



# CREATIVE INDUSTRIES IN THE CARIBBEAN TRADE TRENDS, ECONOMIC IMPACT AND POLICY RESPONSES

ITC, WIPO, WTO Regional  
Training Seminar:

Assessing the Economic Contribution and Performance  
of Creative Industries to National Economies

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# INTRODUCTION

- The Caribbean needs new poles of growth to maintain and improve development gains:
  - Traditional sectors-agriculture and enclave manufacturing face stiff competitive challenges
  - Tourism has lost its competitive edge to newer destinations in Central America and the Asia Pacific
  - Offshore financial services are challenged by stiff regulatory and compliance requirements
  - Moreover, total factor productivity growth in the region has slowed

# INTRODUCTION.....CONT'D

- ⦿ Since the traditional sectors are not expected to provide the growth dynamism-what options do the region?
- ⦿ It is proposed that the creative industries (CIs) sector can act as a locomotive of growth and employment in the region.
- ⦿ It is useful first to define the creative industries given the ambiguity surrounding them, then propose why they can be an engine of growth and good quality jobs.

# CONCEPTUAL ISSUES AND DEFINITIONS

- ◉ The range of the creative industries is quite broad. Therefore, delimiting them presents a challenge
- ◉ The UKDCMS provided one of earlier definitions of the creative sector
- ◉ The UKDCMS defines creative industries as those sectors that are founded ‘individual creativity, skill and talent’ which have a potential for wealth and job creation through the exploitation of intellectual property.
- ◉ UNCTAD- UKDCMS plus CIs are knowledge-based
- ◉ Integrates artisan, industrial and services sectors
- ◉ A dynamic component of world trade

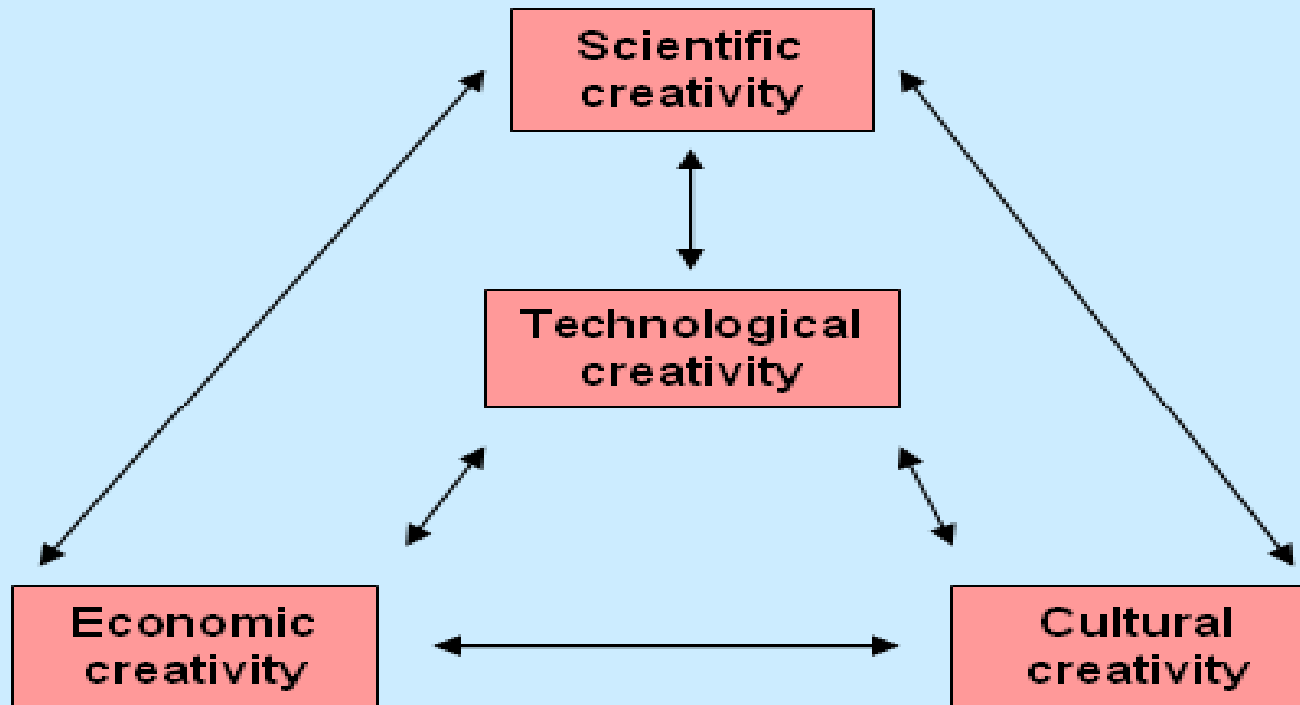
# CONCEPTUAL ISSUES AND DEFINITIONS.....CONT'D

