

Seminar Report

July 6th 2016

European Center for International Political Economy (ECIPE)

The European Center for International Political Economy is an independent and non-profit policy research think tank dedicated to trade policy and other international economic policy issues of importance to Europe. It aims to foster a "culture of evaluation" – largely lacking in Europe – so that better public awareness and understanding of complex issues in concrete situations can lead to intelligent discussion and improved policies.

The Academy of Korean Studies (AKS)

The Academy of Korean Studies was established to revitalize the field of Korean Studies by conducting in-depth research and offering education on related subjects. AKS is also engaged in cooperation and exchange activities with academic institutions in Korea and abroad and conducts programs and projects aimed at improving the international community's understanding of Korean culture.

Sookmyung Women's University

Sookmyung is Korea's first royal private educational institution for women. Sookmyung Hospitality Business School has been recognized for its excellence by the Ministry of Education Science and Technology since 2007. Le Cordon Bleu Hospitality MBA course, which has a partnership with Le Cordon Bleu, the world's largest hospitality education institution, which originated from France.

1st GEM Global International Conference



Achieving Cultural Diversity: Korea and Europe at the Crossroads? July 6, 2016

Venue: Centennial building, Sookmyung Women's University
100, Cheongpa-ro 47-gil, Yongsan-gu, Seoul 04310, Korea

Introduction 10:00-10:30

- Welcome Address: Prof. Siyeon Moon, Sookmyung Women's University.
- Keynote Speech: Prof. Yeongseop Rhee, Seoul National University.
- Presentation of the Research Project: Prof. Patrick Messerlin, Sciences Po Paris and ECIPE

Session 1. 10:45- 12:00. Competitiveness in Cultural Industries

Moderator: Yeongseop Rhee, Seoul National University.

Speakers:

- Hwy-Chang Moon, Seoul National University: The Competitiveness of Korea's cultural industry.
- Sébastien Miroudot, AKS Lab: Korean cultural industries: insights from input-output analysis.
- Jimmyn Parc, Seoul National University and Sciences Po Paris: The competitiveness of the Korean film industry-evolution through globalization.
- Patrick Messerlin, Sciences Po Paris: The French film industry: appearances and realities.

Lunch Buffet: 12:00-13:30.

Session 2. 13:30-14:45. International Developments of Korea and its Cultural Industries.

Moderator: Siyeon Moon, Sookmyung Women's University.

Speakers:

- Eunsook Yang, Autonomous University (Madrid, Spain): Understanding of Korean culture and the development of Korean Studies in Spain.
- Kyuchan Kim, Korea Culture and Tourism Institute: The evolution of *Hallyu*: New currents of content co-production.
- Wenyan Yin, Seoul National University: Three conditions of MNEs' choice for externalization entry mode: A case study of partnership between China and Korea in the film industry.
- Yeonwoo Lee, Seoul National University: Analyzing the strategy of K-Pop: A case study of SM Entertainment in Japan.

Coffee Break: 14:45-15:00.

Session 3. 15:00-16:15. Lessons from Korea for the Cultural diversity.

Moderator: Seok kyoeng Hong, Seoul National University.

Speakers:

- Sunhee Park, Seoul National University: Korean-Japanese Kimchi dispute: Drawing lessons from European system of protected designation of origin on Feta Cheese conflict.
- Yeyoung Kim, Sookmyung Women's University: Particularity of cultural industries: Glocalization and culture code of Korean wave.
- Hyejin Shin, Université Sorbonne Nouvelle (Paris III): Embracing technology for the development of cultural industry: retrospective on French *chansons*.
- Jimmyn Parc and Patrick Messerlin: The ransom of success: Korea and copyrights.

Closing Remarks. 16:15. Hwy-Chang Moon (GSIS-SNU)

Session 1. Competitiveness in Cultural Industries

[Moderated by Yeongseop Rhee, Seoul National University]

Hwy-Chang MOON Professor, Seoul National University



The Competitiveness of Korea's Cultural Industry

There has been recently an unprecedented level of popularity for Korea's cultural industry (the Korean Wave or *Hallyu*) and its related commercial success has been remarkable. Although there has been some debate over the sustainability of this industry, there is evidence that demonstrates how the *Hallyu* can grow further by utilizing effective strategies. As the cultural industry is characterized by a comprehensively inter-connected competitiveness of culture-related businesses, a well-developed integrated ecosystem in this industry cannot be so easily mimicked by others if successfully constructed. Once a competitive ecosystem is established, this industry will become the new growth engine for the Korean economy which is currently struggling to find a new breakthrough. To build comprehensive and efficient strategies, it will be important for policymakers to begin considering the comparison between the phenomena of *Hallyu* and the present dominance of Hollywood. Through such efforts, useful implications can be drawn upon for the further development of Korea's cultural industry.

