

- Foreword
- Acknowledgements
- Overview
- Lessons learned and policy options



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## Summary

# Creative Economy Report 2008

The challenge of assessing the creative economy:  
towards informed policy-making

- Full report on CD enclosed

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## Résumé

# Rapport sur l'économie créative 2008

Le défi d'évaluer l'économie créative:  
vers une politique éclairée

- Rapport complet sur le CD adjoint

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## Resumen

# Informe sobre la economía creativa 2008

El desafío de evaluar la economía creativa:  
hacia la formulación de políticas públicas informadas

- Informe completo en el CD adjunto
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Le présent rapport est le résultat d'un effort concerté d'une équipe dirigée par la CNUCED et l'Unité spéciale pour la coopération Sud-Sud du PNUD comprenant des spécialistes travaillant dans les institutions coopérantes de l'ONU – CNUCED, PNUD, UNESCO, OMPI et CCI – ainsi que des consultants internationaux.

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## Foreword

The world economy has clearly seen an extraordinary expansion in the past five years. This expansion has been more broadly based than ever before, allowing many developing countries to benefit from it. Even some of the least developed countries have been able to generate average annual GDP growth of more than 5 per cent, representing significant progress over that made in the 1990s. Nevertheless, this path of economic growth has not yet been sufficient to ensure the welfare and decent living standards for the large majority of people in the developing world. Despite efforts to diversify their economies, 86 of 144 developing countries still depend on commodities for more than half their export earnings. Prevailing development strategies have yet to succeed in generating expected levels of socio-economic development for these countries. The challenge is to find feasible development options that take into account their specific realities and in particular their scarcity of skilled labour, lack of basic infrastructure and very low levels of foreign direct investment. How to promote development that is both sustainable and inclusive?

As economic models do not function in isolation, the time has come to go beyond economics and look for a more holistic development approach that considers their different cultural identities, economic aspirations, social disparities and technological disadvantages. Development strategies also must be

updated in order to cope with the far-reaching cultural and technological shifts under way in our society. The world needs to adapt to this new environment by bringing issues relating to culture and technology into the mainstream of economic development thinking. Achieving the Millennium Development Goals calls for dealing with cross-cutting development issues by introducing concerted multidisciplinary policies and reinforcing policy coherence at the national and international levels.

Globalization and connectivity are new realities that have brought profound changes in lifestyles worldwide. This is reshaping the overall pattern of cultural production, consumption and trade in a world increasingly filled with images, sounds, texts and symbols. There is a clear need to better grasp the complex interactions among the economic, cultural, technological and social aspects guiding the dynamics of the world economy and the way people live in the twenty-first century. In this era of transformation, creativity and knowledge are fast becoming powerful means of fostering development gains.

In this context, the interface among creativity, culture, economics and technology, as expressed in the ability to create and circulate intellectual capital, has the potential to generate income, jobs and export earnings while at the same time promoting social inclusion, cultural diversity and human devel-

opment. This is what the emerging creative economy has already begun to do as a leading component of economic growth, employment, trade, innovation and social cohesion in most advanced economies. The creative economy also seems to be a feasible option for developing countries. If effective public policies are in place, the creative economy generates cross-cutting linkages with the overall economy at macro and micro levels. It thus fosters a development dimension, offering new opportunities for developing countries to leapfrog into emerging high-growth areas of the world economy.

**This Report provides empirical evidence that the creative industries are among the most dynamic emerging sectors in world trade**

This study is the first to present the perspectives of the United Nations on this exciting new topic. The creative economy is an evolving concept centred on the dynamics of the creative industries. There is no single definition of the creative economy nor is there a consensus as to the set of knowledge-based economic activities on which the creative industries are based. There is no one-size-fits-all recipe but rather, flexible and strategic choices to be made by national governments in order to optimize the benefits of their creative economies for development.

At the heart of the creative economy lie the creative industries. Loosely defined, the creative industries are at the crossroads of the arts, culture, business and technology. In other words, they comprise the cycle of creation, production

and distribution of goods and services that use intellectual capital as their primary input. Today's creative industries involve the interplay of traditional, technology-intensive and service-oriented subsectors. They range from folk art, festivals, music, books, paintings and performing arts to more technology-intensive subsectors such as the film industry, broadcasting, digital animation and video games, and more service-oriented fields such as architectural and advertising services. All these activities are intensive in creative skills and can generate income through trade and intellectual property rights.

This Report provides empirical evidence that the creative industries are among the most dynamic emerging sectors in world trade. Over the period 2000-2005, trade in creative goods and services increased at an unprecedented average annual rate of 8.7 per cent. World exports of creative products were valued at \$424.4 billion in 2005 as compared to \$227.5 billion in 1996, according to preliminary UNCTAD figures. Creative services in particular enjoyed rapid export growth – 8.8 per cent annually between 1996 and 2005. This positive trend occurred in all regions and groups of countries and is expected to continue into the next decade, assuming that the global demand for creative goods and services continues to rise.

