

## **Cultural Industrial Districts as a Tool of Boosting Regional Economy in Korea\***

Sungjae Choo\*\*

---

**Abstract:** It is not so long that the cultural industrial sector has been noted as one of the major engines of regional economy in Korea. In parallel with balanced development strategies recently emphasized in the Korean regional policy, there has been a wide range of investment to formulate cultural industrial districts in major cities. This trend of investment focus has changed the development strategies of each city. There are criticisms, however, to this public sector-dominated nurturing of cultural economy. This paper overviews the recent policy of cultural industrial districts in Korea, in terms of its background, institutional basis, performances, and some evaluations. Some suggestions are provided in order to make the policy successful; emphasize developing the culture industry itself, develop clusters specifically focused on the characteristics of the culture industry, deliberate substantial measures for nurturing companies and human resources in the local regions, and formulate a system in which the local dominates and the center supports.

**Keywords:** culture contents, cultural industrial district, regional economy, regional policy, cluster mapping

---

### 1. Introduction

The culture industry is evaluated as one of the vast sources of creating value-added in the current economy. The world market size of culture contents industry is estimated to have increased from 1.10 trillion US dollars in 2002 to 1.37 trillion dollars in 2006, of which the Korean domestic market has occupied 15 billion and 69 billion US

dollars (KOCCA, 2007). Scott Ross, in his discussion of the Next Wave, argues that the focus of the world economy has shown a dramatic change from manufacturing-based and knowledge-based to content-based.

Korea is one of the countries who have been strongly exposed to this trend of cultural economic growth. The average annual employment growth rate of the culture industry was 13.4% during the

---

\* This paper was presented at the Conference "When Creative Industries crossover with Cities," jointly organized by Hong Kong Institute of Planners and Urban Planning Society of China, Hong Kong, April 2-3, 2007.

\*\* Associate Professor, Department of Geography, Kyung-Hee University.

period of 2000 to 2002, while that of total industry and manufacturing industry was 2.4% and -0.6%, respectively (KOCCA, 2007). In the average annual growth rate of sales amount during the period of 1999 to 2002, the film (30.3%), character (17.9%) and game (11.6%) industries surpassed semiconductor (1.9%), steel (3.4%) and automobile (3.5%) industries (MOCIE, 2004).

As the culture industry has been spotlighted as one of the growth engines in the next generation, there have been some visible movements to nurture it in the level of each region as well as in the level of the whole national economy. It is analyzed that the culture industry has shown much greater economic spill-over effect than manufacturing or other service industries (KOCCA, 2004). One of the reasons that each region by its nature is based on creativity, not much on the physical infrastructure, and it is easier to formulate initiatives of industrial growth. Moreover, differentiated cultural assets of each region could be perceived as good sources of the industry. The culture industry has emerged as a good tool of boosting regional economy, especially for those regions which have weak industrial base.

The Korean government took the initiative to activate the idea of establishing cultural industrial districts from the late 1990s. Through a period of preparation, the policy showed some visible accomplishments in 2003 when the current Roh government came to power and emphasized balanced regional development.

Therefore, it could be said that the policy of establishing cultural industrial districts in Korea was half drawn from the trend of growing cultural economy and half from the government's balanced development focus. This paper overviews this

policy, in terms of its background, institutional basis, performances, and some evaluations. Then, it attempts to provide suggestions in order to make the policy successful.

## 2. The context of the Korean regional policy

The practice of regional development in Korea went in hand in hand with that of economic development. In the era of rapid industrialization, some cities were selected as growth centers in which investment was concentrated. The Capital Region (CR) including the City of Seoul and Gyeonggi Province and such industrial cities as Ulsan, Pohang, Changwon and Gumi were those who benefited from this investment. Although the main result of this growth center strategy was the rapid and efficient economic development, this was also a starting point of the problem of everlasting and deep-rooted unbalanced development. Different people perceive differently about this issue, but some numbers show something. The CR occupies 11.8% of area, but 47% of population, 47% of GDP, 57% of manufacturing establishments, and 59% of local tax income.

