



United Nations Conference on Trade and Development

Distr.: General
17 January 2008

English only

Twelfth session
Accra, Ghana
20–25 April 2008

Secretary-General's high-level panel on the creative economy and industries for development

Pre-conference event, Geneva, 14–15 January 2008

Background paper prepared by the UNCTAD secretariat

Executive summary

Creative industries can be defined as the cycle of creation, production and commercialization of products and services that uses knowledge and intellectual capital as primary inputs. They deal with the interplay of various subsectors ranging from traditional crafts, books, and visual and performing arts, to more technology-intensive and services-oriented fields such as the music and film industries, television and radio broadcasting, new media and design. Today, creative industries are among the most dynamic sectors in world trade. UNCTAD estimates that international trade of creative goods and services reached \$445.2 billion in 2005, with an annual growth rate of 8.7 per cent from 2000 to 2005. These industries are a powerful source of income, job creation and export earnings for most advanced countries, and seem to be a feasible strategic option to diversify the economies of developing countries, including least developed countries (LDCs), by offering new venues for those countries to leapfrog into value added high-growth sectors of the emerging creative economy. This paper presents an overview of the current issues and the market situation for the creative industries, including the new business models and virtual forms of marketing digitalized creative content. It reviews the ongoing multilateral processes and notes progress made in the political and analytical agendas. The aim is to assist Governments to identify innovative policy options for optimizing the economic contribution of creative industries for wealth creation and inclusive development.

I. Mandates and intergovernmental processes

1. At UNCTAD XI in 2004, the topic of creative industries was introduced for the first time into the international economic and development agenda, on the basis of recommendations made by the Secretary-General's high-level panel on creative industries and development. The São Paulo Consensus negotiated among 153 member States agreed to the following:

"...Creative industries can help to foster positive externalities while preserving and promoting cultural heritage and cultural diversity. Enhancing developing countries' participation in and benefit from new dynamic growth opportunities in world trade is important in realizing development gains from international trade and trade negotiations and represent a positive sum game for developed and developing countries" (paragraph 65).

"...The international community should support national efforts of developing countries to increase their participation in and benefit from dynamic sectors and to foster, protect and promote their creative industries" (paragraph 91).

2. Since then, there has been growing awareness about the socio-economic potential of the cultural and creative sector and greater political calls in both developing and developed countries for enhancing the cultural and creative industries for development gains manifested by Governments in different ways in several intergovernmental forums. The G-77 Plan of Action (Doha, 2005); the Mauritius Strategy adopted by the Small Islands Development States (SIDS) (2005); the Nairobi Plan of Action (African Union, 2005); and the First and Second African, Caribbean and Pacific Group of States (ACP) Ministerial Meeting of Ministers of Culture (Dakar, 2004; Santo Domingo, 2006) all recognized the importance of cultural or creative industries for development. A meeting of African ministers of culture held in Rwanda in 2006 recognized that government incentives were required to enhance the creative economy in Africa. The Organization of Eastern Caribbean States (2007) included the creative industries as a viable development option for the region. The annual sessions of the Asian Cultural Cooperation Forum, Encounters of MERCOSUR Ministers (Montevideo, 2005), the Organization of American States' Culture Committee, the European Union Lisbon Agenda and the European Union Council Summit have all highlighted the sector and its potential for socio-economic growth.

3. This is an illustration of how strategic policies around the creative industries are being shaped all over the world since UNCTAD XI. Events are taking place worldwide indicating that both the political and the analytical agendas are moving in parallel. These intergovernmental decisions have the common objective of identifying policy measures to nurturing creative industries at national and regional levels. Concomitantly, relevant international organizations have also made progress in the analytical agenda of creative industries in areas of their respective competence.