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

It is clear that developed countries still dominate the global market for creative prod-

**The large majority of developing countries are not yet able to harness their creative capacities for development**

ucts. Nonetheless, many developing-country products are already benefiting from the creative industry boom, particularly in Asia. Unfortunately, however, the large majority of developing countries are not yet able to harness their creative capacities for development. In Africa, for instance, despite the abundance of creative talents, the creative potential remains highly underutilized. The continent's share in global trade of creative products remains marginal at less than 1 per cent of world exports despite sharp increases. As is the case for other developing regions, this is a reflection of both domestic policy weaknesses and global systemic biases.

The policy-oriented analysis presented in this Report represents an initial contribution to developing a better understanding of the key issues underlying the creative economy

and its development dimension. The Report addresses the challenge of assessing the creative economy with a view to informed policy-making by outlining the conceptual, institutional and policy framework in which this economy is flourishing. Given the multifaceted nature of the creative economy, strategic choices for concerted interministerial policy action are crucial. The important implications of multilateral processes in shaping policies for the creative economy also warrant consideration.

This Report is an example of cooperation inside the United Nations system, comprising contributions from five international organizations: UNCTAD, UNDP via its Special Unit for South-South Cooperation, UNESCO, WIPO and ITC. It is a joint endeavour that builds on complementarities in order to enhance the effectiveness of international cooperation and policy coherence in this innovative field. The creative economy is producing new opportunities for both developed and developing countries, but the challenges ahead should not be underestimated.



**Supachai Panitchpakdi**  
Secretary-General  
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**Kemal Dervis**  
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The Partnership expresses its sincere gratitude to Yiping Zhou, Director, UNDP Special Unit for South-South Cooperation, for his deep support to this initiative. Without his vision and commitment, this work would not have materialized.

The Report was prepared under the leadership of UNCTAD and is a pioneering example of multi-agency cooperation reflecting the work of the United Nations Multi-Agency Informal Group on Creative Industries in an effort to build upon complementarities and enhance policy coherence on matters relating to the creative industries and the creative economy. It is the first report to present the United Nations system-wide perspective on this innovative topic and it brings together contributions from five collaborating bodies: the United Nations Conference on Trade and Development (UNCTAD), the

United Nations Development Programme (UNDP) Special Unit for South-South Cooperation, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Intellectual Property Organization (WIPO) and the International Trade Centre (ITC).

The research and policy-oriented analysis were carried out under the overall guidance of Edna dos Santos-Duisenberg. The Report greatly benefited from the invaluable academic insights from Dr. David Throsby from Macquarie University, Sydney, and Dr. Andrew Pratt from the London School of Economics, to whom the team expresses its deep gratitude. The Multi-Agency Group acknowledges and thanks the contribution of the following team of international consultants who provided inputs for various chapters: Avril Joffé, Pernille Askerud, Ana Carla Fonseca Reis, David Diaz-Benevides and Sylvia Amaya Londoño.

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## Overview

*The Creative Economy Report 2008* is the first study to present the United Nations perspective on this emerging topic. It is an initiative of the partnership between UNCTAD and the UNDP Special Unit for South-South Cooperation. Furthermore, it is a pioneer example of the work being undertaken by the Multi-Agency Informal Dialogue Group on Creative Industries.<sup>1</sup> It brings together contributions from five relevant United Nations bodies: UNCTAD, UNDP, UNESCO, WIPO and ITC. This collective effort not only contributes to building synergy and exploring complementarities but also is an effective way to advance policy coherence and enhance the impact of international actions in the area of the creative economy and creative industries.

## Creativity, culture and economic development

In the contemporary world, a new development paradigm is emerging that links the economy and culture, embracing economic, cultural, technological and social aspects of development at both the macro and micro levels. Central to the new paradigm is the fact that creativity, knowledge and access to information are increasingly recognized as powerful engines driving economic growth and promot-

ing development in a globalizing world. “Creativity” in this context refers to the formulation of new ideas and to the application of these ideas to produce original works of art and cultural products, functional creations, scientific inventions and technological innovations. There is thus an economic aspect to creativity, observable in the way it contributes to entrepreneurship, fosters innovation, enhances productivity and promotes economic growth.

Creativity is found in all societies and countries – rich or poor, large or small, advanced or developing. The word “creativity” is associated with originality, imagination,

**Creativity, knowledge and access to information are recognized as powerful drivers of development**

<sup>1</sup>This Group was set up by the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) in 2004 in the context of preparations for the High-level Panel on Creative Industries and Development, held during the UNCTAD XI Ministerial Conference. UNCTAD, as chair of the Group, convenes two meetings a year in Geneva. The work of the Group has been revitalized with a view to promoting concerted international actions and joint initiatives by the United Nations family so as to enhance the contribution of the creative economy to development.

inspiration, ingenuity and inventiveness. It is an inner characteristic of individuals to be imaginative and express ideas; associated with knowledge, these ideas are the essence of intellectual capital. Similarly, every society has its stock of intangible cultural capital articulated by people's identity and values. Civilizations since time immemorial have been aware of these concepts. However, the twenty-first century has seen a growing understanding of the interface between creativity, culture and economics, the rationale behind the emerging concept of the "creative economy".

