

**The Challenge of Assessing the Creative Economy:
towards Informed Policy-making**

**Edna dos Santos-Duisenberg (edna.dos.santos@unctad.org)
Chief, Creative Economy Programme**

Context and Objective

- First UN multi-agency report on this new topic
- UNCTAD, UNDP, UNESCO, WIPO and ITC
- Conceptual, institutional and policy framework
- Analytical tools for informed policy-making
- Shared vision based on comparative analysis
- Sensitize governments about the potential of the creative economy to foster socio-economic development
- The full English version can be downloaded by internet at <http://unctad.org/creative-programme>

Setting the scene

Cultural assets and human creativity are inexhaustible resources available in every society since immemorial times

Ideas, knowledge and information are the drivers of creativity

Globalization re-shaping patterns of world cultural consumption in a **world dominated by images, sounds, texts and symbols**

Connectivity influencing society life-style and the way creative products are created, reproduced and commercialized

Shift towards a more **holistic approach** to development interface between **economics, culture and technology**

The global economic crisis

Undermined jobs, economic growth and social well-being

- Rampant speculation and systemic failures, main causes of financial crisis
- Sharp decline of economic growth worldwide: GDP -2.6% in 2009
- Global downturn foreign direct investments by 15% in 2008
- World unemployment about 7.5%, job cut-backs 210 million people
- For 2009, UNCTAD estimated that world trade contracted by 12 %
- Doubts about direction of monetary policies of US/EU
- Value of fiscal stimulus amounted to US\$ 1.6 trillion
- Domino-effect into emerging markets/developing countries
- About 55 million people in developing countries living below poverty line
- Aggravation of global imbalances between rich and poor

Clear signs of a paradigm shift
development crisis - shortcomings of post-liberal capitalism

Looking for remedies to overcome the crisis

- Need to bring back **ethics into economics**
- Not possible to go back to business as usual
- Need better regulation and monitoring mechanisms
- Better **coherence in global financing, trading, monetary policies**
- Coordinated counter-cyclical actions
- Gloomy outlook due to **instability and uncertainty**
- Global cooperation to guide the reform process
- Need to go beyond economics, a **holistic approach**

Interface between economics, technology and culture

Creative responses to stimulate economic recovery

- At the heart of the creative economy are the creative industries
- Interplay of sub-sectors including the most **technology-intensive and services-oriented** such as new media, audiovisuals, digital services etc.
- Every day everywhere in the world individuals consume creative products at home, work as well as in leisure or entertainment
- We listen to music, watch TV, read newspapers, go to cinema, theater use software in the computer, play video-games, read advertisings, etc..

Creative industries stimulate demand, even in times of crisis

Creative Economy Report - 2008

Chapter I: Concept and context of the creative economy

Chapter II: The development dimension

Chapter III: Analysing the creative economy

Chapter IV: Towards evidence-based assessment of the creative economy

Chapter V: International trade in creative goods and services

Chapter VI: The role of intellectual property in the creative economy

Chapter VII: Technology, connectivity and the creative economy

Chapter VIII: Policy strategies for the creative industries

Chapter IX: The international policy framework for creative industries

Chapter X: Lessons learned and policy options

Statistical Annex : World trade of creative goods and services, 1995-2005

Chapter I: Creative Economy

Concepts and definitions : cultural industries, cultural economics, creative industries, creative economy, creative cities, creative clusters, creative class, etc

Major drivers : technology, demand and tourism

Multiple dimensions: economic, social and cultural

Multi-disciplinary nature: need for concerted inter-ministerial policies and dialogue with all stakeholders

The creative economy: a leading sector generating economic growth, employment and trade in the most advanced countries

Evolution of concepts and definitions

Cultural industry : 1947 T. Adorno, Frankfurt School post-war to antagonize: culture x industry; elite x mass culture

Creative industries : 1994 Australia “Creative Nation”
1997 – UK’s Creative Industries Task-Force – broader scope

Creative city: 2000 C. Laundry “The creative city- a toolkit for urban innovation” – creative sector bring vitality to cities

Creative economy: 2001 J. Howkins “Creative Economy – How people make money from ideas” - US\$ 2.2 trillion worldwide

Creative class: 2002 R. Florida “The rise of the creative class”
Almost one third of the work force in the United States. The 3 Ts theory: technology, talent and tolerance

