

Does the Medium-term Development of the Creative Economy Guarantee Long-term Evolution?

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ABSTRACT

This paper reviews and compares the political economy of Japan, Korea and Taiwan as it relates to the development of the creative economy from 2000-2017. Governments of all three countries have maintained "the developmental-state" approach with strong government leadership. However, the behavior of local markets and the role of the general public have been very different: (1) The "Cool Japan Initiative" of the Japanese government has not been satisfactory, although it has been politically stable; (2) The regime changes in Korea have seriously impaired creative economic development; and (3) Taiwan has maintained a gradual and steady approach, but has not been free of the effects of political regime change. All three countries suffer from the problem of coordination. Adding to this problem, neither the concept nor the idea of "a creative economy" is well understood by the general public. Ideally, a creative economy is expected to evolve into an "all-encompassing creative economy" in the sense that culture-based creativity lies at the core of all industries in the economy. However, the medium-term development of a creative economy does not necessarily guarantee that the economy will evolve in that direction, particularly if the creative ecosystem is not fully developed.

Keywords: Creative economy, Cultural and creative industry, National creative ecosystem, All-encompassing creative economy

1. INTRODUCTION

The recent emergence of the new economy first started as the cultural economy with the cultural industries in the West. Then it gradually developed into the “Creative Economy” with the creative industries. The UK initiated this transition in 1997-1998 with the new concept and strategy of promoting creative industries, which then spread all over the world. The creative economy with creative industries has since become one of the most dynamic economic drivers in the modern world. Although creative economies differ among countries, cities, communities, and regions with different emphases and contexts, cultural industries and creative industries have grown to be central players in many countries.

In this paper, we comparatively review the political economy of Japan, South Korea (hereafter, “Korea”) and Taiwan, in developing a creative economy. Japan, Korea and Taiwan are located in Northeast Asia and have been successful in economic development and democratization. Politically, they have diverse range of relationships, depending on the concerned issues and interests. In GDP and population, Japan is the leader, followed by Korea, and Taiwan, but in GDP per capita at purchasing power parity¹, the order is Taiwan, Japan and Korea (IMF, 2016).

The purpose of this review is to understand the process of a creative economy’s development in these countries to date, to derive useful implications for the future. Although these three countries started the development of creative industries with similar motivations at similar times, their initial endowments and conditions were different, and their strategies and methods have diverged. These differences contain an array of implications, not only for the future of these countries, but also for other concerned countries.

The framework of this paper is the political economy approach, which is a branch of economics

focusing on the economic and political interactions between the government, market, and the general public. This research combines a review of the literature with empirical and statistical verification to support its comparative analyses. Because the concept of the cultural economy and the creative economy vary by country, institution, and scholar, and have evolved over time, we begin with the clarification of the concepts we adopted for the empirical review. The main period for review and comparison covers 2000-2017. The period for the long-term prospects is not precisely defined, but approximately covers 2018- 2050.

2. CONCEPTUAL DEVELOPMENT

2.1 The Cultural Industry and the Creative Economy

Since the mid-1990s, the concepts of cultural industries and cultural economy have respectively shifted towards the creative industries and the creative economy. The UK first introduced the concept of developing “creative industries” as a national agenda and made it a great success. However, many countries prefer to use the concept and term “cultural and creative industries”, because many cultural industries overlap with the creative industries. UNESCO’s definition of cultural and creative industries emphasizes not only the industrially made products of human creativity, but also the entire productive chain and specific functions of each sector bringing these creations to the public (UNESCO/UNDP, 2013, pp. 19-22).

According to Howkins (2001), the term “creative economy” refers to the socio-economic potential of activities that trade with creativity, knowledge, and information. In the core of the creative economy are industries that lie at the crossroads of arts, culture, business, and technology. UNCTAD (2008, 2010) views the creative economy as an evolving concept based on creative assets potentially generating income, job creation and export earnings, while promoting social inclu-

¹ Purchasing power parity is an Economics concept that exchange rates between currencies should be based on their relative purchasing power in their domestic markets for a fixed basket of goods and services. Thus, GDP per capita at purchasing power parity measures the average GDP per person in a country reflecting the country’s relative price level. If a country’s general price level is lower than another country, the country’s relative GDP per capita is higher than the nominal GDP per capita case.

sion, cultural diversity, human development, and economic growth.

Although the classification of creative industries is not exactly the same among countries, major creative industries are almost the same regardless of their classification method. Whenever we use the term the *creative economy* or the *creative industries* in this paper, it always includes the *cultural economy* and the *cultural industries*. In other words, we use the term to mean both *cultural and creative economy* and the *cultural and creative industries*.

2.2 Culture-based Creativity and the All-encompassing Creative Economy

Why is culture the main and most important source of creativity? Creativity involves the ability to connect ideas, senses, and emotions. Creativity raises a question and involves pondering, considering an approach, which may even be radical, before finding a solution. This nature of creativity makes the main source of creativity involve both art and culture. Culture-based creativity creates cultural, economic, and social innovation. By definition, without creativity, there is no innovation.

An increasing number of scholars contend that the cultural economy or the creative economy should transform the entire economy and act as ever greater engines of society as time goes on. For example, O'Connor and Gibson (2014) argue that the role of culture should affect the entire economy and society. Although the role of culture has been emphasized, Potts (2012) asserts that culture-based creativity should transform creative industries and the entire economy in terms of the national creative system, which is an evolution of the national innovation system. To stamp the idea of transforming the entire economy, we call this kind of economy the "All-encompassing creative economy": the economy in which **culture-based creativity** is the core driver of all industries and economic systems.

UNESCO/UNDP (2013, p. 20) acknowledges that contemporary thinking about economic development has shifted towards a multidisciplinary model dealing with the interface between economics, culture, and technology, and centered on the predominance of services and creative content. It also recognizes that there are holistic views of the creative economy that take in the complex interactions between culture, economics and technology.

2.3 Creative Ecosystems

The concept of an ecosystem used in social science originated from or refers to the biological ecosystem. The concept of the creative ecosystem is the same. An ecosystem is a systemic entity within an environment. It has a structure and operation receiving inputs and generating outputs. Many components are inter-connected and interact. In the case of a social ecosystem, this inter-connection is largely conducted by networking. Scholars such as Hearn et al. (2007), have argued that the development of the creative economy can be encouraged most effectively through the development of creative ecosystems.

The concept of a creative ecosystem and practical issues for its application in the context of developing countries have been well documented by Bakalli (2015). The report emphasizes that the "creative ecosystem" approach is the most comprehensive approach and that it is more than the "creative cluster" approach alone. "An enabling and conducive environment" is essential to successful creative industries. That is, by having effective support at all levels, the public and the private sector, education sectors, the community and people should be well networked. "Such an enabling environment ensures the sustainability and durability of the creative ecosystem and streams from the systematic coordination of all relevant actors."

A regeneration or revitalization of a region can be precipitated by creative ecosystems. Revitalization involves a specific geographic area such as a

community or town, and encompasses economic, social, cultural and environmental dimensions. Communities have their own territory, culture and history, which affect the life of the residents. When a community or a region faces challenges such as stagnation or degeneration, they may vote for the revitalization of their community. Then people as a whole, and community workers in particular, look at a range of activities and interventions, which leads to public sector involvement. Art and cultural interventions can be a facilitator of the revitalization. Thus, a creative ecosystem approach emerges.

The key players for the development of a creative ecosystem consist of: enterprises and entrepreneurs, private sector business organizations, education and training institutions, volunteer community organizations, and local and government agencies. The sustainability and synergy effects are the most important factors in a successful ecosystem.

3. THE ROLE OF THE GOVERNMENT FOR DEVELOPING THE CREATIVE ECONOMY

3.1 Japan

Japan has been a technological and economic world power for over a century. Although Japan was defeated in World War II, it became a cultural and industrial leader in Asia from the 1960s to the 1980s. The development of cultural industries in Japan has a history of almost a century since the “Meiji Restoration” of 1868. However, the economic downturns in the 1990s weakened its cultural and creative industrial competitiveness.

