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# Hallyu and FDI: the growth of South Korea's investment in Indonesia's cultural content industry

The popularity of Korean dramas and pop music, known as *Hallyu* or the Korean Wave, has positively impacted South Korea's tourism and cultural exports. Nevertheless, studies about Korean foreign direct investment (FDI) associated with the *Hallyu* phenomenon are still scarce. Thus, this study attempts to investigate Korean FDI that flows to Indonesia under such a phenomenon. Data was collected through documents and relevant video reviews which was then followed by a key informant interview. The findings showed that the rising trend of Korean pop music in Indonesia has gradually stimulated Korean investors to invest in industries promoting the transmitted *Hallyu* culture, such as broadcasting, TV and video production, sound recording and music publishing. Despite the amount of investment remaining lower than in the heavy and manufacturing industries, the study indicates an increase in Korean FDI in Indonesia's content industries due to the high demand for Korean cultural content and the country's ongoing bilateral commitment to South Korea. This study adds to our understanding of how global familiarity with a cultural phenomenon may affect FDI inflows to the country from which that phenomenon originates.

**Keywords:** FDI, Korean culture, Korean wave, Hallyu, Indonesia

## Introduction

In recent years, there has been a spike in interest in Korean culture across the globe. This rising global popularity of South Korean entertainment, such as pop music, dramas and movies, has become a phenomenon of interest to interdisciplinary scholars across the world. The popularity of Korean culture beyond the nation, coined as *Hallyu* or Korean Wave was first reported by Chinese journalists in the 1990s (Kim et al., 2009). It immediately became a global sensation that leveraged South Korea's reputation as a promising cultural centre in Asia. *Hallyu* fans were reported to increase significantly from year to year, and can be found in every part of the world (The Korea Foundation, 2020). The popularity of *Hallyu* worldwide has positively impacted South Korea's tourism and cultural exports. As identified by KOFICE (2020), the willingness of international tourists to visit South Korea and experience its culture

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is getting stronger, a growth occurring alongside the rising popularity of *Hallyu* in many nations.

In response to this global craze, many foreign investors showed more interest in investing in South Korea, especially in businesses related to *Hallyu*. In 2020, about USD 200 million in foreign direct investment (FDI) flowed into South Korea's cultural content industries (KOTRA Investment Public Relations Team, 2020). The investments were mainly used to produce cultural content to meet the demand of overseas users, as confirmed by Jin (2012), who asserted the ability of *Hallyu* to promote and strengthen Korea's creative industries. Aside from attracting inward FDI to South Korea, *Hallyu* also appeared to be able to encourage outward investment beyond the nation as the popularity of Korean culture abroad has boosted Korean firms' confidence to diversify their investment in countries where *Hallyu* is popular.

Before the emergence of *Hallyu*, Korean outward investments were often directed at three major industries – footwear, apparel and consumer electronics (Lee, 1997). Nowadays, they are more likely to be concentrated on manufacturing electronic components, vehicles, and high-tech products such as semiconductors and telecommunications equipment (Buckley et al., 2022). Nevertheless, *Hallyu* appeared to slightly change the pattern of Korean outward investments as the enthusiasm for Korean cultural products increased globally (KOTRA Investment Public Relations Team, 2020). Several firms that penetrated overseas markets appeared to commence business in sectors that benefited from the *Hallyu*, such as restaurants, fashion, entertainment and cosmetics (Chang and Lee, 2017; Ainslie, 2016). Yet, studies about Korean FDI associated with *Hallyu* are still scarce.

In this study, we investigate Korean FDI that flows into Indonesia amidst the growing popularity of Korean entertainment within Indonesia. Indonesia is currently one of the top destinations for Korean FDIs, a focus supported by the Korean government's listing of Indonesia as an important investment partner in Southeast Asia – a strategic partnership that will help South Korea to achieve foreign policy agenda and realise its middle power ambitions. Indonesia is also one of Asia's largest markets for Korean pop culture: in 2022, Twitter reported that Indonesia was the country with the most K-pop fans and content producers on social media (Kim, 2021). According to KOFICE (2022), Indonesians are very interested in *Hallyu*-related content and consume many Korean cultural products. Hence, the Indonesian example will shed light on how a cultural phenomenon can influence the flows of FDI, particularly in the cultural content industries. To explore these dynamics we collected data from documents and relevant video reviews, and interviewed a key person from BPKM/Ministry of Investment of the Republic of Indonesia to better understand the trends of South Korea's investment in the case-study country.

