

YANOLJA RESEARCH INSIGHTS

# Key Conditions for South Korea's Leap to a Leading Tourism Nation



YR

# CONTENTS

## Issue

Key Conditions for South Korea's Leap to a Leading Tourism Nation	01
--	----

## Appendix

Key Economic Indicators	20
-------------------------	----

# Key Conditions for South Korea's Leap to a Leading Tourism Nation

SooCheong Jang<sup>1</sup>

Kyuwan Choi<sup>2</sup>

As we approach the end of 2024, reflecting on South Korea's tourism industry reveals a year marked by both challenges and opportunities. The ongoing war between Russia and Ukraine, global inflation, and the slowdown of China's economy have exposed various risk factors across our tourism sector. However, the global popularity of K-culture has elevated global interest in South Korea to an unprecedented level, going beyond merely increasing the number of inbound tourists. It has imprinted Korea's culture, lifestyle, and unique charm on the world stage. This year served as a critical turning point, showcasing the potential for South Korea to leverage tourism as a strategic asset, enhancing national competitiveness and image beyond just an industry perspective.

Notably, 2024, a year that fully overcame the aftermath of the COVID-19 pandemic, marked a new phase of exploration for inbound tourism. Efforts expanded beyond showcasing basic tourist attractions to activating experiential tourism, such as traditional cultural activities. Furthermore, innovative approaches leveraging digital technologies offered more diverse experiences to foreign tourists. These changes have not only resulted in short-term achievements but also laid the essential groundwork for South Korea to grow into a leading global tourism nation. However, the recent declaration of martial law and the impeachment of the president in early December have introduced significant political uncertainties, posing severe challenges for South Korea's tourism industry in 2025. Despite these difficulties, the accumulated dynamism of recovery post-pandemic and the global influence of K-culture continue to present opportunities for South Korea to ascend as a global tourism powerhouse.

Therefore, it is time to clearly understand past achievements and limitations, objectively diagnose the current situation, and establish specific strategies for South Korea's leap to become a leading tourism nation. This study aims to comprehensively review various aspects of South Korea's tourism industry, identify areas for improvement, and explore the conditions necessary for the country to advance as a leading global tourism nation.

1 Professor, Purdue University & Director, Yanolja Research / jang12@purdue.edu

2 Professor, Kyunghee University & Director, H&T Analytics Center / kwchoi@khu.ac.kr

## An Advanced Economy with Insufficient Tourism: The Current Status of South Korea's Tourism Industry

In March 2022, the United Nations Statistical Division reclassified South Korea from a developing country to a developed country. This change reflects the recognition of South Korea as a developed nation by major international organizations and credit rating agencies, such as the UN, IMF, OECD, Dow Jones, S&P, and FTSE Russell. The World Bank has also classified South Korea as a high-income country. Notably, in July 2021, UNCTAD shifted South Korea's status from Group A, which includes developing countries, to Group B, composed of major developed nations. This marked a historic first since the establishment of UNCTAD and served as a significant turning point, acknowledging South Korea's economic achievements on a global scale.

However, in contrast to its economic accomplishments, the scale and global competitiveness of South Korea's tourism industry remain lacking. Most developed countries have tourism industries proportional to their GDP rankings, yet South Korea's tourism sector contributes significantly less when considering the size of its GDP. For instance, in 2023, South Korea's GDP ranked 13th globally at \$1.71 trillion, but the tourism sector's contribution to GDP was a mere 2.8%. This figure is markedly lower than the tourism contributions of major developed nations such as Spain (14.6%), Italy (13.3%), China (10.9%), the United States (7.8%), and Japan (7.5%), as well as the global average of 10.4%.

One of the limitations of South Korea's tourism industry is that its growth has largely depended on the overall improvement in national competitiveness. In the World Economic Forum's 2023 Travel & Tourism Development Index, South Korea ranked 14th out of 119 surveyed countries, a notable improvement from 42nd in 2007. However, a closer look at the sub-indices reveals underperformance in areas directly related to fostering the tourism industry. For example, the Prioritization of Travel and Tourism index, which measures the degree of government and investor efforts toward tourism development, ranked 66th. The International Openness index, which assesses the accessibility for foreign visitors, ranked 31st. The Tourist Service Infrastructure index, evaluating the availability of essential tourism services such as accommodation and car rentals, ranked 29th, while the Environmental Sustainability index, measuring environmental conservation and climate change readiness, ranked 63rd.

On the other hand, South Korea's higher rankings are largely attributed to factors indirectly related to tourism, such as national competitiveness. For instance, South Korea ranked 5th in the ICT Readiness index, which measures telecommunication infrastructure and digital transformation. The

Air Transport Infrastructure and Ground and Port Infrastructure indices, which evaluate air, land, and port transportation networks, ranked 15th and 11th, respectively.

These findings indicate that South Korea's current tourism competitiveness rankings have been partially achieved through economic growth, infrastructure improvements, and the enhancement of national prestige. However, the relatively low rankings in areas directly related to the tourism industry highlight the need for more substantial investments in tourism resources and infrastructure. Strengthening these areas is essential for South Korea to enhance its tourism industry's global competitiveness.

### The Composition of the Travel & Tourism Development Index and South Korea's Rankings

	Overall National Environment	Travel-related policies & conditions	Infrastructure	Drivers of travel & tourism demand	Sustainability of travel & tourism
Higher than the overall ranking	Health & Hygiene 10th		Air transport 15th	Cultural resources 8th	Income redistribution effect 11th
	ICT competitiveness 5th		Ground transport 11th	Non-leisure resources 10th	
	Safety & Security 16th				
Lower than the overall ranking	Biz environment & regulatory consistency 41st	Political importance of travel & tourism 66th	Tourist services infrastructure 29th	Natural environment 70th	Environmental sustainability 63rd
	Labor market & human capital 37th	International openness 31			Socioeconomic conditions 48th
		Price competitiveness 82nd			

Source: WEF

### Overcoming Tourism Trade Deficit: The Need to Boost Inbound and Domestic Tourism

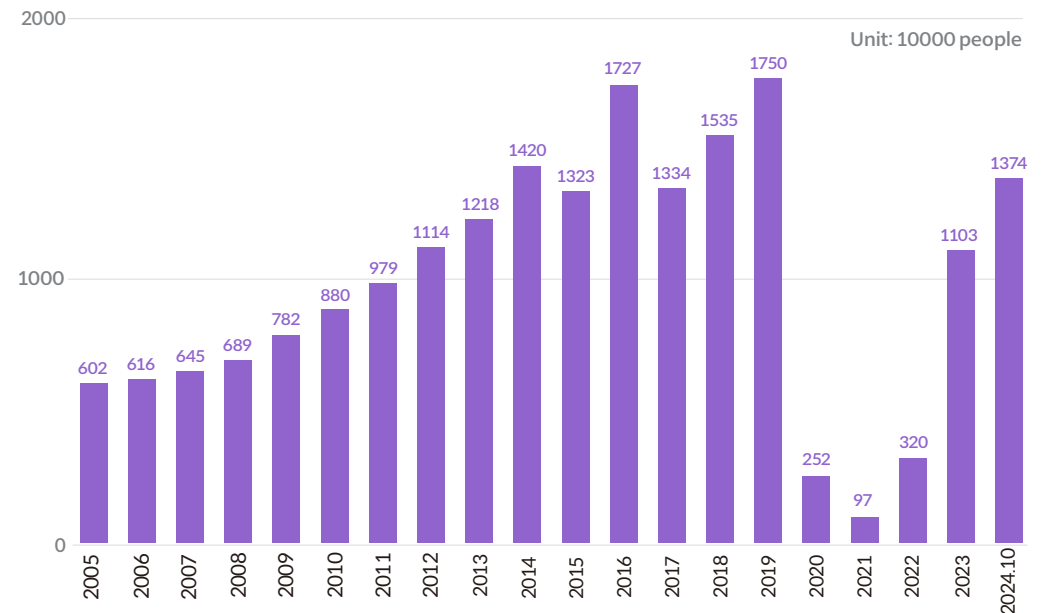
South Korea's inbound tourism industry has grown steadily since the enactment of the Tourism Promotion Act in 1961. This growth accelerated through various policy efforts and major international events, such as the Olympics. In 1968, South Korea welcomed 100,000 inbound tourists, marking the beginning of active inbound tourism promotion during the 1970s.

