

Republic of Korea: K-culture and the Next Wave of Economic Growth

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ABSTRACT

The wave of South Korean cultural products that has swept world has brought the country, once known as the hermit kingdom, international recognition and a fillip to its soft power. From the late 1990s, government support for Korea's creative industries has meant that, today, from the U.S. to New Zealand and from China to Indonesia, Korean cultural products have become a celebrated success, boosting the local economy by as much as 12.6 trillion won (US\$11.6 billion) in 2014. But, while some sectors continue to grow, there is an almost audible pause as the Republic of Korea considers how best to move this sector forward. International K-wave fatigue, local economic challenges, and a difficult geopolitical environment are asking some tough questions of Korea's ability to continue to delight the international consumer. The country's new president, however, has already expressed his desire to try to breathe new life into the country's creative industries which, if successful, could help him meet his commitments to create jobs for the country's young people, boost economic growth, and jumpstart another increase in living standards. There is a new feeling of optimism in the country, and few would doubt that if it is possible, Korea is the country that could achieve it. In a 5G, digital world, creating another wave of success is likely to test the government's ability to generate innovation and creativity, highlight the efficacy of central economic policy in dismantling cultural and geographic barriers and, if successful, set new standards for policy trends in public-private partnership. This paper offers an introduction to the very immediate challenges the new government faces, reviews the literature on the subject, and carries out a situational analysis fundamental to designing and updating national policies, strategies, and plans. This paper also proposes further research and analysis of the Moon administration's strategy and tactics.

Keywords: Korean Wave, Hallyu, Global culture industry, Moon Jae-in administration, Fourth Industrial Revolution

1. INTRODUCTION

The new president of the Republic of Korea, Moon Jae-in¹, is hoping to give the country's cultural exports a boost in order to make good on his promise to jump-start dawdling economic growth on the peninsula and create jobs for the young voters who swept him into office in May 2017. On the campaign trail, the former human rights lawyer and son of North Korean refugees, Moon underlined his belief that culture and art should be considered an industry in the era of the Fourth Industrial Revolution: "Art and culture play growing roles in this era but they have been neglected as if they were private territory," Moon said, promising to attend cultural events every month (Kwon, 2017). Speaking at a conference in the capital Seoul on *hallyu*², the wave of Korean culture (also known as the Korean Wave) that has flooded outwards from the former hermit kingdom, Moon said he believed that if the president shows an interest in culture, Korean art and culture would develop further. He added that, unlike his predecessors, he would not just attend plays or traditional performances, but would: "take part in popular culture events such as K-pop concerts as well" (Kwon, 2017).

The term *Korean Wave* was first coined by the Chinese press in the late 1990s to describe the growing popularity of Korean pop culture in China. Korea has been hailed as an emerging 'cultural powerhouse' with the successful export of cultural products as far afield as New Zealand and the United States, as well as closer to home to China, Indonesia, Taiwan, Thailand, Vietnam, and the Philippines (Chua & Iwabuchi, 2008; Times, 2012; Parc & Moon 2013). Questions remain, however, over how this success has been achieved and the efficacy of government intervention, as well as whether this cultural success can continue in the digital age and the ongoing struggle for competitive advantage for national, cultural, and creative industries in the global creative economy (Flew, 2012; Lee & Lim, 2014).

In their work, 'Four Models of the Creative Industries', Jason Potts and Stuart Cunningham suggest that the economic value of the creative industries extends beyond just the "...manifest production of cultural goods or the employment of creative people, but may have a more general role in driving and facilitating the process of change across the entire economy..." (Potts & Cunningham, 2008, p. 1). In particular, the broader role of their innovation model of the creative industries in producing structural change in an economy is particularly relevant to South Korea and the policy imperatives facing the Moon administration as it works to ensure the country is competitive in Industry 4.0 in line with OECD recommendations.

An OECD policy paper published in 2015, emphasized the importance of re-engineering the South Korean economy. In the next 50 years, Korean society will undergo the most rapid ageing of any OECD member and must boost productivity to secure sustainable, long-term economic growth. OECD recommendations include leveraging Korea's position as a leading innovator, boosting a lagging services sector, reducing regulation, strengthening the links between public research institutions and the private sector, and helping to build entrepreneurship and the small- and medium-sized company (SME) sector (OECD, 2015).

