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Creative industries in the Caribbean: a new road for diversification and export growth

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Abstract

Creative industries have become a new engine of growth and development in the world economy. This dynamic sector, which ranges from traditional arts to multimedia, has been an important driver of innovation and productivity growth. The present study argues that the creative industries can become a pillar for economic diversification and export growth in the Caribbean. The study adds to the developing literature on the creative sector by evaluating export performance in the context of constraints as well as opportunities.

The Caribbean creative sector possesses a number of advantages that are recommendation for development. The creative industries allow the leverage of the abundant talent and skill of Caribbean people and domestic capital to produce competitive products and services. In addition, the sector is comparatively labour intensive and can, therefore, help to alleviate the chronic unemployment problem in the Caribbean.

Nevertheless, the study indicates that Caribbean countries have been underperforming in most segments of the creative industries, even when benchmarked against other developing countries of similar size and level of development. This is reflected in small and stagnant market shares, both in regional and international trade, in most segments of the sector. Weak trade performance is determined by a number of binding constraints faced by the creative industries.

Critical among these constraints are weak product and service development policies that result in many firms being unable to upgrade their product or service to meet international standards. Further, the high cost of and limited access to appropriate financing limit growth and scaling up of operations. The study recommends that the CARICOM region adopt an active product/service development policy, including the

use of the new information technologies, development finance and robust, but flexible intellectual property regimes to enable its creative sector to realize its full export, growth and development potential.

Introduction

Caribbean economies are confronting a challenging period in their development. The development gains of the last three decades have been built on an unstable tripod of trade preferences, commodity booms and mass tourism, combined with offshore financial services which have been severely impacted by the global economic crisis of 2008/2009. This development model was already unsustainable, especially given the size, openness and vulnerability of these economies. The situation was further exacerbated the new era of globalization which has witnessed the erosion of preferences for Caribbean sugar and bananas and of reciprocity in trade relations with the European Union, an important trading partner.

The weakness of the current development model is probably best reflected in the structural balance of payments constraint faced by Caribbean economies. Specialization in low value added, unsophisticated production and trade means that growth is constrained by the deterioration of the current account. This was highlighted by the slump in growth in the tourism-dependent economies of the Caribbean due to the fall in global demand during the recent crisis.

The counterpart to the weak current account performance has been the limited structural transformation of Caribbean economies. Insufficient resources have been allocated to the upgrading traditional sectors to increase their value added. In addition, the incentives framework has not facilitated timely shifting of resources from traditional to modern sectors.

Incentives continue to favour traditional agriculture and mineral extraction and mass tourism, even after these activities have become obviously uncompetitive.[1]

Thirdly, the economic diversification[2] process needs to be advanced by the development of new activities such as health tourism and high value added niche manufacturing. This is critical for a qualitative improvement in the structure of production. Moreover, expanding production possibilities requires strategies for increasing export productivity by improving the quality and sophistication of products and services. Critical to this process of change are measures to boost the skill, technology and innovation-intensity of output and exports. In addition, diversification is essential for expanding the range of goods and services produced, especially those that face increasing demand in world markets. This is a necessary condition for generating the foreign exchange needed for purchasing the equipment, technology and managerial expertise to complement domestic capital[3] and drive the growth process.

James (2004) argues that, given the balance of payments constraint faced by Caribbean economies, growth in import productivity[4] or the efficiency in the use of foreign exchange and domestic capital deepening relative to imports are key drivers of economic growth. Sectors and activities that promote intersectoral linkages and use domestic capital are best placed to help the Caribbean overcome its balance of payments constraint.

However, a weak competitive base combined with growing import demand has widened the external imbalances over time. Alongside the current account deficits, several countries are facing high public debt, sometimes exceeding 100 per cent of GDP, which would have to be financed, in part, by growth in exports. This necessary growth in exports will have to come from upgrading the traditional sectors and more importantly, from developing new competitive activities.

Efforts to expand exports would have to be underpinned by measures to raise labour and total factor productivity, which have declined in the last decade-and-a-half. Indeed, growth in productivity would not only enhance the competitiveness of exports, but would also contribute to higher incomes for workers. However, this requires shifting resources from low to high yield sectors so as to boost overall productivity (Rodrik, 2011). This process of structural change was noted by Rodrik as an important contributor to growth in Asia compared with Latin America and the Caribbean and Africa.

In the search for new growth sectors, Caribbean policymakers have been paying increased attention[5] to their creative industries. The sector includes activities at the nexus of the arts, culture, business and technology, which generate income through trade in creative goods and content based on intellectual property rights (UNCTAD 2010). In the Caribbean context, the sector centres on activities such as music, art and craft, theatre, film and fashion and publishing, but also includes software, new media and copyright collective management organizations. Moreover, the sector leverages creativity and talent, which are abundant factors in the Caribbean.

The present paper argues that creative industries provide an avenue for economic diversification and export growth for the Caribbean. The global context is triggering a major transformation from the industrial sector to services in many economies. Moreover, within the services sector, finance, business, information and communications and creative industries are becoming important drivers of value creation and economic growth (Potts, 2009). The growing international importance of the creative sector in the face of dynamic global demand marks it as one of the growth/sunrise industries of the future, a

[1] In its simplest form, Thirlwall's law on which the balance of payments constraint model is based notes that, in the absence of a permanent ability to attract capital inflows, the rate of growth of an economy will be constrained by the requirement that it achieve current account balance, selling enough exports to pay for its imports (Setterfield, 2006).

[2] Economic diversification is defined broadly here to include both the development of new sectors and activities and structural change, which entails the shift of resources (labour and capital) from less to more productive activities (Rodrik, 2011).

[3] Domestic capital refers to the means of production created within a country, which includes local physical capital and supporting institutions (education, financial and technical) that expand production capabilities (James and others, 2001).

[4] Import productivity refers to GDP divided by intermediate imports and is a measure of how much a given amount of intermediate imports contributes to GDP growth.

[5] In the past, public policy focused on the non-commercial value of the creative sector, especially its role in cultural expression and social cohesion. The new framework seeks to commercialize the unique cultural content of the Caribbean.

welcome development for the Caribbean which enjoys a natural competitive advantage in the sector. This advantage is based on the abundance of creative talent that can be harnessed to produce tradable products and services (Nurse, 2011). Creative industries can act as an important pillar of economic diversification and structural change by leveraging new technologies and skill to produce innovative products and services.

The creative industries also provide an opportunity to produce differentiated goods and services that allow the emergence of distinctive Caribbean brands. Such branded products and services offer one of the best ways of competing effectively on the international market.