II. From the creative industries to the creative economy: concepts and practices

A. Concepts

4. There is still no unique definition for this new phenomenon, or consensus about the subsectors that are involved. In many cases, the terms cultural and creative industries are used interchangeably. Independently of the terminology used, a shared understanding of the main characteristics and interactions behind their

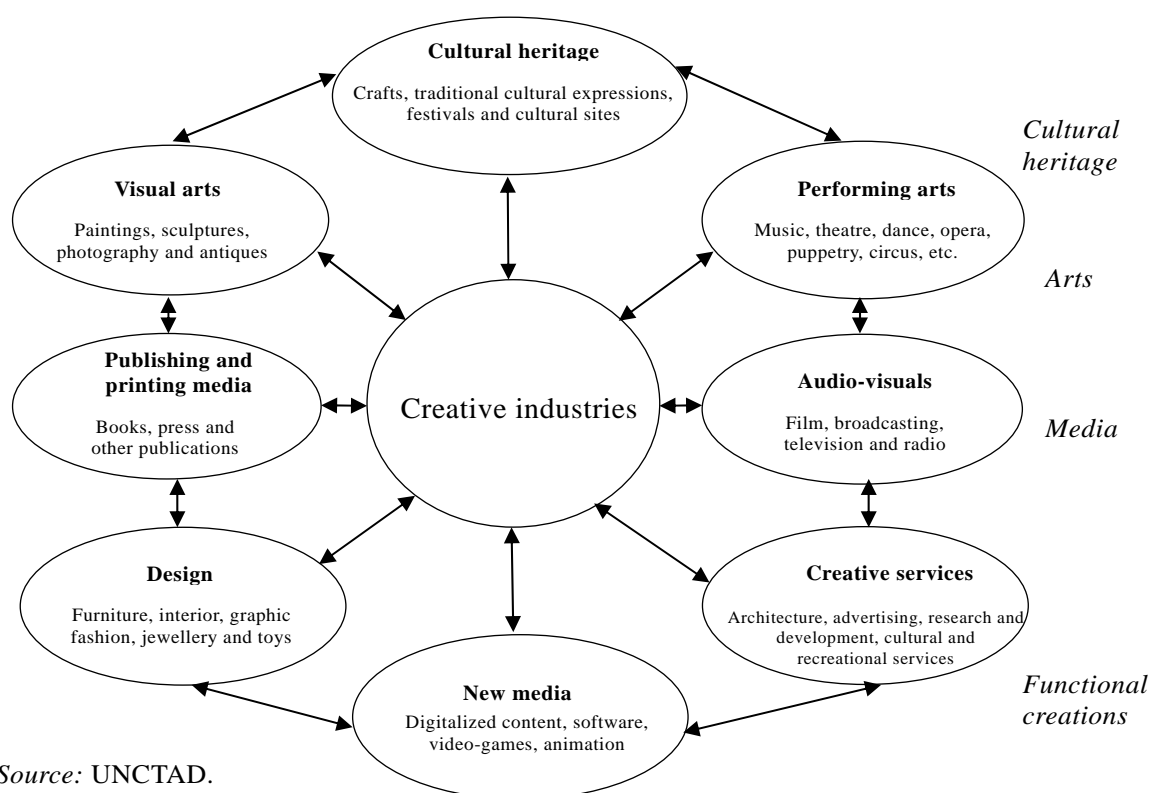
functioning can help provide a basis for international comparative analysis and a contribution to evidence-based policymaking.

1. Creative industries

5. The term “creative industries” emerged in Australia in 1994, but was given wider exposure by policymakers in the United Kingdom in 1997, broadening the scope of cultural industries beyond the arts, and marking a shift in approach to potential commercial activities that until recently were regarded purely or predominantly in non-economic terms.

6. In UNCTAD’s view, the term means the cycle of creation, production and distribution of goods and services that uses intellectual capital as primary input. It is a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property rights, in particular copyrights. Creative industries create tangible goods or intangible services with creative content, economic value and market objectives. Creative products can be exclusive or mass-produced, since they are at the crossroads between the artisan, service and industry sectors. In order to facilitate understanding about cross-sector interactions, UNCTAD classified the creative industries into four broad categories and eight subsectors. As shown in figure 1, the creative industries deal with the interplay of various subsectors, ranging from traditional crafts up to more technology-intensive and services-oriented sectors such as new media.

Figure 1. UNCTAD’s classification of creative industries (UNCTAD 2007)



Source: UNCTAD.

2. Creative economy

7. The concept of the creative economy reflects a multi-disciplinary approach that integrates culture, economics and technology. In our globalized world

dominated by symbols, texts, sounds and images, the creative economy is outperforming more traditional manufacturing and commodities sectors.