- ◉ UNCTAD and Harabi (2009) divide the CIs into Cultural industries (e.g. arts and craft, music theatre, press and literature, TV, radio etc) Plus **Functional Creations**
- ◉ **Functional creations** are demand-driven services with utility in different areas (Harabi, 2009). They include design, fashion, new media, digitalised content and creative R&D.
- ◉ Importantly, functional creations anticipate new segments arising from ICT
- ◉ WIPO- Intellectual Property

# CONCEPTUAL ISSUES AND DEFINITIONS.....CONT'D

- In general, Creative industries are hybrid activities with three Important features:
- **Symbolic value** based on aesthetic and psychic value that is based on non-pecuniary motives
- **Intellectual property** based on initial creations of producers and distributors of content
- **Commercial monetary** aspects based on monetising talents and creations and intellectual property rights.

# CREATIVITY IN A MODERN



*Source:* KEA European Affairs (2006)



# WHY CREATIVE INDUSTRIES?

- To alleviate the structural constraint on the BOP current account and its drag on growth Caribbean countries need to produce more sophisticated exports (Kairi, 2001).
- The CIs given their intensive use of indigenous knowledge, creativity and wide scope for innovation can help to move the region's production and trade up the sophistication ladder.
- The CIs make intensive use of domestic capital (defined as the means of production created within a society, which includes local physical capital and supporting institutions (education, financial, technical) that expand production capabilities in the region (James et. Al, 2001)

# WHY CREATIVE INDUSTRIES?

1. Domestic capital use is critical as development experience shows that it is indispensable to sustainable development as it is important to making the best use of imported equipment, technology and know how (World Bank, 1999)
2. CIs are knowledge intensive sectors and the demand for knowledge-intensive goods increases more than proportionally to increases in global incomes (Mohammed, Hussain, 2006)- Income elastic.
3. CIs can provide price-making instead of price-taking niches for region whose exports are mainly price-takers.

# WHY CREATIVE INDUSTRIES?

- CIs can help to increase value added and competitiveness of other sectors e.g. sports and cultural tourism.
- The employment elasticity of CIs is much higher than capital intensive sectors such as mining and manufacturing
- For e.g. in T&T (\$1 million of investment creates one job in petroleum, 9 in manuf, 154 agric- CI expected to fall between Manuf. and Agric.)

# OVERVIEW OF CREATIVE INDUSTRIES IN THE WORLD AND CARIBBEAN

- ◉ Creative industries is a fast-growing segment of world trade.
- ◉ World trade in creative goods recorded annual growth of 14.4% between 2002-2008, while for creative services growth was 17.1%. This surpasses total services exports, which grew by 13.5% (UNCTAD, 2010)
- ◉ Exports of CI goods and services rose from US\$267 bn in 2002 to \$592 bn in 2008.
- ◉ UNCTAD noted that the creative industries was one segment that maintained growth despite the crisis.