Another advantage of the creative sector is the predominant use of domestic Caribbean capital. Such capital is critical for economic development, as it allows countries to make the best use of imported equipment, technology and know-how that can be regarded as capital created elsewhere. Another benefit of the creative industries is their high labour intensity. The development of the creative industries sector can contribute towards alleviation of the chronic unemployment problem in many Caribbean economies. Moreover, the sector holds the potential for harvesting the creative talents of Caribbean youth, which might reduce deviant behaviour. Also, increasing self-employment can ease the pressure on the State to provide jobs.

For the most part, Caribbean production continues to be focused largely on import-intensive activities subject to declining terms of trade. The creative industries present an opportunity to create a more dynamic production system by using imported technology and other inputs to upgrade music, craft, festivals and other creative activities. These industries could make more productive use of imported inputs thereby using foreign exchange more efficiently. The present paper is structured as follows: Section I examines the concept of the creative industries from a small economy perspective. Section II analyses the economic rationale for promoting the creative industries in the Caribbean. Section III provides a brief profile of the key segments of the creative sector in the Caribbean. Section IV presents some available evidence of the contribution of the creative sector to diversification, gross domestic product (GDP) and employment. Section V examines the Caribbean Community (CARICOM) position in global trade in creative goods and services. Section VI discusses examples of national and CARICOM policies to foster the development of the creative industries. Section VII analyses the main challenges and constraints to the development of the creative industries in the Caribbean. Section VIII offers some recommendations for increasing the contribution of the creative industries to diversification and export growth. Section IX concludes the paper.

I. Creative Industries: conceptual and definitional issues

Creative industries are productive activities based on individual creativity, skill and talent. Since its introduction and promotion by the British Government in the 1990s, the creative industries has been subject to vigorous debate on terms, definitions, and measurement. The past decade has seen progress with respect to the coherence of the concept,as well as movement towards the establishment of general and agreed theoretical and empirical frameworks.

The term 'creative industries' encompasses an array of commercial and economic activities and their derivatives, including advertising, architecture, craft, design and the performing arts. Since the creative industries may include such a wide range of activities, there has been much discussion on the appropriate reach of their boundaries. The issue is important because such definition will shape and determine the measured impact of these industries, as well as the policies required for their growth and development.[6]

There are currently five different approaches to the economic domain boundary question, approaches that address the classification and organization of the categories which make up the creative industries. These approaches are based on five different creative industry models designed by the United Nation Educational, Scientific and Cultural Organization (UNESCO), the United Kingdom Department of Culture and

[6] For example, the inclusion of activities such as software or video and computer games increases the size of the creative industry but, at the same time, reduces the importance of the more traditional entertainment and arts industry (CCARTS, 2010).

Media Sport (UKDCMS), the symbolic texts, concentric circles and the World Intellectual Property Organization (WIPO). Table 1 summarizes these five models and shows their respective classification and the organization of the areas that conform the creative industries.

The UNESCO framework regards the cultural industries as the core segment of the creative industries. UNESCO defines cultural industries as those that combine creation, production and commercialization of contents, which are intangible and cultural in nature and are typically protected by copyright and can take the form of a good or service. These industries include the audiovisual sector, printing and publishing, film, crafts and design and multimedia, among others. The creative industries are a broader set of activities that include cultural activities and others that are based on substantial artistic and creative content, such as advertising and architecture.

The second approach is that of DCMS, which defines creative industries as those which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property[7]. The DCMS model does not include the word 'cultural' in the definition of creative industries[8]. Yet not all the models set out above emphasized their connectivity, nor used the terms 'cultural', 'creative economies' or 'creative activities' interchangeably. In contrast, the UNESCO approach emphasizes the cultural aspect (see table 1).

The symbolic text model understands cultural industries as the production and circulation of symbolic texts. This conceptualization excludes the arts as non-industrial and give priority to the socio-political issues around media representation. In this sense, it is not a sector associated with important levels of public investment or highly commercialized activities having many inputs and spillovers into other sectors.

[7] The industrial activity subsectors within which this activity primarily takes place are: "advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, interactive leisure software, music, the performing arts, publishing, software, television and radio" (DCMS, 1998).

[8] See DCMS (2001), p. 4.

TABLE 1
CREATIVE INDUSTRIES MODELS

Models	UNESCO	UK, DCMS	Symbolic texts	Concentric	WIPO Copyright model	WIPO Caribbean Version
Main issues	The focus is on the cultural industries segment of the creative industries. The cultural industries produce tangible or intangible creative outputs, which generate income and wealth.	Creative industries have their origin in individual creativity, skill and talent and have the potential to wealth and job creation through the generation and exploitation of intellectual property.	The generation or communication of symbolic meaning is the defining concept of culture and the economic value of goods is derived from, or reflects, their cultural value". Defined by public policy function.	The cultural content of the output of the cultural industries declines as one moves outwards from the core.	Based on protection of creativity Defined by nature of asset and industry output. It provides a financial mechanism to reward creators and it is an economic rather than a cultural or other type of category.	Based on protection of creativity. Defined by nature of asset and industry output. It provides a financial mechanism to reward creators and it is an economic rather than a cultural or other type of category. Narrows its focus to the particular activities of importance to Caribbean economies.
Classification of areas	Art, Craft, Music, Publishing, Cinema, Audiovisual Production Design, Advertising and Architecture.	Advertising Architecture Art and antiques market Crafts Design Fashion Film and Video Music Performing Arts Publishing Software Television and Radio Video and computer games	<u>Core cultural industries</u> Advertising Film Internet Music Publishing Television and radio Video and computer games	<u>Core creative arts</u> Literature Music Performing arts Visual arts <u>Other core cultural industries</u> Film Museums and libraries	<u>Core copyright industries</u> Advertising Collecting societies Film and video Music Performing arts Publishing Software Television and radio Visual and graphic art	<u>Core copyright industries</u> Press and literature Music, theatrical productions and opera Motion picture, video and sound Radio and television Photography, visual and graphic arts, related professional and technical services Software databases and new media Advertising Copyright collective management societies

(continued)

Table 1 (concluded)

Models	UNESCO	UK, DCMS	Symbolic texts	Concentric	WIPO Copyright model	WIPO Caribbean Version
			Peripheral and cultural industries	Wider cultural industries	Interdependent copyright industries	
			Creative arts	Heritage services	Blank recording material	Interdependent copyright industries
				Publishing	Consumer electronics	TV sets
			Borderline and cultural industries	Sound recording	Musical instruments	Radios
			Consumer electronics	Television and radio	Paper	DVD players
			Fashion	Video - computer games	Photocopiers, photographic equipment	Computers
			Software			Musical instruments
			Sport	Related industries		Blank recording material and paper
				Advertising	Partial copyright industries	
				Architecture	Architecture	Partial copyright industries
				Design	Clothing, footwear	Museums
				Fashion	Design	Jewellery
					Fashion	Architecture
					Household goods	Furniture design
					Toys	Non-dedicated support industries
						Wholesale and retail
						Transportation
						Telephony
						Internet

Source: UNCTAD (2008 and 2010); CRNM (Now known as the CARICOM Office of Trade Negotiations, 2006); Jamaica Intellectual Property Office (2009), Brown (2010). Creative Industries Task Force (October, 1998).

