

# Benefit Analysis and Direction Setting of the 2018 Pyeongchang Winter Olympics

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**Abstract.** This thesis paper was written in order to view the hosting of the 2018 Pyeongchang Winter Olympics in a more specific and precise viewpoint. Following an unbiased analysis of the current situation, the thesis also provides ways that Korea can capitalize their chance on hosting such a grand event. Hosting an event as large scale as the Winter Olympics is definitely an opportunity to be reckoned with, but people must also be aware that when used improperly, it can produce unsuspected negative results. The paper tried to avoid seeing things in a shortsighted way. The thesis goes from explaining the history of how the Pyeongchang Olympics came to be, and follows it with an objective analysis of the status quo in three main perspectives: economically, culturally, and locally. In addition, the thesis introduced several potential problems that may occur during, before, or after the hosting of the Winter Olympics. The methods applied in the thesis paper include a variety ranging from street surveys to delving through established thesis papers. Finally, at the very end of the thesis I have provided my own insight regarding the status quo. Simply put, the result of the thesis paper is to promote long term development, green Olympics, and Tourlympics, with a stronger focus on a central theme and goal.

**Keywords:** 2018 Pyeongchang Winter Olympics, Olympics, Winter Olympics, Pyeongchang, Korea, Sports

## 1. Introduction

### 1.1. Objective

With sports entertainment being a major societal force regardless of nation and ethnicity, it has almost become a trend-setter, a paradigm for the ages. Out of all the sports events, there are three events that are in total called the top three global sports events: the F1 Grand Prix, the World Cup, and the Olympics. However, the most historical and overall event of all is none other than the Olympics. Started from ancient Greece, this major event desires high levels of competition between amateurs among various areas of sports - in contrast to the other two events which each host only one area of sport in particular. Hosting such a prestigious event has become a stepping stone to the growth of many developing nations; and a showcase of power for the nations that were already developed. It is no secret that all countries desire to host the Olympics.

However, as the old saying goes, with every opportunity follows a risk. Although it is a renowned fact that hosting the Olympics draws enormous amounts of fame and attention to that particular country, it does not always guarantee overall success. As much as there were countries that have seen success by hosting the global event, there were countries that ended up worse than they would have without hosting the event in the first place.

In order for the Olympics, especially the Winter Olympics, to achieve maximum amount of success, many factors such as economics have to be put into consideration. This is the reason and objective as to why this thesis is written: to provide a detailed analysis of the status quo regarding the event, and to suggest feasible and practical suggestions so that the 2018 Winter Olympics hosted in Pyeongchang, Korea, can be driven to a great success.

## 2. In-depth Analysis of the Pyeongchang Olympics

### 2.1. Economical View

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To start with how the hosting of the Olympics can affect the industries within Korea, we must first pay attention to how the global economic community is shaping up. Currently, the world is facing a transitional phase that will eventually lead to an era of a “global village”. Trade barriers are being cut down, and many countries are striving to move forward as a unit, not as separate individuals. Korea has made free trade agreements with the European Union in July 2011 and with the US in 2012. Evidently, Korea’s globalization process to becoming one of the most prominent countries in the world is happening faster than ever.

At this state, there is in no doubt that hosting the Pyeongchang Olympics would bring about a massive improvement in significantly improving the brand image of the nation “Korea.” The Olympics is an event in which over 4 billion people watch worldwide. (AGB Nielsen, 2008) During the time of broadcast, the Olympics consequently become a competition with an immense amount of influence. The advertising revenues and such surge into inestimable amounts. Other professors even simply state that the average economic welfare that hosting the Olympics would bring is close to 64 trillion won plus (Hyundai Economic Research Institute, 2011). Whether that is true or not is a matter to be cleared up, but the Olympics simply being a great economic opportunity is unquestionable.

With such building of national image that would occur after hosting the Olympics, as many previous countries did the companies inside Korea should strive to broaden their industrial endeavors. As the Olympics have become a stepping stone to many global economies, notably Korea’s own Seoul in 1988. This includes every major area of production such as automobiles and electronics to semiconductors and IT products. The Korean industry must strategically pursue to gain more influence in the global market.

In addition, taking a narrower perspective of things, the status of employment must also be taken into consideration. One of the most serious problems Korea has risked by globalizing was the swift increase of the unemployment rate. Regarding this aspect, the Korean government tried to increase many works in the leisure and tourism industry. With the Pyeongchang Winter Olympics being estimated to draw 2 million and more tourists (Joongang Daily, June 12th 2011), this would bring about a significant boon to the tourism industry. Also, with the increase of winter sport related facilities, this would lead to a more efficient usage of the otherwise barren lands in the Gangwon province. An enlargement of the tourism and leisure industry most certainly would lead to a higher demand for jobs.

