

POLICY + THE RISE OF K-CONTENT 2024

How Korea's Policy Environment
Has Supported The Success
of K-Content

KOREA'S POLICY ENVIRONMENT HAS

THE SUCCESS OF K-CONTENT

01

EXECUTIVE SUMMARY

K-Content has grown in popularity and reputation around the world and Korea has become an international leader in the creation of cultural goods. The K-Content wave (also known as “Korean Wave” or “Hallyu”) is the cultural phenomena that is associated with the rapid growth in popularity of Korean cultural content.¹ Korea’s government and its people are proud of the sector and the influence it has around the world. This report analyses the success of Korea’s TV and film content and the role that government policy has played in supporting it.

K-Content has been wildly successful both domestically and internationally. Total investment in films and TV series and volume of productions continue to increase. K-Content is popular with domestic audiences: between 2019 and 2022 domestic productions earned 53% of Korea’s box office revenue and 80% of time spent on subscription and advertising VOD services in Korea is spent watching local content. And, the sector is a significant and growing export earner for Korea. In 2021, the wider content industry accounted for **\$12.4bn (KRW 16.0trn)** in exports, of which over **\$760m (KRW 981bn)** was from movies and broadcasting. By 2027, the Ministry of Culture, Sports and Tourism has set out a goal

to double this and achieve **\$25bn (KRW 32.3trn)** in content exports.

The sector’s success is a priority for the government and has been enabled by a supportive policy environment. Policy decisions over the last two decades to open up and promote the sector, as well as recent government action to protect copyright, have supported competition and incentivised high-quality content. Despite concerns that relaxing policy restrictions could hurt the sector, lowering Korea’s screen quota introduced healthy competition and encouraged local producers to focus on quality, not number of films. This in turn led to increases in audiences and viewing of domestically produced content.

Policymakers and industry should continue to work together to drive growth. While the current policy framework has successfully supported growth of the sector, changes could bring risks. A policy simulation undertaken for this report found that if policy was made more restrictive, Korean audiovisual exports would fall, impacting the sector and total GDP. Instead, policies that focus on growth of the sector, such as investing in skills and increasing incentives, will continue to support the sector’s success.

53%

of Korea’s box office revenue was earned by domestic productions between 2019 and 2020.

\$12.4BN (KRW16TRN)

was earned in Korea by the wider content industry exports in 2021.

\$25BN (KRW32.3TRN)

is the goal set by the Ministry of Culture, Sports and Tourism for content exports to earn by 2027.



Behind the Scenes from *Big Bet*, courtesy of The Walt Disney Company

INTRODUCTION

K-Content has spread across the world

The K-Content wave (also known as 'Korean Wave' or 'Hallyu') is the cultural phenomena that is associated with the rapid growth in popularity of Korean cultural content. Mirroring Korea's economic boom over recent decades, Korea's cultural sectors have grown from small scale producers catering to domestic audiences to large global cultural brands producing high quality cultural content.

As the popularity and reputation of K-Content has increased around the world, Korea has become an international leader in the creation of cultural goods. Now into its third decade, the K-Content wave is here to stay.²

The rise of K-Content started with K-Dramas in the early 1990s with the success of shows such as KBS's *Autumn in my Heart* and *Winter Sonata*. These became popular in nearby markets such as Japan, China and neighbouring Asian markets. At this time, on the back of the burgeoning use of internet, the popularity of Korean pop music ("K-Pop") similarly spread in East and Southeast Asian markets. Increased investment in cinema, including from Korean "chaebols" (the large Korean conglomerate firms), led to higher quality films which were popular with audiences. Recent global successes on streaming services have ensured this demand has continued. In a relatively short timeframe, K-Content has caught up and even surpassed regional cultural powerhouses such as Hong Kong or Japan.

Korean TV and film is distinctively Korean and is differentiated from Western content. While it is difficult to attribute specific causes to K-Content's global success, its unique style, cultural influences and storytelling ideas means it has resonated in the region and around the world. But it is the supportive policy and regulatory environment in Korea that has helped power the industry to become a global leader.

This report explores the role that government plays in supporting the sector. It is structured into the following sections:

- Section 2 describes Korea's vibrant domestic market;
- Section 3 examines global demand for K-Content;
- Section 4 looks at how government policy has supported the success of Korean TV and films;
- Section 5 analyses the potential impact of increased policy restrictions in the sector; and,
- Section 6 concludes.

KOREAN WAVE/HALLYU

is the cultural phenomena associated with the rapid growth in popularity of Korean cultural content.

GLOBAL SUCCESS

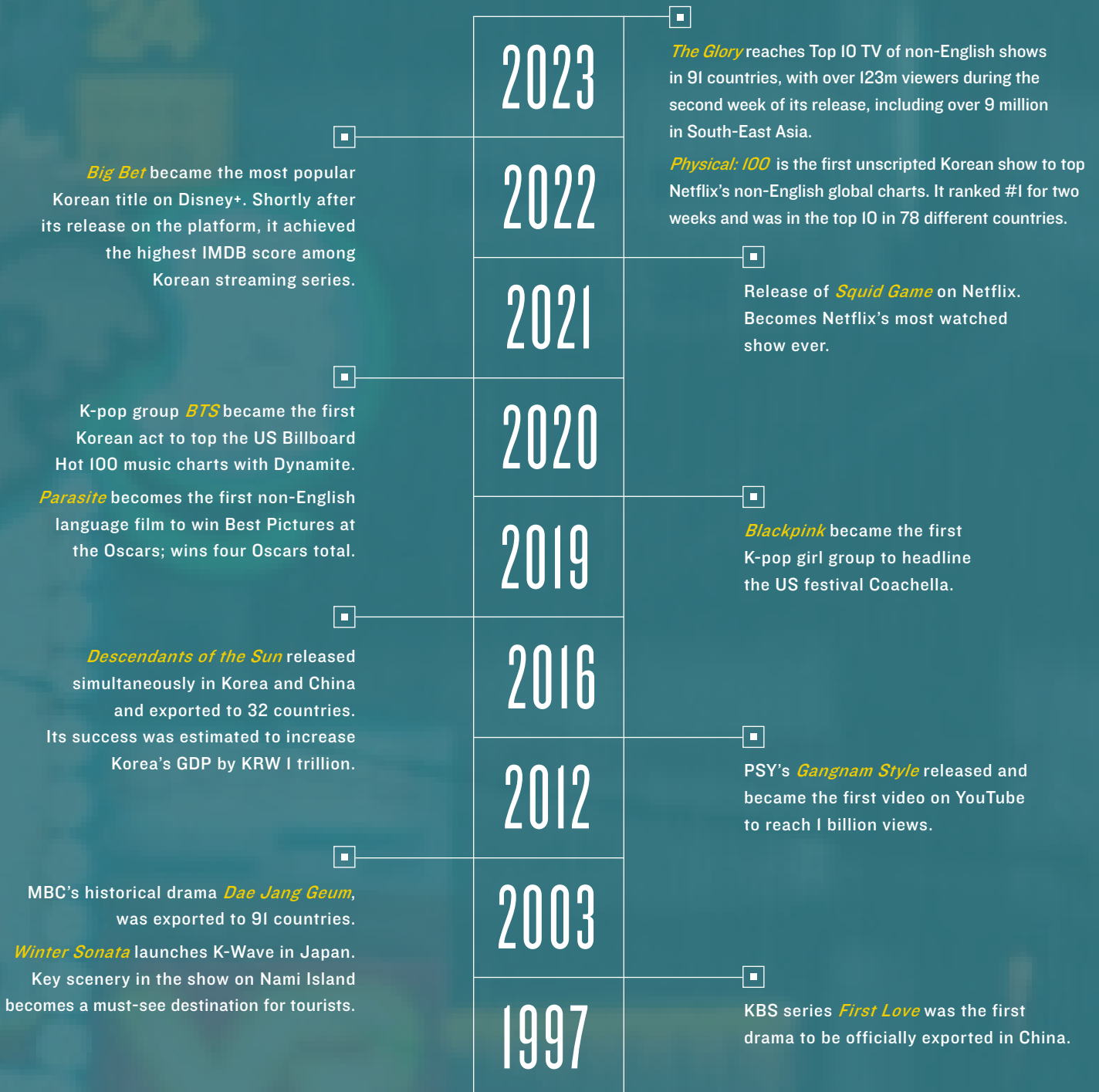
of K-Content is helped by its unique style, cultural influences and storytelling ideas.





FIGURE 1:

EXPLOSION OF K-CONTENT SUCCESSES



SOURCE: Frontier Economics

RECORDING

K-CONTENT'S

SUCCESS

RESTS ON A VIBRANT DOMESTIC MARKET

02



KEY TAKEAWAYS

Korea's audiovisual market is mature with many different options for consumers, where services compete with each other to produce the best content to attract audiences. The competition between broadcasters, streaming services and other online platforms for viewer's time and attention supports the production sector as it encourages investment in high quality, innovative content.

Korean audiences demand and enjoy locally produced TV and films. VOD and broadcaster services are investing to produce such content. Korea also has the 7th biggest box-office by revenue in the world, with local titles contributing significantly towards this—Korean films accounted for 56% of box office revenues in 2022.

Investment in the production sector by local and global VOD services, particularly in film, continues to grow. This investment, supported by government policy, drives economic growth in the sector and creates jobs in Korea.



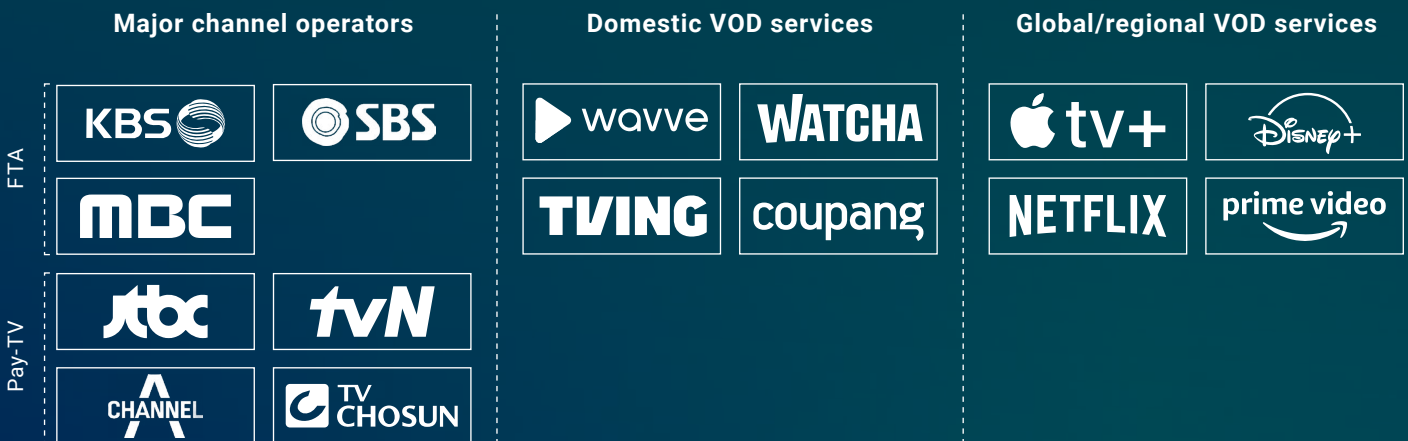
KOREA HAS A COMPETITIVE LOCAL TV SECTOR

Korean consumers benefit from different types of services offering professionally created K-Content. From Free-to-Air (FTA) broadcasters and pay-TV channels, to streaming services, all compete for viewers (Figure 2).