Note: In the WIPO Caribbean model the Interdependent Copyright Industries are defined as those engaged in the production, manufacture and sale of equipment that facilitate copyright activity. Partial copyright activities include products and services that have a significant component based on copyright. Non-dedicated support industries are those that facilitate communication and distribution of copyright-based activities. The UNCTAD concept of creative industry is based on creativity, intellectual property and inclusion

The first three approaches emphasize the intellectual property or copyright aspect of creative industries, creative or cultural origin of goods or services and the commercialization or wealth and job creation in the creative industries. In this regard, they are related to the WIPO model discussed below.

The third approach is the concentric model. This is a layered model, focusing on the place of origin of creative ideas. This includes the core layer, which encompasses performing arts, film, museums and libraries, literature, visual arts, craft and contemporary art. The second layer covers book and magazine publishing, television and radio, newspapers, heritage services, sound recording, video and computer games, and a third layer comprises advertising, architectural and design services and fashion. The concentric model argues that cultural goods and services represent two types of value: economic and cultural. This argument can be used to define cultural goods and services as a distinct commodity class. This distinction is common to several fields concerned with the value of cultural phenomena.

The concentric model asserts that it is the cultural value, or cultural content, of the goods and services produced that distinguishes cultural industries. Different goods have different degrees of cultural content relative to their commercial value. This particular model proposes that the more pronounced the cultural content of a particular good or service, the stronger the claim of the industry producing it to be considered as a cultural industry. This provides a basis from which to delineate a series of concentric circles. At the centre are core industries where the proportion of cultural to commercial content is highest, followed by layers extending outwards from the centre, as the cultural content falls relative to the commercial value of the commodities or services produced.

The fourth approach is the WIPO copyright model (WIPO, 2003), which defines creative industries from an intellectual property rights approach. This approach views creativity as a concept that is difficult to define and, more important, to measure. Instead, the idea is to place the focus on copyright. Copyright is a concept that can be defined and measured and which encompasses issues associated with that of creativity such as (a) a set of economic rights, (b) the balance between individual and public interest, (c) a financial mechanism to reward creators, and (d) an economic concept (Gantchev, 2008).

The WIPO approach considers those industries involved in the creation, manufacture, production, broadcast and distribution and consumption of copyright works. Industries that produce the intellectual property, the embodiment of the creativity that is needed to produce the goods and services of the creative industries, are distinct from those that are needed to convey the goods and services to the consumer[9]. The WIPO guide (2003) aims to provide a systematic way of isolating the effects produced by copyright in the approximately 60 categories identified.

A number of Caribbean countries have opted for a modified WIPO model which centres on perceived areas of comparative advantage. They have defined creative industries as the production, distribution, and consumption of copyrightable, identity-related and aesthetic goods, services, and intellectual property embodied in film, television, books, music, theatre, dance, visual, arts, works of mas/masquerade (works of music played for carnival), fashion, multimedia, animation, and so on. (CRNM, 2006).

The income stream generated by the creative industries include: (a) goods (books, CDs, DVDs, paintings, music, instruments, and craft), (b) services (live performances, design services, audio and audio-visual production services, management and technical support services) and (c) intellectual property rights (royalty income, licensing fees, collective administration and digital rights management) (CRNM, 2006).

[9] Creative industries activities include the following: (i) Core industries are fully engaged in the activities listed above; (ii) Interdependent firms produce products jointly consumed with the products of the core group of industries or deal with facilitation equipment; (iii) Partial industries only produce part of the output or process linked to copyright-protected material (design, architecture, furniture) with a significant part of the value added produced not attributed to copyright components; and (iv) Non-dedicated support industries only remotely rely on copyright material, but which remain relevant as copyright generates part of their business, such as Internet and transportation.

The concept of creative industries is linked to creativity and intellectual capital that are based mainly on local capabilities and culture. This is certainly the case in the Caribbean, where cultural/creative industries evolved in a colonial, historical context often based on protest, self-expression and affirmation of the local population. This is clearly evidenced in the development of reggae and dub in Jamaica and steel pan music in Trinidad and Tobago.

A more comprehensive approach is that of the United Nations Conference on Trade and Development (UNCTAD) (2010), which interprets creative industries as cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs. They include a set of knowledge-based activities, focused on, but not limited to, the arts, with the potential to generate revenues from trade and intellectual property rights. Furthermore, they comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives. These products and services are at the crossroads of the artisanal, services and industrial sectors, and constitute a new, dynamic sector in world trade.

Given the direction and pace of change in the creative industries, the frameworks outlined above have been deemed inadequate for the task of analysing the sector fully. Recent research, based on an evolutionary economics approach, viewed the creative industries as an important source of growth and innovation in the economy. In this framework, creative industries were seen as part of complex social networks based on imperfect competition. Using this approach, Potts and others[10] proposed a new definition of the creative industries as the set of economic activities that involved the creation and adoption of novel ideas within social networks of production and consumption. Based on the new framework, it was argued that creative industries related to the creation of new industries through social networks and market dynamics rather than simply the creativity in industries. This distinction was essential, as some activities might involve creativity, but have nothing to do with social networks.

Creative industries have also been viewed as social networks where the choices of one person or group are dependent on those of others (Bentley, 2008). According to this framework, the central economic concern is not with mature inputs and outputs in production and consumption, but with the structure and nature of the markets that coordinate economic activities. Creative industries are coordinated by complex social markets, where the sharing of information and knowledge about the performance and experience value of goods and services is a signalling mechanism for their further production and consumption. Further, social network services contribute to an open system of coordination and also to the innovation system of a country. For instance, publishing, film, television and multimedia do more than provide information and analysis, they also shape demand and expectations.

In examining different approaches[11] Potts and Cunningham (2010) found broad evidence[12] for models that viewed the creative industries as drivers of growth and innovation. They argued that the creative industries contributed to growth by the introduction of new ideas and technologies such as information and communications technology (ICT) that boosted productivity in other sectors. This was the supply side impact of the creative industries. On the demand side, as societies got richer, there was increased demand for creative products and services, raising their contribution to GDP. Tentative evidence for the growth model was noted in the more rapid relative growth in the creative industries sector compared with the aggregate economy in developed, and some developing, economies. This steady trend over a number of years was offered by Potts and Cunningham as evidence of structural transformation driven by the creative industries. This is based on an interactive model of these industries that view them as facilitating vital information exchange linkages between producers and consumers.

[10] See Potts, J., S. Cunningham, J. Hartley and P. Ormerod (2008), "Social Network Markets: A New Definition of the Creative Industries", *Springer Science+Business Media*, LLC, 2008.

