
SOUTH KOREA STRATEGY IN INCREASING EXPORTS OF BEAUTY PRODUCTS TO INDONESIA IN COVID-19 PANDEMIC

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ABSTRACT

KEYWORDS

K-Beauty, Korean Wave, Hallyu

ARTICLE INFO

Accepted:

April, 26th 2022

Revised:

May, 7th 2022

Approved:

May, 12nd 2022

The Covid-19 pandemic has hampered the economic growth of countries in the world. Many industries were unable to survive the crisis that occurred as a result of the pandemic. However, this does not apply to the South Korean cosmetic industry or K-Beauty. During the pandemic, sales of K-Beauty in the world actually increased. This study aims to determine and analyze South Korea's strategy in increasing exports of beauty products (K-Beauty) to Indonesia during the Covid-19 pandemic (2019-2021 years). This research is descriptive research. The data collection method used was library research. The results showed that during the Covid-19 pandemic, South Korea continued to use the Korean Wave/Hallyu as a strategy in increasing exports of beauty products (K-Beauty) to Indonesia (2019-2021) as evidenced by the many policies and support from the South Korean Government to continue developing Korean Wave/Hallyu in Indonesia. In addition, the push to accelerate IK-CEPA is also used as a strategy to increase exports of beauty products (K-Beauty) to Indonesia.

INTRODUCTION

The COVID-19 pandemic has brought many changes to the world economy. Many countries had to fall into recession. However, this does not seem to be the case for South Korea. The South Korean economy has progressed very rapidly in recent decades. Currently, South Korea's economy is ranked fourth in Asia and tenth in the world after previously being in the twelfth position before the pandemic period (Farwizah Shahrirah, Mahirah Ramli, & Mohd Zaid, 2021).

In 2020, South Korea was listed as the third-ranked country in the world that manages to record economic growth among the main economic countries in the world. This success is inseparable from the increasing foreign demand for South Korean products (Pregitha, 2021).

In 2021, the South Korean economy increased again compared to the previous year. This increase was inseparable from the role of South Korean cultural exports or commonly called the Korean Wave or *Hallyu*. *Hallyu* is products in the form of art, music, films, or television broadcasts such as dramas, variety shows, and so on. These cultural exports spread throughout the world, including Indonesia.

K-Beauty has emerged as a global trend, thanks to the innovative product development and the growing Korean wave, or *Hallyu*. In particular, cosmetics is one of the export goods showing a steady trend of export growth since 2000. In 2020, South Korea will become the fourth largest export country for global cosmetics.

The development of South Korea's cosmetic export value in the last 20 years has increased very rapidly. A significant increase occurred between 2015 and 2020. During the Covid-19 pandemic, the demand for cosmetic products decreased globally in light of government policies to work from home, social distance, and wearing masks, resulting in a lack of make-up. Meanwhile, there is an increase in consumption that focuses on skin care products. This has led to an increase in exports of face masks and hair care products driven by an increase in home beauty and personal care routines. In 2020, there are five countries that contributed 80% of South Korea's cosmetic exports, namely China, Hong Kong, the United States, Japan and Vietnam (Pugacheva & Piatachkova, 2021).

Indonesia itself is also a destination country for exports from South Korea. Cooperation between Indonesia and South Korea was formed since the establishment of the diplomatic opening of the two countries which occurred in 1966 and continues to experience development and improvement in various fields. Relations between the two countries, especially in the economic aspect, have been intensified after the signing of a joint declaration on the formation of a strategic partnership (Joint Declaration on Strategic Partnership to Promote Friendship and Cooperation in the 21st Century) in Jakarta in 2006. The joint declaration includes 3 pillars of cooperation, namely cooperation politics and security; economic cooperation, trade and investment; and socio-cultural cooperation. Then, in 2012 the relationship between Indonesia and South Korea developed to form a deeper integration, with the establishment of an Economic Partnership Agreement between Indonesia and Korea, the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA).

Based on the value of cosmetic imports carried out by Indonesia globally, it has decreased in the last three years, namely from 2018-2020. However, this is inversely proportional to the value of cosmetic imports from South Korea, where in the last four years the import value has always increased. Likewise, with the statistical data on foreign trade released by the Central Statistics Agency, in 2020 the value of South Korean imports to Indonesia globally decreased by 18.67% compared to the previous year, 2019 but imports of cosmetics from South Korea actually increased (Dyer, 2021). These results indicate that the Covid-19 pandemic has not brought a negative trend to cosmetic exports from South Korea to Indonesia, on the other hand, during the Covid-19 pandemic, South Korean cosmetic imports in Indonesia increased. Likewise, before the Covid-19 pandemic, South Korean cosmetic exports to Indonesia also continued to increase.