# OVERVIEW OF CREATIVE INDUSTRIES IN THE WORLD AND CARIBBEAN

- ◉ The CIs are estimated to contribute over 7% to world GDP (UNCTAD)

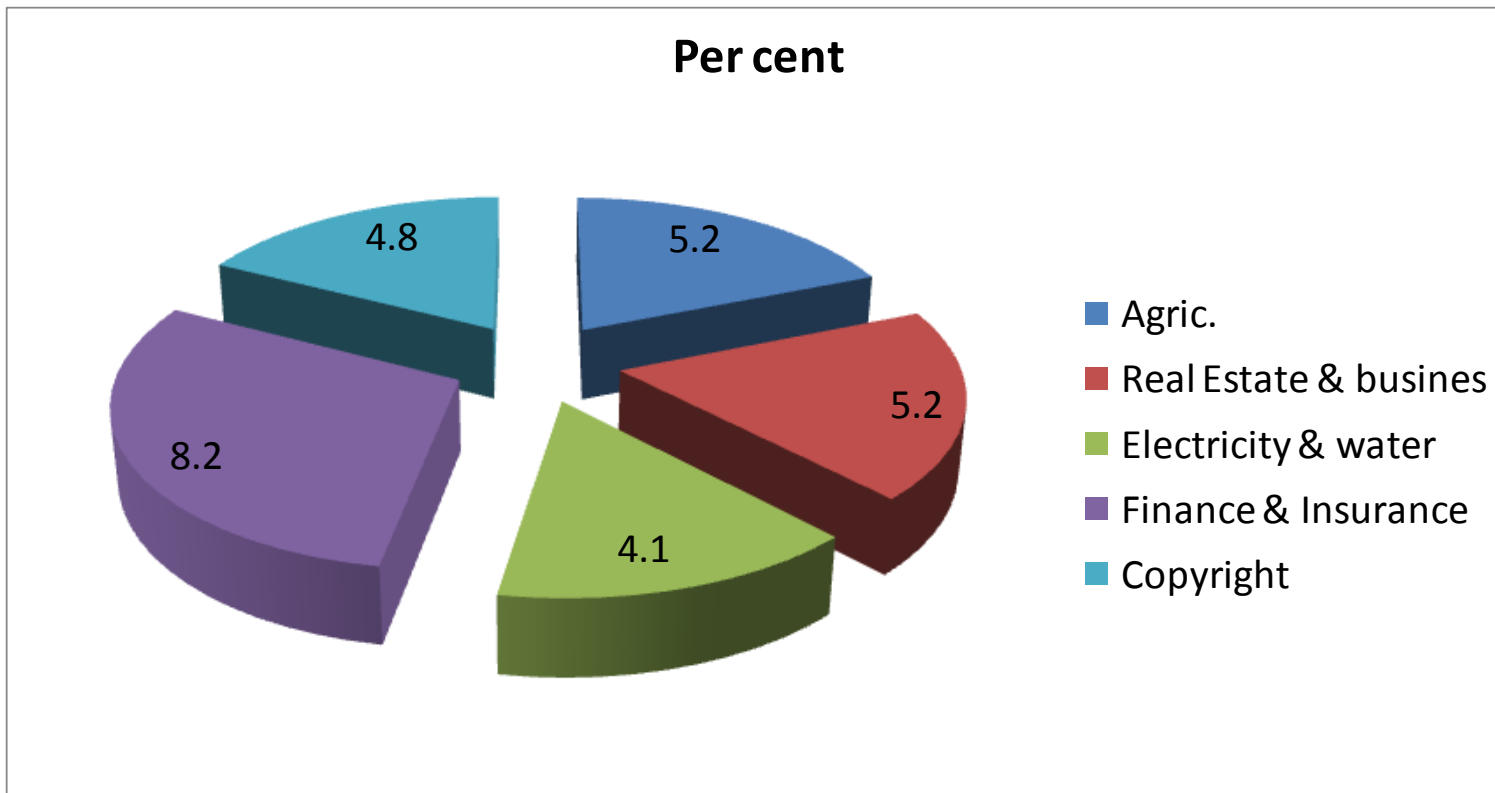
## CARIBBEAN

There is no region-wide estimate of the contribution of the CIs to GDP in the region.