The broadcasting market is mature, combining very high pay-TV penetration and a competitive FTA sector. In this competitive market no single broadcaster dominates,

with FTA broadcaster groups KBS, SBS and MBC holding audience shares of 21%, 9% and 9% respectively. Four pay-channels TV Chosun, Maeil Broadcasting Network, JTBC and Channel A hold an aggregate 13% audience share. And over 200 other pay-TV channels have 55% of total viewership³ (Figure 3). These other pay-TV channels also include global content providers such as Warner Bros. Discovery, who offer 8 channels in Korea.

FIGURE 2: Competing distributors of K-content in Korea



SOURCE: Frontier Economics

NOTE: In addition to content found on broadcast, pay-TV and VOD services, a limited amount of original professionally produced K-Content is found on YouTube. However, since YouTube is predominately accessed to view user generated and shared content it is excluded from the analysis of revenues and subscribers in this study.



KOREA HAS A COMPETITIVE LOCAL TV SECTOR (CONT'D)

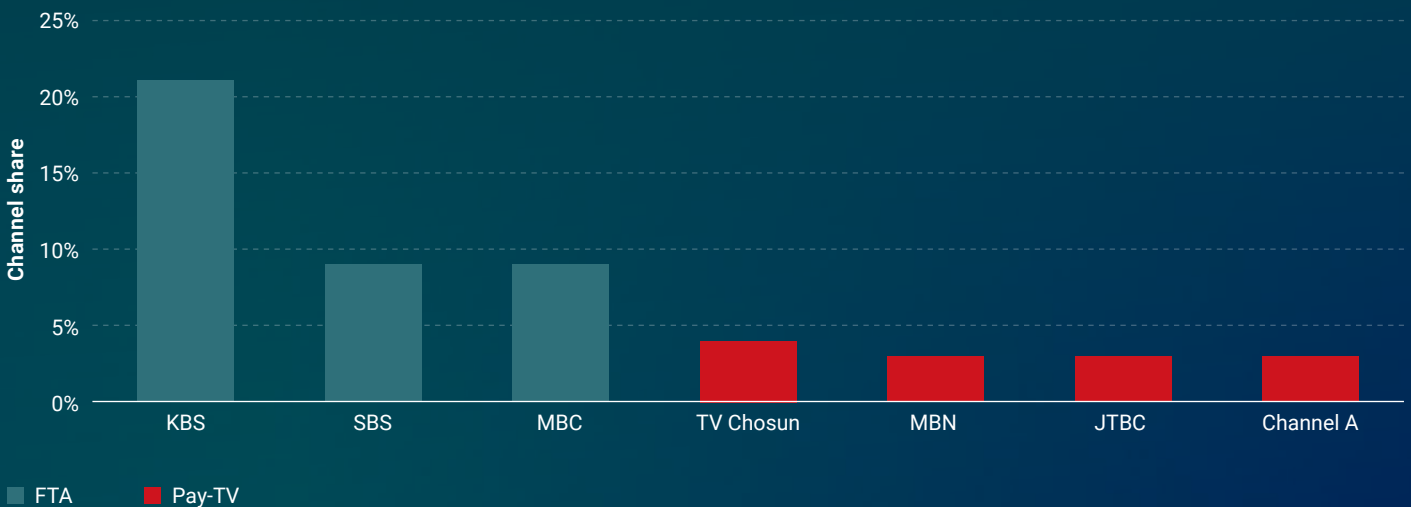
Korea's FTA channels have been instrumental in driving investment in high quality Korean content since the start of the Korean Wave in the mid-1990s. KBS's content, such as *Autumn in My Heart* and *Winter Sonata*, were some of the first K-Dramas to achieve recognition and success outside Korea. Since the deregulation of the media market in 2009, which opened up the market to private competitors,⁴ channels such as TV Chosun, JTBC and tvN have grown as competitors and now produce some of the most popular K-Content.⁵

- In 2022, the Dramas & Movies and Sport categories represented the most popular genres across both pay-TV and FTA. Dramas accounted for 12 of the top 25 rated pay-TV programs. The KBS, SBS, and MBC groups deliver popular content: 14 of the top 25 rated FTA programs in 2022 were aired on either KBS1 or KBS2;

while SBS and MBC accounted for the remaining most popular programs. The highest rated FTA program in 2022 was KBS2's *Young Lady and Gentleman*, with an audience share of 52%. Other popular FTA titles included *Its Beautiful Now* (KBS2), *Three Bold Siblings* (KBS2) and *Bravo My Life* (KBS1).

- On pay-TV, TV Chosun aired 11 of the top 25 programs in 2022 while tvN aired 8. The top rated pay-TV program in 2022 was JTBC's *Reborn Rich*, with an audience share of 49%. Other popular titles included *Mr Trot 2 Part 2* (TV Chosun), *Extraordinary Attorney Woo* (ENA), and *Under the Queen's Umbrella* (tvN).⁶

FIGURE 3: Viewer shares of major TV channels



SOURCE: Media Partners Asia Video Content Dynamics 2023



KOREA'S VIBRANT VOD SECTOR SUPPORTS BOTH LOCAL + INTERNATIONAL SERVICES

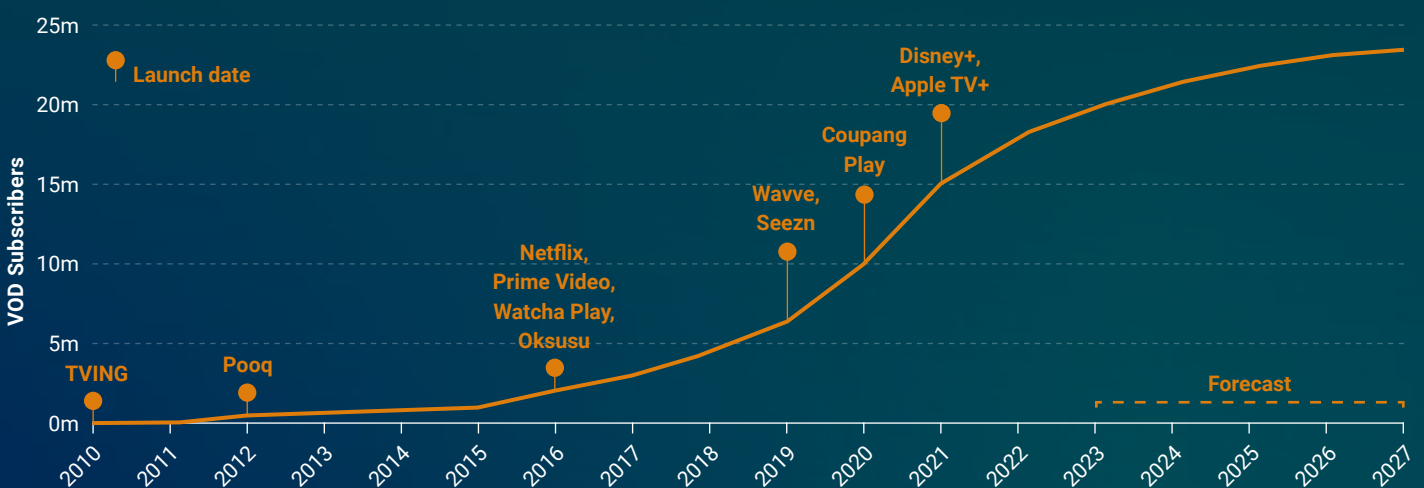
Audiences today can choose between many, differentiated, VOD services, including both subscription and ad-funded services. The number of subscribers and time spent watching VOD services have been growing as new providers have entered the market and as existing services have expanded their content offers in terms of variety of genres and quality of content (Figure 4). Hours spent watching subscription VOD and Advertising funded VOD (AVOD) in Korea increased by 25% in 2022 compared with 2021.⁷

Global and local SVOD services compete with each other by investing in content to attract audiences. Local VOD services capture almost half of VOD subscriptions in Korea. Local VOD services also distribute content from

international studios such as Warner Bros. Discovery. Broadcast and VOD services compete for audience's attention with YouTube, which offers a small amount of professionally produced content but is generally accessed by audiences to watch shared and user generated video content.

VOD revenues (subscription and advertising) are increasing. Following the entry of new services into Korea, growing subscriptions, and time spent watching new content, the revenue of VOD services (subscription and ad-funded combined) has risen to **\$1.6bn (KRW2.1trn⁸)** in 2022 and is projected to grow to nearly **\$2.6bn (KRW3.4trn)** by 2028.⁹

FIGURE 4: Growth of VOD subscribers in Korea



SOURCE: Frontier Economics

NOTE: VOD subscribers include any VOD subscription customer that pays a fee. Launch date is the year the service could first be used in Korea. Figures from 2023 are forecast. In 2021, 58.7% of subscribers signed up to multiple services.¹⁰ In December 2022 TVING and Seezn merged.



VOD SERVICES CATER TO AUDIENCE DEMAND FOR LOCAL CONTENT

Korean VOD viewers tend to watch local content and are drawn to services offering local content.¹¹ 80% of viewing on subscription VOD services in Korea is of Korean content, with 24 of the top 25 titles on online video in Q1 2023 originating from Korea.¹² This means that VOD services and broadcasters have strong incentives to invest in local Korean content.

