Do Hallyu exports promote Korea’s general exports?

Huh, Chan-Guk, Sun Fulai, Wu jie (Chungnam National University)

Contact information

Huh, Chan-Guk, Professor, International Trade Department, Chungnam National University.

Mailing address: Department of International Trade, Chungnam National University, Yuseong-gu, Daejeon 305-764, Korea

Phone and email address: (Phone) 010-8998-9109, (Fax) 042-821-8967.

Email: chanhuh@cnu.ac.kr.

Abstract

There is a growing body of literature that examines the intersections between culture and international economic integrations, such as trades in cultural goods (Francois and Ypersele, 2002; Rauch and Trindade, 2002; Bala and Vann Long, 2005; Marvasti and Canterbery, 2005; Disdier and Mayer, 2007; Olivier et al., 2008; Disdier et al., 2009; Felbermayr and Toubal, 2010; Zhou, 2010). In Korea, this trend takes the form of examining the linkage between the phenomenon of ‘Hallyu’ (or ‘Korea wave’) and overall exports. Many studies have found a significant explanatory role of Hallyu variables in accounting for various types of Korea’s exports, and such findings generally have been interpreted as the former having exogenous positive (trade creating) effects on the latter (Choe and Park, 2008, 2009; Kang, 2009; Nam, 2011; Kim and Ahn, 2012; Choi, 2012; Park 2014, 2015; Lee et al., 2014). However, the most common gravity model specifications consisting of contemporaneous variables used by the researchers are subject to a simultaneity problem that might exist between Hallyu exports and other non-Hallyu exports.

This paper takes a closer look at the linkage. We examine relationships between cultural goods exports and different categories of non-Hallyu tangible goods exports using annual data of Korea for the 2006-2014 period. We use a gravity model framework and analyze panel of Korea’s exports to 51 countries. Two types of cultural goods exports (TV programs, and more broad general Hallyu cultural contents, both in measured in the US dollars), and five types of tangible goods exports (total exports, aggregate consumption goods, three subcategories of the aggregate consumption goods, and cosmetic products), and visitors from the same countries were used in our empirical analyses.

Using the five tangible goods exports mentioned above as dependent variable, we estimate various gravity model specifications with combinations of explanatory variables such as GDPs, distances, exchange rates, populations, GDP per capita, an internet usage variable (World Bank), and two Hallyu export variables of TV programs (country level) and cultural contents (country and geographical area level). The PPML estimation procedure was used to alleviate missing observation problems of the former Hallyu variable.

We find the Hallyu variables to be significant in most of model specifications as in other related papers. We also find some variations in the significance pattern of explanatory variables that are economically sensible for different types of exports. We repeat the estimations using several modified Hallyu variables which do not have the potential endogeneity problem of in the model commonly used in the literature to check the robustness of the results. We find the Hallyu variable modified along the Disdier (2009), which could be interpreted as statistically exogenous to other non-Hallyu exports, to have a good explanatory power.
Reference


