



STRENGTHENING THE CREATIVE INDUSTRIES FOR DEVELOPMENT

in the Republic of Korea



Empowering small and medium-sized enterprises,
jobs and sustainable development





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Notes

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Executive Summary

This report was prepared with the purpose of making a policy review and analysis of the current status of the creative economy in the Republic of Korea, an economy that aims to champion the value of innovation, creativity and entrepreneurship across society and globally. This transformation requires the commitment both from government and private sector to lead change towards a new economic and social model where creativity and innovation are at the center of development.

The Republic of Korea has been successful in investing in its people and its talents. It is now investing in the potential for the youth to be great entrepreneurs.

We hope that this report will be useful to developing countries and encourage them to look into new growth opportunities and sustainable development based on creative new industries.

There is no one single model for success in the creative economy. What really matters is what can be achieved by developing and investing in a creative and innovative economy, new jobs, new export opportunities and a more inclusive society.

The Creative Economy report for the Republic of Korea is structured in five chapters.

Chapter 1 gives a general introduction of the country's economic growth and success and the reasons for a shift to a new economic model and the creation of new jobs.

Chapter 2 introduces the creative economy promotion strategy of the Republic of Korea that utilizes its science, information and communications technology capacity, all of which are the country's strengths. Whilst addressing strategic added value.

Chapter 3 addresses the government strategy which is oriented to promoting small and medium-sized industries and start-ups, particularly in the creative content industries.

Chapter 4 describes the 'creative economy valley' which is a government driven strategy to support the 'convergence of science and technology with industry, the fusion of culture, and industry and creativity and entrepreneurship.

Chapter 5 provides conclusions and recommendations for future steps .

Acknowledgements

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The main research was carried out by Seung Ryul LEE with contributions from Bonapas Onguglo, Lucas Assunção and Carolina Quintana.

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Editorial comments were made by Rene Kooyman and Sem Houben.

Creative Economy in the Republic of Korea

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¹ The Rep. of Korea Creative Content Agency, Statistics 2012, Viewed at http://www.kocca.kr/knowledge/internal/stat/___icsFiles/afieldfile/2013/03/14/9eW6bOkfCM7j.pdf

² Bank of the Republic of Korea

1. General Introduction

The Republic of Korea has experienced rapid economic growth over the last 50 years. It is said that Korea has reached the limits of its 'catch-up type strategy', which had driven economic growth in the past, due to global economic crises and the emergence of newly industrializing economies. The world is changing from factor-driven economies, to knowledge and creative economies. The latter relies on innovation, technology and creative ideas.

Korea's economic management paradigm also arose as pursuit-type growth through imitation and application, and the government is now working to switch the Korean economic paradigm to that of the leading-type growth founded on Korean creativity. In order to achieve it, a creative economy was set as a major policy agenda by the Korean government in 2013. According to the definition of the creative economy by the Korean government, the creative economy is a new economic strategy that makes new industries and markets by integrating/aligning imagination and creativity to science, technology and ICT and creates decent jobs by reinforcing traditional industries. Korea has topped the EU Innovation Union Scoreboard Index for three consecutive years (2014-2016) with Korean creative economy being highly recognized by the global community. Also, for the last four years (2014-2017), the Republic of Korea has ranked first according to the Bloomberg Innovation Index. The country also ranked second as the most innovative Asian country and 11th overall globally, and maintains its top positions in patenting and other intellectual property-related markers, according to the *Global Innovation Index 2017* (GII) by INSEAD, Cornell University and the World Intellectual Property Organization (WIPO).

2. Creative Industries Policy Review

2.1 Institutional Framework around the Creative Economy

Several ministries and government agencies are involved in the creative economy: Ministry of Science, ICT and Future Planning, which oversees science, technology and ICT; Ministry of Trade, Industry and Energy, which oversees industrial policy, Small & Medium Business Administration and Intellectual Property Office; Ministry of Strategy and Finance, which oversees budget and long-term national strategy; Ministry of Culture, Sports and Tourism, which oversees cultural policy.

The Ministry of Science, ICT and Future Planning plays a key role in the coordination of creative economy policies among ministries. It was created in February 2013 in order to set up and implement the creative economy policy. The Ministry has the Creative Economy Policy Bureau which is exclusively in charge of creative economy affairs. It comprises five divisions: Creative economy planning division, Creative economy foundation division, Creative convergence planning division, Future growth strategy division, and Creative economy promotion division. The ministry is tasked with turning the Korean people's infinite imagination and creativity into creative assets using science

technology and ICT, thereby creating new added value, new jobs and new growth engines that are imperatively necessary for the nation's sustained growth³.

2.2 Creative Economy Policies

As of 5 June 2013, the country established the creative economy blueprint, 'the Creative Economy Action Plan and Measures to Establish a Creative Economic Ecosystem'⁴. It is a creative economy promotion strategy that utilizes Korea's science, technology and information and communications technology capacity, all of which are its strengths. The Creative Economy Action Plan establishes a vision for 'Realizing a new era of happiness for the Korean people through a creative economy'.

The government has set 3 goals:

- ① to create new jobs and markets through creativity and innovation;
- ② to strengthen its global leadership through a creative economy;
- ③ to creating a society where creativity is respected and manifested.

The government has also proposed six strategies;

- ① to properly compensate for creativity and create an ecosystem that promotes the creation of start-ups;
- ② to strengthen the role of ventures and small and medium-sized enterprises in the creative economy and strengthen their ability to enter global markets;
- ③ to create growth engines to pioneer new markets and new industries;
- ④ to foster global creative talent that has the spirit to rise to challenges and pursue dreams;
- ⑤ to strengthen the innovation capacity of science, technology and ICT, which form the foundation for the creative economy;
- ⑥ to promote a creative economic culture together with the Korean people.

Each strategy is accompanied by several tasks. According to the plan, the government of Korea will invest about \$ 5.3 billion in this sector for the next five years.

Table 1. The Creative Economy Action Plan 2013 of the Republic of Korea

①	to properly compensate for creativity and create an ecosystem that promotes the creation of start-ups
	<ol style="list-style-type: none"> 1) Creating the conditions to easily start new businesses through investment, not financing 2) Patenting creative ideas
②	to strengthen the role of ventures and SME's in the creative economy and strengthen their ability to enter global markets
	<ol style="list-style-type: none"> 3) Making the government and public institutions the number one customer to support the pioneering of new markets 4) Easing regulations and increasing government support to stimulate investment 5) Setting the goal of startup growth by accessing global markets 6) Creating an ecosystem that encourages cooperation and win-wins between SMEs and large corporations

³ <http://english.msip.go.kr>

⁴ Ministry of Science, ICT and Future Planning. Press release. 05-06-2013. Viewed at: [http://www.msip.go.kr\(Korean\)](http://www.msip.go.kr(Korean)) and

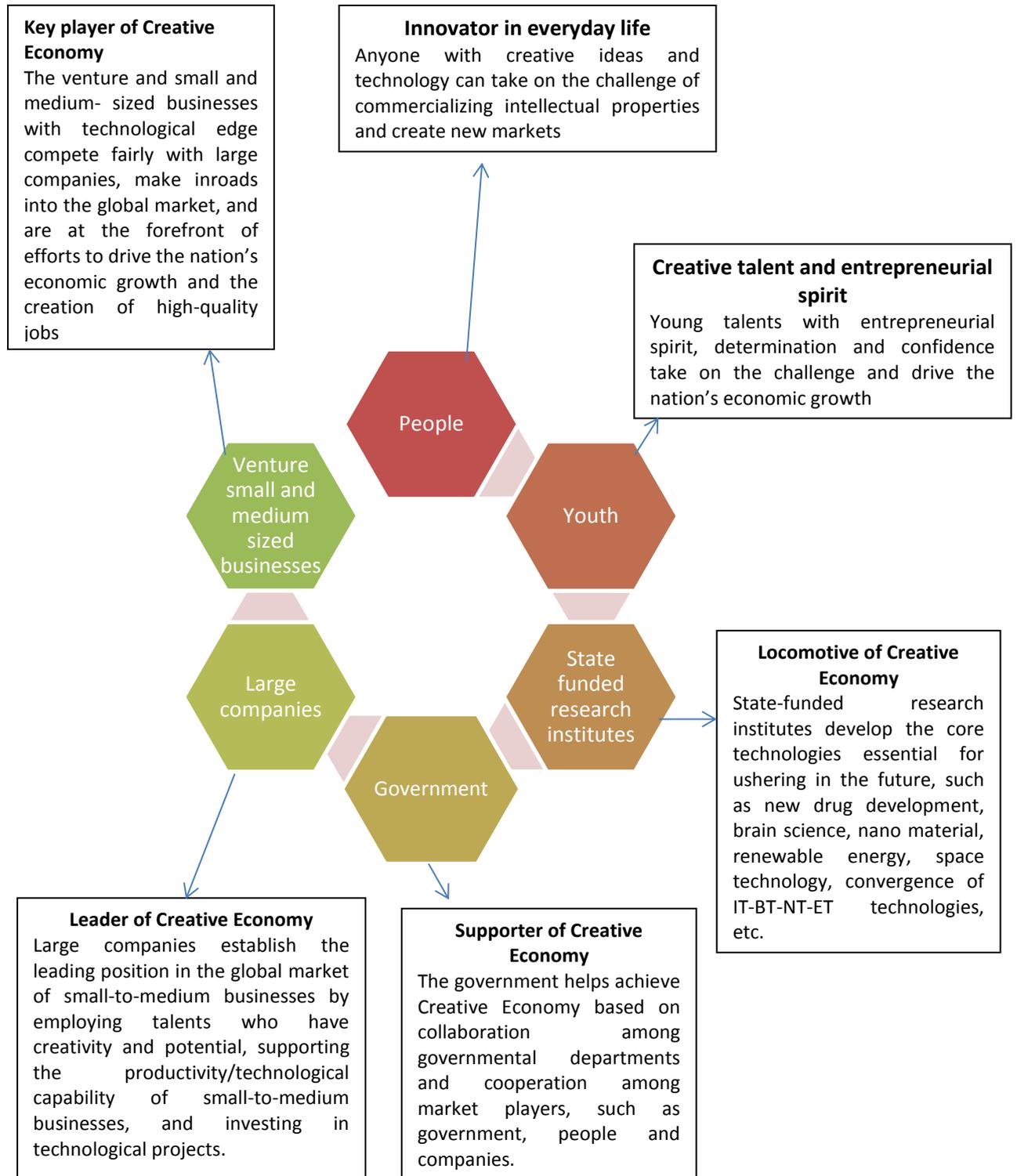
Ministry of Finance and Strategy. Press release. 05-06-2013. Viewed at: [http://english.mosf.go.kr\(English\)](http://english.mosf.go.kr(English)).
See annex 1

	7) Constructing a system that connects demand, education and recruitment to resolve human resources shortages
③ to create growth engines to pioneer new markets and new industries	
	8) Combining science, technology and ICT to energize existing industries 9) Creating new industry based on software and internet 10) Creating new markets through human-oriented technology innovation 11) Pioneering new markets by discovering and fostering new promising future industries 12) Promoting market creation and industry convergence through regulation rationalization
④ to foster global creative talent that has the spirit to rise to challenges and pursue dreams	
	13) Strengthening the development of creative convergence talent 14) Saving the challenging and entrepreneurial spirit 15) Stimulating the overseas advancement and domestic inflow of creative talent
⑤ to strengthen the innovation capacity of science, technology and ICT, which form the foundation for the creative economy	
	16) Creating an autonomous and challenging research environment and supporting the commercialization of research outcomes 17) Pioneering next generation markets by strengthening ICT innovation capacity 18) Stimulating the regional economy and strengthening the commercialization function and regional innovation of universities 19) Solving international social problems through science, technology and ICT in order to raise the status of the Republic of Korea
⑥ to promote a creative economic culture together with the people of the Republic of Korea	
	20) Creating a creative culture that realizes creativity and imagination 21) Fusing Korean ideas with public resources 22) Innovating government working methods in order to creative economy 23) Centering the creative economy on the private sector, not the government

The plan was a blueprint and tasked ministries and public agencies to take follow-up measures. As of February 2014, ninety five subordinate plans had been set up and implemented by the Ministry of Trade, Industry and Energy, Ministry of Strategy and Finance, Ministry of Culture, Sports and Tourism, Small & Medium Business Administration, Intellectual Property Office, etc. Fifty eight related laws and ordinances have been enacted or remanded subsequently.

One characteristics of the plan is a public-private partnership (PPP) in boosting the creative economy. The creative economy cannot be achieved by government effort alone it also requires private sector's active participation. When initiating a policy, input from the private sector is necessary. The Creative Economy Action Plan reflects the government's efforts to collect opinions and receive suggestions regarding government tasks by private associations including the Federation of Korean Industries, the Korea Chamber of Commerce, the Korea Federation of Small and Medium Business, the Korea Trade-Investment Promotion Agency, the Korea Employers Federation, and the Korea Venture Business Association. In January 2014, the 'Creative Economy Joint Task Force' was set up in order to institutionalize the private sector's participation. It included venture companies, SMEs, large companies as well as the government. The private sector is in the driving seat and leads the creative economy. The task force is co-chaired by the Federation of Korean Industries and the Ministry of Science, ICT and Future Planning. In order to induce active participation from the public, the government constructed and manages 'Creative Korea', an online portal site. Through this portal, any citizen will be able to easily access information on the creative economy, and receive comprehensive support in order to take a creative idea, commercialize it, and start a new business.

By 2016, the Creative Economy model in the Republic of Korea was based on an inclusive model⁵:
 Figure 1. Overview of the Creative Economy in the Republic of Korea: Ministry of Science, ICT and Future Planning



⁵ Overview of Creative Economy: <http://english.msip.go.kr/english/msipContents/contents.do?mId=MjY4>

2.3 Organizations of the professional sector

- Korea Software Industry Association (KOSA)⁶

KOSA is an association of software and its related companies. It was formed in 1988 to develop software industry and represent the industry's interest. Membership: 1144 companies.

- Korea Association for ICT promotion (KAIT)⁷

KAIT is an association of information and telecommunication industry companies. It has represented the industry's interest and coordinated with members to respond to various issues related to broadcasting and telecommunication convergence since it was formed in 1987. Membership: approximately 40 companies.

- Korea Internet & Digital Entertainment Association (K-IDEA)⁸

K-IDEA is an association of video game industry companies. It was formed in 2004 with the name of Korea Association of Game Industry at that time. Membership: 95 companies.

- Next generation Convergence Contents Industry Association (NOIA)⁹

NOIA is an association of companies that produce digitally distributed contents including game, e-learning, broadcasting, etc. and a combination of them. It was established in 1995 with the name of Korea Association of High-Tech Game Industry . Membership: 62 companies

- Recording Industry Association of Korea (RIAK)¹⁰

RIAK is an association of record producers to legalize and monetize online music services by introduction of digital transmission and performance remuneration. It was founded in 2001 and authorized to collect performance remuneration by Ministry of Culture, Sports and Tourism in 2002. Membership: approximately 130 companies, 2 million songs as of October 2013.

- Korea Music Copyright Association (KOMCA)¹¹

KOMCA is an association of music writers. Since its establishment in 1964, KOMCA has been the collective management organization for the musical works in the Republic of Korea, which has made its effort to develop music culture by way of the protection of right holders for the musical works. Membership: approximately 782 writers as of 2012.

