

Ad hoc Expert Meeting on

**CREATIVE ECONOMY AND SUSTAINABLE  
DEVELOPMENT**

28 October 2019

**Creative clusters and the position of Ukraine  
in the market of creative products**

by

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## **CREATIVE CLUSTERS AND THE POSITION OF UKRAINE IN THE MARKET OF CREATIVE PRODUCTS**

Ukraine began paying special attention to creative industries just a couple years ago. In 2016, within the Ministry of Culture of Ukraine a new subdivision named the Department of Strategic Planning and Development was established that includes the creative industries development sector. In order to outline the concept of the creative industries and types of activities, which belong to them, a definition of creative industries was put into the Law of Ukraine “On Amendments to The Law of Ukraine “On Culture” in 2018. According to the Ukrainian legislation, creative industries are economic activities that aim to create added value and jobs through cultural (artistic) and / or creative expression, and their products and services are the result of individual creativity. In addition, The Creative Goods Export Strategy of Ukraine 2017-2021 and The Ukrainian Cultural Foundation Strategy 2019-2021 are currently implemented for the purpose of promoting the creation and consolidation of the ecosystem of culture and creativity in Ukraine, assistance of development of the creative industries as a priority sector of the national economy, risk reduction and ensuring a steady increase in exports of Ukrainian products. Ukraine also participates in the EU cultural programme “Creative Europe” that provides Ukrainian cultural and media projects with financing from the European Union. In 2019, the Government approved a list of economic activities that belong to the creative industries, according to the National Classifier of Ukraine, totally 34 types that, in particular, was compiled in order to calculate their contribution to the national economy. The list covers such types of economic activities as audiovisual services; design; publishing; new media and IT; architecture and urbanism; advertising, marketing and PR; libraries, archives and museums; folk art crafts.

The most developed sub-sectors of the creative industries are advertising, IT-sector, media, design, and handicraft. The fashion industry has been maturing and expanding for many years so it also has a potential for the development.

Ukraine is in TOP-3 countries of Central and Eastern Europe where advertising industry strongly affects the economy. Ukraine's advertising market reached \$625 million in 2018, dominated by TV advertising with \$331 million. The digital sector is growing fast, reaching \$134 million in 2018.

IT-sector is growing by an average of 20% each year. In 2017, Ukrainian IT-companies received a total of \$265 million of investment and, since 2007, more than 140,000 patents have been registered in Ukraine. Consequently, the industry is famous with many start-ups: e.g. in 2012, Google has bought the Ukrainian facial recognition project Viewdle for \$45 million, and in 2015, Snapchat has acquired the Ukrainian facial recognition start-up Looksery as an addition to the social network for \$150 million.

The stance of public policy in Ukraine is now mainly concerned with the preservation of the Ukrainian language, viewed as a vehicle for the expression of values considered important to society. Television is the most popular medium in Ukraine (80%). Online media are the second most popular. Radio is the second least popular medium. Print media are dragging behind all other media in terms of audience (19%). The Ukrainian media landscape is growing and is more consistent with global trends like digitalization and the increasing role played by social networks. The Internet plays a significant role in the everyday life of Ukrainians: 21.35 million of citizens are regular Internet users.

All these facts testify to the fact that the issue of developing the creative industries is becoming increasingly topical for Ukraine; its creativity-building efforts can be in very high demand not only within the country but also throughout the world.

Development of the creative industries in Ukraine often has a cluster organization. Since 2000s, many creative projects have been implemented that can be divided into:

1. Revitalization initiatives: revitalization of the former plants and factories takes place in Ivano-Frankivsk (Promprylad), Lviv (ReZavod) and Kharkiv (Fabrika.space). Such a concept assists to transform former industrial sites into hubs of creativity and knowledge in order to change the urban environment qualitatively. These projects focus on different areas of the development, including urban studies, new economics, contemporary art and non-formal education. At the same time, they aim at cohesion of citizens, businesses, NGOs and local authorities in a long-run perspective.