In this paper we will use the definition of creative industries outlined by the UK's Department for Culture, Media and Sport (DCMS), as being those requiring 'creativity, skill and talent, with potential for wealth and job creation through the exploitation of their intellectual property' (DCMS, 2015).

The knowledge economy, at the heart of which sit the creative industries, is seen by many governments as an economic nirvana. Embedded in people, locations, networks and institutions, as well as connected to cultural activity and employment, it is seen as tied to places – especially cities – where urban centers offer not only the technological infrastructure and the support industries,

¹ President Moon Jae-in is the current president of South Korea, leader of the left wing Democratic Party, elected in May 2017 after the impeachment of his predecessor Park Gyeun Hye.

² Hallyu (한류) or the Korean wave is a neologism literally meaning "flow of Korea" and describes the increase in the global popularity of South Korean culture since the 1990s.

from lawyers to accountants, that make business possible, but also a creative milieu to which the knowledge work force is attracted. In the information society knowledge has become a central pillar of economic production, distribution and consumption, creating a burgeoning services sector and the “New Economy” (Castells, 2001).

This paper offers an initial examination, by considering the Korean Wave, of the question of whether government intervention in the creative industries is effective. The paper begins the situational analysis fundamental to designing and updating national policies, strategies and plans. It will look at the origins of the creative industries as a tool of economic policy. It will review the literature on policy options and examine how this has developed in a Korean context, and then begin analysis of what policy imperatives could help encourage a successful *hallyu* 4.0³. By offering this general discourse, the paper provides an initial introduction to the immediate challenges the new government faces. It also proposes further research and analysis with a quantitative focus to explore the success of the Moon administration’s strategy and tactics.

2. THE CREATIVE INDUSTRIES AS A SUBJECT GOVERNMENT POLICY

At first glance, *hallyu*’s remarkable success appears to have been due to government policy of intervention on behalf of national champions. With an eye on programs such as Australia’s Creative Nation and Britain’s Cool Britannia, in late 1990s the South Korean government began a program of support for the creative sector. South Korea was already familiar with protecting local industries, such as steel, shipbuilding and the automotive industry, to rebuild its economy following the Korean War (1950-1953), by backing the chaebol, giant, family-run conglomerates.

Successive governments have approached cultural development as a form of industry policy. There

is a supposition amongst policy makers that this support has led to the international success of Korean films, TV dramas, video games, and popular music. This has been further supported by a continued commitment to building the country’s high-speed broadband infrastructure, making South Korea the most connected nation in the world (Akamai Technologies, 2016), and the active promotion of cultural exports, including the establishment of the Korean Creative Content Agency (KOCCA) in 2008, to encourage investment in Korea’s cultural and creative industries and push “Brand Korea” globally (Hong, 2014).

But things are not proceeding to plan. The economy picked up pace in the first quarter of 2017, despite heightened Sino-Korean tensions, with GDP growth beating all expectations to expand 0.9% quarter-on-quarter. But, this came in the face of mounting woes in some traditional exporting industries and a beleaguered domestic sector. Korean car sales to China continued to plummet in April 2017, while the tourism industry experienced its largest deficit in a decade in March following China’s ban on group tours to Korea.

The economic benefits of *hallyu* have also failed to reach predictions. In 2014, South Korea raked in US\$5 billion from its pop-culture exports, and had set its sights on doubling that by 2017 (Economist 2014). This now looks optimistic. Exports of South Korean cultural content rose 9.7% year-on-year in 2016, despite an economic slowdown and China’s restriction on imports of Korean pop culture over a diplomatic row resulting from Beijing’s anger over the deployment of the American anti-missile THAAD system, on Korean soil. The total of 6.21 billion won (US\$5.52 million), however, fell well short of Korean government hopes (Yonhap, 2017).