- Federation of Korean Music Performers¹²

Federation of Korean Music Performers is an association of singers and other music performers. It was founded in 1988. Membership: approximately 6,000 music performers.

⁶ <http://www.sw.or.kr>

⁷ http://www.kait.or.kr/eng_index.jsp

⁸ <http://www.k-idea.or.kr>

⁹ <http://www.game.or.kr/>

¹⁰ <http://www.kapp.or.kr/us/about/foundation.asp>

¹¹ http://www.komca.or.kr/eng/index_eng.jsp

¹² <http://www.fkmp.kr/>

- Korea Federation of Copyright Organizations¹³

Korea Federation of Copyright Organizations is a federation of copyright-related associations. It was founded in 1993. It has the Copyright Protection Centre as a subsidiary organization, whose mission is to improve copyright protection environment in both online and offline market by monitoring and systematic research. Membership: 11 associations including Recording Industry Association of Korea, Korea Music Copyright Association and the Federation of Korean Music Performers.

- The Federation of Artistic and Culture Organizations of Korea¹⁴

It was established in 1961 initially by eight artistic and cultural organizations and associations. Membership: 10 associations which are Korean Institute of Architects, The Korean Writers Association, The Korean Traditional Music Association, Dance Association of Korea, Korean Fine Arts Association, The Photo Artist Society of Korea, The Korean Entertaining Artists Society, The Korean Actors Association, The Motion Pictures Association of Korea and The Music Association of Korea.

- The Korea International Trade Association (KITA)¹⁵

The association was established in 1946 with the objective of advancing the economy of the Republic of Korea through trade, and is currently the largest business organization with over 71,000 member companies. Representing the interests of country's global traders, KITA serves a diverse range of roles including: providing hands-on support to trade companies, drawing trade cooperation from the private sector, formulating new trade strategies, nurturing trade professionals and building trade infrastructure. With a widely established network of 11 domestic offices and 8 overseas branches in major cities, KITA has consolidated its position as a leading business organization dedicated to assisting SMEs in gaining foreign market entry and has actively contributed towards its recent achievement of 1 trillion dollars in trade volume.

- Korean Federation of Design Associations (KFDA)¹⁶

It was established in 1995 initially by six design-related associations in order to represent all the design industry and associations. It covers industrial design, jewellery, interior, digital design, public design, etc. The main functions are to study and propose a design policy to the government in order to promote the design industry and support its member associations. Membership: 26 design associations and academic societies.

2.4 Public Promotion Agencies

- National Information Society Agency (NIA)¹⁷

NIA is a statutory agency founded in 1987 by Article 10 of the Framework Act on Informatisation Promotion for the purpose of promoting informatisation and supporting development of related policies for national agencies and local autonomies. As the core agency of national informatisation entrusted by government with providing policies and technical expertise, NIA is leading the way in

¹³ <http://www.kofoco.or.kr/index.php>

¹⁴ <http://www.yechong.or.kr/src/sub11.php>

¹⁵ <http://global.kita.net>

¹⁶ <http://www.kfda.or.kr/>

¹⁷ <http://eng.nia.or.kr>

the construction of u-Korea towards a first-class nation in information and communication. Its major functions are:

Providing expertise in developing and implementing the National Framework Plan on informatisation Promotion;

Managing & operating information networks of public organizations;

Supporting Information communication standardization and developing; maintaining information systems for inter-agency information sharing;

Supporting information resource management in the public sector;

Providing IT consulting services to developing nations; etc.

- Korea Internet & Security Agency (KISA)¹⁸

KISA was created in April 1996 to handle all the necessary policies to protect the safe distribution of information. The agency manages the operations of the Internet such as the IP addresses and the .kr (country code top level domain). The agency also conducts research for the next generation Internet address resources of the country, and handles the administrative affairs of the Korean Internet address Dispute Resolution Committee. KISA has been responsible for effectively responding to Internet infiltration incidents, vulnerability analysis and evaluation on key IT facilities, SPAM mail response & privacy promotion activities, electronic signature authentication, information protection industry support, development of information protection policy, as well as education and publicity. On June 23, 2009, the Agency was merged with National Internet Development Agency of Korea (NIDA) and Korea IT International Cooperation Agency (KIICA).

- National IT Industry Promotion Agency (NIPA)¹⁹

NIPA was born in 1998 with the combination of three related agencies: Korea IT Industry Promotion Agency established in 1998; Information Technology Advancement established in 1999; and Korea Institute for Electronic Commerce established in 1999. It devotes itself to reinforcing the competitiveness of the IT industry and contributes to the economic growth through the efficient support and laying the groundwork for the industrial technology promotion.

Its major Businesses are:

Policy research and development support for the IT industry;

Helping establish the foundation of the IT industry and cultivate its human resources;

Vitalizing the distribution market for the development of the IT industry and support marketing;

Promoting businesses related to the convergence and utilization of IT technology;

Supporting international exchange, cooperation, and overseas expansion related to the IT industry.

- Korea Foundation for the Advancement of Science and Creativity (KOFAC)²⁰

It was established as the Association for Supporting Science and Technology in 1967 and renamed as KOFAC in 2008. Its mission is to establish a creative society by promoting public understanding of science and expand science culture.

- Korea Creative Content Agency (KOCCA)²¹

¹⁸ <http://www.kisa.or.kr/eng/main.jsp> , <http://icannwiki.com/index.php/KISA>

¹⁹ <http://www.nipa.kr/eng/main.it>

²⁰ <http://eng.kofac.re.kr/userIndex/engIndex.do>

²¹ <http://www.kocca.kr/cop/main.do>

KOCCA was initially established in 1999 as the Game Industry Support Centre. The name was changed to the current name in 2012 because its mission has expanded and covered not only game but also broadcasting content, animation, cartoon, K-pop, etc. It is an agency dedicated to promoting all areas for content by establishing a comprehensive support system and conducting various support businesses.

- Korea Film Council (KOFIC)²²

Established in 1973, KOFIC is a special organization for supporting and promoting the film industry. One of its major functions is to raise and manage the Film Development Fund, which amounts to approximately USD430 million, in order to promote and support the film industry. The fund is financed by the government and an allotment (three per cent) of box office ticket sales. Other functions includes supporting R&D, promoting campaigns for legal download services, promoting investment in the industry, supporting export of films, running Korean Academy of Film Art, etc.

- Publication Industry Promotion Agency of Korea (KPIPA)²³

KPIPA was founded in 1997 as a statutory commission for monitoring publication ethics. It has developed into a promotion agency since 2012. Its major missions are creating book demands, advancing a distribution channel, extending the global 'Hallyu' boom to publications, building a related infrastructure, etc.

- Korea Foundation for International Culture Exchange (KOFICE)²⁴

KOFICE was established in 2003 to provide a systematic support for the further advancement of "Hallyu" through diverse forms of cultural exchange with the international community. It works to raise amity and understanding of culture among countries through international events, such as "The Asian TV Drama Conference" and "Asia Song Festival".

- Korea Institute of Design Promotion (KIDP)²⁵

KIDP is a national government design organization which was established by the government in 1970 with the aim to promote the design industry and expand exports. KIDP has supported design policies and engaged in implementing them. In order to meet the demands of the digital design era of the 21st century, KIDP particularly focuses on realizing the creative economy of the Republic of Korea through the design industry and in enhancing the quality of life by promoting a cutting-edge design industry.

2.5 Intellectual Property Rights²⁶

The Republic of Korea policy stance remains consistent in terms of intellectual property rights (IPRs) protection which is an important infrastructure for enhancing national and corporate competitiveness in a knowledge-based economy. The April 2011 Framework Act on Intellectual

²² <http://www.koreanfilm.or.kr/jsp/index.jsp>

²³ <http://www.kpipa.or.kr/eng/main/main.do>

²⁴ <http://eng.kofice.or.kr/>

²⁵ <http://www.kidp.or.kr/kmain/>

²⁶ WTO Trade Policy Review (WT/TPR/S/268) 2012

Property (IPFA), in force as of 20 July 2011, became the basis for setting laws, systems, and policies governing the creation, protection, and use of IPRs including patents, trademarks and copyrights.

2.5.1 Industrial property right

The Korean Intellectual Property Office (KIPO) handles industrial property protection. It examines and registers patents, utility models, industrial designs, trademarks (including service marks) and layout designs of integrated circuits, and develops policies to protect trade secrets. It resolves IPR disputes through "trial decisions" (administrative judgements) of the Intellectual Property Tribunal. Tribunal decisions on patents, utility models and trademarks can be appealed to the Patent Court and subsequently to the Supreme Court. The Patent Court is a court of special jurisdiction that hears appeals from trial decisions of the Intellectual Property Tribunal.

After steady improvements over several years, IPR administration is now considered as highly efficient. The rate of electronic application ('e-application') made to KIPO has been the highest in the world since 2005; in 2009, 94.3% of all applications were filed online.²⁷ In 2010, the KIPO's first action pendency period (i.e. the time it takes for a new application to receive an initial response) was an average of 18.5 months for patent and utility model examinations, and 10.6 and 10 months for trade mark and design examinations, respectively.

Patent protection under the Patent Act of 1946 (last amended in 2011) is for 20 years from the date of filing or 15 years from publication, whichever is longer (extendable for up to five years for pharmaceuticals and agricultural chemicals undergoing certain market-approval procedures).

The Utility Model Act (1961, last amended in 2011) protects the shape, structure, or combination of articles/products for ten years from the date of filing the application. The same procedures for establishing patent rights apply to utility models.

The Trademark Act (1949, last revised in 2011) protects trade marks on goods and services for ten years upon registration, renewable indefinitely for ten-year periods.

The Unfair Competition Prevention and Trade Secret Protection Law prohibits unfairly tarnishing a well-known mark or causing confusion by use of a similar or identical mark, including distributing, importing or exporting such goods.

Protection under the Unfair Competition Prevention and Trade Secrets Protection Act (1961) (last amended in 2011) covers information acquired by an "act of improper acquisition" (e.g. theft, deception or coercion), or subsequently used or disclosed secret information; trade secrets are defined as technical or business information useful to business activities. Injunctions may be obtained against disclosure, and damages awarded for infringement.

²⁷ KIPO online news No. 92, "KIPO aims at 100% electronic applications", 12 April 2010. Viewed at: <http://www.kipo.go.kr/kpo/user.tdf> [11 November 2011].

Protection under the Design Law (1961, last amended in 2011) is for 15 years (non-renewable) from registration and extends to partial designs and fonts. The Act prohibits copying the shape of goods produced by another person. The registered owner has the exclusive right to work a registered design, commercially and industrially.

Layout-designs of semi-conductor integrated circuits (topographies) are protected (under the Semiconductor Integrated Circuits Layout Design Act, 1992). The registered owner has the exclusive right of commercial use of lay-out design. Protection is for 10 years from the registration date (not exceeding 10 years from initial commercial use or 15 years from creation date).

2.5.2 Copyrights

The Korea Copyright Commission is in charge of copyright protection. Although copyrights need not be registered to obtain protection during the author's life plus 50 years (70 years as from July 2013), registration offers advantages. A registered author is the presumed genuine author, and the work is presumed to have been first published on the date reported on the registration.

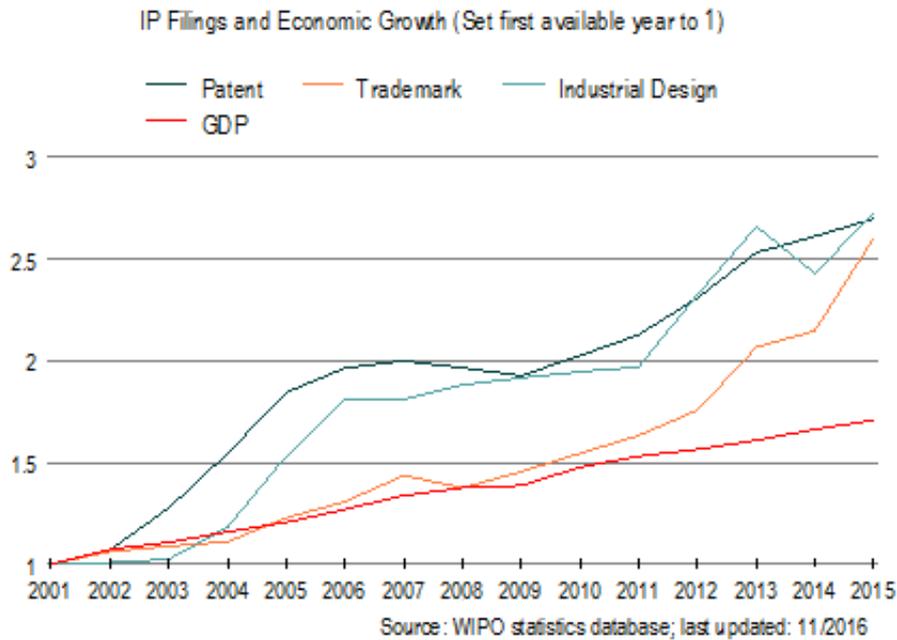
A major amendment to the Copyright Act was implemented on 23 July 2009, aimed at increasing efficiency in policy-making as well as improving regulatory consistency, and strengthening enforcement against online piracy. The amendment integrated the Copyright Act and the Computer Program Protection Act into a single Act. The same provisions of the Copyright Act apply to the protection of software programs, with a few exceptions carried over from the Computer Program Protection Act, and the Korea Copyright Commission absorbed its smaller counterpart, the Korea Software Copyright Committee.

In June 2010, the Online Digital Contents Industry Development Act, which protected intellectual property rights on online digital material, was changed into a Contents Industry Promotion Act to further enhance development in the contents industry. The new Act provides for more administrative and financial support for the contents industry as well as new policies, including the introduction of a quality certification system and a contents dispute settlement commission.

According to the Korea Intellectual property office , the total preliminary number of IPR applications, including patents, utility models, designs and trademarks, submitted to KIPO in 2015 amounted to 462, 243, a 6.5% year-on-year increase. The Republic of Korea is also among the top 5 IPR offices in the world, led by China, United States of America, Japan, Republic of Korea and the European Patent Office.

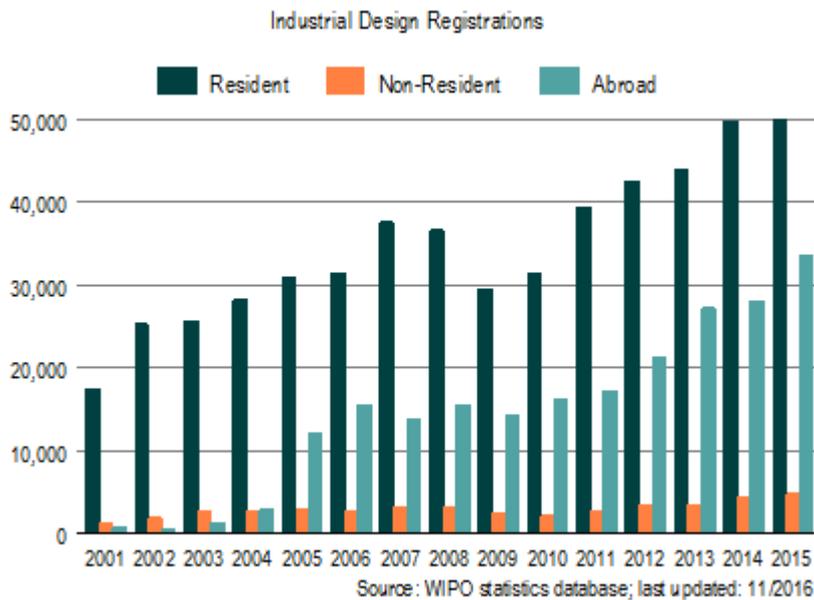
From the graphic IP Filings and Economic Growth (WIPO), it is possible to see the growth trends in IP filings from Industrial Design and Patent.