In the table below, several major institutions have provided their thoughts and estimations on what kind of economic benefits can the hosting of the Pyeongchang Winter Olympics can bring.

Institute	Economic Effect	Additional Note			
Korea Institute for Industrial Economics & Trade (2008)	<ul style="list-style-type: none"> <li>•Production Inducing Effect: 20.4 trillion KRW</li> <li>•Value added inducement effect: 8.7 trillion KRW</li> <li>•Employment increase: 230 thousand</li> </ul>	-			
Hyundai Economic Research Center (2011)	<ul style="list-style-type: none"> <li>○ Total Effect : 64.9 trillion KRW (direct effect 21.1 trillion KRW, indirect effect 43.8 trillion KRW)</li> <li>○ Specified Direct Effect(a+b): 21.1 trillion KRW</li> <li>- Economic Value of investment (7 trillion) (a): 16.4 trillion KRW</li> <li>- Tourism attraction and hosting effect (b): 4.7 trillion KRW</li> </ul>	About 390 thousand foreigners are expected to visit Korea over the hosting period			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: center;">Indirect Effect</td> <td>Tourism revenue expected for the next 10 years: 32 trillion KRW</td> </tr> <tr> <td></td> <td>Top 100 Companies’ brand improvement effect: 11.6 trillion KRW (10 billion USD)</td> </tr> </table>	Indirect Effect	Tourism revenue expected for the next 10 years: 32 trillion KRW		Top 100 Companies’ brand improvement effect: 11.6 trillion KRW (10 billion USD)
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	Top 100 Companies’ brand improvement effect: 11.6 trillion KRW (10 billion USD)				
Samsung Economic Research Institute (2011)	<ul style="list-style-type: none"> <li>•Domestic corporations’ advertising effects: 321 billion KRW</li> <li>•Domestic/Export Increase Effect: 10 trillion KRW</li> </ul>	Based on corporate awareness increase on 1%p level assumption			
Korea Culture and Tourism Institute (2011)	<ul style="list-style-type: none"> <li>•Foreigner Spending(392 billion KRW) caused Tourism industry production enhancement: 668 billion KRW</li> <li>•Foreigner Spending(392 billion KRW) caused Tourism industry value-added effect: 280 billion KRW</li> <li>•Foreign Spending(392 billion KRW) caused tourism industry additional employments: 9000</li> </ul>	Expected Foreign tourists during the season: 200 thousand			

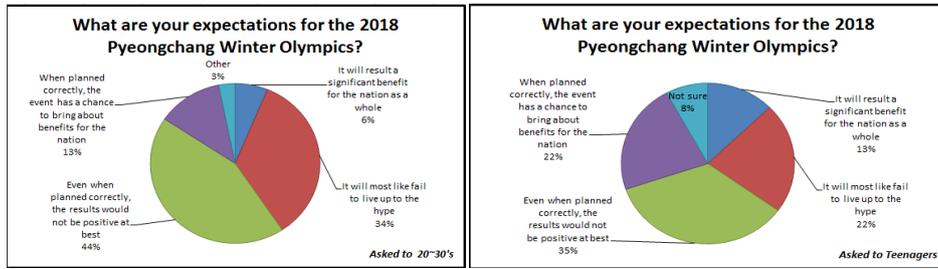


Fig. 1: Impact Analysis on Pyeongchang 2018 Winter Olympics (Data Source: Korea Culture and Tourism Institute(2011) “2018 Pyeongchang Winter Olympics Foreign Tourist Expenditure Ripple Effect, Webzine culture and tourism”)

## 2.2. Cultural & Social View

The cultural impact in which the Pyeongchang can bring about is also a significant aspect that needs to be discussed. Korea is currently a country that is becoming old fast, literally. The average age of the citizens has increased by over 7 years since the 1970’s (Statistics Korea <Population Census>, 2011), and the baby boomers have now turned into senior citizens. In addition, the rate of the unemployment rate of young adults are soaring higher than ever, which piles even more to the stress of the national economy.

With the hosting of the Pyeongchang Olympics, experts believe that such conflicts will be cured within. As witnessed in the hosting of the 2002 World Cup, there is a special side of Koreans – cultural dignity. Such nationalism can be revitalized when hosting a major event such as the Olympics. Along with the “We can do it” mentality, there will be a ripple of effects that can result in an increase of development and a consolidation of the entire nation, fueling the growth of the nation as a whole.