In case of Jamaica, (James,2007) estimated that the Copyright-based industries contributed around 4.8% to GDP and 3.03% of total employment

The following chart shows that the copyright sector contributed more than elect. & water, and was close to agriculture and real estate and business in Jamaica. This is instructive for policy focus.

# CONTRIBUTION OF COPYRIGHT AND OTHER SECTORS IN JAMAICA



# CREATIVE INDUSTRIES IN THE CARIBBEAN

- ◉ James estimated that \$1 of foreign exchange invested in the copyright/creative industries yields 6.18, while the same dollar in communications yields only \$1.49.
- ◉ This points to higher efficiency of FX use that we alluded to earlier
- ◉ Grange (2009) provided a more recent estimate of the creative industries sector in Jamaica at 5.2% of GDP.
- ◉ The CIs and Sports jointly contributed 8% of GDP.

# CARICOM TRADE IN CREATIVE GOODS AND SERVICES

- ◉ Data on CARICOM's trade in creative goods and services are sparse at best
- ◉ This stems in part from a lack of data based on the harmonised system for some countries, especially the OECS.
- ◉ Nevertheless, based on UNCTAD's data it was indicated that the Caribbean contributed about 0.01% of world trade in creative goods and 0.04% of world trade in creative services in 2008.
- ◉ The trade shares for Estonia, Malta and Mauritius were 1.6%, 0.6% and 0.4%, respectively in 2007-2008.
- ◉ The much higher shares of these small economies point to the potential of the Caribbean to increase its share with proper development of the sector.



# CARICOM TRADE IN CREATIVE GOODS AND SERVICES

- ◉ The largest share of CARICOM in world trade is in “other personal, recreational and cultural services

# CARICOM TRADE IN CREATIVE GOODS AND SERVICES

- ◉ In 2007-08, CARICOM posted a large trade deficit in creative goods of US\$567.1 million with the world.
- ◉ The deficit was concentrated in trade with United States (US\$389.3 million), particularly in design and publishing goods.
- ◉ Bilateral trade with the EU was relatively small, but also posted a deficit (US\$50.9 million) concentrated in publishing goods.

**Table I:  
CARICOM Exports of Creative Goods, 2007-08,  
average (US\$ millions)**

	<b>Art Crafts</b>	<b>Audio Visuals</b>	<b>Design</b>	<b>New Media</b>	<b>Performing Arts</b>	<b>Publishi ng</b>	<b>Visual Arts</b>	<b>Total</b>
Bahamas	0.17	0.01	0.80	0.36	0.01	0.24	2.51	4.11
Barbados	0.06	0.00	13.04	0.42	0.02	1.18	0.47	15.19
Belize	0.00	0.00	0.28	0.00	0.00	0.02	0.01	0.31
Dominica	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.03
Guyana	0.06	0.00	1.16	0.00	0.03	0.70	0.06	2.01
Jamaica	0.21	0.00	2.16	0.04	0.58	1.12	0.22	4.33
Montserrat	0.00	0.00	0.01	0.00	0.04	0.00	0.00	0.01
Trinidad and Tobago	0.47		6.76	0.02	0.07	10.29	0.77	18.38
<b>CARICOM</b>	<b>0.98</b>	<b>0.01</b>	<b>24.21</b>	<b>0.85</b>	<b>0.71</b>	<b>13.55</b>	<b>4.04</b>	<b>44.35</b>

# CARICOM TRADE IN CREATIVE GOODS AND SERVICES

- ◉ The previous table shows that CARICOM'S exports of creative goods were fairly small, averaging \$44.4 million between 2007-08.
- ◉ The figure for services was higher at \$70.5 million.
- ◉ CARICOM'S share of trade in CIs ranged from 1.6% to 0.5% between 2000-2008.
- ◉ This represented 5%-10% of total regional trade.

