

Comparison of the Competitiveness of Chinese and Korean Cultural Industries Based on the Perspective of New Institutional Economics

Xiaoyu Chen

London School of Economics and Political Science, London, WC2A 2AE, UK

ABSTRACT

Based on the perspective of new institutional economics, this paper compares the competitiveness of the cultural industries in China and South Korea, and analyses the similarities and differences between the two countries in terms of the institutional environment, market structure and business cases. By sorting out the theoretical framework of new institutional economics, it explores the influence of factors such as property rights system, transaction costs and cultural industry efficiency on the development of cultural industry. China's cultural industry has advantages in terms of policy support and market scale, but the problems of insufficient intellectual property protection and imperfect market mechanism still restrict its international competitiveness. In contrast, South Korea's cultural industry is known for its mature market mechanism, strong content creation ability and effective intellectual property protection, which has successfully promoted the global spread of the "Korean Wave" culture. Through case studies of typical enterprises such as Tencent and YG Entertainment, the differences in competitiveness between the two countries' cultural enterprises in the international market are revealed. Finally, puts forward suggestions to optimise the institutional environment, strengthen international cooperation and promote cultural innovation, so as to promote the sustainable development of the cultural industries in China and South Korea. The research in this paper provides theoretical basis and empirical support for an in-depth understanding of the development mode and international competitiveness of Chinese and Korean cultural industries.

KEYWORDS

New institutional economics; Cultural industry; Competitiveness; China-Korea comparison

1. INTRODUCTION

Against the background of globalisation and the rapid development of information technology, the cultural industry, as an important part of national soft power, has been receiving increasing attention. China and South Korea, as important representatives of the East Asian cultural circle, have made remarkable development in the field of cultural industry in recent years, but their performance in the global market is different. This paper explores the institutional background and competitiveness differences between the two countries in the development of their cultural industries through the lens of new institutional economics. New institutional economics focuses on the impact of institutions on economic activities, especially in terms of property rights protection, transaction costs and market competition, which provides a theoretical basis for analysing the competitiveness of cultural industries in China and South Korea [1]. This paper aims to reveal how institutional factors have shaped the competitive landscape of cultural industries in China and South Korea by comparing their cultural industry policies, market structures and corporate practices, and to provide policy recommendations for the development of cultural industries in the two countries.

2. OVERVIEW OF NEW INSTITUTIONAL ECONOMICS THEORIES

2.1. Basic Concepts and Theoretical Framework of New Institutional Economics

New institutional economics is an important branch of economics that goes beyond the traditional study of markets and prices to focus on the central role of institutions in economic activity. Institutions are widely defined as the formal and informal "rules of the game" in society, including laws and regulations, social norms, and customs. The basic theoretical framework of new institutional economics includes transaction cost theory, property rights theory and contract theory. Transaction cost theory emphasises that market transactions are not cost-free due to information asymmetry and opportunistic behaviour, and that institutions are designed to reduce these costs. Property rights theory, on the other hand, focuses on the impact of the definition and protection of property rights on the efficiency of resource allocation, arguing that clear and effective property rights regimes can incentivise innovation and investment, which in turn enhance economic performance. In addition, contract theory explores how, under conditions of uncertainty and imperfect information, institutional arrangements can be used to reach contracts and reduce the risks and costs involved in transactions [2]. These theories provide theoretical tools for understanding and analysing the differences in economic behaviours under different institutional environments, and lay the foundation for this paper's comparison of the competitiveness of cultural industries in China and South Korea.

2.2. The Relevance of New Institutional Economics to the Cultural Industry

The relevance of new institutional economics to the cultural industry is reflected in the profound impact of institutions on the development of the cultural industry. As a knowledge-intensive and creativity-orientated industry, the core asset of the cultural industry is intellectual property, and the property rights theory in the new institutional economics provides an important perspective for understanding the development of the cultural industry. An effective intellectual property protection system can incentivise creators and enterprises to innovate and promote the diversity and quality of cultural products. In addition, transaction cost theory also plays a key role in the cultural industry. The production and dissemination of cultural products involves complex co-operation and transactions, and high transaction costs may impede the effective allocation of resources and market expansion, so the system design should aim at reducing these costs and enhancing the efficiency of the industry. Furthermore, contractual arrangements in the cultural industry, such as co-operation agreements and royalty contracts, are also constrained by the institutional environment under uncertainty and market risk. Therefore, the quality of institutions directly affects the competitiveness and sustainable development of cultural industries [3]. Through the lens of new institutional economics, it is possible to analyse in greater depth the differences in the performance of the Chinese and Korean cultural industries in the global market and the role played by institutional factors.

