the film industry into a macro-analysis. This approach has given this Asian film study a comprehensive aspect. The findings assume that the development of the film industries in Taiwan and Hong Kong have been influenced by film policies in the 1990s, which directed each film industry in a different direction. Film in Taiwan tend to be regarded as products of an art form with a potential diplomatic purpose, rather than as commercial cultural products. Films in Hong Kong are mainly made for commercial purposes, for the entertainment of audiences. The distinction between Taiwanese films and Hong Kong films provides a diverse view of the Chinese-language film market.

In my thesis, I have focused on the subsidy policies and compared the subsidy policies of Taiwan and Hong Kong. In Taiwan, the film subsidy (Taiwan Film Subsidy) was initially intended to support domestic production. However, this

subsidy started to be used for promotion, marketing and education from the late 1990s. By contrast, the film fund in Hong Kong (Hong Kong Film Development Fund) was used for promotion and education from its inception in 1999 and started to be used for domestic production after 2007. These two places are very close both culturally and geographically. However, due to different governance and policy-making, the film industries in these two places have developed in completely different ways. I have discussed the history of the subsidy policy, the political intentions behind the Taiwanese subsidy policy, and the debates that the policy prompted. Furthermore, I have evaluated what this policy achieved and discussed the latest changes.

In addition, the thesis illustrate how the subsidy policy has influenced the direction of Taiwanese cinema. Many of the films that came to be known as the Taiwanese New Cinema movement were directed by new directors who were sponsored by this government subsidy.[347] The Taiwanese government gave the subsidy to those Taiwanese New Cinema directors because their films had caught the attention of overseas audiences and won international awards at film festivals around the world. I have discussed how the government changed the rules of the subsidy under pressure from different sides. In terms of diplomacy, the Taiwanese government did achieve its aim with this film subsidy – increasing the profile of Taiwan in the international arena.

If the main film policy in Taiwan is censorship and subsidy, the film policy in Hong Kong is licence-based regulation and the film subsidy. The Hong Kong government takes a laissez-faire approach and has not made many interventions in the film industry. The Taiwanese government believes that putting Taiwanese films on at international festivals is an alternative way to speak out in the international sphere and show the existence of the nation. The attitudes and policies in these two places

[347] Examples include Hou Hsiao-Hsien, Edward Yang, Ming-liang Tsai and Wan Jen.

are completely different and have led the film industries in opposite directions. However, the Hong Kong film industry endured a recession in the 1990s, which happened at a similar time to that in the Taiwanese film industry. I compared the government policy for Taiwanese cinema and Hong Kong cinema over this period. Before the 1990s, the film policy focused on censorship; this changed to a policy of subsidy in the 1990s, which has continued to the present day in Taiwan. In Hong Kong, before the 1990s, the film policy was mainly for examination and classifying films and there was no particular policy aimed at film development. The Hong Kong government started to pay attention to film policy during the late 1990s because of the decline in the film industry and the fact that film workers made a loud appeal to the Hong Kong government. On the other hand, although the Taiwanese government launched the film subsidy in the late 1980s, this subsidy policy did not reverse the decline in the Taiwanese film industry. The production of and box office receipts for Taiwanese films remained low in the 1990s. In the early 2000s, the Taiwanese government realised that funding production was not the only way to help the industry and started to pay attention to marketing, promotion and education.

After examining the development of the film industries in Taiwan and Hong Kong from a political economy perspective, focusing on film policy in both places, I assume that the development and direction of the film industry can be influenced and led by the film policy. Although the Hong Kong government started its film subsidy policy in the late 1990s and the Taiwanese government changed the way in which the film subsidy was allocated, it would be interesting to do further research on these subsidy issues in the 2000s to see how the policies have changed in that time. It will be possible to observe the impact of the film policy on the Hong Kong industry in the 2000s because the subsidy of Hong Kong film started in 1999.

In conclusion, this thesis makes a contribution to existing research by adopting a political economy approach to conduct a comprehensive analysis of the film

industries in Taiwan and Hong Kong. It maps the film industry to bigger social structures, in the process analysing the differences between structures and the advantages different structures may have over others. The findings of this thesis suggest that film policy should be seen as playing a more important role in the development of the film industry and that the government deserves some credit. Furthermore, this thesis provides a different approach to the study of Asian cinema, one distinct from the study of aesthetics and text which is often seen in film studies.