The paper begins with an introduction to the study. Following this, an overview of the literature that links FDI with the cultural and creative sectors as well as content

industries will be given to provide a conceptual theory. Then, a description of Korean FDI that flows to Indonesia as the case-study country in this research will be provided. The next section will analyse the Korean FDI under the rising popularity of the Korean wave in Indonesia, particularly FDI in the content industries. Lastly, a conclusion will be given to summarise the research.

## **Culture and investment in the cultural and creative sectors**

Foreign direct investment – FDI – considered crucial for a country's economic development, has been widely analysed in the literature. FDI is known for its ability to bring more capital, technology and other resources that a country needs to boost productivity and enhance innovation. However, FDI appears to bring advantages not only to the host countries as the receiver of the FDI but also to the home countries that gain more opportunities to expand their business (Brooks et al., 2003; Dinh et al., 2019). Also, it does not only flow from economically wealthy/global North countries to countries in the global South, but also between and from countries in both the global South and global North (Makino et al., 2004; Park et al., 2022). However, various factors can influence FDI flows to a particular country, including cultural factors. These factors play a significant role in shaping the conducive environment for foreign investments and ensuring the success of FDI. Scholars often investigate the relationship between cultural factors and FDI using Hofstede's work on cultural dimensions. These dimensions are frequently employed to examine whether cultural similarities or differences influence investment decisions. Tang (2012), for example, applied Hofstede's cultural dimensions to examine bilateral FDI flows in OECD (Organisation for Economic Co-operation and Development) and non-OECD countries. Hofstede's work was also used as a reference in the study of Bhardwaj et al. (2007). The study signified how countries with high levels of trust combined with low levels of uncertainty avoidance will be more likely chosen as the location for foreign firms. Studies on FDI and cultural factors have demonstrated that a host country's beliefs, values, norms, legal and regulatory framework, and other general attitudes influenced the investment decisions made by foreign capitals (Bhardwaj et al., 2007; Silajdzic and Mehic, 2021; Tang, 2012).

Often, foreign firms prefer to invest in countries with the strongest cultural linkages (Du et al., 2012) or those that share some cultural similarities with the home countries from which FDI originate (Bandelj, 2002; Goraieb et al., 2019). While cultural proximity between FDI's home and host countries has been found to be significant, several studies suggest that foreign investors are also attracted to countries that are culturally different from their home countries. Foreign firms might perceive cultural differences as opportunities to enter new markets and develop more tailored products and services to local customer needs. Even though challenges are inevitable, Li et al. (2017) suggested that cultural differences can bring advantages to foreign firms.

Penetrating a country with dissimilar cultures might bring challenges and obstacles, but Li et al. (2017) argue that there are potential advantages that cultural differences can bring to foreign firms. Some firms decide to invest in developing nations amid the cultural contrast they might have with the home countries of FDI. Countries in the developing world have long been popular destinations for FDI, and their attractiveness to foreign investors has been confirmed by various studies (Dang and Nguyen, 2021; Mondolo, 2019). However, from the perspective of cultural differences, there still needs to be more studies exploring why countries with such cultural distance appeal to foreign investors. A study by Changwatchai and Dheera-Aumpon (2020) suggested that Thai culture, which shows more collectiveness and femininity and tends to avoid uncertainty, might contribute to the conduciveness of Thailand as an FDI destination. Other studies also identified that foreign investors prefer to invest in developing nations with less religious and linguistic diversity than in their home countries (Lucke et al., 2013; Lucke and Eichler, 2016). They also prefer to invest in countries with less corrupt cultures (Lucke et al., 2013). This leads to the question of why certain countries remain appealing to foreign capital and investors despite having certain cultures, such as more diverse languages, religions and corrupt practices, that are argued above as deterring foreign investors from investing in developing countries.

Cultural distance is not the only factor influencing foreign capital's investment decisions in certain countries. Cultural trends and perspectives are additional factors contributing to the flow of FDI to a host country (Đikanović and Jakšić-Stojanović, 2022). Globalisation has enabled the rapid and pervasive communication of cultural products and ideas to global audiences. It contributes to the spread of global culture causing people to become more aware of what is going on in other regions of the world, including the cultural trends to look out for. These trends then shape people's buying behaviour, resulting in people from across the globe watching the same movies, listening to the same music, and also using common global brands on a daily basis (UNESCO Institute for Statistics, 2016). However, on one side, the spread of this global culture across different regions and countries has stimulated the birth of a phenomenon known as the Fear of Missing Out, or FOMO. This phenomenon caused people to purchase cultural goods and use cultural services they see on social media to stay abreast of the latest trends (Karimkhan and Chapa, 2021; Gupta and Sharma, 2021). Interestingly, this phenomenon is more apparent in countries where people consume social media in languages other than English and share similar collectivism and ethnic identities (Karimkhan and Chapa, 2021). The high cultural consumption of people from non-English speaking nations was documented by the UNESCO Institute for Statistics (2016), which listed these countries as some of the world's largest cultural importers. However, in general, cultural transmission throughout the globe was accelerated by the advancement of technologies and internet connection (UNCTAD, 2022). These advancements have enabled people to consume culture beyond a country, thus