Figure 2. IP Filings and Economic Growth, WIPO, 11/2016



It is worth noting that the number of industrial design registrations by residents has been growing steadily from a number of 18,000 in 2001 to 50,000 in 2015.

Figure 3. Industrial Design Registrations



Semiconductors, electrical machinery, audio-visual technology and computer technology and telecommunications have the largest share of patent applications by top fields of technology.

2.6 Trade

The Republic of Korea is a typical global example of export-driven economic success. It is well known that its success after the civil war in 1950 to 1953 is attributed to exports. There is no doubt that trade will remain a major economic engine of the country in the future, considering that the country's trade dependency, a ratio of trade to GDP, is more than 80 per cent.

According to The Ministry of Trade, Industry and Energy announced that by November 2016, exports rose 2.7 percent in November, posting USD 44.5 billion, and imports also rose 10.1 percent compared to the same month last year, posting \$37.5 billion.

The country has achieved economic growth at an unprecedented speed. Observers called what the country have accomplished the “Miracle of the Hangang River”, as most of the country’s industrial facilities were destroyed during the three-year-long Korean War, and the country was devoid of capital and natural resources. At present, the country has a number of industries that boast solid international competitiveness, such as the shipbuilding, iron/steel, and chemical industries²⁸.

Figure 4. Five leading export items and export amounts of Korea



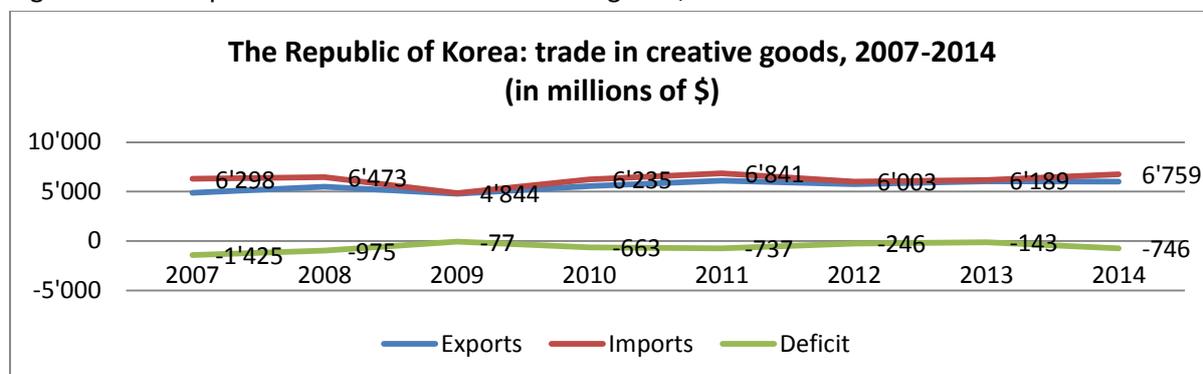
The country's export-led growth has been largely dependent on trade with advanced countries such as the United States, Japan and the European Union. However, the reliance on trade with advanced countries has steadily declined as trade with developing countries has increased. The Republic of Korea is expected to expand its trade with developing countries, given the growing complementarity of their economies.

²⁸ Korea.net

- Trade in the creative goods

Exports of creative goods of the Republic of Korea amounted to USD 5,796 million in 2014 while imports of creative goods were USD 6,075 million. Accordingly, the trade balance was USD 279 million in 2014.

Figure 5. The Republic of Korea: trade in creative goods, 2007-2014



Source: UNCTAD Database on creative industries

By categories, design goods exports are USD 2,029 million, accounting for the largest part of its exports of creative goods. Among design goods are handbags, accessories, furniture, toys, jewellery, etc. Art crafts are the second largest part, amounting to USD 1,805 million. They include handmade lace, embroidery, artificial flowers, etc.²⁹ In terms of imports, design goods account for more than a half of creative goods imports in 2014. The second largest is audio-visuals and new media including film, video games and recorded media.

Table 2. The Republic of Korea: trade in creative goods by categories, 2009-2014

Year	2009	2010	2011	2012	2013	2014
Exports Total	4'768	5'572	6'103	5'579	5'862	5'796
Art Crafts	1'335	1'508	1'735	1'744	1'822	1'805
Audio Visuals	237	264	255	62	66	64
Design	1'126	1'288	1'483	1'894	2'152	2'029
New Media	1'125	1'484	1'648	859	727	823
Performing Arts	62	75	76	85	71	71
Publishing	496	697	670	638	665	622
Visual Arts	386	256	237	298	359	382
Imports Total	4'844	6'235	6'841	5'517	5'642	6'036
Art Crafts	156	162	180	172	184	215
Audio Visuals	896	960	745	170	167	143
Design	2'145	2'784	3'412	3'655	4'017	4'499
New Media	892	1'505	1'588	731	505	431
Performing Arts	112	131	164	168	161	158
Publishing	295	300	301	271	262	261

²⁹ UNCTAD, 2014, General explanatory notes and creative product classification

Visual Arts	349	393	451	350	346	329
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By trade partners, China is its number one trade partner in terms of both export and import. Exports to China was USD 800 million in 2014, followed by US (USD 790 million), Viet Nam (USD 707 million), China, Hong Kong SAR (USD 517 million), Japan (USD 467 million), and Indonesia (USD 340 million).

Similarly, the imports from China reached USD 2,468 million in 2014, followed by Italy (USD 889 million), US (USD 555 million), France (USD 515 million), Japan (USD 387 million), and Sweden (USD 261 million). It is noteworthy that luxury goods from Italy and France seem to have increased steadily.

Table 3. The Republic of Korea: Top 10 partners of trade in creative goods, 2007-2014

	Rank	Partner	2009	2010	2011	2012	2013	2014
Exports	1	China	482	696	844	733	773	800
	2	United States	592	637	636	688	720	790
	3	Viet Nam	276	337	434	498	624	707
	4	China, Hong Kong SAR	668	590	773	528	461	517
	5	Japan	520	556	521	606	461	467
	6	Indonesia	196	244	302	333	334	340
	7	India	161	184	199	154	200	203
	8	United Arab Emirates	149	173	174	180	188	180
	9	China, Taiwan Province of	316	469	495	232	142	139
	10	Philippines	61	74	97	113	128	126
Imports	1	China	1'456	1'815	2'086	2'046	2'107	2'468
	2	Italy	361	482	677	714	804	889
	3	United States	659	624	560	537	539	555
	4	France	293	373	561	517	537	515
	5	Japan	487	513	460	402	404	387
	6	Sweden	5	7	8	24	156	261
	7	Viet Nam	84	95	123	139	181	243
	8	United Kingdom	114	125	116	124	135	142
	9	Germany	99	114	120	113	136	129
	10	Netherlands	16	19	21	86	50	119

Source: UNCTAD database on creative industries (in millions of USD)

The value of creative services exports of the Republic of Korea rose from USD 1,643 million in 2007 to USD 3,405 million in 2012. Architectural and related services and personal, cultural and recreational services accounted for the vast majority of the services exports of the country. The exports of architectural, engineering and other technical services were USD 1,220 million and personal, cultural and recreational services was USD 1,253 million in 2012. The value of creative services imports is more than that of creative services exports, reaching USD 8,591 million in 2012. Advertising, market research and public opinion polling services were the biggest part, accounting for USD 4,502 million in 2012. However, UNCTAD does not have any data available on creative services for the following years.

Table 4. The Republic of Korea: trade in creative services by categories, 2007-2012

YEAR		2007	2008	2009	2010	2011	2012
Exports	Total	1'643	1'839	1'636	1'660	2'197	3'405
	Advertising, market research and public opinion polling	366	339	238	270	343	474
	Architectural, engineering and other technical services	323	425	369	406	571	1'220
	Research and Development	506	547	506	348	353	458
	Personal, cultural and recreational services	448	528	523	637	929	1'253
Imports	Total	5'221	6'257	6'685	7'167	7'480	8'591
	Advertising, market research and public opinion polling	2'661	3'812	4'200	4'429	3'830	4'502
	Architectural, engineering and other technical services	588	486	643	638	873	1'076
	Research and Development	1'043	1'068	996	1'079	1'753	1'846
	Personal, cultural and recreational services	929	891	846	1'022	1'023	1'167

Source: UNCTAD database on creative industries

(in millions of \$)

- FTAs & the Creative Economy

How to make use of FTA is one of the most important strategies for trade promotion. The Republic of Korea seems to have a positive and active position on FTA or RTA. In the period of 1948 - 1994, the GATT received 124 notifications of RTAs (relating to trade in goods), and since the creation of the WTO in 1995, over 400 additional arrangements covering trade in goods and services have been notified. Nearly all of the WTO's members have notified participation in one or more RTAs³⁰. FTAs give preferential tariffs only to participants. To participate in FTAs is necessary to benefit from low tariff rates and keep price competitiveness in a regional market.

Another reason to participate in FTAs comes from an affirmative point of view. FTAs are likely to promote liberalization and globalization. Trade liberalization and globalization could be an opportunity to enhance a socio-economic system and strengthening the competitiveness of a country. The government considers participating in FTAs as an opportunity to achieve economic reforms effectively³¹. That is why many FTAs in which the Republic of Korea participates includes not only goods but also services, government procurement, investment, intellectual property rights, and standardization, etc.

The first FTA that the Republic of Korea concluded was with Chile. Negotiations started in December 1999 and both countries signed in February 2003. In April 2004, the FTA came into force. As of February 2014, the Republic of Korea has signed a total of nine FTAs with 46 countries, including Chile, Singapore, EFTA, ASEAN, India, EU, Peru, the United States, and Turkey. The country has signed two more FTAs with Australia and Colombia which entered into force in 2015 and 2016 respectively. The Republic of Korea has focused on large economic blocs, countries with natural

³⁰ http://www.wto.org/english/tratop_e/region_e/regfac_e.htm

³¹ <http://www.fta.go.kr/new2/ftakorea/policy.asp>

resources and major trading countries as FTA partners. In 2015, the Republic of Korea signed an FTA with China, New Zealand and VietNam and other FTA negotiations are under way with Indonesia, and Japan and RECP (Regional Comprehensive Economic Partnership)³².

The creative goods or services are not manifest in the FTAs that the Republic of Korea has concluded. The creative economy does not have any exclusive chapter. However, this does not mean that FTAs have nothing to do with the creative goods and services because the creative industries are affected by FTAs in several ways. First, the creative goods and services are subject to tariff elimination or liberalization and there is normally no reservation for the creative goods and services.

Second, most FTAs have the chapter for intellectual property rights which contains copyright and its related rights, patents, trademarks, service marks, designs, and geographical indications. This could promote international trade in creative goods and services.

Third, a couple of FTAs have articles, chapters or protocols on the cooperation in specific areas including the creative industries even though the term, 'creative economy', was not manifest there. In the case of the FTA between the Republic of Korea and the European Union, a Protocol on Cultural Cooperation is included in the agreement. The protocol sets up the framework within which the Republic of Korea and the EU will cooperate in facilitating exchanges regarding cultural activities, goods and services, including inter alia, in the audio-visual sector. It contains articles on the committee on cultural cooperation, dispute settlement, audio-visual co-productions, etc. The FTA between the Republic of Korea and India is a unique example as it deals with the audio-visual co-operation in an exclusive chapter. It covers film, broadcasting programme, game, visual effects and animation by any form of distribution including theatres and DVD. The co-produced projects shall be deemed to be national productions and fully entitled to the benefits such as the screen quota. In the case of the FTA of the Republic of Korea with Singapore, one of the chapters is devoted to the co-operation between two countries in several fields including the co-operation in film production. Similarly, the FTA between the Republic of Korea and the ASEAN has an article to stipulate co-operation in the film industry. The latter two FTAs just touch on the film industry as one of the possible co-operation areas. As part of the follow-up action, of the joint Film Community Establishment Project, an ASEAN-Republic of Korea Film Leaders Incubator was implemented annually from 2012 to 2016. This project was aimed at discovering and nurturing human resources equipped with creativity and technological competency to establish a platform for film industry development in ASEAN³³.

2.7 Entrepreneurship and the SMEs

Small and medium-sized enterprises (SMEs) - many of which are micro or sole trader businesses - predominantly populate the various stages of the supply chains of creative products in many countries. This market structure is evident across both developed and developing economies.³⁴

³² Negotiating countries: ASEAN + 6 (Australia, China, India, Japan, Korea, New Zealand)

³³ Overview of ASEAN-Republic of Korea Dialogue Relations, March 2017

³⁴ UNCTAD, Creative Economy Report 2010

Korea is not an exception in this and the role of SMEs in the economy is substantial. As of 2011, there were 3.2 million SMEs, and the number of employees they hired was 12.6 million. In terms of numbers, SMEs make up 99.9 % of total enterprises and take up 86.9% of total employment. However, their contribution to production and value added were relatively low. SMEs account for no more than 46.3 % of the value added.³⁵ It implies that SMEs are still low in productivity compared with big corporations.

The Small and Medium-sized Business Administration (SMBA) is in charge of the SMEs and start-ups policy in Korea. SMBA has supported the Korea's SME-led innovation as the dynamo of the national economy since its foundation in 1996. Considering that the competitiveness of SMEs can be translated into national competitiveness itself, SMBA's primary mission has been to foster challenging and innovative SMEs so as to maximize the growth potential of Korea. SMBA is now focusing on the promotion of global SMEs as the pillar of the economy³⁶.

SMEs are such a crucial part for the creative economy that one of six strategies of the creative economy plan, which was set up in 2013, was designated to SMEs and related policy. The strategy consists of the five tasks as follows:

Making the government and public institutions the number one customer to support the pioneering of new market;

Easing regulations and increasing government support to stimulate investment;

Setting the goal of start-up growth by accessing global markets;

Creating an ecosystem that encourage cooperation and win-wins between SMEs and large corporations;

Constructing a system that connects demand, education and recruitment to resolve human resources shortages.

It is SMBA that plays a key role in implementing the tasks in coordination with other related ministries and government agencies. Accordingly, SMBA decided to focus on building a creative economy ecosystem³⁷, following the creative economy plan. The emphasis is on creating a virtuous cycle of 'starting, growing, investment recovery, and re-starting'.

In order to achieve this goal, the first point is to promote idea-based start-ups. SMBA launched a new project, called 'the Infinite Imagination National Start-up Project', in 2013. The purpose of this project is that imagination and ideas from everyday life can lead to business and commercialization. In order to do this, SMBA plans to hold an idea contest through the internet and establish a joint start-up agency to discover and commercialize good ideas for young people and provide support in design and model production.

The second point is to create a vibrant environment for investment and investment recovery. Financing is very important in every phase of a business cycle. SMBA plans to introduce a new incubation and investment system for start-ups that connects the incubation and investment of

³⁵ The White Paper of The Small and Medium-sized Business 2013, SMBA

³⁶ <http://www.smba.go.kr/eng/introduce>

³⁷ http://www.smba.go.kr/eng/polities/policyyear_01.do?mc=usr0001155

venture capitals with the R&D support of the government. In addition, SMBA tries to improve conditions for the direct financing of SMEs by relaxing the listed screening standards for KOSDAQ³⁸, establishing KONEX³⁹, and creating the 'Exclusive Fund for Venture Investment Recovery'. By the nature of high-risk high-return, direct financing is more suitable for start-ups and venture business than the indirect financing like loans from banks.