8. From UNCTAD's viewpoint, the main characteristics of the creative economy include the following:

- (a) It is an evolving concept based on creative assets potentially generating economic growth and development;
- (b) It can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development;
- (c) It embraces economic, cultural and social aspects interacting with technology and tourism objectives;
- (d) It is a set of knowledge-based activities with cross-cutting linkages at macro and micro levels to the overall economy, therefore with a development dimension;
- (e) It is part of a development option calling for innovative multidisciplinary policy responses and inter-ministerial action; and
- (f) At the heart of the creative economy are the creative industries.

9. Other concepts are emerging around the notion of creativity, such as (a) the creative class, which refers to people whose economic functions are to create new ideas, new technology or new creative content; and (b) creative cities, a policy option to revitalize urban cities through cultural and social action, such as creating jobs and economic growth. Creative clusters refer to the grouping of creative firms which are able to reduce costs by sharing facilities, equipment and space. Also, by sharing experiences and learning from each other, these firms increase productivity and stimulate creativity since, even though they are competitors, they are able to cooperate.

B. From concept to practice

10. In most developed countries, the creative economy is leading economic growth, employment and trade. In the European Union, the overall growth of the creative sector's value added was 19.7 per cent in 1999–2003. Its turnover amounted to over €54 billion in 2003, contributing to 2.6 per cent of the European Union's gross domestic product (GDP) and accounting for 3.1 per cent of total employment, or 5.8 million jobs. In the United Kingdom, the creative industries contributed to 7.3 per cent of gross value added in 2005, with annual growth of 6 per cent during 1997–2005, generating nearly 2 million jobs; exports of creative services totalled £14.6 billion, or 4.5 per cent of all goods and services exported.

11. In recent years, developing countries, mainly in Asia, have put in place tailored policies for strengthening their creative capacities and the competitiveness of their creative goods and services. China is leading this process. In Shanghai, creative industries accounted for 6.5 per cent of GDP in 2006. The city has 75 creative industries parks/clusters, with a focus in areas such as (a) design, including architecture and fashion; (b) new media, including advertising, animation and software; and (c) publishing and audio-visuals. In the Asia-Pacific region, India, the Republic of Korea, Singapore, Malaysia, Thailand, Indonesia, the Philippines and Viet Nam have been promoting the development of different sectors of their creative industries. The Middle East is another region where emphasis on creative industries is contributing to accelerated economic growth. Examples include the United Arab Emirates cities of Dubai, with a focus on television broadcasting, publishing and design, including architectural services and jewellery; and Abu Dhabi, where

construction of the Middle East branches of the Louvre and Guggenheim museums is bringing new economic impetus to the region.

12. Nevertheless, the enormous potential of the creative industries in most developing countries remains underutilized. In Latin America and the Caribbean, creative industries are buoyant but there is a need to reinforce financing mechanisms, legal frameworks and market strategies. However, a series of strategies, studies and experiences which constitute a basis for the development of a creative economy in the region are being undertaken, particularly in Argentina, Brazil, Chile, Colombia, Mexico, the Bolivarian Republic of Venezuela, Guatemala and El Salvador. Caribbean countries such as Jamaica, Trinidad and Tobago, and Barbados have robust creative industries and are gradually implementing policies to harness their creative capacities for developmental needs.

13. In Africa, creative industries and cultural activities are very fragmented. Micro-firms lack financial and business support to ensure sustainability, and local markets are usually too small to stimulate higher levels of production and consumption of creative goods and services. Initiatives stimulating African creative industries and attracting international attention include the Panafrican Film and Television Festival of Ouagadougou (FESPACO), the Arts Biennale of Dakar in Senegal and the Festival Panafricain de la Danse (FESPAD) Pan-African Dance Festival. Noteworthy is the Nigeria video-based film industry “Nollywood”, which produces more than 1,000 video-films annually, with annual turnover of about \$2.75 billion.

III. Creative industries: capturing trade figures and data issues

14. One of the main challenges in assessing the economic contribution of the creative industries in national economies and in global markets is the lack of reliable data. The issue of definition is not just a question of semantics, but the precise identification of which goods and services should be included in each segment of the creative industries. Methodological shortcomings are also a problem, for example: (a) customs-based statistics do not have the required level of disaggregation needed for accurate analysis; (b) there is a growing trade of digitalized creative content through peer-to-peer Internet sites, mobile phones, etc.; (c) statistics are lacking regarding the flows of copyrights (downstream data such as box office revenues for cinemas, theatres, concerts, etc.); and (d) data is missing due to outsourcing or intra-firm transactions. These constraints need to be overcome in order to improve the quality and coverage of trade statistics for the creative industries.

