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Varieties of Regional Cultural Flow and Strategy: Revisiting South Korea's Experience from a Global Value Chain Perspective*

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This article examines regional cultural flow from a global value chain (GVC) perspective, focusing on South Korea's engagement in cultural flow in East Asia. The article argues that the regional flow of cultural and media content has been complicated as a result of the growing fragmentation of value chain activities and rising emphasis on localization. It allows for varieties of corporate strategic options for regional engagement beyond the traditional mode of exporting finished products. This article presents an analytic framework to examine such varieties, based on the GVC approach. Three emerging modes of regional cultural flow that depart from the export model—the new international division of cultural labor, format trade and international coproduction—are illustrated with the examples of Korean firms' engagement in regional cultural flow, mainly with China. The implications of the framework and the case illustrations are discussed in relation to regional cultural flow in East Asia.

Keywords: *cultural and creative industries, regional cultural flow, global value chain, South Korea, format trade, international coproduction*

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Introduction

The cultural and creative industries are in flux in our current era (Hirsch 2000; Crane 2008; UNESCO 2015; Wang et al. 2020). Their importance in the global economy has increased in terms of trade, investment and production, particularly amid the global pandemic of COVID-19 as more people are staying at home for longer hours and spending more time watching TV or on the Internet. At the same time, cultural and creative sectors increasingly rely on the cross-border flow of products and services, and media markets are globalizing at a fast pace thanks to the Internet, online steaming platforms like YouTube and Netflix, and social media (Miller et al. 2005; Coe 2015; Chalaby 2016). Meanwhile, the rise of emerging economies and the growth of regional cultural flow reshape the landscape of the global cultural economy, long characterized by a unidirectional, North-to-South flow (Chua and Iwabuchi 2008). They lead to new forms of cross-border collaboration and partnership and provide cultural producers and media firms with various strategic options for international expansion beyond the traditional model of exporting finished products (Lee and Lee 2019).

Despite the increasing complexity of cross-border cultural flow, only scant attention has been paid to its organizational and strategic dimensions (Shin and Kim 2013; Lee and Lee 2019; Wang et al. 2020). While the existing literature in culture, media and communication studies provides valuable insights into the political, economic, and socio-cultural impact of cross-border cultural flow (Crane, Kawashima, and Kawasaki 2002), little has been studied pertaining to the organizational dynamics shaping such flow and their patterns, particularly in terms of inter-firm relations across national borders and along value chains. The rise of offshore outsourcing in cultural production, the rapid expansion of trading TV program formats, and an increasingly complicated web of cross-border collaboration for media production beg for a new approach to understanding the pattern of cross-border cultural flow and firms' strategic options therein.

This paper aims to address the change by examining the shifting landscape of cross-border cultural flow from a global value chain (GVC) perspective, focusing on the engagement of South Korea (hereafter Korea) in regional cultural flow in East Asia. The GVC approach is a prominent way of investigating the geographic and organizational dynamics of global industries, focusing on inter-firm networks formed across geographic boundaries via foreign direct investment and offshore outsourcing, and multinational corporations' (MNCs) roles and strategies in organizing and governing the networks (Ponte, Gereffi, and Raj-Reichert 2019; Pananond, Gereffi, and Pedersen 2020). Particular attention is paid to regional cultural flow in East Asia and Korea's engagement therein. World-regions play an important role as a distinctive unit of cultural and media circulation in the global economy (Berry, Liscutin, and Mackintosh 2009). The pan-Asian popularity of Korean pop culture over the last two decades, dubbed the 'Korean Wave' or Hallyu, provides an ample example of the country's engagement in the vibrant regional cultural flow (Chua and Iwabuchi 2008; Shim 2008). The paper argues that regional cultural flow has been increasingly complicated as a result of the growing fragmentation of value chain activities and rising emphasis on localization. It allows for varieties of corporate strategic options for regional engagement beyond the simple export model.

The next section revisits the global cultural flow literature from a GVC perspective to provide an analytic framework to examine cross-border cultural flow and specify strategic options beyond the traditional model of exporting finished products. The third section discusses regionalization in the changing global economy and overviews the historical evolution of regional cultural flow in East Asia. In the fourth section, three new modes of regional cultural flow beyond the traditional export model, i.e., the new international division of cultural labor (NICL), format trade and international coproduction, are illustrated with the examples of Korean firms' engagement in regional cultural flow, based on the author's field interviews and data from secondary sources. The final section discusses the implications of the framework and the case illustrations to the study of regional cultural flow in Asia.

Varieties of Regional Cultural Flow and Strategy: A Framework

Accompanying the intensification of economic and cultural globalization, the mode of cross-border cultural flow has diversified beyond the traditional export model based on finished goods. Countries and firms trade fine-sliced 'tasks' as cultural production becomes fragmented and dispersed geographically via offshore outsourcing. Instead of TV series in a finished form, their 'format' is exported for localized production. New forms of international arrangements have emerged to collectively produce media content that appeals to multiple local markets. Furthermore, not only global media giants from the Global North but also MNCs from the Global South play a key role in shaping regional and global cultural flows. Firms participate in an increasingly complicated web of inter-firm relations to compete and collaborate with one another, which makes varieties of corporate strategies become available for international expansion (Coe 2015; Lee and Lee 2019). Thus, we need to look beyond the traditional export model to better understand the changing nature of cross-border cultural flow and its organizational and strategic dimensions.