The third point is to improve systems for leniency to failure and easing restart. SMBA will reform the systems that have blocked the restart attempts of entrepreneurs.

³⁸ Korean Securities Dealers Automated Quotations (KOSDAQ) is like NASDAQ in US

³⁹ Korea New Exchange (KONEX) is a Korea's new stock exchange for small and medium-sized businesses which started on 1 July 2013.

3. Sector-Specific Overview

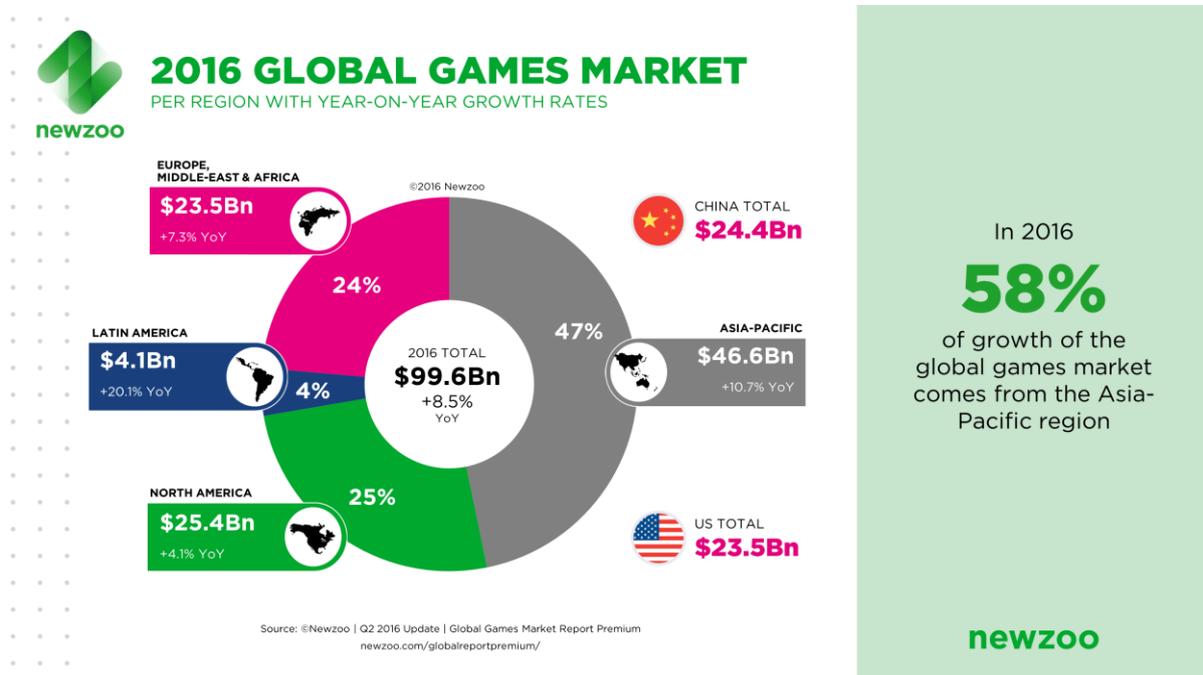
3.1 Gaming Industry⁴⁰

Revenue in the "Video Games" segment amounts to US\$2,187m in 2017. In terms of future projections, the revenue is expected to show an annual growth rate (CAGR 2017-2021) of 6.3 % resulting in a market volume of US\$2,787m in 2021. One of the most noticeable characteristics is the rapid increase of the mobile game with a market volume of US\$1,516m in 2017. It is interesting to note that user penetration is at 7.8 % in 2017 and is expected to hit 61.5 % in 2021⁴¹.

For now, with the expanded supply and improved performance of smart devices as well as the growth of the mobile advertising industry, the infrastructure and business models that form the foundation of mobile game development are forecasted to continue their progress. Accordingly, mobile games are expected to sustain growth.

From a regional perspective, the revenues of the gaming industry reached \$19.3 billion - for all Asian markets with a growth rate of 13% - for all Asian markets (Newzoo, 2012).

According to recent research by the Nordic Game Institute, the Chinese mobile game market has already bypassed the U.S. mobile game market with both the number of downloads and market revenue making it the most important game market on this planet.

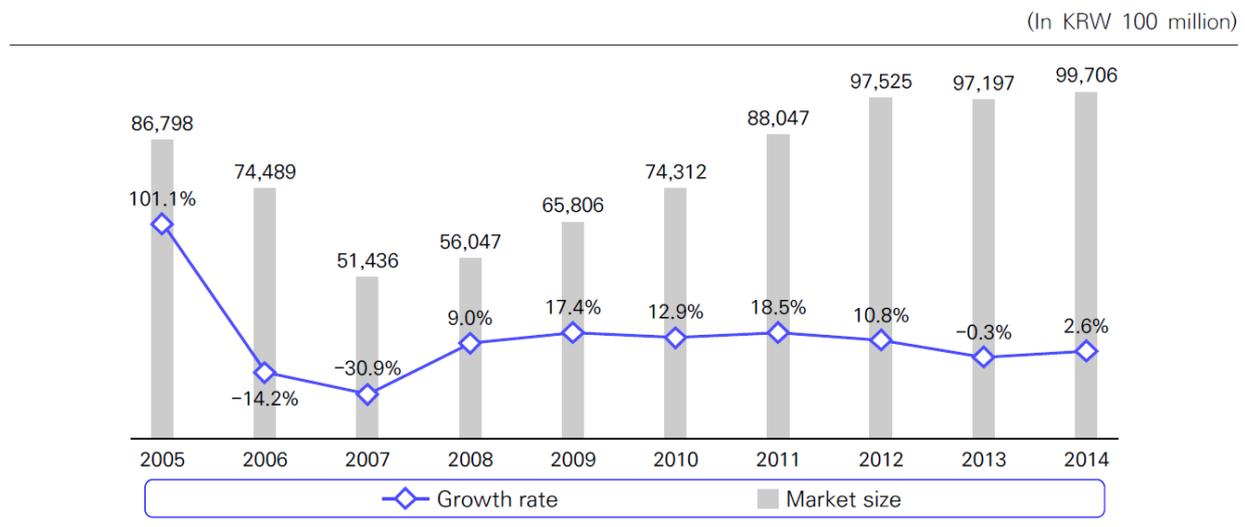


⁴⁰ Korea Creative Content Agency, Summary of white paper on Korean games 2015, Viewed at <https://www.wko.at/Content.Node/service/aussenwirtschaft/kr/2015-White-Paper-on-Korean-Games.pdf>

⁴¹ <https://www.statista.com/outlook/203/125/video-games/south-korea#>

Online games and mobile games are likely to keep playing their leading role in expansion of game market in Korea however the sector is increasingly facing competition with Chinese rivals doing well in the game market of the Republic of Korea.

Figure 6. Total scale of the domestic game market and growth rate trends (2005-2014)
Based on the table below, growth rates for 2014 stood at 2.6 per cent.



Exports of Korean game industry in 2014 amounted to USD 2.9 billion (or KRW 3.1321 trillion). The primary destinations for Korean games were China and Japan, each accounting for 32.2% and 30.6%, respectively, followed by Southeast Asia (18.2%), North America (6.9%) and Europe (4.0%).

The Republic of Korea ranks number 6 worldwide in terms of game revenues with 25.6 million gamers set to spend \$4.2 billion in 2017⁴².

3.2 Hallyu

The Korean wave refers to the phenomenon of Korean entertainment and popular culture rolling over the world with pop music, TV dramas, and movies. Also known as "Hallyu" in Korean, the term was first coined by the Chinese press in the late 1990s to describe the growing popularity of Korean pop culture in China.⁴³

Over the last decade, the Republic of Korea has emerged as a new centre for the production of transnational pop culture. The first major wave of Hallyu was driven by Korean TV dramas within the Asian continent, and the new wave of Korean pop music, referred to as K-pop, has now spread beyond Asia, reaching as far as Latin America, Africa, and the Middle East. Recently, TV entertainment programmes are becoming increasingly popular around the world.

⁴² Newzoo Global Games Market Report 2016

⁴³ <http://www.korea.net/Government/Current-Affairs/Korean-Wave?affairId=209>

The success of the Republic of Korea as a cultural exporter is often attributed to its high quality cultural products incorporating Western elements while never losing its edge through its re-creation of traditional Korean values and cultural identity. Inter-Asian cultural affinity and a lower cultural barrier among Asians to relate to its content also play a significant role in the proliferation of Korean culture overseas. The Korean wave has been reaching new heights alongside the rise of digital technology and online media, which have bridged the gap by allowing local culture to travel to remote corners of the world. The Korean rapper and songwriter PSY is an example of that. His hit single, "Gangnam Style", went viral through the web and set a world record with more than 1.9 billion views at YouTube.

The surge of Korean pop culture has begun to attract the interest of the foreign press, letting the country enjoy a considerable spotlight on its cultural frontiers. In December 2010, CNN reported that the Republic of Korea has become the "Hollywood of the East" over the past decade, dazzling several million Hallyu fans living all across Asia and around the world. In July 2011, the BBC featured coverage of the Korean Wave, referring to it as a national brand which is gradually joining the ranks of global Korean corporations like Samsung and Hyundai.

K-pop, television drama, and movies have gained phenomenal popularity, becoming the newest engine for expanding the country's cultural exports and an integral part of the country's national image. The enthusiasm has often led to Hallyu fans craving other Korean cultural content and Korean language education. The booming presence and enjoyment of Korean popular culture has also transformed into preference for other Korean products and lifestyles alike, leading to an increase in Korean product sales overseas. The growing interest in Korean culture has further triggered a rise in inbound foreign tourists.

For example, according to the Korea Creative Content Agency's statistics, exports of contents industries from the Republic of Korea⁴⁴ have increased steadily in recent years. Exports were USD 1,373 million in 2006, and more than tripled to USD 4,302 million in 2011. The exports of content industry exceeded US\$5,000 million in 2014 due mainly to its continued growth boosted by the global boom of Korean pop culture products. A 7.1 percent increase from the previous year, with the computer game industry accounting the most of the total. According to the Government and KOCCA, the content industry's exports had maintained an average of 13.4 percent growth for five years since 2010, boosted by the spread of hallyu, or Korean pop culture⁴⁵. Another statistics shows Hallyu's effect on trade in services. The trade balance of personal, cultural, and recreational services of the Republic of Korea posted a surplus for the first time in 2012, which was USD 86 million.

⁴⁴ The contents industries defined by the Korea Creative Content Agency consist of publishing, cartoons, music, games, movies, animation, broadcasting, marketing, characters, knowledge & information, and contents solutions.

⁴⁵ Exports of Korea's content industry exceed US\$5 billion in 2014- <http://english.yonhapnews.co.kr>

Figure 7. The Republic of Korea: Exports of Contents Industries⁴⁶ (millions USD) and Annual Growth Rate (%)

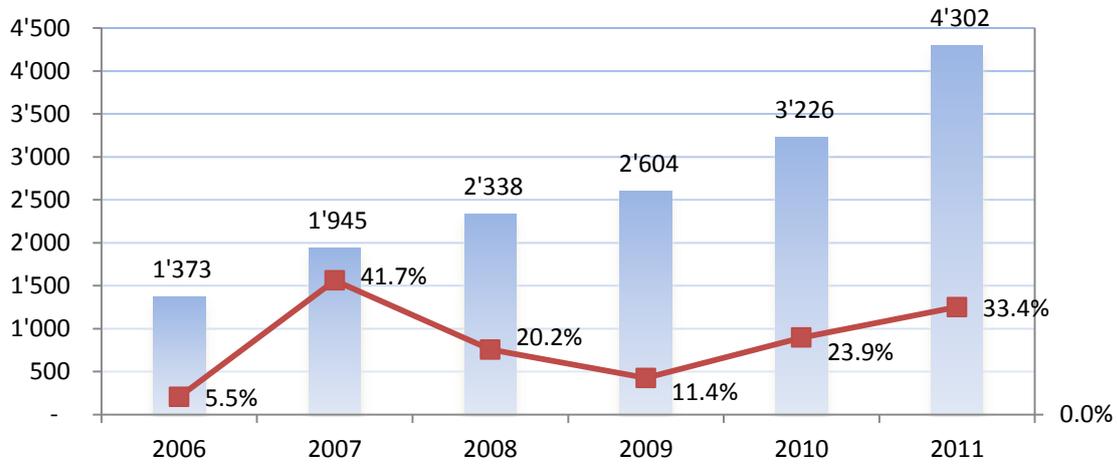
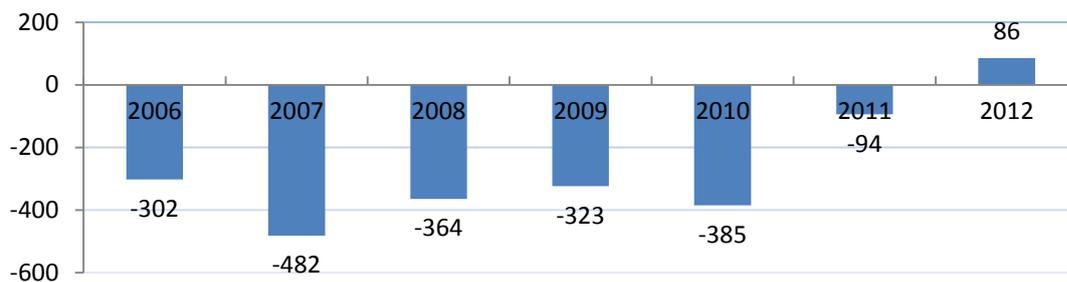


Figure 8. The Republic of Korea: trade balance in personal, cultural, and recreational services⁴⁷ (in millions of USD)



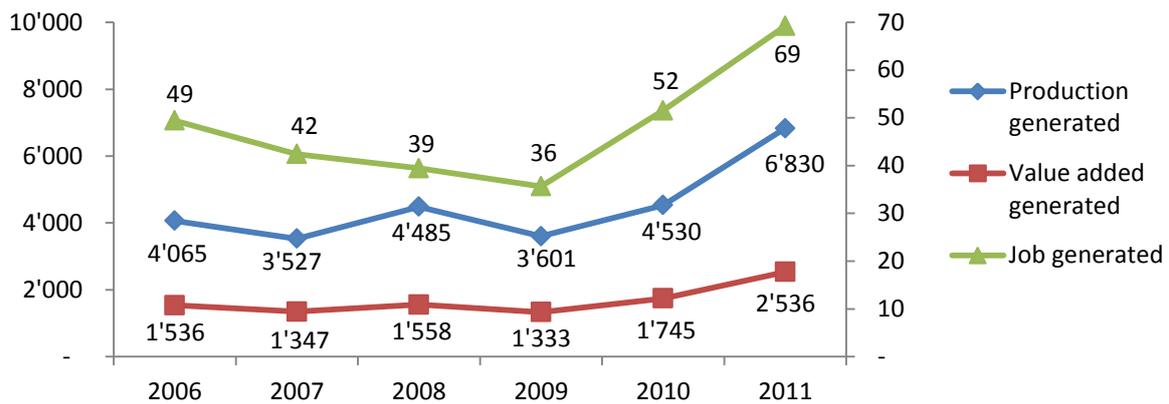
Hallyu has an effect on not only exports of contents industries and cultural services but also exports of other goods and services. It could generate production and job creation as well and contribute to economic growth. For example, those who are fans of Korean songs, dramas and films would prefer buying Korean electronics like smartphones or software programs. They might travel to Korea to visit places where popular Korean dramas and movies were filmed. According to a research⁴⁸ sponsored by the Korea Foundation for International Culture Exchange, Hallyu generated production and value added worth USD 6.8 billion and USD 2.5 billion and 69 thousand jobs in 2011.