Nonetheless, a record-high trade balance in April 2017 suggested that improved global trade flows and China’s unwavering demand for other Korean exports continue to outstrip the spillover effects

³ Hallyu 1.0 refers to Korean drama (K-drama), Hallyu 2.0 to K-pop music, Hallyu 3.0 to K-culture, Hallyu 4.0 to K-style including the export of Korean designed clothes and makeup.

from politically-motivated retaliatory measures. On the domestic side, however, things look less upbeat. In April, the unemployment rate crept up while household debt growth continued to run ahead of income growth (Focus Economics, 2017).

The extent of the role of government in developing and encouraging the growth of what is an increasingly seen as a key sector to any country wishing to be a winner in the globalized knowledge economy is in question. Suggestions of a superiority of culture which often accompany any successes are, at best, a distraction and, at worst, the corrupting obsession of cultural nationalism. Korea's success seems to be almost accidental and little to do with government intervention. Indeed the government has a poor understanding of concept of culture and the creative industries.

The success of Korea's global YouTube sensation PSY is a perfect example of this programmed uncertainty. Released in 2012, PSY's 'Gangnam Style' music video was the first YouTube video to receive one billion views and, by May 2017, this number was closing on 3 billion, making PSY more watched than global pop sensation Justin Bieber. This happened with no help from the Korean government: "PSY's global success has nothing to do with the K-pop syndrome. PSY's Gangnam Style is supported by the general YouTube users around the world, unlike K-pop phenomena, which is helped by manic fandom" (Interview with Yang Hyun-Suk, YG Entertainment president, Yonhap News, 2012).

3. A TRADITION OF STATE INTERVENTION

The centrality of the state, for example, in establishing and nurturing the Korea automotive industry began with The Automotive Industry Promotion Law (1962), part of the First Five Year Development Plan. The Ministry of Trade and Industry was given discretion to determine which companies could participate in the industry, and put in action a broad range of industry policies

to support local car production. Imports of cars were prohibited, a ban that was not to be lifted for a quarter of a century. Since the government provided subsidized loans and tax incentives for investments as well as exports, Korean cars could be sold on foreign markets at less than half the domestic market price. This initiative was a clear example of "a developmental state following a strategy of techno-nationalism ... [although] the success of the technonationalist approach is more questionable than some accounts of the Korean auto industry suggest" (Ravenhill, 2001, p. 5).

There can be little doubt that, like Korean cars, Korean culture has been a notable export success. The Korea Trade-Investment Promotion Agency (KOTRA) and the Korea Foundation for International Culture Exchange (KOFICE) announced on April 10, 2016 that the *hallyu* content exports from South Korea totaled 3.2 trillion won (US\$2.8 billion) in 2015, to show year-on-year growth of 13.4%. The estimated effect of the cultural content on other products was 15.6 trillion won (Jung, 2016).

The hybridity of the product, bland, inoffensive, and borrowing liberally from other cultures, has endeared world audiences to everything Korean. What started as marketing Korean products to East Asia and then developed into the sale of K-Dramas and K-Pop, has now grown to the global marketing of products such as fashion, food, and makeup.

This global marketing of K-culture has been further enhanced as part of a policy of boosting national image by investing in the broadband infrastructure, technology and entertainment industries. This has created an environment in which pop culture could flourish, resulting not only in economic growth but also boosting bilateral relations and the apparent expansion of what Joseph Nye would describe as the country's "soft power" (Nye, 1990), 'the capacity to think in terms of relational power, rather than simply

thinking in terms of the distribution of content around the world' (Flew, 2016, p. 278).

While income, jobs and other economic fillips such as increased tourism and an influx of overseas students are of central importance, leveraging its ability to persuade others to do what it wants without force or coercion has to be a key part of a broader context for the success of a country's creative industries. Given the geopolitical stress lines across the Korean peninsula, the benefits of increasing familiarity and awareness of the country to create positive perceptions and encourage further engagement are obvious: they generate a positive influence on people's behavior and 'getting companies to invest, encouraging public support for [the] country's positions and convincing politicians to turn to it as an ally' (Holden, 2013, p. 22).