stimulating more cultural and creative industries to produce more cultural products and content to meet global demands (Zhang and Dai, 2021).

Under the rapid globalisation process, these cultural product industries continue to set up trends and establish new business models, making this sector highly dynamic and profitable (Li, 2020; Loots and van Bennekom, 2022; Sagatova, 2020; Snowball et al., 2021). In particular, cultural content industries have become a more promising business, especially after the COVID-19 pandemic that accelerated the global flow of such content (Vlassis, 2021). Numerous global media have reported increased investment in cultural content industries, especially those related to Korean pop culture (Kim, 2020; Choudhury, 2021). But surprisingly, very limited studies have explored the emergence of foreign investments in cultural and creative sectors, particularly those related to the content industries. Even though previous studies have shed light on the impact of cultural globalisation on foreign direct investment flows to a country that consumes the culture of the home country of FDI, more needs to be understood about whether this FDI also flows to the sectors related to the transmitted culture. Additionally, the current available studies have some limitations in answering why countries with more diverse languages, religions and corrupt practices are still appealing to foreign capitals, as mentioned above.

## **The contextual case study country: Indonesia**

The case study introduced in this study may represent a country with cultural factors that may influence foreign investment decisions. Indonesia is the fourth-most populous country in the world and is a secular democracy, with most of the population identifying themselves as Muslim. The country has been attracting foreign investors looking for abundant natural and other appealing resources, such as a large domestic market and affordable labour. However, the country's corruption has become more prevalent year after year, leading the Ministry of National Development Planning/National Development Planning Agency (*Bappenas*) to show more concern as this corruption will affect foreign investment decisions (Liputan6, 2021). The Indonesian government has taken several measures to address the country's corruption issues, but its effectiveness is questioned as Indonesia's corruption index continues to fall. As an emerging market economy, Indonesia faces challenges that can impact the ease of doing business and its attractiveness as an investment destination. Nevertheless, President Joko Widodo continued to share his optimism that foreign investors would still consider Indonesia a promising market with significant potential for growth and development.<sup>1</sup>

<sup>1</sup> As reported by CNN Indonesia (2023), President Joko Widodo of the Republic of Indonesia ensured everyone that the investment climate in Indonesia would still be conducive despite the falling corruption index in the country.

Indonesia, the destination country for Korean FDI

Indonesia is one of the popular destinations for foreign direct investment, including flows of FDI from South Korea. The first penetration of Korean investment to Indonesia can be traced to the 1960s (Lindblad, 2000), while the Plaza Accord in 1985 (Gerbacia, 2015) contributed to the increased Korean investment in Indonesia, which was perceived as offering affordable labour and rich natural resources (Lee, 1997). The economic cooperation between Indonesia and South Korea was strengthened with the establishment of the Indonesia-Korea Comprehensive Economic Partnership (IK-CEPA) in 2012 (Salsa Bila and Wijayati, 2022). However, this partnership was halted in 2014 due to a change in the Indonesian government (Verico and Riefky, 2022). Despite this halt, Korean investments in Indonesia continued to rise, particularly in the textile and footwear industry (Bareksa, 2015).

The South Korean government’s introduction of the New Southern Policy (NSP) in 2017 forged closer economic ties with Indonesia. The diplomatic initiative, which aimed to strengthen South Korea’s middle power in India and the ASEAN region, had encouraged more investors to choose Indonesia as their FDI destination. As a result, IK-CEPA was reawakened in 2019 to simplify regulations and facilitate the faster realisation of Korean investments in Indonesia (Salsa Bila and Wijayati, 2022). Among ASEAN members, Indonesia stood out as Korea’s largest bilateral trading and investment destination (Verico, 2020). From 2017 until the second half of 2022, the country has received over US\$ 9 billion of investment flows (Dahrul and Harsono, 2022). This investment is estimated to grow as South Korea plans to develop an

