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### **Technological Convergence and Regulatory Conflicts in Korea**

The emergence of new broadband technology opened a way for leading telecom operators to introduce digital broadcasting of high quality contents on a nation-wide scale. The new technological possibility however demands a drastic institutional reform to facilitate licensing of new services and as a result, the reform process has so far proceeded in a time-consuming manner. The two regulatory agencies, Ministry of Information and Communications (MIC) and Korea Broadcasting Commission (KBC) challenged each other regarding the timing of licensing IP TV service to KT, a leading telecom operator in Korea. On the surface, these agencies have to reconcile the following alternative hypotheses on the future development of digital industry.

First of all, MIC predicts that both direct and indirect linkage effects of digital broadcasting will amount to 220 billion USD until the year 2012. However the opinions on the contributing factors to this huge economic impact are diverse. The three leading terrestrial broadcasters which have largest potential for content development claim that their share of contribution will be about 69 percent. They insist that any policy priority which has long-lasting investment effects must be given to them. They also claim that the share of IPTV will remain as only 3.6 percent. On the other hand KT has different view on its role. In the age of convergence, telecom operator which has global network and access to consumer community will have comparative advantage. KT estimates that delay of licensing IPTV by one additional year will cost almost 1 billion USD.

The cable operators, being a late comer in a so called broadband convergence network (BCN), resist strongly against a policy of early licensing of IPTV and insist fair competition from the initial stage demanding a delay until they are ready to start digital broadcasting.

The paper attempts to draw some hypothesis on how to implement regulatory reforms to introduce new convergence technology in an efficient manner. The paper explores an extended principal-agent model and tries to draw some testable hypothesis for the inefficiency of dual regulatory agencies where MIC is focused on regulation of network quality and transmission technology while KBC regulates content. Complementarities between the two regulatory agencies are examined in a global comparative context.