As Korea's new president looks around for examples of best practice in encouraging the creative industries, he has any number of examples to follow, not the least his disgraced predecessor who faced similar challenges of anemic economic growth and stubbornly high youth unemployment. The creative industries were a top priority for Park Gyeun-hye when she was elected in 2012. Korea's impeached President launched her initiative in 2014. The "Creative Economy", included three major goals and six strategies. The goals were to create an economic ecosystem for fostering a creative economy and the creation of new jobs and markets through creativity and innovation, strengthening the global leadership of the nation's creative economy and respecting and promoting creativity within South Korean society.

The six strategies were: creating an economic ecosystem where creativity was fairly rewarded and where business startups were easier, promoting venture capital firms and encouraging SMEs to play a leading role in the creative economy and make inroads into global markets, creating

the growth engine for pioneering new industry and markets, fostering the global creative human capital talent who have the vision and where-withal to become a vital part of the creative economy, expanding the nation's science technology and ICT innovation capabilities, which lay the foundation for the creative economy, initiating the creative economic culture that promotes the involvement of both government and people (Asia Pacific Global Research Group, 2014).

Park forced projects on the *chaebol* and, while they were not always financially viable, perhaps their efforts put the country in the best position to succeed. Park's government demanded that domestic capital, including *chaebol*, invest in the film business, for example. This heavy intervention parallels her father Park Chung-hee's work with the *chaebol* in the 1960s, which spurred the rapid industrialization of the country, thus 'modern regime decisions can be seen through the lens of specific historical parallels' (Alperstein, 2017). Regrettably, the traditional heavy hand of the government in its support for industry stretched to the well-publicized cultural 'black list' supposedly created by president Park Gyeun-hye of artists and those in the creative industries who were critical of her (Song, December 2016).

4. CHALLENGES TO THE NEXT WAVE

President Moon faces other challenges as he determines just how light his light touch of support for Korea's creative industry will be. Serious questions have been raised about the efficacy of the protectionist policies of the Korean government. Subsidies to the cultural industries, such as films, broadcasting, music, computer games, animation, press, and publishing, had been very modest until the late 1990s (Kim, 2013). Indeed, it was the sudden success of certain Korean cultural products such as the films *Shiri* and *Joint Security Area*, as well as the internationally successful television drama *Win-*

⁴ *Winter Sonata* is credited with causing the second wave of the Korean Wave and extending it to Japan and the Philippines. It improved the image of South Korea among the Japanese and set fashion trends throughout East Asia. The series was a commercial success; 330,000 DVDs and 1,200,000 copies of *Winter Sonata* novelizations were sold.

*ter Sonata*⁴, that led to a substantial increase in indirect subsidies. Thus, the emergence of these Korean cultural products preceded the increase in subsidies (Parc & Moon, 2013).

Indeed, a study on the Korean film industry, one of the first and most influential elements of the K-wave, downplays the effects of government support (Parc, 2016). The Korean government had been very active in its protectionist support for the Korean film industry, limiting how many non-Korean films could be shown through an import quota system under which only successful companies that produced or exported Korean movies could import foreign films. This existed in various iterations between 1959 and 1986, when it was replaced by a screen quota regime imposing a mandatory number of days for screening Korean movies. The research suggests, however, that the element at the heart of the success of the film industry was the role of private investment in a dynamic business environment. Large enterprises such as the *chaebol*, invested massively in the Korean film industry, and it has been their proactive responses that have tended to deliver competitive cultural products (Parc, 2016, p. 13).

Where Korean film is concerned, the creative burst in the early 2000s was linked to the emergence of a number of individuals who had been part of the student movement in the 1980s and early 1990s, and the radical thinking and diversity the movement engendered. Park Kwang-su, for example, who is considered the leader of the "New Korean Cinema" movement and one of Korea's most distinguished filmmakers was closely connected to the democratic movement in the 1980s. His films have garnered critical acclaim and he has received numerous domestic and international awards. Park founded and led the Seoul Film Group and was the first Korean filmmaker to start his own production company. The Seoul Film Group which was dedicated to renewing Korean film culture and was a significant

part of the independent film movement that was a strong voice against the military dictatorship. A number of other globally-famous Korean film directors participated in the student demonstration against the authoritarian government and were involved in pro-Marxist studies, in their youth, including Park Chan-uk and Bong Jun-ho.

