

## Promoting CARIFORUM Creative Industries

### Project Background and Rationale

Within the region, the creative industries sector has emerged as a potentially viable sector within the region. Known to derive its export wealth from tourism and other commodity products, the region's potential in creative industries has opened up a new window of opportunities in terms of export diversification. Countries that have traditionally had a high reliance on one main sector, are discovering their comparative advantage in the creative industries. It is this comparative advantage that if exploited can prove beneficial to the entire region.

In the face of falling prices for traditional exports, recession in world markets, and weakened national economies, the need to expand and diversify exports has been recognized by the countries of the Caribbean and has been articulated – at several fora and in their development strategies – as a priority objective at the highest political level. However a number of challenges, both endogenous and exogenous, have prevented the Region's export promotion objectives from being fully realized.

Inherited from their past colonial systems, Caribbean countries' production sectors are quite limited. Sustained by protected trade<sup>1</sup>, plantation economies took root based primarily on banana and sugar production. Although the production structure has shifted more heavily towards services, the Caribbean trade regime remains relatively undiversified and struggles to stay in the game as their trade preferences erode in the face of trade liberalization. All of the countries have large and persistent trade deficits, made all the more acute by the international financial crisis that has plagued the Region since 2008. Exports from the Region are concentrated in a few products, primarily raw materials from the agriculture and extractive sectors (see annex 3 for more details) and are subjected to vulnerabilities due to erosion of preferential access to the markets of their key trading partners (US and the EU). The Economic Partnership Agreement (EPA), signed between CARIFORUM and the EU in 2008, is the first time that Caribbean countries participate in a reciprocal trade liberalization scheme with a major and economically stronger trading partner.

Further, the relatively small size of the Caribbean countries has implications for export performance as well as the development of an export strategy. Small economies are price takers and have no influence on the terms of trade. Faced with exogenous prices, they cannot rely on price competitiveness to enhance their export performance. Rather, they must place their focus on quality and creativity as a basis for competition while adapting to the dynamics of external markets.

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<sup>1</sup> Mainly under the EU Lomé Convention, US Caribbean Basin Initiative, and the Canadian CARIBCAN Program.

UNCTAD's *Creative Economy Report 2008* identifies the Creative Industries (CI) as a sector in which many small and developing countries enjoy some comparative advantage. The rise of the digital economy and the increasing commercialization of the arts create a window of opportunity for these economies. These industries also offer alternative development options to traditional exports because the sector draws on the creativity of local artists and entrepreneurs, generating higher levels of local value-added. Experience shows that these activities can engender wealth and job creation (and by extension poverty reduction) through the generation and exploitation of intellectual property. According to the Report, in global economic terms, CI is one of the fastest growing sectors. It accounts for an estimated seven percent of the World Gross Domestic Product and has a forecasted annual growth rate of ten percent.

#### **Box 1: Impact of Creative Industries economy on Developing countries**

Creative industries provide a catalyst for positive change in developing countries across social and cultural dimensions in addition to direct economic impact. In this way, the sector plays an important role in all aspects of national development. The positive impact of creative industries on communities in developing countries includes:

**Economic aspects.** International trade is a key component of the creative economy. UNCTAD reports this growth at 8.7 per cent per annum on average in the latest data available (2000–2005).

**Social aspects.** A major social impact of the creative industries is their contribution to employment. Typically they account for 2 to 8 per cent of the workforce in the economy, depending on the scope of the sector defined.

**Cultural aspects.** From a cultural perspective, the value of the creative industries in promoting cultural diversity has become more pronounced as the process of globalization continues.

**Sustainable development aspects.** Creative industries contribute to sustainable development in the sense of “cultural sustainability” that maintains all types of cultural assets, from minority languages to artworks, artefacts and heritage sites. Creative industries are also environmentally friendly as the primary input is services (creativity) rather than natural resources.