- Netflix is planning to invest **\$2.5bn (KRW3.2trn)** in Korean content over the next four years across TV series, films and unscripted titles. Between 2016 and 2021, Netflix invested more than **\$774m (KRW 1trn)** in Korean content and maintains deals with Studio Dragon and JTBC for licencing high quality local content. In 2023 Netflix will release at least eight Korean unscripted titles, double the number in 2022.¹³
- The Walt Disney Company is investing heavily in Korean content. It has released 13 Korean original titles in the first half of 2023, and spent **\$15m (KRW20bn)** on *Big Bet* and **\$39m (KRW50bn)** on *Moving*, according to news reports.¹⁴ The Walt Disney Company also has partnership agreements with Korean studios to supply content for Disney+, including with NEW to provide content until 2025 and with Studio Dragon.¹⁵
- Broadcaster JTBC has pledged to invest **\$2.3bn (KRW3trn)** in content production between 2022 and 2024.¹⁶
- In 2022, CJ ENM (TVING's parent company) announced over **\$209m (KRW 270bn)** in investments for original content and IT competitiveness. CJ ENM was the company behind successful titles such as *Parasite* and *Crash Landing On You*. Its investment plans included over 100 works of original content. TVING had previously secured a **\$7m (KRW 9bn)** investment from Paramount.¹⁷ The platform also recently acquired Seezn, absorbing its content offering and expanding its subscriber base.¹⁸
- Since its launch in 2019, Wavve has committed to invest **\$232m (KRW 300bn)** by 2023. These investments have so far been made in original series such as *Alice*, *ST8* and *Taxi Driver*.¹⁹

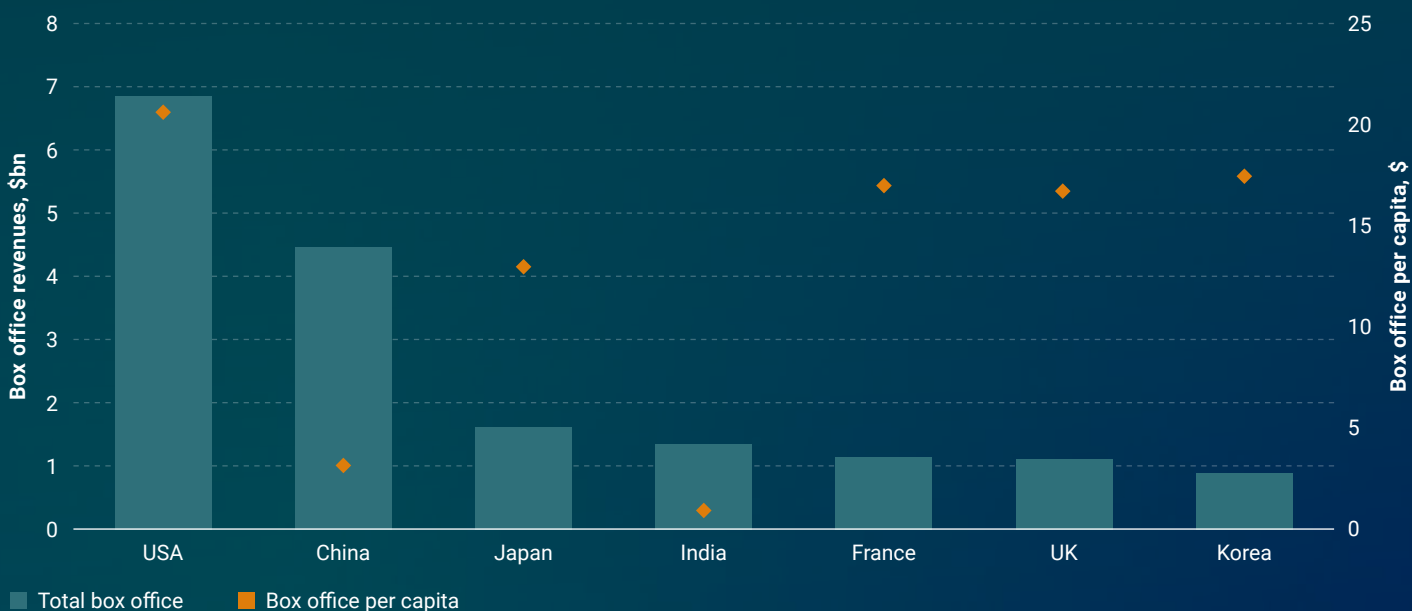




KOREA SUPPORTS A SUCCESSFUL DOMESTIC FILM SECTOR

Korea's film sector is one of the largest in the world. It has the 7th biggest box office by revenue behind the US, China, Japan, India, France and the UK—all countries with bigger populations. Korea ranks 2nd of the top 7 in box office when accounting for population and purchasing power parity (PPP). It continues to produce high quality films with global appeal.

FIGURE 5: Largest box office markets worldwide, 2021



SOURCE: European Audiovisual Observatory Markets Focus—World Film Market Trends Report (2013 to 2023)

NOTE: The \$ amount for box office per capita is calculated using an exchange rate that is adjusted for PPP. This method attempts to equalise the purchasing power of different countries by eliminating differences in price levels between countries.

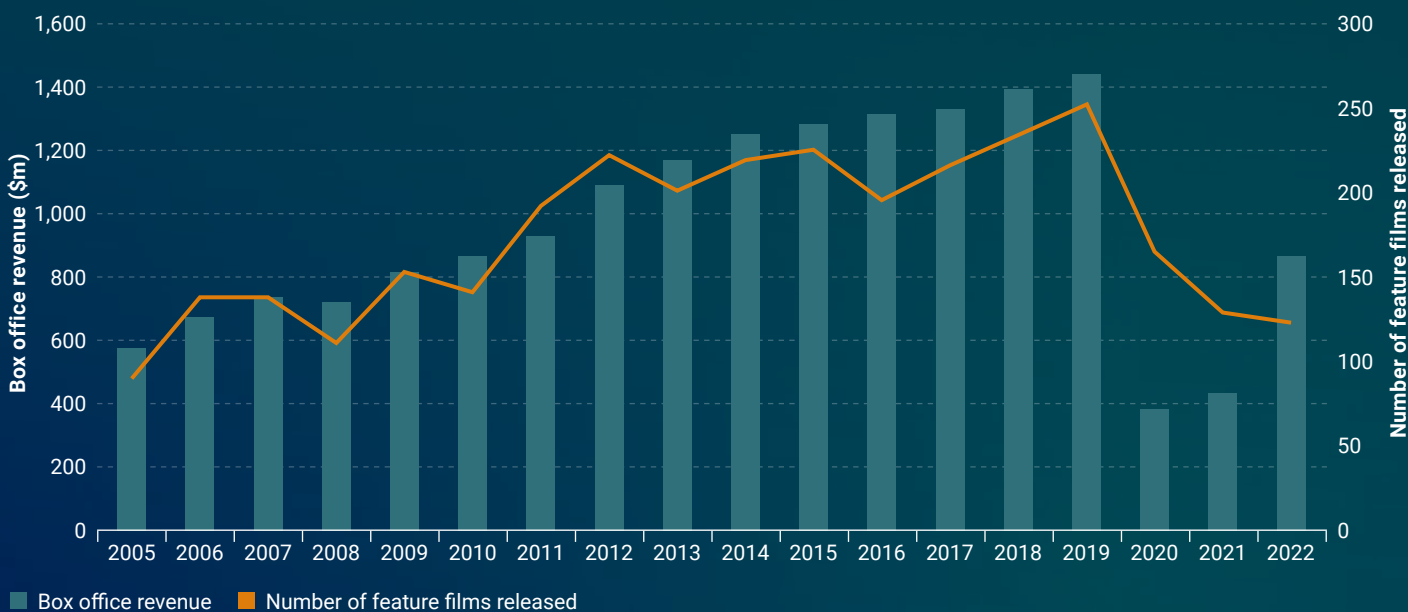


KOREA SUPPORTS A SUCCESSFUL DOMESTIC FILM SECTOR (CONT'D)

Before the pandemic, the sector had been growing strongly in terms of revenue and number of releases and there are signs that the sector is recovering from the pandemic-related hit to cinema attendance. The sector had total revenues of nearly **\$875m (KRW 1.13trn)** in 2022²⁰ and **\$693m (KRW 895bn)** up to the end of September 2023,²¹ reaching over 70% of the average box office during the same period in 2017 to 2019, before the pandemic closed cinemas.²² The bounce back in 2023 was supported by the success of Korean films, particularly *The Roundup: No Way Out* which had over 10 million admissions on July 1st.²³

Korea's domestic films remain highly successful at the box office. In 17 of the last 20 years, a Korean film has topped the annual box office revenues.²⁴ And, before 2021 the share of admissions and revenues generated by Korean films was between 45% and 70%. Korean films accounted for 56% of box office revenues in 2022, compared to only 36% of releases, and represented 5 of the top 10 releases.²⁵

FIGURE 6: Korean box office total gross revenues and new releases



SOURCE: KOFIC box office statistics

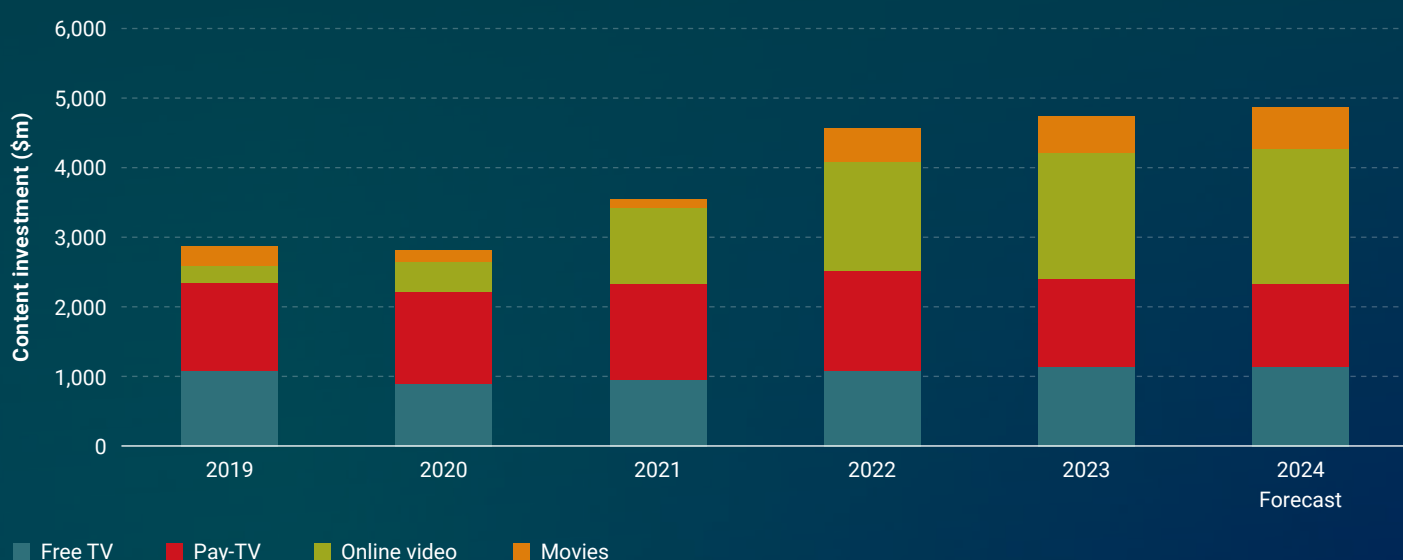


K-CONTENT'S SUCCESS RESTS ON A VIBRANT PRODUCTION SECTOR

The successful domestic film sector and competitive TV industry in Korea is supported by a strong and growing production sector which is being developed by investment from both local and international services. Total content investment in Korea has been increasing over time, particularly in recent years, and is forecast to continue to grow.