As for the success in the region of Korean drama, this may be explained by a simple equation of demand and price. There was a dramatic expansion of media outlets due to a combination of technological change – the introduction of satellite and cable, then of the Internet - with the relaxation of state controls in the wake of the 1997 Asian Financial Crisis which undermined the legitimacy of many of the local political elites and loosened their gatekeeping power over the local media (Woodier, 2008).

Korean TV dramas were cheap and easy fillers for the increasingly hungry Asian television audiences. When *Winter Sonata* was shown on NHK in Japan, something that was trumpeted as a huge success for Korean culture after years of protectionism between the two countries, geopolitical issues and the need to show some movement on détente ahead of the 2002 World Cup, which was jointly held in Korea and Japan, are a more likely explanation for the decision to show the drama to Japanese audiences.

Cultural researchers Chae and Yoon (2006), stress that the *Hallyu* drama syndrome in its early stages had almost nothing to do with the government's strategic vision or the quality of the content itself. Instead, it had more to do with the unpredictable conditions in the region's respective culture industries, which were in unexpected and urgent need of new content to be able to fill expanding time slots on the new media platforms. Indeed, Chae indicates that Taiwanese TV content importers explained that the Taiwanese TV authorities only became interested in obtaining Korean TV dramas

The series yielded more than US\$27 billion when taking into account the profit it contributed to tourism. Films like *Shiri* (1999) and *Joint Security Area* (2001), enjoyed massive success in the Korean market yet also began to introduce Korean cinema to overseas audience.

for the first time in 1999, in order to replace more expensive Japanese content. For similar reasons, *Hallyu* dramas permeated into the nearby Hong Kong and Singapore TV markets as well. This must leave President Moon and his advisors scratching their heads as to how best encourage the next wave of success in Korea's creative industries.

5. THE SEARCH FOR CLEAR POLICY DIRECTION

The high voter turnout has given the new Moon administration a clear mandate. He will, however, need it. South Korea is in fact a far more fragile polity than media commentary often acknowledges and the new government faces intractable challenges. The popularity of the Democrat Party comes from its promise of clean and transparent government restoring faith in political institutions by addressing the political influence wielded by *chaebol* business conglomerates like Samsung, reforming the said *chaebol*, and pursuing a more emollient policy towards the North. In particular, the young, urban, university educated voters, many of whom participated in mass candlelight vigils against the old regime and form Moon's idealistic support base, will need to be convinced of his integrity and commitment to reform.

The OECD 2015 report suggests that re-engineering the economy could increase Gross Domestic Product (GDP) by as much as 2.5% over 10 years and generate 180,000 jobs, but achieving this is not going to be easy. Moon's predecessor was just as aware of the challenges and had not made much headway.

Productivity levels in South Korea are still only around half the levels of leading OECD countries, and while Korea has the world's most intensive research and development, more needs to be done to tap into the global science and innovation networks, as well as enhancing the role of start-ups and SMEs in innovation.

There remain large productivity gaps between manufacturing and the services sector, between large and small firms, and between the capital and rural areas. Green innovation, addressing old age poverty and labor market duality by, among other things, encouraging female and youth labor market participation, investing in relevant skills while making education and training more relevant for the market, would all help, as would a renewed focus on going digital to maximize the benefits of the knowledge economy. The country also needs to boost its services sector to better seize trade and investment opportunities, ease regulatory burdens and promote competition and entrepreneurship, while encouraging venture capital, particularly non-debt finance for SMEs.

Faced with an aging population and fertility rates too low to meet the country's demand for workers, South Korea has gradually implemented a number of policies in recent years to relax its strict controls on immigration, tackle illegal immigration, and attract foreign workers. In 2006, the South Korean government officially declared that it would embrace a multicultural and multiracial society. Two years later, it enacted the Multicultural Families Support Act to support immigrants and children of Korean and migrant relationships.

These efforts have begun to pay off: at the end of 2015, the country counted nearly 1.5 million registered foreign nationals, fewer than 3% of the population of 51.5 million. This represents an increase of 235% over the 438,000 registered foreign nationals at the end of 2003 (Park, 2017).

