

K-CONTENT GOES GLOBAL: HOW GOVERNMENT SUPPORT AND COPYRIGHT POLICY FUELLED THE REPUBLIC OF KOREA'S CREATIVE ECONOMY



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ABBREVIATIONS AND ACRONYMS

Abbreviations and acronyms

CMO	copyright management organization
FTA	free trade agreement
IPR	intellectual property rights
ISP	Internet service provider
KCC	Korea Copyright Commission
KCOPA	Korea Copyright Protection Agency
MCST	Ministry of Culture, Sports, and Tourism
KCTI	Korea Culture and Tourism Institute
KOCCA	Korea Creative Content Agency
KOFICE	Korea Foundation for International Cultural Exchange
KOTEC	Korea Technology Finance Corporation
KOTRA	Korea Trade-Investment Promotion Agency
NIPA	National IT Industry Promotion Agency
OECD	Organization for Economic Co-operation and Development
RMI	rights management information
RTA	regional trade agreement
SNS	social networking service
TPM	technological protection measures
TRIPs	Trade-Related Aspects of Intellectual Property Rights
UCC	Universal Copyright Convention
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

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INTRODUCTION



Creative industries are among the world's most rapidly expanding sectors, offering a viable avenue for economic development, particularly for developing countries. Creative industries can be defined as “industrial sectors which comprise tangible products and intangible intellectual or artistic services with creative content, economic values and market objectives” (UNCTAD, 2022a). Content-based industries, a subset of creative industries, encompass various content-producing sectors. (European Commission, 2018; UNCTAD, 2022a; WIPO, 2018). The content-based industry comprises the cultural sector, creative and artistic sectors, publishing, music, broadcasting, and film. Due to the inherent expansiveness of content and advancements in digital technologies, the content-based industry not only evolves itself but also spurs growth in other sectors such as platforms and online retail. This, in turn, significantly contributes to the broader development of the creative economy in the digital age (MCST, 2010a).

There has been a worldwide shift from seeing the cultural sector as associated with public goods that provide primarily non-market values, to seeing the creative industries as an industrial sector in their own right (UNCTAD, 2022; Lee, 2020). This new conceptualisation has also led to a shift in cultural policy: from strategies that focus on subsidising a sector that provides public goods (intrinsic artistic excellence; social cohesion; heritage and identity) to strategies much more related to industrial policy.

INTRODUCTION

New emerging technologies such as artificial intelligence, cloud computing and 3D printing have fundamentally changed some parts of the creative industries, generating new business models in the value chains of producing, distributing, and consuming creative goods and services (MCST, 2010a; UNCTAD, 2022a). For example, online platforms, by using artificial intelligence technologies, provide personalized music or film content to each consumer. The COVID-19 pandemic accelerated the shift to e-commerce and digital platforms and the rapid move to digital content services (Ryu, 2021). Given the pace of digitalization and the evolving business landscape, new policy challenges inevitably arise for the growth of content-based industry. These challenges include fostering digital competencies; cultivating a conducive environment for creative industries, especially in view of their high-risk nature; and formulating suitable institutional frameworks (UNCTAD, 2022).

Since the 2000s, the Republic of Korea has championed the development of the content-based industry as a cornerstone for economic growth, following the national agenda to boost high-value activities and high-quality employment in the era of the 4th Industrial Revolution. This paper delves into the content-based industry of the Republic of Korea¹ with a view to better understanding the factors influencing its success and, in particular, the role of the Government of the Republic of Korea's policy to support the content-based industry as a new engine of growth for the economy.

The report thus provides an insider view of the ways in which the Republic of Korea has used a very specific kind of cultural policy to drive the phenomenal creative industries success of the Korean Wave, also referred to as the *Hallyu* effect. The next chapter briefly reviews debates about the purpose and roles of cultural policy in an international context, and how the creative industries and the digitisation of cultural content have changed these ideas.

Defining the cultural sector and the creative industries: An evolving debate

Defining the cultural sector and the creative industries in relation to the purpose and scope of cultural policy is an evolving debate. Throsby (2010) identified three characteristics of the cultural economy: (i) it involves some aspect of human creativity in production; (ii) it produces goods and services that have symbolic values and meanings; and (iii) it creates intellectual property. UNCTAD (2008 and 2022) builds on this by adding links to the knowledge economy and to technology, which is of particular importance for the more commercial creative industries.

Originally, cultural policy was limited to “the arts and heritage”, which were often provided by non-profit organisations. More commercial, popular culture forms were excluded from discussion of cultural policy, which was justified primarily through the public good nature of arts and culture. However, globalisation and digitisation shifted this debate dramatically (Cunningham, 2004). Originally seen as a potential threat to the arts, the concentric circles model linked arts and culture and the creative industries together, proposing that the core cultural sectors (literature, music, performing and visual arts), provided the content for wider and related sectors with more commercial applications, such as audio-visual production, video games, architecture and design (Throsby, 2008). The latter, which made up the creative industries, were connected to the core cultural sector in that they drew on them for inspiration, and produced outputs that could be protected by copyright, but they did not necessarily have high level of symbolic cultural content.

The creative industries are defined in different ways by different countries and organisations, which has led to some debates about how to measure and manage the creative economy. Although there are a number of frameworks, there is no international consensus on exactly what to include. In the Republic of Korea, the term “creative industries” has not gained support, and the sector is referred to instead as the “content industry” or the “content-based industry.” Lee (2020) points out that, in the Republic of Korea, unlike in other western countries, there has not been much debate about what the content industry includes or excludes. Rather than defining the sector as based on some philosophical conception of human creativity, the content industry is a practical policy term referring to the tradable outputs produced by the sector. Regardless of how they are defined, however, the creative or content industries have necessitated a shift in thinking about cultural policy (UNCTAD, 2022).

CHAPTER I: THE PURPOSE OF CULTURAL POLICY AND THE RATIONALE FOR GOVERNMENT SUPPORT FOR THE ARTS



I. THE PURPOSE OF CULTURAL POLICY AND THE RATIONALE FOR GOVERNMENT SUPPORT FOR THE ARTS

UNCTAD (2022a) notes that, since 2015, there has been a rapid increase in the number of countries that have put in place strategies to support and regulate the creative industries. This is especially being driven by developing economies, which have identified their cultural capital as a valuable resource, not only for its intrinsic and social values, but also for its economic and political potential. As this report shows, developing middle income countries are not only increasingly large players in the production of digital online content, they are also some of the fastest growing markets. While the world's large economies still dominate, the top 25 countries in terms of content-based industry spending now also include the Republic of Korea, India, Brazil, South Africa and Mexico. Some authors (Ścibiorska-Kowalczyk and Cichoń, 2021; UNCTAD, 2023) also suggest that the cultural industries offer emerging economies an important, and environmentally sustainable, path to development, as an alternative to environmentally damaging extraction industries. In addition to contributing to economic growth and welfare improvements, the creative industries can help to build a positive image of a country in international markets, with can also increase tourism and soft power.

One of the most powerful traditional arguments for the public support of arts, culture and heritage is that the sector contributes good things to society beyond what private consumers gain (Borowiecki, Gray, and Heilbrun forthcoming). Because at least some of the social benefits that the cultural sector provides are public, producers are unable to capture enough of the value of what they produce to have an incentive to provide the socially optimum quantity of arts and culture. The welfare economics solution to such market failure is for government to step in and fill the gap with either demand or supply side policies (Throsby, 2010; Towse, 2010).

More recently, research has shown that the creative industries are a fast-growing economic sector in their own right and, as such, deserve the attention and public support accorded to other important economic sectors. In addition to their cultural values, creative industries can also play an important part in economic objectives, such as job creation, economic growth, tourism development, and innovations leading to commercialisation and profit. In the past, the economic impacts of the arts were not regarded as large or important, and the sector was generally not measured in this way. However, with the rise of the cultural industries discourse, the economic values associated with the arts are being regarded as increasingly important.

Potts and Cunningham (2008) describe four models of the creative industries, each of which is associated with particular values, and which demand a different kind of policy. For example, if arts and culture is regarded in the traditional way of being a public good that provides social benefits (referred to as the welfare model), then the appropriate cultural policy is government subsidy. However, the competitive model of the creative industries focuses on firms as drivers of economic growth and job creation, so the response is industrial policy regulation to promote competition and provide access to financing. The growth model sees the creative industries as a distinct sector contributing to economic growth, jobs and trade, so policy should be focused on public and private investment and success is measured through financial returns. Finally, the innovation model sees the creative industries as part of the national system of innovation, which generates both social and commercial returns. Although acknowledged as risky (in the same way that investment in research and development is), the appropriate public policy response is public investment to generate both direct financial returns, but also to benefit from innovation spill-overs into other industries. However, although these different conceptions of the creative industries offer cultural policy options, they are more generally applicable to the market-friendly approach followed by the global north.

Lee (2020) contends that research on cultural policy has tended to focus on western conceptions of the role of market, with much less attention given the other contexts, like Asia and Africa. Western cultural policy tends to focus on more generic, "horizontal" (as compared to top-down) policies, which are not specific to any particular industry (with the notable exception of film). Such policies include the provision of infrastructure, general support for innovation, balanced regional development, and non-specific education and human capital development that are aimed at improving general competitiveness. It is left to the market to determine the "winners", and the market is assumed to lead to the most efficient outcome. The role of government is thus limited to correcting market failures (in the case of public goods) and providing a business-friendly environment through, for example, providing access to finance and protecting intellectual property rights (Lee, 2020).

I. THE PURPOSE OF CULTURAL POLICY AND THE RATIONALE FOR GOVERNMENT SUPPORT FOR THE ARTS

The cultural policy of the Republic of Korea, however, focuses on highly specific interventions in particular industries, which are selected for promotion with a view to increasing their growth and export earnings. There is no assumption by policymakers that the market will lead to the efficient or desired outcomes without strong direction from government. However, the approach of the Republic of Korea can still be identified as liberal, in that it focused on reducing constricting legislation and promoting export markets. However, within that approach, there is also a strong and capable developmental state with a “hands on” approach to the creative economy (Ryoo and Jin, 2020).

Horizontal cultural policy has broader aims than industry-specific policy, and thus tends to be evaluated across a wider range of categories of value. These may include the economic outcomes (with indicators such as GDP contribution, employment levels and industry export earnings), but also social and intrinsic values. Lee (2020) points out that this makes horizontal cultural policy more difficult to evaluate: since creative enterprises are recognized as high-risk industries with volatile market demand, slow growth of economic indicators is thus not a sign of policy or industry failure, since public spending can be justified in terms of other social, non-market values. The cultural policy of the United Kingdom of Great Britain and Northern Ireland, for example, focuses on education and skills programmes, the development of regional creative clusters, access to finance, and more recently, the role of technology in “createch”, as the cornerstones of its cultural policy (Lee, 2020; NESTA, 2023). In the Republic of Korea’s cultural policy, the focus is not so much on balanced regional development but rather on providing efficient and successful business incubators in large cities.

The digital creative economy and copyright

Hartley (2021) tells a compelling story of how the digitisation of the creative industries in the United States of America changed market structure and cultural policy. While copyright in the analogue creative sector was a means of survival, the rise of multinational online platforms in the digital space offered the most lucrative monopoly opportunities. Copyright protects the original work, giving the creator a right to income associated with his or her output – the sale of the original in the case of analogue works. However, in the creative industries there are also potentially larger opportunities for generating income from creativity. For example, income can be generated through the production and (online) sale of copies of the original, each with a low price and profit margin, but which is more than made up for by the volume of sales, and the low (or zero) marginal cost of producing one more unit or copy. Reaching international markets and gaining audience attention is the business of the platforms (Sanchez-Cartas and León, 2021).

The digitisation of creative goods may provide an important opportunity for developing countries in terms of providing cultural content to online distributors and reaching new markets, but as Nwauche (2017) points out, only if intellectual property (IP) rights can be enforced. Cultural content provided online can easily be copied, downloaded and shared. In many developing countries, IP and copyright frameworks are weak, and levels of counterfeiting and piracy are high.

The digitisation (also called dematerialisation) of much cultural trade requires not only a change in cultural policy, but also in trade policy. The existence and international enforcement of copyrights, performers’ rights and royalty fees is vital if local cultural content is to be monetised effectively and income from exports earned (Fazio, n.c.). However, the negotiation of IP clauses in trade agreements is time-consuming and costly. Campi and Duenas (2018) find that trade agreements with IP clauses delay implementation but are nevertheless effective in increasing trade flows from developing to developed countries.