### The creative economy calls for informed policy responses

The concept of the "creative economy" is an evolving one that is gaining ground in contemporary thinking about economic development. It entails a shift from the conventional models towards a multidisciplinary model dealing with the interface between economics, culture and technology and centred on the predominance of services and creative content. Given its multidisciplinary structure, the creative economy offers a feasible option as part of a results-oriented development strategy for developing countries. It calls for the adoption of effective cross-cutting mechanisms and innovative interministerial policy action.<sup>2</sup>

For some people, the "creative economy" is a holistic concept dealing with complex interactions between culture, economics and technology in the contemporary globalized world that is dominated by symbols, texts,

### The creative industries are at the heart of the creative economy

sounds and images. Others are more skeptical about this fashionable label, voicing concerns about its overstated importance and the way it may exacerbate cultural and technological divisions. Against this background, the creative economy has become a topical issue of the international economic and development agenda, calling for informed policy responses in both developed and developing countries.

There is no unique definition of the "creative economy". It is a subjective concept that is still being shaped. There is, however, growing convergence on a core group of activities and their interactions both in individual countries and at the international level.

The present Report adopts the UNCTAD definition of the "creative economy", which can be summarized as follows:

- The creative economy is an evolving concept based on creative assets potentially generating economic growth and development;
- It can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development;
- It embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives;
- It is a set of knowledge-based economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy;

<sup>2</sup> UNCTAD Statement at the Second Meeting of the Ministers of Culture of the African, Caribbean and Pacific (ACP) Group of States, Santo Domingo, Dominican Republic, October 2006.

- It is a feasible development option calling for innovative multidisciplinary policy responses and interministerial action;
- At the heart of the creative economy are the creative industries.<sup>3</sup>

“Creative industries” can be defined as the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs. They comprise a set of knowledge-based activities that produce tangible goods and intangible intellectual or artistic services with creative content, economic value and market objectives.<sup>4</sup> Creative industries constitute a vast and heterogeneous field dealing with the interplay of various creative activities ranging from traditional arts and crafts, publishing, music, and visual and performing arts to more technology-intensive and services-oriented groups of activities such as film, television and radio broadcasting, new media and design. The creative sector has a flexible and modular market structure that ranges from independent artists and small-business enterprises at one extreme to some of the world’s largest conglomerates at the other.

Today, creative industries are among the most dynamic sectors in world trade. Over the period 2000-2005, international trade in creative goods and services experienced an unprecedented average annual growth rate of 8.7 per cent. The value of world exports of creative goods and services reached \$424.4 billion in 2005, representing 3.4 per cent of total world trade, according to UNCTAD. Nowadays in the most advanced countries, the

creative industries are emerging as a strategic choice for reinvigorating economic growth, employment and social cohesion. The so-called “creative cities” are proliferating in Europe and North America, revitalizing the economy of urban centres through cultural and social developments offering attractive jobs, particularly to young people. The turnover of the European creative industries amounted to 654 billion euros in 2003, growing 12.3 per cent faster than the overall economy of the European Union and employing over 5.6 million people.<sup>5</sup>

A significant finding of the present study is the evidence that some developing countries, mainly in Asia, have started benefiting from the dynamism of the global creative economy and are putting in place tailored cross-cutting policies to enhance their creative industries. China, which is leading this process, became the world’s leading producer and exporter of value-added creative products in 2005. Nevertheless, the large majority of developing countries are not yet able to harness their creative capacities for development gains. The obstacles preventing these developing countries from enhancing their creative economies are a combination of domestic

**The creative industries account for 3.4 per cent of total world trade, with exports reaching \$424.4 billion in 2005 and an average annual growth rate of 8.7 per cent during 2000-2005**

<sup>3</sup> Definition by the UNCTAD Creative Economy and Industries Programme, 2005.

<sup>4</sup> UNCTAD definition further elaborated in chapter 1.

<sup>5</sup> See *Economy of Culture in Europe*, study prepared for the European Commission by KEA, European Affairs, Brussels, 2006.

policy weaknesses and global systemic biases, issues addressed in the analysis of this Report.

Another important conclusion of this study is that developing-country exports of related creative goods (including computers, cameras, television sets, and broadcasting and audiovisual equipment) increased rapidly over the period 1996-2005 from \$51 billion to \$274 billion.<sup>6</sup> This spectacular growth is indicative of the catching-up strategies being pursued in a number of developing countries to increase their capacities to supply value-

**The large majority of developing countries are not yet able to harness their creative capacities**

added products to global markets. It also reaffirms the continually expanding demand for creative products that rely on these related industries for their distribution and consumption. This ever-increasing demand is further confirmation of the potential of the creative economy to contribute to economic growth.

## The development dimension

The development dimension of the creative economy is the guiding principle of this Report. Developing countries can further integrate into the global economy by nurturing their creative capacities and enhancing the competitiveness of their creative goods and services in world markets, provided that appropriate public policies are in place at the national level and market imbalances can be redressed at the international level. In this respect, support for domestic creative industries should be seen as an integral part of the promotion and protection of cultural diversity. Moreover, such diversity, because it is a global public good, needs to be fully supported by the international community.<sup>7</sup>

With the increasing knowledge intensity of the contemporary economy and the need for innovation to maintain competitive advantage, it has become imperative for countries to

tap into their vast reserves of creativity. This has been made easier by rapid advances in information and communication technologies (ICTs), which are progressively linking countries and regions worldwide. Opportunities are thus created for developing countries to access global markets for the products of their creativity and cultural diversity in a way not previously possible – and to do so directly, without intermediaries. Nonetheless, the challenges are immense and should not be underestimated.