Creative Economy

Is a set of knowledge-based economic activities with cultural value and cross-cutting linkages with the overall economy



Creative Industries

Are tangible goods and intangible services with creative content, economic value and market objectives

Creative Economy

An **evolving concept** based on creative assets and intellectual capital potentially generating socio-economic growth

Embraces **economic, cultural and social aspects** interacting with **technology and tourism objectives**

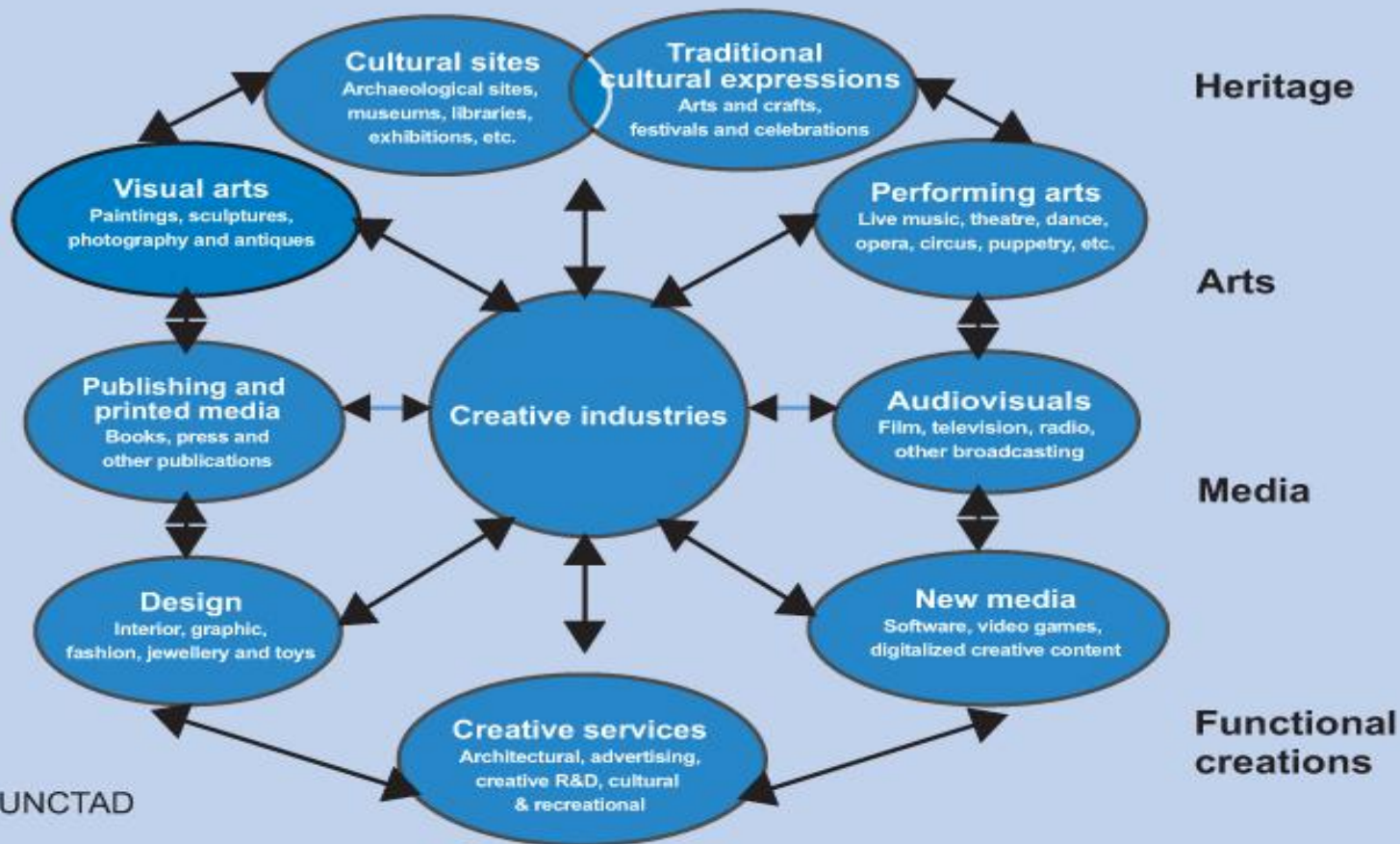
Can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development