Appendix 1

The History of Film Censorship in Taiwan

Year	Statute	Managing Institution	Policy Principle	Others
1929	Regulation of film censorship	Film censorship committee	A film could not: 1. go against principles of the party and nation 2. damage customs and public security 3. promote heresy and feudal ideas	National film censorship system confirmed
1932		Film censorship committee changed to central film censorship committee	A film could not: 1. damage nation and national integrity 2. be against the Three Principles of the People 3. damage customs or public security 4. promote heresy and feudal ideas	Move film censorship to central authority Strengthen film promotion

1934	Central Motion Pictures factory established			This was the first state-operated production company
1935 (The period of the war against Japan)		Military Committee established a film studio in Han-Kou[348] Changed central film censorship committee to censorship institution in special period		The state-operated film business was under administrational control
1944		Changed censorship organisation in special period to central theatre and film censorship institution	Films could not: 1. damage national benefit or national integrity 2.destroy public order 3. damage customs 4. promote heresy and feudal ideas	The administrational institution was changed to the central books and magazines committee

[348] Han-Kou is a place in mainland China.

1946	The law of film censorship was revised and published	The name changed again to the film censorship institution		The Executive Yuan (Xingzheng Yuan), under the control of the Ministry of the Interior, started to take charge of film affairs
1949		Established Taiwanese Film Corporation Limited		Centralised management of the film association in the whole country Moved film affairs from the film censorship institution to the GIO. The GIO was in charge of censorship and guidance
1955	The law of film censorship was revised for the second time	GIO was the main organisation of censorship		
1956	The law of film censorship was revised again			The law of film censorship was used until Film Law was introduced
1958	The guidance of domestic film business			The government started to actively assist domestic production

1959	The reward for Chinese-language (Mandarin) films introduced			The government would like to reward Chinese-language films for carrying out the policy of speaking the national language: Mandarin
1967	Film policy confirmed		Focus on service rather than management Focus on guidance rather than censorship	Bureau of Cultural Affairs in Ministry of Education established; film affairs were controlled by this bureau
1968	The basic film policy		Film regulations: 1. Continue reducing the quota for importing foreign films 2. Use some benefit of importing foreign films to assist the development of domestic films 3. Assist in opening up the international market for Taiwanese films 4. Establish a system of film education 5. Establish a system of	

			pursuing further education for film workers 6. Reward good scripts 7. Actively reward good domestic films 8. Assist in arranging the equipment for developing and printing 9. Reasonably enhance the system of censorship	
1970		Bureau of Cultural Affairs established professional film censorship committee		Start to investigate the drafting of the Film Law
1971		Draft the Film Law		
1973		Bureau of Cultural Affairs dissolved		Film Law draft was sent to be approbated by the Executive Yuan Draft was tabled GIO was in charge of film affairs

1980		GIO was in charge of making general film regulations	The chairman of the Executive Yuan promised to make Film Law actively	Film workers pleaded for the Film Law to be more efficient

Source: Huang Ching-Chia, 'Deliberation of revising film law', *Pao-Shung*, 8 (1994), 100-101. Wan Tien-Wen, *The History of Communications in Taiwan* (Taipei: Asiapac books, 2002).

Appendix 2

The Main Taiwanese Film Companies in the 1990s

Company Name (Year of Establishment)	Scope of Business	Branch	Notation
Central Motion Picture Corporation (1954)	Production, movie studios, distribution, exhibition, developing and printing, entertainment, TV programme production, video	Movie studios: film production, studio rental Developing and printing studio: developing film negatives The Central Film Theme Park: entertainment Three and One company: video distribution Chinese Cinema and Plum Blossom Cinema: Exhibition of the films produced by the central film company and also leased to other film companies	Operated by the KMT party

Long-Sheng Entertainment Multimedia Co. Ltd (1971)	Production, distribution, exhibition, video business	San-Pen, Golden Princess, Te-Pao, San-Yu, Tien-Fu, Wang-Chang, Chiu-Feng, Long-Tai, Long-Chang, Long-Hsiang, Hung-Chi, the companies above: distribution and production Ting-Hao theatre: exhibition and rental business	
Scholarship Global Multimedia Co. Ltd. (1980)	Production, distribution and video distribution	Hsueh-Yen, Hsueh-Kuan, Hsueh-Heng, Hsueh-Fu, Good Friends: production and distribution	Suffered a financial crisis in 2001. Closed its own theatre in September 2009
ERA Communication Co. Ltd. (1981)	Production, distribution (including domestic production and predominantly foreign films), TV channels, artists' agent, video distribution, exhibition, record and performance booking system Obtained a licence for satellite communication in recent times and proposed the running of an internet shopping business	Happy Limitless Company: Distribution of Chinese-language films and videos Fu-Lung Company: TV programme production Lien-Yi Company (a joint venture with Hong Kong TVB company): Operation of cable channels and the agent of American HBO channel Golden Award theatre: exhibition	