A GVC approach provides a valuable entry point for this endeavor. It originated in an scholarly effort to comprehend the geographic and organizational fragmentation of production through offshoring and outsourcing, and the expanding role of global lead firms in coordinating the globalized system of production (Gereffi and Lee 2012; Milberg and Winkler 2013; Ponte, Gereffi, and Raj-Reichert 2019). From a GVC perspective, the global economy consists of a network of inter-firm relations through which the entire production process is conducted from conception of a product or service to its end-use. Value chains link a series of buyers and suppliers in different countries and regions that carry out production tasks and add value at different segments of the chains.

The approach is distinctive from conventional perspectives on global trade. It highlights a complicated form of international division of labor, looking beyond a conventional bilateral trade of finished products. The global economy is characterized by the trade of intermediate goods that cross national borders multiple times for further processing (Sturgeon and Memedović 2011). It also illuminates the crucial role of lead firms in governing who produces what, where, and when, thereby shaping the flow of trade, production and investment and determining value capture among participants (Gereffi, Humphrey, and Sturgeon 2005; Dallas, Ponte, and Sturgeon 2019). In this regard, from a GVC approach, one important analytical dimension of cross-border cultural flow is the degree of specialization, i.e., whether cross-border trade is based on finished products or intermediate products and specialized tasks that require further processing elsewhere.

Another dimension of interest is the degree of localization. Localization, or producing and selling products attuned to local demands, is an important form of global corporate strategy that contrasts global standardization strategy (Bartlett and Ghoshal 2002). It is more important in the context of cultural and creative industries because cultural and creative products tend to be subject to cultural discount (Wang et al. 2020).[1] Therefore, by juxtaposing the two dimensions of specialization and localization, we can conceive four distinctive modes of cross-border cultural flow and corporate strategic options for international expansion in cultural and creative GVCs, as illustrated in Figure 1.

		Degree of localization: Low	Degree of localization: High
Unit of specialization	Product	Export Model	Format Trade Model
	Task	New International Division of Cultural Labor (NICL) Model	International Coproduction Model

Fig. 1.—A typology of cross-border cultural flow

Source: Author.

The conventional 'export' model is based on trading of cultural products in the form of finished goods, be they TV shows, music, films, or online games. Despite the rise of more complicated forms of cross-border cultural flow, this 'trade-in-goods' model is still an important part of global cultural trade and internationalization strategy for cultural producers. In this model, the end product is typically produced in one country by a domestic producer and exported to another country, where it is distributed in a finished form with little modification other than, for example, adding subtitles. Since the end product is designed and produced mainly for domestic consumption in the original market, the level of localization is relatively low in foreign markets. Localization is not a primary concern for producers, and foreign audiences accept the product as a imported content.

One departure from the export model is the 'new international division of cultural labor' (NICL) model (Miller et al. 2005). Whereas production in the export model is conducted domestically in the country of origin, the

[1] Cultural discount refers to the phenomenon that the value of cultural or creative outputs decrease as they travel to a foreign market due to differences in social and cultural values and contexts, lack of relevant background knowledge, or language barriers (Hoskins and Mirus 1988).

NICL model is based on a task level of international labor division, where different tasks are conducted in different countries via offshoring and outsourcing. The organizational fragmentation and geographic dispersion of production are mainly driven by the motivation to save on production costs by sending labor-intensive tasks to lower-cost locations. Since the strategy is generally not related to localization, the finished product may not be available in the country where outsourcing was conducted, and inputs from outsourcing suppliers are not sought after to make the product appealing to local audiences. A notable example is the 'runaway' production of Hollywood films (Gasher 2002; Elmer and Gasher 2005; Scott and Pope 2007). In the case, some part of production is done outside Hollywood, for instance, in Vancouver for filming or by Australian contract studios for post-production, while other tasks, like scriptwriting, casting and financing, remain conducted in Hollywood. Another example is the extensive use of outsourcing suppliers in East Asia, including Korea, to produce Western animations, from *The Simpsons* to *SpongeBob SquarePants* (Lent 1998; Yoon and Malecki 2010; Lee 2019).

Another direction of departure from the export mode is the 'format trade' strategy. What is traded here is a program format, defined as "the structure of a show that can generate a distinctive narrative and is licensed outside its country of origin in order to be adapted to local audiences" (Chalaby 2016, p. 13). It generally includes a detailed and precise description of the production decisions embodied in the original program, codified in an elaborate text, usually termed the 'production bible' (Moran and Malbon 2006; Zeng and Sparks 2017). Format trade has emerged since the early 1990s as a distinctive form of business strategy to trade media content internationally and cater to local audiences across different markets (Moran 2009; Chalaby 2015), with notable worldwide success of format franchises such as *Who Wants to be a Millionaire?*, *Survivor*, and *Big Brother.* The recent rise of the format trade, particularly for TV programs, sheds light on a new mode of global cultural trade with a high degree of localization (Ndlela 2017). Instead of a finished program with little room for local adaptation in foreign markets, companies now trade their formats on the assumption that local versions of programs can be completed by the purchasing party based on the formats in a way to increase audience appeal in the target market.