With the hosting of the 1988 Seoul Olympics, the country achieved the milestone of attracting 2 million international tourists. In 1994, the "Visit Korea Year" campaign further amplified global interest in South Korea. Entering the 2000s, South Korea rapidly emerged as a growing global tourist destination, with the number of inbound tourists surpassing 10 million in 2012.

Notably, in 2019, driven by a surge in Chinese tourists, the country set a record-high of 17.5 million inbound visitors, marking a significant turning point for the tourism industry. As of late October 2024, South Korea has

recorded 13.74 million inbound tourists, a figure that, while falling short of the 2019 peak, demonstrates a strong recovery following the COVID-19 pandemic.

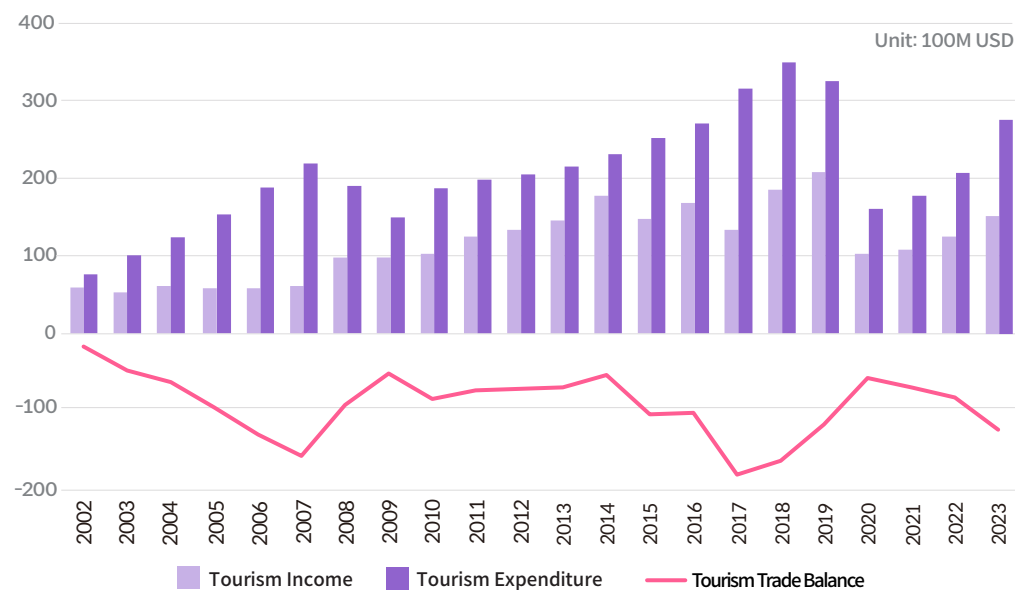
### Trends in the Number of Inbound Tourists to South Korea



Source: Korea Culture & Tourism Institute

However, as the national economy has rapidly grown, the demand for overseas travel among South Korean citizens has increased significantly. At the same time, inbound tourism has not kept pace with outbound tourism, leading to an imbalance between tourism revenue and expenditure. This situation has persisted since 2001, resulting in a chronic deficit in South Korea's tourism trade balance.

### Trends in South Korea's Tourism Revenue and Expenditure



Source: Bank of Korea

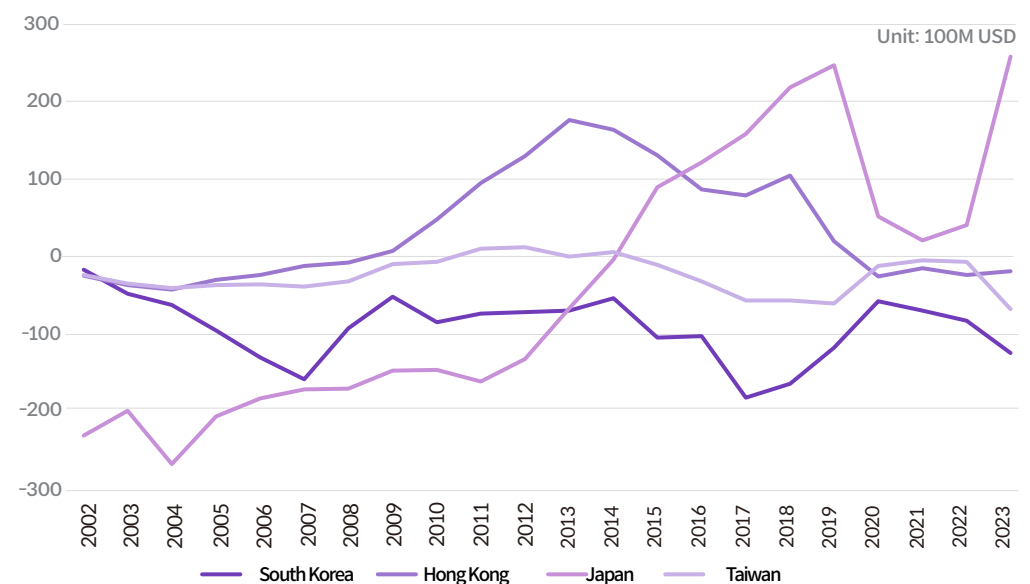
The chronic tourism trade deficit in South Korea cannot simply be attributed to geopolitical or structural issues, as there are examples of countries like Japan and Hong Kong that were once in similar deficit situations but successfully overcame them and turned their deficits into surpluses. Japan experienced a tourism trade deficit until the early 2000s and continued to face deficits until 2014. However, through strategic development of the tourism industry at the national level, Japan began recording consistent surpluses in 2015. By 2019, Japan's tourism revenue exceeded its tourism expenditure by more than double, reaching \$46 billion.

Similarly, Hong Kong had a tourism trade deficit until 2009 but achieved a surplus that year and maintained it consistently until the COVID-19 pandemic. Taiwan also turned its tourism trade deficit into a surplus for the first time in 2011 and maintained it until 2014. Although Taiwan has since returned to a deficit, the scale remains relatively smaller compared to South Korea.

Some argue that the main cause of South Korea's tourism trade deficit is the surge in the number of domestic citizens traveling abroad. However, this perspective does little to address the issue practically. The increased demand for international travel among South Koreans is primarily driven by rising per capita income, along with greater leisure time and disposable income. Restricting this demand through institutional measures is neither feasible nor desirable.