Korea is a major investment destination for production. In 2022, Korea received the highest investment in content of major developed audiovisual markets in the Asia-Pacific (over 4.5 times the second highest destination, Indonesia—comparison does not include China), representing a 29% increase on 2021.²⁶ The main contributors to this investment were VOD services, accounting for 34%, although much of the growth in investment was driven by film. In a sample of 50 countries (including 38 OECD members) Korea ranked 16th for investment per capita in broadcasting and SVOD, with over **\$68** per capita invested in 2022²⁷, similar to New Zealand, Italy and Sweden.

FIGURE 7: Content investment in Korea is forecast to continue to grow



SOURCE: Media Partners Asia Video Content Dynamics report 2023.

NOTE: Total content investment includes Free TV, Pay-TV, Online Video and Movies. Online Video includes investment by VOD services and global social video platforms.



K-CONTENT'S SUCCESS RESTS ON A VIBRANT PRODUCTION SECTOR (CONT'D)

The production landscape contains a number of large production houses—CJ ENM's Studio Dragon, JTBC's Studio Lululala, KBS's Monster Union, KBS Drama Production, and SBS's Studio S. However, Korea also has a growing number of large independent producers and post and pre-production companies. Korea has benefited from investment in the capacity and skills that these companies make. The impact of investment in training and skills ripple through the industry as highly proficient workers move jobs and collaborate with others. These economic "spillover" effects have been found to increase with the size of investment.²⁸

In addition, government policy and private investors has enable a virtuous circle of investment in the Korean industry. Investment in infrastructure and skills enhances the industry's capacity and capabilities. This, in turn, makes the country an increasingly attractive location for new opportunities. There are many examples of K-Content providers and the Korean government investing to grow the capacity of the entire sector.

- In 2021, CJ ENM established a large-scale studio complex in Paju. It is a drama studio town with 13 buildings, the largest in Korea. It consists of LED virtual production, multi-road facilities, temporary sets, outdoor special shooting space and various open sets.²⁹
- Scanline VFX is planning to invest **\$100m (KRW 129bn)** in Korea's special effects production facility that uses VR production technologies. It will serve as the basis for Korea to grow as an Asian hub for producing content based on ICT.³⁰
- The Ministry of Culture, Sports and Tourism and the Korea Creative Content Agency built 'Studio Cube' in Daejeon in 2017 to support the strengthening and development of the broadcasting and video content industries.³¹
- Netflix has announced its sponsorship of a Korean Academy of Film Arts (KAFA) program to support emerging content creators in Korea. The Agreement between Netflix and KOFIC supports the Academy's training programs and includes funding for creative grants.³²



Behind the scenes from *The Glory*, courtesy of Netflix



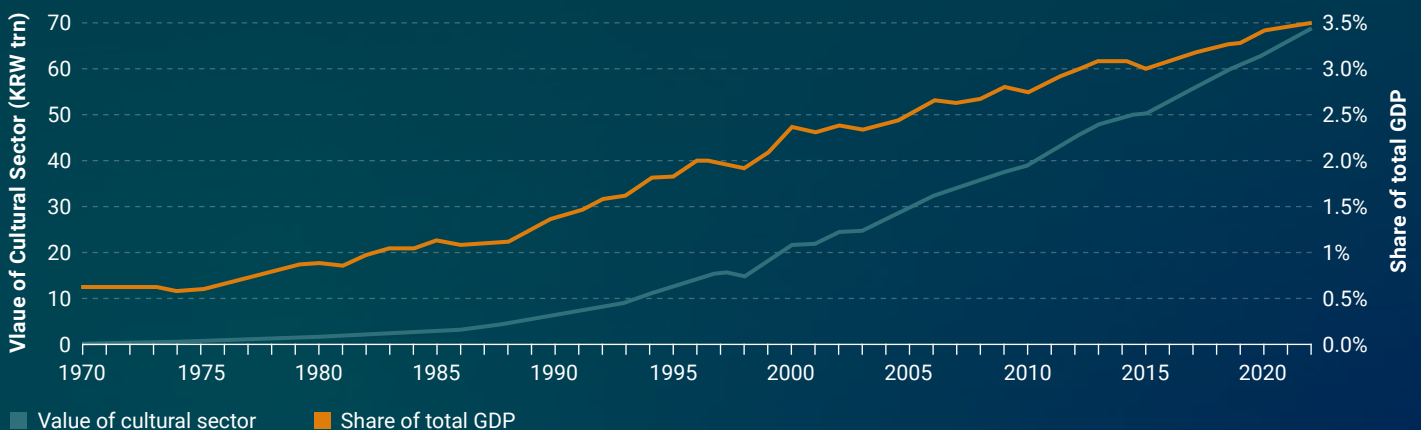
THE VIBRANT ECOSYSTEM DELIVERS JOBS + CREATES ECONOMIC GROWTH

As the Korean film, TV and production industry has been growing steadily over time, it has become an important sector in the economy, not just in its own right, but also because it supports a wider ecosystem of jobs and services.

Coinciding with the start of the Korean wave in the early 1990s, the growth of the cultural sector has been on a strong upward trajectory ever since.³³ At almost **\$71bn (KRW91.7trn)** Korea now boasts the 7th largest cultural content market in the world and it is forecast to grow by a further 7% by 2025. The number of companies in the industry is also thriving, with the total growing by 9.1% in 2021 to 108,000 according to Ministry of Culture, Sports and Tourism data.³⁴ The contribution of the industry to Korea's total GDP has also increased from 0.6% in 1970 to 3.5% in 2022.

Film and broadcasting play an important role in Korea's cultural content industry. Broadcasting employs approximately 50,000 people while the movie industry employs almost 14,000. The direct employment in the sector also has benefits for related sectors,³⁵ creating significant spillover effects on the wider economy. One estimate suggests over 50% of the expenditure associated with a big-budget film is spent outside the production sector in sectors along the supply chain (such as construction, fashion or travel). Figure 9 demonstrates how investment in a typical mid-budget film (~\$40m (KWN52bn)) is spent across a wide variety of Korean sectors.

FIGURE 8: Value of cultural sector has grown over time



SOURCE: KOSIS (Korean Statistical Institute)

NOTE: Chained 2015 prices. Cultural sector includes publishing, broadcasting, motion picture, video and television programme production, and information service



THE VIBRANT ECOSYSTEM DELIVERS JOBS + CREATES ECONOMIC GROWTH (CONT'D)

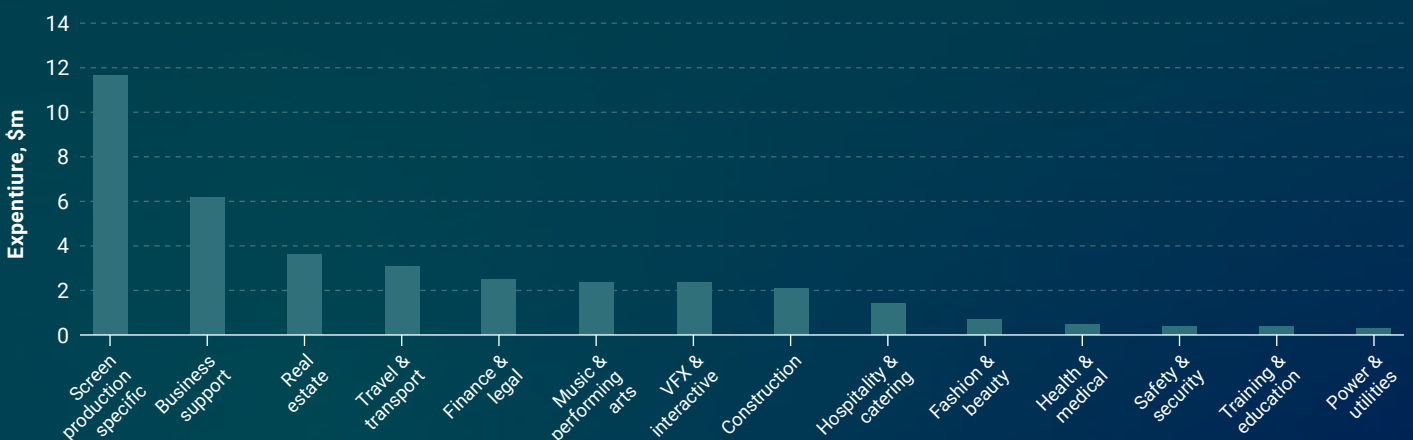
The wider spillover effects of investment generate significant employment and economic output throughout the economy. The “employment multiplier” measures the number of direct, indirect and induced jobs created by investment in a particular area. The multiplier for the creative economy in Korea means that for every new position in film and television, around 3.72 jobs are created as a result in other sectors of the economy as a result.³⁶

Direct employment refers to jobs supported by the creative industry itself, e.g., in production (including producers, writers and directors), distribution and exhibition. Indirect employment is created as a result of other business supplying the creative sector. These could include transportation companies for transferring sets, or equipment manufacturers for cameras, etc. Finally, induced employment refers to the wider benefits that arise from employees in the sector spending wages

in the economy (in other words, the goods and services that employees spend their earnings on, for example any day-to-day expenditure on items such as groceries, health, utilities or transportation).

The film industry also has additional positive impacts on tourism, fashion and other related cultural activities. The growth of Korean cinema has led to increased inward tourism to visit cities and locations that appear in movies. One study found that 7.7% of overnight visits to Korea were linked to the influence of cultural exports associated with the Korean Wave.³⁷ This finding has been supported by academic research which has found that K-Content has led to a statistically significant increase in visits from foreign tourists.³⁸ In 2019, Korea welcomed over 17.5m visitors, almost 10m more than in 2009,³⁹ illustrating the importance of the contribution of content to tourism and the wider economy.

FIGURE 9: The economic impact investment of a mid budget film (~\$40m (KWN52bn))



SOURCE: Olsberg SPI, Frontier Calculations



LOCAL CONTENT, GLOBAL

DEMAND

03



KEY TAKEAWAYS

Domestic success in K-Content provides a firm foundation for global growth as K-Content has grown in reputation and popularity in the Asia-Pacific region and increasingly further afield. It is now an important genre of content for international VOD services, particularly in the Asia-Pacific region. By illustration, 60% of Netflix global subscribers have watched at least one Korean title. At the same time, Korean films continue to attract global audiences: Korea boasts at least 10 films that have grossed over **\$90m (KRW 116bn)** worldwide (of which 9 were released in the last decade).