[11] These approaches relate to both static frameworks that analyse the impacts within the creative sector only and dynamic ones that also assess the multiplier effects and spillovers to other sectors.

[12] Although the findings are for developed economies, including Australia, Britain and the European Union (EU), they suggest ways in which the sector could contribute to development in the Caribbean, given the right policy incentives.

The innovation model contended that the creative industries were an element of the innovation system of the whole economy. Based on Schumpeter's creative destruction framework, the innovation model viewed the creative industries as a higher-order system that stimulated innovation and productivity growth across other economic sectors. At a practical level, this could be readily seen in the roles that design and ICT software play in adding value to traditional manufacturing and service output.

An important stylized fact was that long-term growth depended on the ability of an economy to originate, adapt and retain new ideas (Potts and Cunningham, 2008). Nevertheless, this process required a vital coordinating mechanism. The creative industries, anchored as they were in the sharing of information, knowledge and content, played an important role in the coordination of economic activities. Moreover, the demand for dynamic coordination was usually highest during periods of rapid economic change, when economies were undergoing structural transformation. (This might be quite relevant to many Caribbean economies that are becoming more service-based.)

Potts and Cunningham advanced four reasons why continued growth in the creative industries based on the growth and innovation models could be sustained:

(a) Rising affluence, especially in developing economies, which shifts aggregate spending towards creative industries, since their income elasticity is greater than unity.
(b) A steady increase in human capital in the creative sector, which allows greater specialization and higher value added output.
(c) Structural growth in ICT, which is the technology base of the creative industries.
(d) Globalization, which provides increased access to markets both for products and factors of production.

Although there was evidence of growth and innovation models of the creative industries in developed economies (Potts, 2009; Florida, 2002), one concern was whether these models were applicable to the developing economies of the Caribbean. Potts argued that one view was that the rise of the creative industries reflected a shift in spending to these activities, once consumers in developed countries were saturated with mass products such as household appliances and cars.

Therefore, since consumers in developing countries had not yet reached this saturation point, significant demand for creative content would arise at a later stage of their development. However, he argued that this might not be the case as, in countries such as China and other developing countries, although consumer spending on creative content remained low relative to developed countries, it had been growing at quite a fast rate, especially among young Internet-savvy consumers. This has led to the expectation that the gap would narrow steadily over time. Further, especially in the context of the Caribbean, export demand provided a vital outlet for competitive creative content.

The creative sector as an engine of growth and innovation appeared to be a special case of James' model of import productivity growth based on domestic capital deepening. The creative industries sector has the capacity to combine imports with domestic physical and human capital efficiently, especially talent and indigenous knowledge. By increasing import productivity, the sector provided an opportunity for self-sustaining growth based on increasing returns. At a practical level, this was reflected in the higher average return on investment in the creative industries compared with import-intensive activities such as enclave manufacturing and tourism.

It is important to consider the implications of these new models for public policy and business strategy. At the basic level, the growth and innovation models imply that a political economy approach that supported creative industries for their cultural value would be inadequate. The creative sector is a driver of creative destruction and new growth industries. However, for the creative sector to act as an agent of structural change, growth and innovation, active public policy and business strategy would be required to reduce, or eliminate, the binding constraints to its competitive development.

II. The potential of creative industries for small island economies

The economies of Small Island developing States (SIDS) in the Caribbean are subject to several restrictions. First, small size prevents them from reaping the benefits of economies of scale and scope, which results in high unit production costs as a result of sub-optimal firm size. This has contributed to uncompetitive plantation agriculture and manufacturing activities in a number of countries. Further, Caribbean SIDS have faced challenges in moving up the value chain in traditional exports. Moreover, small countries have limited natural resource endowments and labour supplies. Finally, transport costs are higher per unit of traded goods than for other countries due to limited economies of scale. This, alongside other constraints, limits profit margins from trade in goods.

The Caribbean is searching for activities that could contribute to growth and development by:

(a) Fostering sustainable production based on the use of the creative talent of its people;

(b) Generating high quality jobs that maintain or advance the middle-income status of most Caribbean economies;

(c) Relieving the balance of payments constraint by increasing the productivity and quality of exports.

The creative industries satisfy these and other criteria and, in so doing, provide a possible avenue for overcoming some of the limitations imposed by economic size.

This is because creative industries are based on talent and creativity, which are not only renewable, but are the source of innovation and new content.

Creativity and talent, in the same way as ideas and knowledge, are non-rival, partially excludable goods[13]. Non-rival goods are a source of increasing returns and of generation of rents. Rents, in turn, can provide the funding for the required resources and activities used and incurred to create an application of the idea, knowledge or creativity[14]. For instance, the intellectual property rents from the music industry can be used to develop new modes of delivering content, such as e-music.

Furthermore, their endogenous character implies that these industries may be less dependent on the size of the economy and less vulnerable to external shocks, compared to other sectors. However, they remain vulnerable to their erosion of rents by physical and online piracy with little protection from copyright legislation that lags behind structural shifts in the sector. Jamaica has only been able to garner a fraction of the rents from the continued use of Bob Marley's music in multiple formats in the international market. [15]

A second advantage of the creative industries is their potential to create good-quality jobs. The employment elasticity of the sector for a given outlay of investment tends to be higher than more capital-intensive sectors such as mining and manufacturing. Therefore, creative industries can help to alleviate the chronic unemployment problem in the CARICOM region. Further, since they are based on skill and talent, they provide the prospect not only for more, but better quality jobs. This could help to maintain the middle-income gains that most countries in the Caribbean have achieved. Creative, talented workers are also a renewable resource whose capacity to produce new goods and services is limited only by the inventiveness and ingenuity of these people.

A third advantage is the fact that the creative sector includes a mix of traditional activities such as craft, art and indigenous music, alongside modern fashion, software and multimedia. This mix of traditional cultural activities with knowledge- and technology-intensive activities can provide a platform for a more dynamic sector. The modern creative sectors can use inputs from traditional creative sectors to develop specialized, branded products and services, while the traditional sectors can use the modern sectors, especially ICT such as multimedia, to deliver their content to consumers. Moreover, branding and product differentiation would allow the Caribbean to produce more knowledge-intensive creative products and services. The creative industries probably offer the best prospect for developing a distinct Caribbean brand in products and services. In addition, incomes from creative products and services tend to increase more than proportionally to increases in global incomes (Mohammed Hussain, 2006). The Caribbean brand in the creative sector can link into global value chains in specialized subsectors. For example, CARICOM fashion designers such as Meiling and Calvin Howell could link in chains such as Chanel or Gucci. [16]

Fourthly, creative industries make intensive use of domestic capital. This enables the creative industries to produce differentiated products and services, including music, art, fashion and videos that can capture high value added niches in international markets. Branded products and services usually face strong demand in global markets because they are differentiated and provide reliable proof of quality.