Therefore, to alleviate the tourism trade deficit, South Korea must actively expand inbound tourism by attracting more international visitors. At the same time, the country should promote domestic tourism by providing attractive alternatives that encourage South Koreans to choose domestic destinations over overseas travel.

### Trends in the Tourism Trade Balance of South Korea, Hong Kong, Japan, and Taiwan



Source: Korea Culture & Tourism Institute

## Seoul, a Dream Destination: Overcoming Practical Barriers

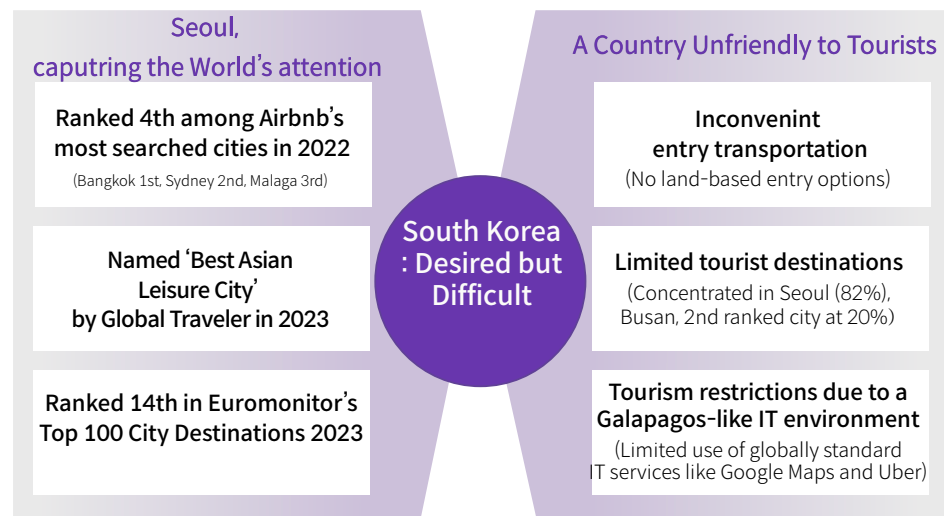
Fueled by the global popularity of K-culture, Seoul has become a highly sought-after city for tourists worldwide. According to the annual ranking of the “Top 100 City Destinations” published by the global market research firm Euromonitor, Seoul ranked 14th, jumping 12 spots from 26th place last year. Among non-European countries, Seoul placed 5th, following Dubai (2nd), Tokyo (4th), New York (8th), and Singapore (11th). Additionally, a survey by the global home-sharing platform Airbnb ranked Seoul as the 4th most-searched travel destination in 2022, following Bangkok (1st), Sydney (2nd), and Malaga, Spain (3rd). Airbnb attributed this ranking to the increasing global interest and curiosity about K-culture. Furthermore, Seoul was named the “Best Leisure City in Asia” for 2023 by the global travel publication Global Traveler, advancing from 2nd place in 2022. The publication, which has announced the best leisure destinations annually since 2013, highlighted Seoul’s diverse leisure activities at major attractions such as Namsan Tower and Lotte World as reasons for its top ranking. These accolades demonstrate that Seoul is gaining recognition not only as a tourist destination but also as a hub for leisure and entertainment.

Despite these achievements, significant barriers remain before the global interest in South Korea translates into actual tourist visits. First, due to its geographical characteristics, entry by land is impossible, forcing international tourists to rely on air or sea transportation. This limitation can pose challenges, particularly for long-distance travelers. Moreover, for tourists who tend to combine multiple countries into one trip, as seen in Europe or ASEAN regions, South Korea may struggle to attract attention as a standalone destination. Another issue is the strong tendency for international tourists to equate Seoul with the entirety of South Korea. According to TripAdvisor, 9 of the top 10 most popular destinations in South Korea are concentrated in Seoul, highlighting the lack of regional diversity in tourist attractions and the country’s heavy reliance on the capital.

Additionally, South Korea’s digital environment poses a major hurdle for foreign tourists. Widely used global applications such as Google Maps and Uber are challenging to use in Korea. The limited availability of major languages such as English, Chinese, and Spanish also creates additional difficulties for international tourists in planning and navigating their trips to Korea.



## Global Interest in South Korea and Constraints on Tourism Promotion



## The Paradox of ICT Powerhouse: Digital Barriers in South Korea's Tourism Industry

Many challenges facing South Korea's tourism industry stem from its "Galápagos-style" IT regulations and service environment, despite being recognized as an ICT powerhouse. Essential applications for international tourists, such as Google Maps, are severely limited in South Korea. Core features like 3D maps, driving routes, and walking directions are unavailable due to the Spatial Information Management Act, which prohibits the export of domestic map data. In 2016, the South Korean government and Google attempted to negotiate the relaxation of these restrictions, but the talks failed as Google refused to comply with the requirement to blur South Korea's security facilities. These IT regulations and service limitations pose significant obstacles to the growth of South Korea's inbound tourism industry. As global tourism continues to expand, improving this environment to ensure convenience for international tourists is critical.

Some suggest relying on domestic platforms like Naver and Kakao, but these present practical challenges for inbound tourists. The most significant issue is the limited number of languages supported. For example, Kakao T offers services in Korean, English, and Japanese, while Kakao Map supports only Korean and English. Naver Maps provides services in English, Chinese, and Japanese, but the range of supported languages is still limited. In contrast, Google Maps supports 39 languages, and Uber offers services in 44 languages. Grab, widely used in eight Southeast Asian countries, supports nine languages. Compared to these global standards, the language diversity offered by domestic platforms falls short.

The inconveniences faced by inbound tourists in South Korea become even more apparent when compared to other countries. In Japan, Google Maps functions seamlessly, allowing tourists to conveniently visit bookmarked locations during their trips. Global taxi-hailing applications like Uber also work without restrictions, enabling quick transportation even in emergencies. This reflects Japan's openness to global platform companies. Similarly, geographically close countries such as Taiwan, Vietnam, and the Philippines freely utilize services from global platforms, and overseas card payments are also widely accepted.

These differences are a major factor weakening South Korea's competitiveness in the inbound tourism industry and represent a critical issue that must be addressed. If South Korea adopts a more open stance toward utilizing global platforms, the convenience for international tourists is expected to improve significantly.

### **The Trap of Low-Cost Tourism: A Threat to South Korea's Tourism Industry**

Package tours primarily used by Chinese and Southeast Asian tourists visiting South Korea are often composed of low-cost products that fail to provide adequate service satisfaction. Given that the average spending per inbound tourist is gradually declining, there is growing concern that South Korea's tourism industry may be shifting toward a low-cost model. This trend implies a potential decline in the quality of the tourism industry and could negatively impact the sustainable growth of South Korea's tourism sector in the long term.

An analysis by the Korea Tourism Organization (KTO) of complaints filed by Chinese group tourists visiting South Korea over the past seven years revealed that 80% of the complaints were related to forced shopping and additional service options imposed by tour guides. This reflects a strategy employed by travel agencies to offset the low prices of package tours by compelling tourists to shop at designated stores or purchase optional services. Specifically, agencies have adopted a model that expands shopping and add-on services to compensate for losses incurred from offering mid- to low-priced travel packages.