The Republic of Korea has been a member of the World Trade Organisation (WTO) since 1995, and as such, must comply with international regulations, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This agreement treats information as a good that can be traded, but some authors argue that the way it has been implemented advantages developed countries (Gilardi *et al.*, 2023). Strong copyright legislation in developed markets, like the United States of America, could allow these countries to access new markets in developing countries without necessarily having to open their own markets (Gilardi *et al.*, 2023).

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In the case of the cultural policy of the Republic of Korea, the importance of putting in place strong and effective copyright policy to both promote and protect cultural content was realised early on. This report describes a range of measures that encompass not only legislation, but also institutions which reduce the costs of registering and enforcing copyright. This was vital for the success of the export-orientated cultural policy of the Republic of Korea.

Cultural policy of the Republic of Korea in context

As in many developing countries, the Republic of Korea started with a cultural policy focused on heritage protection and the promotion of the public goods associated with the arts, such as nation-building (Otmazgin, 2011). This follows a similar pattern to post-apartheid cultural policy in South Africa, which was originally developed with a focus on redressing the imbalances of the past and broadening access to public cultural resources, especially for poorer, black South Africans living in peri-urban areas. In talking about post-colonial (or post-conflict) societies, Mulcahy (2017) argues that an important part of regaining political sovereignty is through nation building and linking identity to cultural heritage. This was also the stance of early cultural policy of the Republic of Korea, which aimed to support culture because of its importance for nation-building and to protect local heritage and cultural traditions from foreign influence (Otmazgin, 2011).

From the 1980's, the living conditions of people in the Republic of Korea improved dramatically, and government censorship was relaxed, which fuelled local demand for cultural content, and opened the way for a new cultural development plan "Culture for All" in 1990, which began the shift towards what Ryoo and Jin (2020) describe as a more liberal market-based system. This was also the start of international interest in the development potential of the cultural and creative industries, and globalisation. Lacking the natural resource endowments of other countries, and as part of their recovery policy after the 1997 financial crisis, the Government of the Republic of Korea focused their economic policy on "developing human creativity, knowledge, technical skills and entrepreneurship" (Ścibiorska-Kowalczyk and Cichoń, 2021).

A similar approach has been taken in other developing countries. In South Africa, for example, the newer Revised White Paper on Arts, Culture and Heritage (2017), has shifted cultural policy to include both the non-market cultural sector and the creative industries and their potential for growth. However, the policy stance is still "horizontal", in the sense that government intervention is justified as correcting instances of market failure, and supporting general competitiveness for the creative industries. In 2023, the Masterplan for the Creative Industry was released as part of the national "Reimagined Industrial Strategy" of the country. This document does put in place more sector-specific policies, covering music, fine art and crafts, the audio-visual sector and books and publishing. However, government's role is still one of coordination and facilitation, rather than providing strong direction.

Malaysian cultural policy recognised the dual roles of the cultural sector – the economic potential of the creative industries (contributing to economic growth, job creation, innovation and exports) as well as the benefits of the developmental role of the cultural sector (nation-building and social cohesion). The Dasar Insutri Kearif Negara (DIKN, the national cultural policy of Malaysia), was promulgated in 2009, and was designed to be an overarching cultural and creative industries development policy which coordinated government departments and provided funding, skills and infrastructure development to help grow the sector.

The Republic of Korea has been one of the leaders in cultural content creation and directed government support for specific parts of the creative industries. As this report shows, this policy has achieved considerable success, especially in increasing the share of GDP produced by the digital content creation industries (Ścibiorska-Kowalczyk and Cichoń, 2021). However, there is some criticism of the very directive cultural policy approach followed. Ryoo and Jin (2020) comment that the model of state-led industrialisation had been in place for some time in the Republic of Korea, a form of "developmentalism" that involves government intervention in partnership with *chaebol* (large family-owned organisations). This approach had worked well in the manufacturing sector, but Otmazgin (2011) argues that the special characteristics of the creative industries mean that this approach may not be so effective in this sector as it does not allow for the "freedom and flexibility needed for artistic and cultural creation".

I. THE PURPOSE OF CULTURAL POLICY AND THE RATIONALE FOR GOVERNMENT SUPPORT FOR THE ARTS

As with any policy that picks winners there are undoubtedly missed opportunities, that is, artists and creatives who are not identified by government for whatever reason for support and promotion. However, for those who are chosen, the significant support provided in branding, marketing and the development of content likely to appeal to international audiences, can make a huge difference to their success. Ryoo and Jin (2020) point out that, in both more conservative and more liberal governments, the cultural policy of the Republic of Korea has provided consistent financial and legislative support to the content industries. Conservative governments have thus tended to emphasise the economic value of the creative industries as justification for their support, rather than any social, intrinsic or artistic values. This has been framed as a national effort for “cultural industries catch-up” with the state playing an important entrepreneurial role in identifying areas of potential and then strongly supporting them through a range of policies (Lee, 2020).

Cultural distance, the *Hallyu* effect and soft power

One of the striking features of the Republic of Korea's content creation has been their worldwide appeal despite significant language and cultural differences between K-culture and many western consumers. Fazio (2021) notes that cultural trade flows are more evenly distributed than other trade, and the UNCTAD Creative Economy Outlook report (2022) also highlights the development potential of cultural trade for developing countries, especially since digitisation is making the physical distance between markets less important.

However, theories of international trade also acknowledge “cultural distance”, which is the extent to which consumers in other countries can understand and identify with cultural goods and services from elsewhere. Theories related to cultural distance explain the extent to which consumers in the importing country identify with and understand the cultural content in goods and services from the exporting country. For example, some research has found that countries that speak the same language and share past history tend to have similar cultural tastes, and are thus more likely to trade in cultural goods and services (Disdier *et al.*, 2010). In a study on cultural distance and the box office success of international films, Jane (2021) uses theories of “embedded cultural content” and “cultural discount” to explain why consumers may prefer domestic rather than foreign cultural offerings. The findings show that, as cultural distance increases, box office earnings decline. However, the relationship appears to be U-shaped: past a certain level of cultural distance, consumers seem to regard “distant culture embedded in the movie to be novel and interesting” and box office earnings rise again.

What makes the case of the Republic of Korea so interesting is that very few of the attributes which had until recently explained much of cultural trade between countries are present here. Difference in language, past history and culture did not seem to reduce the demand for K-content in international markets. In their study of the international rise in the demand for K-pop, Chang, Potts, and Shih (2021) discuss ways in which cultural entrepreneurs can add value in important ways, creating the “market for meaning”. In their model, cultural entrepreneurs act as intermediaries between producers of cultural content and potential consumers and then “act entrepreneurially to convert [discovered intersubjective meaning] into meanings that can be commercialised in cultural markets”.

The diaspora has also played a significant role in the way in which the Korean Wave has spread to other countries. In a study of diasporic youth from the Republic of Korea living in Canada, Yoon (2022) finds that *Hallyu* is perceived as an important way in which young immigrants can understand their identity in a global context without relying on the dominant western frame. This counter-hegemonic role of *Hallyu* may also account for its popularity amongst other young people looking for a different cultural reference point from western (North American and European) perspectives. The diaspora of the Republic of Korea also played a key role in *Hallyu* as early adopters and cultural translators for people in their new home countries.

The case of the Republic of Korea may thus represent a sea change in our thinking about what it is that international audiences are looking for and can appreciate. Change *et al.* (2021) argue that meaning and stories that reach across cultural distance are more possible in the digital age, as long as skilful intermediaries can translate the meanings and values of one culture into the common experiences of other cultures.

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In addition to the economic success of the Korean Wave, it has also had a significant impact on “soft power” and the positive ways in which the Republic of Korea is viewed internationally. This has caused a shift in how *Hallyu* is perceived withing the Republic of Korea as well. According to Otmazgin (2011), more conservative people of the Republic of Korea originally regarded the popular culture being produced for the market as not part of legitimate or traditional K-culture. However, as it has gained in popularity, it has also become more highly regarded and is now seen as a manifestation of national culture and as a means to preserve and strengthen the cultural identity of the Republic of Korea.

Indeed, some sources suggest that the people of the Republic of Korea themselves were taken by surprise at just how popular their content was internationally. Starting with exports to other Asian markets, and expanding dramatically to the rest of the world, the *Hallyu* effect has far exceeded the expectations of policy-makers (Otmazgin, 2011; Ścibiorska-Kowalczyk and Cichoń, 2021). Although the focus of content industries policy and aims was originally only economic success, it has now started to be acknowledged also as a way to improve the brand of the Republic of Korea, and preserve national identity in the face of globalisation. The scope of the Korean Wave has been expanded to acknowledge its spill-over effects on tourism, food and sports (Ryoo and Jin, 2020) as well as the export of other manufactured goods to world markets.

The report provides updated information on the historical growth and recent trends of the content-based industry of the Republic of Korea in a global context. It describes the evolution of, and thinking behind, government policy for the creative industries, and reflects further on factors driving the popularity of the Korean Wave. Government policy discussed includes legislation related to copyright and copyright enforcement, as well as financial incentives and the highly coordinated institutional structure that supports the sector.

CHAPTER II: OVERVIEW OF THE CONTENT-BASED INDUSTRY



II. OVERVIEW OF THE CONTENT-BASED INDUSTRY

A. Global market trends

The global content-based market has expanded massively due to rapid digitalization and a change of business paradigm arising from platform services (Ryu, 2021). At present, the global content market is becoming more competitive, dominated in some areas by the strong market power of major global players.

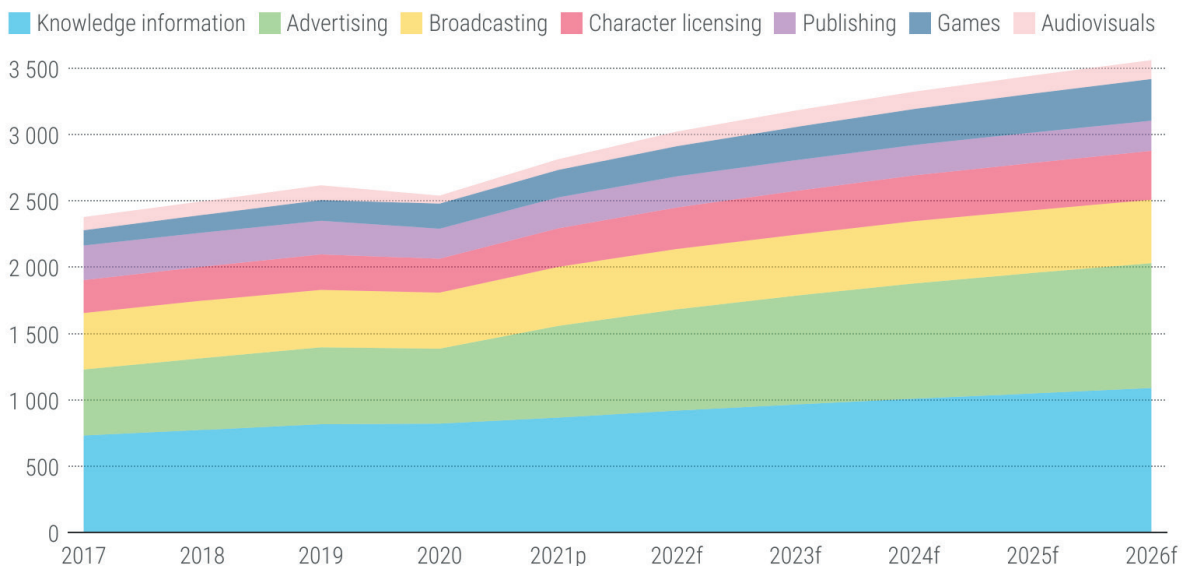
Due to the overall economic downturn caused by the COVID-19 pandemic, the global content-based industry experienced a temporary slowdown in 2020. According to the Korea Creative Content Agency (KOCCA),² in 2020, the global market was valued at US\$ 2.3 trillion in revenue, which was 3.7 per cent lower relative to 2019. Nevertheless, during the pandemic, some parts of the content-based industry expanded through platform services, which are able to provide online content such as games, cartoons, and television. As more players enter the industry, the global over-the-top (OTT)³ content market is expected to become more competitive. It is estimated to grow at an average annual growth rate of 26.4 per cent over 10 years from 2021 to 2030 (Korea Eximbank, 2022).

Since 2021, the global content market has recovered rapidly in response to strong growth in global demand, reaching US\$ 2.5 trillion in 2021, an increase of 11.2 per cent relative to the pandemic level of 2020. Notably, film and animation markets, negatively affected by COVID-19 pandemic, bounced back strongly in 2021. The film and animation markets increased by 82.8 and 36.3 per cent respectively, in 2021. The film market is expected to recover to the pre-pandemic level by 2023 (KOCCA, 2022c).