# CARICOM Exports of CIs Services

	Advert-ising	Archit-ectural	Audio-visual	Personal, cultural	R & D	Other	TOTAL
Barbados	0.0	0.0	0.0	0.8	0.0	0.0	0.8
Guyana	7.3	0.0	0.0	0.0	0.0	0.0	7.3
Jamaica	0.1	0.0	0.0	33.9	0.0	28.4	62.4
<b>CARICOM</b>	<b>7.4</b>	<b>0.0</b>	<b>0.0</b>	<b>34.7</b>	<b>0.0</b>	<b>28.4</b>	<b>70.5</b>

# Challenges Facing SCIs in the Caribbean

- ◉ Benchmarking data to understand sector
- ◉ To realise their potential as a vehicle of growth and development the SCIs in the region need to overcome a number of constraints.
- ◉ One challenge relates to the structure of the sector. Most firms/operators are small and unorganised.
- ◉ There is the difficulty of scaling up operations in art, craft and like activities
- ◉ Few limited liability companies that can more easily raise capital

# Challenges Facing SCIs in the Caribbean

## FINANCE

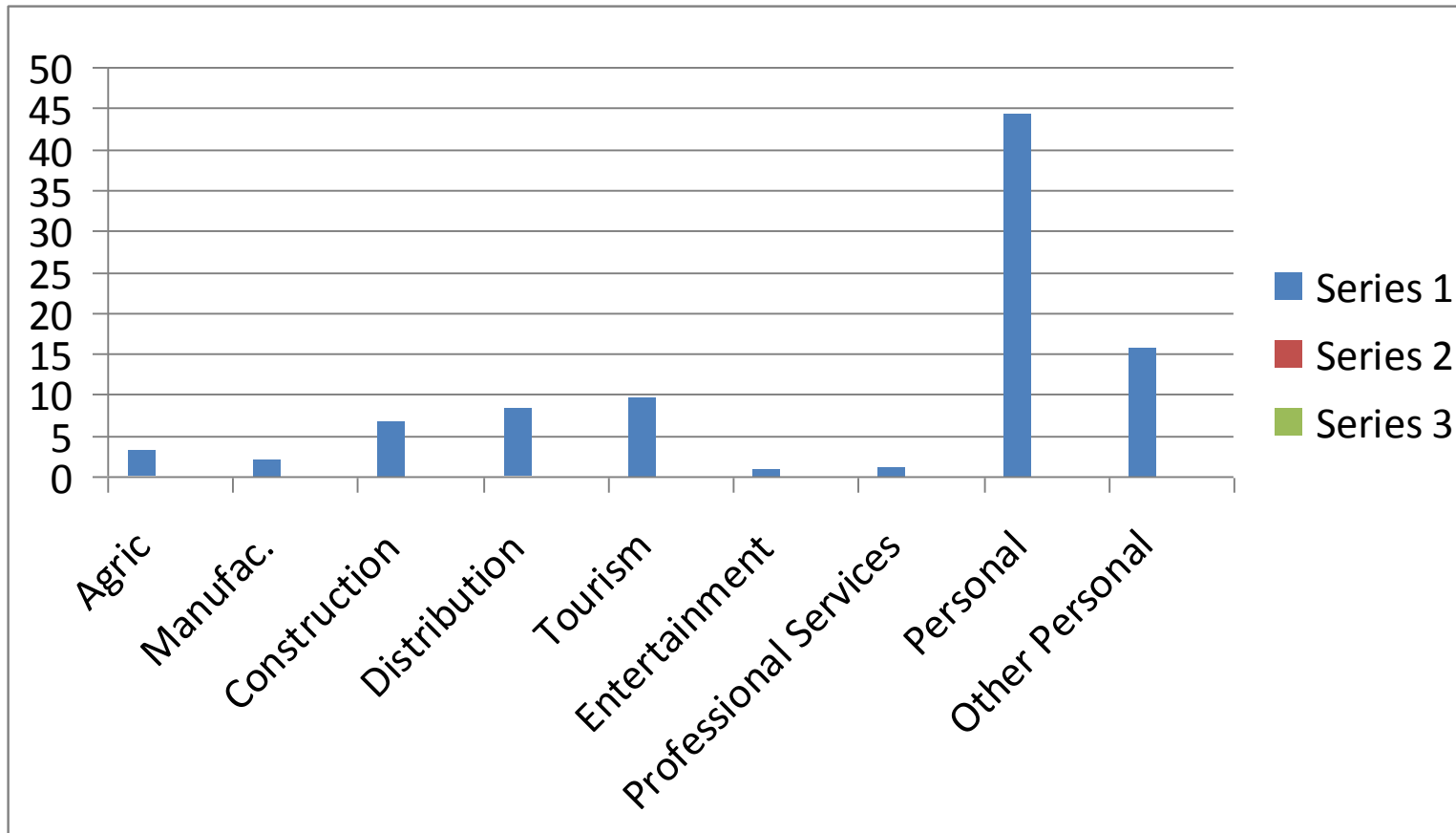
Finance remains a major constraint for SCIs in the region.

