

***CIs and developing countries:
Local productive capacities, IPRs
and profiting from creativity***

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Creative industries and intellectual property conference

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**Presentation of personal views, not the official position of UNCTAD,
based on Barrowclough and Kozul-Wright (2008), Routledge.**

Why 'creative industries' interest development agencies:

- A) Recognition that culture and development are linked and inter-dependent.
- B) Culture and creativity have economic value. Creative assets in DCs are under-utilised and could bring them new economic opportunities...
- C) Increasing focus on knowledge and innovation as key to development.
- D) New possibilities are opening up, through rapid technological change and market liberalisation and globalisation.
- --- Optimism that CIs can offer a route to better integrate into the global economy – leap-frog into high growth, high-value sectors...

International agencies are increasingly active in the sector

- UNCTAD – trade, finance and development
- 1997 Jamaica STIP Review, 2001 LDCs conference, 2004 UNCTAD XI, 2008 UNCTAD XII
- Global observatory proposal

- WIPO (IPRs, traditional knowledge)
- UNESCO (culture), ILO (employment)
- ITC (trade marketing etc, enterprise development)
- UNDP(south-south development)

- 2008 joint inter-agency *Creative Economy Report*
- Highlights need for systematic data collection, enterprise development, policies to promote production and trade.

Defining 'Creative Industries'

- Set of interlocking sectors that produce symbolic goods and services that *rely heavily on creativity*.
- « industries that have their origin in individual creativity, skill and talent with a potential for wealth and job creation through the *generation and exploitation of intellectual property* » (UK Creative Industries Task Force).
- 'Voice, Choice etc' focuses on the sub-set of A/Vs.
 - Similar economic features (industrial not craft production technology; E-O-S etc.)
 - (*CER 2008* uses much broader definition)

New opportunities for growth.....?

- Profound supply-side changes: general rise of services trade, deregulation, synergies with ICT investment and innovation, EOS imperative to trade.
- Long value chain – employment potential
- Demand-side changes, rising middle class, diversity etc.
- Recognise challenges in the sector, but sense industrial policy can help deliver what is needed to boost productive capacity.

New technology offers new models for developing country producers...

- A. Traditional production vision:
 - Lower entry costs & new fragmented markets; reduces the risk of experiment; break-even over smaller audiences; faster production; flexible techniques – an opportunity for small and nimble producers.

- B. New technological paradigm
 - Dis-intermediated production shortened production chains:
 - 1. Simple value chain: Production – digital delivery – Consumer

 - 2. New business models for digital age (.R.Wallis etc).
 - Creator – markets music freely through the web – finds consumers – pay for downloads, pay for concerts of signed CDs....
 - Or, concert promoters – use web to promote concert – consumers test via P2P – buy ticket sales through web...
 - Metadata technology, ISAN identification and tracking etc....

Evidence for optimistic scenario?

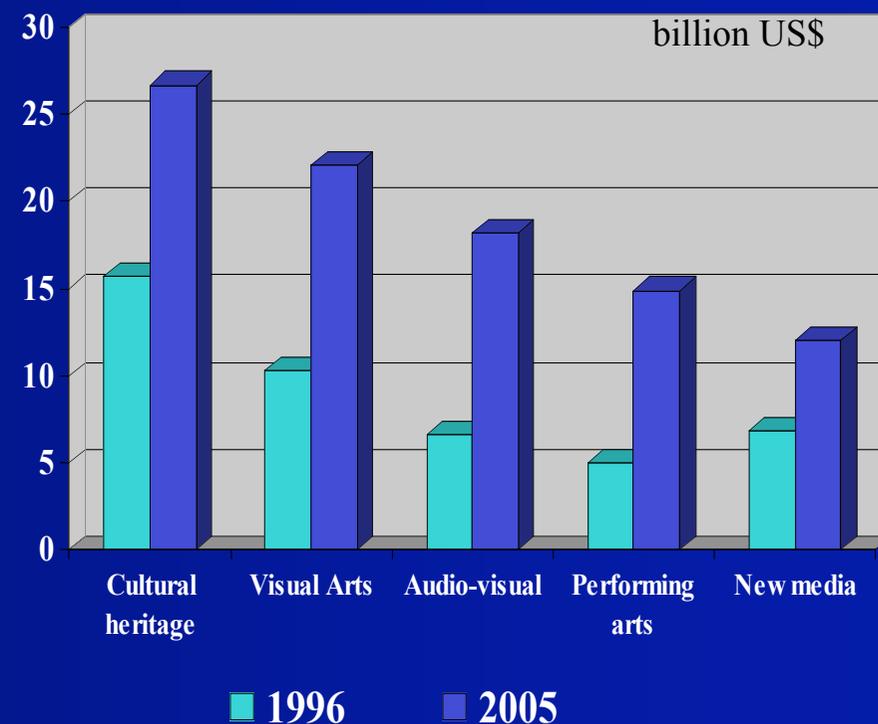
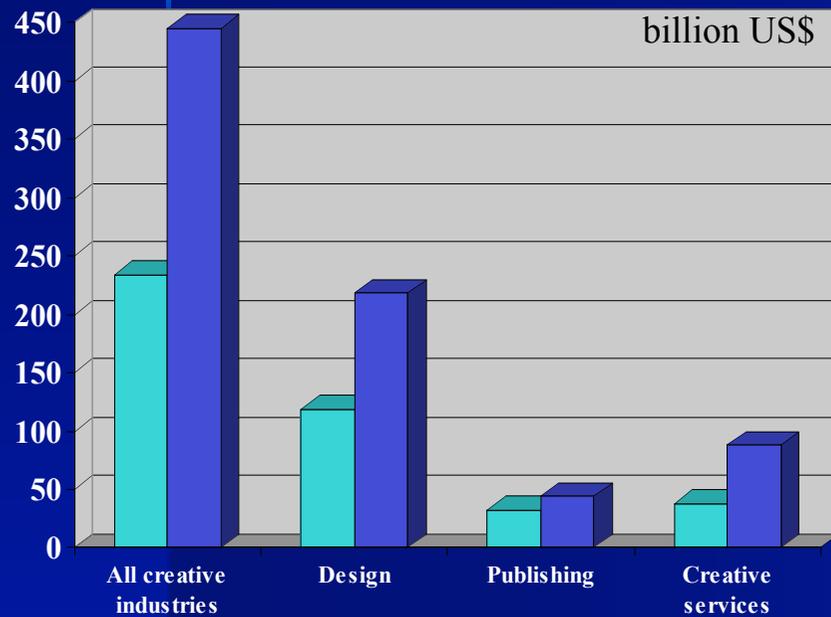
1: A/V exports growth is rapid – especially in developing countries