2. IT-clusters have been launched in more than eleven Ukrainian cities, including Lviv, Lutsk, Ternopil, Ivano-Frankivsk, Vinnytsia, Odessa, Mykolaiv, Cherkasy, Dnipro, Kharkiv, Kyiv, etc. However, experts claim that number of IT-clusters in Ukraine is at least doubled. These clusters are intended to improve the quality of IT-education assisting universities to bring syllabus changes according to ongoing trends, create conditions for development of new IT-projects, share expertise, organize events, promote IT-industry, create jobs (e.g. Kyiv IT-cluster accommodates about 47% of all IT-specialists in the city) and ensure maximum communication among IT-businesses, educational institutions and authorities.

Lviv IT-cluster is a leading hub for the Ukrainian IT-industry today. It unites 80 participants and more than 10 thousand specialists. The cluster founded the annual profile event – Lviv IT-Arena and initiated construction projects - IT House, IT House Premium, IT Village, IT House 2.0, Innovation District IT Park. Over the years, Lviv IT-cluster has not only successfully implemented own projects but also has changed positioning of the city since it's part of Lviv development strategy.

3. Cultural clusters have a huge potential to growth. Being rich in cultural traditions and historical events of international significance, Ukraine remains the center of preservation of national identity and uniqueness, as well as the bearer of creative ideas inherent to the Ukrainian people. The most developed types of handicrafts include pottery, blacksmithing and weaving. Nowadays, the fastest growing cultural clusters are Cluster of folk artistic crafts “Suzirya” (Ivano-Frankivsk region) and Krolevets Creative Cluster (Sumy region). There are also different cultural projects – Interregional Cluster of Folk Textile Crafts (Lviv, Ivano-Frankivsk, Kyiv and Poltava regions), Cluster “Gogol places of Poltava region” and Cluster for Rural Development “Sorochinsky Yarmarok” (Poltava region).

In Ukraine, there is no institutional environment for cluster associations since clusters are not even identified in domestic economic legislation as independent economic entities. Consequently, official statistical information on commercial activity, number of employees, profits or GVA generated by clusters is lacking. So, this analysis is primarily a demonstration that creative clusters are already being born and existing in Ukraine today.

Impact of creative industries on foreign trade of Ukraine can be observed due to the increase in creative product turnover by 20% compared to 2008. The share of creative exports increased by 42.7% in the total export structure, and the share of creative imports increased by 7.1%. Ukraine's creative goods exports increased three-fold in 2014 compared to 2005. In international market, Ukraine won the 2nd place (after Russia) among the largest transition economies-exporters of creative goods.

Ukraine also ranks 3rd out of Europe in terms of the number of handicrafts on Etsy, which is an e-commerce website focused on handmade or vintage items and craft supplies with 39.4 million buyers, regardless trading in handmade products is mostly offline (76.3%). Ukrainian handicrafts are also possible to find on Amazon (more than 20,000 products from 750 sellers). Ukraine is the leader in production of towels, tablecloths, belts and scarves, ethnic toys. In terms of money, the clothing category occupies the largest share since its average cost is the highest. On the whole, prices for handicrafts produced by Europeans are higher compared to Ukrainian goods that creates opportunities for domestic producers for price competition.

The main issue is that handmade products, especially ethnic ones, are not regularly purchased by foreigners. The cultural and historical value of Ukrainian decorations or colors is unknown or irrelevant for customers from abroad, so the good must be attractive in itself. Besides, the number of masters is large, and the range of products is limited that reduces the likelihood of repurchase even if the buyer is completely satisfied with the product. Other trade barriers include inexperience, tough competition, internal procedural barriers.

It's worth mentioning that the animation is the best-selling Ukrainian media product today. For example, the right to display a 3D cartoon "Nikita Kozhemyaka" have been acquired by more than ten countries. Another direction – visual effects for music video, films, TV shows.

Exports of creative services increased by an average of 20% per year from 2006 up till 2016. The main driver of this growth was IT-services that increased thirty times over the same period and are already considered as the most important export items in the country. The exports of IT-services in 2018 made up about 4% of Ukraine's GDP. IT-industry is the second largest export industry in Ukraine today. Mostly, IT-companies and specialists work for customers from abroad. Top 3 buyers of the Ukrainian IT-outsourcing services are the United States (45% of customers), EU and Israel.

The creative industries represent a dynamic sector of the national economy with a high development rate. The biggest issue of the Ukrainian creative sector, in my opinion, is that creativity is considered equal to culture. Along with commercial goods and services, a large number of creative ideas is sold in order to satisfy human spiritual values not to make a profit that prevents the trade in creative products.