As the Japanese economy contracted in the 1990s, it became increasingly clear that Japan needed another way to stimulate growth. Since the late 1990s, the Ministry of Economy, Trade and Industry (METI) has targeted the content industry (including movies, music, game software, animation, and so on) as a promising industry, and has been preparing policies for their promotion.

In response to the problems, the Japanese government and society increased their efforts to resume competitiveness in cultural and creative industries. The strategy for this, prepared and lead by the government, is called the “Cool Japan Initiative” (here, we use the word, initiative and strategy interchangeably as a common noun). The Initiative’s primary goal was to make Japan’s cultural industries a driver of economic growth and job creation. The Initiative was formally launched in 2010 with the establishment of the Creative Industries Promotion Office headed by the Minister in charge of the Cool Japan Initiative. The Office was composed of nine regular members and 34 guest speakers from across a spectrum of industries and professions.

The second Abe government strengthened the Cool Japan strategy to transform the appeal of Japanese culture and lifestyle into added value, and to create new growth industries (METI, 2012)². The definition and covered areas of cultural and creative industries in Japan³ are similar to other countries, but interestingly, Japan distinguishes those industries based on service categories such as music, dramas and films from those based on manufacturing such as fashion designing, crafts, toy, furniture, and jewelry. According to the “Intellectual Property Strategic Program 2011”, the target of Cool Japan “encompasses everything from games, manga, anime, and other forms of content, fashion, commercial products, Japanese cuisine, and traditional culture to robots, eco-friendly technologies, and other high-tech industrial products.” This is a much broader concept than that of the strategy actually implemented.

The initial policies and initiatives were based on the Proposal by the Cool Japan Advisory Council in 2011. The Council put together private sector project models and government cross-cutting initiatives, based on five perspectives on deepening and enhancing the Cool Japan Initiative as follows:

² Most of the review of the Cool Japan strategy in this section is based on the archives of the METI homepage and closely related supplementary documents.

³ Japan uses the simpler term, the creative industry, instead of the cultural and creative industry. Japan seldom uses the term, creative economy.

- (1) Connecting diverse initiatives laterally through the perspective of design
- (2) Bringing policies and businesses together
- (3) Constructing a human resources hub
- (4) Incorporating the views of non-Japanese
- (5) Enhancing regional attractions

The METI promotes overseas advancement of an internationally appreciated Cool Japan brand, cultivation of creative industries, promotion of these industries in Japan and abroad, and other related initiatives from cross-industry and cross-government standpoints. Its “Government Cross-Cutting Initiatives Action Plan” includes: creating a public-private partnership platform to organize joint public-private projects; government branches work together to assist private-sector initiatives aimed at constructing hubs that bring together people and information from many fields and disseminates information; creation of networks of ambassadors composed of non-Japanese Japan fans.

The Cool Japan strategy prioritizes the country’s creative sectors as drivers of the national economy with an ambitious target. According to METI projections, the world market for cultural goods would be worth JPY 900 trillion (roughly US\$9 trillion) in 2020, the year of Tokyo Olympics. The Cool Japan Strategy aimed to capture JPY 8-11 trillion (US\$80-110 billion), or 9-12% share of the world market. This implies a five-fold increase in cultural exports by 2020. In addition, the initiative also has the political aim of bolstering Japan’s national image in Asia in particular, and in the world in general.

The Cool Japan Strategy Promotion Council was formed in 2015 with the participation of members from the private sector for the Cool Japan Strategy’s Public-Private Partnership Initiative. The idea is that private-sector businesses are the prime actors in moving Cool Japan efforts forward, whereas the government’s role is to support forward-looking private-sector businesses. By this

division of roles, businesses would produce new attractive goods and services targeted under Cool Japan and traditional Japanese attractions were expected to be invigorated through competition and renewal. However, the public-private partnership lead by the government has been criticized for being one-sided, different from expectations.

The Cool Japan Initiative is reminiscent of the “developmental state” of Japan in the 1950s and 60s. In that political economic system, the private sector was rigidly guided by a top-down approach from bureaucratic government elites. For example, by 2014, the Creative Industries Promotion Office had launched or supported the following projects:

- (1) Establishment of the “Japan Channel,” for overseas broadcast of programs on Japanese animation, entertainment, culture, and lifestyle
- (2) CoFesta, Japan’s largest comprehensive contents festival and overseas Japanese pop culture festivals and expos
- (3) The 100 Tokyo website, which promotes tourism in Tokyo by highlighting the city’s creative and pop culture attractions
- (4) Events to promote collaboration among companies, creators, and designers in developing products for overseas markets

The core mechanism of the Cool Japan Initiative is the Cool Japan Fund Corporation (Cool Japan Fund, Inc.) which was established by the government in November 2013 with the plan to invest about the equivalent US\$1 billion over several years to increase exports of creative products. With an initial investment of JPY 30 billion (US\$300 million) from the government and JPY 7.5 billion (US\$75 million) from 15 private sector firms, the Fund was projected to grow to JPY 90 billion. METI expected the fund to generate annual returns of 7- 9%, which turned out to be unrealistic. There has long been criticism that the METI bureaucrats do not know how to guide the allocation of the fund. Like other plans and initiatives in Japan, the Cool

Japan Initiative has been slowly and gradually implemented. The implementation framework was a typical Japanese public-private partnership. It emphasized the collaboration between the government and private companies.

3.2 Korea

It may be safe to say that Korea's genuine creative economic development started with "Hallyu"⁴ (also known as the "Korean Wave"). The main difference between *Hallyu* and Cool Japan is that in Korea it first started with the private sector's initiative of popular culture and later the government became involved through less formal public-private partnerships than Japan. Similar to Japan, the cultural industry's development process in Korea has been gradual except for the drastic approach led by the Park Geun-Hye government from 2013.

When Korea was hit by the 1997 Asian financial crisis, the new government of Kim Dae-Jung (1998-2003) realized that the past industrialization strategy based on manufacturing, technological innovations, and large enterprises, had serious limitations and problems moving forward. It became imperative for Korea to find other alternatives to its economic growth model, not only to help overall growth and trade, but to mitigate risks from unexpected crises. The path to changing this policy and mindset first involved the cultural industry and strengthening the Ministry of Culture by changing it to the Ministry of Culture and Tourism. In addition to the immediate liberalization and opening up of the cultural sector to Japan for free imports, the enactment of the Cultural Industry Promotion Law, together with the "Five-Year Plan for Cultural Industry Development" (1999) followed.

In the middle of 2001, the Ministry of Culture and Tourism published a report called "Contents Korea Vision 21", which was based on the Five-Year Plan. This report introduced a new concept of "cultural contents industries" that involves a new version of

the cultural industries for the digital age. For this purpose, the Korea Culture and Content Agency (KOCCA) was established in August 2001. Under the Kim government, culture technology became one of the six growth-driving technologies, including information and communication technology (ICT), bio technology and Nano technology which the government decided to promote intensively. The Roh Moo-Hyun government (2003-2008) introduced the "Creative Korea" agenda in 2004, but it was seen as overly ambitious since it covered almost every cultural dimension, making its operational scheme hard to elaborate.

For the last 20 years, Korea has been transforming itself from a manufacturing power house to a soft power house, especially led by *Hallyu*. For the purpose of this paper, the important fact is that *Hallyu* was not initially a result of any government initiative such as the Cool Japan Initiative, but rather emerged spontaneously by the collective efforts of the private sector to gain regional footing. Only after the private-sector initiated *Hallyu* reached a sustained momentum, did the government start to support.

Entering the 21st century, the Korean government has emphasized the importance of advancing cultural content for national economic development. The Lee Myung-Bak government (2008-2013) shifted its focus to creativity in conjunction with content, and policymakers have used the term "creative contents industry" since 2009 instead of the term "cultural industry". The Lee government advanced the content industry as a new driving engine for the national economy. The government also increased investment in cultural technology and cultural infrastructure.