Is a feasible policy option to promote **trade and development gains**

UNCTAD Classification

Figure 1.3

UNCTAD classification of creative industries



Creative industries in the developed world

Creative sector in **OECD countries** growing twice as fast as the services sector and **four times** as fast as compared to manufactures

In **Europe** (30 countries) the creative economy generated a turnover of 654 billion euros in 2003, employing nearly **5.5 million people**

Creative industries contribute to output, value added, income and the balance of payments, contributing to between **2 and 6% GDP**

Creative cities concept is revitalizing socio-economic growth in many European cities in this post-industrial era – **Basle ?**

Europe has rich cultural diversity and creative assets “culture-based creativity”. **Multiculturalism stimulate creativity**

Chapter II: The Development Dimension

Millennium Development Goals and poverty reduction

Development linkages: beyond economics - cultural, social and sustainable development

Traditional knowledge, arts and the creative economy

Obstacles to expansion of the creative economy: capital, entrepreneurial skills, infrastructure and institutional tools

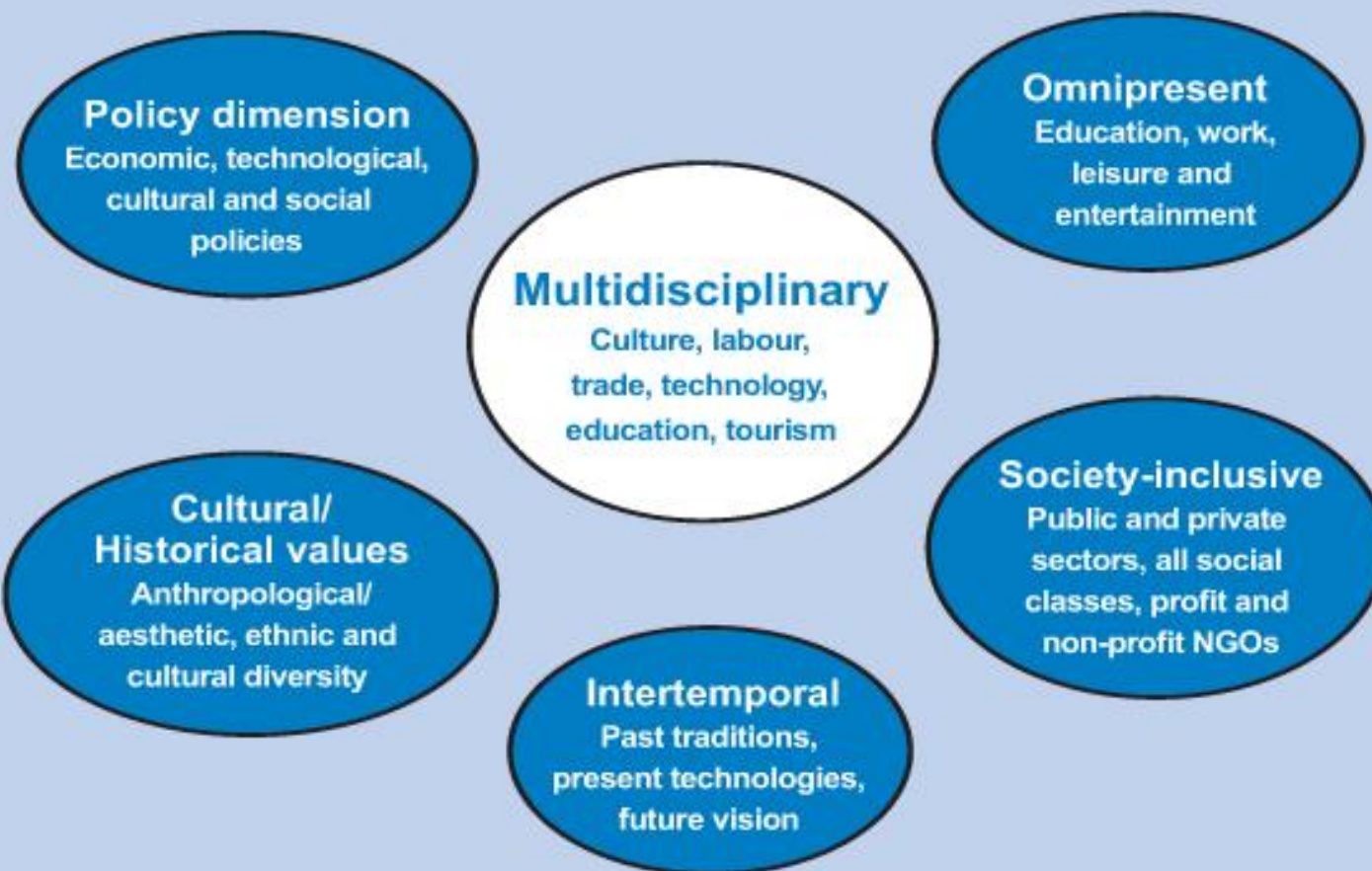
Shaping a model for enhancing the creative economy :
UNCTAD's creative nexus (C-ITET) model