The future expected growth of the global content-based industry remains robust. The Korea Creative Content Agency (KOCCA) predicts that the global content-based industry will grow at around 5.2 per cent per year on average between 2021 and 2026.

Knowledge information, advertising, and broadcasting make up two thirds of the global market of content-based industries (see Figure 1).

Figure 1. Global market size of the content-based industries (US\$ billion)

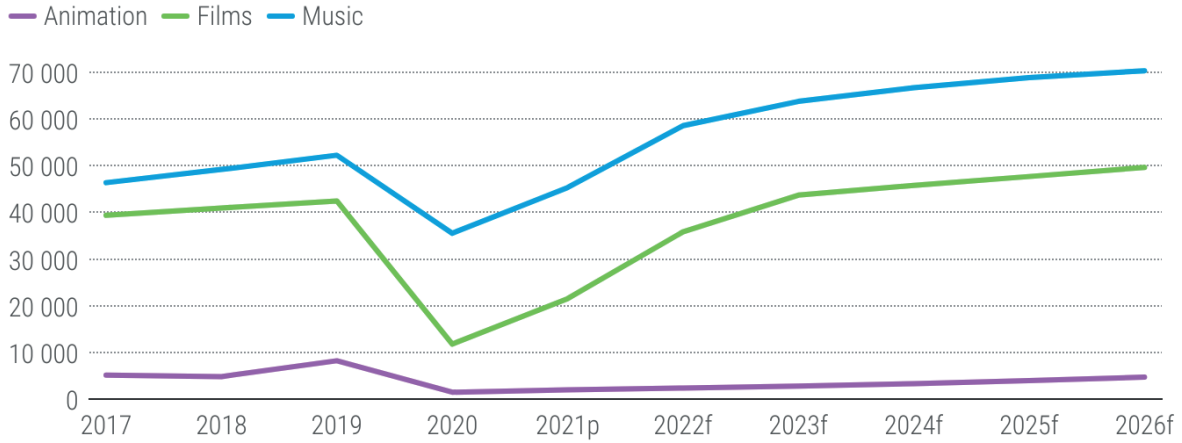


p: provisional data
f: forecast
Audiovisuals include animations, cartoons, films and music.
Source: Korea Creative Content Agency

II. OVERVIEW OF THE CONTENT-BASED INDUSTRY

Animation, film and music were initially very negatively impacted by the COVID-19 pandemic, but are the fastest growing content-based industries in the period after 2020 (see Figure 2).

Figure 2. Global market size of the animation, film, and music industries (US\$ million)



p: provisional data
f: forecast

Source: Korea Creative Content Agency

In 2021, the United States of America was the largest market for content-based industries, representing US\$ 979 billion in value, an 11.6 per cent increase from 2020. China, Japan, the United Kingdom, and Germany were ranked in the top five in 2021, as shown in Table 1. The Republic of Korea ranked as the 7th largest market for content-based industries in the world, and accounted for US\$ 70 billion in value, an increase of 8.5 per cent from 2020. The Republic of Korea remained the 7th largest market in the world for five consecutive years (KOCCA, 2022c). From 2020, Türkiye recorded the fastest growth rate reaching US\$ 11.1 billion in 2021, a growth of 20.8 per cent compared to US\$ 9.2 billion in 2020 (see Annex 1). The United Kingdom and South Africa showed a high growth rate in 2021 at 17.7 per cent and 15.3 per cent respectively. Egypt is the fastest growing market, although off a lower base, expected to grow from US\$ 4.2 billion in 2021 to US\$ 7.1 billion in 2026.

II. OVERVIEW OF THE CONTENT-BASED INDUSTRY

Table 1. Size of the global content-based market (US\$ billion)

Rank	Country	2017	2018	2019	2020	2021p	2022f	2023f	2024f	2025f	2026f	CAGR 2021-26f
1	United States 🇺🇸	795 275	841 622	894 441	878 304	979 755	1 057 333	1 112 026	1 158 828	1 196 482	1 230 747	5%
2	China 🇨🇳	338 377	370 212	392 728	401 393	446 121	483 692	520 904	556 618	592 042	627 263	7%
3	Japan 🇯🇵	187 414	194 638	200 139	194 892	208 227	217 522	223 807	229 722	235 106	240 300	3%
4	United Kingdom 🇬🇧	95 695	101 573	106 255	102 253	120 342	130 882	139 213	145 677	151 392	156 580	5%
5	Germany 🇩🇪	102 793	105 709	109 410	103 577	112 956	120 946	127 197	131 572	134 845	137 704	4%
6	France 🇫🇷	69 857	72 039	74 338	69 716	77 334	83 366	87 062	90 254	92 542	94 444	4%
7	Republic of Korea 🇰🇷	58 153	60 123	63 108	64 694	70 163	75 298	79 120	81 911	84 293	86 443	4%
8	Canada 🇨🇦	55 682	57 920	60 704	59 246	66 160	72 060	76 348	79 782	82 750	85 216	5%
9	Italy 🇮🇹	41 032	41 349	42 007	38 955	43 752	47 574	49 875	51 710	53 057	54 414	4%
10	Australia 🇦🇺	37 071	38 782	38 845	37 047	42 155	45 729	48 153	50 209	51 552	52 664	5%

p: provisional data
f: forecast
CAGR: Compound Annual Growth Rate
Source: Korea Creative Content Agency

According to PricewaterhouseCoopers (PwC), in the entertainment and media industries, the fastest-growing markets by consumer growth (2021–2026) are all developing countries.⁴ Some of these countries also have very large populations: India and Indonesia, for example, are among the top five most populous countries in the world. Indonesia, a member of the G-20⁵ economies, had a total population of approximately 275 million inhabitants in 2022. With an estimated total population of 1.4 billion people in 2022, India is the second largest social media market by the number of users and the largest market by the number of hours spent on video streaming apps (Invest India, 2022). There is thus a notable opportunity for significant growth of the content market in the populous developing countries where a large number of young consumers lead consumption of content by using mobile and social media networking services (PwC, 2022).

B. Content-based industry trends in the Republic of Korea

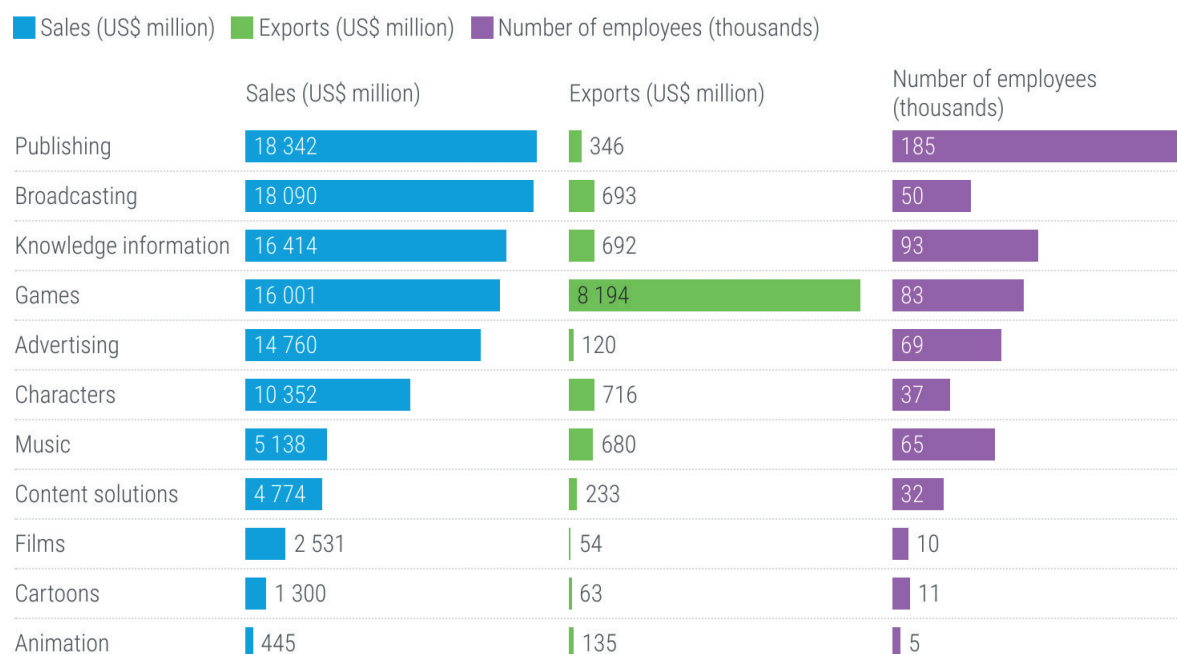
The content-based industry⁶ in the Republic of Korea consists of eleven areas in line with the content-based industry classification according to the Statistics Korea: publishing, comics, music, games, film, animation (motion picture), broadcasting, advertisement, characters,⁷ knowledge information, and content solutions.⁸

According to the survey conducted by the Ministry of Culture, Sports, and Tourism (MCST) and KOCCA,⁹ in 2020, the content-based industry of the Republic of Korea generated KRW 128,287 billion (approximately US\$ 108 billion) in sales, which registered a robust average growth rate of 4.9 per cent per year for five years from 2016 to 2020 (see Annex 2).

Figure 3 shows the total sales, exports, and number of employees in different parts of the content-based industry of the Republic of Korea. It shows that the game industry is driving the country's content-based exports.

II. OVERVIEW OF THE CONTENT-BASED INDUSTRY

Figure 3. Total sales, exports, and employment in the sectors of the Republic of Korea content-based industry, 2020



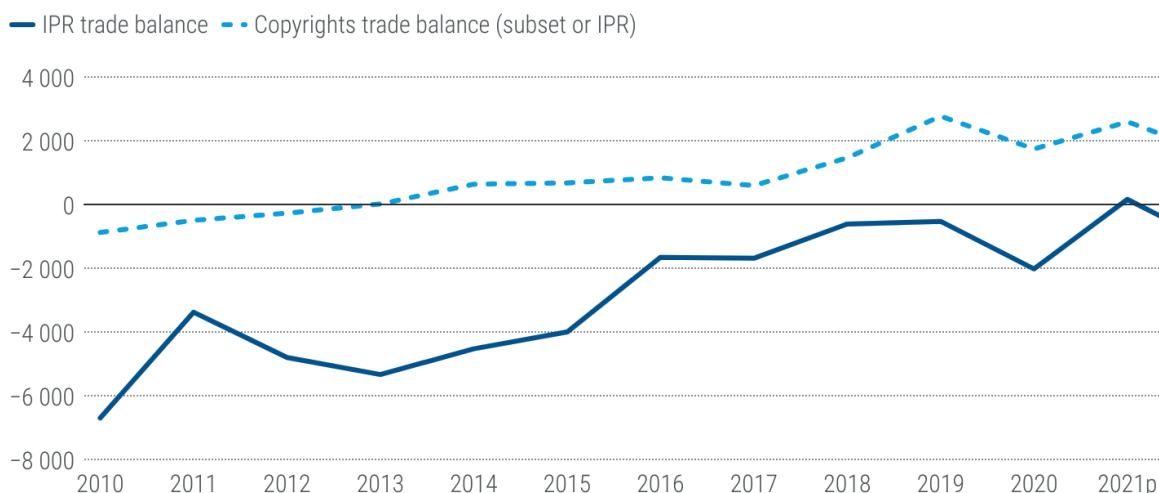
Source: Statistics Korea and UNCTAD

In 2020, content exports, such as movies, music, and broadcasting, recorded sales of US\$ 11.9 billion, representing a 16.3 per cent increase year-to-year and at 17.1 per cent growth rate on average for the five years from 2016 to 2020. The games industry led export of content, which accounting for 68.7 per cent of the total content-based industry exports in 2020. The game sector recorded an average annual growth rate of 25.7 per cent in export over the past five years (2016–2020), the highest growth rate for any sector in the content-based industry, and much higher than the content-based industry's average growth rate of 18.7 per cent growth rate (MCST and KOCCA, 2022).

Notably, copyright exports grew at an average annual rate of 28 per cent from 2010 to 2018, changing the copyright trade balance from deficit to surplus since 2013 (Presidential Council on Intellectual Property, 2020). Figure 4 shows how the intellectual property rights (IPR) trade balance has improved significantly over the years in the Republic of Korea.

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Figure 4. Intellectual property rights and copyrights trade balance (US\$ million)



Source: Bank of Korea.

Box 1. Overview of the growth of the Korean wave or *Hallyu*

The global success of the Korean wave or *Hallyu*¹⁰ reflects the development of the content-based industry in the Republic of Korea (KOTRA, 2020). Well-known recent examples are the Oscar-winning movie ‘Parasite’ (2019), the Netflix-topping ‘Squid Game’ (2021), and the K-pop phenomenon typified by BTS and Black Pink, etc.