The emphasis on content advancement or the awakening of the role of content in cultural and creative industry is an interesting and meaningful feature of the Korean approach. Focus was placed on cultural technologies and quality content, which ultimately lead to Korea's creative economy

⁴ Hallyu or the Korean Wave is the term for the sudden popularity of Korean popular culture outside of Korea in the form of television dramas, films, popular music, and so on. According to the Korean pronunciation and Chinese pronunciation, it is called *Hallyu* (한류) or *Hanliu* (韓流, 韩流), respectively.

and the emergence of Hallyu. The success of Hallyu was in part due to these strategies, and it convinced the government to further expand upon these key strategies. The Lee government was probably the most active government in establishing the basis of the Korean creative economy.

The review so far confirms that the Korean government also followed its previous “developmental state” approach and a typical public and private partnership for the development of cultural and creative industries. However, the private sector has been far more active in Korea than Japan. Eventually, Korean bureaucrats monitored the private sector’s activities closely and knew the supports needed for the cultural and creative industries better than the Japanese bureaucrats. One of the reasons for this is that the domestic market of Korea was so small that Korean industries had to explore international markets from the earliest period.

However, this advancement may have had an inadvertent setback with the recent Park Geun-Hye government (2013-2017). The Park Geun-Hye government proposed the Creative Economy as the core national agenda to revitalize the economy, viewing creativity and innovation as the key driving forces for the nation’s future growth. The “Creative Economy Action Plan” and “Measures to Establish a Creative Economic Ecosystem” (hereafter, the Creative Economy Agenda) were formulated in 2013. The Action Plan became the basic guideline for the strategy and policies to follow. The core of the Action Plan consists of 3 Goals, 6 Strategies, and 24 Tasks (Ministry of Strategy and Finance, 2013).

From the beginning, the Creative Economy Agenda created great confusion and criticism, regardless of its intention and aim. The concept of the creative economy and the role of the government were not clear and did not follow the mainstream concept of the cultural and creative industries used in UK, EU, Japan, and Taiwan. Rather, it appears that the

creative economy concept of the Park Geun-Hye government is almost the same as that of the innovation economy, even though the word, “creative” is used. In the Creative Economy Agenda, there is not even a mention of Hallyu or the role of the Ministry of Culture, Travel, and Sports (MCTS). In fact, the ministry in charge of the Agenda was not MCTS, but the Ministry of Science, ICT, and Future Planning (MSCIP), which had a new name but was basically a newly restructured Ministry of Science and Technology, with functions transferred from the former Ministry of Telecommunication.

According to the Agenda, strengthening the innovation capacity of science and technology was regarded as the foundation for the Creative Economy. Pioneering next-generation markets by strengthening ICT innovation capacity was especially emphasized. Thus, in the plan, creativity and innovation are combined as cause and effect. In short, the aim of the Korean creative economy was to strengthen the innovation economy with creativity. However, at present, almost all actions for the creative economy are on the verge of being scrapped by the new government, starting in 2017.

3.3 Taiwan

In Taiwan, the Council of Cultural Affairs proposed “Cultural Industrialization, Industrial Culturalization” in 1995. The National Culture and Arts Foundation was established in 1996. The “Cultural and Creative Industries Development Plan” was adopted in 2002, as one of the most important plans among the “Challenge 2008: Key Plans for National Development” (Lin, 2011). When the Taiwan government included cultural and creative industries among the “emerging industries” announced in 2009, it was the first time that these industries came to be known to the public in Taiwan.

In the same year, a national development plan named “Creative Taiwan” was formed⁵. The plan aimed at developing cultural and creative industries for the period from 2009 to 2013 focusing on five major strategic areas such as:

⁵ The introduction to the Creative Taiwan plan is referred to UK Trade & Investment’s report, “Creative Industries – Taiwan” (2010).

- (1) Strengthening multiple investment and providing awarding subsidies
- (2) Business counselling and promoting cross-sector integration and R&D
- (3) Promoting market brands in Taiwan and developing domestic and overseas markets
- (4) Human resource training and matching mechanism
- (5) Cluster effects

The first Cultural and Creative Industries Development Policy was legislated in 2010. The “Law for Development of the Cultural and Creative Industry” promulgated in 2010 defined the industry as one that “originates from creativity or cultural accumulation, with the potential of using intellectual properties to create wealth and job openings, on top of enhancing the aesthetic level of local people and improving their living environment.” The law designated 15 specific subsectors as cultural and creative industries.

To help cultural and creative businesses with management, finances, and intellectual property development, the Ministry of Culture (MOC)⁶ has a guidance and support program that offers free business management training and individual consultations. These measures are to assist businesses with a view to helping them overcome difficulties, especially in the start-up phase. The MOC also works with universities and enterprises to establish incubation centers that offer consultation and assistance on software, hardware, services, technologies, expertise and funding. To help Taiwan’s cultural and creative entrepreneurs expand to the global market, the MOC has three strategies: setting up the “Fresh Taiwan” pavilion at international cultural and creative exhibits to promote the country’s image; subsidizing individual businesses to participate in global exhibitions; and facilitating international business matching by organizing exhibitions.

Starting in 2010, the MOC organized and launched the Taiwan International Cultural and Creative

Industry Expo (TICCIE). The MOC focuses on the main objectives of the Expo, provides cultural creative merchandise, services trade platforms, and bridges the gaps between production, sales and distribution. In addition, it continues to convey the Taiwanese cultural creative industries transformation trends and values to the national public as well as internationally in order to increase the overall industry competition on a world stage.

Many municipal governments have established cultural and creative parks as outlets for local cultural creativity. The Pier-2 Art Center (established in 2001), the Huashan Creative Park (2005), and the Songshan Cultural and Creative Park (2012) are just a few examples. Another line of development is the program promoted by Taiwan External Trade Development Council (TAITRA) recently, which aims for domestic food industry sales and distribution channels to hold Taiwan Food Festivals and Taiwan Food Zones to build a positive image for Taiwanese goods for consumers worldwide. There have been many programs and activities through various public-private partnerships in Taiwan for numerous initiatives and programs for developing cultural and creative economies.

However, different from the hard and active drive for the cultural and creative industry development so far, it seems that the new government in Taiwan inaugurated in 2016 lowered the expectations about these industries. The National Development Council (NDC) dropped the cultural and creative industries from its key industries for the 2017-2020 plan (NDC, 2016). Instead, “the government has prepared a series of development programs for promoting the “five plus two” industries, including green energy technology, the development of an Asian Silicon Valley, biomedicine, intelligent machinery, national defense, and aerospace, plus the development of a new agricultural paradigm and a circular economy” (Chen & Huang, 2017). “The new industrial policies tend

⁶ Previously known as the Council of Cultural Affairs (1981-2012). The council was upgraded to Ministry of Culture on 20 May 2012 as part of the governmental reorganization to put together all agencies across government responsible for cultural issues under one organization.

to stress technological innovation and industry” (Pan & Chiu, 2017). The top priority is to bolster the domestic economy by increasing investment and implementing structural reform to overhaul the country’s industries (Taiwan Today, 2017).

4. PERFORMANCE OF THE PRIVATE SECTOR

4.1 Japan

The Cool Japan Fund, Inc. was established as a public corporation to invest in promoting Japan’s unique and innovative products and services to growth markets in Asia and beyond. Started in 2013, this currently has more than US\$500 million equivalency from a mix of private sector and government sources. It aimed at helping to capitalize on Cool Japan from fashion and food enterprises, to anime, music, TV shows, and so on. As usual, Japan is taking the long-term view and the fund has a 20-year timeline. Ideally the fund invests in the companies that it believes have the potential to make inroads into international markets. The problem is that the performance or results are not impressive so far, and are even heavily criticized for the incompetence of the project selection.