Finally, 'international coproduction' is a more complex mode of cross-border cultural production, combining a task-level specialization and a high degree of localization. It is defined as "any production/business arrangement, between organizations based in different countries, ranging from co-financing, where one partner's primary role is provision of a cash investment, to full co-production, where the creative, artistic, and financial contributions are roughly equal" (Hoskins, McFadyen, and Finn 1997, p. 102). Generally, this form of cross-national partnership is formed among multiple firms from different countries with the intent to produce and distribute a cultural product in their own markets and beyond. The partners aim to not only pool together creative, financial, and market resources but also broaden the product's cross-cultural appeal and market access by providing various local inputs (e.g., scripts, actors, distributors) (Strover 1995; Lee 2015). Long used in pan-European film production, it is now used widely in TV production and animation. Instead of transforming one successful format into multiple local adaptations as in the format trade model, international coproduction generally aims to produce a single product that is marketable and appealing to multiple local markets. Since it focuses on combining complementary resources from each and every partner, the arrangement could lead to an elaborated, task-level form of international labor division along the value chain (Lee 2019).

Regionalization and Regional Cultural Flow: The East Asian Context

The importance of regions in the global economy grew over the last decades. First, emerging economies rose as a key growth market, particularly in the wake of the global financial crisis of the late 2000s, in contrast to stagnant market growth in advanced economies. It has shifted end markets in many GVCs to the Global South (Cattaneo, Gereffi, and Staritz 2010; Barrientos et al. 2016). In response, global lead firms strengthened their embeddedness in regional markets in the Global South, and a growing number of MNCs from emerging economies expanded their presence to regional markets (Ramamurti and Singh 2009). Second, the rising importance of regional markets is also attributed to a series of regional integration initiatives, including preferential trade and investment agreements. The enlargement of the European Union (EU) and the North American Free Trade Agreement (NAFTA) in the 1990s and the other subsequent regional free trade agreements lowered the barriers for the flow of goods and services and expanded the boundaries of regional markets. Finally, regional value chains and regional circuits of trade and investment have gained more significance due to the recent US-China trade war and the global pandemic of COVID-19

(Enderwick and Buckley 2020). Amid heightened concerns over disruptions in trade and supply chains, countries and firms prefer regionalized production systems and near-shoring to minimize the risk of potential disruptions or unexpected trade barriers. All these developments point to the growing importance of regional markets as a key locus of cross-border trade, investment and production in a polycentric global trade and economy (Horner and Nadvi 2018).

The rise of regional cultural flows, particularly ones not mediated by Western media, is nothing new. Media content is frequently exported to neighboring markets with geographic, socio-cultural, and linguistic proximity (Bielby and Harrington 2008; Chua and Iwabuchi 2008; Berry, Liscutin, and Mackintosh 2009). Historically, East Asia experienced a gradual expansion of regional cultural flow in the post-World War II period. The Cold War, which reshaped geopolitics in the region, segmented regional cultural flow between capitalist and socialist blocs. The cultural inflow from the opposing side was blocked while intra-bloc cultural flow was promoted to strengthen internal ties. As a new hegemon, the US exerted a strong cultural influence in the region, promoting US popular culture across the capitalist bloc (Lee 2020). At the same time, pre-war linkages were forced to be closed (Shim 2020), and a legacy of colonial occupation hindered cultural flow between Japan and Korea. These made regional cultural linkages remain patchy at best throughout the Cold War period, until the late 1980s.

Yet, the increased cross-border flow of capital, media, and people gradually rebuilt and expanded a regional circuit of cultural content. Throughout the 1980s and 1990s, Japanese cultural content—video games, pop music, TV shows, and animation, among others—rapidly expanded its presence across Asia and beyond amid the country's postwar revival and the regional expansion of Japanese MNCs (Craig 2000; Iwabuchi 2004). The pan-Asian popularity of Hong Kong films also grew as the industry actively pursued expansion across Asia in the face of its inability to access the mainland Chinese market (Shim 2020). Regional cultural flow in East Asia accelerated amid a rapidly changing media environment (Crane 2002; Chakravartty and Sarikakis 2006). The diffusion of various media, from TVs to personal computers, and the development of international communication technologies, from satellite TVs to the Internet, built a fertile ground for cross-border media consumption. Liberalization and deregulation transformed the once state-controlled media industry to a market-oriented one across the region. The democratic transition in some parts of the region allowed for a wider space for free expression, dispelling a specter of government censorship. Finally, the end of the Cold War cleared a political barrier, integrating China into an expanding regional media market.