It is interesting to see how South Korea's strategy is in increasing exports of beauty products (K-Beauty) to Indonesia during the Covid-19 pandemic (2019-2021 years).

RESEARCH METHOD

This research is a descriptive study, namely research conducted to determine the value of independent variables, either one or more variables (independent) without making comparisons, or connecting one variable to another (Susilo, Hasbullah, & Sugiyono, 2013).

For this reason, this study is intended to seek reality and interpret a phenomenon regarding South Korea's strategy in increasing exports of beauty products (K-Beauty) to Indonesia during the Covid 19 Pandemic Period (2019-2021).

The method used in collecting data is library research, namely data collected from various literatures such as journals, books, articles, and other written materials, including news in electronic and print media as well as online media with reliable Sources that are previously

validated, which are relevant to the problems to be discussed. The data obtained from the literature are used as material to help analyze the phenomena discussed in the study.

RESULTS AND DISCUSSION

1. Korean Wave/*Hallyu* as a Strategy to Increase Export of Beauty Products (K-Beauty) to Indonesia (2019-2021 Years)

In Indonesia, Korean Wave/*Hallyu* first entered in 2002, which coincided with the broadcast of K-drama on national private television (Hughes, 2017). The success of K-drama in Indonesia was also immediately followed by success in Korean music or K-Pop. Many Indonesian people are interested in the soundtrack of Korean dramas that have been successfully broadcast on national private television. This is the beginning of the increase in K-Pop fans in Indonesia who are spread across various regions (Anthony & Erhaneli, 2018).

The development of the Korean Wave/*Hallyu* in Indonesia is evidenced by the number of K-Pop music programs that air on television stations. K-Pop eventually became the most influential Korean product compared to Korean dramas and films, although Korean dramas still aired on television (Akos, Wyasu, & Ladan, 2014).

The success of the Korean Wave/*Hallyu* in Indonesia was also followed by an increase in the consumption of Korean cosmetic products or K-Beauty. Korean Wave/*Hallyu* which is synonymous with popular culture makes popular things like K-Drama and K-Pop a place for K-Beauty promotions. In K-Drama, scenes are often inserted which are usually performed by actresses who use K-Beauty who are the sponsors of the K-Drama. Based on a survey stated that respondents know K-Beauty products from product advertisements in K-Dramas or Korean films starring their idols (Purnamasari, Purnama, & Utami, 2017).

K-Pop is also a place of promotion that has the most influence on the development of K-Beauty in Indonesia. The use of artists and, idols as brand ambassadors for K-Beauty products is an attraction for consumers in Indonesia. This is because Indonesia is the largest K-Pop base in the world, based on data released by Twitter (Wulandari & Setiawan, 2022).

Like industries around the world, the cosmetic industry must also be able to adapt quickly to the impact of the pandemic. Consumers began to reduce consumption offline and, switch to online. Consumers will no longer test a cosmetic product in the store directly, but must search for the product and decide to purchase through various platforms and related content on Youtube, Instagram, TikTok and others (Reach24H, 2021). During the pandemic there was also a change in consumer interest in cosmetics, where interest in skin care products increased, while in makeup products there was a decline (Meng et al., 2022).

Globally, K-Beauty exports fell by 4.2% as a result of the Covid-19 pandemic, the South Korean beauty industry in the following year continued to experience a positive trend which was marked by an increase in South Korean cosmetic exports by 16.1% during the pandemic. In 2020, the total value of South Korea's cosmetic exports reached \$7.57 billion. This export surge was supported by the growing popularity of K-beauty, which consists of Korean skin care and make-up products, especially in Europe and the US, while at the same time, South Korean cosmetic imports fell (Hyun, Ko, & Hyun, 2021).

During the Covid-19 pandemic, in the 2019-2021 period, there was also a decline in the value of cosmetic imports to Indonesia. However, imports of cosmetics originating from South Korea have actually increased. This can not be separated from the increasing public interest and the incessant promotion of the Korean Wave/*Hallyu* carried out by South Korea in Indonesia. Korean Wave/*Hallyu* is South Korea's strategy in increasing K-Beauty exports to Indonesia.

Therefore, to continue to develop the Korean Wave/*Hallyu* in Indonesia, the South Korean government established the Indonesian Korean Culture Center (KCCI) which is an institution under the Ministry of Information and Culture of South Korea whose task is to continue to encourage the Korean Wave/*Hallyu* in Indonesia. KCCI always holds events related

to the Korean Wave/Hallyu, in which there are events related to K-Beauty.