Despite the richness of their cultural diversity and the abundance of creative talent, the great majority of developing countries are not yet fully benefiting from the enormous potential of their creative economies to improve development gains.<sup>8</sup> These countries have been facing domestic and international obstacles that need to be fully understood and overcome

<sup>6</sup> See also chapter 5.

<sup>7</sup> See *Summary of High-level Panel on Creative Industries* (document TD/L.379, 16 June 2004).

<sup>8</sup> Statement of the Secretary-General of UNCTAD at the World Knowledge Forum, Seoul, Republic of Korea, October 2006.

through cross-cutting institutional mechanisms and multidisciplinary policies. In this scenario, development strategies must be updated to cope with the far-reaching cultural, economic and technological shifts that are reshaping society.

**Africa's share in global trade of creative products remains marginal at less than 1 per cent of world exports**

There is, for example, widespread recognition of the significance of tourism for development.<sup>9</sup> In the present Report, a preliminary attempt is made to investigate the link between tourism and the creative industries, addressing the question as to whether the demand for creative goods and services by tourists supports the development of the creative economy. From the perspective of the creative economy elaborated in this Report, measures need to be taken to ensure that creative workers can reap the benefits from the increasing demand by tourists for creative products.

The role of culture in development has been analysed in the *Human Development Report 2004* published for UNDP.<sup>10</sup> The present Report aims to build on the normative debate about culture and development by adding the economic dimension of the creative economy to the consideration of the development process. In so doing, it raises the question of the precise relationship between human expression and social and economic instrumentalism. The Report raises this issue as an

essential matter that must be taken into account in policy-making.

Overall, this study is a first attempt to present a broader perspective on the potential of the creative economy to assist developing countries to leapfrog into new high-growth creative sectors. Development strategies aimed in this direction are consistent with the achievement of the Millennium Development Goals (MDGs). As is well known, these goals represent the commitment of the international community to engage in the global development agenda in the coming years. There are eight goals with specific time-bound targets to be reached by 2015, the first and most important of which aims at the eradication of extreme poverty and hunger. The MDGs address development challenges not as a separate but as an inherent part of the global economy and societies. The full realization of these goals necessitates innovative and cross-sectoral approaches to development and the serious consideration of issues such as culture, environment and social development. The achievement of the MDGs demands a holistic and multisectoral approach that goes beyond economics and includes cultural and social frameworks; the creative economy reflects such an approach.

**The achievement of the MDGs demands a holistic and multisectoral approach that includes cultural and social frameworks**

<sup>9</sup> Tourism, Culture and Sustainable Development (United Nations Educational, Scientific and Cultural Organization (UNESCO), 2006); *World Tourism Barometer* (United Nations World Tourism Organization (UNWTO), 2007); and Outcome of Pre-UNCTAD XI High-Level International Meeting of Experts on Sustainable Tourism for Development (UNCTAD document TD(XI)/PC/6, 18 March 2004).

<sup>10</sup> *Human Development Report 2004: Cultural Liberty in Today's Diverse World*, published for the United Nations Development Programme (UNDP) and for which Professor Amartya Sen developed the conceptual framework.

## Scope of this report

The main purpose of this Report is to provide the conceptual and policy framework for understanding the creative economy, with a view to identifying analytical tools conducive to informed policy-making. The Report introduces the concept of the “creative economy”, reviews definitions, recognizes characteristics and identifies parameters to assist in measuring the impact of the creative economy at the national and international levels. The objective is to propose a shared vision and a policy-oriented research agenda that reflects current economic thinking and enables comparative analysis as the basis for national and international policy formulation.

The Report takes stock of ongoing research being carried out in different parts of the world for mapping the overall impact of the creative economy at the national and international levels. Rather than prescribing a single model for mapping the creative economy in developing countries, it sheds light on possible alternatives, pointing, however, to the limitations of certain methodologies and current gaps in statistics and quantitative analytical tools. Nevertheless, it suggests some elements to facilitate comparability across creative industries within and among countries. The purpose is to present a comprehensive analysis and pave the way for the introduction of parameters for assessing national creative economies worldwide, emphasizing the importance of international trade in the development process.

Despite the limitations of economic and social indicators, this Report takes the

first step in using available official data to trace the global and regional trade flows of creative products and services for the period 1996-2005, examining the main trends and identifying the key players in major markets. It presents an analysis of the value chain and the market structure of creative industries, concluding that the oligopolistic nature of marketing and distribution inhibits the competitiveness of creative goods and services from developing countries in the global trading system. It draws attention to the difficulties in quantifying intangible values and the constraints to capturing the real impact of international trade in creative goods and services in the world economy. This Report emphasizes the need to improve market transparency, particularly in the most technology-intensive and services-oriented sectors such as audiovisuals and new media. It also examines the scope for reinforcing South-South as well as North-

**Rather than prescribing a single model for mapping the creative economy, this Report analyses alternatives and suggests an extensible model based on trade flows**

South trade and cooperation.