3. COMPARISON OF THE CURRENT SITUATION AND INSTITUTIONAL ENVIRONMENT OF CULTURAL INDUSTRIES IN CHINA AND KOREA

3.1. Current Situation and Institutional Environment of China's Cultural Industry

China's cultural industries have developed rapidly in recent years and have become an important part of the national economy. With policy support, China's cultural industries cover a wide range of areas, including film, television, publishing, music, games and art. The government has promoted the modernisation and marketisation of cultural industries through a series of plans and policies, such as the Cultural Industry Revitalisation Plan and the 14th Five-Year Plan for the Development of Cultural Industries. In addition, the state has increased financial support and tax incentives for cultural enterprises and encouraged the innovation and export of cultural products. However, the institutional

environment of China's cultural industry still faces challenges. Despite increased protection of intellectual property rights, infringement and piracy still exist, affecting the industry's innovation vitality and international competitiveness. In addition, the marketisation process of the cultural industry is marked by strong government administrative intervention and imperfect market mechanisms, leading to market monopoly and irrational resource allocation in some industries. Overall, although China's cultural industry has made remarkable achievements, further optimisation of its institutional environment remains the key to enhancing international competitiveness.

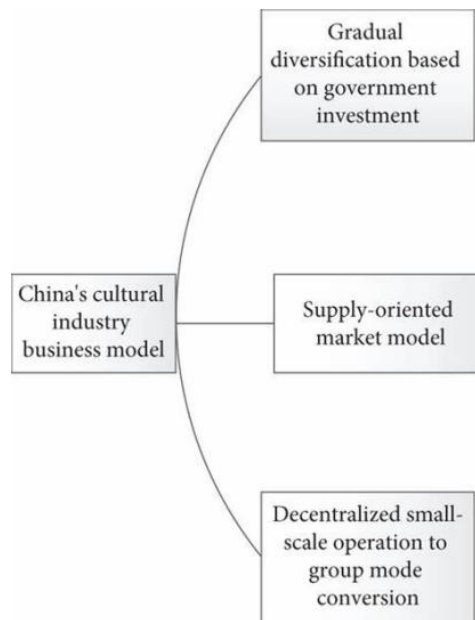


Figure 1. Current situation and institutional environment of China's cultural industry

3.2. Current Situation and Institutional Environment of Korea's Cultural Industry

Korea's cultural industries have developed rapidly in recent years, especially in the fields of music, films and television dramas, and have achieved significant international influence, creating the cultural phenomenon known as the "Korean Wave". The government has played an active role in the development of cultural industries, promoting diversification and innovation through policies such as the Cultural Industries Promotion Act and the Creative Economy Programme. These policies not only provide financial support and tax incentives, but also strengthen the protection of intellectual property rights and encourage the production and export of creative works. Korea's cultural industry is known for its flexible market mechanism and strong content creation capability, which has created a healthy competitive market environment. In addition, companies in the Korean cultural industry, such as Samsung and LG, are actively involved in the production and dissemination of cultural content, promoting the internationalisation of cultural products. However, the Korean cultural industry also faces a number of challenges, including homogenisation of content creation and the market's over-reliance on specific genres. Overall, the institutional environment of the Korean cultural industry is relatively mature, and its competitiveness in the global market has been promoted through effective policy support and market mechanisms.

media. Despite the huge size of the overall market, due to the long industrial chain and the large number of participants, the competitive structure of the market is relatively complex and some monopoly phenomena exist. For example, a small number of large-scale enterprises occupy a large market share in areas such as film and music, leading to a high degree of concentration in the industry, and the ability to innovate and market competitiveness has been affected to some extent. In addition, high market entry barriers and intervention by local governments have made it more challenging for emerging firms.