From the mid-1990s to the early-2000s, TV dramas and music produced by the Republic of Korea were exported to Asian countries, including Japan and China. For example, in 1997, when the TV drama entitled ‘What is love’ was aired by the Chinese major state broadcaster, China Central Television (CCTV), it ranked as second most watched in China’s all-time record of imported video content. In the late 1990s, when the popularity of K-drama in China was starting, the term “Korean wave” or *Hallyu* first appeared, referring to the global popularity of the cultural content being produced by the Republic of Korea. In 2003, the KBS TV drama series ‘Winter sonata’ was also extremely popular in Japan (KOREA.net, 2022).

From the mid-2000s to the early 2010s, owing to the development of digital technologies and smartphones, and social media platforms like YouTube, the Korean wave became a global phenomenon. Through social networking services (SNSs), K-pop music became a distinct, and very well recognised genre (Jin, 2012). For example, Psy’s ‘Gangnam Style’ became the first YouTube video to reach one billion views (Biondi, 2022). Boy groups and girl groups of the Republic of Korea, called Idols, such as Big Bang, Girls’ Generation, and Kara, extended their fan bases onto the global stage beyond Asia, including Latin America and the Middle East.

From the mid-2010s until the present, the global content market has been changing rapidly due to the exponential growth of online platform services (KOFICE, 2022a; 2022b). Combined with attractive and high-demanded K-content, online platform services provided a wide selection of content for consumers. Squid Game, a drama released in 2021, is an example of a successful K-drama introduced abroad through Netflix, which topped the global series viewership charts in many countries. In recent times, more people watch film and television through Netflix, and access music videos through YouTube, than going to traditional movie theatres or live concert venues. As a consequence of the soaring global popularity of K-content, including K-pop, TV dramas, films, etc., several communities of fans have united around interests that inspire them to engage deeply with each other and with their favourite singers or actors. The number of *Hallyu*-related organizations and online groups is increasing by 7 per cent per year, and the number of members by 36 per cent per year (KOREA.net, 2022). Most of organizations consist of K-pop fan clubs such as ARMY (BTS’s global official fan club) and BLINK (BLACKPINK’s official fan club) although there are other cultural communities such as those following Korean drama, food and tourism (KOREA.net, 2022).¹¹

Source: UNCTAD.

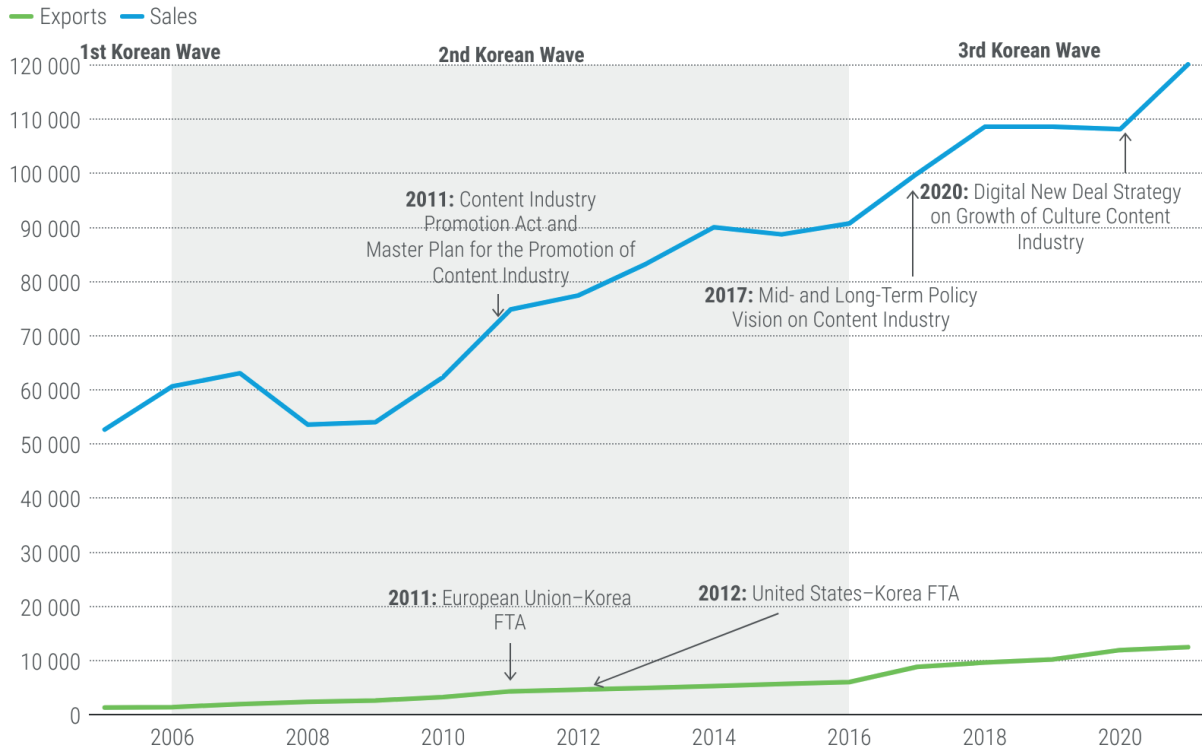
CHAPTER III: POLICY OF THE GOVERNMENT OF THE REPUBLIC OF KOREA FOR THE CONTENT-BASED INDUSTRIES



III. POLICY OF THE GOVERNMENT OF THE REPUBLIC OF KOREA FOR THE CONTENT-BASED INDUSTRIES

This section presents how the Government of the Republic of Korea has promoted the content-based industry from a policy perspective, including institutional and legislative frameworks, and intellectual property policy, with a view to incentivizing and protecting content creating firms. Government policies have had a significant positive impact on the rise of the content-based industries in the Republic of Korea as shown in Figure 5.

Figure 5. Timeline of policy measures, domestic sales and exports of content-based industry in the Republic of Korea (US\$ million)



Note: Korea is Republic of Korea. FTA is Free Trade Agreement.
 Source: Korean Statistical Information System and UNCTAD

A. Public policy for the growth of the content-based industry

Recognizing the importance of soft power emanating from cultural resources and intellectual property, the Government of the Republic of Korea initiated policy with the aim of developing the cultural content-based industry from the early 1990s. De-regulatory policy was a starting point for open expression and cultural growth (Shin, 2021). Since 1996, when the Republic of Korea joined the Organization for Economic Co-operation and Development (OECD), the Government of the Republic of Korea took several actions to liberalize the domestic content markets in areas such as film and music. For example, policies were put in place to reduce screen quotas¹² and allow the import of Japanese cultural products (Shin, 2021). Removing some restrictive regulations created an environment in which the movie, TV, and music industries were able to thrive by encouraging corporate investment in the entertainment industry, and putting in place the institutional framework that allowed creators of the Republic of Korea to participate freely and innovatively in local and international markets (Gibson, 2020).

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Amid digitalization and the rapid development of new technologies in the 2000s, the Government of the Republic of Korea supported the content-based industry from a more strategic perspective by leveraging the competitiveness of digital technology based on advanced, nation-wide digital infrastructure (Holroyd, 2018; Shin, 2021).¹³ As the cultural content produced by the Republic of Korea, referred to as *Hallyu*, became popular in the global market from early 2000s, the Government of the Republic of Korea identified the entertainment and media sector as a key driver for the national economy, with the potential to become a world leader.

Box 2. Success factors driving the popularity of the Korean wave or *Hallyu*

The success factors driving the popularity of the of Korean wave or *Hallyu* can be identified through the value-chain perspective in the following dimensions: content, which is a factor coming from the process of creating and producing, and an innovative change in distribution and consumption (Kim *et al.*, 2021).

Firstly, the creativity and uniqueness of K-content is the most critical success factor (Jin, 2012). K-content has originality, fun, predictability, showy style, and global accessibility that is appealing to audiences around the world (Witte, 2021).

In the music industry, producers play the role of creators. The creative producing capability of the entertainment agencies of the Republic of Korea is the key success factor for K-pop. The well-developed business model was systematically applied in the value chain from casting and training potential idol groups to producing music and promotion for the global markets.¹⁴ K-pop music is produced by inviting input from talented and top-notch experts from various fields across the world regardless of nationality, regions, gender, or age (Kim *et al.*, 2021).

Korean television series enjoy enormous popularity worldwide. A variety of stories with a mix of genres such as romance, horror, science fiction, etc. are presented in K-dramas. The themes are often universal in nature with simple storylines, while reflecting a wide range of complex human emotions, and employing new and innovative plotlines¹⁵ that are highly captivating to all (Brut, 2022; Muñoz, 2022). Several hit K-dramas were produced based on high-quality stories from successful cartoons (web-toons)¹⁶ as the underlying asset of story-based intellectual property (KOTRA, 2020; Idrisoglu, 2022).

The creativity, originality, and uniqueness of the K-content appeal to international audiences. The content-based industry of the Republic of Korea has grown to include music, TV dramas, cartoons, films, games, etc., which generate global intellectual property value.

Secondly, with the rapid growth of mobile technologies and social media since mid-2000s, an innovative change of distribution and consumption took place in the content market. This was a decisive factor for the global expansion of K-content. The advent of social media sites such as YouTube, Facebook, and Twitter and various streaming platform services was a breakthrough for distribution in the content-based industry and removed many barriers of entry. Recognizing social media as the core platform via which to distribute their content, agencies and producers produced content suitable for social media and benefited from SNS-driven distribution by reducing the costs and time needed for overseas expansion, and enabling fans to help to spread content easily (Kim *et al.*, 2021).

Agencies and copyrighters also provided royalty free music via social media without copyright claims as a way to promote and distribute their work quickly,¹⁷ because they saw it as the most cost-efficient way to attract viewers and audiences in the platform economy. To some extent, the royalty free distribution strategy through SNSs contributed to increasing the popularity of K-pop and K-drama around the world (Jin, 2012). Young consumers in their teens and 20s who were good at using mobile gadgets and communicating via SNSs played a critical role in the global expansion of K-content. They were familiar with digitalized communication through social media and with using digital devices. Young consumers easily accessed K-pop, drama, and games, and formed groups of global fans, who shared their experiences and user-generated content via SNSs, which contributed to the global circulation of K-content (Jin, 2012; Witte, 2021; Kim *et al.*, 2021). The global fandom on K-pop and K-drama has intensified owing to real-time communications with musicians and celebrities by means of social media, which can be attributed to the ever-growing popularity of Korean wave (KOREA.net, 2022). In this way, much of the to global popularity of *Hallyu* can be attributed to social media-driven distribution and consumption (Jin, 2012).

Source: UNCTAD.

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The Government of the Republic of Korea established a strategic policy to promote the content-based industry as a way of generating quality jobs and as a new growth engine in response to the 4th Industrial Revolution.

In 2011, to prioritize the promotion of the content-based industry as part of the national agenda, the Government of the Republic of Korea formulated the Master Plan for the Promotion of the Content Industry, in accordance with the Content Industry Promotion Act of 2011. The Master Plan is a legal plan for the content-based industry, reformulated every three years, and presenting a mid-term and long-term plan for the development of the content-based industry. According to the first Master Plan, several policy measures were implemented such as raising governmental funding to attract private sector investment, supporting R&D, implementing inter-ministerial collaborative pilot projects, developing creative industry human resources, reducing content-based industry regulations, strengthening copyrights protection, and promoting free trade, etc.

In response to the changing circumstances after the COVID-19 pandemic, which brought the rapid growth of digital content markets and a flourishing of platform service providers, the Government of the Republic of Korea put more emphasis on the role of the content-based industry as a driving force for related industries as well, and to open-up new markets in digital content.¹⁸ Against this background, in 2023, the Ministry of Culture, Sports, and Tourism (MCST) presented the vision for the content-based industry to promote K-culture in pursuit of the prosperity of the nation and wellbeing for the people¹⁹ with the following measures:

- i. Fostering start-ups and ventures by providing support across the whole value chain.
- ii. Increasing the export of K-content and related industries.
- iii. Enhancing the competitiveness of various strands of the content-based industry to create world class intellectual property (IP).

Content is regarded as one of the Republic of Korea's key exports, surpassing items such as electronic appliances, storage batteries, and electric vehicles in 2021.²⁰ As K-content has expanded worldwide, the brand power of the Republic of Korea has also grown. The policy objective of content-based industry includes boosting exports of content-related manufacturing and service industries, which, in due course, will result in building up a K-culture friendly climate around the globe, and to attracting people to visit the Republic of Korea. In summary, promoting the brand power of K-content in the global market, the government supports several projects,²¹ including attracting foreign tourists to visit the Republic of Korea in pursuit of diverse experiences related to K-culture.