This Report recognizes the growing role of intellectual property rights (IPRs) as a tool with which to generate earnings from creative industries. The need to improve awareness and to reinforce the effectiveness of intellectual property regimes is highlighted. Nevertheless, the Report also recognizes the asymmetries



existing in the current regime and stresses the need to review the enforcement of some policy instruments with a view to ensuring that the interests of developing countries are properly taken into account. Issues relating to traditional knowledge, cultural expressions and public domain are also discussed in the light of

**Intellectual property rights are increasingly more important as a tool for capitalizing on the creative industries**

progress made in the work of the World Intellectual Property Organization (WIPO).

The Report also presents an analysis of the phenomenon of connectivity and its influence on world patterns of production, consumption and trade in tangible and intangible creative products. The importance of ICT tools and the new business models with new forms of marketing and distribution of creative content in the digital era are discussed. Technology plays a key role in the creative economy not only as the essence of creative sectors such as audiovisuals and new media but also as the means by which to access and circulate digitized content in today's interactive multimedia environment.

The importance of international policies and global processes in shaping the emerging creative economy is also examined. This Report addresses the issue of the relevance of multilateral processes such as the Development Agendas of WIPO and the

World Trade Organization (WTO) as well as the entering into force of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and their implications for the creative industries and the creative economy. Attention is also given to greater mobilization of developing countries by the Member States of the Group of 77 (G-77)<sup>11</sup> in order to promote the creative economy as a tool for development and by the inter-agency cooperation promoted by UNDP through its Special Unit for South-South Cooperation.<sup>12</sup> This Report presents an overview of the most influential intergovernmental decisions of relevance to the creative economy. The purpose is to explore the policy framework surrounding the creative economy, with a view to identifying policy options to strengthen and integrate local creative

**Technology plays a key role in the creative economy for content production and distribution**

industries into national and international development strategies and global markets.

Given the multiplicity of approaches, the conclusion is reached that at this stage, there is no consensual model of the optimum package of policies towards the creative industries. Nevertheless, individual countries are encouraged to make some strategic choices of cross-cutting public policies in order to strengthen their creative economies. Due account should be taken of the specificities of their cultural identities and the competitive advantages of

<sup>11</sup>Message from the Chairman of the G-77 at the International Forum on the Creative Economy for Development held in Rio de Janeiro, Brazil, on 26 November 2006: <http://www.g77.org/Speeches/112606.html>

<sup>12</sup>Statements of the Administrator of UNDP and the Director-General of UNESCO at the 2005 United Nations Day for South-South Cooperation that focused on "Celebrating the Global South: Diversity and Creativity": <http://tedc.undp.org/UNDAY/unday2-admin-stmt.pdf> and [http://portal.unesco.org/culture/es/ev.php-URL\\_ID=29653&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/culture/es/ev.php-URL_ID=29653&URL_DO=DO_TOPIC&URL_SECTION=201.html)



**Countries are encouraged to make some strategic choices to strengthen their creative economies**

particular creative industries. Illustrative cases and successful practices being carried out in different countries are featured in the Report as evidence of the sorts of opportunities available in different parts of the world.

In summary, this Report aims to assist developing countries to harness their creative economies and to maximize development gains by recognizing the creative economy as a feasible option for linking economic, technological, social and cultural development objectives in a globalizing world. It does this by:

- discussing concepts, methods and the structure of the creative economy;
- sharing evidence-based analysis confirming that the creative industries constitute a new dynamic sector in international trade; and
- suggesting directions for policy strategies.

The Report recognizes that creativity and human talent, more than traditional production factors such as labour and capital, are fast becoming powerful engines of sustainable development. Developing countries around the world can find ways to optimize the potential of the creative economy for generating socio-economic growth, job creation and export earnings while at the same time promoting social inclusion, cultural diversity and human development.

## Lessons learned and policy options

Countries in both the developing and the developed world are enormously rich in cultural diversity and creative talent. Their traditions provide a unique heritage of music, craft, visual art, rituals, dance, performance, story-telling and cultural practice. All of these manifestations of local and national cultures are assets, representing the indisputable cultural capital, both tangible and intangible, on which the lives of the community are founded. These assets can, in turn, give rise to a complex array of creative products – goods and services (both commercial and non-commercial) with cultural content that are expressions of the creativity and talent of the people.

In addition to their role as essential expressions of local, national and regional cultures, however, these creative products and activities have real potential to generate economic and social gains. The production and distribution of creative goods and services can yield income, employment and trade opportunities, promote growth and development, and foster social cohesion and community interaction. Globalization and the rapid uptake of new ICTs have opened up huge possibilities for the commercial development of creative products. Indeed, it is the adoption of new technology and a focus on market expansion

that are distinguishing characteristics of the creative industries as dynamic sectors in the economies of the industrialized world.

How are these trends reflected in the experience of developing countries? Some parts of the developing world, notably in Asia, are enjoying strong growth in their creative sectors. Evidence assembled in this Report indicates the importance of growth in trade in creative goods and services as indicators of the strength of the creative industries in these countries. In the ten years to 2005, world exports of creative goods and services grew at annual rates of 6.1 and 9.1 per cent, respectively, with growth rates in developing countries as a whole exceeding those in developed countries. These results provide some hint of the potential for further expansion of their value-added creative exports that awaits developing countries.