In contrast, Korea's cultural industry has demonstrated stronger market orientation and innovation in its industrial structure. Korean government-supported content industries, such as K-pop, film and television dramas, have high international competitiveness and have formed a more mature industrial ecology. Korea's cultural industry chain is relatively short, and the connection between creators and the market is closer, enabling new works to respond quickly to market demand. In addition, Korean cultural enterprises have actively explored the international market in the context of globalisation, which has enhanced their market competitiveness.

4.2. Property Rights Systems and Intellectual Property Protection

Property right system and intellectual property protection are the important foundation for the development of cultural industry, which have far-reaching influence on the competitiveness of cultural industry in China and Korea. In China, although some progress has been made in the protection of intellectual property rights in recent years, and relevant laws and regulations have been continuously improved, the actual enforcement is still insufficient. Many creators and enterprises face the risk of piracy and infringement, leading to dampened enthusiasm for innovation and investment in cultural products. The Chinese government has increased its focus on IPR in recent years, and has attempted to improve the situation by establishing IPR courts and implementing specialised IPR protection initiatives. However, a lack of awareness of property rights and lax law enforcement continue to constrain the healthy development of the cultural industry.

In contrast, Korea has a more mature legal system and an efficient enforcement mechanism for the protection of intellectual property rights. The Korean government actively promotes the protection of intellectual property rights and has implemented strict anti-piracy measures to protect the legitimate rights and interests of creators. This environment has encouraged more creators to develop original works, which has improved the quality and diversity of cultural products. In addition, Korean enterprises have paid more attention to the layout of intellectual property rights in the international market, and actively applied for international patents and trademarks, which has improved the competitiveness of their cultural products.

4.3. Transaction Costs and the Efficiency of Cultural Industries

Transaction cost is an important factor affecting the efficiency of the cultural industry, which is directly related to the allocation of resources, industrial innovation and market competition. In China, the transaction costs of the cultural industry are affected by a variety of factors, including the policy environment, asymmetric market information and unsound cooperation mechanisms. Although the government has introduced a series of policies to promote the development of the cultural industry, in practice, cumbersome administrative approval processes and insufficient information transparency have led to higher transaction costs faced by enterprises when conducting market transactions. This not only affects the effective allocation of resources, but also inhibits the innovation and development of small and medium-sized enterprises (SMEs), creating a situation in which "the strong get stronger and the weak get weaker".

In comparison, Korea has taken more effective measures to reduce transaction costs. The market mechanism of the Korean cultural industry is more mature, and the information-sharing mechanism and trade associations play an obvious role in helping to improve market transparency and transaction

efficiency. In addition, the Korean government has reduced the transaction costs of enterprises by simplifying administrative processes and providing one-stop services, which has facilitated the rapid circulation and market response of cultural products [5]. This efficient trading environment provides a good foundation for innovation and cooperation in the cultural industry.

5. INSTITUTIONAL CONTEXT AND INTERNATIONAL COMPETITIVENESS OF A TYPICAL CULTURAL ENTERPRISE

5.1. Cases of Typical Cultural Enterprises in China

One of China's typical cultural enterprises is Tencent. As a comprehensive Internet company, Tencent's layout in the cultural industry covers a wide range of areas such as games, music, film and television, and social platforms. Especially in the field of online games, Tencent, with its strong R&D and marketing capabilities, has launched a number of best-selling games, such as "King's Glory" and "Peaceful Elite", which have successfully attracted a large number of users and taken a leading position in the global market. Through its own R&D and foreign investment, Tencent has not only promoted the rapid development of China's game industry, but also enhanced its international competitiveness.

In addition, Tencent's performance in music and film should not be overlooked. Through the acquisition of well-known music platforms at home and abroad such as Kugou Music and Koume Music, Tencent has built up a huge music ecosystem and promoted the development of digital music streaming. In terms of film and television, Tencent Pictures further consolidated its position in the cultural industry by investing in and producing high-quality film and television productions, and successfully launching a number of films with both box office and word-of-mouth success.

However, Tencent has also faced a number of challenges during its development, including fierce market competition and imperfect intellectual property protection. Nonetheless, with its strong technological advantages and market acumen, Tencent has played an important role in the rise and internationalisation of China's cultural industry, and has become a model enterprise in promoting the innovation and development of the cultural industry.