The global demand has also helped Korea's cultural exports grow. In 2021, the content industry accounted for **\$12.4 bn (KRW 16.0trn)** in exports and by 2027 The Ministry of Culture, Sports and Tourism has set out a goal to double this and achieve **\$25 bn (KRW 32.3trn)** in content exports.



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\$12.4 BN (KRW 16.0TRN)

in exports was accounted for by the content industry in 2021.





HIGH DEMAND FOR KOREAN CONTENT IN ASIA-PACIFIC REGION

A defining feature of the Korean Wave has been its growing popularity among international audiences, initially in near-by East and Southeast Asian markets and then globally. More recently, international VOD services have expanded the worldwide appeal of Korean stories.

K-Content is particularly popular in geographically close markets and drives demand for services in those countries. Nearly 50% of the time spent on subscription

VOD services in the Asia-Pacific and 47% of time spend on ad-funded VOD services is spent watching Korean content.⁴⁰ Large markets for Korean content across Asia include Indonesia (17.7m viewers), Philippines (12.9m viewers) and Thailand (8.4m viewers). Viu—a subscription VOD service active in the Asia-Pacific but not available in Korea—has a large catalogue of Korean content and around three quarters of Viu users in the Asia-Pacific viewed Korean content in the first half of 2023.⁴¹





HIGH DEMAND FOR KOREAN CONTENT IN ASIA-PACIFIC REGION (CONT'D)

Examples of Korean content that have been popular in the Asia-Pacific include the following.

- JTBC's series *Doctor Cha*, available globally through Netflix and TVING, appeared in FlixPatrol (a VOD streaming analytics firm) charts in 17 countries, including Singapore, Thailand, and Japan. It gained the most watched spot soon after release in four countries, including Malaysia and Indonesia.⁴²
- *The Glory* was in the Top 10 watched TV in 91 countries, while *Taxi Driver* was the top ranked title in Indonesia.⁴³
- In 2022, *6/45* became the most-viewed Korean film of all time in Vietnam. It topped Vietnamese box-offices, attracting 1.32m admissions and **\$4.5m (KRW 5.8bn)** in revenue.⁴⁴
- Korea boasts at least 10 films that have grossed over **\$90m (KRW 116bn)** worldwide. 9 of these were released after 2014. Aside from *Parasite*, other high grossing titles include *The Admiral: Roaring Currents*, *Extreme Job* and *Along with the Gods: The Two Worlds*.⁴⁵
- Viu released more than 25 Viu Original series over 23. The new series include Korean Viu Originals such as *Taxi Driver 2*, *Delivery Man* and *The Secret Romantic Guesthouse*, all launched in Q1 of 2023.⁴⁶ This follows on from recent deals between Viu and the five major TV broadcasters in Korea to expand its Korean content offering including titles such as *To All the Guys Who Loved Me* and *The Good Detective*.⁴⁷
- In 2023, *Taxi Driver 2* topped the charts across Viu's markets. Within the first ten days of its launch it became the most watched show in terms of hours compared to all titles available at that time in both Southeast Asia and the Middle East and Africa (MEA) on Viu.⁴⁸
- Warner Bros. Discovery has produced several original productions in Korea, which have premiered in several markets across Asia Pacific. These include *Sing Again* (developed alongside Studio LuluLala), *Ramyun Brothers* (co-produced with TV Chosun and streamed on Viu in Asia), *Off The Grid* (on Discovery and streaming on HBO GO in Southeast Asia, and TLC Taiwan) and *Gear Gods* (a series about restoring second-hand cars).

6/45—Success of Korean content in Asia-Pacific region

6/45 tells a comical story about the encounters between South and North Korean soldiers over a KRW 5.7bn lottery ticket that is blown across the Military Demarcation Line by the wind. It became the most-viewed Korean film of all time in Vietnam just 10 days after its release.

Jung Taeseon, head of CJ ENM HK Entertainment, in charge of distributing *6/45* in Vietnam, said, "*The success point of the film in Vietnam is that its big laughter and touching code also fits Vietnamese sentiment well.*"⁴⁹






GLOBAL SUCCESS OF K-CONTENT IS DRIVING INVESTMENT AND DEMAND

The popularity of K-Content has also grown beyond Asian markets. Korean content is an essential genre for global streaming services around the world as it has a devoted core following of subscribers and on occasion draws in significant mainstream viewership. VOD services have provided a huge increase in the global popularity of Korean content. The ability of global subscription VOD services to serve a large catalogue of content to subscribers, and for their search and suggestion algorithms to connect users with their favoured content, has supported a significant increase in interest in K-Content.

Netflix's *Squid Game* became a cultural sensation around the world on release in 2021 when it became Netflix's most watched show ever.⁵⁰ One study found that the success of titles such as *Squid Game* on Netflix has helped introduce K-content to a wider global audience due to recommendations by Netflix's algorithm-based systems.⁵¹

 **60%**

of Netflix members have watched at least one Korean title.

 **SQUID GAME**

became a cultural sensation around the world on release in 2021 when it became Netflix's most watched show ever.



Image from Squid Game, courtesy of Netflix



GLOBAL SUCCESS OF K-CONTENT IS DRIVING INVESTMENT AND DEMAND (CONT'D)

But there are many other examples which illustrate the increasing global interest in K-Content. For example:

- On Disney+, *Dr. Romantic* was the 16th most-watched show worldwide in May 2023.⁵²
- *Reborn Rich* became the most watched show on Viu in Indonesia, Malaysia, Hong Kong, Singapore, Thailand and the Philippines during the weeks after its release.⁵³
- *Physical: 100* became the leading non-English language show worldwide on Netflix and the first reality show to achieve this.⁵⁴
- Wavve has also invested to grow the international audience for K-Content. Earlier this year, Wavve attracted a **\$19m (KRW 24.5bn)** investment from SK Square's American subsidiary in order to expand its business operations overseas.⁵⁵ In 2022, Wavve acquired KOCOWA, a specialty distributor of Korean content in the Americas including the US, Canada, Mexico, and Brazil meaning it is now available through Kocowa+ in these countries.⁵⁶



Case Study: Korean TV is popular globally—*The Glory*

The Glory is a Korean Netflix original series telling the story of a young woman, Moon Dong-eun, who is bullied and drops out of school and then plans the best way to get revenge. It reached the top 10 non-English TV list in 91 countries.⁵⁷

Don Kang, Netflix's vice president of content for Korea, said:
"The Glory is a great example of a story that resonates authentically with local audiences, but also depicts themes of human psychology and social issues, which audiences everywhere can relate to."

Poster of *The Glory*, Courtesy of Netflix.



Case Study: Korean TV is popular globally—*Moving*

Disney+ series *Moving* is about a group of spies trying to protect their super-powered children from exploitation by government agencies. It is an adaptation of a popular webtoon created by Kang Full, who also wrote the screenplay.

Moving achieved the most-watched hours in its first week of release among all shows on Disney+ Korea. In the US, the series was the most-watched Korean original series on Hulu during the first week of its release. It has also performed strongly in markets across Asia, including Japan, Hong Kong and Taiwan.

Carol Choi, EVP of Disney Asia Pacific, said: “The 11 episodes of *Moving* that have been released so far have exceeded our expectations, eliciting a global consumer response. The captivating storyline, world-class stars, top production team, and astonishing post-production effects have all combined to create a unique storytelling that has captivated audiences from the U.S. to the Asia-Pacific region.”⁵⁸

Poster of *Moving*, courtesy of The Walt Disney Company



Case Study: Success of Korean cinema abroad

Decision to Leave is a story of a detective’s struggles while investigating a murder case, while also falling for his main suspect, the widow.

After the increased interest in Korean film triggered by *Parasite*’s 2020 Oscar success and the success of Director Park Chan-wook’s previous film, *The Handmaiden*, the film pre-sold to 192 regions, which is close to the highest sales in the Korean film history held by CJ ENM’s *Parasite* (2019).⁵⁹

The film made **\$22m (KRW 28bn)** at the global box office, with 90% of this coming from sales outside Korea.⁶⁰

Poster of *Decision To Leave*, courtesy of CJ ENM



K-CONTENT PRODUCERS ARE INCREASINGLY SUCCESSFUL IN UNSCRIPTED CONTENT

VOD services and Korean producers are also increasingly successful beyond Korea's traditional strengths such as K-Drama. Unscripted content, particularly documentaries and variety shows, are a new area of growth that is expanding the reach of K-Content. Unscripted content has always been very popular in Korea, but unscripted shows from Asian countries including Korea have previously struggled to gain traction beyond their local market. However, this has started to change and international demand for Korean unscripted content is rising. For example, Netflix's *Physical:100* series secured a place in the top 10 most watched list in 82 countries.⁶¹

Another example is *Sing Again* (jointly developed by Studio LuluLala and Discovery) whose first season peaked with a 10% audience share and achieved ratings three times its usual slot size in Korea.⁶² And, CJ ENM has had increased sales of Korean non-fiction formats in the last few years with notable successes including *Grandpas Over Flowers*, a reality show featuring Korean actors in their 70s and 80s traveling to Europe to fulfil their bucket list, which was sold to 12 countries; and *I-LAND*, a boy band audition series, being nominated for a non-scripted Emmy in 2021.⁶³



Image from Disney+ series *Big Bet*, courtesy of The Walt Disney Company



Case Study: *Sing Again* illustrates the success of unscripted K-Content

Sing Again is a Korean singing competition series which gives once-famous singers another chance at stardom. The series aired in more than 20 territories in Asia Pacific on linear channel TLC and streaming service Discovery+, registering over 37 million views on streaming platform Naver and over 15 million hits on YouTube. *Sing Again* was developed alongside Studio LuluLala, and international adaptations of the original format are being explored.