15. Against this background, an initial attempt was made by UNCTAD to take stock of the available official data for trade statistics for creative goods and services at the universal level. The preliminary figures below give an indication of global market trends and the major trade flows for each category of creative industries, since the same basket of products was used for the period 1996–2005, as reported by national sources to the United Nations.

16. Under the constraints underlined above, the international trade flows of creative industries as defined by UNCTAD covers eight sub-groups of goods and services, as shown in figure 1. These figures should be used with great caution; attention is drawn not only for what the figures show, but in particular for what the figures are not able to capture. There are visible gaps, particularly as regards data for trade in music, audio-visuals and the new media, which are extremely underestimated, for the reasons explained above. (On a more positive note, the number of countries reporting data for trade in services has increased from just 57 to 90 in the last decade.)

IV. Trends and major trade flows for creative goods and services

17. Over the last decade, the global market for creative goods and services has been showing remarkable dynamism. World exports of creative industries products rose from \$234 billion to \$445.2 billion during the period 1996–2005, according to UNCTAD preliminary figures, as shown in table 1. Exports of creative goods accounted for the vast majority of international trade of creative industries, with increasing values from \$189.2 billion to \$335.5 billion, but with decreasing shares of world total, from 80 per cent to 75 per cent, according to available official data. Similarly, trends occurred for imports during the same years. Exports of creative services quadrupled from \$45.6 to \$109.7 billion, which represented 19 per cent and 25 per cent of total exports of creative industries.

Table 1. World exports of all creative industries products by sector: goods and services, 1996–2005

Creative industries	Value	% of all creative	Value	% of all creative	Growth rates
	(\$ million)	industries	(\$ million)	industries	
	1996*		2005*		1996–2005
All creative industries	234 799	100.00	445 239	100.00	6.6
All creative goods	189 214	80.59	335 494	75.35	6.0
All creative services	45 585	19.41	109 995	24.65	9.1
Cultural heritage	15 760	6.71	26 788	5.99	5.4
Art crafts goods	14 738	6.28	23 244	5.22	4.3
Other cultural services	1 022	0.44	3 544	0.77	12.9
Visual arts	10 331	4.40	22 149	4.97	7.9
Visual arts goods	10 331	4.40	22 149	4.97	7.9
Performing arts	5 100	2.17	14 924	3.35	13.5
Music goods	5 100	2.17	14 924	3.35	13.5
Publishing/printing media	32 180	13.71	44 304	9.95	3.4
Publishing goods	32 180	13.71	44 304	9.95	3.4
Audio-visuals	6 682	2.85	18 182	4.08	10.5
Audio-visual goods	355	0.15	664	0.15	7.6
Audio-visual services	6 327	2.69	17 518	3.93	10.7
Design	119 706	50.98	218 173	49.00	6.2
Design goods	119 706	50.98	218 173	49.00	6.2
New media	6 804	2.90	12 035	2.70	6.5
New media goods	6 804	2.90	12 035	2.70	6.5
Creative services	38 236	16.28	88 932	19.94	8.7
Architectural and related	9 828	4.19	27 722	6.23	10.9
Advertising and related	5 008	2.13	15 703	3.53	12.1
Research and development	13 336	5.68	17 990	4.04	3.0
Cultural and recreational	10 064	4.29	27 517	6.15	10.5

Source: UNCTAD secretariat calculations based on UN COMTRADE database data.

* Reported official figures for creative goods based on 54 reporting countries in 1996 and 131 countries in 2005; creative services based on 57 reporting countries in 1996 and 90 countries in 2005.

18. Despite the overall dominance of developed countries in exports and import flows, developing countries have increased their global market shares in world trade, with higher growth rates than developed countries, as shown in table 2.

Table 1 also shows that, among the creative industries segments, those that accounted for higher growth rates for world exports during 1996–2005 were performing arts at 13.5 per cent, audio-visuals 10.5 per cent, and creative services at 8.8 per cent.