Creative industries are a relatively small segment of the economy in Japan and their exports are also not significant. The total income of the cultural industries was JPY 45.2 trillion (US\$450 billion), 7.3% of all industry revenues in Japan in 2010, while employment in the sector was 2.15 million, 5.6% of all industries (METI & Hakuhodo, 2010). As summarized below, Kakiuchi and Takeuchi (2014) assessed this slightly differently, using the same classification of creative industries as the METI. The sales of creative industries in Japan were estimated as JPY 51.5 trillion (US\$513 billion) in 1999, and JPY 44 trillion (US\$438 billion) in 2011, which is a decrease. But the share was about 6.6% of all industries’ sales.

Among creative industries, service sectors comprise the major part (amounting to JPY 38 trillion/US\$370 billion, 86.2% of the total sales of creative industries in 2011), and ‘software and computer

service’ is the single largest sector (JPY 17 trillion/US\$166 billion, and 39.0%). In the creative service industries, the growing sectors were the software & computer and TV & radio, which once declined but have recovered. The architecture sector and other sectors (advertising, publishing, film, music & video, performing arts, design, and arts) declined in the same period. The total sales of content industries (digital text, text, game, digital music, music, digital image and image), including manga and animation, was about JPY 12.0 trillion (US\$120 billion) for the decade, a slight decrease.

According to PwC (2014), US is the number one entertainment and media country in the world with US\$598.5 billion and a 33.7% share of the world market in 2013. It will remain dominant in 2018 with projected revenues of US\$723.7 billion. The US was followed by Japan (9.6%), and China (8.3%). Korea was 7th with a share of 2.9%. An interesting forecast is that the growth rate of Japan will be substantially slower for the period, 2013-2018, from US\$170.3 billion to US\$174.7 billion with a compound annual growth rate (CAGR) of 0.7%, whereas China is expected to grow very fast from USD147.4 billion to USD219.4 billion (CAGR 10.9%). The growth rate of Korea should be in the middle from US\$51.8-60.5 billion (CAGR 4.2%).

Regardless of the current drive of the Cool Japan strategy, many domestic and international observers are not optimistic about its success. Some point out that Japanese pop culture had already become enormously popular worldwide more or less without government assistance. For example, Japanese anime was globally popular, but creators have been struggling amid a decline in sales of packaged media, such as DVDs, and the increase in free content from video-sharing sites. Japan’s anime industry saw overseas sales peak at JPY 16 billion (US\$155.8 million) in 2006, but by 2010 sales had fallen to JPY 9.2 billion (US\$89.6 million). Strategic footholds are needed overseas to promote and supply such products, but they are less optimistic. It seems that Japan needs a more realistic strategy (Kakiuchi &

Takeuchi, 2014). Opinion about the Cool Japan initiative is mixed at best. In terms of popularity, the Cool Japan initiative has yet to achieve impressive success.

Cultural exports of Japan have been of a random and piecemeal nature because creative companies tend to be SMEs and lack the resources to establish a global presence. Because the classifications are not unified, statistical evaluation of cultural and creative industry trade should be performed with care. UNCTAD's Cultural Trade Statistics enable comparison of the cultural goods exports of Japan and Korea in 2004 and 2013. Japan exported US\$2,417.1 million in 2004 and US\$4,120 million in 2013, while Korea exported US\$2,419.7 million in 2004 and US\$2,745.4 million in 2013. During this period Japan's increase was much higher than Korea's. However, the weakness of Japan is that Japanese entrepreneurs are less enthusiastic for overseas market exploration because of safer large domestic markets.

In a creative economy, the role of consumers are not passive. They not only consume cultural products but also interact with producers with feedback and suggestions. Japanese consumers of cultural products are not familiar with the government's drive for "Cool Japan". This may be because the main target consumers of the strategy were foreigners, but the real reason may be that the private sector's participation in the related programs was nothing particular. Although citizens may not clearly understand the strategy, they contribute to the making of regional creative ecosystems and are the sources of human resource development.

4.2 Korea

The success of Hallyu is largely due to the efforts of the private sector in its initial period and to the public-private partnership in its later period. After a rapid penetration into the East Asian market, Korea has recently started to penetrate European and North American countries with popular music (K-Pop) and online gaming. Hallyu has been unique because it indicates the unusual growth of local cre-

ative industries in the midst of neoliberal globalization. Once peripheral and small, the Korean creative industries have unexpectedly developed their own local cultural products and services, and Korea's creative industries have been among the most successful contributors to the national economy.

The world entertainment and media market size in 2013 was US\$1.77 trillion (PwC, 2014). Korean entertainment and media market size was US\$49.2 billion, 2.9% of the world total. As the 8th largest trade country in the world, Korea has substantial world market shares in major manufacturing industries. As of 2013, Korea has 5.2% of the world automobile market, 1.0% of the IT service, and 16.2% of the semiconductor market. These achievements show that Korea is already a globalized economy. This worldwide Korean cultural popularity created a huge business potential for Korean corporations. By analyzing the export data during 2001- 2011, the Korea Export-Import Bank found out that a US\$100 increase in the export of Hallyu cultural products resulted in a US\$412 increase in the export of consumer goods. In a survey from the Korean Chamber of Commerce and Industry in 2012, 82.2% of participating Korean corporations responded that Hallyu enhanced the positive image of Korea and Korean products and almost half of them mentioned Hallyu helped increase company sales. This sales increasing effect was especially strong in the service industry including culture (86.7%), tourism (85.7%), retail (75%) and also obvious in the manufacturing industry including food (45.2%), electronics (43.3%), cosmetics (35.5%), and automotive (28.1%) (KAIST, 2015).

Countries currently most affected by Hallyu in East Asia are China, Taiwan, and Japan. Although Japan was mildly interested in Korean strategic policy for the creative economy, China and Taiwan were strongly interested in the cause and effects of Hallyu. Particularly, China not only thoroughly studied Korean strategies, but also pursued alternative catch-up strategies to develop its own cultural and creative industries. As a significant reality of the creative economy, Hallyu is a chal-

lenge for China and Taiwan. It is expected that sooner or later several countries in Asia such as Thailand and Vietnam will also follow suit.

Among various measures for creative industries development in Korea, three features are outstanding. One is the emphasis on the combination with, and utilization of, technology, especially, ICT, for creative industries. This measure reflects the fact that Korea is a technology powerhouse in Asia. The other is the strong support for start-ups and entrepreneurship for new content industry business. The third is the globalization strategy. The results of these emphases have proven very effective, and will likely continue to be so. However, Korea needs greater and more drastic efforts and measures for nurturing creative human resources, which is a serious bottleneck in creative industries development. Although there have been such efforts, Korea has taken a far from desirable approach to overcome these bottlenecks. After all, the competition for creative human resources is the key battleground for global competition for creative industries.

Consumer behavior to creative content is somewhat different in Korea from its neighbors. Although direct interactions with producers are rare, consumers in Korea are active in supplying indirect feedback for cultural production. They well understand the importance of Hallyu, but this does not necessarily mean they are aware of the importance of the creative economy, which may be just a confusing concept to them. Furthermore, consumers in Korea are less active in community revitalization efforts and developing creative ecosystems than those in Japan and Taiwan. Although consumers are active in human resource development, they usually consider that such efforts should be initiated by the government.

4.3 Taiwan

In Asia, before Hallyu (the Korean Wave), there was first the “Hong Kong Wave (Honglyu)”, then

the “Japan Wave (Jlyu)”, the “Taiwan Wave (Tai-lyu)”, and now “Hwalyu” or the Greater China Wave. Hwalyu is the popular Greater Chinese culture of China, Hong Kong, and Taiwan, taken together. Because of the recent rapid growth of China and the consumption power of the Chinese diaspora, the popularization of the entire Chinese culture of the Chinese-sphere over the world is now replacing all individual Chinese-related “Waves” (Jang, 2013, p. 49).

Like Hallyu, Hwalyu is especially popular among China, Hong Kong, Taiwan, Singapore, Malaysia, and Indonesia, where many Chinese speaking people live. Hwalyu is also very popular in Japan. Whereas Hallyu is popular among middle-aged women and young idol manias in Japan, Hwalyu is popular among all age groups in Japan who are interested in Chinese drama, movie, pop music, foods, and travel. It is not difficult to foresee that Hwalyu will be a strong competitor against Hallyu and Cool Japan.