To that end, the escalating brand power of the Republic of Korea prompted the government to intensify policy measures to grow the content-based industry itself. It also allowed the government to promote economic growth in other sectors, such as tourism, manufacturing and services, through spillovers coming from the rising national brand power (MCST, 2023b).

B. Copyright policy to incentivize creators and protect copyrighted works

From the perspective of the creative economy, intellectual property rights are considered a critical factor in the monetization of intangible assets, enabling creators, entrepreneurs and companies to engage in innovative activity and earn appropriate returns from their work (Dittmer and Rehaag, 2020; UNCTAD, 2021). The Republic of Korea has driven intellectual property (IP) policy, pursuing strong protection and strict IP rules to match the levels of IP protection in other developed countries. In trade negotiations, the Government of the Republic of Korea pursued a high level of trade IP norms, the so called "WTO-plus" trade policy. In line with this approach, the Republic of Korea has ratified a number of international IP related treaties under the World Intellectual Property Organization (WIPO) and concluded several free trade agreements (FTAs) with IP protection going beyond the Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement.²²

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The Government of the Republic of Korea agreed to provide strong IP commitments as part of the FTAs with the United States of America (concluded in April 2007) and the European Union (concluded in July 2009). For the implementation of the FTAs, the Republic of Korea undertook extensive reforms of IP legislation over several years with an array of amendments of IP-related laws including the Copyright Act, Patent Act, Trademark Act, and the Unfair Competition Prevention and Trade Secret Protection Act (WTO, 2008a; 2008b). Regional trade agreements (RTAs) and FTA-driven legislative reforms contributed to the development of comprehensive and modernized IP rules and administrative systems,²³ which are on a par with other developed countries. A series of amendments to the Copyright Act, amongst others, brought significant improvement to copyright protection (WTO, 2012a; 2012b).

The Government of the Republic of Korea emphasizes the role of copyright in the development of the content-based industry. Copyright is regarded as a critical IP institution for industrial ecosystems. It enables all creators and performers to continue producing creative works and actively engage in every stage of value chain of the content-based industry by ensuring economic rewards for creativity and investment (MCST, 2014). Designed as a statutory framework for protection, transaction and monetization of creative products and services, the copyright policy aimed to establish an institutional framework that would incentivize creators and effectively protect copyrighted works (MCST, 2014).

The Ministry of Culture, Sports and Tourism set up the policy to create a copyright ecosystem promoting balance and coexistence, in 2014, in pursuit of creating a virtuous cycle of creation-distribution-consumption-recreation in the area of creative culture (MCST, 2014). In addition, in response to the rapidly changing environment and the advent of new businesses in the content-based industry, a new copyright policy vision, Copyright Vision 2030, was presented (MCST, KCC, and KCOPA, 2019). In line with the copyright policy, several measures were implemented to ensure adequate economic rewards for creators, which is the foundation of a fair copyright distribution system, and strengthening copyright protection against domestic and overseas copyright infringement (MCST, 2014; WTO, 2012a; 2021b). Illustrative measures are shown in Table 2.

Table 2. Illustrative measures on copyright

Copyright policy	Implementing measures
To ensure adequate economic rewards and a fair copyright distribution system	<ul style="list-style-type: none"> • Copyright management organization (CMO) • Remuneration rights • Standardized terms of copyright contracts • Copyright authentication
To protect copyright against infringement	<ul style="list-style-type: none"> • Copyright registration • Alternative dispute resolution (ADR) system • Statutory damages (pre-established damages) • Legislation on copyright protection technology under the digital environment (e.g., technological protective measures (TPM) and right management information (RMI)) • Effective enforcement of works protected by copyright, and action against infringement • Public awareness programs and education

Source: UNCTAD.

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With a view to building up the ecosystem to encourage creative activities, a statutory copyright management organization (CMO)²⁴ and standardized remuneration rights²⁵ have been put in place according to Copyright Act. The MCST currently authorizes twelve organizations as copyright management organizations, who provide copyright management services (MCST, KCC, and KCOPA, 2022). Owing to the CMOs, most rightsholders can manage their copyrights and copyrighted works easily, rather than having to deal with burdensome matters related to monitoring, negotiating, licensing, collecting fees, etc. themselves (WIPO, 2023). Remuneration rights ensure that rightsholders (mostly performers and producers) receive adequate rewards for the use of their copyrighted works in broadcasting.

In addition, the MCST encourages the use of a standardized copyright contract, which provides a model for the legal provisions applicable to copyright contracts (MCST, 2014). The model contract consists of general terms of contract, as well as terms appropriate to specific sectors of the content-based industry, such as performance art, broadcasting, films, etc. The standardized contract contributes to protecting creators' rights in their contractual dealings and ensuring adequate economic benefits (MCST, 2020). The Korean Copyright Commission also provides a copyright authentication service (MCST, 2020) which issues authentication certificates for copyrights, allowing individuals with the authentication certificate the legitimate right to exploit the copyrighted works (MCST, KCC, and KCOPA, 2022). These measures contribute to establishing a copyright ecosystem to facilitate fair distribution of copyright in the market.

To facilitate effective protection of copyright and prompt remedy against infringement, there are several measures in place, such as copyright registration, statutory damages, etc.

In principle, an original work is immediately protected by copyright upon completion; registration of copyrighted works is not mandatory in order to obtain protection. Nevertheless, copyright registration²⁶ provides a number of benefits to protect rightsholders. For example, a registered author is presumed the genuine author; and the work is presumed to have been first published on the date reported on the registration (WTO, 2016a; MCST, KCC; and KCOPA, 2022). Considering the many advantages of copyright registration in protecting rightsholders, the Government of the Republic of Korea has encouraged the use of copyright registration. Copyright registration provides substantial protection for rightsholders in cases of infringement or legal dispute settlement in the Republic of Korea by creating a public record of ownership.²⁷

It is technically difficult to estimate actual damages in copyright infringement cases, so 'statutory damages' compensation is extremely important for rightsholders to get substantial and tangible compensation *vis-à-vis* infringement (Oh *et al.*, 2012). In this regard, the Copyright Act was amended in 2012, as part of the preparation for, and implementation of, the FTA between the Republic of Korea and the United States of America. The amendment legislates 'statutory damages' (or pre-established damages) in cases of copyright infringement. In the assessment of statutory damages, registration of the copyrighted works provides essential information to determine the level of damages in cases of copyright infringement.

In the pursuit of fair and prompt dispute settlement, an alternative dispute resolution system is also in place. For example, in 2013, a court-connected mediation system was launched to induce parties in a dispute to reach consensus before the case is brought to court. In response to disputes arising from the use of creative content, the Content Dispute Resolution Committee has played a role in specialized alternative dispute resolution since 2011.

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As the principal legislative framework for copyright, the Copyright Act, established in 1957, has been revised 33 times as of 2022 in order to effectively enhance protection for copyrighted works. For example, in response to the rapid development of digital technology, the 11th revision of Copyright Act created provisions with a view to effectively protecting copyrights in the digital environment. Examples are technological protection measures (TPM),²⁸ rights management information (RMI),²⁹ and liability of Internet service providers (ISPs). Critical revisions of the Copyright Act are shown in Table 3.

Table 3. Main revisions of the Copyright Act in the Republic of Korea

	Main objective of revision	Entry into force
1st revision	Full revision to accede to the Universal Copyright Convention (UCC) <ul style="list-style-type: none"> To extend copyright protection until 50 years after the author's death To create protection for related rights, with duration of protection for 20 years 	01/07/1987
8th revision	Revision in preparation for acceding to the WTO, TRIPs, and Bern Convention	01/07/1996
11th revision	To set out new technological protection measures (TPM), rights management information (RMI), and liability of Internet service providers (ISPs)	10/07/2003
12th revision	To give performers and producers of phonograms the exclusive right to authorize making their works available to the public	17/01/2005
14th revision	Full revision to accede to the WIPO Performances and Phonograms Treaty (WPPT) <ul style="list-style-type: none"> To set out provisions for public transmission and digital sound transmission To introduce new authentication certificate for copyrights holders 	29/06/2007
17th revision	Revision to accommodate the Act on Computer Programs	23/07/2009
19th revision	Revision to implement the FTA between the Republic of Korea and the European Union <ul style="list-style-type: none"> To extend the term of protection on copyright until 70 years after the author's death To elaborate stronger protection on TPM 	01/07/2011
20th revision	Revision to implement the FTA between the Republic of Korea and the United States of America to protect temporary reproduction <ul style="list-style-type: none"> To extend the term of protection on related rights (50 years to 70 years) To elaborate an escape clause on liability of Internet service providers (ISPs) To set out new statutory damages 	15/03/2012
22nd revision	To allow free use of works in the public domain	01/07/2014
28th revision	To facilitate the use of orphan works	27/05/2020

Source: MCST and KCC (2012; 2020).

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As K-content has become globally popular through digital devices and SNSs and related goods and services are increasingly exported to the world, the infringement on intellectual property, such as copyright piracy and counterfeiting goods, has been increasing significantly.³⁰ In response to rising copyright infringements of K-content, a government joint committee³¹ has been established to collaborate in investigating illegal distribution and usage, and cracking down on infringement. Domestically, the Government of the Republic of Korea organizes the Copyright Special Judicial Police which specializes in investigating copyright infringement both online and offline. Also, the government increased efforts to protect copyrighted works overseas by means of cooperating with relevant public agencies, foreign governments and Interpol, depending on the context of each case.

The government also increased efforts to raise people's awareness of the fair and legitimate use of copyrighted works by providing various public education programs and awareness-raising campaigns via educational institutes such as primary schools.³² The programs aimed to promote the awareness of students and citizens regarding the importance of copyright, and the fair and legitimate use of copyrighted works. These public awareness and education programs have been effective in preventing and reducing the illegal use and reproduction of copyrighted works (MCST, KCC, and KCOPA, 2019; 2022).³³

To sum up, copyright policy was implemented as a way of ensuring creators' rights and protecting their interests, through establishing a fair copyright distribution system, and intensifying copyright protection against infringement. As a result of several amendments to the Copyright Act, which legislated beneficial measures for creators and continuous improvement to copyright protection, the Republic of Korea provides one of the highest level of protection of intellectual property and enforcement in the world. It ultimately contributed to the achievement of the goal of the creation of a copyright ecosystem facilitating creative activities (WTO, 2016a; MCST, KCC, and KCOPA, 2023).

C. Financial incentives

Due to uncertainty from the high-risk and high-return nature of the content-based industry, countries who invest in the content-based industry must accept a certain amount of risk-taking. It is impossible to predict global demand for specific creative content, and thus what will and will not become a global hit.

The Government of the Republic of Korea implemented various programs of financial incentives to enhance the competitiveness of K-content. In 2006, the Ministry of Culture, Sports and Tourism set up a "fund of funds", called 'Cultural Content Production Fund', with the aim of facilitating investment in the content-based industry. The fund of funds invests in other sector-specific funds, such as the 'Culture Account' and the 'Films Account', which in turn support various strands of the content-based industry including films, performing arts, games, music, animation, characters, and dramas. The fund has supplied KRW 2,621.8 billion (equivalent to US\$ 2 billion) of support between 2006 to 2021 (MCST and KOCCA, 2022). The fund was notably scaled up to its highest-ever level in 2023, reaching KRW 790 billion (equivalent to US\$ 632 million), which included supporting the K-content Fund (KRW 410 billion) (MCST, 2023b).³⁴ The fund has speeded up investment in potential content creators and businesses and provided financing for producing quality works.³⁵ An important aim of the fund is fostering start-ups and small and medium sized companies, which often find it difficult to attract private investment. In particular, the 'Content Intellectual Property Rights Fund' has been increased to KRW 150 billion (equivalent to US\$ 120 million) in pursuit of nurturing content companies with good track records of producing IPR, such as the Republic of Korea's version of Disney (MCST, 2023b).

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Content value assessment is an indispensable process for providing useful information for monetization of content in the value chain in pursuit of economic benefits for creators. The valuation process is secured by the public sector in order to guarantee that it is objective, and to remove market risk and uncertainty to encourage investment in content businesses. MCST initiated a content-financing system based on a content value assessment system. MCST promulgated legislation³⁶ in 2009 to introduce valuation of content and endorsed KOCCA as an agency for valuation of content in the Republic of Korea, also establishing the Content Assessment Center (MCST, 2015). According to the Guidance on Content Value Assessment,³⁷ the Content Assessment Center issues content assessment reports to provide investors and financial institutions with an estimate of the content's marketability and risk data, which can be used for making investments or loan decisions.

In addition, a completion guarantee program³⁸ was introduced in 2009 based on the agreement between³⁹ the MCST and KOTEC. Under the completion guarantee program, KOTEC covers credit risks connected with companies in need of financing due to the uncertainty and risks associated with production in the content-based industry.