Table 2. Exports – creative goods by region

	\$ million		Annual change (%)
	2000	2005	2000–2005
Creative goods exports			
World	228 695	335 494	47
Developed countries	136 643	194 445	42
Europe	99 201	149 825	51
United States	20 703	25 544	23
Japan	4 803	5 547	15
Canada	10 413	11 377	9
Developing economies	89 827	136 231	52
Eastern, Southern and South-Eastern Asia	79 316	119 839	51
China	28 474	61 360	115
Western Asia	2 747	5 947	116
Americas	6 769	8 641	28
Africa	973	1 775	82
LDCs	648	211	-67
SIDS	133	153	15
Economies in transition	2 226	4 818	116

Source: UNCTAD preliminary figures.

19. The world's top 20 exporters of creative goods during 1996–2005 are listed in table 3 below. China was the top exporter in 2005, its exports having recorded an unprecedented dynamism, jumping 233 per cent in 10 years. Also noticeable was Italy, which was the top exporter of creative goods among developed countries, reflecting its competitive position in the field of design. Apart from China, among developing countries, only India, Turkey and Thailand are among the world's major exporters; India recorded the highest export performance during 2000–2005. Creative industries exports are dominated by developed countries, headed by Europe as the leading region; Europe's exports increased by 46 per cent during 1996–2005.

20. Exports of creative goods from developing countries nearly tripled, from \$55.7 billion in 1996 to \$136.2 billion in 2005. There is a nuance to this bright picture, however, since most of the increase was led by China and other neighbouring countries. Asian countries account for more than three quarters of total exports of developing countries, particularly South-East Asia and Western Asia. India, Thailand, Malaysia, Singapore, the Republic of Korea and Indonesia have greater presence in international markets. In Latin America and the Caribbean, exports of creative industries more than doubled, although from a very low level, amounting to about \$8.5 billion in 2005. Mexico, Brazil, Colombia and Argentina are the leading exporters from the region. Africa has a marginal participation in world trade, accounting for less than 1 per cent of total trade in creative industries products, despite the sharp increase from \$973 million to \$ 1.7 billion during 2000–2005. A few reporting LDCs demonstrate the overwhelming importance of creative industries (e.g. Senegal, United Republic of Tanzania, Mali and Cambodia).

21. The group of economies in transition experienced a sharp increase in exports, from \$142 million in 1996 to \$4.8 billion in 2005, but this represents only 1.4 per

cent of world total exports of creative goods. (Note that the number of countries in this group decreased during the analyzed period, since some have joined the European Union.)

Table 3. World's top 20 exporters – all creative industries goods

Rank	Top 20 exporters			Rank	Market share	Growth rate
		2005	1996		(%)	(%)
		\$ million		1996	2005	2000–2005
1	China	61 360	18 428	3	18.3	17.6
2	Italy	28 008	23 654	2	8.3	5.9
3	China, Hong Kong	27 677	24 391	1	8.2	0.8
4	United States	25 544	17 529	4	7.6	3.6
5	Germany	24 763	13 976	5	7.4	14.2
6	United Kingdom	19 030	12 439	6	5.7	9.8
7	France	17 706	12 368	7	5.3	8.6
8	Canada	11 377	9 312	8	3.4	1.7
9	Belgium*	9 343	–	–	2.8	–
10	Spain	9 138	5 988	9	2.7	8.1
11	India	8 155	2 382	16	2.4	21.1
12	Netherlands	7 250	5 235	10	2.2	9.7
13	Switzerland	6 053	4 501	11	1.8	9.1
14	Japan	5 547	3 618	12	1.7	1.8
15	Turkey	5 081	1 763	20	1.5	18.3
16	Austria	4 883	2 355	17	1.5	11.1
17	Thailand**	4 323	–	–	1.3	5.1
18	Mexico	4 271	2 693	15	1.3	0.5
19	Poland	4 215	1 602	21	1.3	18.2
20	Denmark	3 449	2 341	19	1.0	8.5

Source: UNCTAD.

Notes: * Belgium and Luxembourg reported trade figures jointly from 1996 to 2001.

** Trade data of creative goods from Thailand was only available after 1999.

22. Regarding the world market for creative services, exports from the totality of reporting countries have shown extraordinary growth, from \$47.7 billion in 1996 to \$110 billion in 2005, as depicted in table 4. Services related to the creative industries belong to sectors that have grown faster as compared with total trade in services. For example, while the average growth of total trade in services increased by 12 per cent during 2000–2005, the annual growth rate of advertising services was 22 per cent; architectural services and research and development have grown by 19 per cent and audio-visual services by 16 per cent.