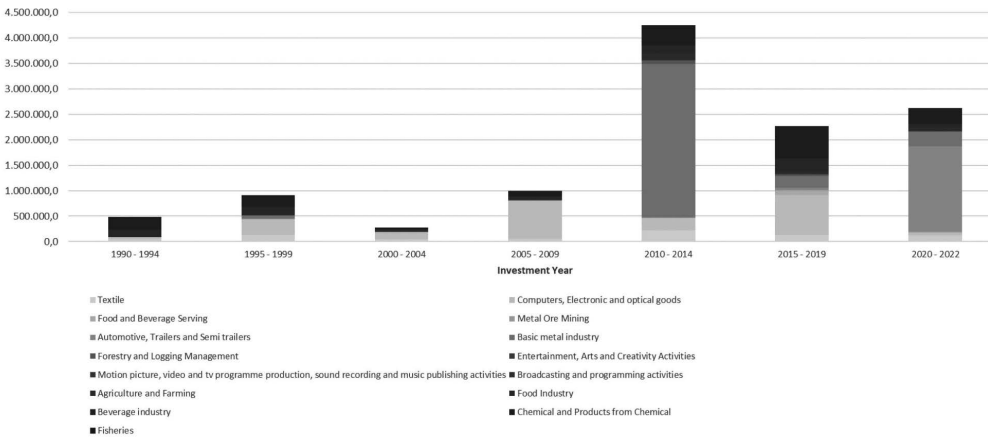


Figure 1 Korean FDI in Indonesia (1990–2022)

Electronic Vehicle (EV) supply chain and petrochemical complex in Indonesia. The better investment climate and stronger economic ties between Indonesia and South Korea have driven the two countries to boost investments and trade. As of 2021, South Korea strengthened its position as the fifth-largest investor in Indonesia, with a total investment realisation of US\$ 1.8 billion (Jung, 2022).

If we compare Korean FDI in early 1990 and 2000, we observe that the amount of Korean investment in Indonesia continuously grew and diversified (see Figure 1). In the early 1990s, South Korea's FDI was still limited and mainly flowed into the textile industry and, to a lesser extent, the food industry. In the late 1990s, South Korea's FDI increased and diversified. One of the sectors that received many inflows was the computer and electronics-related industries. The International Monetary Fund (IMF) crisis slowed down the pace of FDI in the late 1990s. But in 2005, FDI flows from South Korea to the computer and electronics sector skyrocketed. In early 2010, investment from South Korea in the forestry and logging management sectors began to increase. Increases also began to be seen in other sectors, such as the base metal industry and industries related to chemical products. After 2017, FDI from South Korea into the automotive, trailer and semi-trailer industries increased significantly. Based on the above data, the top three industries receiving the highest FDI flows from South Korea during 2017–2022 are automotive, trailer and semi-trailer; basic metal; chemical, and products from chemical.

### **Hallyu and the Korean FDI in Indonesia's cultural content industries**

Studies or reports on Korean foreign investment in Indonesia's cultural and creative sectors and more specific industries such as cultural content are surprisingly limited. Much of the information is available through mass media, which reports South Korea's active investment in Indonesia's broadcasting and other content industries that promotes *Hallyu*. The popularity of Korean cultural content could be traced to the 2000s when Indonesians began to watch several Korean dramas on local TV and became more familiar with Korean music through those dramas' soundtracks. *Endless Love*, *Full House*, *Jewel of the Palace*, and *Winter Sonata* were among the first Korean dramas with translated English titles that captured the attention of Indonesian fans in the early 2000s. Aside from watching the dramas, audiences began to listen to the soundtracks of such dramas. Many early K-pop fans listened to soundtrack tunes, which were largely obtained through pirated DVDs at the time. Because internet access was still limited, fans continued to receive the latest songs and dramas through underground distribution.

Nonetheless, Korean dramas were not as popular as other foreign dramas that aired on Indonesian television stations around the same time. Korean dramas began



to gain new momentum after 2009, particularly after the airing of *Boys Over Flowers* which was adapted from a Japanese drama titled *Hana Yori Dango*. The new fans continued to consume Korean pop culture through legal and illegal means during a transmission period that scholars such as Lee and Nornes (2015) called *Hallyu 2.0*. The *Kpopers*, which refers to Indonesian name for K-pop music fans, began to rise in number, creating a new cultural fever in the country.