Poster of *Sing Again*, courtesy of Warner Bros. Discovery



LOCAL MEDIA COMPANIES BENEFIT FROM THE GLOBAL SUCCESS OF K-CONTENT

The success of K-content has been very beneficial for increasing the global reach of local media companies. Korean media companies are innovating in development and international licensing of TV formats. Locally developed formats such as *The Masked Singer* and *I Can See Your Voice*⁶⁴ (developed by CJ ENM) have become global successes. CJ ENM has unveiled plans to invest more than **\$4.5bn (KRW 5.8trn)** in content creation over the next five years in a bid to expand its global presence.⁶⁵ Korean producer SLL has produced content for its parent broadcaster JTBC and others such as Netflix, and co-produced *Sing Again* with partners such as Warner Bros. Discovery. It has licensed its Korean-developed formats to other broadcasters to develop. For example, Viu has bought rights to develop Korean drama *Reborn Rich* in Thailand.⁶⁶

Partnerships between international content providers and local companies have been important for the development of the domestic film and production industry. Netflix has partnerships with Korean companies Dexter Studio and Livetone to create high quality Korean content.⁶⁷ Similarly, Disney recently announced that it would be expanding its collaboration with Studio Dragon.⁶⁸ Disney's collaborations with local media companies also extend beyond film, most notably their partnership with HYBE to showcase Korean music and entertainment.⁶⁹

The sector generates export earnings

Korea's cultural content industry has become a key part of the country's economic growth. The economic value and market size of the Korean Wave has increased every year. The growing recognition of, and preference for, Korean products in the global market (from food to consumer products such as beauty and fashion products) influenced by Korean stars and content has enlarged Korea's export earnings.⁷⁰ In addition to exports, the growing and continued popularity of Korean brands and superstars, plus the success of Korean companies and content, has played an important part in enhancing Korea's reputation and boosting economic growth in its cultural sectors.



Image from Disney+ series *Moving*, courtesy of The Walt Disney Company

GOVERNMENT POLICY HAS SUPPORTED THE

SUCCESS

OF KOREAN TV + FILMS

04



GOVERNMENT POLICY HAS SUPPORTED THE SUCCESS OF KOREAN TV + FILMS

How did Korea's K-Content sector manage to catch up with and even surpass regional cultural powerhouses such as Hong Kong and Japan to become a global phenomenon? One key driver of its success has been a strong and supportive policy environment, and an economy that is open to innovation, investment and ideas. Moreover, the gradual evolution of the policy environment provides a case study to test the impact of government intervention.

The Korean policy environment for audiovisual content has changed over time, from a supportive openness in the 1950s which drove the so called "golden age" of Korean film, to a period of more restrictive protectionist policies in the 1960s which aimed to protect and grow the domestic industry but reduced competition in the market, and then back to a more enabling policy focus today.



ECONOMY

open to innovation, investment and ideas.



POLICY ENVIRONMENT

strong and supportive.



EVOLUTION OF KOREAN AV POLICY

1960s-1990s

	Action	Impact
1960s	IMPLEMENTATION OF PROTECTIONIST POLICIES	
	1962 Motion Picture Law enforced consolidation and strengthened government control of the sector. Import quotas limited the importation of foreign films, screen quotas put limits on how many days of foreign films could be shown in cinemas per year and it became harder to be a small production firm.	Resulted in a gradual decline in box office admissions and drop in film quality.
1970s	FURTHER LIMITING RESTRICTIONS	
	The Korean Motion Picture Promotion Corporation was established to support and promote the Korean film industry but primarily to enforce control and censorship. A Performance Ethics Committee was introduced to enforce censorship of content that was inappropriate or critical of the government.	Film industry continued to struggle as censorship, increased government control, and growing popularity of TV hurt the film sector.
1980s	COMPETITION INTRODUCED	
	Amendments to the Motion Picture Law in 1984 abolished import quotas, allowed independent producers to make films (which had previously been illegal) and also decoupled the rights to import foreign films from the requirement to produce domestic films. By 1988, essentially all restrictions on foreign films were lifted. However, the screen quota was increased from requiring cinemas to show Korean films for 90 days a year to 146.	Changes reversed the consolidation trend in local industry. This combined with removal of restrictions on foreign films introduced more local and international competition to the sector. International companies began setting up local branch offices in Korea to distribute their content. Chaebols entered the market film and TV and encouraged vertical consolidation in film.
EARLY 1990s	RESTRICTIONS INTRODUCED IN THE TV SECTOR	
	In the TV sector, commercial broadcasting started in 1991 with the launch of SBS creating competition in the sector. The Broadcasting Act 1990 led to the introduction of content quotas on broadcast TV channels aiming to support domestic industries: 80% of content broadcast by Korean TV channels had to come from local production, while the cable television stations were required to broadcast a minimum of 50% of locally produced programmes.	

EVOLUTION OF KOREAN AV POLICY

1990s-PRESENT

	Action	Impact
LATE 1990s	FURTHER LIFTING OF RESTRICTIONS	
	<p>Targeted subsidies to support independent production introduced, partially financed by a seat tax of 3% in cinemas. There was an increasing focus by policymakers on copyright protection laws aiming to eliminate piracy including the establishment of the Korea Communication Standards Commission. Between 1998 and 2005, 50 venture capital funds invested over \$535m in the industry. The government also invested \$121m via the Small Business Corporation and helped to absorb losses. Both types of investors had a strong interest in the success of Korean film.</p>	<p>Emergence of the Korean Wave—growing popularity of Korean drama, K-Pop and Korean movies in East and Southeast Asia.</p>
2000s	INCREASED SUPPORT AND LIBERALISATION	
	<p>Increased public spending and support for the industry from the government to support the growth of the Korean Wave. In 2006, US and Korea began negotiations for a Free Trade Agreement. Cultural offices established globally to promote Korean cultural exports. The screen quota was halved to 73 days in 2006.</p>	<p>Continued investment and growth of the sector.</p>
2010s	FURTHER LIFTING OF RESTRICTIONS	
	<p>Continued support of cultural exports by running events and programmes globally. Continued enforcement of copyright through the Korea Copyright Commission. Also provided support for the sector during COVID related lockdowns.</p>	<p>The Korean Wave boom—in the Asia-Pacific region and internationally. <i>Parasite</i> wins an Oscar. Local and global VOD services launch generating investment and competition in the sector.</p>
TODAY	LIMITED DIRECT INTERVENTION AND CONTINUED SUPPORT	
	<p>Limited direct regulation of sector</p> <ul style="list-style-type: none"> Stable policy environment allows market forces to drive creation and investment. KOFIC supports exports and acts as a matchmaker between film makers, public and private sector local/international companies. 	<p>Ongoing support for sector</p> <ul style="list-style-type: none"> Copyright laws strongly enforced. Cultural exports seen as key economic output and are a key focus for government policy. Work with industry on issues of piracy and regulation.

THE KOREAN GOVERNMENT APPLIES BALANCED

SUPPORT

FOR THE K-CONTENT SECTOR THAT AVOIDS
DISTORTING INCENTIVES TO INVEST

05



KEY TAKEAWAYS

Protectionist and restrictive policies are used by governments to support their domestic industries. However, these policies have distortive impacts, and it is important that policy makers focus on those which are most effective and least distortive.

Policies used in Korea in the past have had some negative impacts on the sector. For example, once import quotas on foreign films were removed for Korea in 1986, annual revenue for domestic films more than doubled, and revenue per film more than tripled with a focus on higher-quality, but fewer productions. Today, a more open market has been created which has led to greater competition and higher volumes of better quality Korean content, enjoyed by more Koreans and higher investment in the industry.

Analysis undertaken for this report found that higher levels of protection (for example, restrictions to foreign entry including broadcast or airtime quotas) **lead to a reduction in audiovisual exports**; and if Korea's audiovisual policy was made more restrictive, Korean audiovisual exports would fall by 3.6% (a **\$289m (KRW 373bn)** decrease in exports in 2022).

 **\$289M (KRW 373BN)**

would be lost from exports in 2022 if Korea's audiovisual policy was made more restrictive.





PROTECTIONIST AND RESTRICTIVE POLICIES CAN IMPOSE COSTS AND ADVERSELY AFFECT THE SECTOR

Some governments around the world implement protectionist and restrictive policies to support their domestic film and TV sectors. Restrictive policies impose burdensome obligations on all suppliers (such as quotas for independent production or minimum exclusive theatrical release windows to support the cinema sector), whereas protectionist policies (such as import quotas or screen quotas) act to limit foreign competition.

In the audiovisual sector, the objectives of protectionist and restrictive policies fall into two broad categories.

1. ECONOMIC OBJECTIVES

Support the development of local industry by protecting it from foreign competition in order to reach economies of scale that allow it to be self-sustaining; and to realise wider benefits in related industries such as tourism, music or fashion.

2. CULTURAL OBJECTIVES

Intervention in cultural sectors to promote national identity and values.

However, policy interventions have distorting effects that can undermine their objectives. For example, while maintaining long exclusive theatrical release windows may have some benefits for the theatrical sector, this comes at a heavy cost to the sectors in later distribution windows (such as subscription VOD or pay-TV). Lower value created in subscription VOD or pay-TV markets will likely lead to less investment in content.

In some markets onerous exclusivity periods have led distributors to choose not to release films at the cinema as a mandatory extended theatrical window would harm the value of the subsequent release windows. In practice it is therefore difficult to legislate for the optimal length of release windows (which will vary from title to title). This example illustrates that policymakers should seek to adopt policies which are most effective, targeted at the market failure or policy objective, and which are least distortive.



RESTRICTIVE POLICIES IN KOREA HAVE HAD UNINTENDED CONSEQUENCES

Attempts to change protectionist policies can often generate heated debate. Groups perceived to lose when protectionist measures are liberalised can be vocal in pointing to their potential losses. Whereas wider benefits to the sector from being more competitive, export focused, and productive, can be hard to appreciate ex ante; will occur over a longer period; and will be distributed over the wider sector.

Many of the changes that liberalised the sector and led to its global success were resisted at the time. For instance, many stakeholders in the Korean film industry staunchly opposed the KORUS free trade agreement in the 2000s.

In the 1980s, bottles of hydrochloric acid and snakes were planted in theatres to protest against direct distribution of US films by US companies.⁷¹ Similarly, there were protests when the screen quota was halved in 2006 (it had been originally intended to be eliminated). However, as can be seen in this report, despite strong and vocal opposition, the K-Content sector has grown from strength to strength.

This section discusses how the lifting of some restrictions in Korea has proven to be beneficial for the industry. Open markets lead to greater competition and higher volumes of better quality Korean content, which are enjoyed by more Korean consumers (for example as illustrated by increased movie attendance) and higher investment in the industry.





RESTRICTIVE POLICIES IN KOREA HAVE HAD UNINTENDED CONSEQUENCES (CONT'D)

Import quotas 1962–1986 limited competition and led to low quality output

Korea's regime of import quotas was detrimental to the development of the film industry.⁷² These quotas limited the amount of foreign competition faced by domestic film producers in the hope that they can maintain a minimum market share. Only companies that produced and exported a minimum number of films were granted permission to import foreign films. Although this number fluctuated over time, a much stricter regime was introduced in 1966 whereby only one film could be imported for every three exported.⁷³ The presence of these quotas had a number of negative ramifications for the industry.