Yet there is a paradox in the world today: despite the richness of their creativity and the abundance of their cultural resources, many developing countries are failing to take advantage of the potential for development of their creative industries. For a variety of reasons, the possibilities for using these industries to generate increased output, exports and employment remain under-exploited, and

opportunities for achieving genuine development gains through growth in the creative economy are being missed. These problems have arisen because of a range of difficulties confronting countries in the developing world in this area, including:

- the lack of a clear framework for understanding and analysing the creative economy as a basis for informed, evidence-based policy-making;
- a lack of data about the performance of the creative economy upon which sound development strategies can be based;
- the unusual organizational characteristics of the creative economy that call for country-specific rather than generic policies;
- the lack of institutional capacity to support development of the creative industries in the developing world, particularly in the protection and enforcement of intellectual property rights; and
- the fact that the developed world has enormous “first-mover” advantages in the field of creative goods and services, making it more difficult for developing countries to compete in global markets for these products.

How do these considerations relate to culture? From a policy viewpoint, the main aspect of culture that has been stressed in instrumental policy terms has been its role in

empowerment and social cohesion. This Report seeks to extend understanding of the importance of culture by pointing to the additional (and sometimes separate) role of culture in economic development that operates alongside the core notion of “culture” in terms of values and identity. It points to the complex interaction of formal and informal, commercial and non-commercial, instrumental and intrinsic notions of “culture” in the process of development and demonstrates how cultural and economic development can be understood as a holistic process when interpreted in terms of the creative industries. Based on this understanding as well as on a sound evidence base, the Report advocates a renewed concern with culture and creativity in development. However, this concern must be one that relies on multi-agency action and multidisciplinary expertise.

This Report has set out to take a first step towards clarifying the basic concepts necessary for a proper understanding of the creative economy, putting forward objective evidence, providing some analytical tools and suggesting directions for policy action. In establishing some understanding of the nature and form of the creative economy, however, the Report also stresses that it is only a beginning, an initial step towards a more robust and comprehensive analysis of the creative economy.

## Major findings

### Definitions and concepts

Definitions of the “creative economy” may vary, but it is generally agreed that at the heart of the creative economy lie the creative industries. There is no single agreed definition

of the “creative economy” or the “creative industries” although clearly, they embrace the concept of “creativity” as an essential characteristic. In the contemporary world, creativity is often referred to as a key resource in the

knowledge economy, leading to innovation and technological change and conferring competitive advantage on businesses and national economies. The association of creativity with commodities gives rise to a class of products known as “creative goods and services”, of which, many believe, “cultural goods and services” constitute a subset formed by products with artistic or cultural as well as creative content. This in turn enables the definition of “creative and cultural industries” as those industries producing creative and cultural goods, respectively. Different models of the creative economy have different ways of identifying and classifying the creative industries, though for the purposes of this Report, the following groups of industries are included:

- cultural heritage;
- visual and performing arts;
- audiovisual industries;
- publishing and printed media;
- new media;
- design; and
- creative services, including advertising and architecture.

This Report seeks to establish a realistic benchmark of definitions of the “creative economy”. A future objective must be the generation of a robust classification system that is not dictated simply by statistical convenience or availability but rather is based on an understanding of what evidence is required to develop policy.

## Cross-cutting linkages

The “creative economy” is a multidimensional concept with linkages to a number of different sectors in the overall economy.

Different approaches to analysing the creative economy lead to different emphases on its various aspects. For example, a sociological approach has examined the notion of a “creative class” in society, comprising professional, scientific and artistic workers whose presence generates economic, social and cultural dynamism. Other approaches have stressed the role of culture in terms of social empowerment. Even beyond urban planning circles, the concept of the “creative city” has become established, while geographers focus on the locational aspects of creative activity in the form of creative clusters, networks and districts. The multifaceted nature of the creative economy means that it cuts across a wide range of areas of economic and social policy in addition to any intrinsic value. Thus policy-making in relation to the creative economy is not confined to a single ministry or government department; rather, it is likely to implicate a number of different policy fields, including:

- economic development and regional growth;
- urban planning;
- international trade;
- labour and industrial relations;
- migration;
- domestic and foreign investment;
- technology and communications;
- art and culture;
- tourism;
- social welfare; and
- education.

Moreover, there is a similar multiplicity of involvement across the public sector, the corporate sector, the non-profit sector and civil society.

## The creative economy in the developed world

In the developed world during the 1990s, the creative industries grew faster than other sectors, including services and manufacturing. One of the major drivers of this growth was the extraordinarily rapid pace of technological change in multimedia and telecommunications that occurred during this period. In particular, digital technology opened up a range of new media through which cultural content could be delivered to consumers, and the creative industries responded by supplying an ever-widening array of creative products to the market. On the demand side, rising real incomes among consumers in developed countries, coupled with changing preferences for modes of cultural consumption, helped to sustain the growth of the creative economy. By the middle of the first decade of the new millennium, the proportion of GDP contributed by the creative industries in developed countries averaged around 3 to 6 per cent. For example, recent estimates collated by OECD for member countries indicate that the creative industries in France and the United States made up about 3 per cent of gross value added in 2002-2003 and almost 6 per cent of gross value added in the United Kingdom.