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[13] Warsh, in *Knowledge and the Wealth of Nations* stated, "Rival goods are objects and non-rival goods are ideas..." and one could include creativity as a non-rival good.

[14] See J. Maurice Clark (1923) for a historic viewpoint on the treatment of overhead costs: "In a sense, knowledge is the only instrument of production that is not subject to diminishing returns…The same research department can serve a large plant as well as a small one. Indeed, in technical matters where a law, once learned, is universal, one laboratory could serve the entire business of the country… The costs of intellectual equipment, then, are one of the big sources of economy in large-scale production."

[15] Twenty years after Bob Marley's death, the income from royalties received by copyright royalty-collecting societies around the world were about US$ 385 million, enough to cover a large part of the Jamaican current account gap. Yet the music revenue captured by Jamaica for all artists in the early 2000s was less than 10% of that amount (UNCTAD, 2005). McMillan (2004) showed that the previous example was valid for the music revenues of most Jamaican reggae artists.

[16] The recent stellar success of a Trinidadian in winning the widely viewed and acclaimed Project Runway fashion designer television show in the United States highlights the talent present in the Caribbean and the opportunities available if the Caribbean creative sector were to be properly developed.

Finally, creative industries provide an opportunity to alleviate the balance of payments constraint, by increasing export productivity. Export productivity is a measure of the degree of sophistication[17] of a country's exports, relative to its level of development as measured by its relative per capita income level (Hausmann, Hwang and Rodrik, 2005).

Despite their middle-income status, the Caribbean continues to export mainly primary products. Therefore, their export productivity is generally below what is expected for their level of development.

[17] Sophistication here is measured by the level of human capital, technology, organization and management that is embodied in a country's exports.

III. The main creative industries: in the Caribbean

Most activities in the cultural industries in CARICOM are in the upstream subsector where the Caribbean has the comparative advantage in music, heritage festivals, art, craft, literary and culinary arts, fashion, theatre, some components of film and cultural tourism (CARICOM, 2008). There has been less activity in the downstream subsector that is closer to the market, including architecture, design and advertising. Downstream activities have been weaker, partly because they are subject to greater economies of scale than upstream activities. The small production runs of Caribbean downstream operators fail to reap these scale economies and this constrains their competitiveness.

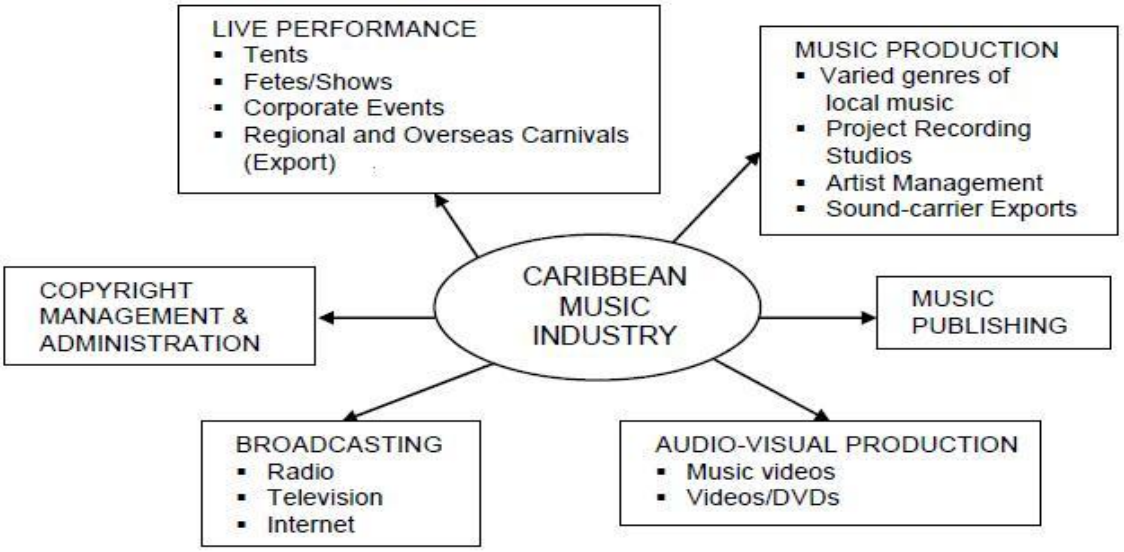
The lack of industry surveys and national accounts data hinders an adequate analysis of the Caribbean creative industries sector. However, partial information on some key segments of the creative industries sector in the Caribbean is provided below.

A. The music industry

The music industry is one of the more important segments of the creative sector in the Caribbean. The rich and diverse musical tradition has long been known in world music, in genres such as reggae, dancehall, calypso, soca, steel pan and salsa, which reflect the creations of artists such as Bob Marley, the Mighty Sparrow and, more recently, Beenie Man, Machel Montano and Sean Paul. Figure 1 highlights the structure of the Caribbean music industry. The relative strengths or higher revenue streams are in the

upstream activities, namely, music production, music publishing and live performance, which are heavy users of domestic capital. The downstream segments of the value chain including audiovisual activities, broadcasting and copyright administration, are weaker.

FIGURE 1
THE STRUCTURE OF THE CARIBBEAN MUSIC INDUSTRY



Source: Nurse and others (2006).

Jamaica and Trinidad and Tobago have the most developed music industries and are the largest exporters of music in the Caribbean. Jamaica exports its indigenous genres, reggae and dancehall, while Trinidad and Tobago exports soca and calypso. In Jamaica, almost 1% of the work force was employed in the music industry in 2000 (James, 2000). Although there is a vibrant domestic market for live performances, many artists depend on international tours to earn most of their income (Burke, 2010). A recent report by the United Nations Development Programme in 2010 found that the music industry in Trinidad and Tobago consisted mainly of small and micro enterprises operating in a fairly unregulated market. Most of these enterprises had limited access to technology and highly trained workers and were self-financing and informal.

A major shortcoming of the Caribbean music subsector is that upstream creation has not generally been matched by a strong downstream network of music training, publishing, digital delivery, marketing and linkages with film, fashion and other sectors. As a result, the potential to increase value added in the subsector has been underexploited. This is reflected in the heavy dependence of musicians on live performances for income. The exception to this has been the breakthrough by Jamaican artistes such as Sean Paul, Beenie Man and others, and the one-off success of other artistes who have been able to penetrate the more lucrative markets of music publishing and the delivery of digitized content.

In general, the music industry has not realized its competitive potential in export markets despite being one of the more vibrant segments of the creative industry sector, and its development in the

domestic market is hindered by high levels of physical and online piracy[18], limited broadcasting exposure, and scarce financial resources. Many artistes, copyright management organizations and other patrons have continued striving to promote and develop the subsector. However, in the absence of an integrated support framework from the State, the industry has not been able to provide a consistent supply of high-quality music production.