The creative economy in the developing world :Africa's share in global trade of creative goods and services is less than 1%¹⁴

The Development Dimension

Figure 2.1

Development dimension of the creative economy



Source: UNCTAD (Dos Santos, 2006).

Successful creative stories from Europe

The creative cities: London, Berlin, Barcelona

Economics of the museum district of Paris

The Bolshoi: a sublime gift to the world

Eurovision : news exchanges, music festival

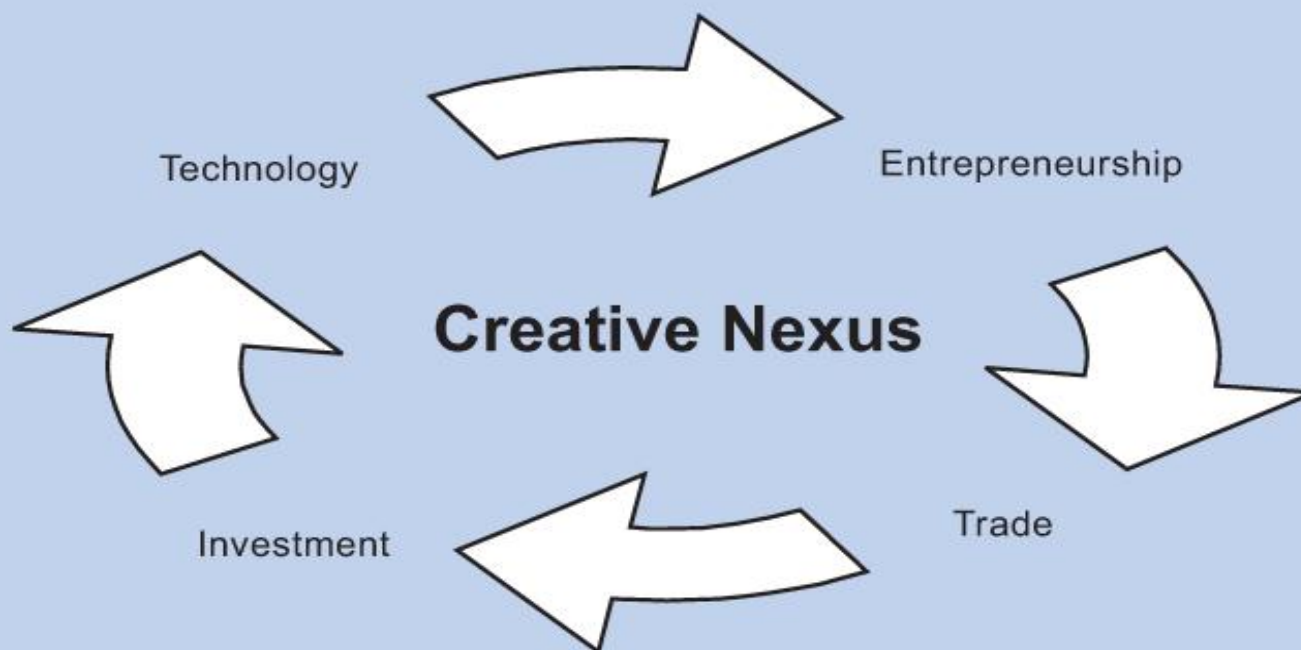
Design as a key ingredient for growth – IKEA

The Creative Nexus

Figure 2.2

The creative nexus: The C-ITET model

C-ITET = Creative ↔ Investment ↔ Technology ↔ Entrepreneurship ↔ Trade



Source: UNCTAD (Dos Santos, 2007).