Successive generations of political power in Korea have tried to solve this problem of unbalanced development and relieve the phenomenon of regional disparity. Several programs and policy measures were carried out, including both positive development projects and negative regulations on specific areas. However, no government has ever adopted so strong policy measures of balanced development as the Roh

Table 1. Current Programs Going on for the Balanced Development in Korea

strategies	Projects
Establishing innovation-driven bases for development	Establishing regional innovation systems
	Developing regional human resources and nurturing regional universities
	Promoting regional science and technology
	Strengthening innovative capacity of regional strategic industries
	Nurturing regional culture and tourism
	Developing regional information and communication
	Intensifying industry-academy-research network
	Fostering innovative industrial clusters
Formulating self-sustained bases for underdeveloped areas	Vitalizing underdeveloped region
	Establishing rural-type regional innovation systems
	Invigorating regional economy
Qualitative development for the Capital Region	Relocating functions from CR to non-CRs
	Plan-led management of the
	Enhancing competitiveness of the CR
Formulating networked territorial structure	Expanding regional infrastructure
	Expanding growth poles for economic opening and related infrastructure
	Environment-friendly management of national territory

Source: Presidential Committee on Balanced National Development and MOCIE, 2005.

Moo-hyun government.

As soon as it came into power in 2003, the Roh government perceived that the second take-off of the Korean economy could be achieved by balance development between regions. Under this vision, four strategies were set up; establishing innovation-driven bases for development, self-sustained bases for underdeveloped areas, qualitative development for the CR, and formulating networked territorial structure. These strategies are being given shape by a legal plan called Balanced National Development Plan.

Among these four strategies, major emphasis has been placed on the first one, establishing innovation-driven bases for development. There are also several concrete programs to achieve this

strategy(Table 1). Establishing regional innovation systems(RIS) and fostering innovative industrial clusters are two major programs. Establishing cultural industrial districts is one of the projects of fostering innovative industrial clusters.

The special account for balanced national development has been drawn up to activate these projects. The total amount of investment for the five-year period of 2004-2008 is estimated to be 66 trillion Korean won, which is roughly equivalent to 70 billion US dollars. These projects have the system to be evaluated for their size and appropriateness, and given fixed budget.

### 3. The policy of establishing cultural industrial districts

It was as early as the 1980s that the idea of formulating cultural industrial districts appeared. In the earlier times, major focus was placed on promoting local cultures and subsequently constructing infrastructure for cultural activities, mainly in the dimension of managing traditional cultural heritage. As the local self-governing system was adopted in 1995, a new perspective began to burgeon which perceived local assets of culture and art as tools of regional development. A diverse range of festivals were held centered on local culture and art, many projects for improving local cultural image were carried out, and policy interests were expanded for enriching culture life of local residents.

It was not until the late 1990s, however, that the policy for regional culture industry obtained a concrete shape as cultural industrial districts. Act for Promoting Culture Industry, which was enacted in 1999, provided legal basis for establishing cultural industrial districts and, according to this act, A Basic Plan for Establishing High-Tech Cultural Industrial Districts was designed. The central government received application from local autonomous municipalities in 2000, and designated four districts in May 2001, including Daejeon (specialized in game industry), Bucheon (cartoon and animation), Chuncheon (animation) and Cheongju (education game), and three districts in October 2001 including Gwangju (character), Jeonju (HD contents) and Gyeongju (virtual reality). In 2003, Gyeongju withdrew the application and in 2004, Daegu (game, mobile