The government provided various other financial programs to support the business activities of creators, start-ups, and ventures across the whole value chain of the content-based industry, such as support for R&D, producing, marketing, and legal service in cases of copyright infringement. For example, financial grants to support producing high quality and innovative works are allocated to each strand of the content-based industry such as games, films, music, and live performance, etc. (MCST, 2023b).⁴⁰

The Government of the Republic of Korea has also introduced a number of educational programs to nurture talented individuals. For example, there is a mentoring program⁴¹ to train talented creators, from which 3,253 people have benefited between 2012 and 2020 (MCST and KOCCA, 2022). Further to the aim of fostering 10,000 talented creators over three years, MCST allocated KRW 56.4 billion in 2023 for on-site education, such as a new technology content convergence academy (MCST, 2023b).

D. Institutional framework

The institutional framework for the content-based industry is aligned with the legislative framework and governance system that has functioned well in supporting the content-based industry. The main ministry responsible is the MCST, which governs several acts and agencies in relation to the content-based industry and copyright. The content-based industry covers a wide range of creative industries, and it also has overlap with other industries. There are thus several ministries in charge of the respective sectors who are involved in various agendas to promote the content-based industry.

Accordingly, formulation, deliberation and implementation of policies and plans, requires inter-ministerial coordination and cooperation, and must proceed in a systematic way in accordance with relevant laws and administrative protocols.

1. Legislative framework

The legislative framework related to the content-based industry can be divided into three strands: overall regulation and promotion, sectoral regulation and promotion, and general competition and fair trade, as shown in Table 4 (MCST and KOCCA, 2022).

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Table 4. Laws related to the content-based industry in the Republic of Korea

	Acts	Entry into force	Responsible Ministry	
Overall regulation and promotion	Content Industry Promotion Act	01/01/2011	Ministry of Culture, Sports, and Tourism	
	Popular Culture and Arts Industry Development Act	29/07/2014		
	Culture and Arts Promotion Act	14/08/1972		
	Copyright Act	28/01/1957		
	Framework Act on the Promotion of Cultural Industry	09/05/1999		
	Artist Welfare Act	18/11/2012		
	Framework Act on the Promotion of Leisure Citizens	19/11/2015		
	Framework Act on Intellectual Property	20/07/2011		Ministry of Science and ICT
	Information and Communications Technology Industry Promotion Act	23/08/2009		
	Special Act on Promotion of Information and Communications Technology and Vitalization of Convergence	14/02/2014		
Sectoral regulation and promotion	Game Industry Promotion Act	29/10/2006	Ministry of Culture, Sports, and Tourism	
	Public Performance Act	30/12/1961		
	Act on the Promotion of News Communications	30/08/2003		
	Promotion of Cartoons Act	18/08/2012		
	Craft Industry Promotion Act	19/11/2015		
	Print Culture Industry Promotion Act	20/01/2008		
	Literature Promotion Act	04/08/2016		
	Music Industry Promotion Act	29/10/2006		
	Internet Multimedia Broadcast Services Act	29/02/2008		Ministry of Science and ICT, Korea Communications Commission
	Act on the Promotion of Information Security Industry	23/12/2015		
	Act on Development of E-learning Industry and Promotion of Utilization of E-learning	30/07/2004	Ministry of Trade, Industry and Energy	
Competition and fair trade	Monopoly Regulation and Fair-Trade Act	01/04/1981	Fair Trade Commission	
	Act on the Regulation of Terms and Conditions	01/07/1987		
	Act on the Consumer Protection in Electronic Commerce	01/07/2002		
	Unfair Competition Prevention and Trade Secret Protection Act	01/01/1962	Korean Intellectual Property Office (KIPO)	
	Framework Act on Youth	01/01/1993	Ministry of Gender Equality and Family	

Source: 2021 Content Industry White Paper.

In terms of overall promotion and regulation, the Government of the Republic of Korea enacted the Content Industry Promotion Act in 2011, which was a full revision of the preceding Online Digital Content Industry Act. The Content Industry Promotion Act is the principal legislative framework which governs the entire content-based industry. It provides statutory basis for:

- Formulating a mid-term and long-term Master Plan for the development of the content-based industry.
- Establishing the Content Industry Promotion Committee.
- Implementing certification services for content-based transactions.
- Implementing measures to create a fair distributional environment.
- Implementing standardized contracts.

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The legislative procedure in the Republic of Korea must follow processes governed by relevant laws including the Government Organization Act, and the Regulation of Management of Legislative Affairs. In the course of developing new legislation, consultations on, and coordination with, related ministries and agencies, stakeholders, and the Congress must be undertaken.

2. Governance

The Ministry of Culture, Sports, and Tourism (MCST) is the main ministry responsible for promoting the content-based industry, and the formulation and implementation of copyright policy according to the Government Organization Act. A high-level government committee plays a role in coordinating cooperation amongst line-ministries with regards to policies related to the content-based industry and copyright.

The Content Industry Promotion Committee was established in 2011 as the primary promotor of the sector. The Committee includes representatives from eleven ministries, as mandated in the Master Plan of Promotion of the Content Industry. The Prime Minister is the chairman of the Committee and is in charge of coordination and collaboration among line-ministries when the Committee is held. The Committee thus operates at the highest level of policy decision-making to promote the content-based industry, determine the mid-term and long-term Master Plan for the content-based industry, approve policies, and monitor and evaluate their implementation.

Governance related to copyright policy is organized according to the Framework Act on Intellectual Property. The Presidential Council on Intellectual Property was established under the jurisdiction of the President to deliberate on and coordinate government policies and plans on intellectual property. The Presidential Council on Intellectual Property is mainly responsible for matters related to formulating the Master Plan for national intellectual property policy, formulating the action plan for national intellectual property, monitoring and evaluating implementation on policies and plans, coordinating ministries, etc.

There are several public agencies to promote the content-based industry overall as well as specific sectors of the content-based industry. The agencies were established to effectively implement governmental policies. The objectives and missions of the agencies are set out in the governance law. For example, KOCCA is the main public agency responsible for promotion of the content-based industry of the Republic of Korea.⁴² KOCCA thus supports the promotion and development of K-content, covering all areas of the content-based industry.

Regarding copyright protection, there are two public agencies dedicated to copyright-related matters: the Korea Copyright Commission (KCC) and the Korea Copyright Protection Agency (KCOPA). The Korea Copyright Commission mainly supports the implementation of copyright policies related to copyright protection such as mediating copyright disputes, serving as a copyright registration agency, promoting the legitimate use of copyrighted works, etc. In addition, KCOPA, an agency specializing in copyright protection under the MCST, was founded in 2016, and supports the government by setting up a foundation for copyright protection to prevent copyright infringement.

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Box 3. Brand power of the Republic of Korea associated with the Korean wave or *Hallyu*

The Republic of Korea's cultural content contributed to enhancing and reinforcing the image and brand power of the country owing to the remarkable success of *Hallyu* (Gibson, 2020). As K-pop, K-drama and films continue attracting people around the world, the Korean wave is expanding into other cultural areas such as food, tourism, and language. In particular, K-pop stars contribute to enhancing demand for goods produced in the Republic of Korea and stimulated interest in K-culture, including traditional food, tourism, and local language.

According to a survey by the Korea Foundation for International Cultural Exchange (KOFICE)⁴⁴ on the impact of the global *Hallyu* trend on the purchasing intention of overseas consumers, food, K-beauty products,⁴⁵ and tourism were the most often mentioned goods and services (KOFICE, 2022b). The brand power of the Republic of Korea is thus strengthened and enhanced by the global prominence of *Hallyu*.⁴⁶ The expansion of the Korean wave promoted the Republic of Korea's cultural value globally, uniting fans of K-content worldwide. The growth of the content-based industry of the Republic of Korea and the international spread of K-content contribute to enhancing the Republic of Korea's brand, image, and the reputation of the cultural content production of the Republic of Korea abroad, which ultimately generates 'soft power' (Parc, 2022). It is notable that the economic effect of the content-based industry has brought overall benefits to economic growth for the Republic of Korea. It has not only boosted the content-based industry itself but has also consequently driven the growth of other industries through spill-over effects, building on the reputation and popularity of the Republic of Korea. It illustrates that the development of the creative industries can serve as a driving force behind the growth of the economy.

Source: UNCTAD

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Many countries, including the Republic of Korea, increasingly recognize the creative industries as a strategic sector for economic, social, and cultural development (UNCTAD, 2018, 2022; WIPO, 2020). The content-based industry stands out as a prime example within the creative industries, illustrating how the diverse elements of these industries can combine with other sectors to drive economic growth and innovation. The rise of the content-based industry of the Republic of Korea underscores how governmental support and effective copyright policy catalysed the industry boom.

The Government of the Republic of Korea has played a critical role in strategically developing the content-based industry since the early 1990s. With a view to turning the content-based industry into a new growth engine for the creative economy, the Government of the Republic of Korea has supported the content-based industry through a range of policies, including a well-established legislative framework, comprehensive programs of financial support, and strong protection of copyright.

This report provides an interesting case study of cultural policy in the Republic of Korea which stands in contrast to the cultural policy approach taken by most western, and many developing, countries. The dominant approach emphasizes horizontal interventions to improve market efficiency, adopting a business-friendly, private sector-led approach with the idea that the market will do a better job of picking winners and responding to unpredictable content demand than directed government intervention. However, the Republic of Korea does not take this approach emphasizing instead a strong role for the developmental and entrepreneurial state. This is a new perspective on the relationship between the state and cultural policy that departs from the dominant arms-length, liberal “*laissez-faire*” tradition. Instead, the Republic of Korea has provided systematic and comprehensive support to the content industry as part of a widely accepted national economic development plan.

Various government interventions in the Republic of Korea have contributed to creating an ecosystem that incentivizes all entities to actively participate in the industry, which has led to a remarkable development of the content-based industry. Since the 2000s, the policy priority has been to promote the creative industries in the context of the advent of new digital technologies, new market trends, changing consumer patterns and the increasing convergence between linear and non-linear businesses. With rapidly changing business environments in the content-based industry, now dominated by social media and various platform services, the example of the Republic of Korea shows that the development of the content-based industry can become a driving force behind the growth of the economy.

A noteworthy feature of more recent cultural policy of the Republic of Korea is the reduction in censorship, quotas and restrictions on imports. Lee (2019) argues that freedom of expression and democracy is a requirement for the dynamic creativity that led to the Korean Wave. During the time of the Roh government (1988–1993), restrictions on important part of the creative industries (publishers, theatre, film) were removed or reduced. The Kim Young-Sam government (1993–1998) continued this trajectory by ending censorship, which allowed creative producers to explore new forms and diversify their cultural outputs. The next regime (Kim Dae-Jung, 1998–2003) went even further enacting several laws that clearly indicated a shift in the government's stance on cultural policy from regulation and control to promotion. “Through this process, cultural freedom, which had initially emerged as a political issue, became a pre-requisite of consumer society and a baseline of cultural promotion policy” (Lee, 2019:53).

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Although the focus of the cultural policy of the Republic of Korea was initially based on the economic success of the sector, realization has grown that the public good spillover effects of culture, which are often the focus of western cultural policy, have also emerged. This is evident in the soft power associated with the Korean Wave and its popularity worldwide, especially amongst young people. Distributed via social media platforms and other online methods, not only has the Korean Wave improved the view of the rest of the world of the Republic of Korea, but it has also increased the interest in other aspects of K-culture including tourism, fashion, and food.

The global success of the Korean Wave represents an unprecedented cultural phenomenon, in that it offers a counterpoint to the dominant western mediascape. The Republic of Korea was on the periphery of the global cultural content market, dominated by North America and Europe. Yet, the worldwide spread of “*Hallyu*” the extent of which was perhaps surprising to the people of the Republic of Korea themselves, provides an example of how to capitalise on the creative industries for other developing countries as well. The recent international success of films like ‘Parasite’ which won the Academy Award for Best Picture in 2019, shows that the cultural output of the Republic of Korea is recognised at both a commercial and artistic level, and has now become part of the mainstream.

Based on the brand power attained from the remarkable success of “*Hallyu*” in the global market, the content-based industry in the Republic of Korea is creating new types of business, such as intellectual property-based licensing of products and services, and even expanding and converging into other cultural industries such as tourism. At its core, the Republic of Korea’s remarkable ascent in the content-based industry can be traced back to a comprehensive ecosystem, fostered by a coordinated nationwide policy approach, and reinforced by effective copyright enforcement. The Republic of Korea’s case is an example of the all-of-the-government approach for policy making and implementation linked to the development of creative sectors. It offers valuable insights into the pivotal role governments can play in bolstering industrial growth and fostering connections between industries through astute policy development.