Regarding the pure cultural aspects, as mentioned again, the tourism and leisure industry will be expanded. Unlike other manufacturing industries, culture has a kind of “butterfly effect” that eventually leads to affecting various other areas of the nation that would otherwise seem unlikely.

One can easily see the proof of such “power” that culture possesses in the boom of the baseball industry in Korea. When it started its inaugural season in 1981, no one actually cared much about this new kind of sport. However, with the propagation of color TV, the winning of the Bangkok Asian Games and the success in WBC, the baseball industry has risen to the point where it has become more or less a trend-setter in today’s society. The same can be expected with the Pyeongchang Olympics. When applied with the appropriate policies, sports culture, along with other areas of culture, will be able to expand their bases. Also, winter sports, which were usually considered to be for the high-class, can become more popular and more generalized with the increase of interest due to the hosting.

In addition, there is a terminology named “soft power competitiveness.” In contrast to the hard power competitiveness, in which infrastructures and other tangible results are achieved, soft power competitiveness is something more related to abstract ones. Hosting the 2018 Winter Olympics would be a chance to enhance this soft power competitiveness and prove to the world of the true potential Korea can unleash.

Inside the concept of cultural contents, it includes everything from games to movies, music, and sports. What hosting the grand event of the Olympics means is that there are a lot of infrastructure, background, and civic consciousness integrated within the nation. The development of cultural products would not only increase the preference of Korea as a tourist spot, but also allows Korea to be a comfortable and pleasant place to be at, in general.

Below is a graph analysis of the countries that hosted some of three major sports competitions regarding their citizens’ awareness of their cultural content.

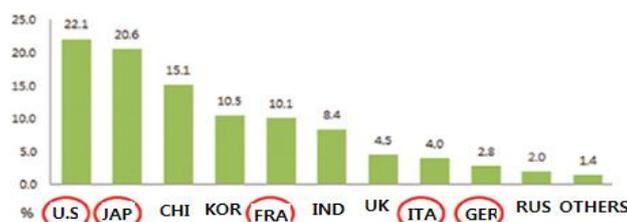


Fig. 2 Country and awareness of cultural content (Source: Institute for Industrial Policy Studies (2007)National Brand Map Investigation Ministry of Knowledge and Economics KOTRA)

### **2.3. Direction setting for the Pyeongchang Olympics**

Although it is true that the hosting of 2018 Pyeongchang Winter Olympics is an honorable thing to do, it is also true that Korea does not seem like the average snowy country that would host such a grand event. In order to understand what Korea needs to work on the course of the next few years, we must take the following facts in to consideration.

One is the overall performance of the Korean team in various fields of winter sports. It is true that Korea has shown a significant dominance in some areas, such as speed skating, short tracking, and figure skating. Notably, there is the world-record holding Yuna Kim and numerous individuals who have at least won a medal of some sort in the Olympics Short Tracking. Also, Korea placing 5<sup>th</sup> in the Vancouver Olympics also proved that Korea was definitely a country that was improving in the winter sport area.

However, “improving” is not enough. Clearly, when one thinks of winter sporting countries, several nations such as Switzerland and Canada comes into mind. The problem is, Korea is rarely in that list. Even though there are some subjects Korea specializes in, there are others that Korea falls short. For example, although skiing and snowboarding are relatively familiar sports for the average citizens, there is not a systematic process in which this knowledge can turn into enthusiasm and support. Also, Korea heavily lacks the aid needed for research in the athletic science field. This gradual decrease of both human and financial resource led to another problem in lacking of future players that the current players can “pass the baton” to. Such status quo shows the dark side of Korea’s involvement in Winter Sports: they did not seem to care as much as they did for other events.

### **2.4. Endeavors which the Pyeongchang Olympics should Pursue Issues**

So far until the thesis, there have been several benefits explored when the Pyeongchang Winter Olympics is eventually hosted. However, many non-believers dissent to the arguments proposed by the advocates. Opponents of hosting the event continuously tell people about numerous failed previous events of the Winter Olympics.

To start, there was the recent Torino Olympics. The Torino Olympics was attended to by 80 and more countries, but countries that actually sent ten or more representatives actually amount to only thirty countries or so. This comes to the conclusion that it may not bring a lot of improvement to our global image. The thirty countries were highly developed countries, and therefore already know enough about Korea. Also, revenues regarding broadcasting needs to be put in consideration. Korea’s broadcasting time is largely unsuitable for American and European viewers to watch, therefore professionals quote that we “may not have to expect much from broadcasting revenues.” (Park Geon Woo, “During an MBC News Interview at October 8th, 2011)

In addition, regarding the Athens Olympics, the Greek government originally assessed the total government expenditure to be around 1.6 billion dollars, but when they assessed the bills, it actually turned out to be ten times of that: 16 billion dollars. Professionals now think that Greece has perhaps “bitten off more than they can chew” when they hosted the Summer Olympics. They suspect that the hosting may have played a major factor in Greece’s current state of economy. In short, Olympics do not always bring about economic prosperity.