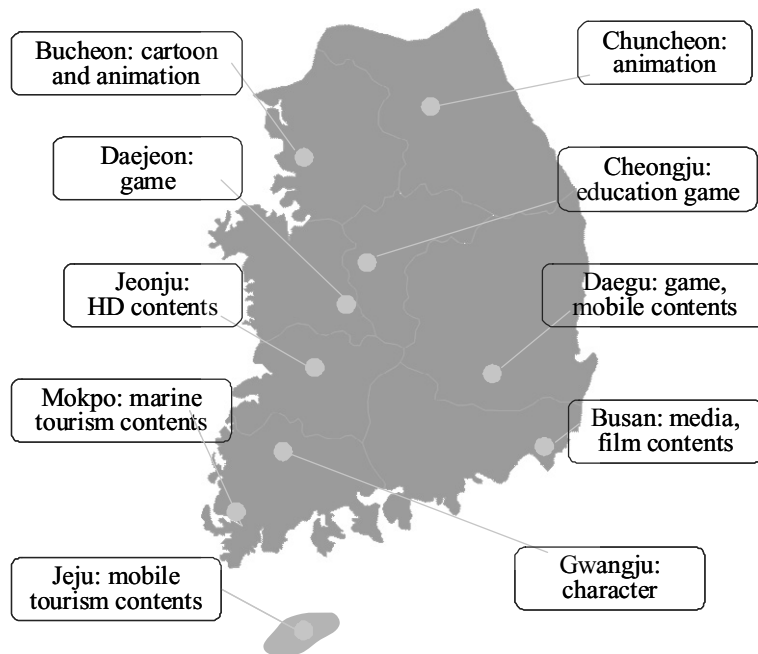


Figure 1. Cultural Industrial Districts in Korea

contents, design) and Busan (media and film contents) joined. So, there are now eight local cultural industrial districts assisted by the central government. All these districts are managed by culture industry support centers located in each city. Besides of these eight cities, Mokpo and Jeju have also culture industry support centers, focused on marine tourism contents and mobile tourism contents, respectively.

Although the policy of establishing cultural industrial districts in Korea is now in the process of paradigm shift to central-local partnership based on growing autonomy of local municipalities, it has basically adopted top-down approach dominated by the central government. It has made legal and institutional basis, received application from the local, and provided necessary financial resources. It is evaluated that this artificial way of constructing cultural districts, rather than focusing on providing conditions of autonomous growth of creativity, has been one of the barriers that would prevent cultural industrial districts from developing fundamentally and growing uniquely differentiated from the manufacturing based districts (Choo, 2006).

## 4. Accomplishments and evaluations

### 1) Accomplishments

The project of establishing cultural industrial districts can be given positive evaluation in that it has provided basis for development in the areas where cultural industries have very weak ground. As of August 2006, 301 companies are operated in eight districts, employing 3,055 workers. These

companies recorded sales amount of 151 billion won and export amount of 14 billion won in 2005 (Table 2). Besides of these direct effects, the project has induced diverse indirect effects through linked industries. It is evaluated that the culture industry has become a growing basic sector, occupied a part of the regional economy, and contributed to enhancing the image of the region with culture industry assets.

Cultural industrial districts show differentiated characteristics in terms of the actors, district size and method of establishment as well as the specialized sub-sectors. For example, in the method of establishment, Daejeon emphasizes the division of roles between the central government, local municipalities and private sector, while Chuncheon composes a consortium between public and private sectors, Jeonju and Bucheon focus on domination of city governments, and Daegu and Busan organize separate bodies under the city governments. Total budget to be invested in the cultural district project from 2000 to 2012 is planned to amount to 600 billion won.

### 2) Evaluations

It is perceived that there are several restrictions for cultural industrial districts to be growth centers of regional economy centered on the culture industry. Major assets and resources of the culture industry concentrated in Seoul and its adjacent Gyeonggi Province. For example, the rate of concentration of each of Seoul and Gyeonggi in terms of employment is 92.8% and 3.5% for the cartoon industry, 68.1% and 17.1% for the film industry, and 62.9% and 27.5% for the music industry. In this domination of Seoul or the Capital Region, the effect of artificially establishing cultural

Table 2. The Status of the Cultural Industrial Districts as of August 2006.

districts and industry		number	employment	sales amount, 2005 (million won)	export amount, 2005(million won)
Busan	sub total	48	340	11,659	1,040
	film & media	19	122	5,736	140
	game	10	118	1,400	430
Daegu	sub total	47	797	31,510	1,150
	game	12	198	3,581	677
	mobile	11	307	9,799	45
Gwangju	sub total	53	476	10,948	2,746
	animation	10	163	6,150	2,710
	mobile	7	44	1,327	-
Daejeon	sub total	33	319	32,706	4,207
	game	4	48	5,197	-
	film & media	9	84	8,398	4,200
Bucheon	sub total	27	312	13,377	2,935
	animation	16	258	11,287	2,508
Chuncheon	sub total	38	358	15,523	650
	animation	4	60	1,360	490
Jeonju	sub total	23	244	22,270	1,456
	mobile	9	99	2,499	336
Cheongju	sub total	32	209	13,080	200
	mobile	6	51	3,090	-
Total		301	3,055	151,073	14,384

nSource: Ministry of Culture and Tourism and Korea Culture & Content Agency (2006)

districts must be limited.