Over the last decade, regional cultural flow has evolved into a complicated form within and across East Asia. The surging presence of China is noticeable in the regional media industry not only as the biggest market but also as a producer, exporter, and investor. Chinese tech and media giants such as Alibaba, Baidu, and Tencent expanded their influence across Asia (Keane and Wu 2018). At the same time, global media giants such as Netflix, YouTube, and Disney increased their footprints in the regional media market, not only competing but also partnering with firms in the region (Lobato 2019). As illustrated below, the traditional export mode is complemented by a more diversified set of regional cultural flow and corporate strategies, from offshore outsourcing and format trading to various forms of international coproduction and partnership among Asian firms as well as between Asian and non-Asian ones. Finally, despite strong drivers for regionalization amid greater uncertainty in the post-pandemic era, various barriers to cross-border cultural flows are still in place, as exemplified by the Chinese government's ban on Korean media content amid diplomatic tensions in 2016 (Park, Lee, and Seo 2019). Therefore, firms have to navigate ever complex and evolving economic and institutional terrains with various strategies for regional expansion, as illustrated in the next section.

Korea's Engagement in Regional Cultural Flow

Korea's cultural and creative exports have continued to increase since the late 1990s. In 2018, the country exported over US $9 billion worth of cultural and creative content, more than seven times its exports in 2005, as shown in Figure 2. More than a half of the exports are attributed to gaming while music, TV shows, and character licensing are also among the country's major export products.

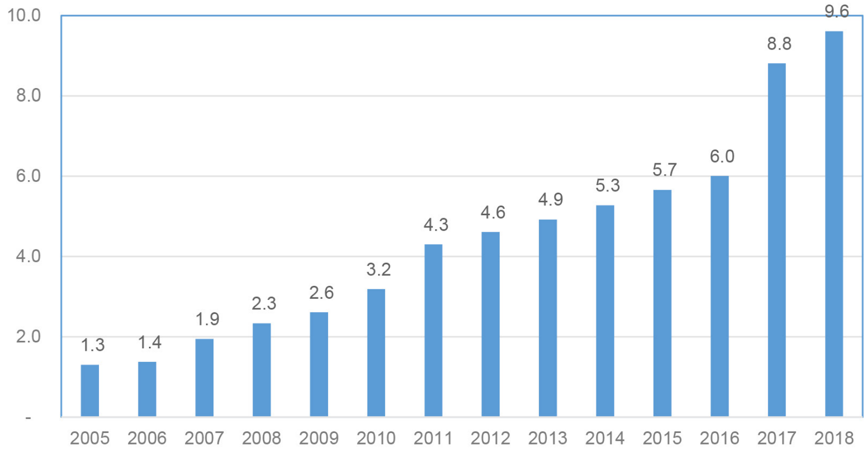

Fig. 2.—Korea's cultural and creative export, 2005-2018 (unit: US$ billion)

Source: Ministry of Culture, Sports and Tourism (MCST), *Statistics Survey of the Content Industry* (https://www.index.go.kr/potal/stts/idxMain/selectPoSttsIdxSearch.do?idx_cd=2752&stts_cd=275201&freq=Y).

Geographically, Asia is Korea's largest export destination. In 2018, 70 percent of its exports in value were destined to East Asia (including Japan, China, Taiwan, and Hong Kong) and Southeast Asia, indicating the persisting importance of the regional market, as shown in Table 1. Within Asia, the Greater China region, including Hong Kong and Taiwan, was the largest, representing 37 percent of the Korea's total exports, followed by Japan (20 percent) and Southeast Asia (13 percent). While gaming is in the lead for all three major importing markets, its share varies by destination. In 2018, gaming accounted for 87 percent of exports to the Greater China region, but in Japan it was still the largest but less dominant (49 percent), followed by music (20 percent).

In the rest of this section, based on the proposed framework, I illustrate three new modes of regional expansion strategies beyond the traditional export model using Korean firms' experiences of engaging in Asian markets. The NICL model is found in the cases of animation, gaming, and computer graphic/visual special effects (CG/VFX). For the format trading strategy, Korea's export of TV dramas and reality shows is mainly examined with focus on the Chinese market. Finally, for international coproduction, the cases of film, TV shows, and animation are examined.

Table 1
Korea's cultural and creative exports by region/subsector, 2018 (unit: US$ million)

	Greater China Region	Japan	Southeast Asia	North America	Europe	ROW	Total
Gaming	2,982	908	662	1,021	418	421	6,411
Characters	158	68	109	177	154	79	745
Knowledge & information	57	244	281	29	12	11	634
Music	112	367	69	7	7	1	564
Publication	18	40	52	73	11	55	249
Broadcasting[a]	61	96	25	57	2	38	277
Content solution	28	70	40	25	27	24	215
Animation	8	33	4	92	33	6	175
Film	17	5	5	3	2	10	42
Cartoon	2	12	8	5	12	1	41
Total	3,442	1,843	1,255	1,488	678	647	9,352
% Total	*36.8*	*19.7*	*13.4*	*15.9*	*7.3*	*6.9*	*100.0*

[a] program format sales are not included.
Source: Ministry of Culture, Sports and Tourism (MCST), *Statistics Survey of the Content Industry* (https://kosis.kr/statHtml/statHtml.do?orgId=113&tblId=DT_113_STBL_1024780&conn_path=I2).