23. Developed countries have 82 per cent of market share of total exports of creative services, while exports from developing countries account for 11 per cent and economies in transition 7 per cent. Among all creative segments, architectural and cultural services are the largest sectors. These figures should be considered with prudence, however, since they cover larger categories.

Table 4. Reported exports of creative services 1996, 2000 and 2005
(\$ billion)

	All creative services	Architectural	Advertising	Audio-visual	R&D	Cultural and recreational	Other cultural
1996	45.6	9.8	5.0	6.3	13.3	10.5	1.0
2000	68.2	17.3	5.1	13.3	9.6	20.7	2.8
2005	109.9	27.7	15.7	17.5	18.0	27.5	3.5

Source: UNCTAD.

V. Connectivity and the creative industries

24. New digital and information and communication technologies (ICTs) have revolutionized the production processes, distribution channels and consumption modes of all industries, including creative industries. New media is a subsector of the creative industries which emerged from this process, both as a creative industry itself and as enabler of connectivity for marketing and distribution of other creative products such as music, films, news or creative services, including advertising, Web-related services, etc. The combination of ICTs and the creative industries offers new distribution channels and broadens the range of products and services created using digital technologies for digital distribution. This shift led to innovation and the emergence of new business models, where ICTs could have an impact on all stages of the production chain of the creative industries from conception, production and distribution, up to access and market.

25. The digitalization of creative content is facilitating consumers' access to new creative products offering new opportunities for creative workers to produce and distribute their work to a wider and global public, through Internet broadband and mobile telephony networks without intermediaries and at lower costs. For example, feature films can be shot digitally at a fraction of the cost of older analogue technologies. In the meantime, mass production technologies have been replaced by niche production and mass customization, such as print-on-demand services, movies on demand, interactive media and social networking sites. Music and films are the engine of the technological uptake in audio-visual content.

26. The convergence of the telecoms, telephony, the Internet and cultural content has also changed the nature of piracy and copyright collections, as well as disturbed the balance between the major content distribution/marketing companies and the independents, thus giving the consumer greater choice. However, these gains are dependent on wider access to Internet services internationally, the growth of broadband and wireless access, and the expansion of interoperability between content providers/creators, digital distribution channels and consumption devices. Digital rights management is needed to facilitate consumer usage rights while protecting the works of creators from unauthorized distribution and unfair use. A noticeable case of clear limit between creative producers and consumers is the development and use of free and open-source software (FOSS).

VI. Multilateral framework and the creative industries

27. The creative economy emerged within an international policy framework highly influenced by the Millennium Development Goals. Development strategies are expected to be fully compatible with the particular needs of the least developed and landlocked countries, the small island States, and the most vulnerable small economies, aiming at generating trade and development benefits for poverty alleviation and reduction of inequality. Against this background, three major multilateral processes of relevance to creative industries have been shaped: the

development agendas of the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO); and the Convention on the Protection and Promotion of the Diversity of Cultural Expressions of the United Nations Educational, Scientific and Cultural Organizations (UNESCO), which entered into force in March 2007.

A. Reconciling cultural objectives and international trade policies

28. Trade in cultural and creative goods and services is framed within the accepted disciplines governing the multilateral trading system and may also be influenced by UNESCO's legal instruments and the like in other international organizations at the regional and subregional levels. It may also be influenced by other specific agreements dealing with cultural trade exchanges, in addition to the provisions of WTO rules – namely, the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and trade-related investment measures (TRIMs) – as well as the rules and commitments of other legal provisions and trade agreements, such as free trade agreements, customs and economic unions, and economic partnership agreements. In this regard, trade policy interventions are more complex than the standard trade policies devices applied to merchandise trade, i.e. tariff and non-tariff barriers, subsidies, antidumping, etc. Such interventions also include market access and national treatment-related measures, safeguards and measures related with GATS art. XVI, XVII and XVIII. In this context, the fundamentals to apply or exclude creative industries in national regulatory frameworks are essential to protect cultural identity and cultural diversity, preserving paramount cultural policy objectives and implementation of international trade agreements.

29. Cross-cutting issues relevant to the creative industries include trade in goods, trade in services, trade-related intellectual property rights and other topics such as trade-related investment measures, regional integration, competition policies, trade efficiency, and the principle of special and differential treatment.