A detailed examination of the eight cultural industrial districts, conducted in the name of cluster mapping, shows that most of the districts are in their initial stages of industrial cluster, in terms of local embeddedness, cooperative networking between companies, business environment, etc (MCT and KOCCA, 2006). In other words, if the current cultural districts intend to be cultural industrial clusters in their real meaning, there should be appropriate diagnosis of each district's weakness and potential.

In relevance to the policy of establishing cultural industrial districts, the following four evaluations

can be made.

**(1) Emphasis on the role as a balanced development tool**

The current policy of nurturing cultural industrial districts has more crucial meaning as a tool of balanced national development which is going on as an important national agenda. Although it was initiated by the trend of culture or culture industry which has become higher in its status in the national or regional economy, it was given an accelerating power by being perceived as a source of innovative clusters with enormous potential. Therefore, it could be said that there is a well-

prepared policy framework for the culture industry. It is supported by a strong legal and institutional basis and by higher-level plans, including Balanced National Development Plan and National Territorial Development Plan. There is also appropriate budget for activating the projects.

Too much emphasis on the logic of balanced development, however, might place limitations on the increase of the entire pie of the culture industry, especially when it remains still in its infant stage. On the contrary to the need for scale economies, the concept of balance could cause inefficiency of scattering money and human resources. Therefore, even if each of the eight cultural industrial districts searches for specialization in a specific sector, some of them should be integrated in order to induce synergy effects. Basically, cultural districts should be located in the place where innovative development of the culture industry can be promoted. Regional development effect could be expected after the entire pie of the culture industry has grown up.

## (2) Insufficient consideration of the culture industry itself

Currently, the cultural industrial district is regarded as a normal industrial estate, and actually ruled by procedures of manufacturing industry. As its establishment is activated by the rules of the Act for Industrial Location and Development, the same regulations for land use and activities are applied as manufacturing industry. The procedures for establishment are so complicated that a series of administration including designation, approval, and announcement should be made by a line of signers.

Another problem is that the current institutional framework cannot make due consideration of the

nature of the culture industry, especially the demand characteristics of the companies. As cultural industrial clusters are not just gathering of establishments, but complex agglomeration of diverse cultural activities and agents, they should be oriented toward centers of producer services or places of amenity that creative people prefer, rather than large spaces out of the urbanized area. But the current cultural districts are being constructed centered on physical facilities, not on functional relatedness, inducing difficulties of creating networks for regional innovation.

In terms of monetary support from the local municipalities, the regulations of budgeting biased for physical infrastructure produce limitations to making conspicuous the flexible and creative aspects of the culture industry. Indirect support systems for the cultural industry, e.g. frameworks for raising venture companies, software companies, or knowledge-based companies, have also drawbacks in that they do not fit the unique nature of the culture industry.

## (3) Central government-dominated policy for artificial clusters

Most of the spatial and industrial policies in Korea related to the culture industry are currently dominated by the central government. Cultural industrial districts, the core of these policies, have the format that the central government designates from the list of applications of local autonomous municipalities and supports financially. Local municipalities have selected out of the sites available within their boundaries, not considering the demand of companies belonging to the cultural sector.

Taking it into account that cultural industrial

clusters have the characteristics of growing spontaneously with the elements of networks between companies and exchanges between human resources, this kind of artificial designation and construction has the high possibility of confronting with big limitations and uncertainty. When there are few vision providers or constituents of clusters, like universities, research institutes, large companies and supporting industries, or active role of localities, the realization of cluster development would be very difficult.

Considering that regional culture industry in Korea still remains in its infant stage, it is evaluated that the policy of artificial clustering was a choice that could not be escapable. In the burgeoning stage, a dominant role of the central government would be inevitable. But the initiative should be transferred from the central to the local. In addition, culture industry support centers need to adopt locally focused management scheme and playing a dominant role in the initial stage.

#### **(4) Lack of strong tools for enhancing the capability of regional culture industry**

The tools of current regional culture industry policies are concentrated on such measures as financial support or taxation benefits. But these measures are evaluated not to be strong enough to attract companies and human resources, or to create and raise them in the local areas.