In addition, there is anecessity to point out Korea was no exception in hosting failed grand sports events. Notably, Korea recently hosted the F-1 Grand Prix in South Jeolla Province. But, 120 billion won is surmised as the deficit to hosting this event. People are saying to get rid of the event even if they have to pay 40 billion won as a contract breaching fee. Also, Incheon hosts the Asian Games in 2014, but it is found out that 80% of all Incheon citizens want to waive their hosting privileges.

The Winter Olympics in itself characteristically can be a problem. It is proven that the Winter Olympics have a smaller market than the Summer Olympics. (International Herald Tribune, “What the Olympics really are”, 1.3.2011) There are only 20 countries or so that even win the Bronze Prize in any subject. It is an

Olympic that is very restricted in municipal issues. Also, historically speaking, there was no winter Olympics that had a surplus budget in the end.

Also, all the dollars that are said to come into our country's hands if we host the Olympics is not real money, but money that is based on assumptions that are sometimes hard to achieve. Even the once stated above, mainly the calculation that Hyundai's research provided, are conceived by many to be exaggerated. It is not an evidence-based economic calculation, but the approximate aggregate of what kind of economic influence such kind of an event can bring.

Lastly, there are environmental issues. Gangwon province is planning to build ski jump courses in the original Green belt, designated for protection of the mountain terrains and wildlife. This is an unacceptable decision to many environmentalists, and the Gangwon citizens alike. Many speak out that exceptions should not be tolerated, especially when it deals with nature and an event that would last close to only one month.

## **2.5. Solutions (in list order)**

1. The Necessity of a Specific Goal: A clear cut vision and goal must be set. If there are no specific goals to achieve and no concise planning that goes along with it, there will inevitably be a lot of waste of valuable resources. By setting a definitive goal and purpose, the nation would be able to efficiently prepare for the event, lowering costs and wasting fewer resources simultaneously.

2. Promoting more talent: Another issue is with the level of the players themselves. Korea is largely known for its relatively thin roster, with one "star" and several unqualified candidates. To prevent such things from reoccurring, Korea has to take it as a national task to uncover hidden potentials and advertise areas of winter sports that were previously not well known.

3. Integration with "life": Integrating winter sports into everyday life is a critical and effective way to garner success from hosting the Winter Olympics. Koreans' interest in winter sports is already at the all-time high; therefore the industry should capitalize on the opportunity and make winter sports a kind of leisure activity that is easily accessible to anybody. This will gradually lead to the aforementioned expansion of base in winter sporting and a revitalization of areas regarding winter sports and those that are related with winter sports, such as sports marketing and sports tourism. Finding an effective way to do so will be a key to establishing a successful Olympics.

4. Long-run development: In order to garner more tourists, the most important thing to concentrate on is what Pyeongchang is going to do after they host the Olympics. In order for the hosting of the Olympics to be a true success, tourists should keep coming, instead of a mere short flare of attention. This can be achieved by linking Gangwon province's main themes of "environment" and "tourism" together with the Pyeongchang Winter Olympics. By integrating traditional culture alongside with the newest sport, there will be a unique which can be hard to see in other countries. If that is successfully done, people would not only be coming to Korea to see the Olympics facilities, but to enjoy the country as a whole. In other words, it will lead to a proper so-called "tourist attraction."

5. Play it green: Of course, environmental aspects must be taken into consideration. Usage of recycled materials and eco-friendly facilities can be an idea, but it has to last in the long run as well. By seeking partnerships with professionals and NGO's, Pyeongchang can have valuable information and opinions regarding the environment, and should try its utmost best to provide environmentally friendly facilities – not just any fancy, wasteful building.

6. Efficiency: In order for the Olympics to be hosted in an economically efficient way, there should be several steps that need to be accomplished. By not only promoting the site as a tourist attraction, but also an efficient usage of the facilities built can turn out to be a big saving in itself. As we move closer to the competition's date, the government should focus more on how to use these facilities effectively after hosting the Olympics. By undertaking an efficient managing method, the growth of both domestic and global economy can turn out to be much more than what one would expect.

## **3. Acknowledgements**

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