		and rental business	
Chu-Teng Entertainment (Mid-1980s)	Production, distribution and video distribution Withdrew from film production to produce TV programmes in 1997	Hsin-Feng Company: Distribution of Chinese-language films Fei-So Company: Operation of cable channels Lien-Teng Company: A joint venture with the Hong Kong movie star Li Xiu-Xian. Located in Hong Kong and focused on film production	Chu-Teng Film Company changed its name to Gala International Multimedia Corporation in 1997
Say-Ho Entertainment Company (Mid-1980s) (Also called King's International Multimedia Co. Ltd.)	Production, distribution (including Chinese-language productions and foreign films), exhibition, the agent and distribution of foreign video Say-Ho has been an agent of the DVDs and VCDs for Discovery, the National Geographic Channel, education for children and international travelling programmes in recent years Other business: Adult magazine publishing, internet, multimedia DVDs	Say-Ho Company: production and distribution Say-Ho theatre: exhibition and rental business Say-Ho International Multimedia Company: production and distribution of VCDs and DVDs	

	It closed down in 2005		
Hsiung-Wei Film Company (1991)	Production and distribution of Chinese-language films Cooperated with Hong Kong film companies to distribute Hong Kong films in Taiwan	Hsiung-Fa Company: production and distribution	It withdrew from the film industry until 1994

Source: Wu Ling Ke (1990), Chen Sen-Feng (1990), Wei Ti (1994:63), United Knowledge Database: www.udndata.com

Appendix 3

Government Organisations and Relevant Institutions

for Film Affairs in Hong Kong

Name of Organisation/Institution	Introduction/ Purpose	Function
Commerce, Industry and Technology Bureau (CITB)— Information Technology and Broadcast Office	● CITB established in July 2002. CITB combined the Commerce and Industry Bureau with the Information Technology and Broadcast Bureau (ITTB). ● The Information Technology and Broadcast Office in CITB is in charge of promoting, broadcasting and film development. It aims to promote Hong Kong as a centre of broadcasting and film production. ● CITB was replaced by the Commerce and Economic Development Bureau (CEDB) in July 2007.	● Responsible for broadcasting, public entertainment, the control of obscene and indecent articles ordinance, examining films and making policy to promote film development. ● Makes regulations for special effects in films, television programmes and theatrical performances. ● Makes regulations for examining films. ● Makes regulations for film location shooting. ● Holds events to promote films in Hong Kong and overseas.

Television and Entertainment Licensing Authority (TELA)—The Film Service Office (FSO)	● FSO established in April 1998 under TELA. It aims to assist film development. ● FSO was moved to the project Create Hong Kong (CreateHK) under CEDB in June 2009. ● FSO is in charge of many important film affairs, such as the Film Development Fund and the Film Guarantee Fund.	● Responsible for monitoring broadcasting services and making regulations, classifying films, issuing entertainment licences, handling newspaper registration and overall planning of film services. ● For film issues: —To assist film production, especially for location shooting in Hong Kong. —To monitor special effects in films, television programmes and theatrical performances. —To establish a Hong Kong film resource centre to provide information and reference materials for local film production. —To assist the industry with film festivals and exhibitions in Hong Kong and abroad. —To assist with publishing promotional information for the film industry. —In charge of the administration work for the Film Fund (HKD 100 million) to promote Hong Kong film industry development. —To hold film training courses.

Film Services Advisory Committee	● Established on 1 May 1998 and the chairman is the secretary of Commerce, Industry and Technology Bureau (CITB). ● The members of the Film Services Advisory Committee include officers in the relevant departments of the Hong Kong government and the film industry. The members provide advice about film industry to the CITB.	● To provide advice as follows to the Commerce, Industry and Technology Bureau (CITB): —Everything related to the film industry, including creating and maintaining a good environment for long-term film development in Hong Kong; maintaining Hong Kong as a major film production centre; promoting Hong Kong as a film trade and service centre in Asia Pacific; assisting film workers from other countries to make films in Hong Kong; promoting Hong Kong cinema abroad. —To examine the film work from the Film Services Office (FSO) and reports from the Television and Entertainment Licensing Authority (TELA). —To give advice about setting up working teams for special film issues. —To set up the Projects Vetting Committee of the Film Development Fund to supervise the FSO to manage the Film Development Fund.
Film Development Fund (FDF)	● Established in May 1999 and worth HKD 100 million in total. It aims to help to promote and train for film workers both in production and distribution techniques; encourage film workers to make films with diverse subjects and creativity; enhance audiovisual effects for film production; improve local	● The project Vetting Committee of the Film Development Fund examines applications. ● FDF has supported 38 projects from 1999 to 2002, including 19 projects for overseas promotion (HKD 6.5 million), 8 projects for training courses (HKD 1.8 million), 2 projects for data compilation (HKD 1.6 million), 2 projects for survey and research (HKD 1.6 million), 3 projects for conferences (HKD 3.9 million), 4 projects for reward schemes (HKD 11.8 million)