⁴⁶ Korea Creative Content Agency, Statistics 2012, Viewed at http://www.kocca.kr/knowledge/internal/stat/___icsFiles/afieldfile/2013/03/14/9eW6bOkfCM7j.pdf

⁴⁷ Bank of Korea

⁴⁸ Creative Industries and Contents, Sep-Oct 2013, viewed at <http://www.kocca.kr/cop/createsubcont/view.do?subNttNo=99&nttNo=7&menuNo=>

Figure 9. Hallyu's effect on the national economy (millions USD, thousand)



The sheer intensity of Chinese enthusiasm for Hallyu is difficult to exaggerate. In April, a new episode of "Descendants of the Sun," a military-themed melodrama, rang up 2.3 *billion* Chinese views in just two days⁴⁹.

3.3 Creative Economy Town

The Ministry of Science, ICT and Future Planning kicked off its online 'Creative Economy Town' (www.creativekorea.or.kr) officially on 30 September 2013. The site is aimed at helping people who seek advice and information on how to flesh out their ideas and technologies into business. People with business ideas can have diverse online mentoring advice for every phase such as feasibility, intellectual property, trial products and marketing. The mentors are experts in various fields like technologies, law and regulations, investment and financing, marketing etc. As for selected ideas, applicants can receive consulting services from specialists such as patent analysis and technology commercialization.

Furthermore, Creative Economy Town is closely linked to Centers for Creative Economy and Innovation (CCEIs) in its function and system which are offline business growth support centers. When it is necessary for ideas from Creative Economy Town to receive commercialization support, people who suggested new ideas receive additional support from CCEIs in the regions of their choice.

Aside from carrying on business, people can simply share their ideas inspired by daily life or others that they think would be good to develop. 'Idea community' service is also being operated which is a crowdsourcing platform where various experts and stakeholders take part. Anyone from the idea community service can publicly propose ideas, exchange opinions, participate in evaluation and mentoring and thus be able to develop ideas based on collective intelligence. The ideas gathered will then be provided to the government and businesses as ways to solving social problems such as environmental or energy issues.

⁴⁹ Source: <https://www.bloomberg.com/view/articles/2016-08-09/china-just-wants-k-pop>

As of December 2016, about 39,271 ideas were proposed through the website and 1,908 of them were selected as excellent and feasible ideas by experts. At first, patent analysis was given to 869 primitive ideas which had not been registered as intellectual property. Those ideas that were verified as eligible for patent rights would advance to a next step of applying for patent rights. Mentors were assigned and provided advices to those with registered and feasible ideas. Public R&D institutes made 225 trial products in order to materialize ideas.

There are success stories of people who are making use of the site. The start-up which invented a rechargeable battery that can be charged with a USB has received mentoring on strategies for global market advancement from Creative Economy Town and recorded 4.5 billion won in sales and 100 million won in investment attraction. Another example would be a young man who invented a wireless earpiece that enables both listening and speaking via earpiece. The young man received support on patent rights securement and commercial success evaluation and this has led to the product attracting investment worth of 3.2 billion won from Indiegogo, a crowd funding platform. Also, the sales of about 100 companies have increased by 32 billion won and has attracted investment worth of 23.6 billion won.

3.4 Creative Economy Conferences⁵⁰

New technologies and ideas that can help turn the imagination into reality were introduced at the Creative Korea 2013⁵¹ conference held at COEX in southern Seoul from 12 to 15 December. The “imagination to reality, ideas to value” expo is designed to raise public understanding of how to start a business. Its six exhibition halls, with various themes like Ideas, Challenges and Growth, were set up to explain the process of realizing a creative, knowledge-based economy. A total of 150 companies and institutions took part in the expo.

“We will establish a Creative Economy Town offline everywhere across the country to be a venue for creativity, exchange and cooperation,” said President Park Geun-hye in her opening speech on 12 December. “To create new industries, markets and jobs, ideas should not remain as ideas but need to be crafted, developed and realized.”

Introducing GenieTalk, an automatic interpretation app developed at the Electronics and Telecommunications Research Institute (ETRI), Minister of Science, ICT and Future Planning Choi Mun-kee said, “It is a good example of the creative economy. It represents 20 years of effort by devoted researchers. By the time the PyeongChang 2018 Olympic Winter Games begin, we will have developed the technology to use this app in Spanish, French, German and Russian.” So far, the GenieTalk app has been downloaded 1.6 million times. The Korean-English interpretation function was developed in 2012 and the Korean-Japanese technology was developed later in the year. The Korean-Mandarin app was introduced for the first time at the expo in 2014.

⁵⁰ An article from <http://www.korea.net/NewsFocus/Policies/view?articleId=116366>

⁵¹ The website is <http://www.creativekorea2013.or.kr/index.php>

In the Ideas Hall, there are many inventions that have been developed from everyday life experiences. The app Meoglau provides workplace cafeteria menus. If app users mark what they want to eat in their cafeteria, restaurant management can predict and adjust the volume of food needed, dramatically reducing food waste. Also, a remote control for hearing-impaired seniors is equipped with either a headset or a speaker so that they can listen to TV without disturbing others around them. A third technology on display is a “digital aging” system which decides when postings on the Internet should expire. If there are no visitors or readers, the postings will “age” and eventually disappear.

In the “Start-up 2013” competition, Flitto, a translation system based on collective intelligence, won the highest honor. There were also consultation services for future entrepreneurs and for people with new business ideas.

The Ministry of Science, ICT and Future Planning (MSIP) said it hoped that the expo will encourage people to propose their ideas or to start a business. Although the expo has now ended, examples and videos introduced at the event are available at the Creative Economy Town website (www.creativekorea.or.kr).

3.5 Design

The design industry is becoming increasingly important in the economy not only for the industry itself but also for the other industries as design contributes to improving quality and value of other products. Accordingly, the design industry is one of the important factors which influences on the competitiveness of a country. Korea has a world-class design industry and designers and its status has been much enhanced. According to the WorldDesignRankings⁵², Korea ranked 10th in the world for the period of 2010-2014. iF DESIGN Awards⁵³, one of the most famous design awards, put two Korean companies, Samsung and LG, on its ranking tables for the most competitive design companies. A study undertaken by the Korea Institute of Design Promotion (KIDP) also showed that the Republic of Korea ranked 14th among 23 surveyed countries in 2011 in terms of design competitiveness. KIDP designed the National Design Competitiveness Index in order to evaluate overall competitiveness of the design industry and related infrastructure of a country. The index, comprising four factors⁵⁴, considers not only a company level but also a national level such as laws and institution, education system, infrastructure and environment. The research revealed that the Republic of Korea still has room for improvement in the design industry and its related infrastructure.

The government clearly recognizes that the design industry can play a key role in the creative economy as an input-driven economic growth faces its limit. The Ministry of Industry, Trade and Energy with the Korea Institute of Design Promotion published bi-annual statistics⁵⁵ on the design

⁵² WorldDesignRankings ranks all the countries based on the number of designers that have been granted with the A'Design Award. Available from <http://www.worlddesignrankings.com>

⁵³ iF DESIGN Awards give points for each iF DESIGN award to the winning company and aggregate the points with the last three years. Available from http://www.ifdesign.de/ranking_tabellen_e

⁵⁴ design industry, design policy and institution, design education, and design infrastructure

⁵⁵ Ministry of Industry, Trade and Energy. "Design Industry Statistics 2013" Available from http://www.kidp.or.kr/kmain/down.asp?attach_type=board&attach_id=5356

industry of Korea in early 2014. According to the statistics, the volume of the design industry of Korea amounts to KRW 13.7 trillion (USD 12.4 billion)⁵⁶ in 2012. The figure takes into account investment by the central government and other public sector, sales of design-specializing firms, design related investment of general companies, sales of design freelancers, and sales of design education institutes. The design industry also contributes to other industries' production. The total added value that the design industry contributed to the economy in 2012 was calculated to be KRW 69.4 trillion (USD 63.1 billion)⁵⁷, which accounts for up to 5.5 per cent of the nation's GDP.

It is evident that an investment in design is an effective way to increase sales. According to a study by the Korea Institute of Design Promotion in 2010, the coefficient of an increase of sales to investment in design was 14.4 times which was higher than 5 times of R&D. The effect of design on job creation is larger than other industries. The Bank of Korea's statistics⁵⁸ show that the design sector created 16 jobs per investment of KRW 1 billion (USD 0.9 million) while the auto industry created 7.9 jobs and the semi-conduct industry created 4.8 jobs.

4. Centers for Creative Economy and Innovation (CCEIs)

Centers for Creative Economy and Innovation (hereafter CCEIs) have been established in 17 cities and provinces nationwide from September 2014 to July 2015. There have been continuous attempts to solidify the base for creation of new businesses through public and private partnership. However, in the past, most innovation resources were located in the metropolitan area thus the necessity for the establishment of a regional startup ecosystem for ideas from talented individuals to be commercialized. Also, there was the need for discovering region-specific development models with the support from the central government to push forward policies based on regional innovation infrastructure from accumulated investment and real demand and capacity of each region. Against this backdrop, large companies with production and marketing capabilities as well as capital and technology needed to play a role in facilitating the establishment of regional creative economy ecosystems so as to complement (overcome) weaknesses of each region.

This has led to the creation of regional startup ecosystems and innovation hubs. Anyone with creative ideas can visit CCEIs and receive one-stop support including product development, investment and pioneering new sales channels.

Afterwards, CCEIs have been serving as regional innovation hubs in building a systematic startup ecosystem for large companies, SMEs and startups by tapping into skills and knowhow of local governments, related agencies and citizens in the region. As regional innovation hubs, CCEIs have been playing the following roles: 1) As the hub for supporting creation of new businesses, CCEIs have been providing services in R&D, financing and marketing as well as financial, legal and patent consulting. 2) As the center for promoting SME's innovation, CCEIs have been providing support in technology transfer, development of business models and products, securing sales channels, global market advancement and others. 3) As the hub for fostering regional flagship industries based on each regional traits, CCEIs have been collaborating with various innovation agencies, universities and

⁵⁶ USD 1 ≈ KRW 1,100

⁵⁷ USD 1 ≈ KRW 1,100

⁵⁸ <http://ecos.bok.or.kr/EIndex.jsp>

companies in the region. 4) As the center contributing to job creation, CCEIs have been in charge of job matching between startups and young people from each region. As of late 2016, CCEIs have supported and nurtured 3,870 startups and attracted investment worth of 432.9 billion won.

One remarkable success story of a local startup would be Dot Incorporation, the world's first smartwatch maker for visually impaired people. Dot Incorporation first developed the idea to make a braille smartwatch with the support from Creative Economy Town and has received support from Seoul CCEI such as intensive mentoring, prototype production and global market expansion to countries like Silicon Valley in the U.S. and Saudi Arabia. Dot Incorporation won the ITU Telecom World Entrepreneurship Awards 2015 and was awarded in the Get in the Ring 2016 Worldwide Final, an international startup olympics. Thanks to those achievements that led to gaining recognition from the international community, Dot Incorporation has attracted 5.6 billion won investment and succeeded in signing export contracts worth of 37 billion won with 10 countries around the world. It has also grown into a global venture as well as a major exporter by combining the spirit of social contribution with innovative ideas.

5. Creative Economy Valley

The “Creative Economy Valley” was established as a cluster of innovative support to start-ups and ICT in Pangyo, south of Seoul, which boasts an environment with better market access, corporate networking and convergence⁵⁹. The government has finalized plans to create a second high-tech industrial park south of Seoul beside Pangyo Techno Valley. The government hopes the Pangyo area will become the Silicon Valley of the Republic of Korea where some one-thousand-600 start-ups and high-tech companies will be based.

During the opening of the Gyeonggi Center for Creative Economy and Innovation located in Pangyo, in March, 2015, President Park, stated that "Pangyo is a mecca for the game industry in the Republic of Korea, as stock market-listed game software companies based in the district account for 85 percent of the nation's total game software sales, and for 70 percent of its video game exports.

6. Conclusions and recommendations

First, the top-down approach is one of the main characteristics of the creative economy in the Republic of Korea. The President of the nation placed a top priority on the creative economy when she took office in 2013. Following that, the government took the lead by setting up the creative economy action plan. The advantage of the top-down approach is that it is easier to gather and organize national resources and implement policies more efficiently.

⁵⁹ a Director General Koh Kyeong-mo of the Creative Economy Policy Bureau at the Ministry of Science, ICT and Future Planning.

Second, the public-private partnership plays an important role in the creative economy policy. When the government prepared the creative economy action plan, it gathered a wide range of opinions and suggestions from the private sector, especially from businesses. After setting up the plan, the 'Creative Economy Joint Task Force' was established in order to institutionalize the private sector's participation. The task force consists of business representatives from venture companies, SMEs, large companies and the government and is co-chaired by the Federation of Korean Industries and the Ministry of Science, ICT and Future Planning.

Third, the internet and new media are widely used in order to realize the creative economy. It can easily enable active participation from the public. For example, the government established 'Creative Korea', an online portal site (www.creativekorea.or.kr). Through this portal, any Korean citizen is able to easily access information on the creative economy, and receive comprehensive support to build from a creative idea to a new business.

Fourth, the strategy of the Republic of Korea is oriented to promoting small and medium industries and start-ups. The government allocated some 3 billion US dollars to support start-up companies as the new growth engines.

Fifth, the nation is developing creative economy and open innovation ecosystems across the country 'Centers for Creative Economy and Innovation'. The 18 Regional Creative Economy Hubs being set in different cities and provinces aim to boost a creative society in each region of the country and to support the whole value of starting businesses, including mentoring for start-ups, technology development, and financial support.

Sixth, collaboration among R&D institutes, scientists, engineers, designers, enterprises and universities, have significantly contributed to the development of a creative economy in the Republic of Korea. The country far outpaces the United States in the percentage of young adults with college degrees—63 versus 41 percent and 1 in 4 South Korean college student majors in Engineering⁶⁰ compared to one in 20 in the US.

Seventh, the Republic of Korea has been successful in developing well established manufacturing international brands which continue to dominate the economy. Large conglomerates such as Samsung electronics, LG, KIA Motors, Hyundai, are internationally recognized and have contributed to building a reputation for Korean products.

Recommendations for the future

The transition for a more balanced national economic structure is needed. The sales of Korea's ten largest companies (chaebol) are equal to about 80% of Korea's GDP in 2012⁶¹, which has been driving economic growth and has an interest to support the government vision to foster innovation and creative economy based on services more than manufacturing, for Korea's future growth. The

⁶⁰ https://www.washingtonpost.com/national/higher-ed/south-korea-outpaces-the-us-in-engineering-degrees/2012/07/17/gJQAOWagrW_story.html

⁶¹ Chaebol.com

Korean economy needs to contribute to rising economic opportunities by creating new employment opportunities, in particular, through small and medium sized-enterprises.