The new technologies and networks that they promote are also creating disruptive changes to the supply, demand, pricing and revenue-generation systems of the music industry. Digital technologies have facilitated the dematerialization of music and led to the growing importance of peer-review networks in determining tastes and demand. In addition, free downloading of digital music, through Napster and eMule, for instance, and the development of legal channels such as Apple iTunes, have disrupted traditional modes of operation of the sector (Moreau, 2009). Borrowing from Schumpeterian economics, Moreau argued that digitization was a technological discontinuity, that is, an innovation that led to a major leap in both price-performance metrics and product form and delivery. Caribbean artistes, registered brand labels and copyright organizations were not yet fully prepared for the digital music revolution. As a result, in the Caribbean, the subsector has not been able to maximize its rents from providing musical content in this format.

B. Audiovisual sector

The Caribbean audiovisual sector (sound and visual components, including film, television and video) is small and underdeveloped, even by developing country standards. The Caribbean produces several (music) videos, television programmes and documentaries, yet it generates few good quality documentaries and films (Nurse, 2007). Therefore, the film market is dominated by recycled United States films.

There appears to be a clearly unfulfilled niche in high-quality documentaries and children's programmes, such as cartoons. However, the cost of producing such programmes would be relatively high. In addition, Caribbean demand in this segment of the market has been influenced by the fairly low cost that large United States media houses are able to charge because of their substantial economies of scale. Nevertheless, these problems are not insurmountable, and can be overcome by improved access to credit, improved incentives for entrepreneurs and a shift of resources from trading activities to the creative sector. There might also be scope for partnering with foreign investors who can bring experience and expertise to these activities to fill obvious niches.

C. Visual arts

The visual arts subsector includes painting, drawings, photography and sculpture. Traditionally, the Caribbean visual arts sector has received little Government support, and has depended on the enterprise and resourcefulness of entrepreneurs. The lack of support services and financial assistance has led to a relatively high failure rate among art galleries, with the successful ones capturing most of the market. The subsector is affected by a number of constraints, including too few institutions providing top-quality training. The University of the West Indies (UWI) Centre for Creative and Festival Arts in Trinidad and Tobago, the Edna Manley College of the Visual and Performing Arts in Jamaica, and The Barbados Community College in Barbados provide training, but these institutions have proved inadequate to the task of providing the critical mass of trained persons needed to develop a competitive visual arts subsector. Infrastructure is also deficient. There are few art galleries in the Caribbean and some of these are in need of better management.

[18] Copyright infringement in the Caribbean varies between 50%-80% (Sinclair, 2009).

TABLE 2
SELECTED MUSIC FESTIVALS IN THE CARIBBEAN

Country	Event and starting year	Objective and brief description	Impact
Dominica	Creole Music Festival (1997)	To leverage Dominica as the nature isle of the Caribbean and to provide a rich musical package that broadens the range of the tourism offering on the island. As a Creole music festival, the core of the package is to attract some of the leading Creole music performers in the world and to add other musical genres, including reggae, soca and calypso, to increase variety.	Intercept surveys of the 12th and 13th annual World Creole Music Festival (WCMF) in 2008 and 2009, conducted by the Discover Dominica Authority (DDA), in collaboration with the Dominica Festivals Committee (DFC) found that the festival attracted 6100 and 4000 visitors, respectively. A total of 77% of visitors were from the Caribbean, while 12% were from the United States of America.
Saint Lucia	The Saint Lucia Jazz Festival (1991)	Diversify the tourism product and maintain visitor demand during the low season. The particular offering at Saint Lucia Jazz is a multiple package, multiple setting live festival centred on jazz, but blending other genres of music for variety and audience appeal. Featured music includes straight jazz, new age jazz, fusion music, rhythm and blues, reggae and soca, among others. Over the years, performers from the United States, the Caribbean, Latin America, Africa and Europe have all been part of the festival. Importantly, the organizers have diversified the staging locations within the country.	The Festival is now the flagship promotion event of the Saint Lucia Tourist Board and gets wide coverage in the international media, including E! Entertainment and BET J television networks. Reports on the festival indicate that between 2003 and 2010, a total of 65,183 persons visited Saint Lucia for the festival. Interestingly, the largest number of visitors to the festival, 24,770 (38%) came from the Caribbean. The United States followed with 21,240 visitors, 32% of the total. Meanwhile, arrivals from the United Kingdom, the other major market, numbered 12,981, around 20% of the total. For the period 2003-2010, average total visitor expenditure was estimated at US$ 100 million.
Jamaica	Reggae Sunsplash (1978) and Reggae Sumfest (1993 and revived in 2006)	The main objective of the founders was to produce a high-quality festival of international repute that would be commercially viable and provide a stage and exposure for Jamaican artists to showcase their talent to the world. In 1991, the festival broadened its musical genre to include other Caribbean music such as soca. The festival created a vibrant summer tourist season in Jamaica, and helped to smooth foreign exchange earnings and employment in the sector.	In the 1980s, it became a touring festival at venues in major markets for Reggae music. In 1984, the festival was staged at the Crystal Palace grounds in the United Kingdom, while in 1985 it took place in the United States and Japan. In 2010, it was estimated that the festival brought 6,000 visitors to Jamaica and visitor expenditure was estimated at US$ 9 million.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

D. Performing arts

The performing arts focus on live presentations of dance, drama, music, speech and traditional folklore, among others. The colonial legacy in the Caribbean has probably been the cause of the performing arts long providing a ready outlet for the creative talents of Caribbean artistes.

The Caribbean is well known internationally for its music, dance and folklore; its performing arts segment is represented by more than 1,000 artists and cultural organizations, over 100 dance companies and over 50 theatre companies (Nurse and others, 2006). The frequency and quality of productions in the performing arts are constrained by the inadequacy of funding, technical training and management. Nevertheless, against many odds, the subregion still produces a number of superior companies and productions. The National Dance Theatre Company of Jamaica, founded by the late Professor Rex Nettleford, is world-renowned for the quality of its productions. The Colonial Life Insurance Company Shiv Shakti Dance Company of Trinidad and Tobago, and the Israel Lovell Foundation Dance Company of Barbados, have done well in the Caribbean and further afield.

An important contributor to the development of the performing arts in developed countries has been consistent domestic demand for the creative output of the artist. In the Caribbean, however, this has been a major constraint, as local demand and support is often weak and inconsistent. Indeed, the performing arts are often viewed as a middle and upper class pastime. This lack of assigment of adequate value to the arts leads to an lack of appreciation of the time and effort that goes into a production and therefore an unwillingness to pay for the real value of the work of artists. Consequently, employment and earnings in the performing arts, especially for lesser-rated performers, remain sporadic and minimal. Nevertheless, the strengthening of linkages with tourism has opened up avenues for focussed expansion of the market for the performing arts. This is the case with the Montego Bay and Saint Lucia Jazz festivals, included local music, dance and other performing groups in headline acts.

