A Brief Study on the Economic Effects and Problems with the Korean Wave and Solutions

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Received: March 15, 2022. Revised: April 29, 2022. Accepted: June 25, 2022.

Abstract

Recently, as the status of South Korean popular culture has risen, the Korean Wave is gaining popularity not only in Asia but also in Europe, America, and South America, and is currently at the center of the global cultural phenomena. Among them, in particular, the cultural content industry has been developing rapidly thanks to the Korean Wave. Currently, the Korean Wave is spreading all over the world while bringing about positive effects to South Korea. In fact, until 2017, political and social issues such as 'North Korea/North Korean nuclear weapons' and 'Korean War' were considered as the images associated with South Korea, but from 2018, it has been shown that all images associated with South Korea are cultural content except for 'IT industry'. Given the economic effects that can be obtained not only from the positive associated images of South Korea per se but also from the complex action with various industries in South Korea, the craze for the Korean Wave can be viewed as affecting the overall national prestige of South Korea. For the steady vogue of the Korean Wave, thorough investigation of the Korean Wave and understanding of the expectations of consumers of the Korean Wave seem to be necessary

Keywords: Korean Wave, Korean Wave Culture, Korean Image, Economic Effects, the Korean Wave

Major classifications: Hallyu and customs history

1. Purpose and Background

* This study was supported by the research grant of the KODISA Scholarship Foundation in 2022.

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1.1. Purpose of the study

Recently, as the status of South Korean popular culture has risen, the Korean Wave is gaining popularity not only in Asia but also in Europe, America, and South America, and is currently at the center of the global cultural phenomena. Among them, in particular, the cultural content industry has been developing rapidly thanks to the Korean Wave. The Korean Wave brings about economic effects and positively affects the economy, but if the problems with the Korean Wave that are appearing even now are not addressed, clearly there will be a limit to the continued development of the Korean Wave hereafter. The purpose of this study is to examine the trend of the Korean Wave, examine the limitations and problems with the Korean Wave based on the trend, and find ways to improve the limitations and problems.

1.2. Background of the study

The meaning of the Korean Wave is changing constantly over time. At first, the Korean Wave was mainly South Korean popular culture, and meant the phenomenon for the music, movies, broadcasting, fashion, etc. produced in South Korea to gain popularity and to be consumed abroad. Recently, the Korean Wave has become to have a more comprehensive meaning than the foregoing. The current Korean Wave is called ‘the New Korean Wave’, and with the spread of popular culture of the New Korean Wave as a momentum, attention is focused on overall South Korea including not only popular culture but also Korean food and the fever of studying Korean language. The phenomenon for the derivative effects of the Korean Wave to grow and spread to other fields or new areas can be said to be ‘the Economic Korean Wave’. That is, the Economic Korean Wave is preference for Korean products in other countries or regions or idolizing Korean Wave stars. It can also be referred to as the ‘fan economy’ in other words, and as the fans of Korean Wave stars consume other products and contents derived in relation to the stars, the brand effects of other Korean Wave stars also affect sales and consumption of products. The Korean Wave contents are also fused with various other industries leading to the increase in the export of related consumer goods and are generally deriving positive effects in service industries such as medical services and tourism.

1.3. Survey analysis method, period, and limitations

The data were analyzed through papers and knowledge encyclopedias related to the background of the growth and current state of the Korean Wave, and the 2021 Survey of the Actual State of the Korean Wave in Foreign Countries’ conducted by the Ministry of Culture, Sports, and Tourism was referred to in order to find out the recent tendency of consumption of Korean Wave content. As the range of topics about the Korean Wave is wide, it was difficult to decide exactly which part should be addressed. In addition, in the case of the survey of actual state of the Korean Wave in foreign countries conducted by the Ministry of Culture, Sports and Tourism, there was a limitation that it was difficult to accurately identify the consumption ratio index because the survey question method was changed after 2019.