## The creative economy in the developing world

The engagement of developing countries with the creative economy varies dramatically around the world partly because of differences in the industrial and export capabilities of different countries but partly also because of variation in the extent to which different countries have recognized and imple-

mented a deliberate development agenda for the creative sector. In Africa, for instance, there has been only limited commercialization of cultural products. Perhaps the most obvious illustration is music, a form of cultural expression that is of particular importance on the African continent. Much of the music industry in Africa remains based on live performance, with formal production and circulation of music products still awaiting further development. An outstanding issue here is that developing countries commonly lack the institutional resources to manage copyright collection and payment systems. Accordingly, star performers are frequently attracted overseas in search of wider opportunities or simply in pursuit of payment for what they do. Some areas of Asia, by contrast, are at the leading edge of innovation in creative production, as in the case of video games in the Republic of Korea. Likewise, a number of Asian cities are formulating urban development strategies with a strong emphasis on cultural and creative activities. In the Caribbean and Central and South America, the state of the creative industries varies considerably across the board, with different industries being the focus of attention in different countries, such as publishing in Argentina, music in Jamaica or the film industry in Mexico.

## The value chain in creative products

It is essential to understand the value chain for the production and distribution of creative goods and services in order to determine optimal points of intervention for policy initiatives designed to boost the creative economy. A systematic understanding of who the stakeholders in the creative economy are, how

they relate to one another, and how the creative sector relates to other sectors of the economy is critical for informed policy-making.

One tool that has proven useful for studying the creative economy is value-chain analysis, which depicts the progress of creative goods from an initial idea through to final consumption. In particular, it is important to examine the early stages in the chain, i.e., to understand the structure of the production sector for creative goods and services. Production units in this sector range from individual artists and producers on the one hand to large transnational corporations on the other. In between are small and medium-sized enterprises (SMEs), which, in many developing-country situations, comprise the most significant element in terms of volume of output and levels of employment and community engagement. In a number of instances, these businesses offer the best prospect for combining economic revenue potential with the development of authentic cultural symbols and traditions, for example in the production of craftware, fashion products, music recordings, etc. Indeed, SMEs may become the cornerstone of locally based strategies for sustainable development of the creative industries, enhancing the economic, cultural and social life of the community. Value-chain analysis also enables identification of creative products and services with particular competitive advantages or that are capable of being developed as niche markets in particular situations.

## Data issues

Reliable data on the creative economy – on its inputs, outputs, value of production, prices, employment and trade – are in short supply among developing countries, and there

is an urgent need to improve statistical collections as a basis for formulating creative-industry policy. The lack of a tradition for economic valuation and measurement in the cultural sphere, combined with difficulties of definition in the realm of cultural activities and creative goods and services, has meant that there has been a dearth of reliable indicators on which to base assessments of the size and scope of the creative economy. Moreover, the rapid pace of technological change has made it difficult to keep abreast of new products and services constantly coming onto the market.

Thus at present, we have only a limited set of measures of creative-industry output, employment and trade. In an ideal world, these are the data with which we might start. In addition, data on participation and cultural and creative activity time-use would help to develop a more holistic perspective. Even so, new models are required. In regard to creative employment, for example, statistics on occupation by industry are necessary to assess the linkages between the creative industries and other sectors while data on the locational distribution of employment is important for analysis of creative clusters. In regard to trade, although exports and imports of physical products produced by the creative industries are documented (as in the statistical tables on trade in creative goods and services assembled as part of this Report), the increasing dematerialization of cultural products has made statistical tracking of trade problematic. In regard to audiovisual products, for example, the international market in rights and services certainly exceeds the physical market in value terms, yet documentation of the volume and value of rights trade is difficult to obtain. Nevertheless, it is possible to make some progress towards improving our understand-

ing of international trade of creative products through a combination of existing trade data and statistics on copyright payments.

## Trade

Despite the problems in measurement, it is possible to assemble consistent data on trends in exports and imports of creative products classified by region and by product category. In a pioneering exercise, this Report presents a universal comparative analysis of trade in creative goods and services, based on national trade statistics that can serve as a starting point in the development of more comprehensive and more transparent statistical collections. This exercise draws attention to the complexity, the heterogeneity and the multidisciplinary nature of the creative economy and points to the difficulties in conceptualizing, classifying and measuring production and trade of the creative industries. The actual figures for trade are without doubt an underestimate and skewed towards production, as this is where data collection concentrates.

As noted above, the material aspect of the creative economy is potentially less important than its immaterial/rights dimension; unfortunately, however, this is the domain on which we have the least information. Moreover, we have little knowledge of the effective modes of governance of this trade. WIPO has made some useful interventions in this field, but its objective is regulation; thus it focuses on different variables. The trend analysis shows that trade in creative goods and services over the last decade has shown an unprecedented rate of growth as compared to the more traditional manufacturing and services. Assuming this growth

continues in the coming years, it will open up new opportunities for developing countries to increase their market shares of global trade in creative products.