First, the quotas helped to speed up the process of consolidation of film producers domestically. Linking importation to production meant that only a small number of firms could satisfy the eligibility criteria to import. This loss of competitive dynamism led to these firms earning disproportionately higher profits, helping exacerbate consolidation of the industry to a concentrated oligopoly.⁷⁴

Second, import quotas led to a deterioration of film production quality. The policy incentivised producers to churn out low-budget, low-quality "quota quickies" with the simple objective of meeting the quota's eligibility requirements to import. This created a vicious cycle whereby demand for Korean films in subsequent years would fall because of their lower quality. This led to fewer exports which meant that, for a given import-to-export ratio, imports of foreign films were reduced. This effect can be seen in the number of Korean films exported per year, which was around 80 during the 1970s but only 17 from 1980 to 1986.⁷⁵

The negative effects of the quota can be summarised by the data in the table below. The left-hand-side shows statistics in the 10 years leading up to the abolition of the quota, while the right covers the 20 subsequent years. Despite a small reduction in the number of Korean films per year, annual revenue for domestic films increased by a factor of around 2.5, and revenue per film increased by a factor of 3.7. The number of US films imported increased substantially following the removal of the quota as expected, but Korean films outperformed US films in terms of revenue per film during this period.

FIGURE 10: Comparison of performance of Korean vs US films, before and after import quotas (constant 2018 \$)

	1975–1985	1986–2005
KOREAN FILMS		
Films per annum	97	70
Revenue per annum	\$68m	\$174m
Revenue per film	\$0.7m	\$2.6m
US FILMS		
Films per annum	21	158
Revenue per annum	\$104m	\$243m
Revenue per film	\$5.1m	\$1.7m

SOURCE: Parc and Messerlin, 2023

RESTRICTIVE POLICIES IN KOREA HAVE HAD UNINTENDED CONSEQUENCES (CONT'D)

Screen quotas are ineffective at shaping demand, and can hinder competition

Screen quotas were introduced in 1966 and set a minimum number of days in a year that cinemas must exhibit domestic content. Similarly for broadcasters, it sets a minimum amount of airtime for domestically produced content. The motivation for screen quotas is to avoid big-budget foreign blockbuster films dominating screens, as this may be harmful to producers and impact cultural diversity.

Screen quotas fail in their goal of cultural diversity because they adversely affect screening opportunities for smaller independent movies. Even though the quota is targeted at foreign films, Korean blockbusters still dominate screens at the expense of smaller independent local films. For instance, 2019's *Extreme Job* dominated 64.2% of screens during the first week of its release.⁷⁶ With the increased popularity of Korean films, exhibitors can easily meet the quota by screening a smaller number of titles without having to set aside screens for low-budget productions.

They are also ineffective in their protectionist motive. Since the quota limits the amount of foreign films that can be screened, theatre owners have a much stronger incentive to pre-select the best quality foreign films with the highest probability of commercial success. Evidence from Brazilian screen quotas show that stricter quotas lead to more concentration of foreign movie imports, which benefits the already prominent firms (usually US based) at the expense of marginal producers and thus harms diversity of imports.⁷⁷

Finally, screen quotas themselves do not create any incentive for viewers to watch domestic content. In other words, the mandated screening of films does not induce attendance and therefore plays a limited role in admissions. The relaxation of the quota in 2007 led to no significant change in the number of Korean films produced nor attendances at foreign films, demonstrating that the quota has little effect on attendance behaviour.





RESTRICTIVE POLICIES IN KOREA HAVE HAD UNINTENDED CONSEQUENCES (CONT'D)

While Korea's success has been driven by private investment its direct government support also contributes to investment

As noted above the growth in Korea's audiovisual sector was initially driven by private investment, in the 1990s, of Korean chaebols such as Samsung (CJ ENM was initially a subsidiary of Samsung), Lotte and Daewoo. It is argued⁷⁸ that it was the chaebols' natural instinct for "boldness and innovation", a willingness to learn in international markets, combined with hard-nosed business acumen, that enabled them to successfully take risk and invest.

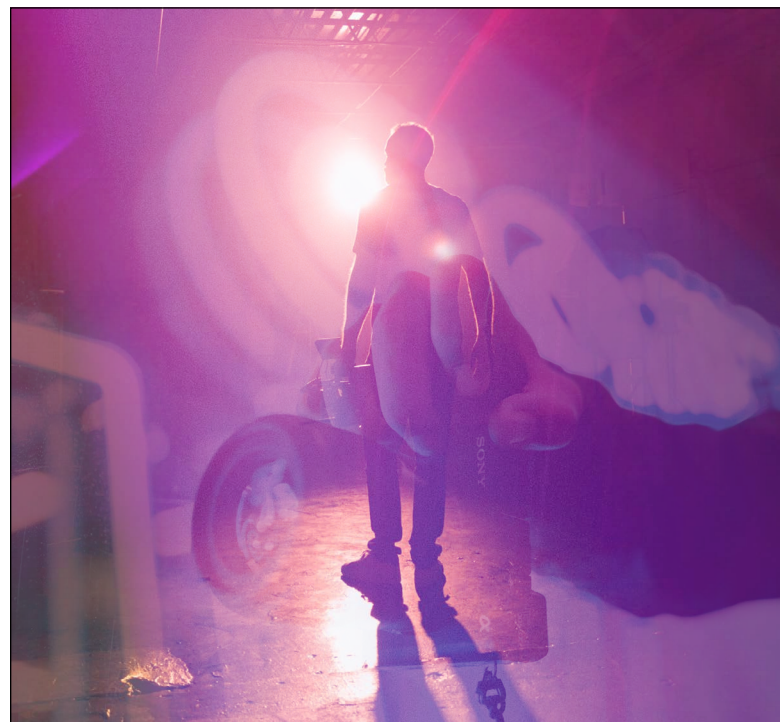
In more recent years, since 2007 private investment has been supported with public investment.

The growth in Korean cinema was well under way by the time that public support became available. In 2007, the Korea government started offering subsidies to local Korean productions partly financed by a "Film Fund" 3% seat tax in cinemas (Promotion of Film and Video Act).⁷⁹ The Film Fund plays an important role in supporting some productions, particularly from independent producers. In 2022 it distributed **\$15m (KWN 20bn)** to eligible film projects.⁸⁰ The Korean Government also directly allocates funding to Korea Creative Content Agency (KOCCA) to supports the wider culture sector. The government agency has a budget of **\$470m (KWN 620bn)** and allocated a proportion of its budget to help subsidise certain qualifying productions up to a maximum of **\$2m (KWN 3bn)** per production. In 2023, 27 productions were allocated funding eligible for up to the maximum of **\$2m (KWN 3bn)** per production.⁸¹

While important for the sector, particularly small and independent productions, the scale of subsidy is considerably lower than in comparable countries such as the UK or US leading one expert to argue that "Korea's [relative] outperformance has little to do with its public support policy".⁸²

Korea offers limited production incentives

The Korean Film Council (KOFIC) at the federal level administers a 20-25% "Location Incentive Grant" (under a \$1 m budget for 2023) for foreign audio-visual works. More recently, there are also many state and local-level location incentives. However, at the federal-level the production incentives program is not globally competitive. For instance, the qualifying criteria for the KOFIC 25% cash rebate are to spend a minimum of **KRW 800m (\$620,000)** on qualifying expenditure and shoot at least 10 days in Korea. However, the cap on the support amount for the KOFIC location incentive is set at **KRW 200m (\$155,000)**, an amount too small to be very significant for larger-budget productions, especially in comparison to other international jurisdictions.⁸³ While these incentives are facilitative, the relatively low budget allocation by international standards, and restrictive eligibility criteria inevitably limit foreign investment in the Korean production sector.



Copyright enforcement has supported the sector

The maintenance of property rights is essential for free markets to work properly. By ensuring that content will be monetisable, copyright laws have been a cornerstone of promoting investment in the industry. Key to the success of Korean content domestically and abroad is the strong support that the Korean government has shown to combatting piracy.

The introduction of the Copyright Act in 1986 was an important first step in bringing Korea's content protection laws in line with other industrialised nations. Further strengthening of the copyright laws in the late 2000s coincided a five-fold increase in Korean cultural exports between 2003 and 2010.

The government has demonstrated a commitment to supporting the protection of content from illegal streaming. For instance, it is currently developing an AI system to detect URLs associated with the illegal streaming site Noonoo TV. It also provides significant funding to organisations such as the Copyright Overseas Promotion Association, who work with foreign governments to protect K-Content abroad.

Investment in talent pays off in the long run

The establishment of arts academies and film schools has been very important for the development of talent and skills for the industry. While investments such as these in skills and capabilities can take years to show benefits, their impact can be profound. The Korean Academy of Film Arts (KAFA) was established in 1984 and has contributed immensely to the development of off-screen talent in particular. Funding for KAFA comes from the government, as well as the KAFA Development Fund Foundation. Established in 2006, the KAFA Development Fund provides scholarships to students and supports production of films across artistic and academic ventures.⁸⁴

Entry to the school is highly competitive, and it boasts prominent award-winning alumni such as Bong Joon-ho and Hur Jin-ho. The top graduates often have the opportunity to showcase their films at the Cannes Film Festival. As such, graduates develop their own distinctive style of film making while also gaining international reputations and growing their networks.⁸⁵ KAFA has clearly been a success story and has helped bring Korean film its world-renowned reputation.