2. Theoretical Background

2.1. Korean Wave

The Korean Wave has been developed mainly in Asia since the late 1990s and refers to the phenomenon for South Korean culture to have become to gain popularity. The craze for South Korean popular culture began in China, but soon it gradually spread throughout Southeast Asia, including Hong Kong, Taiwan, Indonesia, the Philippines, Vietnam, and Thailand. It was TV dramas such as <A Wish Upon a Star> and <Winter Sonata> that initially led the craze for the Korean Wave, but after the 2000s, the craze for the Korean Wave was not limited to popular culture such as dramas, songs, and movies, but the phenomenon of preference for products related to South Korea such as home appliances, cosmetics, kimchi, and ramen appeared. Comprehensively, not only popular culture, but also the phenomenon of preference for all Korean-related products are called the Korean Wave (Doosan Encyclopedia, 2022).

The expression ‘~ryu (流)’ in the words Korean Wave (Hallyu) originated in Japan. The vogue of Hong Kong movies in the 1980s was called the Hong Kong ryu, that is, Hangryu (港流) in Japan, and the vogue of Japanese games, animations, and TV dramas in Japan in the 1990s was called Ni-Tsu-ryū (日流) in Japan. As such, as South Korean TV
dramas and popular music became to gain popularity in the late 1990s, the term Korean Wave gradually began to be used. As the level of interest in South Korean popular culture increased in the late 1990s, as South Korean popular culture spread to other countries, a Chinese press named the phenomenon as such “Korean Wave”, and this made the words Korean Wave to be known widely. With the foregoing as a momentum, the expression “Korean Wave” naturally became established (Jang, 2013).

The Korean Wave craze, which began in the mid-1990s, was driven by South Korean TV dramas and films, but the vigor was dampened in the mid-2000s. because, as South Korean dramas with similar contents without any special format were mass produced, consumers became tired of the Korean Wave dramas. In such a situation, the momentum for the Korean Wave craze to be able to rise again was K-pop, which was developing around idol groups. From the beginning of the 2010s, the central axis of the Korean Wave shifted from dramas to K-pop centered on idol groups. Along with the resumed craze for the Korean Wave, several idol groups such as Girls' Generation, Big Bang, EXO, 2PM, Kara, TVXQ, and singers such as Psy became very popular abroad.

Therefore, the ‘New Korean Wave’ can be said to be the K-pop boom that initiated the resume of the Korean Wave, which had been on a downturn. The New Korean Wave is meaningful in that it broke the established formula that ‘the Korean Wave = dramas, movies’, and that most of the Korean Wave fans are old. Originally, the Korean Wave's major consumer layer was fans in their 40s and 50s who were passionate about Korean dramas and movies, but now it is fans in their 10s through 30s who are passionate about K-pop. It is also worth noting that while undergoing changes as such, the genres of the Korean Wave have become more diversified than before, and the character of the Korean Wave has also changed from the past through these changes.

The major changes in the Korean Wave brought about by the New Korean Wave are characterized by the fact the contents and exporting regions were diversified. With the New Korean Wave as a momentum, in addition to broadcasting, various contents such as music and game genres became to occupy a large proportion in the export of South Korean contents. In addition, the popularity of Korean cultural contents has spread to not only the pan-Asian regions but also various regions such as Central and South America, North America, the Middle East, Europe, and Africa.

The New Korean Wave, which is closely related to the rapidly changing digital media environment such as the growth of social network services (SNS), affected the spread of South Korean content around the world. Singers communicate with existing consumers through SNSs such as Twitter and YouTube and expand the scope of co-consumers of South Korean cultural content through videos that can inform themselves, such as music videos and various broadcast appearances. In many cases, a fandom is formed even before going overseas thanks to video uploads on social media as a momentum.