Evidence for optimism?
**2.Global audio-visuals trade: new role
for developing countries (1989-2004)**

Evidence for optimism? .3

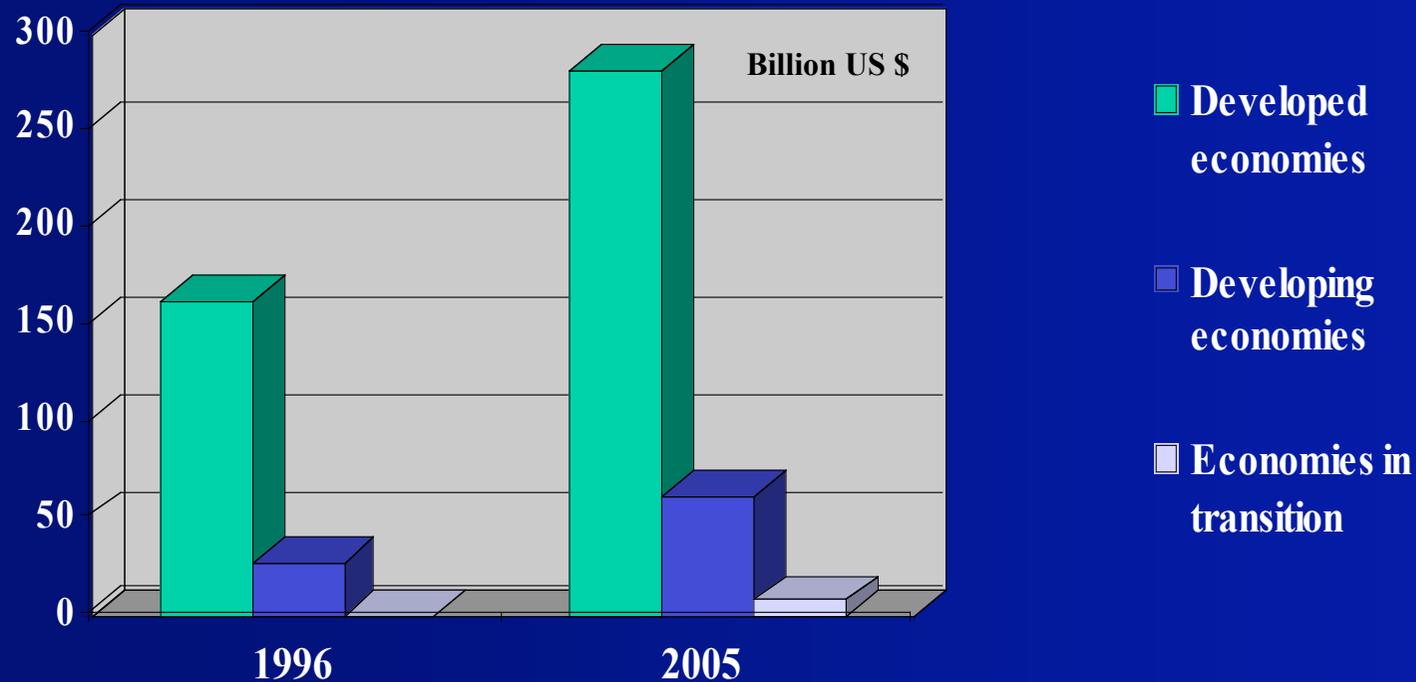
- Trade in CIs increases by 8% p.a 2000-2005. World exports CI products \$424b in '05, cf \$227.5b in '96 (UNCTAD 2008).
- Developing country share up from 29% in 1996 to 41% in 2005 (very broadly defined – dominance Asia and China)
- In a/v or music alone, developing country share of exports rising more than 50% for some sectors.