Korean entertainment agencies such as SM Entertainment began to consider Indonesia a potential market in Southeast Asia. Super Junior, one of the most famous K-pop idols during the *Hallyu 2.0* period, held their music concert for the first time in Jakarta in 2012. Due to great enthusiasm from Indonesian fans, the organiser had to add one day of the concert to accommodate the enormous number of fans who could not obtain concert tickets. The concert was held for three days and warmly welcomed by about 25,000 Super Junior fans who named themselves ELF (Ever Lasting Friends) Indonesia.<sup>2</sup> SM Entertainment held another concert a few months later, but the agency tried to feature different idols, known as the SM artists, such as EXO, Girls' Generation and BoA. Surprisingly, the response to this concert was overwhelmingly positive. The organiser sold approximately 50,000 tickets within a short period, confirming the growing Indonesian craze for Korean pop music (Putri and Trisni, 2021).

At the same time, Indonesians also showed a growing interest in Korean dramas and the country's culture, food, beauty products and fashion. The welcoming attitude of Indonesians towards Korean pop culture drove the ministry of tourism and creative economy to sign a Memorandum of Understanding (MoU) with the ministry of culture, sports and tourism of South Korea in 2013. The MoU aimed to support the development of creative industries such as music, film, performing arts, animation, interactive games, digital content based on art and culture, and other mutually agreed-upon creative industries (Rencana Strategis Kementerian Pariwisata dan Ekonomi Kreatif tahun 2012–2014, 2012).

The growing positive response among Indonesians toward Korean popular culture triggered more Korean firms to enter the Indonesian market. With the growing demand for Korean products in Indonesia, Korean entrepreneurs gradually started to consider Indonesia a potential country to invest in. As shown in Figure 2, Korean FDI in Indonesia's cultural content industries was first identified in 2014. The Korean CJ CGV group made one of these investments, which commenced a joint venture with the local cinema industry. This new partnership brought a new atmosphere to the Indonesian cinema as the business offers Indonesians more opportunities to enjoy East Asian movies and other foreign movies genre that other cinemas rarely play.

In 2016, the Indonesian creative economy agency (BEKRAF) signed another agreement with the South Korean ministry of culture, sports and tourism to enhance cooper-

2 The enthusiasm of Indonesia-based Super Junior fans, known as ELF Indonesia, to attend Super Junior's concert was reported in Indonesian local media such as Detik Hot (2012).



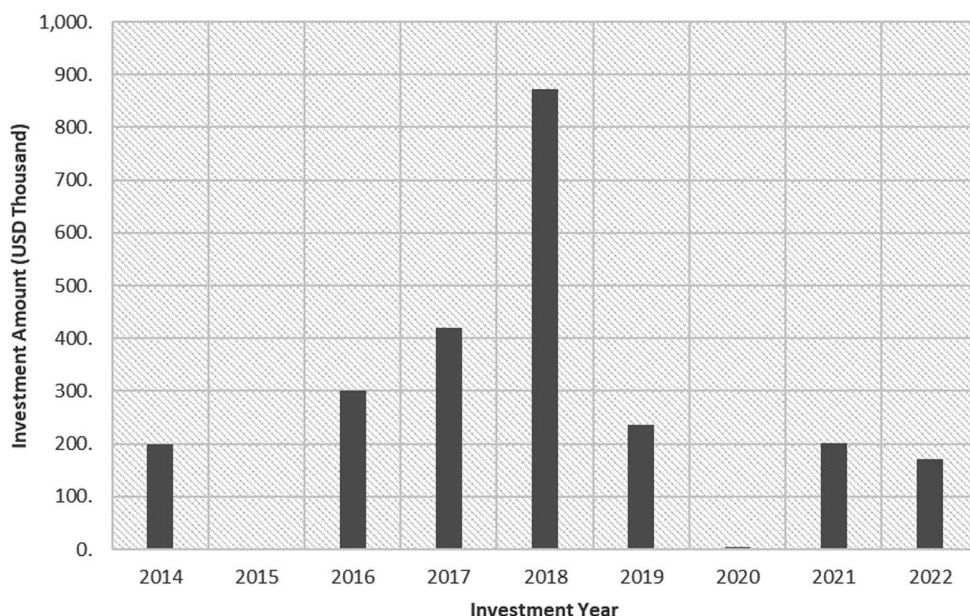


Figure 2 Korean FDI in Indonesia's cultural content industries (2014–2022)

ation in the cultural and creative sector. This agreement stimulated more investment from South Korea in the cultural content industries. Figure 3 shows how investment in broadcasting and programming increased sharply in 2017. This year, Indonesian local TV station called Net TV formed a joint venture with KBS and CJ Entertainment of South Korea to produce TV content for terrestrial, paid and digital TV.