Among the examples of the New Korean Wave that have received attention through social media, Psy's <Gangnam Style> is a representative one. Psy's <Gangnam Style>, which was released through YouTube, attracted the attention of people around the world by featuring a 'horse dance' in the music video. The music video for <Gangnam Style>, uploaded on July 15, 2012, surpassed 2 billion views in May 2014, setting a record for the largest number of views in a shortest period on YouTube at the time. The New Korean Wave is also creating external effects by convergence with other industries as well as cultural industries. It is acting complexly with other industries to have overall economic effects on South Korea, such as affecting the sales of South Korea-related products and tourism business. For fan meetings with the Korean Wave stars as a momentum, overseas tourists became to visit South Korea, and the Korean Wave culture per se was used as a tourism product. As a result, the number of foreign tourists visiting South Korea is increasing compared to the past and this is leading to the rise of South Korea's national image thereby eventually having positive effects on South Korea (Kim, 2015).

2.2. Analysis of the current situation of the Korean Wave

According to the ‘2021 Survey of the Actual State of the Korean Wave in Foreign Countries’ announced on January 28, 2021, by the Ministry of Culture, Sports and Tourism, the proportion of consumption of cultural contents of the Korean Wave has increased despite the pandemic of COVID-19.

The ratios of consumption of South Korean cultural contents in 2020 were recorded as 'drama'-29.7%, 'beauty'-27.5%, and 'entertainment'-26.9%.

On reviewing the contents with the highest ratio of consumption by region, it could be seen that the ratio of consumption of 'drama' was the highest in Asia and Oceania (32.6%), Americas (23.9%), and Europe (23%).

The results of examination of the ratios of consumption by content by country were also similar. In many countries, including China (29.4%), the United States (27.7%), and France (24.7%), ‘drama’ accounted for the highest ratio of consumption of Korean Wave contents.
The consumption of Korean Wave dramas in China expanded beginning with the drama "Love, So What?" first aired in 1997 (4.2%), and the drama in the 2000s "Dae Jang Geum" and more recent dramas such as "You Who Came From the Stars" and "Descendants of the Sun" were very popular among young people. In 2016, the Korean Wave slowed down for a while in China due to restrictions on content imports due to Chinese government’s ban of the Korean Wave. Nevertheless, interest in the Korean Wave in China has been maintained steadily as evidenced by the fact that the sales of products introduced in South Korean dramas surged, and the chicken and beer culture appearing in the South Korean drama "You Who Came From the Stars" was adopted.

![Figure 1: 2014-2020 Ratios of consumption of South Korean cultural contents (KOFICE, 2022)](image)

The Korean Wave in the US market is an area where Korean Wave stars repeatedly tried to be admitted but failed. As there are huge barriers in the market such as cultural and linguistic differences in the past and lack of diversity of content, successful entry into this market has a great advantage that it will facilitate advancement into the global market.

Following Psy’s ‘Gangnam Style’ in 2012 which attracted attention, recently, BTS topped the Billboard chart twice in May and August 2018 to make an opportunity for K-pop that had targeted Northeast Asia thus far to expand its territory to North American regions. Not only K-pop but also global OTT services such as Netflix are expanding interest in South Korean dramas and movies (Kim & Lee, 2019). Recently, director Bong Joon-ho’s film "Parasite" won the Academy Awards for Best Director, Best Picture, and Best Screenplay, and actress Yoon Yeo-jeong received Best Supporting Actress in director Jeong Lee-sak’s film "Minari", demonstrating the influence of South Korean content.

On the other hand, the content that accounted for the highest ratio of consumption of South Korean contents was shown to be ‘fashion’ in Japan (20.5%) and Brazil (26.3%) and ‘beauty’ in Vietnam (40.0%), Turkey (30.4%), and UAE (32.2%), somewhat differently from many other countries where dramas accounted for the highest ratio among consumed South Korean contents.
Table 1: Ratios of consumption by South Korean cultural content (KOFICE, 2022)