IV. The contribution of creative industries to GDP and employment

There has been no significant mapping of the economic role of creative industries in the Caribbean. This stems, in part, from the failure of policymakers to recognize the full potential of the sector and partly because of the lack of a proper system for collecting data. Indeed, traditionally, the policy focus on the creative industries sector was largely limited to providing support for the arts, particularly the music subsector, visual arts, and heritage festivals. Policymakers viewed creative industries largely as humanizing social forces which provided a vent for creative expression, a source of recreation and entertainment, and a force for creating better citizens. In fact, some traditional thinkers deemed the idea of making money from the arts and other creative subsectors as contrary to their cultural function.

Jamaica is the only Caribbean country to have undertaken a full assessment of the contribution of the copyright and creative industries to GDP and employment; a few other economies (Barbados, and Trinidad and Tobago) have developed some partial estimates. In Jamaica, the copyright sector accounted for a sizeable 4.8% of GDP and 3.0% of employment in 2005 (WIPO, 2007; James, 2007). The core copyright segment, which creates, produces and distributes copyright products and services, including press and literature, music, theatre and new media services, among others, accounted for 1.7% of the total.

The non-dedicated copyright support subsectors contributed 1.9%, and the independent and partial copyright subsectors together contributed 1.2%.[19]

James (2007) emphasized the importance of Government support for the creative industries sector, noting that those subsectors that were supported by the Government tended to outperform those that were not.

Moreover, the comparison of the copyright subsector in Jamaica with other subsectors underscored its relative importance. The copyright subsector contributed more than electricity and water and was closer to the contribution of agriculture or real estate and business services. This suggested that promotion and incentives needed to pay more attention to copyright/creative industries sector development as a springboard for growth and employment. A more recent estimate put the contribution of the creative industries in Jamaica at 5.2% of GDP (Grange, 2009). Notably, the sports[20] and creative industries, jointly, contributed some 8% of GDP.

In Trinidad and Tobago, the Ministry of Trade and Industry carried out an Entertainment Industry Survey to estimate generated revenue and employment. The survey included music, carnival, dance, theatre and visual arts. The estimates showed that the entertainment industry accounted for US$ 56 million dollars, representing 1% of the current account and trade balance, 0.5% of goods exports and 6% of service exports (see table 3) [21].Countries should be encouraged to follow this line of investigation in order to have a better measure of the importance of creative industries.

TABLE 3
TRINIDAD AND TOBAGO: POTENTIAL REVENUE GENERATION OF THE ENTERTAINMENT INDUSTRY (2005-2006)

	Revenue (US$)	As percentage of the current account	As percentage of goods exports	As percentage of the trade balance	As percentage of services exports
Music	27 141 204	0.50	0.23	0.47	3.03
Carnival	24 598 157	0.45	0.21	0.42	2.74
Visual arts	2 851 838	0.05	0.02	0.05	0.32
Theatre	993 160	0.02	0.01	0.02	0.11
Dance	753 457	0.01	0.01	0.01	0.08
Total	56 337 815	1.04	0.47	0.97	6.28

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on Strategic Plan for the Entertainment Industry of Trinidad and Tobago. Final report (January 2006).

Other estimates have focused on foreign exchange earnings (see table 4) and visitor arrival and visitor expenditure. Brown (2010) showed that the number of visitors for the Trinidad Carnival, the Saint Lucia Jazz Festival and the Barbados Cropover was 42,646, 11,041 and 3,485, respectively. Direct tourist expenditure for these events was estimated at US$ 18 million, at US$ 15 million and at US$ 3 million, respectively.

[19] The non-dedicated copyright support industries aid in the broadcasting, communication and distribution or sales of copyright content.

[20] Jamaica has a dynamic sports sector, built around a world-renowned athletic cluster but also including football, cricket, horseracing and motor racing, and other segments.

[21] A similar US$ 50 million dollar impact has also been estimated in the case of Barbados (*Policy paper to inform the propelling of Barbados' creative economy: a cultural industries development strategy* (2004). Report of the Barbados National Task Force on Cultural Industries. National Cultural Foundation, 2004).

TABLE 4
ESTIMATES OF FOREIGN EXCHANGE EARNINGS OF CREATIVE INDUSTRIES IN JAMAICA, TRINIDAD AND TOBAGO, BARBADOS AND THE OECS (2005)
(US$ MILLION)

Country/regional grouping	Foreign exchange earnings (US$ million)	Activity
Jamaica	80-100	Recording industry
Trinidad and Tobago	50-60	Live performance
Barbados	20-25	Festival tourism
OECS	20-25	

Source: Mapping the creative and cultural industries in the Caribbean (CARICOM, 2006).

Most of the estimated impact of the entertainment industry in the case of Trinidad and Tobago is accounted for by music and carnival (95% of the total). Reflecting its relative strength, the music industry in Trinidad and Tobago yields 35% and close to 50% more revenues than in Barbados and the Organisation of Eastern Caribbean States (OECS), respectively. However, the revenue performance of the music industry in Trinidad and Tobago is still below that of Jamaica (The Music and Entertainment Industry Team of The Standing Committee on Business Development, 2006).

In the cases of Barbados, Jamaica, and Trinidad and Tobago, there are also estimates on employment potential of the entertainment industry. Indeed, Caribbean creative sector industries, such as music, art and craft, and fashion and design, are relatively labour intensive. When compared with some segments of manufacturing, and heavy industry, which are quite capital intensive, most creative activities employ a large number of persons relative to the size of investment. According to the study cited above for Trinidad and Tobago, the total number employed by the entertainment industry (mainly in music and Carnival) amounted to approximately 11,000 people. This employment-generation potential matched that of plastics, printing and packaging industry and exceeded that of food and beverages, fish and fish processing, and merchant marine and yachting (The Music and Entertainment Industry Team of The Standing Committee on Business Development, 2006). In the case of Barbados, estimated employment in the cultural sector amounted to 11,000 persons (Sir Arthur Lewis Institute of Social and Economic Studies, University of the West Indies (SALISES), 2007). In the case of Jamaica, the previously cited study by World Intellectual Property Organization placed the contribution of the copyright sector at 3% of total employment.

V. The role of the Caribbean Community in global trade in creative goods and services

The role of CARICOM in international trade in creative goods and services was evaluated mainly using the 2010 version of the UNCTAD Global database on Creative Economy, which was constructed for the UNCTAD Creative Economy Report 2010. The UNCTAD database spanned the period 2000 to 2008 and measured (a) trade in seven categories of creative goods (art crafts, audiovisuals, design, new media, performing arts, publishing and visual arts) using the 2002 version of the Harmonized Commodity Description and Coding System, and (b) trade in six categories of creative services (advertising, architectural, audiovisual, personal, recreational and cultural services, research and development and other personal, recreational and cultural services) using the International Monetary Fund Extended Balance of Payments Services classification.