Changing mind-sets: Learning from failure

The country needs to instil and grow through education and political leadership an increased acceptance of 'failure' as a necessary step to unleash the creative potential, encourage experimentation and ideas generation. From failure comes learning. A rigid education system can impede the development of creativity which can hamper the goal of Korea to become a creative society.

Enabling environment for Entrepreneurship

According to a recent report by the World Bank, the Republic of Korea ranked fifth out of 189 member countries in the ranking of doing business in 2017, and improved from 17 to 11 positions in starting a business. This friendly environment should ease the way for future creative entrepreneurs.

Innovation often comes from collaboration that integrates local and international knowledge. The country's legal and regulatory frameworks need to be modernized to facilitate these collaborations and establishment of start-ups. Many cities, particularly in Asia are investing heavily in attracting 'talents' to develop open innovation systems, which drives the upgrading of local knowledge and skills building and technology transfer.

Investment for long-term growth

The government is already investing and plans to invest \$176 million on start-ups directly and 200 billion won in mergers and acquisitions to promote the creative economy. The capital markets for SMEs is small in the Republic of Korea and therefore mobilizing investors for creative start-ups remains a key challenge. A positive development is that the country has already modified its law from a loan-based structure to an investment-based structure in order to support the high-risk, high-reward nature of venture/start-up businesses⁶².

It has also set up in 2013 the Korea New Exchange (KONEX)⁶³, a securities exchange, to help small and medium-sized enterprises, venture firms and their small businesses in accessing capital markets. Venture capitalists who invest in KONEX listed companies will be given preferential tax treatment as an incentive. From only 22 companies in 2004 to 124 listed in KONEX in 2016.

Proximity and Regionalization

The country's regional position close to huge consumer markets such as China and Japan is an advantage. This has been noted by the Ministry of Trade, Industry and Energy that will establish a

⁶² http://www.tax-news.com/news/South_Korea_Plans_Tax_Incentives_For_StartUps____60807.html#sthash.UdcY1jE0.dpuf

⁶³ Korea New Exchange (KONEX),

“China Desk” at the Korea International Trade Association to position and facilitate Korean creative products in China.

Development of long-life learning and entrepreneurship

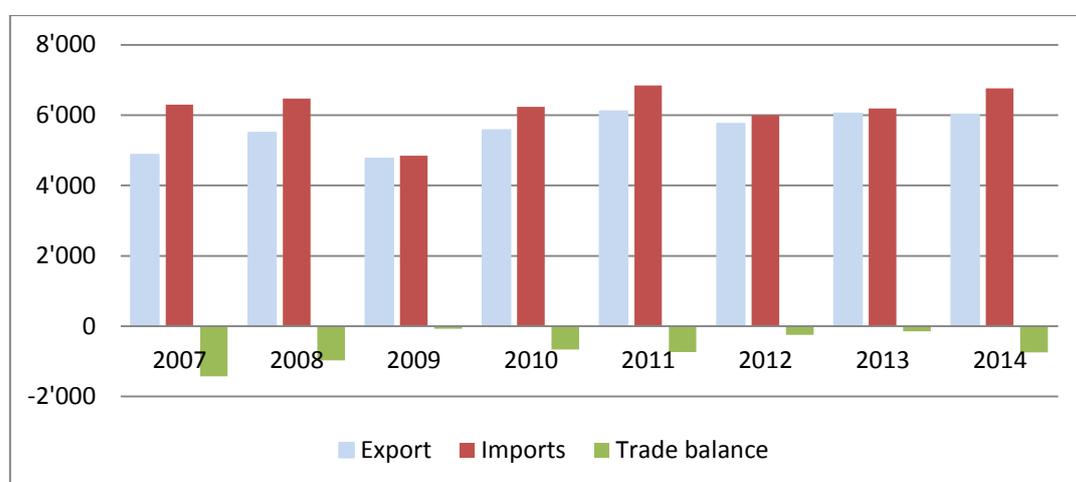
Schools, colleges and senior citizens can all receive training, mentoring and incentives to boost the enterprise agenda throughout the community. Considering the increasing longevity rates, it is essential to make productive use of all available human resources and to promote the employment of youth and elderly.

Annex 1: Country Profile of the Republic of Korea

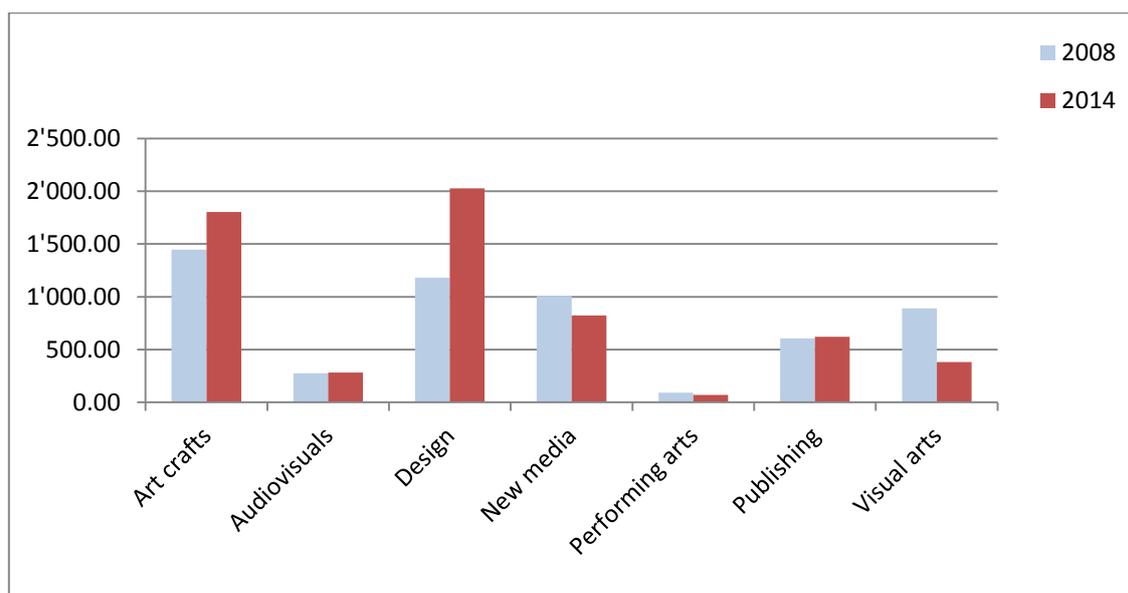
Part 1: Creative Industries Trade Performance, 2008 and 2014

	2007	2008	2009	2010	2011	2012	2013	2014
Export	4'873	5'497	4'768	5'572	6'103	5'756	6'046	6'013
Imports	6'298	6'473	4'844	6'235	6'841	6'003	6'189	6'759
Trade balance	-1'425	-975	-77	-663	-737	-246	-143	-746

< Korea Creative Industry Trade Performance 2008-2014 (in million USD) >

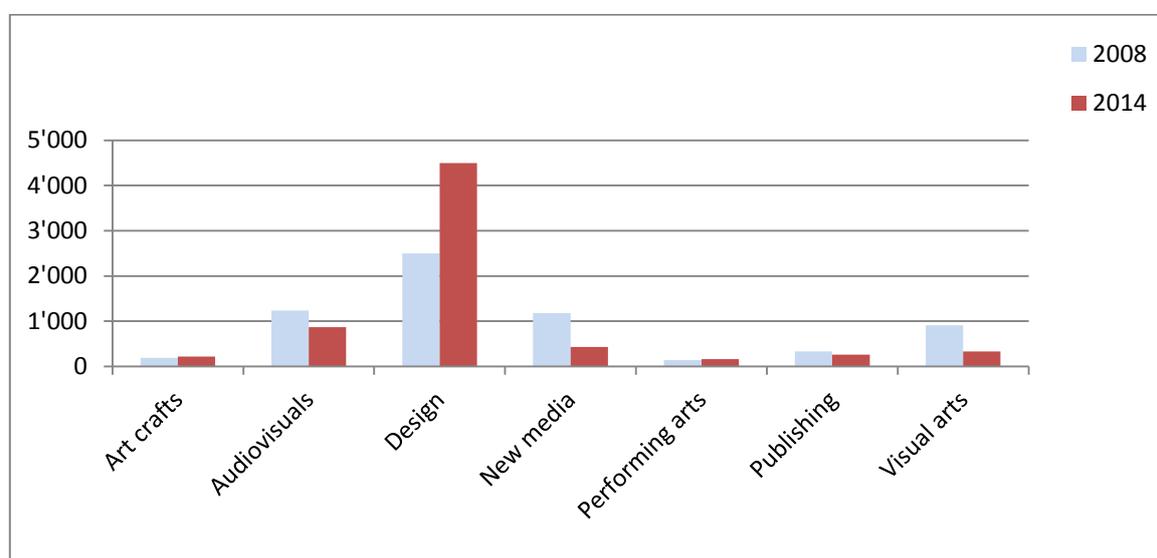


< Creative Goods, exports by product groups, 2008 and 2014 (in million USD) >



Source: UNCTAD database on creative economy

< Creative goods, imports by product groups, 2008 and 2014 (in million USD) >



Source: UNCTAD database on creative economy

Part 2: Top 10 exports partners for creative goods, 2008 and 2014

2008				2014			
Country	Value in (Millions of USD)			Country	Value in (Millions of USD)		
	Exports	Imports	Balance		Exports	Imports	Balance
United States	1'117	1'005	112	China	800	2'468	-1'668
Germany	511	153	358	United States	790	555	235
China	494	1'737	-1'243	Viet Nam	707	243	463
Japan	441	780	-339	China, Hong Kong SAR	517	73	444
China, Hong Kong SAR	364	66	298	Japan	467	387	80
China, Taiwan Province of	293	959	-666	Indonesia	340	118	223
Viet Nam	281	86	194	India	203	36	167
India	202	18	184	United Arab Emirates	180	1	180
Indonesia	187	73	114	China, Taiwan Province of	139	116	23
United Arab Emirates	174	1	173	Philippines	126	27	99

Source: UNCTAD database on creative economy

Annex 2: Press Release by the Government of the Republic of Korea

THE PARK GEUN-HYE ADMINISTRATION'S CREATIVE ECONOMY BLUEPRINT, 'CREATIVE ECONOMY ACTION PLAN AND MEASURES TO ESTABLISH A CREATIVE ECONOMIC ECOSYSTEM'

Prime Minister Chung Hong-won hosted the Cabinet meeting on June 4. At the meeting, the 'Creative Economy Action Plan and Measures to Establish a Creative Economic Ecosystem' (henceforth to be called the 'Creative Economy Action Plan') were confirmed.

Background and Need for Drawing Up the Creative Economy Action Plan

The Korean economy has reached the limits of its 'catch-up type strategy,' which had driven economic growth for the last 40 years, due to the global economic crises and pursuit from emerging industrial economies.

The global economy is moving away from labor and capital (industrial economy), and knowledge and information (knowledge economy), to 'innovation, technology and creative ideas (creative economy).'

Korea's economic management paradigm also arose as pursuit-type growth through imitation and application, and the government is now working to switch the Korean economic paradigm to that of the leading-type growth founded on Korean creativity. In order to reach this goal, the government has drawn up the Creative Economy Action Plan, a Korean creative economy promotion strategy that utilizes Korea's science, technology and information and communications technology (ICT) capacity, all of which are Korean strengths. The Creative Economy Action Plan proposes both a vision and goals for transforming into a creative economy. Each ministry was given tasks at the end of March to turn the vision of a creative economy into a reality. The Creative Economy Action Plan reflects the government's efforts to collect opinions and receive suggestions regarding government tasks by The Federation of Korean Industries, The Korea Chamber of Commerce, the Korea Federation of Small and Medium Business, the Korea Trade-Investment Promotion Agency, the Korea Employers Federation, and the Korea Venture Business Association.

3 Goals, 6 Strategies, 24 Tasks

The Creative Economy Action Plan establishes a vision for 'Realizing a New Era of Happiness for the Korean People through a creative economy' in order to create a creative economy ecosystem. The government has set 3 goals:

- 1) Create new jobs and markets through creativity and innovation,
- 2) Strengthen Korea's global leadership through a creative economy
- 3) Creating a society where creativity is respected and manifested

The government has also proposed 6 strategies:

- 1) Properly compensate for creativity and create an ecosystem that promotes the creation of startups
- 2) Strengthen the role of ventures and small and medium-sized enterprises (SMEs) in the creative economy and strengthen their ability to enter global markets
- 3) Create growth engines to pioneer new markets and new industries
- 4) Foster global creative talent that has the spirit to rise to challenges and pursue dreams

- 5) Strengthen the innovation capacity of science, technology and ICT, which form the foundation for the creative economy
- 6) Promote a creative economic culture together with the Korean people

Each strategy is accompanied by 3-5 tasks

1. Properly Compensate for Creativity and Create an Ecosystem that Promotes the Creation of Startups

Create the Conditions to Easily Start New Businesses through Investment, not Financing

Financing pools will be reduced and investment pools will be increased in order to encourage investment in startups. No matter the person, if somebody comes up with a good idea, they will be able to easily start their business. Conditions will be created such that should one's business fail in good faith, they will still be able to start another new business.

The Ministry of Strategy and Finance released the 'Measures for a Venture-Startup Funding Ecosystem' on May 15, which includes measures that fit into the Creative Economy Action Plan. The change in the structure of startup enterprise funding is centered on moving away from financing and towards investment. Angel investment is being stimulated, crowd funding is being institutionalized and the Future Creation Fund (500 billion won) will be created. Venture-startup ecosystem infrastructure is being expanded. Startup platforms are being diversified, mentoring is being strengthened and the environment for starting a new business (after failing in one's first endeavor) is being improved.

Patenting Creative Ideas

The government will develop a 'Country Patent Strategy Blueprint' in order to secure patents for creative ideas that have high marketability, and will construct a mediation and proliferation system that will organically connect patents with standards and R&D. There will be financing support based on a value evaluation by type for intellectual property (IP), including patenting IP. In the case that corporations introduce employee invention compensation systems, those corporations will be able to receive institutional incentives.

2. Strengthen the Role of Ventures and SMEs in the Creative Economy and Strengthen their Ability to Enter Global Markets

The Government and Public Institutions Will Become the Number One Customer to Support the Pioneering of New Markets

Enterprises that produce promising future industrial products, such as convergence products and materials, will be given the opportunity to enter public procurement markets through excellent procurement goods selection systems. Products that are purchased through government procurement will be registered to a government-sponsored online shopping mall and will be able to be publicized.

Easing Regulations and Increasing Government Support to Stimulate Investment

Private investors who withdraw their investments will be able to boldly invest in ventures and SMEs without fear through the easing of stock market (KOSDAQ, KONEX) and M&A-related regulations. Government support for ventures and SMEs will be increased, and businesses will have various opportunities to receive funding support.

According to the 'Measures for a Venture-Startup Funding Ecosystem,' the KONEX market opened for ventures and SMEs, KOSDAQ listing and management systems were improved and M&A-related tax reductions and exemptions were modified. Also, the 'Growth Ladder Fund' was introduced, post office financial funds are being used to invest in ventures, and M&A-related funds have been introduced.

Setting the Goal of Startup Growth by Accessing Global Markets

It will be possible for promising startups to enter global markets through the consultation with domestic centers (such as the Global Startup Support Center). These startups will be able to receive localization support through overseas support centers and networks.