Taiwan’s cultural and creative industries have the potential to become a driving force for the nation’s economic development, helping both traditional and hi-tech industries to boost added value and improving products qualities through innovation and creativity. In recent years, a number of active marketing firms have sprouted up to help enterprises in this sector commercialize their products through both on and off lines. Taiwan’s cultural and creative industries, through public-private partnership, have developed rapidly and gained recognition locally and internationally for world-class products, services and performances. From 2003 to 2008, Taiwan-designed products had won a total of 651 international awards.

According to the Ministry of Finance Tax Data Center, in 2002 the total operating revenue of the cultural and creative industry was approximately NT\$523.2 billion (approximately US\$17.3 billion). Subtracting the value of intermediates, overall

production value came to around NT\$302.6 billion (US\$10 billion). The industry had over 47,800 enterprises with more than 325,500 employees.

Taiwanese digital content industries are dominated by the private sector, especially by SMEs. The number of digital content firms in Taiwan increased from 1,428 in 2002 to 1,730 in 2003. The most rapidly expanding industries are digital learning, network services, digital games and mobile content industries. The number of employees working in digital content companies has increased by 30 percent from 2002. According to the Digital Content Industry Office of the Ministry of Economic Affairs, Taiwanese digital content industries had about 43,000 employees and 14% of total output was exported in 2003.

Taipei's National Palace Museum has also been a major participant in the cultural and creative business by licensing production of commercial items. The museum also holds contests for cultural/creative designs based on its treasures.

Until 2010, creative industries in Taiwan had been thriving as a result of increased government support and a growing interest in culture and the arts among the people. However, the recent international economic downturn negatively affected the industry's growth rate. According to the *2013 Cultural and Creative Industries Annual Report* (MOC, 2013), the industry consists of 15 sectors that realized a combined turnover value of NT\$757.4 billion (US\$25 billion). According to the *2015 Taiwan Cultural and Creative Industries Annual Report* (MOC, 2015), the industry consists of 15 sectors with a total of 62,264 creative industry companies and a combined turnover value was NT\$794.5 billion (US\$26 billion), which is 1.8% higher than 2013, very low compared to the annual growth rate in 2010, 18.4%. Since 2011 the rate has been less than 3% every year. Taiwan's cultural goods exports in 2005 were US\$2,662 million and US\$3,533 million in 2010 (UNCTAD, 2008). The export growth rate in

2013 was 4.9%, with the highest growth of design industry, the first time positive growth since 2011.

With government assistance, the artistic and design talent in Taiwan has been making strides in demonstrating its economic value. In 2013, the industry consisted of about 62,000 business establishments with a combined annual revenue of NT\$785.6 billion (US\$26 billion). It is noticeable that a number of marketing firms such as Pinkoi, Taiwan ARTCCI, and Eslite Spectrum⁷ have started up to help commercialization of cultural products both on and off line. In 2013 Eslite Spectrum launched a platform called "expo" to promote the products of over 80 local young designers in the fields of household items, stationery, gift items, and cosmetics. The subsidiary reported net profits of NT\$369 million (US\$12.2 million) in 2014, up 22% from the year before, on total sales of NT\$3.5 billion (US\$115.9 million). It maintains 44 sales outlets, including two in Hong Kong.

Being a democratic and diverse open society, Taiwan has abundant creative human resources. This is the fertile ground for the development of creative industries and has resulted in a vibrant creative environment for the growth of creative SMEs and local creative communities. The strong business network in Taiwan is also a strength for the creative industry development. In Korea cultural content industries are almost the same as the creative industries in this paper. This is also the case of Taiwan. The competitive advantages of digital content industries can be found in related and supporting industries, firm strategy, market structure, factor conditions, and so on. ICT infrastructure and knowledge resources are key factors. However, compared to Japan and Korea, Taiwan does not have a fully developed competitive and efficient ICT infrastructure. This is a crucial weakness of Taiwan for the development of creative industries.

Table 1 summarizes the comparison of the development of creative economy in the three countries.

⁷ Pinkoi is Asia's largest online marketplace, founded in 2011, for unique and original design goods. Its headquarter is in Taipei, Taiwan. Taiwan ARTCCI is a Taiwanese company, specialized in the development and promotion of arts and cultural events. The company was founded in 2012 and is based in Kaohsiung, Taiwan. Eslite Spectrum operates department stores and shopping malls in Taiwan. The company was founded in 2005 and is based in Taipei, Taiwan. Over the years, Eslite Spectrum has plowed culture, sowed creativity, and grown a diversified platform for cultural and creative connections and for linkages between art and commerce.

Table 1. Comparison of Creative Economy Development in Japan, Korea, and Taiwan from 2000-2017

	Japan	Korea	Taiwan
Endowments*	<ul style="list-style-type: none"> - Nominal GDP: US\$4,937 trillion - GDP PPP per capita: US\$41,275 - Population: 127.7 million 	<ul style="list-style-type: none"> - Nominal GDP: US\$1,411 trillion - GDP PPP per capita: US\$37,740 - Population: 50.8 million 	<ul style="list-style-type: none"> - Nominal GDP: US\$529 trillion - GDP PPP per capita: US\$48,095 - Population: 23.6 million
Historical development	<ul style="list-style-type: none"> - Late 1990s: Content industries promoted - 2010: Creative Industries Promotion Office and “Cool Japan Initiative” launched - 2012: Abe government strengthened the strategy 	<ul style="list-style-type: none"> - Late 1990s: “Hallyu” began - 2007: Cultural contents strategy strengthened - 2013: “Creative Economy Strategy” launched - 2017: Creative Economy Strategy scrapped 	<ul style="list-style-type: none"> - 2002: CCIs** Main Development Plan for 2008 National Development Plan initiated - 2008: 2nd CCIs Development Plan initiated - 2009: “Creative Taiwan” Strategy launched - 2016: New National Development Plan launched
Governments' goals	<ul style="list-style-type: none"> - Increase in exports of creative industries - Boosting national brand, identity, and image enhancement 	<ul style="list-style-type: none"> - Hallyu and creative content industries development - Establishing the creative economy for all industries 	<ul style="list-style-type: none"> - CCI development combining the cultural economy and knowledge economy together
Governments' actions	<ul style="list-style-type: none"> - Establish institutional organizations and funding - Support creative ventures and business - Coordinating between public and private sector 	<ul style="list-style-type: none"> - Support of Hallyu and content industries - Establish Creative Innovation Centers - Support creative ventures - Improving working conditions 	<ul style="list-style-type: none"> - Increasing supports - Strategic guide and institutional back up - Regional CCI Center development - Cultural infrastructure improvement
Enterprises' activities	<ul style="list-style-type: none"> - Venture activities - Big enterprisers support arts and cultural activities - Creative innovations - Urban development 	<ul style="list-style-type: none"> - Support creative ventures - Support Creative Innovation Centers with big enterprisers - Encourage joint ventures for Hallyu - Explore export markets and international cooperation 	<ul style="list-style-type: none"> - Venture activities - Commercialization of cultural products - Global network development
Citizens' Activities	<ul style="list-style-type: none"> - Active participation in community revitalization - Active consumption of cultural products - Strong volunteerism - Contributing to human resource development 	<ul style="list-style-type: none"> - Less active for community development - Increased cultural consumption - Contributing to human resource development 	<ul style="list-style-type: none"> - Contributing to community development - Contributing to human resource development
Achievements	<ul style="list-style-type: none"> - Export targets of creative industries have not been achieved. 	<ul style="list-style-type: none"> - Rapid increase in creative industry exports, but less volume than Japan 	<ul style="list-style-type: none"> - Current export volume of creative industries is not big

* Economic statistics are for 2016 by the IMF. Population statistics are for 2016 by the UN.

