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

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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
- 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?
Evidence for optimisim? .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?

– Creaters 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 renumeration? 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 renumerate 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