One of the biggest problems in promoting cultural industrial clusters is that fundamental infrastructure and related industries are concentrated in Seoul, and basic conditions and roles of the non-Capital Region are very weak. More than 80 percent of establishments, employment and sales amount in the cultural sector are concentrated

in Seoul. There are very few research institutes, universities, professional personnel, venture capital in the non-Capital Region.

There should be more studies on how to solve this unbalance problem and attract or create companies and human resources by what policy measures. The culture industry, in contrast to manufacturing, requires environment in which culture could be embedded, and should be accompanied by simultaneous development of relevant factors including infrastructure and living conditions.

## **5. Suggestions for a better working of cultural industrial districts**

In accordance with the reviews mentioned in the previous sections, the following suggestions can be made for a better working of cultural industrial districts.

### **1) Emphasis on developing the culture industry itself**

The regional culture industry means culture industry based on local regions. The selection of specialized field among the culture industry sectors depends on either the cultural assets of the region or the potential of industrial development that each region has. What matters is that when a region has determined to specialize in a certain field, then all the energy should be concentrated on creating conditions of that field. Cultural industrial clusters should also induce innovation as industrial clusters generally search for.

The success of cultural industrial clusters



depends on how the potentials of human creativity, technology, and talents are networked and mixed, and how efficiently these potentials are connected into accumulating wealth and producing jobs. Regional culture industry should provide the framework in which this procedure works.

In the situation that the entire size of the culture industry needs to be increased above all things, therefore, the basic direction of nurturing regional culture industry should be to choose the regions which could create innovation of the culture industry most efficiently, and concentrate investment in these regions. The logic of balanced development could be a good starting point, but having resources of development scattered inefficiently among regions should be avoided. Regions with weak potential for cultural industrial sectors need to search for some differentiated strategies. Opening up of niche markets under complementary relationship with adjacent areas, or adopting extended area development concept could be one of the good options. In setting up objectives of stepwise development, regional importance could be differentiated from national importance.

## **2) Developing clusters specifically focused on the characteristics of the culture industry**

As the culture industry has quite different characteristics from manufacturing, it should adopt unique developing strategies for clustering. The culture industry has very little requirement to establish large scale physical sites and artificially agglomerate its companies. Instead, it has the priority to be connected to producer service

functions, especially concentrated in the city center. Therefore, it could be more crucial to secure space for clusters by renovating and remodeling those buildings in downtown. Silicon Alley in New York City was developed by the office functions of media industry which replaced deteriorating financial industry. Similarly, the City of Sheffield in U.K., in confronting with the decline of the steel industry, developed the culture industry by remodeling the deteriorating manufacturing area.

In addition, it should also be considered that the culture industry has the characteristics of progressing in close connection between production, distribution and consumption activities. Creative culture and art is produced in conjunction with information and communication technology and R&D, distributed through information exchange and education, and consumed by tourism and entertainment activities. Therefore, it is inevitable to escape from the convention that cultural industrial districts were confined to production and R&D, and prepare the space of combining production, distribution and consumption of cultural products. This process would encourage refined and creative products reflecting demand characteristics to emerge.

All these characteristics suggest that it is more desirable to designate the places where companies of cultural products are already agglomerated as cultural industrial districts, rather than to establish industrial sites first and then attract companies to these sites. In this case, a high level of incentive package should be developed, similar to that applied to normal industrial estates, supporting companies and related institutions. Recently, a new concept of Cultural Industry

Promoting Districts was adopted to accommodate this idea.

### **3) Deliberating substantial measures for nurturing companies and human resources in the local regions**

It is evaluated that companies in the culture industry, due to less amount of sunk cost, have greater liability of moving than those in manufacturing. This implies that they might be apt to move to other regions, but with the same token, that they could be attracted with appropriate incentives. As labor pools of the culture industry have the nature as community, a move of a key person could influence the others, so that accompanying moves follow (Choo, 2006). This fact tells us that to attract companies to the local areas might not be impossible, though very difficult.

The subject of the culture industry is 'culture' which prospers with creativity and flexibility. Therefore, its development should be accompanied by the improvement of related functions which support culture itself, including service functions, infrastructure and living environments. In order to assist the embedding of culture industrial companies into the local area, it is prerequisite to construct good living environments with high amenity and convenience for the culture labor to be settled. Detailed tools to improve these conditions should be prepared in accordance with the characteristics of each region.