Offshore Outsourcing and Regional Division of Labor

Outsourcing has long been used in cultural and creative production, often giving rise to a local cluster densely populated by tightly connected, flexibly specialized firms (Scott 1984; Storper and Christopherson 1987). Intense market competition and cost-cutting pressure, combined with advanced communication technologies, have facilitated the growth of offshore outsourcing in cultural and creative GVCs, as in manufacturing and other services. In addition to cutting production costs by capitalizing on a large pool of low-wage workforces abroad, a host of other factors such workforce shortages and labor unrest at home, and the need for advanced skills also play a role in the expansion of offshore outsourcing, or the NICL (Lent 1998; Miller et al. 2005).

The Korean animation industry is a notable example of the persistence of offshore outsourcing, illuminating its changing position in global and regional value chains. Until the onset of the Korean Wave in the 2000s, contract-based animation exports were one of the country's major cultural export items. In 1986, Korea exported merely $7 million in animation, but the export exploded in the ensuing decade, reaching $167 million in 2000. The overwhelming majority of the export was on a basis of contract, by which Korean studios typically conducted labor-intensive tasks for foreign studios based on the latter's specifications (Lee 2019). The export growth was mainly driven by US and Japanese studios' increased outsourcing of TV animation to offshore suppliers in Korea, Taiwan, the Philippines, and others in Asia. Korean suppliers gradually upgraded their skills and capabilities to assume more complicated tasks, enabling the country to emerge as one of the world's largest animation exporters by the late 1990s (Lent 1998; Lee 2019).

In the following decades, Korean animation studios began to search for foreign outsourcing suppliers in the face of rising wages and the shortage of skilled animators at home. For example, Korean suppliers for Japanese buyers extended their production networks to China. Similar to what American and Japanese studios did a few decades ago, they farmed out the labor-intensive, low-skilled parts of 2D hand-drawn production to offshore suppliers as a way to cut costs and avoid order overflows (Lee 2019). This move coincided with the rise of China as a new outsourcing destination among Japanese and Western studios (Yin 2016).[2] Some Korean studios have also explored outsourcing opportunities in Vietnam, where US, European, and Asian studios have increased their presence in terms of animation, gaming, and VFX.[3]

Computer gaming is another sector where Korean firms have found regional offshoring opportunities. Similar to 3D computer animation, PC- and console-based computer games nowadays heavily rely on a massive volume of digital graphic work for production, and cutting production costs

[2] The increased dependence of Japanese animation on Chinese suppliers recently caused a series of significant broadcasting delays due to the outbreak of COVID-19 in China (https://news.joins.com/article/23736137).

[3] A notable investor is Virtuos, a Singapore-headquartered, multinational game developer and digital production service provider. In 2011 it acquired Sparx* Animation Studio, a French-Vietnamese firm based in Ho Chi Minh City, for 3D animation and digital production for film and TV series.

has become important in the face of ballooning budgets. Furthermore, a large volume of graphic work is required for a relatively short period at the production peak, and the required workload drastically declines once the game is launched. Thus, some Korean game developers and their suppliers have established production studios abroad to respond to the workforce requirements and its fluctuation. An example is Studio A, a Shanghai-based firm founded by Koreans. It specialized in making graphic and background image assets for computer games on a contract basis, serving Korean, Japanese, and Western game developers. As of early 2019, the five-year-old studio employed about 150, mostly young, Chinese animators, trained and managed by a dozen Korean and Chinese managers. The executives interviewed said that the key considerations that led to them starting their business in China were lower labor costs and the easy-to-hire-and-fire aspect, in addition to the availability of a large workforce despite lacking experience and skills.[4]

The opposite direction of outsourcing flow is the case of Korean CG/VFX studios working for foreign, mainly Chinese, film projects. The Korean CG/VFX industry rapidly expanded in the early 2010s. In 2012-15, the total revenue of its five largest CG/VFX studios, including Dextor Studio, tripled from 23 billion to 69 billion Korean won (NIPA 2017). In addition to the overall increased use of CG/VFX assets in feature films, a more significant momentum for growth came from abroad as Korean studios received a number of graphic work orders for Chinese feature films, and the popularity of sci-fi, action, and fantasy genres particularly drove the demand. Korean studios provided a high-quality production with costs much lower than Hollywood's, and geographic and cultural proximity accommodated timely communication between the two sides in this form of nearshoring. The case highlights that while cutting costs is an important consideration, tapping on foreign suppliers with advanced skills is also a key motivation for engaging in the regional cultural market.

Regional Trading of Program Formats

Trading program formats and production know-how was nothing new in the TV industry, but an institutionalized form of trading formats internationally only emerged as early as the 1990s. Producers began to systematically document production knowledge and collect it under the name 'program format' so that an original program can be recreated in an adapted form in different markets

[4] The author's interview with CEOs of Studio A (anonymized), Shanghai, January 2019.