<table>
<thead>
<tr>
<th>Country of Consumption</th>
<th>South Korea</th>
<th>China</th>
<th>Japan</th>
<th>Thailand</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>lifts</td>
<td>21.2%</td>
<td>26.6%</td>
<td>28.9%</td>
<td>22.7%</td>
<td>22.1%</td>
</tr>
<tr>
<td>Drama</td>
<td>32.6%</td>
<td>30.0%</td>
<td>29.2%</td>
<td>30.0%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Movies</td>
<td>27.0%</td>
<td>27.7%</td>
<td>21.8%</td>
<td>38.3%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Games</td>
<td>24.6%</td>
<td>26.6%</td>
<td>26.3%</td>
<td>23.3%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Content</td>
<td>24.5%</td>
<td>23.9%</td>
<td>24.2%</td>
<td>23.9%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Total</td>
<td>23.4%</td>
<td>22.8%</td>
<td>21.8%</td>
<td>22.8%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

3. Problems with the Korean Wave and Derivation of Solutions

3.1. Problems with the Korean Wave

Since studies and discussions on the background of occurrence or etymology of the Korean Wave have not been properly conducted thus far, there is a lot of incorrect information in various materials related to the Korean Wave. The story indicating that the term the Korean Wave was coined by the Chinese media is also a piece of wrong information. Despite that the Korean Wave shows unprecedented effects and is affecting various fields such as politics, culture, and economy, incorrect information is being cited as if it were true due to the influence of data that cannot be regarded as accurate and media reports. Approaches, which focus only on the craze for the Korean Wave and expect economic effects without correcting the incorrect information as such and conducting proper studies on the Korean Wave, may have a negative effects on the development of the Korean Wave hereafter.

Currently, there are problems that must be solved within the Korean Wave per se. The number of entertainment management companies increased due to an oversupply of capital, and Korean Wave star's appearance fees and privileges rose excessively, resulting in a polarization of sales. Not only economic problems, but also the quality of contents became the causes of the problems with the Korean Wave. While being carried along by the market economy, contents such as mass-produced TV dramas and movies with similar contents and formats poured out, and consumers of the Korean Wave began to feel tired of the Korean Wave content due to the low-quality content composed of the same actors and similar stories. In addition to the rise of the prices of Korean content, the improvement of competitiveness of content produced in India, China,
and Taiwan also contributed to the downward trend of the Korean Wave craze. Since the growth of the Korean Wave was driven by complex factors such as the rise of the prices of Japanese content and the lack of satellite broadcasting content in Japan along with cable broadcasters in Hong Kong and Taiwan in the past, it can be seen that it is difficult to expect a craze for the Korean Wave unless the Korean Wave is equipped with unrivaled competitiveness. In order to come up to the changing expectations of Korean Wave consumers abroad, the establishment of an advanced policy management and industrial system seems to be urgently necessary to improve the deteriorated domestic production environment (Jang, 2013).

3.2. Solutions

More earnest studies on the Korean Wave and analysis of the growth seem to be necessary to properly correct the wrong information about the Korean Wave distributed thus far. The needs of overseas consumers should be identified by analyzing the causes of growth of the Korean Wave content and countermeasures to satisfy the needs should be found.

With regard to content, more attention should be paid to the provision of new content to consumers by taking notice of scenarios that broke away from the existing clichés. In addition, a variety of new actors should be made to appear rather than the same actors to prevent the current polarization of sales and adjust the cost of the Korean Wave stars’ appearances in a bubble.

4. Conclusion

Currently, the Korean Wave is spreading all over the world while bringing about positive effects to South Korea. In fact, until 2017, political and social issues such as 'North Korea/North Korean nuclear weapons' and 'Korean War' were considered as the images associated with South Korea, but from 2018, it has been shown that all images associated with South Korea are cultural content except for 'IT industry' (Kim & Lee, 2019). Given the economic effects that can be obtained not only from the positive associated images of South Korea per se but also from the complex action with various industries in South Korea, the craze for the Korean Wave can be viewed as affecting the overall national prestige of South Korea.

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