What sets the Republic of Korea’s cultural policy interventions apart is not only the state-led approach, but also the careful design and effective implementation of the policy interventions. The report highlights the three following important areas that have policy implications for countries seeking to learn from the approach of the Republic of Korea.

Coordination and effective implementation

The creative industries are complex and wide-ranging, which often means that responsibility for policy is spread across many different government agencies and institutions, including both public and private sector investors. A key success factor is thus the coordination of all these stakeholders who may have overlapping responsibilities. The institutional framework adopted by the Republic of Korea takes a highly coordinated approach, integrating key legislation and governance functions. This is primarily the role of the Content Industry Promotion Committee, which includes representatives from eleven ministries, and is chaired by the Prime Minister. The Content Industry Promotion Committee oversees developing, and regularly updating the content-based industry Master Plan.

Such a highly coordinated approach at the highest-level contrasts with many other countries, where departments of arts and culture have tended to be the first to have their budgets cut, and where cultural and creative industries policies have been split between departments. This is certainly the case in South Africa, for example, where film subsidies are administered by the Department of Trade, Industry and Competition, the Department of Sport, Arts and Culture is responsible for overall cultural policy, and the Department of Communications and Digital Technologies is responsible for broadcasting. In discussing cultural policy in Brazil, Viera de Jesus and Kamlot

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(2017) describe the establishment of the Secretariat of Creative Economy in 2012, which was meant to define and coordinate the state's role in cultural policy and establish the creative industries as a strong development vector that would also promote cultural diversity and inclusion. However, despite its importance, the Secretariat was discontinued to the detriment of creative industries promotion and development. A high degree of coordination between state agencies and ministries, so that they are not working in silos or against each other, is an important part of successful creative industries policy.

Reducing risk and leveraging private sector investment

The creative industries are a sector with volatile demand and uncertain outcomes for any particular product. As such, it is a risky sector in which to invest, although returns can also be large. Although the approach of the Republic of Korea is state-led, leveraging private sector involvement is part of the public policy of the Republic of Korea and this has been promoted in several marketing-enabling ways.

Putting in place good copyright legislation was key in enabling creatives (and their investors) to monetize their production and build the industry export markets. However, while many countries have legal frameworks protecting intellectual property, they are not always effectively implemented, since copyright law is sometimes costly and time-consuming to enforce. It is thus also important to consider ways in which the legislation can be quickly and cheaply implemented.

This report describes various copyright reforms that the Republic of Korea put in place ahead of the establishment of Free Trade Agreements with the United States of America and the European Union which were key in promoting cultural exports while also protecting Korean cultural outputs. However, there are also added innovations specifically related to implementation. These include authorized copyright management organizations, standardized remuneration rights for the use of creative content, standardized copyright contracts, a copyright authentication service, and setting statutory damages for compensation of copyright infringements. Together, these systems reduce the administrative burden on creators of managing and monetizing copyright, and make the policies more easily implementable, and thus more effective. The rise in earnings from intellectual property rights and copyright for the Republic of Korea attest to the success of these policies. In many developing countries, where access to legal services is beyond the reach of the majority of small and microenterprises that make up the creative industries, such systems may be key in promoting the business sustainability of the sector.

To mitigate the risk involved in creative industries investment for the private sector, the Government of the Republic of Korea also offers specialist assessments of the value of creative content through the establishment of the Content Assessment Center. Assessments are based on a model, developed in 2010, that provides an assessment of the likely value of the creative content based on sector-specific criteria. A content assessment certificate, while of course not likely to be completely accurate given the uncertainty of market demand, can be used as an external, expert assessment of value, on which loan and investment applications can be based. Government also supplies funding that supports some of the riskiest parts of the creative industries value chain such as R&D, start-ups, and ventures at the start of their production cycle, and by providing completion guarantee bonds. This reduces the risk to the private sector, and boosts investment in the content-based industries.

A key part of encouraging private sector investment is also a very well-resourced Cultural Content Production Fund, or "fund of funds", which invests indirectly through other sector-specific funds. The fund has supplied US\$ 2 billion to the content-based industry between 2006 and 2021, and has been further increased in 2023 to US\$ 632 million. Unlike many developing countries, which have tended to reduce funding to the cultural and creative industries during times of economic downturn, the Government of the Republic of Korea is showing renewed confidence in the sector in the post-COVID period, which also sends a strong signal to the private sector.

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Adaptable and responsive policymaking

While seeing the creative industries as primarily an industrial sector, the policy approach that is taken by the Republic of Korea also brings into the mix the specificity of the cultural and creative industry. For example, while early government funding for the sector was focused on large established firms, more recent policy has also included small and microenterprises and venture startups, which are known to be an important source of creativity and innovation in the sector. Early investment in digital infrastructure and updating of copyright legislation was also key to allowing content creators to take advantage of social media and other digital platforms for distribution. Key policies, such as the Master Plan, are reformulated every three years in consultation with a wide range of stakeholders. Similarly, the legislative framework for the sector has been extensively reformed on a regular basis.

The lesson here is that cultural policy for the content-based industry needs to be flexible and responsive to opportunities that may emerge, some of which will be unexpected. For example, it remains to be seen how recent developments in artificial intelligence and the consolidation of the market power of some of the large multimedia platforms will affect the industry in the future.

In conclusion, this report set out to analyse and explain the phenomenal success of the Republic of Korea's content-based (creative) industries. What the analysis has shown is that, although the Korean Wave may be perceived as a surprising, sudden development, it is based on decades of careful and innovative policy reform and planning. The cultural policy approach of the Republic of Korea is certainly more top-down and state-led than that of many western and developing countries, but it has still adopted a market-friendly, entrepreneurial approach that can provide valuable policy lessons. In a context of rapid change and shifting demand for cultural content, the stable, well-resourced, and strongly implemented cultural policy of the Republic of Korea has been instrumental in driving and growing the Korean Wave.

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- ¹ For the purpose of this study, the content-based production of the Republic of Korea is hereafter referred to as K-content, K-culture, K-pop, etc.
- ² The 2022 Foreign Contents Market Analysis was conducted by the Korea Creative Content Agency (KOCCA) based on adapted statistics by means of available database offered by PwC (e.g. Global Entertainment and Media Outlook 2022—2026) and other international sources (e.g. Statista, QY Research). The global content-based market trend is analyzed across 10 sectors: publishing, cartoons, music, games, films, animation, broadcasting, advertising, knowledge information, and character licensing. The market size of each strand of the industry is measured by revenues reported for the sector in the respective database resources being used. For example, the market sizes for publication, music, games, films, and broadcasting was measured using revenues, in compliance with the method used in the PwC's Global Entertainment and Media Outlook 2022—2026 (KOCCA, 2022c).
- ³ Over-the-top (OTT) is defined as services that are delivered via the internet, and not dependent on traditional broadcasting media (Vaidya *et al.*, 2023). The over-the-top content (OTT) industry experienced fast growth during the COVID-19 pandemic, to the extent that the OTT market is now facing even keener competition. Several global players, such as Disney plus, Apple TV plus, and HBO Max have entered the market to take advantage of the of rapid growth of OTT. Netflix is reported as having the largest market share which has, however, dropped significantly in the past two years, from 55.7 per cent in 2020 to 42.1 per cent in 2022 (Korea Eximbank, 2022).
- ⁴ Top ten countries by consumer growth 2021—2026 (CAGR, per cent): Türkiye (14.2 per cent), Argentina (10.4 per cent), India (9.1 per cent), Nigeria (8.8 per cent), Colombia (7.6 per cent), Saudi Arabia (7.3 per cent), Mexico (7.1 per cent), Pakistan (7.1 per cent), Indonesia (7.1 per cent), Chile (7.0 per cent) (PwC, 2022).
- ⁵ Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russian Federation, Saudi Arabia, South Africa, Republic of Korea, Türkiye, United Kingdom, United States, European Union.
- ⁶ In the Republic of Korea, the term of 'content industry' is generally used instead of 'content-based industry' according to the definition under Content Industry Promotion Act. According to para.2 of Article 2 under the Act, the "content industry" is defined as any industry related to the production, distribution, use, etc. of content creating economic added value or services, which provide such content (including compounds thereof).
- ⁷ It refers to manufacturing and service-providing businesses mainly commercializing the image of cartoon or comic characters such as 'Snoopy', 'Hello Kitty', and the like. The character industry in the Republic of Korea includes character licensing, manufacturing goods and distribution, meaning that its scope is wider than 'Character licensing' shown in Figure 1.
- ⁸ Content solutions mean all tools of production and distribution of content including software of creating contents, content security solutions, mobile solutions, online payment platforms, content distribution networks, etc
- ⁹ The survey of the content-based industry is conducted by the Ministry of Culture, Sports, and Tourism and the Korea Creative Content Agency on an annual basis. Based on the survey, content-based industry statistics are published annually by the Korea Statistical Information Service as government approved statistics (No. 113008, approved as of 16 October 2004).
- ¹⁰ The stage of "Korean wave" could be differentiated as "Korean wave 1.0, 2.0, and 3.0" subject to the time and level of development of K-contents. "Korean wave 1.0" is the first generation of "*Hallyu*" born in the mid-1990s, when some K-dramas were becoming popular locally and in Asian countries. With the development of mobile technologies and Social Network Sites (SNSs) in the early 2000s, K-contents, inter-alia, pop music, gained popularity globally. This is called "Korean wave 2.0" and takes place from the mid-2000s to the early 2010s. The rise of K-pop is what led *Hallyu* to spread globally through online SNSs. Since mid-2010s until the present, the "Korean wave 3.0" continues expanding by combining with other cultural sectors of the Republic of Korea, such as food, language, tourism, etc., which is referred to as K-culture (KOCCA, 2016).
- ¹¹ As of 2020, the total number of members who have joined *Hallyu*-related organizations in all countries around the world have reached nearly 100 million (KOREA.net, 2022).
- ¹² Since the 1960s, the Republic of Korea has operated the screen quota system that requires domestic movie theaters to screen domestic films for a minimum number of screening days a year with a view to protection on domestic films against foreign films. The government amended the law in 2006 to reduce quotas from 146 days to 73 days a year (International Trade Administration, 2023; Shin, 2021).

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- ¹³ The early investment of the Republic of Korea in digital infrastructure was carried out in late 1990s, which allowed the content-based industry to rapidly change the process of producing analog to digital form in response to the advent of digitalization. The Republic of Korea is ranked the highest among OECD members in terms of broadband access measured by the share of household (Shin, 2021).
- ¹⁴ For example, the agencies focus on discovering 'hidden gems' with great potential and investing in their long-term development and training to enable them to debut as K-pop idols. K-pop idols attract audiences worldwide with appealing melodies and synchronized group dance. Other products, such as fashion and related items which are advertised through K-pop stars, have been successfully globally marketed (Kim *et al.*, 2021).
- ¹⁵ For example, 'Squid game', a K-drama available on Netflix, became internationally popular in 2021. The drama is based on a motive from a children's game. Despite the uniquely Korean cultural background of the subject, 'Squid game' includes a lot of gaming aspects, which make people feel curious, almost like playing a childhood game, while they are watching the drama, which accounts for its popularity.
- ¹⁶ For example, 'Itaewon Class', 'True Beauty', and 'Extraordinary You' were dramas based on highly popular webtoons (Idrisoglu, 2022).
- ¹⁷ For example, 'Butter' and 'Dynamite' by BTS have a record 1 billion accumulated views of the videos in the first 24 hours after their release, which ranked them as 1st and the 2nd respectively for the most-viewed music videos in the first 24 hours.
- ¹⁸ During the COVID-19 pandemic, the Government of Korea announced a new plan to invest in several projects to build up digital platforms to promote the consumption of cultural contents on online using various frontier technologies such as artificial intelligence through Digital New Deal Strategy on Growth of Culture Content Industry in 2020.
- ¹⁹ Annual Workplan 2023 of the Ministry of Culture, Sports, and Tourism (MCST, 2023b).
- ²⁰ Exports in 2021 (US\$ billion): content 12.4, electronic appliances 8.6, storage battery 8.6, electric vehicles 6.9, and display panel 3.6 (MCST, 2023b).
- ²¹ The Ministry of Culture, Sports, and Tourism revealed the '2023–2024 Visit Korea Year Initiative' aiming to boost the tourism industry by means of K-pop concerts, Korean food, shopping, etc. A promotional campaign of visiting the Republic of Korea is being held in 15 cities in the world such as Manila in the Philippines (MCST, 2023b).
- ²² The Republic of Korea has 21 FTA agreements with 59 countries as of June 2022 (Ministry of Trade, Industry, and Energy, 2022).
- ²³ For example, a patent cancellation system, shortening the review period for patent filing, protection of sound and scent marks, and certification marks were firstly legislated as a result of FTA between the Republic of Korea and the United States of America.
- ²⁴ Collective Management Organization (CMO) is a copyright system that requires or allows rightsholders to administer their rights through collective management organizations.
- ²⁵ Remuneration right is a right for a copyright holder to receive a payment for a stated use. Performers, sound-recording makers, and broadcasters have rights of remuneration in respect of the public performance or telecommunication of their material (Vaver, 2000). The payment would depend on the usage and value generated by their creation.
- ²⁶ Copyright registration is the system where rightsholders register their copyrighted works with the copyright registry providing specific information such as name of author, date of creation, date of initial publication, etc. The registry is open to the public.
- ²⁷ It constitutes *prima facie* evidence of the validity of the copyright in case of copyright infringement.
- ²⁸ Technological protection measures (TPM) mean various technologies to control access to digital copyrighted content, or to prevent users from copying or sharing it with the aim of reducing infringement of copyright by controlling the way in which a work is used.
- ²⁹ Rights management information (RMI) means information which identifies the performer, the performance of the performer, the producer of the phonogram, the phonogram, the owner of any right in the performance or phonogram, or information about the terms and conditions of use of the performance or phonogram, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a fixed performance or a phonogram or appears in connection with the communication or making available of a fixed performance or a phonogram to the public (WIPO Performances and Phonograms Treaty).