Aside from having more K-pop music events and K-dramas on TV, Indonesians also began to see more K-celebrities promoting local brands on Indonesian TV and main street billboards. A Korean actor, Lee Min-ho, made a breakthrough by promoting an Indonesian coffee brand named Kopi Luwak in 2015.<sup>3</sup> Lee paved the way for other Korean celebrities to become ambassadors for local Indonesian brands. Indonesians' rising familiarity with Korean celebrities they see in Korean dramas opened a new opportunity for Korean entertainment agencies to develop *Hallyu* celebrities-endorsed businesses, which was positively responded to by Indonesian business owners. Understanding the fan enthusiasm that Korean celebrities can generate, Indonesian broadcasting companies showed trends in hiring Korean celebrities to host or attend local entertainment shows.

3 Lee Min-ho was appointed as the brand ambassador of Kopi Luwak to boost the image of Indonesian coffee products in both domestic and global markets. See Advetorial (2015).

For example, an Indonesian TV broadcasting company, RCTI, invited Cha Eun-woo to the Indonesian Television Awards in 2018. The show garnered fans' attention, and even numerous Indonesian media reported fans' hysteria during the airing programme (Liputan6, 2018). The Indonesian government also showed a similar tendency to invite *Hallyu* celebrities to attend the country's official event. In 2018, the Indonesian government invited some K-pop idols to perform for the closing ceremony of the Jakarta-Palembang Asian Games. Indonesian fans positively welcomed their performances, and even those unfamiliar with Ikon and Super Junior songs were seen enjoying the music performance, along with K-pop fans who attended the event.<sup>4</sup>

While there is a growing trend of Indonesian business owners who hire *Hallyu* celebrities as their products or services' brand ambassadors, we also noticed some practices from Korean companies to use *Hallyu* celebrities to penetrate the Indonesian market. Riding the popularity of the Weightlifting Fairy Kim Bok-Jo drama in Indonesia, Laneige, for example, hired Lee Sung-kyung, the main actress, to promote Korean cosmetics to Indonesian customers in 2018.<sup>5</sup>

The rising trends of *Hallyu* celebrities in Indonesia's cultural content industries appeared to impact Korean FDI in the motion picture, video and TV production, sound recording and music publishing industries. As seen in Figure 3, Korean FDI in 2018 rose significantly due to the investment from SM Entertainment which opened its first Indonesian office branch in Jakarta. As many Indonesian fans are familiar with SM Entertainment, the company could smoothly promote a *Hallyu*-related cultural content business in the country. Under the joint-venture scheme with Indonesian Trans Media Corp, SM Entertainment started its talent management, content production, digital and entertainment business in Indonesia. In addition, SM Entertainment intended to share experiences in implementing "cultural technology" predominantly in role selection, training, production, marketing and talent management (Budiartie, 2019). Some Indonesian singers were recruited to perform and collaborate with popular Korean idols, offering hybrid entertainment for locals who enjoy Korean and Indonesian-style entertainment. Korean investments in Indonesia's cultural and creative sectors grew significantly as they aligned with the NSP that also aimed at promoting Korean traditional and pop culture products to counterbalance the power of Western pop cultural products.

Nonetheless, the start of the COVID-19 pandemic in 2020 has significantly reduced FDI figures in these industries. As shown by the above figure, no investment

4 Observation was made through watching the Super Junior performance video at the closing ceremony of the 18th Asian Games Jakarta-Palembang, available from the 18th Asian Games 2018 official channel (18th Asian Games Official Channel, 2018).

5 Lee Sung-kyung, a Korean actress who acted as the brand ambassador for Laneige cosmetics, visited Indonesia in 2018. See Paramitha (2018).

