

Creative Industries' Internationalization Strategies of Selected Countries and Their Policy Implications

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1. Background

With the emergence of a knowledge-based economy, the importance of intangible production factors, including creativity, is widely recognized. In tandem with this perception, the concept of creative industries, which includes cultural and contents industries, and even IT and R&D services, has been diffused over the world. Identifying creative industries as an independent industrial sector, composed of heterogeneous sub-sectors, countries have come to find that creative industries are new sources of job creation and have the potential to lead cross-industry innovation.

In the UK, creative industries account

for 2.89% of the gross value added (GVA) of the entire industries in 2009 and 5.15% of the total employment in 2010. In Finland, cultural industries take more than 3% in the GVA in 2009, which is higher than any other manufacturing industries. Germany's cultural and creative industries account for 2.4% of the GDP and 3.1% of the total employment in 2011. The share of cultural and creative industries in its overall economy matches those of some major industries such as chemical industry and energy supply industry. Creative industries of Japan account for 4.9% of all industries, exceeding automobile industry. Also, employment of creative industries in 2009 was 5.9 million people, larger than those of automobile industry.

For the case of Korea, cultural contents industries' value-added (KRW 33 trillion and 410.4 billion) accounts for about 2.7% of the GDP. If information industries, such as software, as well as R&D and ICT equipments, are included, their share in the GDP reaches 7.1% in 2011.

Internationalization is a core element in policy strategies for the creative industries. Creative industries constitute a new dynamic sector in world trade. By 2011 world exports of creative goods reached \$454 billion, more than two times as high as \$198.2 billion in 2002. During the same period, world exports of creative services reached \$177.2 billion in 2011, up from \$63.8 billion in 2002. In 2008, trade in creative goods and services increased by 10 per cent and 16 per cent, respectively, despite the decline of world trade by 12 per cent due to the global economic downturn.

2. Creative Industries Internationalization Strategies of Selected Countries

A. Internationalization Strategies in General

The UK pursues a strategy of cultivating a creative hub to form a global center of creative industries. It endeavors to induce creative talents and enterprises from the US, Asia, etc. and to link foreign technical clusters (e.g., the Silicon Valley) with its domestic clusters. In particular, focusing on internationalization of SMEs, it grants awards to promising export ideas of SMEs that have begun exports, and provides foreign market information as well as funding to SMEs that participate in international trade fairs. In addition, it is exerting efforts to expand foreign exposure of British cinema, TV programs, music, fashion, media, advertisements, and designs in order to im-

prove the country brand. As a continuation of these efforts, it implemented the "Great Campaign" in 2012, a national marketing strategy for promoting the UK as a destination of tourism and investment.

Finland, in consideration of its small market size, sees export promotion as a major objective of its policies for creative industries. "Cultural Exports Promotion Programme 2007-2011" covers comprehensive topics besides the promotion of international marketing and exports (financial assistance for export marketing, and export assistance for selected small- and medium-sized enterprises); reinforcement of export competencies of public institutions, expansion of international cultural exchanges, formation of domestic conditions, such as development of SMEs' activities (R&D support, funding support for startups, etc.), reinforcement of inter-industry networks, establishment of intellectual property rights, etc. The Finnish government has spent the largest funding on the promotion of SME's activities and international marketing and export promotion. Based on the judgment that overseas expansion of Finnish creative firms is insufficient despite their strong competitiveness, it pays a special attention to providing export competency training for SMEs, supporting technical development of selected exporting firms, and managing export financing systems. Furthermore, it provides funding to creative people who work abroad.

Germany also focuses on supporting creative SMEs' internationalization. In promoting SMEs' exports, it deems intra- and inter-industry linkage to be central. This shows Germany's viewpoint that emphasizes the cross-innovation between creative industries and the other ones, particularly manufacturing industries. For exporting firms in creative industries, the federal government pours efforts

in developing export guarantee measures, counseling and funding in support of overseas investment, and micro financing tools. Local governments also have actively promoted creative industries; for example, the city of Berlin has carried on long-term policies for reinforcing competitiveness of creative industries, cultivating their clusters, and enhancing their internationalization, before such strategies were established on the federation level. This is a result of the city's strategic choice as it has little basis for the other industries. For export promotion of SMEs, Berlin encourages development of new products through clustering SMEs and supports overseas marketing of those products.

Japan, in the process of promoting a growth strategy that underlines regulative reforms and innovations since the Great Eastern Japan earthquake in 2010, has started implementing the "Cool Japan strategy" targeted at cultivating creative industries to become new export industries. Japan considered that Japanese creative firms' penetration into overseas markets had not been fully achieved because of their insufficient experience in overseas sales, lack of footholds for internationalization, and weak support of risk funding. Accordingly, Japanese government unfolds large-scale, phased support programs to promote internationalization of creative firms. Especially it raises private-government funds to support large-scale internationalization projects of creative industries.