** CCI = cultural and creative industry

5. THE LONG-TERM EVOLUTION TOWARDS THE ALL-ENCOMPASSING CREATIVE ECONOMY

5.1 Industrial, Regional, and National Creative Ecosystems

At present, most countries in the world desiring creative economy development do not have a long-term vision and/or strategy to transform the entire economy into an all-encompassing creative economy. The fundamental issue is whether a creative economy will remain as a subset of the national economy or will eventually transform the whole national economy into a creative economy. This issue is not a matter of conceptual definition, but a matter of reality. As discussed in Section 2, our view is that ideally the whole national economy will be transformed into the encompassing economy in the long run.

The effectiveness of ecosystems or clusters has been well documented. The all-encompassing creative economy and the creative ecosystem go hand in hand. Three kinds of creative ecosystems can be considered. Most countries have industrial clusters and/or innovation (science and technology) clusters. These clusters usually form ecosystems. If they are combined with creative industries, they become **creative industrial (innovation) ecosystems**. Regional revitalization usually takes the form of a regional ecosystem. If they involve cultural and creative economies, they become **creative regional ecosystems**. If these ecosystems are connected at the national level, we can expect the emergence of a **national creative ecosystem**.

In the all-encompassing creative economy there coexist three partially overlapping sub economies: the cultural economy, the generic creative economy and the hybrid creative economy. This indicates that not all industries should share the same characteristics. However, the basis of all the features of this new paradigm of the all-encompassing creative economy is “culture-

based creativity”. Creativity comes from many sources. However, the culture is often the main source of creativity. In the creative ecosystem, culture and the culture-based creativity are the main facilitator, and distinguish one creative ecosystem from another. As creative ecosystems are the necessary condition for the all-encompassing creative economy, so are creative cultures and culture-based creativity. Because the transformation of the national economy and society into an all-encompassing creative economy means a shift to a new economy, the process may well be regarded as evolutionary.

This evolution would be a result of the interactions of many factors. However, people, in other words, the general public, are the most important players rather than the government or the market because people play the most important role in the development of any creative ecosystem. Of course, this does not mean that the government and the market are unnecessary. On the contrary, they are important parts of the ecosystem and the all-encompassing economy. Fundamentally, creativity is a human phenomenon. Thus, in the creative economy the role of the people is becoming increasingly most important. They are possessors of creativity, consumers of cultural and creative products, a source of ideas for producers, participants in community regeneration, marketed to by SNS, and provide creative talent. Bottom-up creation and operation of the creative ecosystem and creative urban cities or communities both run on people power. In addition to endowments, people are the ultimate drivers and beneficiaries of the creative economy.

Thus, whether the countries we are comparing know these necessary conditions clearly or not, and are moving in that direction intentionally or not, should be verified to forecast their future. The history of the creative economy/industries in the three countries is roughly two decades.

This period may not be sufficient to predict the future. However, below we examine each country's movement in this context.

5.2 Signs of Evolution

5.2.1 Japan

Although the Cool Japan Initiative itself has not directly impacted much on the development of creative ecosystems, Japan has developed helpful support systems for creative ecosystems over time with various schemes such as establishing industrial clusters, knowledge clusters and regional and community regeneration movement. It is a well-known fact that Japan has well-established regional innovation hubs and knowledge hubs. Sectoral ecosystems are already well-established, and collaborative networks among large and small enterprises and financial intermediaries are abundant. Creative communities and hubs have also been actively established in Japan during the last decade.

The Industrial Cluster Program of the METI concentrates on helping existing industrial complexes to develop technological strength and the Knowledge Cluster Initiative of the Ministry of Education, Culture, Sports, Science, and Technology (MEXT) focuses on universities. The aim is to encourage institutions to work with firms in local areas, as well as with financiers, to commercialize new technologies. These policies encouraged regional SMEs or venture companies to create new businesses and technological innovations based on regional advantages. Regional bureaus of the METI act as the hubs of industry, academia, and government, using comprehensive and effective regional measures to support local economies that can foster new business enterprises capable of competing in worldwide markets.

Similar to the idea of the creative ecosystems, Japan introduced Eco-towns in 1997. Ten years later, they have accumulated considerable experience of applying a systems approach to reducing

waste and energy use, and recycling materials. In 2001, Japan also launched an Industrial Cluster Policy following the international debate on Clusters and Systems of Innovation in the 1990s, triggered by Michael Porter (1990). Although Eco-towns are not generally referred to as Clusters, they share the latter's characteristics in requiring thinking in terms of systems and networks between the various parts and players in the system.

The most promising area for Japan to move towards an all-encompassing creative economy and society is ecosystem establishment. Most of these are bottom-up movements of local community people. For example, in order to preserve historic sites and buildings, artisans with skills in special traditional techniques that are indispensable to maintain and repair these historic buildings constitute a necessary investment for promoting tourism. For local cities which have difficulty attracting nationally and internationally competitive industries and factories, tourism-related industries are good options. Culture-based creativity talents and ideas are assets, a part of which are provided by creative industries, and have great potential (Kamio & Matsubayashi, 2016).

Japan has not officially adopted an all-encompassing creative economy strategy. However, the planning and implementation of the Fifth Science and Technology Plan (2016-2020) includes the vision and action programs for the "Society 5.0." If this plan is combined with the current "Cool Japan Initiative", there is additional possibility that Japan will upgrade its creative economy strategy. In that case, the emphasis of the culture-based creativity and building a national creative system are foreseeable. In fact, Japan has many comparative advantages for the successful launch of the strategy: abundant cultural assets and popular cultural capabilities, world top-class innovations and industries, strong service sector, well-developed creative clusters and industrial clus-

ters, and community-based cooperative regional regeneration programs are just a few of them.

The 5th Science and Technology Basic Plan (2016-2020) included, the “Society 5.0” program. This aims at: “a society where the necessary goods and services are provided to the people who need them at the right time and in the right amounts, regardless of age, gender, location, language or other limitations, for a fulfilling and comfortable life style where everyone can receive high-quality service” (Harayama, 2017). The society is characterized further by being human-centered rather than technology-driven and being backed by science, technology, and innovation (STI) as is the case with “Industry 4.0”. Openness, sustainability and inclusiveness are emphasized, aiming to ensure everyone is on board.

Because Japan is currently struggling with the Cool Japan Initiative, and is not sure for the success of the initiative, a comprehensive launching of the all-encompassing creative economy is too early, but Japan has a greater potential for the successful development of the all-encompassing creative economy than Korea or Taiwan. In particular, a possibility for moving towards the all-encompassing creative economy is already found in local community movements to revitalize communities or small cities in Japan. At present, it is not clear whether the country, particularly the leaders, will adopt the vision of the all-encompassing creative economy because the country’s entrepreneurs are obsessed with manufacturing (“monotsukuri”).

5.2.2 Korea

Korea is the only country that has attempted to launch some kind of development strategy for the all-encompassing creative economy among the three countries. The Park Geun-Hye government (2013-2017) proposed the Creative Economy as the core national agenda to revitalize the overall economy, viewing creativity and innovation as the key driving forces for the

nation’s future growth. It was formulated from the realization that Korea’s “catch-up strategy” was not valid any more. That strategy had successfully driven economic growth for the last 40 years, but since the global economic crises in the recent period, the Korean economy has lost its growth momentum. In fact, the global economy was moving away from the industrial economy itself. Because previous governments have seldom used the term *creative economy*, the Park government was regarded as the first one to use it in Korea and made it part of the national agenda. The general feeling, however, is that the Creative Economy of the Park government was an ill-conceived kind of all-encompassing creative economy with unclear concepts and ineffective measures.

The term creative economy is not new, but the policy model that Korea attempted was daring because it did not limit any sector to the so-called “creative industries” but covered all industries across all sectors of the economy as part of the “creative economy”. Some countries, including the UK and Japan, already pursued creative economy policies, but limited the number of industries involved, which limited rather than refined their total potential. The Korean version of the creative economy differed from these existing initiatives and ideas in that it aimed to apply creativity to every industry and transform all industries into creative and innovative industries. Unlike other countries, Korea’s approach to the creative economy was a paradigm shift in terms of hybridizing science and technology and culture through ICT.