The K-Festival in 2018 and 2020 as well as in 2021 held by KCCI is a proof of the efforts of the South Korean government to promote the Korean Wave in Indonesia. In 2018 KCCI held a K-Festival event with a series of K-Beauty Premium Roadshow events. In this series of K-Beauty events, KCCI facilitates South Korean entrepreneurs with Indonesian entrepreneurs in cooperation in developing cosmetic and skin care products in the Indonesian market. During the Covid-19 pandemic, namely in 2020, K-Beauty-themed events must be conducted online via Instagram and Facebook (Saung Korea, 2020).

In addition, there are also events organized by the Korea Trade-Investment Promotion Agency (KOTRA) Jakarta under the auspices of the Embassy of the Republic of Korea in Indonesia. KOTRA Jakarta held an event that combines all aspects of Korean products, one of which is K-Beauty. Through K-Lifestyle in ASEAN in 2021, KOTRA Jakarta wants to introduce indie-brand products which is not yet present in Indonesia.

Korean Tourism Organization Jakarta (KTO Jakarta) which held a series of Muslim Friendly Korea Festival (MFKF) events in October 2020 (Liputan6, 2020). The purpose of this MFKF event is to introduce Korea as a Muslim-friendly tourist destination. This is in accordance with the support from the South Korean government going forward, starting in September 2022 the K-beauty zone for small and medium-sized companies will be run in areas frequented by tourists.

In addition, in order to maintain the Korean Wave-Hallyu in the world through K-Pop idols, such as the Korean boy band BTS which has successfully spread the Korean Wave/Hallyu in the world and has fanatical fans, the South Korean government is given privileges to postpone their obligations in conscription. As it is known that the mandatory military service for South Korean youth is at the age of 28 years, while one of the BTS members on December 4, 2020 turns 28 years old. Therefore, the South Korean Government revised the law on military service to include an exemption option decided by presidential order. Therefore, on December 1, exactly three days before one of the BTS members turns 28, the South Korean parliament passed a law granting permission for those who excel in popular culture and arts to defer their mandatory military service at the age of 30. (Compass, 2020).

The Korean Wave/Hallyu promotion carried out by the South Korean Government by encouraging K-Pop idols as brand ambassadors and the incessant Korean cultural festivals sponsored by the Korean Government during the Covid-19 Pandemic have had an impact on increasing K-Beauty exports in Indonesia. This is marked by the easier it is to find Korean cosmetics on the market, and the large number of Korean cosmetic outlets that are present in Indonesia.

In addition, the results of the Korean Wave promoted by the South Korean Government using brand ambassadors generate many benefits and increase a very good impression of South Korea as well in the eyes of the world which makes young people in Indonesia become fans of all about Korea Pramadya, 2016).

During the Covid-19 pandemic, the use of the spread of Korean culture through the Korean Wave/Hallyu carried out by the South Korean Government in Indonesia could run well. The Korean Wave/Hallyu has a strong influence on the Indonesian people's decision to purchase K-Beauty. The higher a person's preference for the Korean Wave/Hallyu, the more likely that person will buy products related to the Korean Wave/Hallyu itself (Rahmadani, Amarlis and Yunita Anggarini, 2021).

2. South Korean Government Policy in Supporting the Korean Wave/Hallyu by Accelerating the Ratification of IK-CEPA to Increase Exports of Beauty Products (K-Beauty) to Indonesia (2019-2021 Years)

During the Covid-19 pandemic, IK-CEPA is expected to be a solution for both countries in economic recovery. For this reason, not only South Korea, but Indonesia also hastened the completion of the ratification of this agreement so that the IK-CEPA is targeted to be implemented in early 2022 (Bardan, 2021).

The advantage that South Korea hopes for with the completion of IK-CEPA ratification in its beauty industry is that it can increase sales of K-Beauty in Indonesia. Since 2018, the Indonesian government has decided to increase the income tax (PPh) article 22 on imports of soap and cosmetics. This policy was made by the Indonesian Command as an effort to curb the rate of imports of consumer goods entering Indonesia (CNBC Indonesia, 2018). This policy, of course, increases the price of K-Beauty in Indonesia, but if the IK-CEPA ratification can be completed quickly, the price of K-Beauty in the Indonesian market will be more affordable due to the exemption of tariffs, and import duties on K-Beauty products entering Indonesia.

Meanwhile, prior to the completion of the IK-CEPA ratification, so that the price of K-Beauty products is affordable for the Indonesian people, the South Korean Government has exempted taxes on local cosmetic products. This was done by the Korean government in order to increase exports of K-Beauty. In the absence of taxation, the price of K-Beauty can be much cheaper when compared to cosmetic products from the United States or Europe (Azzura, Mayani, & Bakhtiar, 2018).