On a more practical level, creating more compelling content, adequate protection for intellectual property and support for artists, as well as exploiting Industry 4.0, are key to K-culture's further success in the 5G digital world and the Internet of Things. The "live drama" element of K-dramas, where only four episodes are made

initially, and then each of the following episodes are based on audience response and participation, could lend itself well to the new digital age of social media connectivity and big data.

Lee Pal-seung, President and CEO of the Korea Foundation for International Culture Exchange (KOFICE), suggested that the recent slump in the hallyu industry most evident in DVD sales and declines in sales of TV dramas, stemmed from over-familiarity, and said the industry needed to create fresh, unique content.

He also called on the private sector to step in:

There's a limit to how much support artists, management and broadcasters can receive from the government. So businesses shouldn't stop at making donations, and take tactical approaches to transform hallyu into a marketing strategy. In other words, hallyu content and businesses need to feed off one another (Kwon, 2014).

But none of this will be easy amidst the doldrums of a stumbling economy, where traditional industries like shipbuilding are exhibiting notable failures, and recalls of mobile phones (Samsung) and cars (Hyundai and Kia) have made the Korean economy look mortal.

South Korea also remains a polity split along geographical, demographic, and economic fault lines which no politician of the post-Cold War era has successfully transcended. Moon faces not only North Korean belligerence, but also an increasing unease with South Korea's American ally. Add to that the new China boycott of Korea and its goods over the installation of the THAAD missile defense system, and the job looks increasingly difficult.

In addition, although Park is the first president to be impeached, corruption has undermined the tenure of every president of the sixth republic as well as that of the fifth (1981-87). Even the

presidencies of Nobel peace prize winner Kim Dae-jung and Roh Moo-hyun, who committed suicide, failed to avoid bribery allegations while Park's precursor had to apologize publicly for his relatives' penchant for kickbacks.

The particular post-modern Korean version of a Confucian techno-mandarin assumes an elite entitlement to rule coupled with the assumption that 'gifts' rather than bribes are legitimate recompense for the burdens of office and part of the ritual of power. Thus, democratic politics are deeply factionalized and fought in zero sum terms and contemporary factions have deep geographical, local, and clientelist associations. These are all important considerations when considering policy options.

6. RIDING A WAVE OF OPTIMISM

However, there is optimism around the new president. In the months following his election, the Kospi (the leading index on the Korean Stock Market), reached an all-time high led by a record breaking Samsung share price. Moon could yet defuse the situation with North Korea and China, reform the *chaebol*, and improve corporate governance.

Given recent Western difficulties with the democratic process, the May election of Moon as President of South Korea offered a striking vindication of due constitutional process and democracy Asian style. The impeachment of Park and the return to the progressive left illustrates how certain electoral procedures leading to uncertain political outcomes can ensure political transition without violence. This is a notable achievement in the post-Cold War Korean context, given the autocratic regime in the North and the South's successful shift from authoritarian to democratic politics since 1992.

Likewise, the latest wave of K-product marketing has revealed some new successes, including

Korean cuisine. This is, no doubt, supported by the arrival of Kimchi – a traditional Korean staple made from salted and fermented vegetables – on the menus of those championing super foods. But, it is also due to the halo-effect from the broader K-culture success that has new fans flocking to the doors of Korea's Bibigo (www.bibigo.co.kr), a global Korean food brand, that has been credited by the government with being a great ambassador for Korean food around the world.

In May, Jung Moon-mok, CEO of CJ Foodville, the company that owns Bibigo, received a presidential citation following the Milan Expo 2015, where the brand's exhibition of Korean food was said to have made a deep impression. CJ Foodville runs 270 stores in 11 countries, including Bibigo's branches. The company now aims to move into the top ten food service enterprises in the world by 2020, and has ambitions of taking on the largest global food brands such as McDonald's, Starbucks, and Yum! (CJ Now, 2015).

The CJ Group was established by the Korean corporate giant Samsung, and is involved not only in food and food services, but also bio and pharma, home shopping and logistics, entertainment and media, and infrastructure. The commitment of these private enterprises to the *hallyu* project is key, and the CJ Group's strategy for its culture business sector includes improving the national brand through the industrialization of *hallyu*.