SCIs are deemed high risk and often lack traditional forms of collateral (Nurse, 2007)

Finance for start-ups is particularly scarce as commercial banks that dominate financial system are very reluctant to fund them.

Many operators are self-employed or underemployed which makes access to finance difficult (lack of cash flow records, audits etc)

# Percentage Distribution of Credit in OECS 2001-10





# Challenges Facing SCis in the Caribbean

- The graph above shows a skewed distribution of bank credit in the OECS with the bulk of credit going to personal sector and tourism, but much smaller portions going to entertainment and professional and other services where many of the creative sectors are located.

# Challenge- Technology, innovation and productivity

- ◉ Pace of change in CIs globally is very rapid.
- ◉ Product and process technologies have been major drivers of new products and services and means of delivering content in the sectors.
- ◉ A major challenge for the region is to provide incentives and policies for operators to upgrade their technology, esp. the use of ICTs to cut costs and improve the delivery of content (e.g. online music and festival streaming and sourcing of inputs).

# Challenge- Technology, innovation and productivity

- ◉ The time is probably right for a **Regional Institute for R&D and Innovation** that can harness the creative talents and tacit knowledge of actors in the sector and provide creative combinations of their output.
- ◉ Technology and management extension is an important challenge. To help remedy this strong institutions e.g. events organisers from T&T carnival or trainers from the Edna Manley school in Visual Arts might need to move around the region to impart their skills and build capacity in other countries
- ◉ Technology and innovation funds with performance criteria can help to alleviate the technology constraint.

# Intellectual Property

- ⦿ IP is a sore Point in CIs in the region.
- ⦿ Piracy is rampant (both on and offline)
- ⦿ Copyright organisations such as COTT in T&T, JACAP in Jamaica and ECO in the OECS are moving to remedy this, but it needs to be fast-tracked.

# Challenge- Human Resource

- Relatively low level human resources is an important challenge in the sector
- A substantial investment in human resource upgrading that matches the needs of the CIs is required.
- Tertiary programmes in the sector need to be strengthened with research anchored in strong apprenticeship training for those who want to work in the sectors.

# Challenge- Entrepreneurship

- ⦿ Entrepreneurs in the sector remain small and under-resourced in many areas.
- ⦿ Entrepreneurship training.
- ⦿ Venture capital (possibly at regional level)
- ⦿ Support funds and T.A. under EPA

# Prospects

- ◉ Despite the challenges, the SCIs have good prospects for continued growth and employment generation in the region.
- ◉ Music sector good prospects
- ◉ Mas and tourist festivals e.g. St. Lucia Jazz
- ◉ Fashion
- ◉ Publishing/Printing, Literature