

INTERACTIVE SESSION: MANAGEMENT

SOUTH KOREA'S RESTRICTED INTERNET

At an average speed of 17 MBPs, South Korea boasts the highest average Internet speed in the world and tops the world on speed for the price. All large office and apartment buildings are equipped with fiber-optic broadband and a \$24 billion high-speed backbone links public institutions and government facilities. This country's population also boasts a high level of Internet usage: 97 percent of South Koreans have high-speed Internet access at home and subway riders in Seoul enjoy free access on their smartphones. By the end of 2014, Koreans will have access to 1GB per second connections, 200 times faster than the average household connection in the United States.

The paradox is that this flourishing tech-savvy democracy, which enjoys broad constitutional freedoms, is also among the most Internet-regulated countries in the world. South Korea's 1995 Electronic Communication Business Law granted wide latitude to the Information and Communications Ethics Office to block material deemed morally offensive or harmful to South Korean youth. Political speech, particularly relating to longtime foe North Korea, was, and still is, rigorously controlled. North Korean URLs have been off-limits and online support for North Korea could be grounds for investigation, detention, and revocation of Internet access.

The Internet Content Filtering Ordinance, enacted by the Ministry of Information and Communication (MIC) in 2001, required ISPs to block a specific list of Web sites. Schools and public libraries were required to provide access but had to install filtering software. Web sites are ostensibly self-monitoring based on a content ratings system administered today by the Korean Communications Standards Commission (KCSC). However, if MIC orders a site to classify itself as "indecent," failure to block access to minors can result in fines or imprisonment.

The Internet Content Filtering Ordinance also recommended a verifiable real-name registration system that would require all users who posted comments or uploaded content to have an account that included their Resident Registration Number (RRN). In 2003, MIC asked the four major Web portals to develop such a system. These actions were sold to the public as necessary to curb abusive behavior and cyber-bullying, particularly following a number of high-profile celebrity suicides.

One of the largest sites affected was Google-owned YouTube, which chose to block South Korean users from uploading content rather than collect RRNs. The system was easily thwarted, however, by simply changing the location setting for an account to Worldwide. Press reports even indicated that the YouTube channel for the presidential office used this simple ploy.

While pressure from citizens' groups and court challenges have rolled back some restrictions, the threat of criminal liability has fostered a culture of fear and self-censorship. ISPs are ultimately held responsible if inappropriate—immoral, violent, obscene, speculative, or antisocial—content is found on their networks. RRNs must still be proffered for adults to access online games at night because curfews bar minors. Mobile service providers do not yet know if the ruling exempts them from collecting RRNs, and there have been several high-profile prosecutions involving online postings on Twitter and Facebook. Searching the Internet is often unproductive because Web sites prohibit search engines from indexing their pages.

Google is also finding South Korea a challenging environment for Google Maps. The National Security Law (NSL), the basis for censoring Web sites with North Korean content, also prohibits the export of map data to safeguard infrastructure details. For travelers, and the companies that want to profit from helping them navigate, this has presented a challenge. Directions from airports to area hotels can only be divined for mass transit, thanks to publically available routes and schedules.

President Park Geun-hye has expressed willingness to ease regulations for foreign competition. A division of the Ministry of Land, Infrastructure, and Transport will release an English-language digital map in 2014. However, points of interest, pedestrian overpasses, bicycle lanes, and details of intersections will still not be available. What's more, without domestic servers, Google will not be able to provide the level of detail of local rivals such as Naver—which only serves Korean-language users. Driving directions, traffic data, and building floor plans must be processed at Google's servers outside of South Korea, subjecting them to export restrictions.

Even in this game-obsessed nation, home to half the world's professional gamers, who are often

celebrities netting six-figure contracts, game developers must contend not only with the nighttime curfew for minors but also with the Game Rating Board (GRB). The GRB can ban any game, though its focus has been graphically violent games such as Grand Theft Auto III. The already lengthy approval process increases development costs for mobile games and discourages young entrepreneurs. Domestic companies such as Nexon Co. and NCSoft Corp. are competitively disadvantaged globally, and global companies such as Apple and Google have decided not to enter the Korean market.

If President Park is serious about developing the high-tech software and services sector to match South Korea's success in hardware—Samsung and LG, for example—she must perform a balancing act. Elimination of online restrictions must be balanced with rational national security objectives. Safeguarding citizens must be balanced against disadvantaging domestic operators whose users will simply switch to foreign competitors. Conversely, leveling the playing field so that domestic operators are not advantaged—and are pushed to develop

world-class service—must be balanced against the threat that foreign competitors (such as Google) could squash domestic competition.

South Korea's dilemma illustrates the struggle all organizations face to balance competing interests. The South Korean government must decide how its cultural mores and national security concerns can coexist with its economic development goals. For both foreign and domestic companies trying to do business in South Korea, government control of information can create a challenging and even hostile environment.

Sources: Peng HwaAng, "How Countries Are Regulating Internet Content," Peng HwaAng, isoc.org, 1997, accessed January 30, 2014; Bhavesh Patel, "Global Internet Usage Statistics 2013," slide-share.net, August 28, 2013; "South Korea: Perspectives on Chinese New Net Control Laws," Global Voice Advocacy, advocacy.global-voicesonline.org, January 1, 2013; Eric Pfanner, "Google Jousts With Wired South Korea Over Quirky Internet Rules," *New York Times*, October 13, 2013; "South Korea," Open Net Initiative, open-net.net, August 6, 2012; Evan Ramstad, "South Korea Court Knocks Down Online Real-Name Rule," *Wall Street Journal*, August 24, 2012; "Censorship in South Korea: Game Over," *The Economist*, April 14, 2011; and "Internet Censorship in South Korea," Internet Business Law Services, ibls.com, January 8, 2010.

CASE STUDY QUESTIONS

1. Why is the Internet restricted in South Korea?
2. What are the implications of South Korea's Internet restrictions for international companies doing business in South Korea?
3. What management, organization, and technology factors should be taken into account when developing an e-commerce presence for the South Korean market?

Electronic Data Interchange (EDI) systems and supply chain management systems are widely used by manufacturing and distribution firms to connect to suppliers on a global basis. Collaboration systems, e-mail, and videoconferencing are especially important worldwide collaboration tools for knowledge- and data-based firms, such as advertising firms, research-based firms in medicine and engineering, and graphics and publishing firms. Internet-based tools will be increasingly employed for such purposes.

Review Summary

1. *What major factors are driving the internationalization of business?*

The growth of inexpensive international communication and transportation has created a world culture with stable expectations or norms. Political stability and a growing global knowledge base that is widely shared also contribute to the world culture. These general factors create the conditions for global markets, global production, coordination, distribution, and global economies of scale.