Sébastien MIROUDOT Senior Analyst, AKS Lab



Korean Cultural Industries: Insights from Input-output Analysis

Important preliminary results can be reached by conducting an analysis of cultural industries in Korean Input-Output data. Beginning with a set of tables from the Bank of Korea covering the period 1980-2014, we can assess the share of cultural industries in total value-added, final demand, and exports and imports. Next, in order to measure the internationalisation of Korean cultural industries, the import content of exports is then calculated. Finally, when these results are compared with similar data from the United States (BEA) and France (Eurostat), we can see that Korea's cultural industries are more internationalised than those two countries despite a trend towards the increased use of domestic inputs in the recent period. This suggests that a global value chain analysis is relevant for cultural industries and that part of the competitiveness of Korean companies can be explained by international trade.

Jimryn PARC Researcher Associate and Lecturer, Seoul National University and Sciences Po Paris



The Competitiveness of the Korean Film Industry-Evolution through Globalization

There are various explanations for the rapid success of the Korean film industry that began in the late 1990s. Most approaches are focused on the effect of democratization, growing freedom of expression, and state-led protectionism. However, the impact of these variables on the film industry are debatable and sometimes even doubtful. Rather, it can be argued that globalization has in fact fundamentally changed the industry. These results are meaningful given that globalization has often been believed to hinder the development of domestic industries, notably cultural industries. However, the globalization of the Korean film industry has helped to enhance its technologies and skills. It has also expanded its market size and sophistication by dynamically expanding its scope to foreign countries, including both developed and less-developed economies. By opening its domestic markets to foreign rivals, Korean companies have tightened the value chain to produce better quality films across various aspects. In particular, foreign investment in Korean firms during the early 1980s allowed Korean companies to learn more about the American film production system which facilitated significantly the greater growth of the Korean film industry.

Patrick MESSERLIN Professor Emeritus, Sciences Po Paris



The French Film Industry: Appearances and Realities

Facing the prevalence of Hollywood films while seeking to promote culture, many countries have adopted government subsidies as a core instrument to enhance the competitiveness of their domestic film industry. There is now a period long enough to make an assessment on the extent to which this has been really the case. A comparison of the film policies of France and Korea are revealing. Since the 1950s until very recently, France has intensively used subsidies while Korea has not. These data suggest that the highly subsidized French film industry has been less capable to enhance its attractiveness than the unsubsidized Korean film industry. They imply that the current French system for subsidies should be avoided by other countries, including Korea, that wish to further develop their film industries and promote their culture.

Session 2. International Developments of Korea and its Cultural Industries

[Moderated by Siyeon Moon, Sookmyung Women's University]

Eunsook YANG Professor, Autonomous University (Madrid, Spain)



Understanding of Korean Culture and the Development of Korean Studies in Spain

The first contact between Korea and Spain occurred when a Spanish catholic priest landed in Korea on September 6, 1593. Nevertheless, after this visit, there was no contact until diplomatic relations were officially established in 1950. Subsequently, mutual interests have only intensified recently when Spain considered it necessary to strengthen the communication between the two countries, the prime interest being to develop economic ties. This economic interest coincided with the boom in Korean modern culture around the world. With the spread of the Korean Wave, Korean pop and dramas also had an impact in Spain as well. This phenomenon pushed forward the number of Korean language learners, and those involved in Korea related studies. The demand for Korean language courses and Korean studies is rapidly growing. Several universities in Spain have launched teaching of Korean language and Korean Studies programs. Among the Korean Studies development process includes, CEIC (Spanish Research Center on Korea), CSIM: Modern Language Center of the Complutense University, UMA: University of Malaga, University of Salamanca, UAB: Autonomous University of Barcelona, UCM: Complutense University of Madrid, UAM: Autonomous University of Madrid.