Chapter III: Analysing the creative economy

Need for systematic analysis, sound methods, reliable statistics as well as qualitative indicators

Organizational structure: predominance of **SMEs** and **few large TNCs** working internationally

Economic analysis: value-chain analysis, **IPRs**, inter-industry and locational analysis, contract theory

Important role : public and quasi-public institutions and individual artists and creative producers

Distribution and competition issues

Chapter IV: Towards an evidence-based assessment of the creative economy

Reliable benchmark: international baseline using trade data

Operational model: universal comparative analysis to all countries

Practical measures: further research, minimal additional costs

Assessment tools: economic evaluation is partial, not exhaustive

Problematic : valuation of culture, technological changes and boundaries between arts, culture and industry

Creative products : relative low value as materials, but real value in intellectual property (blank CD case)

Trade in creative industries is relatively invisible, shadows of IPRs

Chapter V: International trade in creative goods & services - global trends

World trade of creative products annual growth rate of **8.7%** during **2000-2005**, and reached **US\$ 424,4 billion in 2005**

Creative goods totalled US\$ 335,5 billion in 2005, 47% higher than in 2000, as shown in the table

- Developed countries dominated trade with 42% increase during 2000-2005

- New opportunities for all countries to leapfrog in **high growth sectors** of the world economy

Table 5.3

Creative goods: Exports, by economic group and region, 2000 and 2005

Economic group and region	Value (in millions of \$)		Change (%)
	2000	2005	2000-2005
Worldwide	228,695	335,494	47
Developed economies	136,643	194,445	42
Europe	99,201	149,825	51
United States	20,703	25,544	23
Japan	4,803	5,547	15
Canada	10,413	11,377	9
Developing economies	89,827	136,231	52
Asia - South, Eastern, Southeastern	79,316	119,839	51
China	28,474	61,360	115
Western Asia	2,747	5,947	116
Latin America and Caribbean	6,769	8,641	28
Africa	973	1,775	82
LDCs	648	211	-67
SIDS	133	153	15
Economies in transition	2,226	4,818	116

Source: UNCTAD.

Creative economy: leading growth and employment in advanced countries

Europe EU-25, the creative economy has grown **12% faster** than the overall economy

EU led world exports - US\$ 145 billion in 2005 more than **5 million jobs**

Switzerland exports of creative goods increased from **US\$ 4.0 billion in 2000 to US\$ 7.0 billion in 2006**