Creating an Ecosystem that Encourages Cooperation and Win-Wins between SMEs and Large Corporations

The government plans to encourage the proliferation of a business culture that fairly distributes and cooperates in order to create outcomes that help both SMEs and large corporations through an outcome sharing system.*

* Outcome sharing system: Large corporations and SMEs will agree to share outcomes and goals through a preliminary contract. Should outcomes arise, those outcomes (cash compensation, long-term contracts, joint patents, etc.) must be shared according to the contract.

The government expects that there will be active participation in production cost reducing joint cooperation projects* in order to prevent unfair pricing in advance.

* Large corporations and SMEs will form a consortium to cooperate in order to achieve their common goal of securing global price competitiveness.

Constructing a System that Connects Demand, Education and Recruitment to Resolve Human Resources Shortages

Venture and SME-related organizations, local governments, education and training institutes, and corporations will mutually cooperate in order to perform a preliminary investigation that matches ventures and SMEs, which are suffering from human resources shortages, with the required manpower, to provide education/training services, and to construct a joint human resources management system to connect venture and SMEs with those seeking employment.

3. Create Growth Engines to Pioneer New Markets and New Industries

Combining Science, Technology and ICT to Energize Existing Industries

Major industries will raise their competitiveness through joint public-private next-generation materials and product development and IT convergence innovation centers. Industries that were traditionally strong but are now lagging will improve their added value and productivity by expanding management systems based on IT, developing clean energy, and expanding simple smart phone payments for traditional markets. The government will take the lead on plans to sophisticate land and industry infrastructure, such as LTE systems for railroads and smart, automated driving.

Creating New Industry Based on Software and Internet

Software education will be strengthened and a cluster will be created that connects regional specialized industries with software convergence. The government will also promote software convergence technology development and the establishment of a software policy lab. The foundation will be built to foster new internet industries through the enactment of the 'Cloud Computing Development Act' and the construction of the 'Big Data Analysis and Utilization Center.' Over 5,000 people will be trained as security professionals by 2017, and Korea will be transformed from 'a nation of security troubles to a secure nation.'

* Comprehensive measures for information protection industry advancement will be announced this June.

The 'Dignified Korea Contents Fund' and the 'Korea Digital Contents Fund' (400 billion won) will be created to support the contents industry. The government will foster 5 'killer contents*' and digital contents that Korea are strong points for Korea into next-generation contents industries.

* Music, movies, games, animation, and musicals

Creating New Markets through Human-Oriented Technology Innovation

First, inconveniences and problems related to daily life, such as the environment, welfare, and safety, will be discovered, and R&D will be promoted to make improvements. Those improvements will be transferred to the private sector to create new services and markets. Government-level strategies will be prepared that target social systems and structures innovation and covers science, technology and ICT, and cultural system improvements. ('C-Korea Project')

* This includes the '5 Cs' of science, technology and ICT 'Convergence,' the 'Connection' between technology, the humanities and society, public-private 'Collaboration' and social system 'Conversion.'

Pioneering New Markets by Discovering and Fostering New Promising Future Industries

The government will support the development of promising sectors, such as the biomedical technology, nanotechnology, and environmental sectors, including genome analysis and treatment technologies, graphene displays and Carbon Capture and Sequestration (CCS). The government will focus its support on investing in large-scale national strategic industries, such as advanced reactor and mid-sized satellite exports and unmanned drone development. Promising new industries and businesses will be discovered through long-term future predictions in order to secure leading core technologies.

Promoting Market Creation and Industry Convergence through Regulation Rationalization

The government will actively pay attention to demand and difficulties of businesses in order to promote market creation and industry convergence. All ministries plan to work together to make these improvements. The government has discovered system improvements, including the 3 strikes copyright policy, through meetings with 7 private sector federations in April.

4. Foster Global Creative Talent that Has the Spirit to Rise to Challenges and Pursue Dreams

Strengthening the Development of Creative Convergence Talent

Elementary and middle school students will be exposed to convergence experiences and research education textbooks for math, science, technology, engineering, and art. University students will have access to a broad range of information outside their major through convergence classes and

convergence departments. The government will introduce and promote the spread of the 'Spec Transcendence Recruitment System,' a system for students preparing to enter the workforce that will not waste time and money on unnecessary specializations and will promote the absorption of creativity capacity development.

* The 'job competency evaluation model' will be developed in order to support businesses that are struggling with difficulties related to finding the proper talent because outside of academic background and specializations, there are no proper evaluation standards. The 'Spec Transcendence Mentor School' that supports employment following the selection and professional mentoring of youth talent, will be established in June.

Saving the Challenging and Entrepreneurial Spirit

Special after school activities and weekend programs will be utilized, and a 'technology startup camp' that provides career experience and mock startup competitions will be operated. Support will be expanded for youth and university student startup clubs. Successful venture entrepreneurs will visit and introduce students to the challenge of starting a business in order to give students the courage to strive for new frontiers. (One-on-One Mentoring)

Stimulating the Overseas Advancement and Domestic Inflow of Creative Talent

The newly created 'K-Move Portal'* and the 'Government Foreign Internship Program'*** will be utilized for young adults who dream of working on a global stage, and these students will be able to get real experience working on overseas industrial sites and will learn to think in global terms.

* The K-Move Portal integrates and supplies localized job information through the KOTRA network
** 7 ministries (this includes the Ministry of Education, the Ministry of Trade, Industry and Energy, the Ministry of Gender Equality and Family, the Ministry of Agriculture, Food and Rural Affairs, the ministry of Culture, Sports and Tourism, the Ministry of Land, Infrastructure and Transport, and the Small and Medium Business Administration) are supervising 13 projects that dispatch 2,620 people.

Foreigners possessing excellent technologies will be able to receive the newly created '(tentatively named) Startup Visa' to enter Korea and smoothly start a new business. Conditions for settling in Korea for foreign talent, such as shelter, medical care, and education will be improved, and support will be offered to help 300 researchers out of the top 1 per cent of researchers settle in at the International Science and Business Belt.

5. Strengthen the Innovation Capacity of Science, Technology and ICT, which Form the Foundation for the Creative Economy

Creating an Autonomous and Challenging Research Environment and Supporting the Commercialization of Research Outcomes.

Government investment in basic research, a part of government R&D investment, will be increased by 40 per cent by 2017, and the government is working on 'Future Challenge Adventure Research Projects' (2nd half of 2013) in order to offer the opportunity to creative young researchers to make their creative ideas a reality. The government is also working on the 'Research Outcomes Commercialization Support Project' (2nd half 2013) that will offer support for researchers to take their research results, plan a business model, work in R&D incubators and commercialize the results.

Pioneering Next-Generation Markets by Strengthening ICT Innovation Capacity

Promising future technologies from the C-P-N-D sectors, such as 5G mobile communications and realistic media will be selected and developed. Next-generation networking industries will be fostered, such as next-generation Wi-Fi and 10Gbps internet and will be targeted at overseas markets.

Stimulating the Regional Economy and Strengthening the Commercialization Function and Regional Innovation of Universities

Technology planning and management organizations will be created for each region in order to strengthen local government's technological management capacity while taking into account the special circumstances of each region in order to construct regional innovation clusters.

Solving International Social Problems through Korean Science, Technology and ICT in Order to Raise Korea's Status

'Science Technology Innovation Centers' will be established in major emerging nations to connect local startups and the commercialization of optimal technologies that emerging nations require.

6. Create a Creative Economic Culture Together with the Korean People

Creating a Creative Culture that Realizes Creativity and Imagination

In the second half of this year the government will host the 'Creative Economy Expo,' for Koreans to come in contact with examples of creative economic success and a culture of challenging and open-mindedness. Support will be offered for regular people with excellent ideas to get those ideas patented through the '1 Household 1 Intellectual Property Movement.' 'Infinite Imagination Rooms' will be installed in science museums, post offices, and libraries. After managing 5 demonstration sites, these rooms will be installed throughout the entire country. Anybody, including students, will be able to visit these 'Infinite Imagination Rooms' in order to foster their ideas and receive mentoring from professionals that can connect their ideas with startups. The government will host 'Idea Festivals,' which will create a social atmosphere where anybody can actively propose their imaginative and creative ideas, and support will be given to promote the commercialization of excellent ideas. The government constructed and manages 'Creative Korea,' an online portal. Through this portal, any Korean citizen will be able to easily access the creative economy, and receive comprehensive support in order to take a good idea, commercialize it, and start a new business.

Fusing Korean Ideas with Public Resources through Government 3.0

Data that the government possesses will be made public, including bus service information, and learning materials in order to create various business models that will utilize the government's data in the private sector. The government is working to enact the 'Public Information Supply and Use Stimulation Act' in order to support these goals.

Innovating Government Working Methods in order to Realize a Creative Economy

The government will construct the 'Integrated Government Communication System' that will make possible communication and cooperation through video conferencing and materials distribution for each administrative agency. The integrated government center will be transformed into a cloud computing center, and the 'National Future Strategy Center' will be established in 2015 to utilize policy decisions made from comprehensive analyses of big data.

Creative Economy System

Centering the Creative Economy on the Private Sector, not the Government

The government will meet with private sector economic organizations in the high level 'Creative Economy Public-Private Conference' and the 'Working-level Conference' in order to construct private sector led communication and cooperation systems.

Annex 3: Research by Hyundai Research Institute

Many public and private research institutes and academia are also interested in the issue. One of the most recent researches was published by Hyundai Research Institute on 7 June 2013. It selected out 11 industries as creative industries in Korea and implemented analysis using the input-output table of the Bank of Korea. The 11 industries consist of ①advertising, ②architectural and engineering services, ③arts and cultural services, ④art crafts, ⑤design, ⑥publishing, ⑦software and information services, ⑧audio visuals, ⑨recreational services, ⑩R&D, and ⑪ICT⁶⁴.

The report computed and analysed four characters of creative industries: ①growth rate, ②value addition, ③employment, and ④productivity. The analysis did not deal with trade statistics. The first finding is that the annual average growth rate of creative industries in Korea was 6.9 per cent from 2005 to 2011, which was faster than 6.1 per cent of overall industries in the same period. The second is that the value added inducement coefficient (or the effect to value added of change in demand) of creative industries in Korea is 0.694 in 2011, which is larger than 0.633 of overall industries. The third is that the employment inducement coefficient (or the number of employees per about \$ 1 million) of creative industries in Korea is 13.4 in 2011, which is higher than 12.3 of overall industries. The fourth is that the productivity (or value added per worker) of creative industries in Korea is \$ 55.9 thousand in 2011, which is more than \$ 51.5 thousand of overall industries. As a result, the report says that a creative economy has been and will be an economic engine for job creation and economic growth in Korea.

According to the definition of the creative economy by the Korean government, the creative economy is a new economic strategy that makes new industries and markets by integrating imagination and creativity to science, technology and ICT and creates decent jobs by reinforcing traditional industries. However, there is no definition of creative industries by the Korean government.

Instead, Hyundai Research Institutes made a definition. This is similar but not the same as the one of UNCTAD. The institute defines using Input-Output tables that is based on the Korean Standard Industrial Classification and the National Account of the Bank of Korea while UNCTAD extracts data from HS classification and the IMF balance of payment. I try to compare as below even though they are not totally compatible with each other. It seems that the institute includes ICT appliances like TV, mobile devices, computers, etc and excludes some goods like visual arts and music.

⁶⁴ Hyundai Research Institute. Weekly Economic Review 13-25. 07-06-2013. Viewed at: <http://www.hri.co.kr/board/reportView.asp>

< Comparison of definitions of UNCTAD and Hyundai Institute >

	UNCTAD	Hyundai Institute
Creative goods	Design	Design Art crafts
	Arts and crafts	Art crafts
	Visual arts	-
	Publishing	Publishing
	Music	-
	New media	Software and information services
	Audiovisuals	Audio visuals
	-	ICT appliances
Creative services	Advertising and market research and public opinion services	Advertising
	Architectural, engineering and other technical services	Architectural and engineering services
	Research and development services	Research and Development services
	Personal, cultural and recreational services	Arts and cultural services Recreational services Audio visuals

Annex 4: Korea -EU Protocol on Cultural Cooperation

PROTOCOL

ON CULTURAL COOPERATION

The Parties,

After having ratified the *UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions* adopted in Paris on 20 October 2005 (the “UNESCO Convention”), which entered into force on 18 March 2007, according to the procedure set in Article 15.10.3 (Entry into force), intending to effectively implement the UNESCO Convention and to cooperate within the framework of its implementation, building upon the principles of the Convention and developing actions in line with its provisions;

Recognising the importance of the cultural industries and the multi-faceted nature of cultural goods and services as activities of cultural, economic and social value;

Recognising that the process supported by this Agreement adds up to a global strategy aimed at promoting equitable growth and the reinforcement of economic, trade and cultural cooperation between the Parties;

Recalling that the objectives of this Protocol are complemented and supported by existing and future policy instruments managed in other frameworks, with a view to:

- (a) reinforcing the capacities and independence of the Parties’ cultural industries;
- (b) promoting local/regional cultural content;
- (c) recognising, protecting and promoting cultural diversity as a condition for a successful dialogue between cultures; and
- (d) recognising, protecting and promoting cultural heritage, as well as promoting its recognition by local populations and recognising its value as a means for expressing cultural identities;

Stressing the importance of facilitating cultural cooperation between the Parties, and for that purpose to take into account, on a case by case basis, *inter alia*, the degree of development of their cultural industries, the level and structural imbalances of cultural exchanges and the existence of schemes for the promotion of local/regional cultural content, agree as follows:

ARTICLE 1: SCOPE, OBJECTIVES AND DEFINITIONS

1. Without prejudice to the other provisions of this Agreement, this Protocol sets up the framework within which the Parties shall cooperate for facilitating exchanges regarding cultural activities, goods and services, including *inter alia*, in the audio-visual sector.

2. The exclusion of audio-visual services from the scope of Chapter Seven (Trade in Services, Establishment and Electronic Commerce) is without prejudice to the rights and obligations derived from this Protocol. For any issue relating to the implementation of this Protocol, the Parties shall have recourse to the procedures provided under Articles 3 and 3*bis*.

3. While preserving and further developing their capacity to elaborate and implement their cultural policies, with a view to protecting and promoting cultural diversity, the Parties shall endeavor to collaborate with the aim of improving the conditions governing their exchanges of cultural activities, goods and services and redressing the structural imbalances and asymmetrical patterns which may exist in exchanges.

4. For the purposes of this Protocol:

cultural diversity, cultural content, cultural expressions, cultural activities, goods and services, and cultural industries have the same meaning as defined and used in the UNESCO Convention; and

artists and other cultural professionals and practitioners means natural persons that perform cultural activities, produce cultural goods or participate in the direct supply of cultural services.

SECTION A HORIZONTAL PROVISIONS

ARTICLE 2: CULTURAL EXCHANGES AND DIALOGUE

1. The Parties shall aim at fostering their capacities to determine and develop their cultural policies, developing their cultural industries and enhancing exchange opportunities for cultural goods and services of the Parties, including through entitlement to benefit from schemes for the promotion of local/regional cultural content.

2. The Parties shall cooperate to foster the development of a common understanding and enhanced exchange of information on cultural and audio-visual matters through a dialogue, as well as on good practices in the field of intellectual property rights protection. This dialogue will take place within the Committee on Cultural Cooperation as well as in other relevant forums as and when appropriate.