	production quality and industry environment; promote Hong Kong cinema in Mainland China and overseas and revive Hong Kong audiences' interest in local productions. ● Furthermore, the government set aside HKD 300 million in July 2007 and expanded its support for film productions. It provided limited funding for small- to medium-budget Hong Kong film productions. ● The Film Service Office (FSO) under the Secretariat of the Film Development Council (FDC), which is founded under the Create Hong Kong (CreateHK), Commerce and Economic Development Bureau (CEDB), is in charge of the administration of the FDF. The organisations are as follows: CreateHK ↓ FDC ↓ FSO ↓ FDF	● Between 2007, when it started to finance film productions, and 2009, the FDF supported 14 films with HKD 38.77 million. Among these 14 films, there were 6 new directors. It shows that this fund helped to encourage new talent.

Leisure and Cultural Services Department (LCSD) — Film Programmes Office	• There is a Film Programmes Office to organise film-related and arts events. • The Film Programmes Office aims to encourage people to attend film events in their local community and encourages independent production.	• The Film Programmes Office is responsible for organising various film-related activities and works with other cultural institutions, embassies, and film organisations to hold different film events. In addition, it arranges seminars on film appreciation for teenagers.
Hong Kong Arts Development Council (ADC)	• The ADC's main jobs are the allocation of various funds, policy planning, and promoting and developing various events. It aims to develop Hong Kong as a cultural and artistic city.	• There is a Project Grant in ADC to support individual independent creation. This grant aims to sponsor creation, technical support, critical reviews, publications, exhibition, education and archives for local independent arts workers. The range of this grant is wide and the grant can be applied for twice a year. • There is an Examiner System to assist the ADC to make decisions on Project Grant applications. The Examiner System is formed by independent professionals from the industry and these examiners make recommendations.

Hong Kong Trade Development Council (TDC)	● The TDC helps to promote Hong Kong films to overseas markets. Their main job is to help Hong Kong trade. They also help UK business people to develop their businesses in Hong Kong and China.	● The TDC has sponsored the Hong Kong International Film and TV Market (FILMART) every year since 1997 to promote film and television production. ● The Economic and Trade offices overseas hold Hong Kong film festivals regularly in other countries to promote Hong Kong cinema. ● The TDC assists local production companies and distributors to promote Hong Kong cinema at overseas film festivals, exhibitions and trade conferences.
Hong Kong Film Archive	● The Hong Kong Film Archive was set up in 1993 and is now under the Leisure and Cultural Services Department (LCSD). ● There are cinemas, exhibition halls and a resource centre in the Hong Kong Film Archive. These facilities are used for promoting film-related events, showing Hong Kong films and for research purposes.	● The Hong Kong Film Archive searches, collects and reserves Hong Kong films and related data. It also holds an annual film retrospective show and cultural and historical film-related exhibitions. ● The Hong Kong Film Archive has many publications about Hong Kong cinema colletcion. ● It aims to preserve Hong Kong film data and promote Hong Kong cinema to local audiences.

Hong Kong International Film Festival (HKIFF)	• It was established by Hong Kong Urban Council in 1977. LCSD was in charge of HKIFF in 2000 and ADC took over in 2001. • In 2004, the Hong Kong International Film Festival Society started to manage HKIFF as an independent organisation. • It aims to encourage local audiences to watch international films and to promote Hong Kong cinema abroad.	• HKIFF is held between March and April annually. Over 200 films from around the world are selected to be shown at this festival. • HKIFF cooperates with local cultural institutions to hold film symposiums and events.

Sources:

CITB: http://www.cedb.gov.hk/citb/en/whats_new/index.html

TELA: http://www.tela.gov.hk/eng/home/index.htm

FSO: http://www.fso-createhk.gov.hk/abt/index.cfm

FDF: http://www.fdc.gov.hk/en/services/services2.htm

FDC: http://www.fdc.gov.hk/en/home/index.htm

LCSD: http://www.lcsd.gov.hk/en/home.php

Hong Kong Film Archive:

http://www.lcsd.gov.hk/CE/CulturalService/HKFA/en/index.php

ADC: http://www.hkadc.org.hk/en/content/home.do

TDC: http://www.hktdc.com/

HKIFF: http://www.hkiff.org.hk/eng/main.html

FILMART: http://www.hkfilmart.com/filmart/

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