Italy ranked **first** due to **design products**

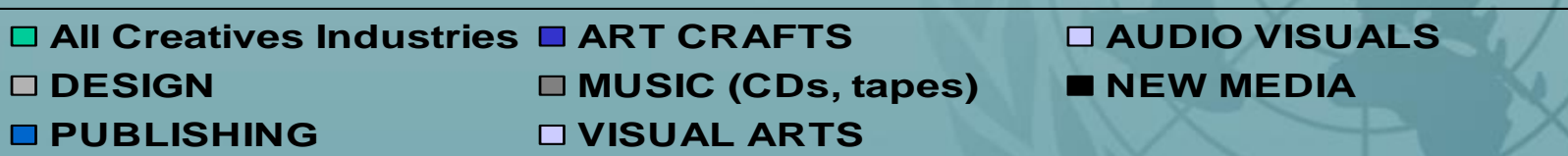
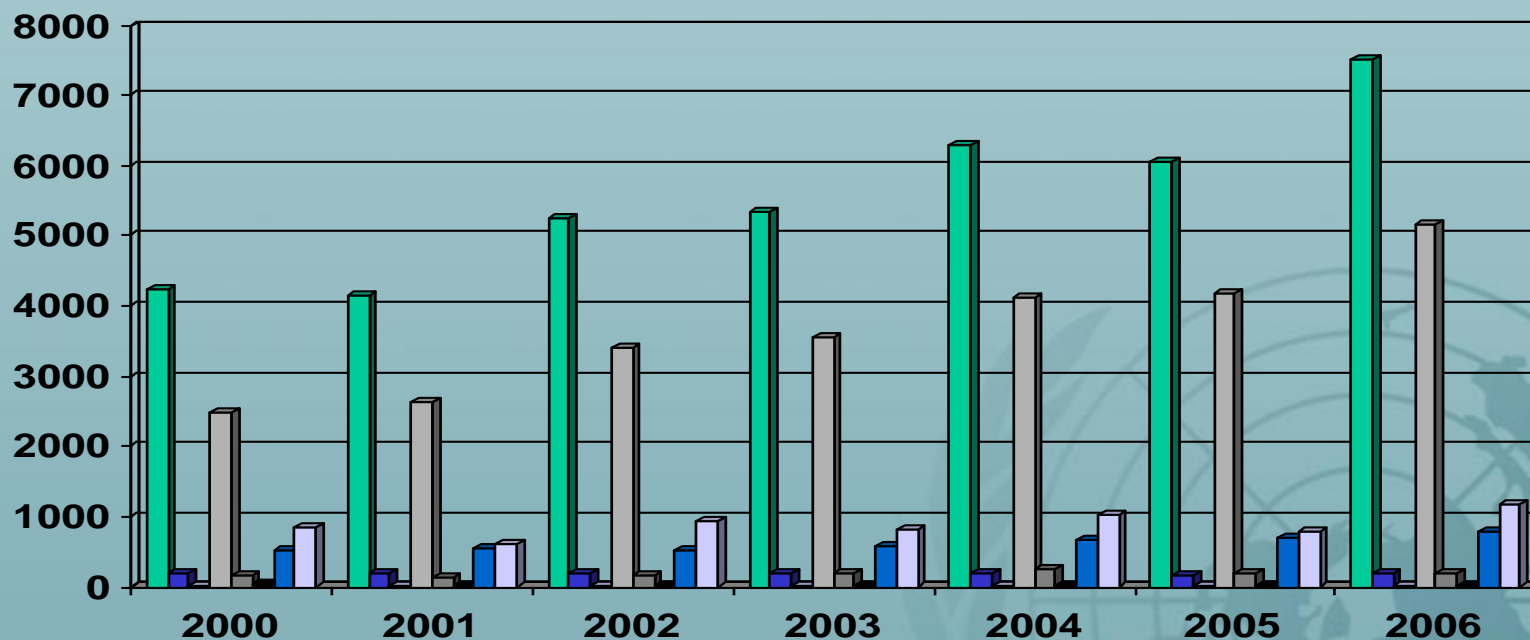
Exports earnings in developed countries increased **42%**, period from **2000 to 2005**

Table 5.7 Creative goods: Top 10 exporters among developed economies, 2005

Rank	Developed economy	Value (in millions of \$) 2005	Market share (%) 2005	Growth rate (%) 2000-2005
1	Italy	28,008	8.35	5.9
2	United States	25,544	7.61	3.6
3	Germany	24,763	7.38	14.2
4	United Kingdom	19,030	5.67	9.8
5	France	17,706	5.28	8.6
6	Canada	11,377	3.39	1.7
7	Belgium	9,343	2.78	-
8	Spain	9,138	2.72	8.1
9	Netherlands	7,250	2.16	9.7
10	Switzerland	6,053	1.80	9.1

Source: UNCTAD.

Switzerland: Exports of creative goods by products (million dollars)



Source: UNCTAD Global Database on creative goods and services

Creative goods and services

A new dynamic sector in world trade

UNCTAD figures show that world exports of :