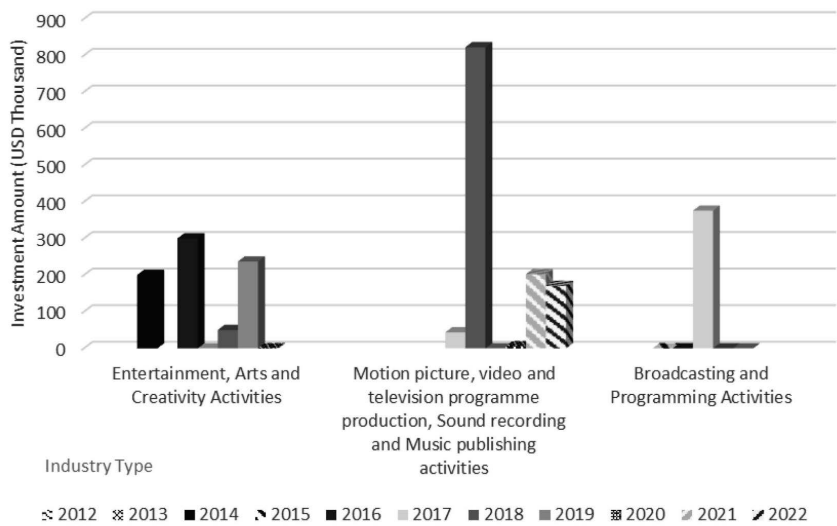


Figure 3 Korean FDI in Indonesia’s cultural content industries based on industry type

was realised during the first wave of the global COVID pandemic. But unexpectedly, the outbreak of COVID-19 turned out to bring new opportunities for Korean investors to commence their business in the cultural content businesses. The pandemic that forced Indonesians to stay at home brought new fans of Korean culture and increased the demand for Korean cultural content. As shown in Figure 4, the searches for Korean dramas, which Indonesians called *drakor*, and K-pop related information, including two popular K-pop idols, BTS and EXO, were very high during the pandemic. According to this figure, BTS was among the most searched K-pop group throughout the lockdown and endemic transition period. The higher search for BTS than Korean dramas indicated a large fanbase of BTS fans in Indonesia.

This enthusiasm for Korean cultural content gave more confidence to Korean investors to commence relevant businesses in Indonesia. As a result, investment slowly returned in 2021, especially in the music publishing and video TV programmes sector. Both countries’ governments created another collaboration MoU in 2021 to extend the creative economy MoU and establish a tourism MoU focusing on music and film.<sup>6</sup> As the pandemic subsided and gradually shifted into the endemic phase, Korean firms tried to recover from their loss by recommencing *Hallyu*-related business in Indonesia. One of the recent examples was SM Entertainment, which opened a K-pop-themed

6 Indonesia and South Korea strengthened their bilateral partnership by establishing a tourism MoU in 2021 to promote more Hallyu tourism to South Korea and also enable knowledge exchange that would benefit the Indonesian tourism sector (Antara News, 2021).

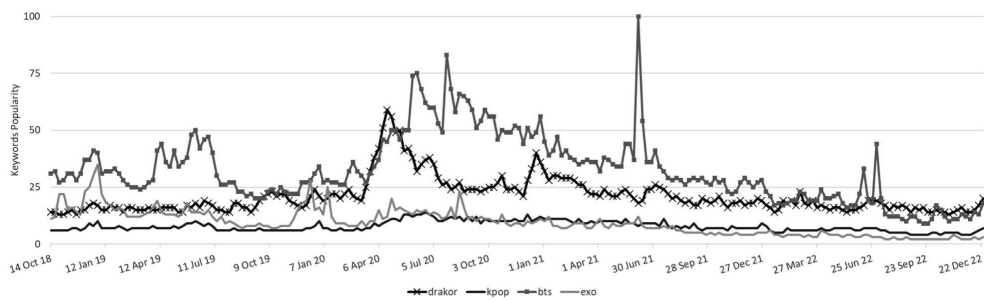


Figure 4 Indonesian online searches for Korean cultural content during the pandemic

store and café called KWANGYA in December 2022 to entertain Indonesian *Hallyu* fans. During its opening, KWANGYA was visited by many SM fans who queued for hours to enter the store (See Figure 5). This enthusiasm again proves Indonesia to be a huge market for Korean pop culture products. As the enthusiasm remains strong, it is likelier that Korean FDI in Indonesia’s cultural and creative sectors will continue to grow in the near future. Furthermore, as South Korea and Indonesia’s ties strengthen, there is a greater likelihood that both countries will encourage investment outside the heavy and manufacturing industries that have dominated Korean FDI in Indonesia thus far.



Figure 5 The enthusiasm of SM Indonesia fans during the opening of the KWANGYA store in Jakarta

Conclusions

Theories on FDI have identified culture as the determinant of foreign direct investment. A country with a closer cultural link to the origin of FDI can have a greater opportunity to be chosen as the FDI destination. On the other hand, countries with a major cultural difference may attract less foreign capital since investors opt to invest in a more stable and conducive environment. In this paper, we demonstrated how the globalisation of Hallyu has increased Indonesian familiarity with South Korean culture. Through *Hallyu*, foreigners have become more aware of Korean brands and celebrities, which affects their purchasing decisions. Additionally, *Hallyu* has brought foreigners closer to understanding how Korean society works, indirectly benefiting Korean firms when penetrating the foreign market.

