

Finance as a Driver of the Global Dreams Factory: Spread of the *Hallyu* (or Korean Wave) and its consequences for the Korean economy

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The Asian financial crisis of 1997 revealed a disadvantage in Korea's reliance on huge conglomerates (i.e. Samsung, KIA, Hyundai, LG). The Korean government therefore started to drive its economic strategy beyond these conglomerates towards IT-driven and culturally driven (i.e. soap, pop, film, and games) industries. This change in strategy and its positive effects on Korean economy has become known as *Hallyu* which stands for 'Korean Wave'. Indeed, from Psy's *Gangnam Style* record-breaking hit over competitive electronic computer-driven sports to kimchi-flavoured instant noodles, Korea's cultural exports are now consumed around the world.

First carried along by the spread of Korean soaps and Korean pop across Asia, *Hallyu* has expanded from a regional into a global fever, influenced by social media allowing a rapid spread of, amongst others, Korean pop music videos. Through these media, the Korean entertainment industry has reached a global audience. Currently, *Hallyu* is extending its reach beyond Korean soaps, films and K-pop into other industries such as beauty, fashion, and food products. Their increasing popularity has made the Korean government boost these industries by providing increased financial support for early stage businesses to develop into global leading exporters of culture that can successfully compete with Japanese, Chinese or British cultural exports. In contrast to a declining demand for steel and ships — which have contributed to Korea's rapid industrialisation over the last half of the 20th century — exports of cultural products have shown an annual average growth rate of almost 13% for five years since 2010. These figures indicate the global willingness to be entertained by Korea's cultural charms. It has also led to Korea's large conglomerates to focus parts of their business to products fostered by *Hallyu*. This has however, made it more complicated for smaller companies to maintain a share in a market which is with high probability evolving towards its maximum capacity. This could in the future lead to similar events as during the 1997 financial crisis, with overproducing companies growing in debt leading to a market collapse.

The paper discusses the main role of the Korean entertainment industry as "global dream factories" based on their recognition of merging old and new technologies and financial strategies to improve their global competitiveness. Secondly, the most important features of the Korean market which have led to the K-pop success, such as its strategies in dealing with intellectual property rights, will be discussed. Thirdly, the paper investigates the techniques used to develop a sustainable K-pop market by improving K-pop celebrities' skills development towards global art performance, while maintaining a strong focus on 'Koreanness'. This combination of Western and Korean values appears an important tool in K-pop's current success. Lastly, the advantages and drawbacks of the involvement of conglomerates into *Hallyu* will be criticised, along with suggestions on how to avoid a similar evolution of the Korean wave as during the 1997 financial crisis.