### **4) Formulating a system in which the local dominates and the center supports**

Although the dominance of the central government was an inescapable choice in the

initial stage of promoting the culture industry in Korea, the policy focus should go forward to emphasizing the active roles of the local municipality. Nurturing culture industry should be proceeded with a considerably long-term perspective and with a more cooperative format in the level of each region.

The central government needs to confine its role to assisting the promotion of cultural industrial clusters administratively and financially. The level of financial support should be differentiated according to the evaluation of each district's accomplishments. When an appropriate system is prepared in which the key role and responsibility of the policy be transferred to the local municipalities and the financial support be determined by the accomplishments, then the current cultural industrial districts would be reorganized centering on those with high performance.

In the long term, the local should have the initiative to designate and promote industrial clusters autonomously on the basis of development potentials. Each municipality could proceed its own planning to develop cultural industrial clusters and prepare basic resource for national budgeting. The local dominance requires that local municipalities and support centers should be strengthened in their planning and managing capability. This focus is related to the whole national system of local autonomy and needs more consideration. One of the most crucial things, however, is that innovative personnel should be scattered over each region and establish and implement regional cluster policies which match the reality of each region.

## References

- Choo, S., 2006, "Development of the Korean film industry and its spatial characteristics: Gangnam region of Seoul as a new cluster in a new renaissance?", *Journal of the Korean Geographical Society* 41(3), pp. 245-266.
- Choo, S. et al., 2006, *Case Studies of Cultural Industrial Policies and Policy Directions for Regional Cultural Industrial Clusters*, A Report Submitted to Science & Technology Policy Institute.
- Korea Culture & Content Agency, 2004, *Economic Spillover Effect of the Culture Contents Industry*.
- Korea Culture & Content Agency, 2007, *Policy Directions for Promoting CT Clusters in Korea*, mimeo.
- Ministry of Commerce, Industry and Energy , 2004, *A White Paper of the Culture Industry*.
- Ministry of Culture and Tourism and Korea Culture &

Content Agency, 2006, *Directions for Nurturing Regional Culture Industry through Mapping Cultural Industrial Clusters*.

Presidential Committee on Balanced National Development and MOCIE, 2005, *Action Plan for Balanced National Development 2005*.

교신 : 주성재, 서울시 동대문구 회기동 1번지, 경희대학교 지리학과 , Tel: 02)961-9360, Fax: 02)961-0251, E-mail: sjchoo@khu.ac.kr

Correspondence : Sungjae Choo, Dept. of Geography, Kyung-Hee University, Seoul 130-701, Korea, Tel: 82-2-961-9360, Fax: 82-2-961-0251, E-mail: sjchoo@khu.ac.kr

최초투고일 2007년 8월 1일  
최종접수일 2007년 8월 24일

한국경제지리학회지 제10권 제3호 2007(332~343)

## 지역경제 활성화의 수단으로서 문화산업단지 정책: 평가와 과제

주성재\*

**요약:** 한국에서 문화산업 부문이 지역경제를 이끄는 동력으로 인식되기 시작한 것은 비교적 최근의 일이다. 이러한 인식은 현 정부의 국가균형발전 정책과 맞물려 주요 도시에 문화산업단지를 조성하고 투자를 유도하는 전략으로 구체화되고 있다. 문화산업단지 조성사업은 각 도시의 개발전략을 변화시키는 계기로 작용한다. 그러나 이러한 공공부문 주도의 문화경제 육성에 대한 비판도 다양하게 제기되고 있다. 이 논문에서는 최근 전개되고 있는 문화산업단지 조성정책의 배경, 제도적 기반, 그간의 성과를 정리하고, 몇 가지 평가에 근거하여 향후 과제를 제시하고자 한다. 문화산업단지 육성정책의 성공을 위해서는 문화산업 자체의 발전에 초점을 둘 것, 문화산업 고유의 특성에 맞는 클러스터정책을 개발할 것, 각 지역에서 기업과 인력을 육성할 수 있는 실질적인 수단을 강구할 것, 그리고 지방이 주도하고 중앙이 지원하는 체제를 형성할 것 등이 제안된다.

**주요어:** 문화콘텐츠, 문화산업단지, 지역경제, 지역정책, 클러스터 매핑

---

\* 경희대학교 지리학과 부교수