This issue was also evident in the 2019 in-depth analysis report on the satisfaction of Chinese tourists visiting South Korea, conducted by the KTO prior to the COVID-19 pandemic. According to the report, satisfaction levels among Chinese group tourists were steadily declining. The report highlighted that itineraries for Chinese group tours often focused on free admission attractions and allocated excessively long periods for visits to shopping malls and duty-free shops. This indicates that tourists were unable

to fully experience South Korea's diverse culture and natural landscapes, as they were predominantly tied to shopping schedules.

Focus group interviews conducted as part of the report revealed the following key complaints from Chinese tourists:

1. Small shops sold unfamiliar brand products at high prices without displaying price tags.
2. Tourists were pressured to purchase specific items at designated locations.
3. Long shopping hours and unkind guides compelled them to make purchases.

These issues undermine the competitiveness of South Korea's tourism industry. A particularly concerning aspect is the low rate of repeat visits by foreign tourists compared to Japan, a neighboring developed country. In 2022, Japan's foreign tourist repeat visit rate was 77.2%, whereas South Korea's was only 53.1%. This discrepancy highlights that certain operators within South Korea's tourism industry prioritize short-term profits at the expense of tourist satisfaction and the long-term sustainability of the industry.

### China Group Tour Packages via Incheon Port and Cheongju Airport

Example of an Incheon Port Arrival package

Example of a Cheongju airport Arrival package

Day	City	Itinerary	Shopping	Day	City	Itinerary	Shopping
Day1	Dalian, Incheon	-	-	Day1	Beijing, Cheongju, Seoul	Sangsu Herb Land, Cheongju Early Printing Museum	
Day2	Incheon, Seoul	Wolmido Cultural street, Donghwa village, Korean War Memorial	-	Day2	Seoul	Bluehouse, Gyeongbokgung palace, Bukchon Hanok village, Namsan park, Nanta show	Korean ginseng specialty store, Local costemic shops
Day3		Bluehouse, Gyeongbokgung Palace, Namsan Park, Hanok village, Graffiti show		Day3		Insadong cultural street, Cheonggyecheon stream, Dongdaemun market	Hoganbo specialty store, Kimchi museum, Hankbok experience, Duty-free shops
Day4		Optional: Hongdae 4D Trick Eye museum,		Day4		Free schedule	Free schedule
Day5		Gwangjang Market, Seven Luck Casino, Seoul Costmetics shop, Hoganbo specialty store, Ginseng specialty shop, Duty-free shops		Day5	Seoul, Cheongju, Beijing		Specialty stores
Day6		Jajangmyeon museum	Amethyst shop, Daily goods/food market				
Day7	Incheon, Dalian	-	-				

Source: Korea Tourism Organization

## The Need for Regional Tourism Development to Address Seoul-Centric Tourism

Inbound tourism to South Korea is heavily concentrated in Seoul, highlighting a lack of regional diversity in tourist distribution. This level of concentration is exceptionally high compared to other countries and contrasts sharply with the global tourism trend among leading tourism nations, where dispersing tourists across various regions is a key strategy. South Korea's tourism industry needs to align with this trend by putting greater effort into enhancing regional diversity and balancing tourist distribution.

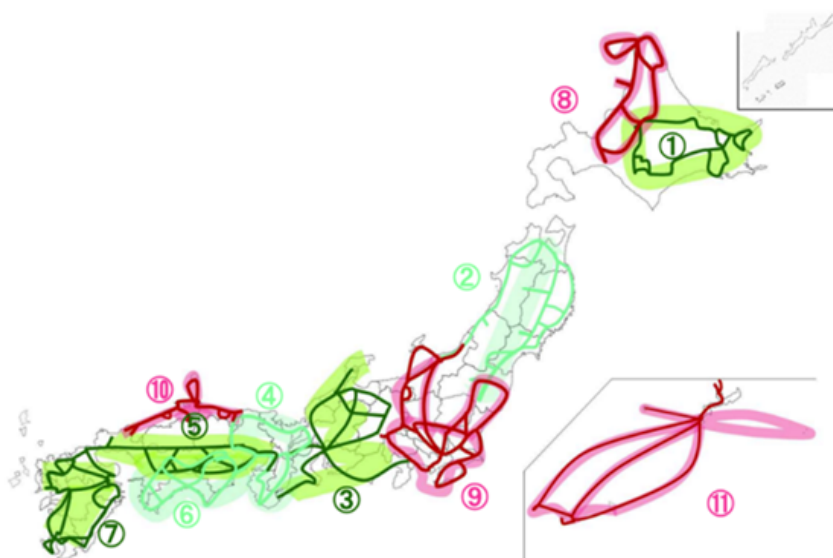
In contrast, Japan has effectively achieved regional dispersion of its inbound tourists, as evidenced by a comparison of the distribution of cities visited by tourists in South Korea and Japan. The regional diversity of inbound tourism in Japan is the result of systematic efforts by the Japanese government over the past decade. The 2014 Masuda Report, released by Japan's Council on Economic and Fiscal Policy, raised serious concerns about regional extinction, identifying declining birth rates, population decrease, and the depopulation of rural areas as critical national issues. In response, fostering inbound tourism was identified as a key solution, leading to the implementation of various policies aimed at addressing these challenges.

Japan adopted a strategy of designing differentiated value propositions for each region to appeal to the diverse preferences of inbound tourists. This approach encouraged tourists to explore a variety of regions rather than concentrating on a few major cities. Additionally, Japan promoted long-term stays and multi-destination travel itineraries, enabling tourists from distant countries to connect multiple regions during their visit. This strategy effectively provided compelling reasons for international tourists to explore Japan beyond its metropolitan areas.

In June 2015, Japan launched a nationwide initiative to develop extensive regional tourism routes to guide inbound tourists toward rural areas. These routes were created through regional proposals reviewed and approved by the Minister of Land, Infrastructure, Transport, and Tourism. By April 2016, seven routes were announced, followed by four more in 2017. These routes emphasized the unique attractions of each region while enabling tourists to plan trips that connected multiple areas. As a result of these policies, key regions such as Osaka have emerged as global tourism destinations on par with Tokyo. Additionally, regions like Fukuoka and Sapporo have experienced significant growth in the number of inbound tourists.

Japan's case provides a valuable lesson for South Korea's tourism industry: addressing the imbalance in regional tourist distribution and meeting the diverse needs of tourists require active efforts to promote regional tourism. This is essential for achieving sustainable growth in South Korea's tourism sector and reducing its over-reliance on Seoul as a primary destination.