Source: Trade Forum, 2009

The Creative Industries sector in the Caribbean is highly differentiated across countries and across sub-sectors. Some countries (e.g Jamaica, Barbados, Trinidad and Tobago) have more developed related infrastructure and a better track record with regard to export performance in the sector, particularly in music, publishing, visual arts and film industries. In other countries, the industries are in embryonic

stages with weak business environments and legal frameworks.<sup>2</sup> Similar to the mainstream sectors, the Region has a significant trade imbalance in the CI sector. A 2005 UNESCO study on International Flows of Cultural Goods between 1988 and 2002 estimates the value of the Region's import to be US\$88.6 million while export values were estimated at US\$2.3 million. A study commissioned by the then Caribbean Regional Negotiating Machinery (CRNM)<sup>3</sup> on the trade and development challenges of the Cultural Industries in CARICOM has concluded that although the sector underperforms, given appropriate incentives and support, there is potential for it to be a significant contributor to the Caribbean's employment generation and export expansion goals.

There are several reasons why the Caribbean CI sector is not competitive in global markets. Within the Region, CI is not seriously regarded as an economic sector and its economic value remains largely undocumented. In this context, governments and corporations have not fully appreciated the ways in which their economies can diversify and take advantage of emerging opportunities. Additionally, key stakeholders in the sector are poorly organized; intellectual property rights, design, quality, and marketing elements are inadequate; and there is limited knowledge of and exposure to international markets and their requirements.

As already mentioned, some subsectors within certain Caribbean countries are more developed than others. The visual arts sub-sector, the main focus of this project, while among the more recognized in the region's creative industries is one that has been highlighted for its highly undocumented and unregulated status. The 2006 CRNM study identified the visual arts sub-sector as a "unique" but "under-explored market." While this claim can be made for any of the other categories that comprise creative industries, the project's focus on the visual arts was influenced by at least two additional considerations:

- The community-level at which most of this type of activity currently takes places in the Caribbean increases the poverty impact benefits of the project interventions
- Existing initiatives which the project could advance is useful, particularly given the limited timeframe for project implementation. The Caribbean Export Development Agency, the only regional trade support institution for CARIFORUM member states, already works in the sub-sector and the project will build on a numbers of initiatives supported by the Agency, including the rebranding and relaunch of the annual Caribbean Gift and Craft Show, and the scaling up of the Canada TFO supported pilot project on training MSMEs in product design targeting international markets.

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<sup>2</sup> Cultural Industries in CARICOM: Trade and Development Challenges, 2006

<sup>3</sup> The body is now called the Office of Trade Negotiations and functions within the governing structure of the CARICOM Secretariat

Additionally, a sub-regional trade support agency, the Export Development Unit of the Organization of Eastern Caribbean States has demonstrated strong support for and have actively sought out interventions for the sector. Their current collaboration with WIPO to collect analyze data on the impact of the sector to the Region's sub-economy stands to benefit implementation of the data collection component of this project.

Finally, the existence of the CARIFORUM-EU EPA provides another strong rationale for promoting the Region's Creative Industries sector as part of its export diversification and expansion strategy. The EPA, based on the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, highlights the importance of cultural cooperation taking into consideration the degree of development of cultural industries, imbalances of cultural exchanges and the existence of preferential schemes for the promotion of cultural content.

It is clear – based on experience from developed and emerging economies as well as from research, such as UNCTAD's report – that the Creative Industries hold significant potential for Caribbean economies. However, there is an urgent need to modernize creative industries in the Caribbean and strengthen local capacities. The shortcomings facing the sector must be addressed, if it is to become a serious development catalyst for the Region.

Within this context, the overall of the proposed project is to support the promotion of CI within Caribbean countries and will contribute to addressing some of these above-mentioned objectives and challenges. To achieve its goal, project implementation will focus on three interdependent areas of support activities: (i) Strengthening capacity of enterprises to respond to international market demands; (ii) Support for branding and marketing of the Caribbean Creative Industries; and (iii) Support for data collection, management and dissemination.