Design

-US\$ 119.7 billion in 1996

-US\$ 218.1 billion in 2005

Art crafts

- US\$ 14.7 billion in 1996

- US\$ 23.2 billion in 2005

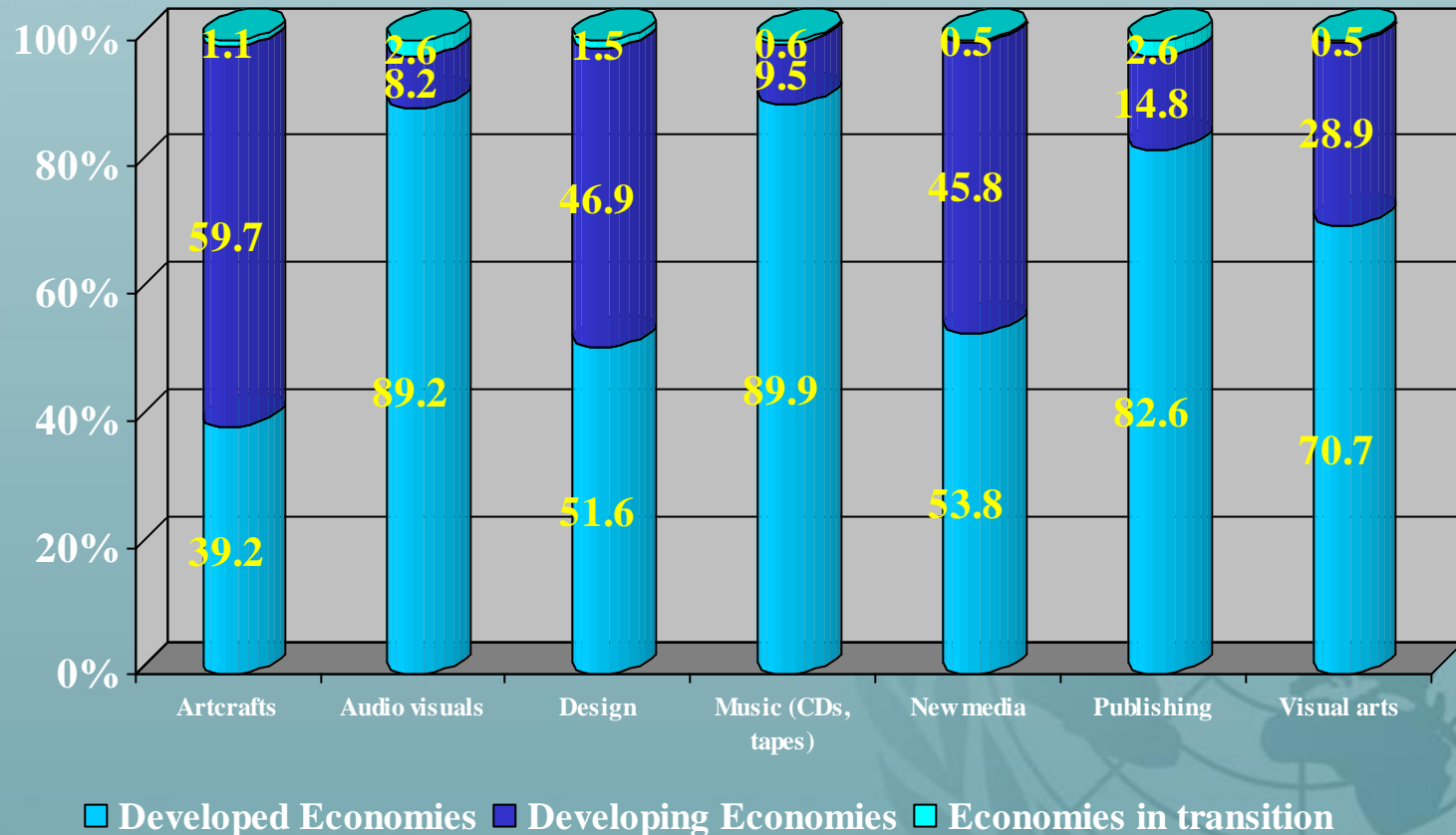
Table 5.26

Reported exports of creative services, 1996, 2000 and 2005
(in billions of \$)

	All creative services	Architectural	Advertising	Audiovisual	R&D	Cultural and recreational	Other cultural
1996	38.2	9.8	5.0	6.3	13.3	10.5	1.0
2000	52.2	17.3	5.1	13.3	9.6	20.7	2.8
2005	88.9	27.7	15.7	17.5	18.0	27.5	3.5

Source: UNCTAD.

Creative industries goods share in world exports - 2005



Chapter VI: Intellectual Property Rights and the creative economy

Intellectual property: **sensitive area** with different approaches and policy options

Copyrights: source of wealth, can be incentive and reward for production and dissemination of creative works

Copyrights x Copy left

Open sources – Collaborative creativity

Copyright and new technologies: the “internet treaties”

IPR legislation needs revision, outdated

Table 6.1

Some results of the surveys based on the WIPO Guide¹²

Country	Creative industries contribution to GDP (%)	Creative industries % of employment
United States	11.12	8.49
Singapore	5.70	5.80
Canada	4.50	5.55
Latvia	4.00	4.50
Hungary	6.67	7.10
Philippines	4.92	11.10
Russian Federation	6.06	7.30
Mexico	4.77	11.01
Croatia	4.42	4.23
Lebanon	4.75	4.49
Jamaica	5.10	3.03
Bulgaria	3.42	4.31

Source: WIPO.