### Japan's Designation of Extensive Regional Tourism Routes



Course	Slogan and Theme	Announcement year
Northeast Hokkaido	Asia's treasure, Timeless nature	2016
Tohoku	A Region Radiant across all four seasons	
Rising dragon road	Meditation, world heritage, alpine nature, samurai culture	
Kansai	World heritage and traditional beauty of Kanasai	
Setouchi	History and Nature of Western Japan	
Shikoku	Shikoku island pilgrimage, Scenic drives	
Kyushu	Island of volcanoes, Kyushu round tour	
Hokkaido	Japan's Best summer and winter	2017
Tokyo region	Pacific/Japan sea corridor and Edo cultural routes	
Sanin	Path of connections and national park activities	
Okinawa	Okinawa's history and the archipelago's wilderness	

Source: Ministry of Land, Infrastructure, Transport and Tourism

## The Rise of Asian Tourism: Unlocking Great Opportunities for South Korea

Traditionally, Europe was the most preferred continent for global tourists. However, a combination of factors, including tourism development, increased flight routes, and the emergence of new cultural content, has driven a continuous rise in the number of tourists visiting Asia. Since 2005, the Asia-Pacific region has recorded the highest growth rate in inbound tourists compared to other regions. In 2019, just before the COVID-19 pandemic, 25% of all global inbound tourists visited this region, establishing Asia-Pacific as a major tourist destination on par with Europe. This trend is expected to strengthen further. According to the UN Tourism report *Tourism Towards 2030*, the Asia-Pacific region is projected to account for approximately 30% of global tourist destinations by 2030. The International Air Transport Association (IATA) also forecasts a significant increase in air travel demand within the region, underscoring Asia's emergence as a central hub of global tourism.

The rise in tourism to Asia can be attributed to several key factors. The economic development of Asian countries has positively impacted the tourism industry. Increased purchasing power among consumers has expanded their ability to spend on travel and tourism. This economic foundation has been instrumental in enhancing the region's competitiveness in the global tourism market. Improved accessibility through the expansion of low-cost carrier (LCC) routes and the increase in flight frequencies have made travel to Asia more accessible. Furthermore, intensified competition in airfare pricing has reduced travel costs, offering attractive conditions for tourists visiting the region. Many Asian countries have simplified visa issuance procedures, making it easier for foreign visitors to travel. Additionally, advancements in digital technology have improved access to tourism information. Multilingual guides and services provide significant convenience to non-English-speaking tourists, contributing to a positive experience, particularly for first-time visitors to Asia. The emergence of distinctive cultural content in Asia is a key driver of increased tourist inflows. The region's cultural and historical attractions offer differentiated tourism experiences that captivate global tourists' curiosity. Specifically, new cultural phenomena such as K-pop, Korean dramas, and Japanese animation have garnered worldwide attention, playing a significant role in promoting tourism to Asia. These factors collectively highlight the growing appeal of Asia as a premier tourist destination and present significant opportunities for countries like South Korea to capitalize on this upward trend in regional tourism.

## The Allure of Korean Tourism: From Korean Cuisine to K-Content

To foreign tourists, South Korea is perceived as an attractive destination with a variety of exotic elements. The country boasts traditional tourism drivers such as cuisine, cultural heritage, and shopping, as well as unique tourism resources related to its distinctive K-content. These resources provide tourists with differentiated experiences and contribute to enhancing South Korea's competitiveness in the global tourism market.

In particular, South Korea's culinary culture serves as a major attraction for foreign visitors. As of 2022, 67.6% of inbound tourists cited culinary exploration as a key reason for visiting Korea. Korean cuisine, or Hansik, is widely regarded as healthy due to its relatively low oil content and extensive use of natural ingredients. Popular examples include grilled dishes, a variety of side dishes, and vegetable-based traditional meals like hansik set menus, which have gained significant favor among international tourists. Additionally, rice-based fermented drinks such as makgeolli offer visitors a unique culinary experience. Beyond traditional Korean cuisine, K-food has garnered immense popularity globally. Processed foods like instant ramen have also gained widespread recognition and acceptance worldwide. Food, once learned, tends to be continuously consumed, making it a highly competitive tourism product. This is exemplified by dishes like Vietnamese pho or Thai tom yum, which may seem unfamiliar initially but become staples for repeat consumption. The cases of France, Italy, China, Japan, and Thailand demonstrate how globalizing national cuisine can bolster a country's tourism industry, underscoring the vital role of food in tourism. Korean cuisine likewise holds vast potential to further expand its global reach and reinforce its role in promoting tourism.

Korea's shopping culture also stands out as a significant draw for foreign tourists. The country offers a high level of convenience through various shopping channels, including department stores, convenience stores, and large shopping complexes. Notably, K-beauty and K-fashion are highly popular among international tourists for their superior quality at reasonable prices. CJ Olive Young, for instance, has long been a must-visit destination for foreign visitors. From cutting-edge fashion at Dongdaemun shopping malls to mid-priced SPA brands and luxury items at department stores, Korea's shopping industry offers a wide range of options that enhance tourists' satisfaction.

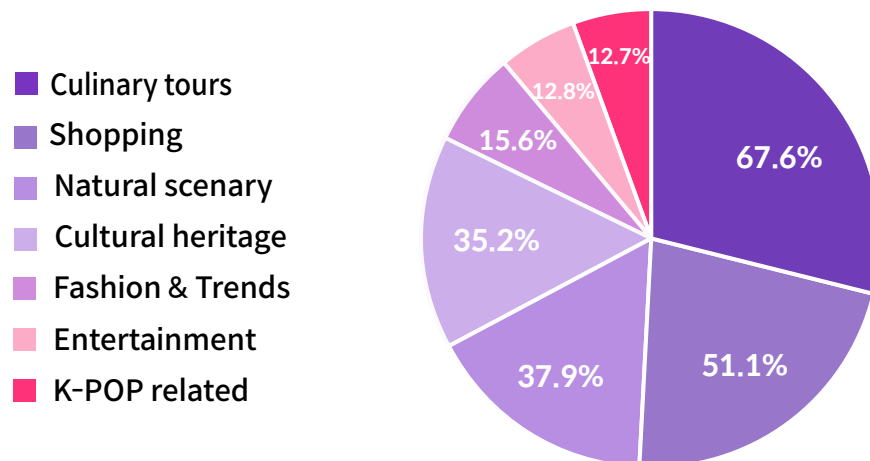
Natural landscapes are another key asset of Korean tourism. The country's diverse cultural heritage, mountains, fields, rivers, and islands provide foreign tourists with exceptional experiences. Seoul, in particular, showcases a unique blend of high-tech architecture, mountains, rivers, palaces, cultural heritage, and modern buildings, creating a landscape rarely seen in other countries. Foreign tourists often cite the expansive



Han River and Namsan Mountain, located at the heart of the city, as some of the most impressive features of their visit.

Korea's distinctive pop culture also captivates the interest of international tourists. Known as a powerhouse in ICT and gaming, Korea offers unique experiences such as PC cafés and e-sports events. Additionally, K-pop, led by BTS, continues to draw global attention through performances, merchandise, and related attractions. The growing demand among international visitors to experience Korean cultural content introduced on platforms like Netflix underscores the increasing influence of K-content. This cultural phenomenon plays a pivotal role in establishing South Korea as an appealing global tourist destination.

### Factors Considered When Choosing to Visit South Korea



Source: Korea Tourism Organization

### The Hallyu Wave Sparked by K-Pop: A Prime Opportunity for Tourism Industry Development

In 2012, Psy's Gangnam Style gained explosive global popularity through YouTube, marking the beginning of K-pop's expansion beyond Asia to the world. The moment BTS topped the Billboard 200 chart in 2018 symbolized K-pop's transformation from a regional phenomenon to a dominant force in global mainstream culture. Even during the COVID-19 pandemic, when international travel was restricted, K-pop's popularity continued to grow through digital platforms. In 2022, FIFTY FIFTY further demonstrated K-pop's global influence by reaching number one on the Billboard Hot 100 chart just 130 days after their debut. Today, K-pop is no longer limited to individual artists like Psy or BTS but has established itself as a beloved global music genre.