(Moran 2009; Chalaby 2016). The format business has since been on the rise; in Europe the revenue generated by broadcasters just from the top 100 formats amounted to $2.93 billion in 2013 (Whittingham 2014), and about a third of primetime programs scheduled by US and German commercial broadcasters were purchased or sold for adaptation (Esser 2013). Although a region tends to contain a relatively homogeneous set of media markets, format trading can still be advantageous to both ends of the regional media flow (Chalaby and Esser 2017). It enables a more sophisticated local adaptation given their socio-cultural proximity, and success in a neighboring market leads to a greater confidence for format adoption in other regional markets. Furthermore, the geographic proximity facilitates the movement of the so-called 'flying staff,' who take part in an offshore production to transfer know-how and ensure quality.

Korean TV series have gained growing recognition and popularity across Asia since the early 2000s, notably thanks to the huge success of dramas *Winter Sonata* and *Jewel in the Palace* (a.k.a *Dae Jang Geum*) abroad, which harbingered what is now known as the Korean Wave (Chua and Iwabuchi 2008; Leung 2009). Later joined by more diverse genres of TV shows and music content ('K-pop'), it gave rise to the export growth of Korean TV content in its finished form. While finished program-based exports continued to grow, the export of formats began to take off in the early 2010s as more Asian producers ventured into remaking Korean TV programs for their local markets. For example, the remake of Korean dramas such as *Fall in Love* (2011) and *The Temptation to Go Home* (2011) met great success in China (Park, Lee, and Seo 2019).

Their region-wide success opened up a new mode of regional cultural flow, and reoriented Korean producers' approach to regional expansion. In 2012-2016, Korea's format-based TV program exports skyrocketed from $1.3 million to $55 million and the share of format exports among the total TV program exports rose to 16 percent (Nam 2018). As more diverse sets of Korean TV programs became available in a format, adaptation expanded to other genres like celebrity reality shows and game shows. The notable successes include the franchises of *I Am a Singer* (2013), and *Dad, Where Are You Going?* (2013), both by Munhwa Broadcasting Co. (MBC), and *Running Man* (2010), a long-running variety game show by Seoul Broadcasting Co. (SBS), whose Chinese adaptation, *Hurry Up, Brother* (2014), made a huge splash as well.

Korea's export of formats, specifically to China, highlights the evolving and dynamic nature of regional cultural flow. Earlier cases featured a full deployment of Korean staff to assume the entire production of a local adaptation with little input from the Chinese partner although Korean staff had little experience of offshore production and had to make use of trial and error (Zeng and Sparks 2017). Later, a more formalized process was established, including a full-package contract with program bibles, licenses and travelling consultants (Cho and Zhu 2017).[5] At the same time, as Chinese production staff gained skills and experience over time, it became evident that local input became critical for success, and it allowed Chinese staff to take more initiative while their Korean counterpart was positioned as an advisor (Zeng and Sparks 2017). In some cases, such a shift in the relationship made a format trading project move towards a form of co-production, as discussed below. In other cases, Chinese firms hired Korean producers to create and develop an entirely new production for the local market. While a form of 'in-sourcing' in the latter cases caused outcries of 'brain drain' in Korea,[6] it was also part of Chinese firms' response to growing local criticism for and tightened government regulation against an outright dependence on imported media content.[7]

Regional International Coproduction

International coproduction is distinctive from the format trade model from a value chain perspective. Illustrated in Figure 3, the latter enables each country to produce a local adaptation, and each localized version, as well as the original one, has its own value chains, from conception and production to sales and marketing. In contrast, in international coproduction, coproduction partners trade tasks and resources as intermediate inputs to produce a joint output that is appealing to audiences in different markets. For that purpose, each of the partners contribute their own resources to the project and share the rights involving the product (e.g., broadcasting rights) as well as the profits (or losses) from it. The partners provide inputs necessary to make the project financially affordable but also the end product accessible and appealing in their own and also other markets.

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[5] Still, the bibles for Korean formats were generally much less structured and detailed compared to their Western counterparts, which made the presence of flying staff even more important, and at the same time gave more freedom to local adaptations (Zeng and Sparks 2017).

[6] In-sourcing refers to a business practice of bringing in professionals or specialists to fill temporary needs or training existing personnel to perform tasks that would otherwise have been outsourced.

[7] The author's interview with Head of Chinese Office for a Korean broadcasting company, Shanghai, January 2019.