Related to the issue of the creative ecosystem, the establishment of the “creative and innovation centers” is of importance. The creative economy and innovation center is an integrated facility located nationwide, specializing in the regional specialty to enhance the creative economy initiated by President Park Geun-Hye’s administration by:

- (1) Supporting start-ups and SMEs in each specialty area
- (2) Organizing the partnership/ecological relations between the relevant big corporation and regional enterprises
- (3) Arranging funds for enterprise to overcome financial difficulties
- (4) Encouraging managerial and technological innovation and advisory services (called mentoring)
- (5) Promoting communications and cooperative works among participants,
- (6) Exploring new markets at home and overseas in a concerted manner

The basic concept of the government-initiated project is that the central and local governments work in conjunction with conglomerates to foster creative and innovative small firms in each city and province. The centers would work with start-ups, venture firms, universities and research institutes to utilize their business ideas and technologies, with conglomerates providing assistance on things from legal affairs and finding investors to marketing and selling their products and services at home and abroad.

Since the Daegu Creative and Innovation Center opened in September 2014, a total of 17 centers started operations nationwide taking advantage of their specialty in each region they were located. Each of the conglomerates, including Samsung, Hyundai Motor Group, LG, SK, and Lotte, has been allocated to one of the 17 centers, which have their respective specialized areas. In view of the remarkable differences in population and available resources among the metropolitan cities and provinces, it is doubtful that the 17 centers of the creative economy and innovation will grow in an evenly balanced way. It only reminds one of the legacy of Korean bureaucracy in the developmental state era.

As reviewed, Korea already attempted to move towards an all-encompassing creative economy during the former President Park era. Because of serious problems in the process of implementa-

tion, it failed. This failure was a serious blow to the evolution towards an encompassing creative economy in Korea. It is too early to assess the causes, but at least three factors can be identified. First, a fundamental problem is over-ambition based on hasty preparation. The ambition was to transforming entire industries and the economy into creative and innovative industries in the shortest period (Lee & Cha, 2013). This kind of an all-encompassing creative economy concept was not well understood and supported by the people in general, and critical stake-holders in particular. Second, the government tried to achieve all things in a short period by authoritarian implementation measures. Third, there was insufficient monitoring and control by the bureaucrats of possible manipulations of the implementation process by corrupt stake-holders.

Although the ambitious plan of one all-encompassing creative economy failed and the regional ecosystem development by the top-down approach is endangered, Korea has accumulated support for total creative ecosystem development. The country has developed quite a few industrial clusters, innovation clusters and regionally, product specialized communities, since its industrialization and development era. In particular, the "Participatory Government" (2002-2007) attempted to balance national development and promoted inclusive regional innovation and cluster policies, aiming at an integration of talent, technology and industry. This legacy is expected to contribute to the future development of creative ecosystems in the country.

5.2.3 Taiwan

Taiwan has strength in human resources, especially small enterprise entrepreneurship. As a multi-ethnic society with a rich cultural heritage, Taiwan stands among the most liberal and open societies in the world. All of these factors and conditions are important for cultural development. Taiwan also has high creativity as a people and nation. According to an evaluation of national creativity strength by the Martin Prosperity Institute (2011), among 82 countries evaluated, Taiwan ranked the

18th, whereas Korea ranked 27th and Japan 30th. However, whether Taiwan has sufficient creative manpower and willingness for the development of an encompassing economy is another story.

In terms of establishment of creative ecosystems, Taiwan has already many experiences and great potential. Many municipal governments have established cultural and creative parks as outlets for local cultural creativity. In Kaohsiung, for example, the Pier-2 Art Center was established in 2001 by transforming two warehouses in Kaohsiung Harbor. It has since developed into a multi-building cultural and creative park, displaying artistic works, outlets for digital-industry productions, cinema house that features non-mainstream movies, and a small theater. In Taipei the BaDe Road Brewery was converted into the Huashan Creative Park in 2005, providing a venue for a variety of cultural and creative products, exhibition of design works, and artistic performances. Also in Taipei, a former tobacco factory was turned into the Songshan Cultural and Creative Park in 2012.

The “World Design Capital 2016” is a case for the developing a creative urban city program. The Taipei City Government has revised and integrated existing urban development plans, injecting new thinking and resources. In order to address development issues that Taipei recently faces - life quality and health, eco-sustainability, urban regeneration, and smart living - the city government has begun to implement 16 core projects one by one since 2013, embarking on a collective urban transformation movement to make Taipei a “livable city”. In particular, by organizing design exhibitions in Taiwan and abroad, the “World Design Capital” project aims to project Taipei’s brand as a design city and to forge international links, while also showcasing the city’s design capabilities and marketing Taipei City as an evolving city with powerful innovation.

Taiwan recently has accumulated very meaningful experiences in building creative communities and local hubs. In the past, Government’s top-

down approach of promoting cultural and creative industries was typical. However, creative hubs formed from the bottom-up approach have been increasingly successful recently. Creators and local communities interact with each other, the former find inspiration and identity, while the community finds opportunities and develop innovative new value, creating a new community life together. The vigorous creative energy of civil society, paired with key resources can yield the greatest benefits leading towards the building of platforms beneficial to industrial development. Innovation as represented by incubation centers and other creative hubs offering a broad range of support services has played a key role.

In regards to the promotion of industry, platforms to support the vertical integration of industry service chains are necessary to establish a sustainable creative ecosystem. In addition to nurturing talent and the vertical integration of the industry, in terms of horizontal connectivity, the creative hub is also a node in the international creative network.

The recent dropping out of creative industries from the key national industries can be a setback, which delay the movement towards an all-encompassing creative economy and society in Taiwan. Like Japan, Taiwan has never conceived of or attempted to develop the all-encompassing creative economy, as defined in this paper. It has stayed with the concept and term, culture and creative industries. The recent change in the national strategy to stop treating the cultural and creative industries as key industries implies that the Taiwan situation makes it difficult to ascertain whether the country will move towards an all-encompassing creative economy in the future. However, several noticeable movements suggest the possibility.

The new government of Taiwan prioritized green energy technology, the development of an Asian Silicon Valley, biomedicine, intelligent machinery, national defense and aerospace, plus the development of a new agricultural paradigm

and a circular economy. All these industries and strategies require not only capital and restructuring, but also never-ending innovation, which requires increasing input of culture-based creativity. For instance, the Asian Silicon Valley Development Plan aims at upgrading Taiwan's IT to Internet-of-Things by four strategies: building a sound and robust ecosystem for startups; enhancing linkages with tech clusters worldwide; building an Internet-of-Things supply chain; and constructing diversified test beds for innovation and applications (NDC, 2016). It is not difficult to see that all these require not only huge investment but also culture-based creativity input for innovation and higher quality.

Like Japan, Taiwan recently has been developing creative local communities or creative hubs. This movement is not based on the government's top-down approach, but people's bottom-up approach. Taipei Culture Foundation-Songshan Culture and Creative Park and British Council (2016) surveyed Taiwan's major creative hubs. According to their report, *Mapping Taiwan's Creative Hubs* (p. 4), "Taiwan's creative industries is a culmination of flexible and diverse influences and interactions between governmental, grass-roots, and non-governmental organizations in respect to multicultural interests and values in a democratized society, the protection of individual freedom and creative development in various sectors, yielding a myriad of dynamic, creative hubs... Not only does it lead to industrial transformation, but it also brings about transformations of thought, and unprecedented effect on the creator as well as on society. The people, creativity, and turbulence within a creative hub is Taiwan's most precious asset as well as a value worthy of sustaining."

These activities were hailed as the "creativity revolution". The people and creativity, and the interactions within a creative hub is Taiwan's most precious asset, which some day in the future may play the core role for the all-encompassing creative economy of Taiwan.