30. Mobility of talents is a crucial element for exports of creative and cultural services from developing countries to global markets, in particular Mode 4 on the temporary movement of natural persons (e.g. services provided by theatrical producers, musicians and other artists). There are divergent views on this matter given its linkages with migration issues and discriminatory measures.

31. An important matter to clarify regarding trade policies on creative industries is the non-application of the fundamentals of trade policy and strategies to non-tradable assets of the cultural heritage – albeit some are currently generating trade revenues in many countries in other sectors, such as tourism – or unique masterpieces that are considered part of the national patrimony. The economic impact of these policies needs further study in both developing and developed countries.

32. TRIMs encourage and/or protect some segments of creative industries from foreign capital penetration, or the conditions to be met in relation to control and ownership of cultural and creative industries at the national level. Complexity and great diversity of situations across countries make it extremely difficult to find a unique standard of trade policy for creative industries. In general, cultural industries and cultural-related services (including audio-visual services) are treated within special regimes framed in national constitutions and other national laws and rules.

33. Often, production and trade – i.e. exchange and consumption of products of some industries – can be so interrelated that it is very difficult to define trade boundaries or their components and therefore the trade policy measures to be

applied to each segment. For instance, digital products – such as those used in filmmaking and sound recording – and most outsourcing business processes cannot be delivered without the interface of ICTs, sophisticated equipment and highly-skilled human interaction.

34. Public policies are crucial to ensure the promotion, protection and competitiveness of creative industries. Trade policy devices such as standards, licensing and administrative procedures are the most common. A matter of concern after the existence of TRIPs is the treatment of trade of copyrightable and non-copyrightable goods and services.

35. In this regard, there is an increasing awareness of the treatment of counterfeit and piracy of copyrighted products, which represent a major problem for developing countries with large trading partners. The international community is challenged to find ways and means to provide developing countries with the necessary financial support to increase supply capacity and to prevent and penalize piracy.

36. Attention should also be given to the so-called non-copyrightable items that are not covered or excluded from the TRIPs agreement or from intellectual property rights-related treaties. This is the case of traditional knowledge products, including crafts and designs created by indigenous communities.

37. Trade-related public intervention in creative industries and cultural services, in particular the audio-visual sector (AVS), shows different nuances in the trade regime applied in large exporting countries. The key question is whether cultural goods and services should be treated differently from other products. This provoked debate between the proponents of a generally unrestricted opening of cultural goods and services markets and those who felt that cultural products were not merchandise to the same extent as others, and therefore protection and support from Government was justified. This policy interface has also come up in several regional trade agreements, such as the North American Free Trade Agreement (NAFTA), the Central American Free Trade Agreement (CAFTA) and a large number of other free trade agreements.

38. The treatment of issues on the above matter and the debate on the treatment of creative industries including AVS is challenging and open-ended, because there is not a universal international trade agreement applied to trade in cultural goods and services that covers all the issues of the trade agenda. In the absence of such an agreement that explicitly and exclusively deals with cultural trade and investment *per se*, there are many trade agreements administered by WTO – GATS in particular – as well as regional trade agreements that affect the terms by which cultural goods and/or services are traded across borders (together with other goods and services that are not cultural in nature).

B. WIPO's Development Agenda

39. In June 2007 WIPO member States reached an agreement on the WIPO Development Agenda, a set of proposals aimed at closer integration of the development dimension into policymaking in the field of intellectual property protection. The 45 agreed proposals recommended to the WIPO General Assembly for action (grouped into six broad clusters) include many that make direct reference to the cultural/creative industries or to copyright and/or the protection of creative works. For example, one proposal calls for a greater emphasis on WIPO's technical assistance activities on the creative industries, and another mentions the importance of strengthening national capacity for the protection of domestic creations. In addition, several proposals deal indirectly with issues that are relevant to copyright and the creative industries.

40. Regarding intellectual property and genetic resources, traditional knowledge and folklore, the mandates of the WIPO Intergovernmental Committee have been renewed to continue the negotiations on core issues concerning the protection of traditional knowledge and traditional cultural expressions, focusing on the quest for more effective protection against misuse and misappropriation.