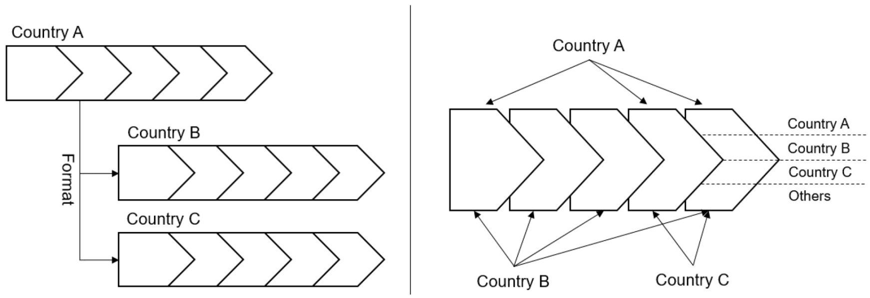

Fig. 3.—Format trading and international coproduction: A value chain perspective

Source: Author.

The Korean producers' engagement in the Chinese TV market evolved in multiple directions, as noted above, and one of them was the rise of international coproduction. In TV dramas, the scope of coproduction tended to be limited to the participation of popular Korean actors in Chinese adaptations of Korean dramas, or the financial investment by Chinese investors in Korean projects as a way to secure rights (MCST 2017).[8] More active was the Korea-China coproduction in TV reality shows. In *Hurry Up, Brother*, and *The Great Challenge* (2015), a adaptation of MBC's *Infinite Challenge* (2006), the two parties involved not only shared production bibles and staff but also engaged in revenue-sharing (Zeng and Sparks 2017). However, the Chinese ban on Korean media content in 2016 has forced the near-complete freeze of collaboration between the two countries.[9]

Another domain where international coproduction has been active is animation, and this case exhibits another interesting aspect of international coproduction and its role in regional cultural flow. Since the early 2000s, a number of Korean animation studios began to produce original animations based on their own creations, not working as a contract supplier for foreign studios. The new breed of producers, as they aimed to go global, realized that coproducing with foreign partners, particularly established Western studios and distributors, was an effective way to secure more financial resources but also make their animations globally visible and attractive to a wider range of

[8] A notable example was the investment by Zhejiang Huace Film & TV Co., one of the major Chinese producers, in *Descendants of the Sun* (2016), an all-Korean TV drama that was hugely successful across Asia.

[9] One side effect of the restriction is the rise of outright copycat production (MCST 2017).

foreign audiences. As international coproduction projects increased, partly assisted by government support, international coproduction became the major mode of internationalization for Korean animation producers by the early 2010s (Lee 2019).[10] One important ramification to regional cultural flow is that it made Korean producers take the Asian market more seriously. In many coproduction deals, Korean firms tended to secure territorial rights for broadcasting and merchandising for the entire Asian market or part of it in addition to their home market. As their financial returns were tied to the project's region-wide performance, Korean firms began to strengthen their ties to Asian distributors and merchandizers, creating new intra-regional linkages (Lee 2015, 2019).

At the same time, these original animation producers approached to the Chinese market differently from the way contract-based suppliers for foreign buyers did (see above). They mostly looked for coproduction opportunities, mainly due to stringent regulations for imported animations in China (Macdonald 2015). They partnered with Chinese firms to develop and make animation shows available via TVs and increasingly online platforms like Youku, which would contribute to generating revenue based on sales of toys and another merchandizing goods (MCST 2017).[11] Yet, due to the fast growth and upgrading of the Chinese animation industry, large animation studios in major coastal cities like Beijing and Shanghai came to have a deeper pocket for investment than their Korean partners and preferred the outright purchase, not sharing, of related rights to the original content. Furthermore, the Hallyu ban played a role in limiting further partnership opportunities. In response, some Korean producers tried to find more creative ways to circumvent regulations but still do business in China.[12] For example, they sought partnership opportunities with firms in inland cities like Chengdu, which is a latecomer but active in promoting gaming and other high-quality creative content and thus more open to foreign creative partners. Also, instead of exiting, some of them sought to deepen their localization effort by focusing on the further upstream nodes of the value chain, for instance, creating Chinese-based animation and intellectual property (IP) mainly for

[10] The number of internationally coproduced projects with at least one Korean partner increased from three to 11, and a total of 43 new international coproduction projects were arranged by 30 different local studios in 2003-2009 (KOCCA 2009).

[11] In 2010-2016, a total of four Korean animation studios, including RedRover and Daewon Media, newly established a joint venture with Chinese partners for coproduction (MCST 2017).

[12] The author's interviews with Head of Chinese Operation in a major Korean animation studio, Beijing, May & June 2019.

the Chinese market. They may give up some of their IP assets but can make money by selling merchandize products, which is not subject to the same restrictions as animation itself.

Discussion and Conclusion

This paper examines regional cultural flow from a GVC perspective, focusing on Korea's engagement in cultural flow in East Asia. It highlights that cross-border cultural flows are increasingly complicated and firms' strategic options are gradually diversifying as production process becomes fragmented internationally and specialized at a task level and local adaptation gains more significance. The article provides a framework for analyzing the varieties of regional expansion strategies, based on two dimensions: specialization and localization. Three new modes of regional cultural flow beyond the export model—NICL, format trade, and international coproduction—are illustrated with examples of Korean firms' engagement in regional cultural flow, mainly with China.