The global popularity of K-pop is also evident in its metrics. As of 2018, approximately 5.3 billion K-pop-related tweets were posted daily on Twitter, and according to Spotify, K-pop tracks were streamed over 7.97 billion times

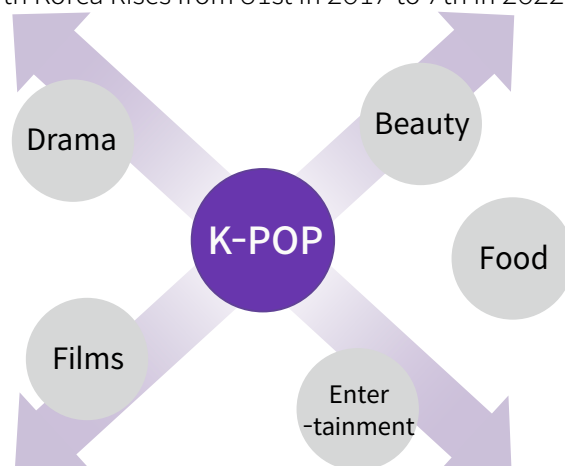


per month on average in 2021. These figures underscore K-pop's position as a powerful digital-age content. K-pop has evolved beyond the notion of "Korean pop music" to become a comprehensive art form that combines music, costumes, stage production, dance, global group compositions, music videos, and style. Recently, even K-pop groups without Korean members have emerged, demonstrating that K-pop, like American hip-hop, has transcended its origins to become a global genre. For example, Black Swan, a K-pop girl group that debuted in 2020, consists entirely of foreign members from Belgium, the United States, Germany-Brazil, and India. Similarly, XG, a girl group composed of seven Japanese members, debuted in South Korea in 2022 and continues to promote their music through local broadcasts.

K-pop has played a pivotal role in spreading Korean culture globally, elevating South Korea's national brand significantly. Moreover, the proliferation of K-content like K-pop demonstrates the convergence of culture and economic impact. Alongside the export growth of music and broadcast content, consumer goods such as K-beauty products and K-food have seen significant expansion. Between 2017 and 2021, the annual average growth rate of consumer goods exports related to Hallyu was 13.7%, approximately 2.5 times higher than the overall domestic export growth rate of 5.4% during the same period. Cultural content exports grew by 15.7% (music 11.9%, broadcast content 11.8%), cosmetics by 16.6%, and processed food by 7.8%. These figures illustrate the positive economic impact of the Hallyu wave.

Given these dynamics, leveraging Hallyu as a foundation for developing the tourism industry represents an optimal opportunity for South Korea. The intersection of cultural influence and economic potential makes this a critical moment to capitalize on K-pop's global appeal for sustainable growth in tourism and related industries.

"Wharton School's global cultural influence ranking:  
South Korea Rises from 31st in 2017 to 7th in 2022"



## South Korea's Rise as a Trusted Nation: The Potential to Become a Tourism Powerhouse

South Korea has transitioned from being perceived as a divided and armistice-bound nation to a globally trusted country, thanks to its proven excellence in technology, healthcare, and various social infrastructures. According to the 2023 Passport Index published by global asset advisory firm Henley & Partners, the South Korean passport was ranked as the second most powerful in the world, granting visa-free access to 192 out of 227 countries. This reflects South Korea's diplomatic influence and its growing stature in the international community.

During the COVID-19 pandemic, South Korea demonstrated exceptional resilience in economic defense and public health management, which significantly bolstered its positive national image. This reputation serves as a vital asset for revitalizing inbound tourism. In terms of economic resilience, South Korea's GDP declined by only 0.8% in 2020, compared to the OECD average decline of 7.6%, showcasing the country's stability even amidst a global crisis. The UNDP highly praised South Korea's pandemic response, holding a dedicated online seminar to share the country's strategies globally. Beyond economic and public health capabilities, South Korea's social infrastructure also ranks among the best in the world. According to the IMD World Competitiveness Booklet 2023, South Korea ranked 16th in infrastructure competitiveness, surpassing G7 countries such as France (17th), the UK (22nd), Japan (23rd), and Italy (30th). Notably, in airport infrastructure, a highly visible metric for foreign visitors, Incheon International Airport ranked 4th globally in 2023, further demonstrating the strength of South Korea's social infrastructure. These foundational strengths reinforce South Korea's image as a livable and reliable country.

One of the essential factors for becoming a global tourism powerhouse is digital capability, an area where South Korea excels as a leading ICT nation. It was the first country to commercialize 5G technology and is home to global semiconductor and electronics giants such as Samsung Electronics, SK Hynix, and LG Electronics. Despite its relatively small territory, South Korea boasts world-class competitiveness in technology. Moreover, in the era of the platform economy, South Korea is one of the few countries where local platform companies like Naver, Kakao, and Yanolja effectively compete with global platform giants, showcasing impressive business capabilities. These technological strengths provide a critical foundation for South Korea's advancement as a leading tourism nation.

The current post-pandemic period represents a golden opportunity to stimulate inbound tourism. With global travel demand rebounding after years of suppression, South Korea must capitalize on this moment by offering attractive destinations and competitive tourism products. Every

opportunity has its right timing, and now is the time to actively nurture the tourism industry at the national level. Tourism is not merely an economic driver; it is a strategic industry that elevates the national brand, revitalizes regional economies, and strengthens global competitiveness. Furthermore, the tourism industry offers effective solutions to some of South Korea's most pressing challenges, including domestic economic stagnation caused by population decline, the depopulation of rural areas, and improving the profitability of small businesses.

### **Conditions for South Korea's Rise as a Tourism Powerhouse: Positioning Tourism as a Core National Strategic Industry**

The South Korean government has made consistent efforts to develop the tourism industry over the years, but it has often fallen short of recognizing and cultivating tourism as a core national strategic industry. The journey began in 1954 during the Syngman Rhee administration with the establishment of the first tourism department under the Ministry of Transportation. However, during periods of rapid economic growth, tourism often took a backseat in terms of policy priorities and budget allocation compared to other industries. In the 1970s, the first Comprehensive National Land Development Plan designated ten major tourism zones, but tourism was overshadowed by the high-growth policies focused on manufacturing industries.

In 1998, the Kim Dae-jung administration expanded and reorganized the administrative framework to develop tourism as a 21st-century national strategic industry. The Ministry of Culture and Sports was renamed the Ministry of Culture and Tourism, and tourism-related functions were transferred from the Ministry of Construction and Transportation to the newly elevated ministry. This marked a turning point, emphasizing the government's evolving recognition of tourism's importance. Before the 1990s, tourism was primarily viewed as a tool for national economic development, with a lower priority under the Ministry of Construction and Transportation compared to other industries. However, after the 1990s, discussions about quality of life brought tourism under the umbrella of cultural industries. This demonstrates that the development of the tourism industry lacked consistent direction and long-term strategies, often shifting in response to prevailing policy trends.