Evidence cont'd...Creative industries exports goods and services



Source : UNCTAD (2008)

Evidence cond't...Developing economies catch up but gap still significant



Source : UNCTAD (2008)

Case-studies of selected developed and developing countries....1

- Diverse experiences reflect different levels of industrialisation –
- ‘maturing industrialisers’, newly industrialising, de-industrialising, not yet industrialising.
- Also reflects traditional role of cultural activities, Nature and size of domestic market, Role of State
- 1. CI has high ‘profile’ but is not yet a sustainable activity: Burkina Faso; Senegal; Caribbean region.
- 2. CI have low profile and not yet sustainable: Arab countries
- 3. CI has high profile and is industrialised: Brazil; India; China

Case-studies of selected developed and developing countries....2

- Focus on productive capacities and enabling role of the state. Developed countries have wide variety of policies to boost domestic and international investment in creative industries.
- Policies tailored to country circumstance. But likely to include:
 - 1. freedom of speech, media pluralism, socio-economic status of artists.
 - 2. Generic policies targetted to 'gaps' or 'public goods' in the value chain – technological upgrading, digitisation, ICT skills, cultural clusters, cities...
 - 3. Sector specific policies – funding mechanisms, content quotas, developing audiences, public broadcasting, co-production promotion, PPPs, trade law.

Why enabling policies are so important

- The decreasing role of the state – now most DCs have little or no policies in this sector.
- Special characteristics of the sector mean that markets alone are unlikely to be optimal – especially in smaller economies.
- Policies matter (experience of Ireland, New Zealand, Canada, Australia and Sweden).

IP questions

- « When bankers dine together they talk about art; when artists dine together they talk about money.... » (Oscar Wilde)
- Countries that desire to exploit home-grown cultural products locally and globally need efficient, reliable copyright societies.
- But how balance this with max public access especially in DCs.
- Many actors and all are impacted differently. How to share the joint product? What is the appropriate risk/reward for creators; investors; government supporters; society...
- How different is CR compared to other IP debate?
 - Creators are individuals not big labs, big companies.
 - Creators are non-salaried, often self-employed.
 - Goods are 'experience goods', risks for consumers.
 - Novelty is intrinsic for each consumer, each transaction.

The search for new mechanisms that might work better.

Relation to wider development topics

- Copyright and related issues – national, international fair use.
- Even very poor countries can produce these goods and services – it may be a rare source of comparative advantage
- DCs as copyright producers, not just consumers
- There has been less attention on this area, although this is changing.
- Reform of IP to better balance returns to actors vs investors; and private vis public access?
- Or – alternative systems of remuneration? ZKW to address.

Optimistic scenario reappraised.....why is the sector not more viable?

- General imbalance in terms of trade still strongly favours developed countries (B & KW, 2008, UNCTAD 2008).
- Export is only part of total revenue.
- What is not yet captured? Royalties, monies, copyrights, licenses, marketing and distribution.....
- Data is extremely limited
- Developing country imports of royalties and licence fees \$27,901m compared to exports \$3,699m (UNCTAD 2008)
- Royalties collected from developing countries showed 'spectacular growth' (CISAC 2004 data) – but how many developing country creators are rights holders? Only 0.5% share of total collected in Africa.....

Continuing research agenda

- Many questions remain and empirical evidence and research is needed.
 - How can DC's increase their ownership of IPRs?
 - How to remunerate developing country creators
 - What are the appropriate financial incentives?
 - What is the role of industrial policy?
 - What national IP policies are needed
 - What international IP policies.
 - What balance is needed between S, T and I.

Industrial and IP policy highlights

- Many developed countries have policies to boost domestic and international investment in creative industries. Very few developing countries have such policies.
- Policy on CI has also to be integrated into the overall policy framework – part of the entire development strategy.
- Achieving a fair balance between public and private interests is a major challenge, but not the only challenge.
- How do we resolve the tension between the creative and the commercial?
- How do we reward creative artists for their work, and maintain wide access for users, especially in developing countries.

Thank you for your attention

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Sources:

Routledge (2008), 'Creative industries and developing countries: voice, choice and economic growth.'

UNCTAD (2008), Creative Economy Report