5.3 Prospects of the Long-term Evolution

For the next five years, the Cool Japan-branded creative industry development will continue without any challenge in Japan. Rather, the 2020 Tokyo Olympics will provide further momentum. Even though, as indicated by the fact that Japan does not use the term creative economy, moving towards an all-encompassing creative economy is not foreseen. That is, the Cool Japan and Japanese innovation economy will go in parallel and will not be mixed.

In the next five years, Korea will return to the strategy implemented before the Park Geun-Hye government. That is, the new government of Moon Jae-In (2017-2022) will not implement the previous government's Creative Economy Action Plan. However, the cultural content industry development strategy with Hallyu will be maintained.

As mentioned above, Taiwan's new government dropped the creative industry from its priority industries. Therefore, it is possible that the government is less enthusiastic in supporting cultural and creative industrial development than before. However, a careful examination of the plan shows that the new government may not ignore the importance of the relationship between the new industrial development strategy and cultural and creative industrial development. First, the "Five Plus Two Industrial Innovation" includes cultural technology innovation, and other plans such as the "Asian Silicon Valley Development Plan" requires cultural and creative industries. Other industries also need such co-development. Second, the six main policy directions of the plan include at least three policies related to cultural and creative industries. They are upgrading industrial and innovative economy policies and promoting education, culture of diverse ethnic groups, inter-regional balance, and sustainable development.

Under the circumstances, can we expect that the all-encompassing creative economy development will be adopted by all of these countries or at least one of them in near future? The answer is "no" in the short run, but "yes" in the long-run. The

main reason is that, as the view of Potts (2012), culture-based creativity will play a central role in the coming age. All industries, manufacturing and services, will need culture-based innovation more than anything else. Communities, societies and culture itself need culture-based creativity. Most industries that these three countries are trying to develop are high-tech industries. Needless to say, culture-based creativity is the core player for high-tech innovation. It is also the core player for the inclusive and innovative society.

The three countries are moving towards an economy with highly innovative industries and a society with the goal of people inclusion and well-being. They are all concerned with and preparing for the “Industry 4.0” (the 4th Industrial Revolution) and have a long-term vision such as the “Society 5.0” in Japan. Global industrial competition inevitably requires continuous technological and service innovation with culture-based creativity.

The all-encompassing creative economy in this paper is based on the new thought that culture-

based creativity is the key factor of transforming not only individual industry but also the entire economy and society. The primary significance is the ways in which the culture-based creativity stimulates the emergence of new ideas or technologies, and the processes of transformative change. This kind of creative economy should be seen, as a complex system facilitating entire economic evolution. Its ultimate goal is the realization of the all-encompassing creative economy and society.

Until 2015, Taiwan pursued a very active development strategy of cultural and creative industries, which were selected as one sector of the six key emerging sectors for national development. However, it seems that the recent low performance of the sector made the new government from 2016 re-adjust the priority of the selection and exclude the sector. Whether this change would be a blow to the industries is too early to predict. However, it is not an encouraging sign for the sector’s development.

Table 2 summarizes the long-term prospects on the development and evolution of the creative economy

Table 2. Comparison of Creative Economy Development in Japan, Korea, and Taiwan towards 2050

	Japan	Korea	Taiwan
Political situation	- Stable	- Unstable	- Stable
Strengths	- Abundant cultural heritage - Huge domestic market - Abundant capital - High technological capacity and large enterprises - Competitive SMEs - G3	- Abundant cultural heritages - World frontier ICT [*] capability - Popularity of Hallyu - The 8th largest trade economy in the world - Large enterprises prevalent	- Abundant cultural heritage - Human resources - Competitive SMEs and networking - Smallest among the three countries, it is easier to transform the entire economy
Weaknesses	- Obsession with manufacturing - SME dominant structure of creative industries - No vision of the encompassing creative economy	- Political instability and lack of long-term vision - Rigid and constrictive education system stifles creativity - Discontinuity in policies - Weak SMEs	- Few large enterprises - Rigid education system stifles creativity - International political instability - Lagging ICT
Creative ecosystem building	- Will be in good progress	- Will be slow	- Will make good progress
Prospects for long-term evolution	- If the vision of encompassing creative economy and social consensus are accepted, Japan can speed up its economic transformation; but this condition would not be easily met	- Korea will incur many trial and error mistakes which can waste valuable time in ideal economic transformation	- Taiwan can be the first country to successfully transform itself to an encompassing creative economy, because of the size of the country and easier consensus making environment.

^{*} ICT=information and communication technology

in Japan, Korea and Taiwan. Japan has great potential for transforming the economy towards an encompassing creative economy, but it seems that the country has difficulty changing from its obsession with manufacturing. Taiwan is slow but steady in the transformation so that the chance it will be the first country to achieve the ideal transformation is very high in the long run. Korea may have many trial and error mistakes, even though it has sufficient potential for the transformation.

6. CONCLUSION

The three countries in East Asia - Japan, Korea and Taiwan - started the transition from the cultural economy towards the creative economy in the 1990s and continues on today. Except for the 2013 introduction of the Creative Economic Action Plan in Korea, they preferred to use the terms, the *creative industry* or the *cultural and creative industry*.

Japan actively launched the creative industry development initiative with the symbolic brand, "Cool Japan", in 2012. The implementation framework was the public-private partnership, but the government has dominated the development process. Different from the government's expectations, the performance of the initiative has not been satisfactory, except for the software-related service industry.

Meanwhile, Korea formulated the cultural content concept and implemented creative industrial development policies with that concept for more than a decade, then suddenly promoted a full-scope creative economy or one similar to the all-encompassing creative economy, as defined in this paper. The concept of the Korean creative economy strategy confused the experts who were more familiar with the mainstream concept of the "limited" creative economy. The implementation was almost one-sided by the top-down drive of the government. The Korean economy and

society were not ready to be transformed that way, and the strategy shortened the life of the government itself, and failed.

Taiwan's transition towards the creative economy in the name of the cultural and creative industries has been steady and stable except for the strategic change by the new government inaugurated in 2016, which dropped the cultural and creative industry sector from the group of national strategic industries. It does not mean Taiwan's efforts to develop cultural and creative industries will stop, but it appears to have lost its prior momentum, at least temporarily.

The main difference between Korea and the other two countries is that Korea suddenly tried to transform the existing economy into the creative economy similar to the all-encompassing creative economy, whereas Japan and Taiwan tried to develop the innovation economy and the cultural and creative industries in parallel, although they are reinforcing each other in most cases. Whatever the conceptual and strategic differences may be, all of them have pursued the development of these industries as the priority national agenda and put a great deal of weight on their globalization efforts.

Three action areas for the future development of the all-encompassing creative economy are considered:

- (1) Drastic national educational reform,
- (2) Nurturing creative talents and creative entrepreneurship, in parallel with the educational reform,
- (3) Creating sectoral, local, and national creative ecosystems.

In industrial competitiveness, the three countries reviewed in this paper have reached the innovation/knowledge-based economy and attained substantial high-tech capabilities. If the creative class and culture-based creativity can be fully

combined with these, the transformation towards the all-encompassing creative economy should be relatively easy.

Drastic educational reforms for creative education are needed for all three countries. Their education systems are all based on the traditional one-sided knowledge transfer and memory system. While supply of creative talents and creative entrepreneurship is crucially dependent on education and professions these connections are not widely emphasized.

Whereas Japan and Taiwan show strength in their creative ecosystem building, Korea has been slow to evolve. Furthermore, Korea has experienced the failure of the Korean creative economy, which has discouraged new challenges. What appears to be Taiwan's recent retreat from aggressive cultural and creative industrial development at the national level may also discourage such a venture, not to say of the revival of the past strategy. However, Taiwan has a greater potential to move towards an all-encompassing creative economy from the bottom-up movement of the creative communities or local creative hubs.

ACKNOWLEDGMENT

We thank the referees from this journal for instructive comments, the editorial board for helpful suggestions and our colleagues for many insightful discussions. Needless to say, all remaining shortcomings and errors are our own responsibility.

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