To reposition tourism as a core national development industry, South Korea must establish strong tourism leadership and achieve sustainable growth through collaboration across various government departments. This strategic approach will allow the tourism sector to significantly contribute to the national economy. Unlike manufacturing, the tourism industry requires a unique approach. The key lies in understanding its

nature as a “long-tail” industry and mobilizing all relevant capabilities to effectively coordinate the sector. In manufacturing, strategies focus on concentrating resources on a few large companies and fostering competition to create globally successful firms. In contrast, enhancing the competitiveness of inbound tourism cannot rely solely on fostering infinite competition among domestic operators targeting foreign tourists. Tourism competitiveness is shaped by the cumulative experience of all elements a tourist encounters in South Korea. Therefore, it is essential to elevate the overall quality of the entire tourism value chain.

Unlike manufacturing, which exports finished products, tourism offers unique services to meet global demand and creates sustainable experiences for international visitors. It is critical for the government and local authorities to closely observe whether tourists are receiving quality experiences, understand their preferences, identify areas for improvement, and drive industry innovation. These efforts are vital to achieving sustained growth and enhancing international competitiveness in tourism. Tourism is more than an economic driver—it is a key industry that elevates a nation’s prestige and enhances its competitiveness in the global market. To achieve this, the government must move beyond the current focus on tourism development and promotion, redefine the value of tourism, and establish a systematic, long-term development strategy. This is an essential process for South Korea to truly emerge as a global tourism powerhouse.

### **In conclusion...**

In 2025, South Korea’s tourism industry stands at a critical crossroads for a new leap forward. Over the years, the global success of Hallyu content such as K-pop, K-beauty, and K-food, combined with South Korea’s technological competitiveness as an ICT powerhouse, has garnered worldwide attention. However, for South Korea to truly grow into a global tourism powerhouse, it must move beyond a structure that relies heavily on specific cities or resources. Instead, the nation must systematically establish and implement strategies for balanced regional development and sustainable growth across its entire territory. Tourism is not merely an economic driver; it is a powerful tool that elevates the national brand, revitalizes local communities, and mitigates structural challenges such as population decline and regional depopulation.

Thus, South Korea’s tourism industry in 2025 must focus on two key directions: promoting regional tourism and enhancing quality-driven competitiveness. First, adopting regional dispersion strategies, such as Japan’s extensive tourism routes, is essential to alleviate Seoul’s tourism overconcentration. Developing experiential tourism products that highlight

the unique charm of each region will encourage visitors to explore the diverse attractions throughout the country rather than concentrating on a single city. Second, to improve the overall quality of travel experiences in South Korea, it is crucial to strengthen every link in the value chain of tourism as a long-tail industry and ensure the balanced development of all service elements. This comprehensive enhancement will be a key factor in encouraging foreign tourists to return to South Korea.

In summary, the conditions necessary for South Korea to emerge as a leading tourism nation depend on long-term and systematic efforts that go beyond short-term profit generation, encompassing the development and sustainability of regional tourism. This is not only the path to becoming a global tourism powerhouse but also a way to position South Korea as a dignified cultural nation admired by the world. Now is the time for national-level cooperation and innovative leadership to realize this vision. The future of South Korea's tourism industry depends on the choices and actions we make today.

\*To reference this article, please use the below citation: "SooCheong Jang and Kyuwan Choi (2024). Key Conditions for South Korea's Leap to a Leading Tourism Nation, Yanolja Research Insights, Vol. 22."