By accelerating the ratification of the IK-CEPA, the Korean Wave/Hallyu will also continue to grow in Indonesia. The Indonesian government's policy of including the purchase of K-Pop-albums or merchandise as imported goods will of course be subject to customs tax. Meanwhile, the Korean music industry (K-Pop) relies heavily on song sales, both in digital form and in physical form (Compact Disk) (Putri, Rahhayu, Suswandari, & Ningsih, 2021). This will also make the prices of products related to K-Pop go up and will eventually make affect the purchasing power of fans in Indonesia.

So it is clear that the ratification of the IK-CEPA will make it easier for South Korea to continue to develop the Korean Wave/Hallyu in Indonesia. IK-CEPA will provide tariff exemptions for Korean products, so that products related to the Korean Wave/Hallyu can be easily obtained and also at affordable prices. The maintenance of the Korean Wave/Hallyu in Indonesia will of course also increase sales at K-Beauty.

Thus, during the Covid-19 pandemic, South Korea used its country's policies to support the Korean Wave/Hallyu by accelerating the ratification of the IK-CEPA in increasing exports of beauty products (K-Beauty) to Indonesia (2019-2021).

On the other hand, the Korean Wave/Hallyu not only benefits South Korea, but also benefits Indonesia. Especially K-Pop in Indonesia, where K-Pop has been able to encourage economic recovery and investment in Indonesia. There are also many companies in Indonesia that use K-Pop-idols as brand ambassadors, such as collaborations from Tokopedia with BTS, Shopee with Stray Kids and Blibli in collaboration with Park Seo Joon. The number of militant K-Pop fans, who want to adapt the way their idols dress, and make up, has increased the purchasing power of Indonesians for Korean products. The large number of Korean idols and artists who become brand ambassadors of companies in Indonesia has created a good image of Indonesia in the eyes of the world, thereby attracting foreign investment into Indonesian companies (Furkan, Rusdin, & Shandi, 2021).

CONCLUSION

K-Beauty in Indonesia continues to develop when there is a decline in imports of cosmetic products from other countries. The development of K-Beauty in Indonesia is inseparable from the rise of the existing Korean Wave/Hallyu. The desire of fans of K-Drama and K-pop to be able to have white skin and smooth faces as well as handsome and beautiful like their idols has boosted sales of K-Beauty. Therefore, the South Korean government continues to strive to develop the Korean Wave/Hallyu in Indonesia.

No exception during the Covid-19 Pandemic (2019-2021), the Korean Wave/Hallyu remains a mainstay for the South Korean Government to continue to increase exports of K-Beauty to Indonesia. This can be seen by the many supports and policies made by the South Korean Government so that the Korean Wave/Hallyu continues to develop in Indonesia. Korean festivals which are always held annually through official institutions established in Indonesia and under the auspices of the South Korean state institutions are one of the efforts carried out. Every Festival that is held always features K-Pop idols and also in the series of events there is also a K-Beauty event.

Indonesia as a country that has the biggest K-Pop fans in the world today certainly gets serious attention from the South Korean Government. K-Pop during the pandemic has been able to make a good contribution to the country's economy, making the South Korean Government issue a policy through its country's law, by giving privileges to influential K-Pop idols to postpone military service to 30 years of age. This is related to the large influence of K-Pop idols on K-Beauty sales, because many K-Pop idols become brand ambassadors of K-Beauty products and this has an impact on increasing K-Beauty sales in Indonesia.

The improvement of more comprehensive Indonesia-Korea relations with IK-CEPA will provide benefits for both countries, namely increasing exports due to the exemption of import duty tariffs for the products of both countries. That way, exported products can be sold at low prices in the destination country, and can compete with products from other countries.

The increase in import-tax rates for cosmetic and soap products decided by the Indonesian government and the imposition of import duties on K-Pop products could hamper the growth of the Korean Wave/Hallyu in Indonesia. However, this did not happen because the South Korean Government continued to provide support for its cosmetics industry with exemption from taxation and also provided support for its creative industry. This policy makes K-Beauty in the Indonesian market still cheaper than cosmetic products from other countries. Therefore, the completion of the IK-CEPA ratification is highly expected by South Korea. For this reason, South Korea is trying to hasten the completion of the IK-CEPA ratification so that it can be implemented immediately.

The results of this study indicate that the South Korean Government during the Covid-19 pandemic continues to provide support for the development of K-Beauty in Indonesia. The policies made are to continue to encourage the Korean Wave/Hallyu to develop in Indonesia, because K-Beauty cannot be separated from the Korean Wave/Hallyu. This proves that the Korean Wave/Hallyu is a strategy used by South Korea to continue to increase exports of K-Beauty to Indonesia during the Covid-19 pandemic.

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Devotion - Journal of Research and Community Service



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