This paper has several implications to the study of the contemporary cultural and creative industry and regional cultural flow in East Asia. First, it illuminates the importance of organizational and strategic approaches to the study of cross-border cultural flow. The existing literature has paid scant attention to the organizational forces that support the increasingly diversified regional and global cultural flows. The role of various corporate actors, big or small, domestic or multinational, and how they interact with one another have gained attention only recently (Lee and Lee 2019). Building upon the insights of the GVC approach, this study advances our understanding of organizational structure that undergirds regional cultural flow and shapes corporate actors' opportunities and constraints therein (Wang et al. 2020). By examining cases of Korea's engagement in regional cultural flow, the study also provides an analytical lens to examine the organizational and business strategic dimensions of the Korean Wave, an underexplored subject with a few exceptions (Shin and Kim 2013).

Second, the article casts light on the growing complexity of cross-border cultural flow and variegated strategic options for regional expansion. While the GVC approach highlights organizational fragmentation and geographic dispersion, the cultural and creative industry case adds an additional layer, i.e., localization. A varying extent of strategic focus on localization can lead to different types of strategy. Each strategic option has its own advantages and disadvantages, and its impact is not straightforward but varies across value chain actors involved—small or big firms, and producers, investors or distributors, and employers, employees or freelancers. For instance, the export model may have limitations in making the content appealing to foreign audiences, but is good for keeping the integrity of the output and maintaining a robust local industrial base since the entire value chain is based at home. Meanwhile, working on specialized tasks as a supplier is often fitting to smaller firms with less resource and experience, and outsourcing could provide a steady stream of work and revenue not available with their own projects (Parker and Cox 2013). However, working solely on contract-based projects may limit their skill-sets and growth potentials (Lee 2019). While the format model is attractive to broaden the market appeal of the output, making a local adaptation is not straightforward and could be subject to various conflicts, negotiations, and power dynamics (Zeng and Sparks 2017). Similarly, control and power are at the forefront in international production because it is all up to negotiation among partners who contributes what and how each contribution is evaluated (Lee 2015). In this regard, it is promising to interrogate micro-level dynamics of inter-firm interaction and the role of individuals and groups therein in managing cross-cultural tension, conflict, and negotiation.

Third, the case study paints a more complicated picture than the proposed framework may imply. The boundaries between different modes are not necessarily clearly demarcated and the mode of cultural flow evolves from one to another. Korean TV programs in China is a case in point. The model of exporting finished TV programs at the early stage quickly expanded into the format trade mode as localization demands became stronger on the receiving end. Then, in some instances, format-based collaboration provided a steppingstone to international coproduction as both parties became more complementary to one another. In other instances, it tilted towards reverse outsourcing as Chinese firms sought to hire Korean staff on a contractual basis to fill in the gap in their own domestic chains. The upgrading of Chinese firms and workforce in their skillset and capabilities as well as their embeddedness in local markets, audiences, and regulations played an important role in this evolution. The shifting relationship is also notable in animation coproduction, where the growth of Chinese studios has changed the balance of power with Korean studios in coproduction. Two streams of future inquiry are promising. One is to investigate the conditions under which lead firms, suppliers, and other chain actors choose one mode over another, e.g., format trading instead of coproduction, and what factors—

economic, social, cultural, and institutional—affect such choices (Pananond, Gereffi, and Pedersen 2020). Another is a more in-depth study of regional cultural flow from the perspective of power and governance, the key dimensions of GVCs (Ponte, Sturgeon, and Dallas 2019).

Finally, the paper raises several important questions regarding the future of regional cultural flow in East Asia, and specifically the Korean Wave. One is related to the impact of the fast and compressive upgrading of Chinese firms on cultural and creative industries in their neighbors as well as the entire regional value chains. It has been posing significant challenges to Korean firms across sectors. Some decided to exit and move onto other markets such as Southeast Asia, while others, as illustrated above, are seeking to find value chain niches where they can coexist and collaborate with Chinese firms. Another, and related, question is the impact of the US-China trade war, i.e., whether the region will return to a fragmented system of cultural flow as witnessed during the Cold War era. While the effect of the trade conflict appears to be less dramatic to Korean cultural and creative firms than to manufacturing and service (e.g., tourism) industries, this is only because they have already been adapting to a post-Hallyu ban environment. Their eyes are on Japan and other Asian nations outside of China as well as Western markets, where the visibility of Korean pop culture has drastically increased over the last several years.[13] Finally, while not addressed in the paper, the emergence of regional and global mega-platforms like Tencent and Netflix signals a considerable reconfiguration of the way local media markets are connected and interact with one another. The question is what opportunities and constraints the new terrain will provides for local firms.

Despite the limitation that the Korean case was not fully explored but only used for an illustrative purpose and mainly limited to the country's contemporary relation with China, this study provides an analytical lens based on the GVC approach to address these questions and revisit regional cultural flow in East Asia from organizational and strategic perspectives.

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[13] Notables are the worldwide success and recognition of BTS, the first ever Grammy-nominated K-pop band, and *Parasite*, a 2019 Oscar-winning Korean film.

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