Chapter VII: Connectivity and the creative industries

ICTs impact : changes in marketing & distribution and stimulus for creative content

Digitization: EU the highest rate of internet and broadband

Convergence : new business models, markets structures and governance

Impact across the production chain: from conception to access to markets /audience

EU Lisbon Agenda - 2010

Looking into the future

Table 7.3

Internet penetration, by regional economic group, 2002-2006

	Internet users per 100 inhabitants				(Change %)	
	2002	2003	2004	2005	2005-2006	2006
World	10.0	11.4	13.6	15.6	10.9	17.3
Developed economies	42.0	44.7	51.3	54.8	6.3	58.2
Asia	45.0	46.8	60.2	64.6	2.6	66.3
Europe	32.2	36.2	40.4	43.3	10.4	47.8
North America	54.1	55.1	62.4	66.0	3.7	68.4
Oceania	52.6	56.3	64.2	70.0	8.1	75.7
Developing economies	4.2	5.3	6.6	8.4	16.1	9.7
Africa	1.3	1.8	2.6	3.7	27.3	4.7
Asia	4.3	5.5	6.8	8.4	14.8	9.6
Latin America and the Caribbean	8.2	9.8	11.6	16.0	17.1	18.8
Oceania	2.8	3.2	3.6	4.0	10.1	4.4
Economies in transition	4.1	7.3	11.1	13.0	25.6	16.3

Source: UNCTAD calculations based on the ITU World Telecommunication Indicators Database, 2006, in UNCTAD *Information Economy Report 2006*.

Chapter VIII: Policy strategies for the creative industries

The role of public policies : government as facilitator

The policy process : objectives, tools, implementation

Policy directions : strategic cross-cutting actions

Target measures for enhancing creative capacities

Tailor policy action at local, national and global levels

Chapter IX: The international policy framework

UNCTAD : Introduced the creative economy into the economic and development agenda, agreement by 153 countries in 2004.
Mandates to promote trade and development : (i) consensus-building (ii) policy-oriented analysis and (iii) technical cooperation

UNESCO : Implementation Convention on Cultural Diversity, 2005

WIPO Development Agenda: IPR interests of developing countries

UNDP : Engaging developing countries in the creative economy by promoting South-South cooperation

ITC : Creating business opportunities for creative industries

Multilateral Trade Negotiations

WTO Doha Round launched in 2001 remains inconclusive
Several issues relevant for trade policy of creative/cultural goods and services

GATS : market access in cultural services including **audiovisuals**
Mode 4 - free circulation of artists and creative professionals - visas

TRIPs: **trade of copyrightable and non-copyrightable** items such as those originating from traditional knowledge, **technology transfer** etc

TRIMS, investments, **competition** policies, and trade efficiency

Other legal provisions such as free trade and **regional trade agreements**, economic partnerships agreements (EPAs) , customs unions

Chapter X: Lessons learned and policy options

Lessons Learned :

Creative economy calls for multi-disciplinary and concerted inter-ministerial policies

World exports of creative goods and services increased by 8.7% during 2000-2005. One of the most dynamic sectors of the world economy

ICTs and IPRs are key drivers of the creative economy

Technology offers opportunities for SMEs: new distribution channels for creative content, innovative business models

The creative economy strengthens the links between creativity, culture, technology and economic development

Major findings

No common definition of the creative economy
nor a unique classification of the creative industries

There is **no one-fits-all recipe** but **flexible and strategic choices** to be made by national governments

Creative industries offers new venues for countries to leapfrog into high-growth areas of the world economy

Need to reconcile **national policies** for the creative economy with on-going multilateral processes

The Way Ahead

- **Redefining priorities:** EU creative policy for social and economic renewal –2009 – European Year of Creativity and Innovation
EU Green-paper : Unlocking the potential of creative industries
- **The role of international cooperation:** UN can assist governments to better grasp the dynamics of the creative economy and identify areas for possible policy action
- The **“Creative Economy Report”** paved the way for enhanced cooperation at both national and international levels
- Updated version **Creative Economy Report - 2010**

**The creative economy
has the potential to generate
income and jobs
while promoting social inclusion,
cultural diversity
and human development**

Thank you for your attention

Reproduction authorized with acknowledgement UNCTAD (E. dos Santos)