The group's CEO, Lee Jay-hyun, has highlighted the significance of a cultural industry as a national economic resource. Lee provided specifics of the group's vision by outlining plans to increase the revenues from the CJ cultural enterprises to 15.6 trillion won [US\$13.1 billion] by 2020: "CJ will play a pivotal role in making the cultural industry the next engine of growth that will feed the Korean economy" (Kim, 2015).

7. CONCLUSION

From the end of the Korean War, the country has managed to consistently defy its doubters over both its economic success and its emergence as a regional democratic touchstone. A light touch in reforming South Korea's private sector could still see positive news on jobs and sustainable economic growth, and remove the tarnish on one of the region's economic miracles. Consistent with Potts and Cunningham's analysis (2008), encouraging the growth of the creative industries should help with the necessary economic evolution, but there remain serious concerns that Korea will struggle with the very source of the dynamic change outlined in its innovation model: the open systems the creative industries engineer.

The policy guidance seems clear. According to Victor Hwang of the Kauffman Foundation, a US think-tank on entrepreneurship: 'top-down tools are not as effective as bottom-up tools. Policy makers...are often playing catch up' (Bounds, 2017). As the research on the success of the Korean film industry shows, pro-competition provisions and market-oriented policies have proved more crucial than protectionist policies: "Real cultural diversity can be achieved and enriched when there are many competitive cultures, rather than many uncompetitive cultures in the world. It can be said with confidence that cultural excellence is more important than cultural exception" (Parc, 2016, p. 13).

It is, however, the restrictive local culture, hierarchical and patriarchal, that could prevent the country from meeting some of the more important policy suggestions outlined by the OECD. South Korea is also one of the most homogenous cultures in the world, and immigration is traditionally low. It is a structure that does not encourage diversity and innovation, and the dominance of the *chaebol* has restricted the development of a strong SME

sector, an important source of innovation and entrepreneurial flair.

Korea could also learn from its close ally, the US, where strong corporate governance, government encouragement of competition, and bankruptcy laws which allow failure without those who fail being stigmatized or left penniless, have long supported one of the most innovative and energetic economies in the world. Likewise America's relative embrace of meritocracy and diversity only serve to heighten its competitive spirit.

As Korea seeks to move its economy up the value chain, expand its services sector and creative industries, and embrace the information society, the competition for talent will be key. Yet, Korean culture struggles with accommodating foreign talent. Koreans returning from abroad – long the sought after fodder of global executive search firms – often find it hard to settle in back home. The new economy is based on productivity growth, but this productivity growth is, as the OECD has outlined, about making the most of the digital economy and is built upon the ability 'to do things a new way with the new information technologies' (Castells, 2001, p. 151).

Despite continued local unease with foreigners and a struggle adjusting to the working culture overseas talent expects, a walk around Seoul makes apparent the emergence of a diverse urban creative class. Driven out of the US and Europe, in particular, by economic troubles and attracted by emerging local work opportunities, there is a growing international community based around the capital's restaurants and night life. Whether they can be encouraged to spread in meaningful numbers beyond the capital, and thus help to develop other centers of creative economic growth remains to be seen. These interactions are vital to continue to embed cultural production in a small number of unique parts of South Korea's cities.

The Korean economy is poorly balanced and dominated by the capital Seoul, despite government attempts to generate centers of culture and learning in other regions like the Daejeon/Sejong "Silicon Valley", with the Korean Advanced Institute of Science and Technology (KAIST), Korea's MIT, at its heart. The ideas seem well intentioned, even sensible, but the implementation often falls short.

Regional competition is also going to play a role. Ironically, as cultural production is based upon a fashion model in which there is a rapid turnover of product and a winner takes all market place, only some countries and, locally, some areas, will benefit from the economic activity and the connected social and cultural benefits (Pratt, 2008, p. 18).

It is clear, then, that South Korea's economy is at a key point in its development. The country has the infrastructure, the commitment to investment in research and development, and the international recognition that are fundamental to supporting its next steps in that process. President Moon will seek to get the policy mix right and overcome restrictive attitudes which could hamper Korea 4.0. Further data-driven research is proposed to measure just how successful his administration will be, with possible lessons for other governments keen to use the creative industries to boost national economic performance and employment in a 5G world.

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