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- ³⁰ The number of cases of illegal usage of copyright reported to Korea Copyright Protection Agency has been increased from 3,870 cases in 2012 to 15,093 cases in 2020 (MCST, KCC, and KCOPA, 2022).
- ³¹ The committee consists of the Mistry of Culture, Sports, and Tourism, Korea Communications Commission, and the National Policy Agency (MCST, KCC, and KCOPA, 2022).
- ³² For example, the copyright education program has been included in the regular school curriculum. Starting with 20 classes in 2006, the number of classes reached to 290 nationwide in 2021 (KCC, 2020).
- ³³ The illegal usage rate of copyright works has fallen from 22.3 per cent in 2008 to 10.7 per cent in 2018; the illegal reproduction rate of software has fallen from 43 per cent in 2008 to 32 per cent in 2018 (MCST, KCC, and KCOPA, 2019).
- ³⁴ The scale of funding increased from KRW 526.8 billion in 2022 to KRW 790 billion in 2023.
- ³⁵ The funds were allocated to producing quality works which would have the potential to create intellectual property. For example, a K-drama 'Reborn Rich' exploited the copyright from a web-novel, and was produced by means of funds from the MCST. The drama enjoyed high viewer ratings at 26.9 per cent in 2022.
- ³⁶ Article 16 bis of Culture and Arts Promotion Act.
- ³⁷ The content value assessment model was developed in 2010 for various genres such as broadcasting, films, games, animation, character, etc. The criteria and indicators of assessment were set out subject to the purpose of use, including a loan-purpose model and a funding-purpose model. The content value assessment model evaluates the possibility of commercializing the content, production infrastructure, and competitiveness of the content, and estimates the economic value of the completed work (MCST, 2010b). The process of assessment proceeds according to the Guidance on Content Value Assessment Service which was formulated on the 28th of December 2017.
- ³⁸ A completion guarantee is a bond provided by the guarantor that a film would be finished within the agreed time schedule. This guarantee is given to the film financier and insulates the financier from any overruns that result in cost escalations and resultant increases in the financing requirement.
- ³⁹ According to the agreement, the government contributes a fixed amount of funds each year to issue partial guarantees for up to 95 per cent of the loan to content producers (Korea Trade-Investment Promotion Agency, 2019).
- ⁴⁰ KRW 9 billion to games, KRW 11.7 billion to films, KRW 8 billion to K-pop, and KRW 5.5 billion to live/online performance were allocated respectively in 2023 (MCST, 2023b).
- ⁴¹ It is a one-on-one mentoring program which supports fostering talented creators by matching them with professional experts in each sector. Successful beneficiaries include Ji Won Moon, a writer of the K-drama 'Extraordinary You', Joon Pyo Hong, director of the Republic of Korea's animation 'Taeil', Hyang Yong Choi, director of K-drama 'The Silent Sea'. (MCST and KOCCA, 2022).
- ⁴² The Korea Creative Content Agency (KOCCA) was established in May 2009 according to the 'Framework Act on the Promotion of Cultural Industries' by integrating five related organizations, including the Korean Broadcasting Industry Promotion Agency, the Korean Culture and Content Agency, and the Korean Game Agency.
- ⁴³ A survey on global *Hallyu* trends, found that the first image associated with the Republic of Korea by overseas consumers was K-pop (14.0 per cent) for five consecutive years. This is followed by food (11.5 per cent), K-drama (7.5 per cent), Korean celebrities (*Hallyu* stars) (7.0 per cent), and electronic and information technology products (6.8 per cent). Corresponding to the growth of popularity of *Hallyu*, consumption of Korean cultural content rose in all categories, including cosmetics, drama, fashion, entertainment, and games in 2021 (KOFICE, 2022b).
- ⁴⁴ Cosmetic goods with the Republic of Korea branding are referred to as K-beauty. The marketing of K-beauty is supported by celebrities of the Republic of Korea and advertising which emphasizes a natural, glowing look, and is affordably priced. K-beauty has grown into a US\$ 6.5 billion export industry, ranking fourth in the world following France, the United States of America and Germany in 2021 (Biondi, 2022).
- ⁴⁵ According to the survey on global *Hallyu* trends from the Korea Foundation for International Cultural Exchange (KOFICE), the brand power of goods and services of the Republic of Korea has grown internationally, increasing the index of the Republic of Korea's brand power to 61.6 points out of 100, which is 3 points higher than the previous index score (KOFICE, 2022b).
- ⁴⁶ Russian Federation and Viet Nam are excluded due to differences in methodology of producing statistics. The values for 2022—2026 are estimates (KOCCA, 2022c).

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ANNEXES

Annex 1

Top 25 economies with largest revenues in the content-based industries,⁴³ 2017–2026 (US\$ billion)

Rank	Country	2017	2018	2019	2020	2021p	2022	2023	2024	2025	2026	CAGR* (%) (2021–2026)
1	United States	795.3	841.6	894.4	878.3	979.8	1057.3	1 112.0	1 158.8	1 196.5	1 230.7	4.67
2	China	338.4	370.2	392.7	401.4	446.1	483.7	520.9	556.6	592	627.3	7.05
3	Japan	187.4	194.6	200.1	194.9	208.2	217.5	223.8	229.7	235.1	240.3	2.91
4	United Kingdom	95.7	101.6	106.3	102.3	120.3	130.9	139.2	145.7	151.4	156.6	5.41
5	Germany	102.8	105.7	109.4	103.6	113.0	120.9	127.2	131.6	134.8	137.7	4.04
6	France	69.9	72.0	74.3	69.7	77.3	83.4	87.1	90.3	92.5	94.4	4.08
7	Republic of Korea	58.2	60.1	63.1	64.7	70.2	75.3	79.1	81.9	84.3	86.4	4.26
8	Canada	55.7	57.9	60.7	59.2	66.2	72.1	76.3	79.8	82.8	85.2	5.19
9	Italy	41.0	41.3	42.0	39.0	43.8	47.6	49.9	51.7	53.1	54.4	4.46
10	Australia	37.1	38.8	38.8	37.0	42.2	45.7	48.2	50.2	51.6	52.7	4.55
11	India	29.9	30.9	34.1	35.3	40.5	45.1	49.5	53.5	57.8	62.5	9.05
12	Spain	33.0	34.6	35.6	33.5	36.9	40.2	42.7	44.9	47.0	48.9	5.8
13	Brazil	29.0	31.4	33.8	33.2	36.2	39.4	42.1	44.4	46.4	48.4	5.97
14	Mexico	22.7	24.5	26.6	24.9	28.4	31.4	33.9	35.8	37.5	39.1	6.63
15	Indonesia	15.5	17.8	20.4	21.6	24.2	26.9	29.1	31.2	33.2	35.1	7.69
16	Taiwan Province of China	17.7	17.8	18.3	18.5	20.1	21.3	22.1	22.7	23.2	23.7	3.37
17	Thailand	15.1	16.3	17.1	17.0	18.0	19.1	20.1	20.9	21.6	22.3	4.39
18	Saudi Arabia	12.9	12.8	14.0	15.4	17.0	18.9	20.5	22.0	23.3	24.6	7.62
19	Sweden	14.4	14.7	14.9	14.3	16.2	17.4	18.1	18.8	19.3	19.8	4.08
20	Poland	10.9	11.2	11.6	11.3	12.7	14.1	15.0	15.7	16.3	16.8	5.72
21	Philippines	8.8	9.6	11.3	11.2	12.4	13.4	14.1	14.6	15.2	15.8	5.0
22	South Africa	8.8	9.5	10.2	10.2	11.7	12.9	13.8	14.6	15.3	16.0	6.4
23	Türkiye	6.5	7.3	8.4	9.2	11.1	12.7	14.0	15.2	16.3	17.3	9.4
24	Malaysia	8.5	9.1	9.5	9.4	10.0	10.7	11.2	11.6	12.0	12.4	4.3
25	United Arab Emirates	7.4	7.5	7.7	7.5	8.2	9.2	10.0	10.7	11.3	11.7	7.5

Source: KOCCA, 2022c.

Notes:

p Provisional

2021p is a base year; 2022–2026 values are forecasts.

* Compound Annual Growth Rate.

ANNEXES

Annex 2

Trends in the content-based industry of the Republic of Korea, 2016–2020

	2016			2017			2018		
	Sales (KRW billion)	Exports (US\$ million)	Number of employees	Sales (KRW billion)	Exports (US\$ million)	Number of employees	Sales (KRW billion)	Exports (US\$ million)	Number of employees
Total	105 324	6 008.1	631 457	113 044	8 814.4	644 847	119 483	9 615.0	667 437
Publishing	20 766	187.4	185 001	20 755	221.0	184 794	20 954	249.0	184 554
Cartoons	976	32.5	10 127	1 082	35.3	10 397	1 179	40.5	10 761
Music	5 308	442.6	78 393	5 804	512.6	77 005	6 098	564.2	76 954
Games	10 895	3 277.3	73 993	13 142	5 923.0	81 932	14 290	6 411.5	85 492
Films	5 256	43.9	28 974	5 495	40.7	29 546	5 890	41.6	30 878
Animation	491	135.6	5 142	493	144.9	5 161	505	174.5	5 380
Broadcasting	17 331	411.2	43 662	18 044	362.4	45 337	19 762	478.4	50 286
Advertising	15 190	109.8	65 702	16 413	93.2	65 159	17 212.0	61.3	70 827
Characters	11 066	612.8	33 323	11 922	663.9	34 778	12 207.0	745.1	36 306
Knowledge information	13 462	566.4	77 809	15 041	616.1	82 470	16 291.0	633.9	86 490
Content solutions	4 584	188.5	25 656	4 852	201.5	28 268	5 095.0	214.9	29 509

Source: Statistics Korea.

	2019			2020			CAGR (2016–2020) (%)		
	Sales (KRW billion)	Exports (US\$ million)	Number of employees	Sales (KRW billion)	Exports (US\$ million)	Number of employees	Sales	Exports	Employees
Total	126 585	10 189.0	682 644	127 646	11 924.3	642 086	4.9	17.1	1.5
Publishing	21 341	214.7	185 270	21 649	346.0	185 444	1.0	1.2	-0.9
Cartoons	1 337	46.0	11 079	1 534	62.7	11 230	12.0	12.1	0.8
Music	6 812	756.2	77 149	6 065	679.6	65 464	3.4	13.9	0.3
Games	15 575	6 657.8	89 157	18 885	8 193.6	83 303	14.7	24.7	-0.4
Films	6 432	37.9	32 566	2 987	54.2	10 497	-13.2	13.9	-0.3
Animation	513	194.1	5 436	526	134.5	5 472	-4.9	10.7	3.6
Broadcasting	20 843	474.4	51 006	21 352	692.8	50 239	6.1	5.5	3.2
Advertising	18 134	139.1	73 520	17 422	119.9	68 888	2.5	7.7	9.2
Characters	12 567	791.3	37 521	12 218	715.8	36 505	2.5	10.7	5.1
Knowledge information	17 669	649.6	89 286	19 373	692.0	93 182	9.5	7.7	3.1
Content solutions	5 361	227.9	30 655	5 635	233.2	31 863	5.3	6.4	4.5

Source: Statistics Korea.