The case from Indonesia has added to the growing evidence of Korean FDI in a country where Korean culture is booming. For quite a long time, Korean FDI in Indonesia has been dominated by the heavy and manufacturing sectors and will continue to be so under the strengthened bilateral cooperation between South Korea and Indonesia’s government. However, as shown in this study’s findings, the growing popularity of Korean pop music in Indonesia has gradually stimulated Korean investors to invest in industries promoting the transmitted *Hallyu* culture, such as broadcasting, TV and video production, and music publishing. The popularity of K-pop music among Indonesian people has stimulated Korean investors to set up joint

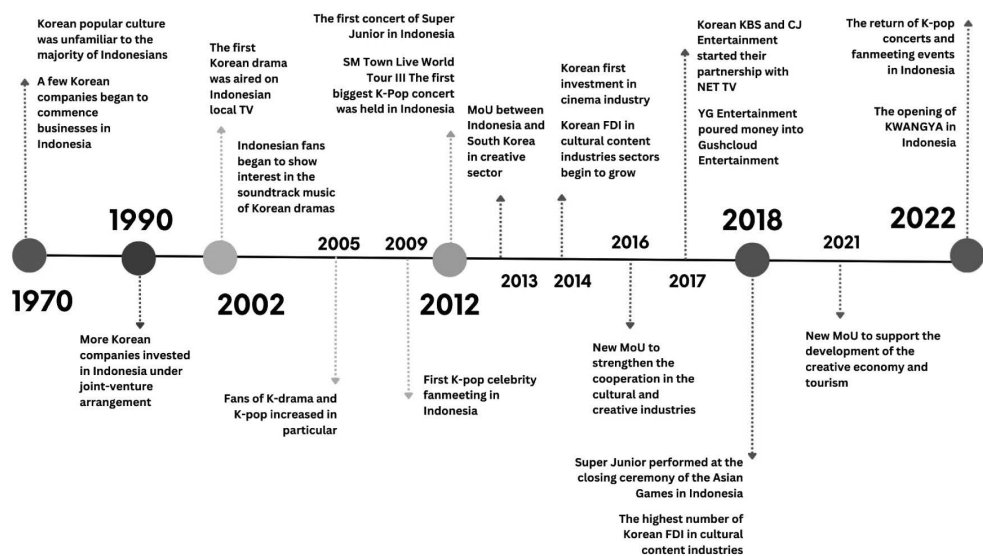


Figure 6 The progressive expansion in Korean investment in Indonesia following Hallyu penetration, particularly in the creative and cultural industries

ventures and partnerships with Indonesian cultural content industries to produce and promote *Hallyu*-related content (see Figure 6). As identified in the findings, Korean firms were keen to form joint-venture partnerships with local TV and media companies to cater to Indonesia's growing number of *Hallyu* fans.

However, Indonesian enthusiasm for Korean culture is not the only factor driving Korean outward FDI. Both governments' attempts to support bilateral cooperation in the creative economy is also critical to increase Korean investors' trust to commence business in Indonesia. Since 2014, three agreements have been made between Indonesia and the South Korean governments to accelerate joint-venture and business partnerships. As many countries declared themselves endemic and reopened their borders in 2022, K-pop artists have been revisiting these countries, including Indonesia, to hold concerts and fan meeting events. Thus, it is likelier for Korean firms to be able to invest more and diversify their businesses in Indonesia's cultural and creative sectors, including content industries after the pandemic finally subsides and the global travel restriction is lifted.

The research also confirmed Indonesia as a unique case for the discussed FDI theories above. Despite the indication that Indonesia has various criteria that may discourage foreign capital from entering, the research findings demonstrate how FDI is tied to the *Hallyu* phenomena continue to flow to Indonesia because of the growing enthusiasm for Korean cultural content in the country and the continuing bilateral commitment between Indonesia and South Korea which fosters the growth of the creative economy sector. While these findings have added another layer to the literature on the impact of cultural phenomena on FDI, further investigation into other relevant sectors that *Hallyu* influences is needed to comprehensively understand how *Hallyu*-led globalisation affects FDI in the country that shows a strong interest and high consumption of Korean culture.

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