5.2. Cases of Typical Cultural Enterprises in Korea

One of the typical cultural enterprises in Korea is YG Entertainment, which has a significant influence in various fields such as music, film and television, and fashion, etc. Founded in 1996, YG Entertainment is famous for nurturing and launching K-pop artists, and has successfully shaped globally renowned music idol groups such as BIGBANG, BLACKPINK, etc. These artists have not only achieved great success in the domestic market, but also gained wide attention in the international market, which has contributed to the global spread of "Korean Wave" culture. These artists have not only achieved great success in the Korean domestic market, but have also gained widespread attention in the international market, promoting the global spread of the "Korean Wave" culture.

YG Entertainment's success in the music industry is due to its strong creative team and advanced marketing strategies. The company focuses on cultivating diversified artistic talents, focusing not only on music creation but also on comprehensive development in dance, fashion and visual arts. In addition, YG Entertainment actively utilises social media and digital platforms to interact with its global fans, enhancing the brand's international reach.

In addition to the music field, YG Entertainment has also ventured into film and television production, releasing a series of high-quality film and television productions, such as "The Triad's Superpowered Daughter", which have further expanded its influence in the cultural industry. Meanwhile, YG Entertainment has also excelled in brand cooperation and cross-border marketing, enhancing its market competitiveness through cooperation with well-known brands.

5.3. Comparison and Inspiration of the Competitiveness of Cultural Enterprises in China and South Korea

A comparison of the competitiveness of Chinese and Korean cultural enterprises in the global market reveals the different strategies and strengths of the two countries in the development of the cultural industry. Chinese companies, such as Tencent, have risen rapidly in digital content, social platforms and online entertainment, forming a huge market ecosystem with their strong capital strength and technological innovation. However, due to the complexity of the market environment and insufficient intellectual property protection, Chinese companies still face challenges in the international market, such as copyright issues and market access barriers, which limit their competitive advantages on a global scale.

In contrast, Korean firms such as YG Entertainment have successfully promoted K-pop culture globally through the cultivation of an international team of artists and innovative marketing strategies. YG Entertainment's success lies in its emphasis on content creation and its keen grasp of market trends, particularly in the effective use of digital marketing and social media, which has enhanced the global recognition of its brand. This content-focused, brand-building strategy has enabled Korean cultural companies to establish a strong competitive advantage in the international market.

Several insights can be drawn from the comparison of the competitiveness of cultural enterprises from China and South Korea: first, focusing on content innovation and intellectual property protection is the key to the success of cultural enterprises. Second, active use of digital tools and social platforms can help expand the international influence of brands. Finally, the establishment of an open market environment and good policy support can promote the sustainable development and international competitiveness of cultural industries. By learning from each other's successful experiences, Chinese and Korean cultural enterprises can achieve a higher level of development and cooperation in the context of globalisation.

6. CONCLUSIONS AND OUTLOOK

Through a comparative study of the competitiveness of cultural industries in China and South Korea, this paper reveals the significant differences between the two countries in the development of cultural industries under the perspective of new institutional economics. China's cultural industry has strong potential in terms of policy support and market scale, but still faces challenges such as insufficient intellectual property protection and imperfect market mechanism. In contrast, South Korea's cultural industry, with its mature market mechanism, strong content creation ability and effective intellectual property protection, has successfully achieved global expansion and formed a distinctive "Korean Wave" cultural phenomenon. In the future development, the cultural industries of China and South Korea should continue to optimise the institutional environment to enhance their international competitiveness. China should strengthen the protection of intellectual property rights, improve the market mechanism, and promote the innovation and diversification of cultural products. At the same time, South Korea needs to pay attention to the homogenisation of content creation and further diversify its cultural industry to enhance its resilience in the global market.

Looking ahead, with the advancement of digital technology and the deepening of global cultural exchanges, the cultural industries of China and South Korea will achieve common development through mutual learning and reference. The two countries can support each other in the creation of cultural content, market development and technological innovation through the establishment of closer co-operation, resulting in a mutually beneficial and win-win situation. Overall, China and South Korea's cultural industry has a bright future and is full of opportunities, looking forward to showing greater influence and vitality on the stage of global cultural industry.

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