Kyuchan KIM Associate Research Fellow, Korea Culture & Tourism Institute



The Evolution of *Hallyu*: New Currents of Content Co-production

Recently, *Hallyu* has focused on the Chinese market. In particular, it can be clearly seen by the diffusion of the dramas *My Love from the Star* in 2014 and *Descendants of the Sun* in 2016. Increased Chinese investment has come to Korea and China is not only just buying Korean cultural contents, but also engaging in producing the contents as well. For example, *the Descendants of the Sun* aimed at the Chinese market from the beginning and broadcasted simultaneously in Korea and China at the same time. This clearly shows the evolution of *Hallyu*. However, these Chinese activities also brought several issues that Korea should consider on. The co-production between Korea and China can dilute the "Koreaness" of *Hallyu*. This brings an interesting but important consideration about the identity of Korean cultural contents. We should look at how *Hallyu* can prevent exclusiveness and nationalism, by creating sustainability for a better future through cooperation with various countries. In this regard, acquisition and protection of intellectual property is very important.

Wenyan YIN Assistant Researcher, Seoul National University



Three Conditions of MNEs' Choice for Externalization Entry Mode: A Case Study of Partnership between China and Korea in the Film Industry

In the past, international production networks were mainly constructed through foreign direct investment (FDI), with an internalized system of affiliates. However, since the 2000s, the production process of multinational firms (MNEs) has become more fragmented and the locations of their value chain activities have also become more dispersed globally, involving both affiliates (i.e., internalization) and partner firms (i.e., externalization). Theoretically, conventional FDI theories, which argue for internalization mode, cannot satisfactorily explain MNEs' externalization mode choice. More recent studies, therefore, try to explain this by borrowing theories from strategic management field (e.g., resource-based view, institutional theory, network theory). However, these new studies focus more on benefits than on costs of externalization mode. The objective of this research is thus to propose a more comprehensive and systematic framework, which explains three conditions for externalization mode choice when MNEs explore new or complementary assets on the global scope. Previous studies that have examined the determinants of externalization mode tend to be more fragmented, and mostly incorporate only one or two of the three conditions. In addition to the conceptual development, it is important to apply a new framework to the film industry and investigate how China-Korea film co-production enhances their competitiveness.

Yeonwoo LEE Assistant Researcher, Seoul National University



Analyzing the Strategy of K-Pop: A Case Study of SM Entertainment in Japan

As the largest entertainment company in Korea, S.M. Entertainment Co. Ltd. has recently demonstrated fast entry and rapid success in international markets, mainly in Asian countries. Among those markets, Japan is the largest destination for S.M.'s tremendous growth. In this regard, we need to ask "why" and "how" S.M. Entertainment was able to enter and succeed in Japan. By comparing previous theories on firms' motivations for investing in foreign markets, the imbalance theory is the best way to explain the upward investment motivations of S.M. Entertainment to distinguish the difference between upward and downward investment in which there are more learning and strategic intentions than simple market expansion when entering a more advanced market. Finally, we should consider the core process strategies behind S.M. Entertainment's success in Japan by classifying the four central business strategies.

Session 3. Lessons from Korea for the Cultural diversity
[Moderated by **Seok Kyoeng Hong**, Seoul National University]

Sunhee PARK Lecturer, Seoul National University



Korean-Japanese Kimchi Dispute: Drawing Lessons from European System of Protected Designation of Origin on Feta Cheese Conflict

There is much to learn from how the EU managed the origin of food dispute and the way in which this can be a lesson to the Korea-Japan Kimchi dispute. Although the main goals of 1992 European system of protected designations of origin (PDO) were food safety and protection of traditional methods, it also has an effective role as a possible solution to food disputes. The Feta cheese's acquirement of qualification for PDO meant a defense of cultural claims as well as protection for the traditional production method. On the other hand, the Food and Agriculture Organization (FAO)'s solution through CODEX was to ensure that the standardization of cabbage Kimchi be closer to the traditional Kimchi type of Korea. Strictly speaking, the standardization of Kimchi by CODEX did not directly answer the question of which country is the origin for Kimchi. However, the European system of PDO proved a successful functional tool by effectively resolving the origin issue while emphasizing the problem of quality improvement. It leaves room for freedom from gastronomic discussions by focusing on the quality improvement of food, but still highlights a solution for the debate of contested origins.

Yeyoung KIM Assistant Researcher, Sookmyung Women's University



Particularity of Cultural Industries: Glocalization and Culture Code of Korean Wave

The concept "Glocalization", which is a combination of "Globalization" and "Localization" has been receiving much attention recently. Glocalization is widely adapted to various business models of non-cultural industries and show a number of positive effects. It could be suggested that cultural contents would have to be localized in the perspective of receivers rather than of suppliers. When it comes to cultural industries, it could be suggested that the understanding of a "culture" market where its contents would be exported is more important than other domains. Presently, cultural industries are being positively evaluated as a highly value added industry since it influences society at large like economic or diplomatic influences. So when it comes to cultural industries, understanding culture codes could be one of the fundamental factors for intercultural communication. Since every culture has its distinct particularity or originality, it is necessary to localize its cultural products based on their own culture codes.