ARTICLE 3: COMMITTEE ON CULTURAL COOPERATION

1. No later than six months after this Protocol is applied, a Committee on Cultural Cooperation shall be established. The Committee on Cultural Cooperation shall comprise senior officials from within the administration of each Party who have expertise and experience in cultural matters and practices.

2. The Committee on Cultural Cooperation shall meet within the first year after this Protocol is applied, and thereafter as necessary and at least once a year, to oversee the implementation of this Protocol.

3. By derogation from the institutional provisions of Chapter Fifteen (Institutional, General and Final Provisions), the Trade Committee shall have no jurisdiction over this Protocol and the Committee on Cultural Cooperation shall exercise all functions of the Trade Committee as regards this Protocol, where such functions are relevant for the purposes of implementing this Protocol.

4. Each Party shall designate an office within its administration that shall serve as a Domestic Contact Point with the other Party for the purposes of implementing this Protocol.

5. Each Party shall establish a Domestic Advisory Group(s) on cultural cooperation, comprised of cultural and audio-visual representatives active in the fields covered by this Protocol, to be consulted on issues related to the implementation of this Protocol.

6. A Party may request consultations with the other Party in the Committee on Cultural Cooperation regarding any matter of mutual interest arising under this Protocol. The Committee on Cultural Cooperation shall thereafter promptly convene and make every attempt to arrive at a mutually satisfactory resolution of the matter. In doing so the Committee on Cultural Cooperation may seek the advice of either or both Parties' Domestic Advisory Group(s) and each Party may seek the advice of its own Domestic Advisory Group(s).

ARTICLE 3BIS: DISPUTE SETTLEMENT

Unless the Parties agree otherwise, and only in case the matter referred to in Article 3.6 of this Protocol has not been satisfactorily addressed through the consultation procedure set out therein, Chapter Fourteen (Dispute Settlement) shall apply to this Protocol subject to the following modifications:

(a) All the references in Chapter Fourteen (Dispute Settlement) to the Trade Committee shall be understood as referring to the Committee on Cultural Cooperation;

(b) For the purposes of Article 14.5 (Establishment of the Arbitration Panel), the Parties shall endeavour to agree on arbitrators having necessary knowledge and experience on the subject matters of this Protocol. In the event that the Parties are unable to agree on the composition of the arbitration panel, the selection by the lot, as set out in Article 14.5.3, will take place from the list established under subparagraph (c) and not from the list established under Article 14.18 (List of Arbitrators);

(c) The Committee on Cultural Cooperation shall, promptly after its establishment, establish a list of 15 individuals who are willing and able to serve as arbitrators. Each Party shall propose five individuals to serve as arbitrators. The Parties shall also select five individuals who are not nationals of either Party and who shall act as chairperson to the arbitration panel. The Committee on Cultural Cooperation will ensure that the list is always maintained at this level. Arbitrators shall have knowledge and experience on the subject matter of this Protocol. In serving as arbitrators, they shall be independent, serve in their individual capacity and not take instructions from any organisation or government with regard to matters related to the dispute, and shall comply with Annex 14-C (Code of Conduct for Members of Arbitration Panels and Mediators);

(d) In selecting obligations to suspend pursuant to Article 14.11.2 (Temporary Remedies in case of Non-compliance) in a dispute arising under this Protocol, the complaining Party may only suspend obligations arising from this Protocol; and

(e) Notwithstanding Article 14.11.2, in selecting obligations to suspend in disputes other than those arising under this Protocol, the complaining Party may not suspend obligations arising from this Protocol.

ARTICLE 4: ARTISTS AND OTHER CULTURAL PROFESSIONALS AND PRACTITIONERS

1. The Parties shall endeavour to facilitate, in conformity with their respective legislation, the entry into and temporary stay in their territories of artists and other cultural professionals and practitioners from the other Party, who cannot avail themselves of commitments undertaken on the basis of Chapter Seven (Trade in Services, Establishment and Electronic Commerce) and who are either:

(a) artists, actors, technicians and other cultural professionals and practitioners from the other Party involved in the shooting of cinematographic films or television programmes; or

(b) artists and other cultural professionals and practitioners such as visual, plastic and performing artists and instructors, composers, authors, providers of entertainment services and other similar professionals and practitioners from the other Party involved in cultural activities such as, for example, the recording of music or contributing an active part to cultural events such as literary fairs and festivals, among other activities,

provided that they are not engaged in selling their services to the general public or in supplying their services themselves, do not on their own behalf receive any remuneration from a source located within the Party where they are staying temporarily, and are not engaged in the supply of a service in the framework of a contract concluded between a legal person who has no commercial presence in the Party where the artist or other cultural professional or practitioner is staying temporarily and a consumer in that Party.

2. The entry into, and temporary stay in territories of the Parties under paragraph 1, when allowed, shall be for a period of up to 90 days in any 12 month period.

3. The Parties shall endeavour to facilitate, in conformity with their respective legislation, the training of, and increased contacts between, artists and other cultural professionals and practitioners such as:

(a) theatrical producers, singer groups, band and orchestra members;

(b) authors, composers, sculptors, entertainers and other individual artists;

(c) artists and other cultural professionals and practitioners participating in the direct supply of circus, amusement park and similar attraction services; and

(d) artists and other cultural professionals and practitioners participating in the direct supply of ballroom or discotheque services and dance instructors.

SECTION B SECTORAL PROVISIONS

SUB-SECTION A

PROVISIONS RELATED TO AUDIO-VISUAL WORKS

ARTICLE 5: AUDIO-VISUAL CO-PRODUCTIONS

1. For the purposes of this Protocol, a co-production means an audio-visual work produced by producers of both Korea and the EU Party into which those producers have invested in accordance with the terms of this Protocol¹.

2. The Parties shall encourage the negotiation of new and implementation of existing co-production agreements between one or several Member States of the European Union and Korea. The Parties reaffirm that the Member States of the European Union and Korea may grant financial benefits to co-produced audio-visual works as defined in relevant existing or future bilateral co-production agreements to which one or several Member States of the European Union and Korea are parties.

3. The Parties, in conformity with their respective legislation, shall facilitate co-productions between producers from the EU Party and Korea, including through entitlement for co-productions to benefit from respective schemes for the promotion of local/regional cultural content.

4. Co-produced audio-visual works shall be entitled to benefit from EU Party scheme for the promotion of local/regional cultural content referred to in paragraph 3 in the form of qualification as European works in accordance with Article 1(n)(i) of Directive 89/552/EEC as amended by Directive 2007/65/EC, or by its subsequent amendments for the purposes of the requirements for the promotion of audio-visual works as provided for by Articles 4.1 and 3i.1 of Directive 89/552/EEC as amended by Directive 2007/65/EC, or by its subsequent amendments.²

¹ In the case of Korea, there is a recognition procedure for co-productions, conducted by the Korean Communications Commission for broadcasting programmes, and the Korean Film Council for films. This recognition procedure is limited to technical check aimed at ensuring that the co-production fulfils the criteria set in paragraph 6. Recognition will be granted to any co-production fulfilling these criteria.

² Amendments of the legislation shall be without prejudice to the application of paragraph 10.

5. Co-produced audio-visual works shall be entitled to benefit from Korean schemes for the promotion of local/regional cultural content referred to in paragraph 3 in the form of qualification as Korean works for the purposes of Article 40 of the *Promotion of Motion Pictures and Video Products Act* (Act No. 9676, May 21, 2009), or its subsequent amendments and of Article 71 of the *Broadcasting Act* (Act No. 9280, Dec. 31, 2008), or its subsequent amendments and Notice on Programming Ratio (Korea Communications Commission Notice No. 2008-135, Dec. 31, 2008), or its subsequent amendments.³

6. The entitlement for co-productions to benefit from the respective schemes for the promotion of local/regional cultural content referred to in paragraphs 4 and 5 shall be granted on the following conditions:

(a) The co-produced audio-visual works are realised between undertakings which are owned and continue to be owned, whether directly or by majority participation, by a Member State of the European Union or Korea respectively and/or by nationals of a Member State of the European Union or nationals of Korea respectively;

(b) The representative director(s) or manager(s) of the co-producing undertakings have the nationality of a Member State of the European Union and Korea respectively and can demonstrate their domicile therein;

(c) Participation of producers from two Member States of the European Union will be necessary for each co-produced audio-visual work, other than animation works. With respect to animation works participation of producers from three Member States of the European Union will be necessary. The proportion of financial contribution of a producer or producers of each Member State of the European Union shall be no less than 10 percent;

(d) The minimum respective financial contributions to a co-produced audio-visual work other than animation works, of the producers of the EU Party (taken together) and the producers of Korea (taken together) may not be less than 30 percent of the total production cost of the audio-visual work. With respect to animation works this contribution may not be less than 35 percent of the total production cost;

(e) The contribution of each Party's producers (taken together) includes effective technical and artistic participation and a balance is ensured between the two Parties' contributions. In particular, in co-produced audio-visual works other than animation works the technical and artistic contribution of each Party's producers (taken together) shall not vary by more than 20 percentage points compared to their financial contribution and cannot in any case represent more than 70 percent of the overall contribution. With respect to animation works the technical and artistic contribution of each Party's producers (taken together) shall not vary by more than 10 percentage points compared to their financial contribution and cannot in any case represent more than 65 percent of the overall contribution;

³ *Ibidem*

(f) Participation of producers from third countries that have ratified the UNESCO Convention in a co-produced audio-visual work is accepted to a maximum of 20 percent, where possible, of the total production costs and/or the technical and artistic contribution to the audio-visual work.

7. The Parties reaffirm that the entitlement for co-productions to benefit from their respective schemes for the promotion of local/regional cultural content referred to in paragraphs 4 and 5 ensures reciprocal benefits, and that the co-productions fulfilling the criteria of paragraph 6 are awarded the status of European/Korean works referred to in paragraphs 4 and 5 respectively without any conditions additional to those of paragraph 6.

8.

(a) The entitlement for co-productions to benefit from the respective schemes for the promotion of local/regional cultural content referred to in paragraphs 4 and 5 is established for a period of three years following the application of this Protocol. Upon advice from the Domestic Advisory Groups, six months before the expiry, the Committee on Cultural Cooperation will co-ordinate in order to assess the results of the implementation of the entitlement in terms of enhancement of cultural diversity and mutually beneficial cooperation on co-produced works.

(b) The entitlement will be renewed for a duration of three years and shall thereafter be automatically renewed for further successive periods of the same duration, unless a Party terminates the entitlement by giving notice in writing at least three months before the expiry of the initial or any subsequent period. Six months before the expiry of each renewed period, the Committee on Cultural Cooperation will conduct an assessment on similar terms as described in subparagraph (a).

(c) Unless the Parties decide otherwise, termination of such entitlement shall not prevent the co-productions from benefiting from the respective schemes for the promotion of local/regional cultural content referred to in paragraphs 4 and 5 under the conditions of paragraph 6, if the date of the first broadcasting or projection of such co-productions in the respective territories is prior to expiry of any relevant period.

9. Throughout the duration of the entitlement for co-productions to benefit from the schemes for the promotion of local/regional content referred to in paragraphs 4 and 5, the Parties, notably through the Domestic Advisory Groups will regularly monitor the implementation of paragraph 6 and report any problem that may arise in this respect to the Committee on Cultural Cooperation. The Committee on Cultural Cooperation may review at the request of a Party, the entitlement for co-productions to benefit from the schemes for the promotion of local/regional content referred to in paragraphs 4 and 5 and/or the criteria referred to in paragraph 6.

10. With prior notice of two months, a Party may suspend the entitlement to benefit from its scheme(s) for the promotion of local/regional cultural content referred to in paragraphs 4 or 5, if the rights reserved for co-produced works under these paragraphs are adversely affected as a result of the other Party's modification of the relevant legislation referred to in these paragraphs. Before proceeding to such suspension, the notifying Party shall discuss and review with the other Party in the Committee on Cultural Cooperation the nature and impact of the legislative changes.

ARTICLE 6: OTHER AUDIO-VISUAL COOPERATION

1. The Parties strive to promote audio-visual works of the other Party through the organisation of festivals, seminars and similar initiatives.
2. The Parties shall facilitate, in addition to the dialogue referred to in Article 2.2 of this Protocol, cooperation in the area of broadcasting with an aim to promote cultural exchange through activities such as:
 - (a) promoting exchange of information and views on broadcasting policy and regulatory framework between competent authorities;
 - (b) encouraging cooperation and exchange between the broadcasting industries;
 - (c) encouraging exchange of audio-visual works; and
 - (d) encouraging visits to and participation in international broadcasting events held in the territory of the other Party.
3. The Parties shall endeavour to facilitate the use of international and regional standards in order to ensure compatibility and interoperability of audio-visual technologies, thereby contributing to strengthening cultural exchanges. They shall cooperate towards this objective.
4. The Parties shall endeavour to facilitate rental and leasing of the technical material and equipment, such as radio and television equipment, musical instruments and studio recording equipment, necessary to create and record audio-visual works.
5. The Parties shall endeavour to facilitate the digitalisation of audio-visual archives.

ARTICLE 7: TEMPORARY IMPORTATION OF MATERIAL AND EQUIPMENT FOR THE PURPOSE OF SHOOTING AUDIO-VISUAL WORKS

1. Each Party shall encourage as appropriate the promotion of its territory as a location for the purpose of shooting cinematographic films and television programmes.
2. Notwithstanding the provisions on trade in goods in this Agreement, the Parties shall, in conformity with their respective legislation, examine and allow the temporary importation of the technical material and equipment necessary to carry out the shooting of cinematographic films and television programmes by cultural professionals and practitioners from the territory of a Party into the territory of the other Party.

SUB-SECTION B

PROMOTION OF CULTURAL SECTORS OTHER THAN AUDIO-VISUAL

ARTICLE 8: PERFORMING ARTS

1. The Parties, in conformity with their respective legislation, shall facilitate through appropriate programmes increased contacts between practitioners of performing arts in areas such as

professional exchanges and training including, *inter alia*, participation in auditions, development of networks and promotion of networking.

2. The Parties shall encourage joint productions in the fields of performing arts between producers of one or several Member States of the European Union and Korea.

3. The Parties shall encourage the development of international theatre technology standards and the use of theatre stage signs, including through appropriate standardisation bodies. They shall facilitate the cooperation towards this objective.

ARTICLE 9: PUBLICATIONS

The Parties, in conformity with their respective legislation, shall facilitate exchange with and dissemination of publications of the other Party through appropriate programmes in areas such as:

- (a) organisation of fairs, seminars, literary events and other similar events related to publications, including public reading mobile structures;
- (b) facilitating co-publishing and translations; and
- (c) facilitating professional exchanges and training for librarians, writers, translators, booksellers and publishers.

ARTICLE 10: PROTECTION OF CULTURAL HERITAGE SITES AND HISTORIC MONUMENTS

The Parties, in conformity with their respective legislation and without prejudice to the reservations included in their commitments in the other provisions of this Agreement, shall encourage, in the framework of appropriate programmes, exchanges of expertise and best practices regarding the protection of cultural heritage sites and historic monuments bearing in mind the UNESCO world heritage mission, including through facilitating the exchange of experts, collaboration on professional training, awareness of the local public and counselling on the protection of the historic monuments and protected spaces and on the legislation and implementation of measures related to heritage, in particular its integration into local life.

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