B. Participation in Emerging Markets

Along with the rapid economic growth and formation of dynamic consumers in emerging countries, creative industries started booming in emerging countries. The share of emerging countries in world imports of creative goods grew from 16 per cent in 2002 to 24 per cent in 2011. This development is explained by

increase not only in China and East Asian countries, but also in Western Asia, Latin America, and the Middle East.

The UK provides priority support to enterprises of 18 focus industries, including creative industries, when they enter into emerging markets, such as Brazil, China, India, Russia, Turkey, and Indonesia. It constructs networks between UK enterprises and governments/industries of emerging countries, provides business delegation tour, promotes marketing of the national brand in connection with creative industries, enters into bilateral cooperation agreements, and deploys intellectual property right attaché to emerging countries. The UK government improves awareness of its creative industries among emerging countries' consumers by highlighting creativity as a core image of the UK.

Finland has classified overseas markets into mature and emerging markets, and has established a basic guideline that puts strategic focus on entering emerging markets rather than the US and the UK where competitiveness of domestic creative industries have already been established. It selected Russia and new EU member countries, Asian countries, such as China and India, as target markets, and also pays attention to the potential of the South American markets. The Finnish government expects that the export potential for technological creative industries (games and mobile application) is particularly great in China and India. It also has interest in exporting the R&D services to emerging countries.

Germany's "Initiative Neue Zielmärkte (2010)" includes architecture service and publishing among target industries, and selects Columbia, Mexico, Nigeria, Indonesia, Malaysia, and Vietnam as next-generation emerging markets besides BRICs. With regard to these countries, the federal govern-

ment establishes an economic diplomacy plan (visits of high-ranking government officials and business delegations), accumulates market information, supports German firms' participation in international trade shows, eases trade barriers, expands SME's business visits, and reinforces intellectual property right consultation. It promotes internationalization of creative firms in connection with firms in the other sectors, including manufacturing industry.

Japan pays attention to Asian emerging countries, such as China, Indonesia and India, on the ground that the rapid increase of the middle class and younger population in those countries will lead to the growth of consumer goods and services markets. Japan's internationalization strategy for these Asian emerging markets takes a targeted approach tailored for each country. In order to support Japanese creative industries' entering emerging Asian countries, the Japanese government utilizes "Asia and ASEAN Caravan project", overseas coordinators' export counseling, and support for promising export items. In particular, it ties small individual business projects into a large-scale project, and provides risk funding for it.

3. Policy Implications

Finding and cultivating competitive SMEs is a crucial task. As creative industries tend to have a much higher concentration of SMEs compared to other industries, it is necessary to exert efforts in supporting competent SMEs. In particular, it is essential to provide funding to SMEs in the initial phase of product development. However, the structure of SME assistances should be reviewed so that inefficient or redundant programs may be adjusted and supports be given on a selective basis that would focus on promising businesses.

It is important to enhance competitiveness in some major creative services, such as architecture, R&D, and design. Recently, the growth rate of global trade in creative services outpaces that of creative goods. Architecture and R&D service markets, which account for the largest share of creative services exports, expand rapidly in emerging countries. The software industry also deserves attention. It boasts of high value-added, employment effects, and has a large positive effect on other industrial sectors.

Policies are required to maximize the ripple effect of creative industries on other sectors. Creative firms give positive effects on identification of new consumer demands, provision of new solutions and concepts, provision of new approaches to known problems, joint development of ideas, etc. The government needs to give incentives for them to connect with domestic/foreign firms in various sectors.

Compared to other industrial sectors such as manufacturing, creative industries have the larger number of suppliers and purchasers as well as more diversified consumer tastes. Therefore, firms (especially SMEs) face bigger difficulties in exporting because of information asymmetry, giving rise to the need for government assistance. Accordingly, the government needs to provide export funding and foreign market information specialized for creative industries, support creative firms' participation in international trade shows and formation of networks, and include competitive creative firms in business delegations.

As culture, science/technology, and economy are overlapped in creative industries, it is an important basis for internationalization of creative industries to establish efficient cooperation system among government agencies. There exist various activities (such as export shows, creative industry festivals, cultur-

al/diplomatic exchange programs, R&D co-operation projects, PR activities, etc.), which require cooperation of overseas government institutions.

Creative industries are one of the fast-growing sectors in emerging countries. Emerging countries' imports of creative goods and services has rapidly increased during the last decade. However, there exist diverse obstacles for exporters and investors; lack of information on regulations, consumer tastes and market structures, cultural distance, etc. MOU is an effective means to solve these problems. It can reflect various bilateral interests through inter-disciplinary and inter-department cooperation. Cooperative relationship through MOU can also contribute to promoting cultural intimacy, and building the

basis for emerging countries' creative industries. It is also needed to stimulate emerging countries' institutional improvement of IPR protection through diverse bilateral channels such as FTA negotiations, intergovernmental consultations, intellectual property attaché, etc.

Creative industries are important components of a country's soft power. That is, creative goods and services increase familiarity with exporting countries and improves exporters' country brand. In this sense, they require utilization and attention on the government level. It is required to establish an overall country brand marketing strategy that utilizes a country's core assets including creative industries.

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