To understand the particularity of this *Hallyu*, one of the key factors for its success is a combination of universality and particularity. This is also related to "Glocalization". As we live in a globalized world, intercultural communication becomes more important than ever. "Glocalization" would be one of the alternatives to succeed communication in cultural industries. Thus, it would be necessary to conduct research on each code of every culture and have a different strategy for cultural contents.

Hyejin SHIN Ph.D. Candidate, Université Sorbonne Nouvelle (Paris III)



Embracing Technology for the Development of Cultural Industry: Retrospective on French Chansons

With the prevalence of the Internet, there are many disputes regarding intellectual property and copyrights. In particular, many American artists removed their songs from streaming services and even from Internet intermediaries such as YouTube. The main argument is about income or profit distribution, rather than the copyrights per se. However, Internet intermediaries such as YouTube argue that they are able to compensate enough for the online usage of songs. Furthermore, they are the ones who promote new music as well as old hits. In this respect, the French *chanson* industry provides an interesting example as it was once the world's richest music industry but faded away due to difficulties adapting to newly developed technologies. In its early years, although French singers and music producers had difficulties to adapt to new recording technologies, by utilizing this technology, the French music industry was able to gain dominance in the world. However, in the era of digitization and the Internet, it is so far behind when compared with other foreign music industries.

Jimmy PARC and Patrick MESSERLIN Sciences Po Paris



The Ransom of Success: Korea and Copyrights

The mantra expressed today in many political and business circles is that stringent copyrights are needed in order to foster cultural creativity and that piracy is the greatest obstacle toward creativity. If this statement were true, the success of Korean pop music or K-pop should never have occurred. There are three steps in which this apparent paradox can be explained. First, the mantra on stringent copyrights has little basis. Most of the existing cultures around the world have been created without copyrights, and economic analysis suggest that stringent copyrights only encourage monopolistic behavior that in fact suffocates cultural. Second, looking at the competitiveness of the current K-pop scene we can see little relationship with stringent copyright regulations. Third, using the same approach we can witness a fascinating relationship between the competitiveness gaining process and piracy suggesting that the latter actually helped the development and competitiveness of K-pop. The main lesson here is that only "well-balanced" copyright regulations are friendly toward inducing cultural creativity.

References

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Future Events

This program will organize at least two regional seminars per year (September 2015-August 2020), alternatively in Seoul (or in East Asia) and in Brussels (or in other European cities). It will also organize three annual international conferences until 2020. Seminars will address more focused topics than conferences. The events aim to offer opportunities to discuss business strategies and public policies among the widest range of private and public decision-makers involved in cultural industries (cinema, music, and TV) in Europe and Korea/Asia.

Tentative schedule and topics of the events

Classification	Title	Location	Time
International Conference 1	Achieving Cultural Diversity: Korea And Europe at the Crossroads?	In Seoul	2016
International Conference 2	Cultural Industry as a Business and Economics	In Brussels	2017
International Conference 3	Lessons from Korea for Europe in Cultural Policies	In Europe	2018
International Conference 4	Korea, a Game Changer in the Cultural Industry	In Seoul	2019
Seminar 1	Launching Seminar: Cultural Industries: Pivoting to Asia?	In Europe (Brussels)	2015 2/2
Seminar 2	Current Status of Asian Cultural Industries	In Asia (Seoul)	2016 1/2
Seminar 3	Broadcasting Services: Challenges in Europe and Asia	In Europe (Paris)	2016 2/2
Seminar 4	Asian Cinema Policies	In Asia (Hong Kong)	2017 1/2
Seminar 5	European Cinema Policies: Preliminary Lesson from Korea	In Europe (Stockholm)	2017 2/2
Seminar 6	K-pop vs. J-pop	In Asia (Seoul)	2018 1/2
Seminar 7	Common Challenges of European and Asian Pop Music	In Europe (London)	2018 2/2
Seminar 8	Work Progress Evaluation 1	In Asia (Seoul)	2019 1/2
Seminar 9	Final Assessment and Further Studies 1	In Europe (Brussels)	2019 2/2
Seminar 10	Final Assessment and Further Studies 2	In Seoul	2020 1/2

* 1/2 means the first half of the year and 2/2 means the last half.
** Event in shadow means "completed."

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