Appendix

Key Economic Indicators

Indicator	Statistics	Measure	2018	2019	2020	2021	2022	23.10	23.11	23.12	24.01	24.02	24.03	24.04	24.05	24.06	24.07	24.08	24.09	24.10	24.11
General Economics	GDP Growth Rate <sup>1</sup>	Real GDP Growth(%)	2.9	2.2	-0.7	4.3	2.6	0.6(Q4)	-	-	1.3(Q1)	-	-	-0.2(Q2)	-	-	0.1(Q3)	-	-	-	-
		Private Consumption Growth(%)	3.2	2.1	-4.8	3.6	4.1	0.2(Q4)	-	-	0.8(Q1)	-	-	-0.2(Q2)	-	-	0.5(Q3)	-	-	-	-
	Composite Indexes of Business Indicators <sup>2</sup>	Leading Indicator	94.3*	96.0*	100.0*	106.3*	108.7*	112.4	113.0	113.4	113.7	114.2	114.3	114.9	115.1	115.7	115.9	116.2	116.5	116.8	-
		Coincident Indicator	98.3*	99.7*	100.0*	103.7*	108.2*	110.9	111.0	111.1	111.5	112.0	111.9	112.0	111.5	111.7	111.2	111.3	111.5	111.6	-
		Lagging Indicator	95.1*	97.9*	100.0*	103.6*	109.3*	114.0	114.2	114.4	114.4	114.6	114.8	115.1	115.2	115.4	115.5	115.8	116	116.2	-
Business Trends	Business Survey Index <sup>3</sup>	Total	94.1*	90.8*	81.5*	101.4*	94.0*	90.6	90.1	94.0	91.1	92.3	97.0	98.6	94.9	95.5	96.8	97.1	92.9	96.2	91.8
		Non-manufacturing	96.9*	93.6*	84.2*	100.6*	96.1*	93.3	91.1	100.5	95.2	92.9	93.5	98.9	94.1	95.2	105.5	99.5	91.9	96	92.5
		Leisure/Hospitality	-	-	-	99.5*	89.7*	76.9	100.0	128.6	107.1	114.3	100.0	121.4	128.6	85.7	142.9	135.7	78.6	114.3	71.4
	Business Survey Index by Industry <sup>4</sup>	Total	78*	73*	65*	84*	82*	73	69	69	68	69	72	71	73	74	72	72	72	72	70
		Accommodation	78*	70*	30*	48*	85*	78	81	78	75	53	60	72	86	75	66	75	67	79	66
	SME Business Outlook Survey <sup>5</sup>	Total	87.8*	83.6*	70.7*	77.8*	82.7*	82.7	80.7	78.8	77.5	75.4	81.8	81.0	79.2	79.4	78.0	76.6	77.4	78.4	77.1
		Food/Accommodation	87.7*	82.0*	60.7*	57.8*	80.9*	92.2	90.5	86.9	86.1	86.3	85.4	85.9	93.7	88.2	87.3	86.9	78.4	79.7	80.4
	Consumer Survey Index <sup>6</sup>	Consumer Confidence Index	104*	99*	88*	103*	96*	98	97	100	102	102	101	101	98	101	104	101	100	102	101
		Consumer Expenditure Outlook	108*	108*	97*	108*	111*	113	111	111	111	111	111	110	109	109	111	109	108	109	109
		Travel Expenditure Outlook	94*	90*	71*	86*	93*	95	93	95	96	95	97	97	96	99	100	97	95	96	96
		Entertainment Expenditure Outlook	91*	91*	80*	89*	92*	93	91	92	94	93	93	94	92	93	94	93	92	92	93
	F&B Expenditure Outlook	F&B Expenditure Outlook	93*	91*	83*	92*	94*	94	92	95	96	95	95	96	94	95	97	95	95	95	95
		Total	100.6	102.0	100.0	105.0	112.3	115.2	116.9	130.9	114.0	109.5	118.8	116.0	117.3	119.1	117.2	118	117.2	117.2	-
		Accommodation	150.2	149.7	100.0	111.3	139.0	156.8	144.4	147.8	126.8	125.2	129.1	138.2	147.0	148.4	144.1	147	140.4	136.2	-
		Food & Beverage	120.7	119.4	100.0	100.7	116.6	116.6	112.3	124.4	112.8	105.9	114	115.0	120.3	115.0	116.3	115	115.7	113.8	-
Prices	Consumer Price Index <sup>8</sup>	Total	99.09	99.47	100.00	102.50	107.72	113.26	112.67	112.71	113.15	113.77	113.94	114.01	114.10	113.84	114.13	114.54	114.65	114.69	114.40
		Hotel	108.91	106.51	100.00	99.82	108.71	120.47	115.22	125.47	111.90	112.71	114.12	118.11	120.02	120.29	126.44	133.21	121.3	128.01	123.46
		Motel	101.28	101.43	100.00	98.39	101.64	107.54	107.22	107.17	107.24	107.16	106.81	107.72	107.13	107.34	107.98	108.29	107.99	107.85	108.04
		Resort	101.21	102.29	100.00	99.86	102.43	106.72	99.16	123.53	119.09	109.93	105.43	105.37	111.34	108.28	133.88	150.45	114.78	109.62	107.77
		Recreational Facilities	81.99	84.36	100.00	102.65	108.58	109.55	106.00	111.36	106.12	110.85	108.41	106.77	110.56	112.83	129.18	135.00	114.19	111.67	109.23
	Producer Price Index <sup>9</sup>	Total	100.43	100.46	100.00	106.38	115.29	117.86	117.41	117.56	118.19	118.55	118.82	119.16	119.25	119.23	119.56	119.38	119.16	119.02	119.11
		Accommodation service	105.06	104.15	100.00	99.55	105.65	115.14	111.28	119.66	111.77	111.01	111.07	113.52	115.12	114.95	121.79	127.7	116.56	119.46	116.84
		Hotel	108.79	106.52	100.00	100.00	108.89	121.71	116.37	126.71	113.00	113.82	115.24	119.27	121.21	121.48	127.69	134.53	122.5	129.27	124.68
		Motel	101.27	101.43	100.00	98.49	101.82	107.57	107.27	107.22	107.30	107.21	106.86	107.77	107.18	107.39	108.03	108.35	108.05	107.90	108.09
		Resort	101.34	102.30	100.00	100.34	103.24	108.62	100.99	125.81	121.29	111.96	107.38	107.32	113.39	110.27	136.35	153.22	116.9	111.64	109.76
Labor	Economically Active Population Survey <sup>10</sup>	Unemployment Rate(%)	3.8	3.8	4.0	3.7	2.9	2.1	2.3	3.3	3.7	3.2	3.0	3.0	3.0	2.9	2.5	1.9	2.1	2.3	-
		Employment Rate(%)	60.7	60.9	60.1	60.5	62.1	63.3	63.1	61.7	61.0	61.6	62.4	63.0	63.5	63.5	63.3	63.2	63.3	63.3	-
Tourism	Tourism Balance <sup>11</sup>	Total Tourism Balance(\$M)	-13,066	-8,516	-3,175	-4,329	-5,715	-434	-1,077	-1,067	-1,169	-1,206	-906	-660	-684	-750	-	-1,063	-713	-339	-
		Total Tourism Income(\$M)	18,462	20,745	10,181	10,623	12,241	1,663	1,302	1,224	1,226	999	1,235	1,462	1,469	1,323	-	1,404	1,528	1,836	-
		Total Tourism Expenditure(\$M)	31,528	29,261	13,356	14,951	17,956	2,097	2,380	2,291	2,395	2,206	2,141	2,122	2,153	2,074	-	2,468	2,241	2,176	-
	Immigration <sup>12</sup>	Number of Outbound Travelers(K)	28,696	28,714	4,276	1,223	6,554	2,043	2,062	2,416	2,771	2,512	2,141	2,111	2,268	2,219	2,502	2,359,550	2,311,792	2,382,464	-
Currency	Exchange Rate <sup>13</sup>	Number of Inbound Travelers(K)	15,347	17,503	2,519	967	3,198	1,230	1,115	1,037	881	1,030	1,492	1,463	1,418	1,417	1,408	1,563,221	1,464,300	1,464,300	-
		USD	1,100.30	1,165.65	1,180.05	1,144.42	1,291.95	1,350.69	1,310.39	1,303.98	1,323.57	1,331.74	1,330.70	1,367.83	1,365.39	1,380.13	1,383.38	1,354.15	1,334.82	1,361.00	1,393.38
		EUR	1,298.63	1,304.81	1,345.99	1,352.79	1,357.38	1,427.31	1,415.59	1,422.28	1,444.12	1,437.52	1,447.27	1,466.77	1,476.24	1,485.57	1,499.68	1,491.48	1,481.60	1,481.35	1,482.93
		JPY	996.27	1,069.75	1,105.07	1,041.45	983.44	903.72	874.28	904.83	906.71	891.08	889.12	889.97	875.88	874.32	875.3	925.99	929.25	906.77	907.16
		CNY	166.40	168.58	170.88	177.43	191.57	184.62	180.86	182.29	184.41	184.82	184.48	188.52	188.54	189.80	189.91	189.07	188.53	191.63	193.27

\*This index should be interpreted with caution because the value is calculated by averaging monthly or quarterly indices in Yanolja Research.

1) The Bank of Korea, QoQ(%)

2) KOSTAT; 2020=100

3) The Federation of Korean Industries; if the index is above(below) 100, more(less) companies expect the next month's business conditions to improve than those do not

4) "Leisure/Accommodation and Food Services" sector was not surveyed before 2021

5) The Bank of Korea; Index range = 0-200; If the index is above 100, the number of companies with a positive outlook is greater than those with a negative outlook

6) Ministry of SMEs and Startups; If the index is above(below) 100, more(less) companies expect the next month's business conditions to improve than those that do not

7) The Bank of Korea; Index range = 0-200; If the index is above(below) 100, consumers sense that overall economic situation is better(worse) than average

8) KOSTAT; 2020=100, Constant

9) KOSTAT; 2020=100

9) KOSTAT; 2020=100

10) KOSTAT; 2020=100

11) KOSTAT; Surveys the unemployment rate(%) and employment rate(%) among the economically active population aged 15 and over.

12) The Bank of Korea

13) Korea Tourism Organization DataLab

14) Hana Bank; Based on the sales base rate



**Date of Publication : Dec. 27. 2024 | Publisher : Yanolja Research**

**| Address : 4th Floor, MDM Tower, 42, Teheran-ro 108-gil, Gangnam-gu, Seoul, South Korea**

**Email : [yanoljaresearch@yanolja.com](mailto:yanoljaresearch@yanolja.com) | Website : [yanolja-research.com](http://yanolja-research.com)**

**Disclaimer :** This report is intended to provide general information and does not constitute advice on individual cases or reflect Yanolja's official position or business strategy. The Insights report is protected by copyright laws, and any reproduction, distribution, or modification requires express written permission. Proper citation and attribution must be given when referring the report, and any unauthorized usage may result in legal action. The report is provided "as is" without any warranty of accuracy, completeness, or reliability. Yanolja Research bears no responsibility for any damages or loss suffered from the unauthorized use of the report.