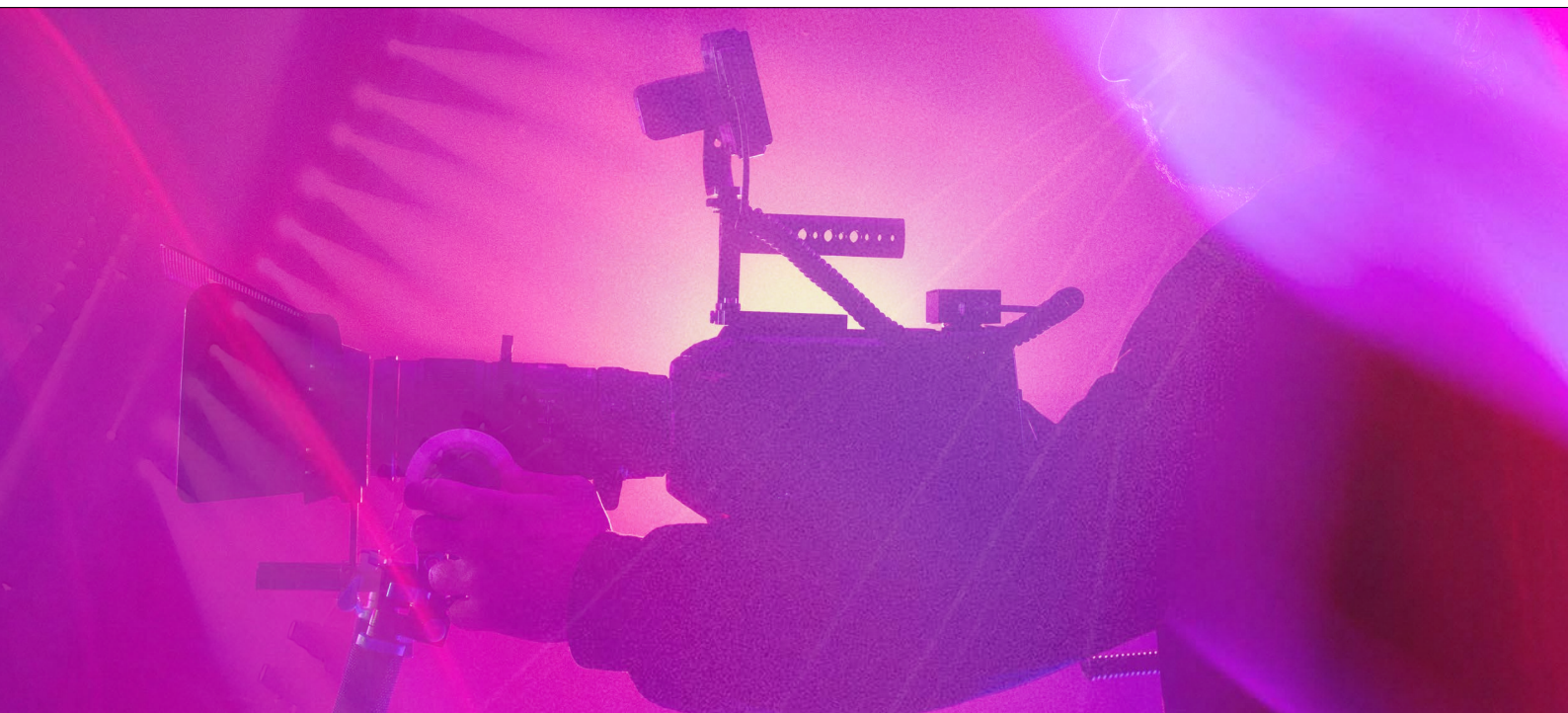
There are many schools which develop the pool of on-screen talent, most notably the Korea National University of Arts. Its acting and theatrical departments boast world-class facilities, including a 252-seat movie theatre, a small and large film studio, 5 TC studios and over 90 practice rooms. The curriculum nurtures talented students by teaching them professional acting techniques, style and creativity.⁸⁶ Some of its prominent alumni include Lee Je-hoon (*Taxi Driver*) and Park So-dam (*Parasite*).⁸⁷



MORE RESTRICTIVE POLICIES WILL LEAD TO COSTS AND DISTORT CONSUMPTION AND INVESTMENT INCENTIVES

“Protectionist” policies intended to shield local companies from international competition could result in local industries that are inward-looking, less innovative and less able to produce content that competes internationally. Analysis undertaken for this report considered the relationship between protectionist policies and audiovisual trade (i.e. licensing content internationally) and found that higher levels of protection (for example, restrictions on foreign entry including broadcast or airtime quotas) lead to a reduction in audiovisual exports.⁸⁸ This implies that countries with more protectionist policies are less able to monetise their content in international markets, or show off and promote their culture to audiences around the world.

A policy simulation undertaken for this report found that if Korea’s audiovisual policy was made more restrictive (i.e. it moved to the upper quartile of 50 countries including OECD countries in measures of policy restrictiveness⁸⁹), Korean audiovisual exports would fall by 3.6%, this would have been a **\$289m (KRW 373bn)** decrease in exports in 2022.⁹⁰ Based on the observed relationship between openness to trade and GDP,⁹¹ the simulated increase in restrictive policies would have led to a reduction in GDP of **\$374m (KRW483bn)** in 2022.

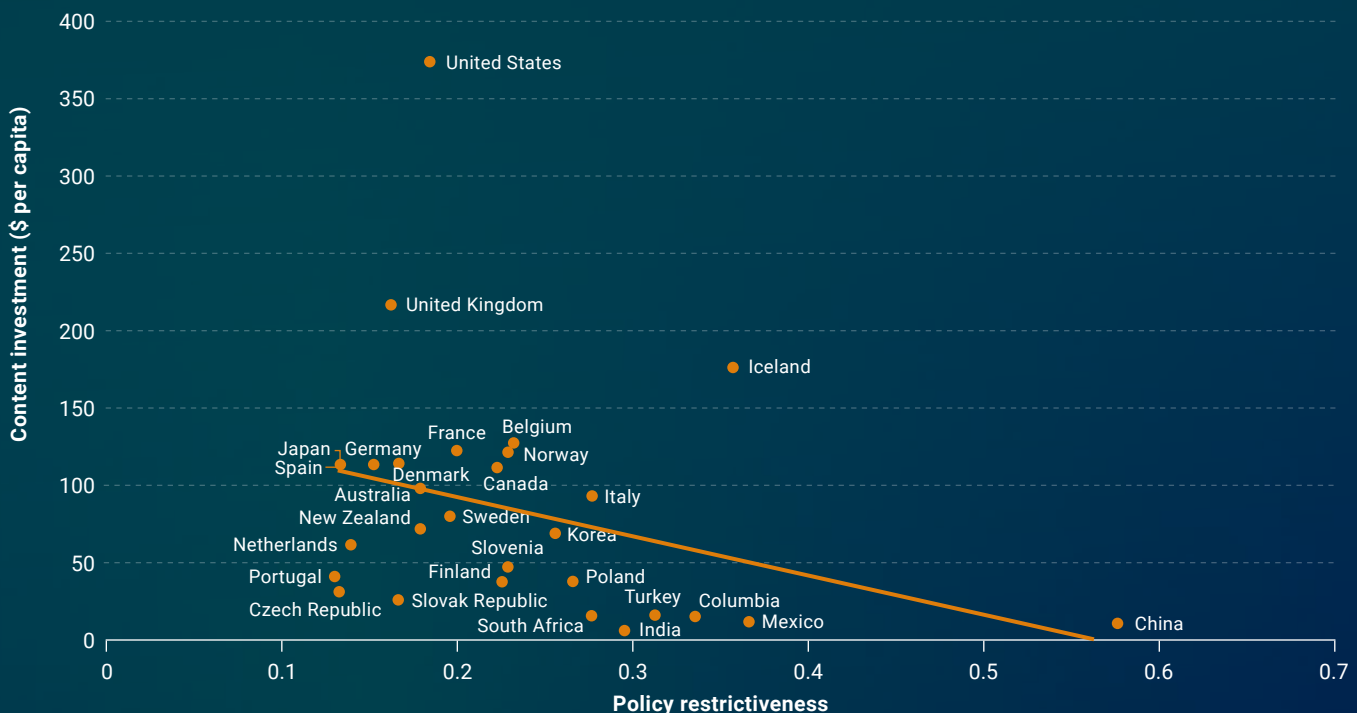




PUTTING UP BARRIERS MAY PUT OFF INVESTORS

Countries that have greater policy restrictions tend to have lower levels of investment in content. While there are many other factors at play,⁹² Figure 11 below is consistent with the hypothesis that protectionist policies discourage content investment (at least for the countries selected). The result of lower content investment is inevitably lower employment and skills development in the sector.

FIGURE 11: Content investment per capita vs average policy restriction index (motion pictures, broadcasting and sound recording), 2022



SOURCE: STRI data is from the OECD, content investment is from Ampere.

NOTE: Policy restrictiveness measured by Services Trade Restrictiveness Index (STRI) which categorises countries level of policy restrictiveness on a scale of 0-1. Content investment in USD per capita.

TOGETHER

**POLICYMAKERS AND INDUSTRY CAN
CONTINUE TO DRIVE GROWTH**

06



POLICY CAN HAVE A POSITIVE IMPACT ON K-CONTENT GOING FORWARD



Invest in talent and skills development, both on and off-screen.



Expand the domestic production incentive to boost the development of local film infrastructure.



Maintain and strengthen content protection laws and enforcement.



Ensure a stable policy environment to incentivise investment.



POLICY CAN HAVE A POSITIVE IMPACT ON K-CONTENT GOING FORWARD (CONT'D)

K-Content's success has mirrored Korea's economic success at the same time, Korea's cultural sector developed to catch up with other Asian rivals and became a global phenomenon.

There are many cultural factors that explain the global success of K-Content. For example, one commentator noted that Korea's *"explosive economic growth has been accompanied by a thundering restructuring of society"*⁹³ which provided a rich source for content creation. At the same time, Korean culture has also sought to retain its traditional cultural mores—respect for elders and family—which mean its story telling relies on universally relatable themes of cultural change, inequality and family ties.

However, these cultural features are not unique to Korea and cannot alone explain K-Content's success. The sector's growth has been enabled by openness to trade and innovation, where firms are incentivised to risk investment in content, and are supported by a stable policy environment. The growth in popularity of K-Content has occurred alongside the gradual relaxing of restrictions on the sector which opened the sector up to competition. The liberalisation of the market did not lead to a flood of foreign content as some feared. Rather it created incentives to compete, to innovate and invest. Korean content more than holds its own with domestic audiences and punches well above its weight internationally. Maintaining a stable and liberal policy environment, and widening the scale and eligibility of production incentives, would support the domestic firms to invest and produce content while also creating the conditions for the industry to grow organically.

Alongside the liberalisation of the sector, the government provides a supportive role to create and empower the institutions that encourage investment whether from domestic firms or international investors. Its direct funding and intervention supports institutions (such as KOFIC, KOCCA which promotes K-Content globally and

the Copyright Overseas Promotion Association (COA) to combat piracy and protect intellectual property). And it helps to alleviate constraints in the supply of talent by supporting skills such as via the Korean Academy of Film Arts or remedying specific market failures (such as supporting small producers in distributing content overseas). The government has also committed to supporting the cultural sector going forward and to fostering greater connections between Korea's production sector and other country's industries.⁹⁴

Finally, Korea's government has taken a long-term view. Positive government interventions often take many years to demonstrate effectiveness (stretching well beyond electoral cycles). In particular, investments towards the nurturing of talented actors/producers and growing industry-wide infrastructure are often the slowest to generate returns, thus making them very difficult to quantify, but end up being highly effective in the long run.

This environment means that Korea enjoys wider benefits as a result of its investment in cultural goods as K-Content brings pride domestically and soft power internationally.



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²This report was commissioned by the Motion Picture Association. Frontier Economics is grateful to the contributions of nine stakeholders in the Korean film and TV industry including Korean film experts and critics, government associations and representatives from the Motion Picture Association's members, that were consulted as part of the research for this report.

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