C. UNESCO's Convention on the Protection and Promotion of the Diversity of Cultural Expressions

41. This convention (March 2007) recognizes the right of States to promote the diversity of cultural expressions within their territories and at the global level, and to encourage equitable access to all cultural expressions in the world. Parties to the convention are committed to facilitating cultural exchange within their borders as well as with other countries. The implementation of art. 14 of the Convention on Cooperation for Development, as well as art. 16 on Preferential Treatment for Developing Countries are tools to support national efforts of developing countries to promote cultural diversity through the development of their creative industries. The implementation of art. 18, "International Fund for Cultural Diversity", can channel concrete actions. Arrangements to facilitate cooperation between the secretariats of UNESCO and UNCTAD are in place.

VII. Fostering the creative economy for trade and development gains

42. Obstacles preventing developing countries from enhancing their creative economies reflect both domestic policy weakness and global systemic biases. Challenges faced by most developing countries at the national level include the need to (a) upgrade quality at the various stages of the value chain of creative production; (b) promote inter-ministerial action; (c) reinforce competition policies; (d) encourage financing schemes to support independent, micro and small creative entrepreneurs; (e) attract joint ventures and co-productions; (f) promote public/private partnerships; (g) increase awareness about intellectual property rights and reinforce domestic collecting systems; and (h) improve mechanisms for accessing advanced technologies, including ICTs.

43. At the international level, the main constraints are related to (a) market access; (b) non-competitive business practices due to the oligopolistic market structure; (c) the concentration of marketing channels and distribution networks in few major markets; (d) limited access to funds from regional and multilateral creditors to the creative sectors; and (e) technological exclusion, which undermines the competitiveness of developing countries.

44. Each country – depending on its cultural identities, economic specificities and development needs – should be able to identify its creative industries and products with greater competitive advantages in both domestic and world markets. UNCTAD encourages developing countries to diversify the range of exportable creative goods and services, by upgrading their quality and improving their international competitiveness. However, given the multi-disciplinary nature of the creative economy, two sets of innovative policy responses are highly recommended:

- (a) Facilitate cross-cutting policies and inter-ministerial action. Effective public policies should involve concerted measures under several ministries: culture, trade, labour, technology, finance, foreign affairs, tourism, finance and social affairs (gender, youth and civil society);
- (b) Optimize the impact of the "creative nexus" – creative investment, technology, entrepreneurship and trade (C-ITET). Mutually-supportive mechanisms can enhance the competitiveness of creative products and services, while

harmonizing national cultural and social objectives with technological and international trade policies.

VIII. The way ahead: UNCTAD's role

45. Since UNCTAD XI, the secretariat has promoted a number of international and national policy actions in the area of creative industries and the creative economy. It has been playing a leading role in building synergies among the United Nations family, with a view to exploring complementarities, undertaking joint technical projects and promoting more effectively coherent international actions in this area. The United Nations Multi-Agency Informal Group on Creative Industries was set up by the Secretary-General of UNCTAD in 2004, bringing together experts from UNCTAD, UNESCO, the United Nations Development Programme (UNDP), WIPO, the International Labour Organization (ILO) and the International Trade Centre (ITC). The collaborating agencies meet twice a year and maintain a regular dialogue, while respecting the differences in competences and approaches inherent to each agency. This is a concrete example of United Nations system-wide cooperation for enhancing the creative economy for development.

46. In response to the growing interest of Governments to this topic, and recognizing the cross-cutting nature of the creative economy, the Secretary-General of UNCTAD set up in June 2007 the Ad Hoc Inter-divisional Task-Force on Creative Economy and Industries, to benefit from in-house expertise and build synergy on the multi-faceted aspects of the creative economy.

47. By dealing with analytical and policy-oriented issues in the areas of trade, technology, investment, competition policies, financing, e-commerce and enterprise development, the creative industries fall directly into the heart of UNCTAD's mandates. They call for strategic vision that brings together its political, economical, cultural and social dimensions.

48. In conclusion, the UNCTAD secretariat is ready to continue to fulfil its mandates and assist Governments on issues related to the development dimension of the creative economy and industries, in line with the three pillars of UNCTAD's work: (a) consensus-building, by providing a platform for intergovernmental deliberations; (b) policy-oriented analysis, by identifying key issues underlying the creative economy and the dynamics of creative industries in world markets; and (c) technical cooperation, by assisting developing countries to enhance their creative economies for trade and development gains.