## Connectivity and ICTs

As noted earlier, a major driver of the growth of the creative economy worldwide has been the advent of new information and communication technologies (ICTs). Of course, ICTs benefit the whole economy but their role in the creative industries is of particular significance. They offer new distribution channels for creative content; allow the adoption of innovative entrepreneurial business models; and strengthen the links between creativity, culture, technology and economic development.

In the context of developing countries, ICTs have a strong potential to boost socio-economic development, especially through the opportunities that they provide to SMEs to broaden their customer bases and increase their participation in international supply chains. ICTs can leverage new links in the value chain in many creative industries, especially via the phenomenon of digital convergence. Again, however, measurement issues arise, especially in assessing Internet penetration and usage, the extent of e-commerce, etc. Efforts are under way in different parts of the United Nations system to meet the challenges of new technologies through international cooperation, for example in the compilation of standardized statistics, the promotion of a global hub for networking, and support for creative-economy expos to expand understanding of the creative industries in a digital environment.



## Policy towards the creative economy

The cross-cutting nature of the creative economy means that policy development for the creative industries must be formulated on a coordinated interministerial basis. The range of instruments that can be used by policy-makers in charting development strategies for the creative industries in developing countries is wide indeed. In broad terms, the need is for infrastructure development and capacity-building to reinforce the operation of fiscal policies, competition law and intellectual property regimes in addition to traditional debates about intrinsic value. In more specific terms, policy initiatives may be undertaken in:

- mapping of inventories of cultural assets and creative industries;
- SME business development and finance (e.g., micro-finance);
- copyright legislation and enforcement;
- support for artists and the arts, both direct (via fiscal means) and indirect (through encouragement of private-sector support);
- conservation of tangible and intangible cultural heritage;
- expansion of digital capacity and know-how;
- market development, both domestic and export;
- tourism promotion;

### Summary of key messages

The key messages of this Report can be summarized as follows:

- Evidence shows that trade in creative goods and services is important to the economies of developing countries, and the importance of this trade highlights the strength of the creative economy in many parts of the developing world. Despite the difficult obstacles that many developing countries face in accessing global markets for creative products, there is the potential for looking to export expansion as a source of growth for the creative economies of these countries.
- Policy strategies to encourage the development of the creative industries in Southern countries must recognize the cross-cutting and multidisciplinary nature of the creative economy, with its widespread economic, social and cultural linkages and ramifications. Key elements in any package of policy measures are likely to emphasize the “creative nexus” between investment, technology, entrepreneurship and trade.
- Evidence-based policy-making is hampered at present by a lack of comprehensive and reliable data on the various dimensions of the creative economy. Progress can be made in assessing production and trade in creative products in developing countries using existing statistical sources. Further progress, however, requires the development of new models for gathering data (qualitative and quantitative) concerning the creative industries and how they function within the economy as well as improvement in the quality of current data-collection processes.
- Current IPR legislation has not been able to avoid economic asymmetries. Therefore, efforts to enforce IPR regimes should ensure that the interests of artists and creators from developing countries are duly taken into account. Intellectual property should provide a stimulus to creators and entrepreneurs in the form of a tradable economic asset that is instrumental to enhancing the potential of the creative sector for development.



- education, training and skills development; and
- industry assistance (e.g., via investment incentives, tax concessions, etc.).

As a result, policy development cannot be confined to a single ministry, but requires co-ordinated action across a range of ministerial responsibilities and although mainly urban in location, it is important in rural areas, too. The appropriate development paradigm is one based on sustainable development measured in economic, cultural, social and environmental terms. Only by adopting such a paradigm shift can we recognize the breadth and depth of the potential contribution of the creative industries to developing countries.

## International context

The creative economy features in a number of arenas of international policy-making. The challenge is to create a positive environment to optimize the potential of the creative economy for development gains. Moreover, given the multifaceted and multidisciplinary nature of the creative economy, governments can benefit from synergy and expertise from the United Nations system to analyse key issues to assist them in policy formulation.

Policy-makers need to be aware of a number of subtleties in dealing with the creative economy. In the area of trade, for example, ongoing multilateral negotiations continue to encounter difficulties in dealing with cultural products although it should be noted that the General Agreement on Trade in

Services (GATS) has built-in flexibilities that developing countries can use to strengthen their creative industries. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) offers some prospect for consideration of topics related to the creative economy, but to date, matters such as folklore and traditional knowledge have received little attention. Undoubtedly, a major area for national and international action is the copyright area. Further development of the creative sectors of many developing countries depends critically on having in place an effective copyright regime. Other initiatives for trade expansion are under way, for example the development of opportunities for increased South-South trade as part of the work of the UNDP Special Unit for South-South Cooperation and the facilitation of business opportunities for creative entrepreneurs by ITC.

An important step forward in raising the profile of the creative sector in developing countries has been the ratification of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. This treaty draws particular attention to the role of the creative industries as a source of economic and cultural empowerment, particularly in the developing world, and encourages countries to give greater prominence to policy-making in this area. All of these international aspects should be seen in the context of the Millennium Development Goals. The Goals provide a set of strategic objectives and the creative industries in developing countries are well placed to contribute to their achievement.