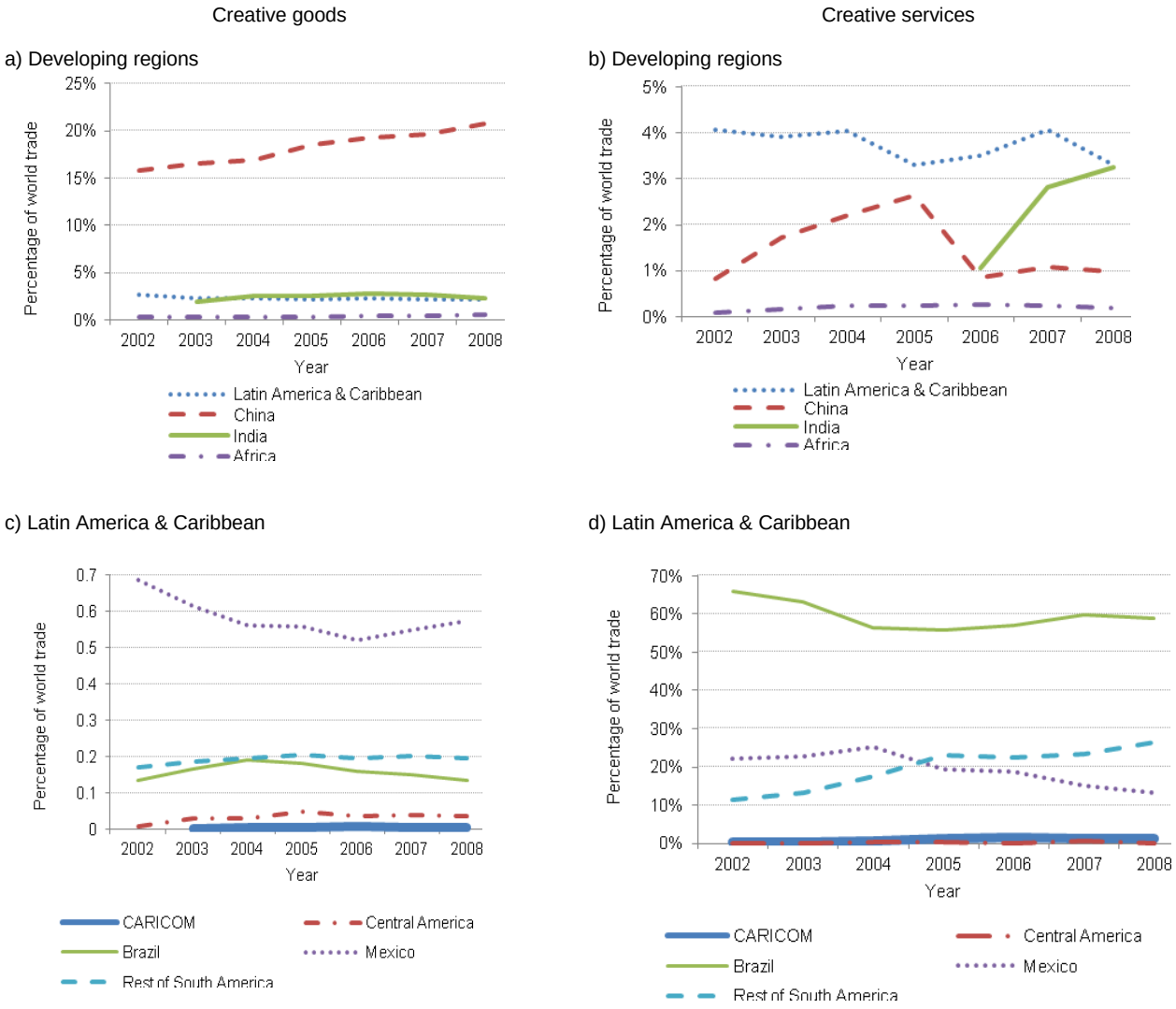
The assessment of the trade dynamics of creative goods and services was hindered by missing data on trade in creative services for many smaller member States of CARICOM. Moreover, trade data under the Harmonized System on creative goods were also lacking for several smaller CARICOM member States.[22] Nevertheless, it was possible to approximate the overall CARICOM trade dynamics in this area with the data available for the larger CARICOM member States.

[22] Data on goods exports under the 2002 Harmonized System were missing for Antigua and Barbuda, Grenada, Haiti, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Suriname.

The evolution of global trade trends in creative industries showed that developed and developing countries accounted for roughly 60% and 40% of the world total in 2008, respectively. Within the developed world, Europe, and to a lesser extent North America, were the main exporters of creative products and services. Within the developing world (which has increasingly gained market share in the export of creative industry products) East Asia, particularly China, was the main exporter, accounting for more than 50% of world exports in that category (UNCTAD, 2010).

Latin America and the Caribbean had a small, stagnant participation in the world trade of creative goods, reaching about 3% in 2008, which was about half its share in the total trade of goods. The share of India in world trade of creative goods was similar, both in terms of level and trend, to that of Latin America and the Caribbean (see figure 2).

FIGURE 2
EXPORT SHARES IN WORLD TRADE IN CREATIVE GOODS AND SERVICES, 2002-2008
(in percent of world trade)



Source: Authors' calculations, based on UNCTAD (2010), *Global database on Creative Economy*.

The main exporters of creative products within Latin America and the Caribbean were Mexico, Brazil and the rest of South America, and the main exporters of creative services were Brazil and the rest

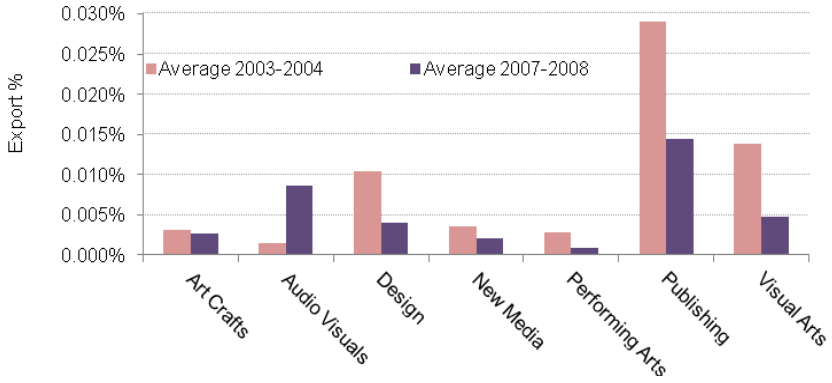
of South America. From 2002 to 2008, the shares of Brazil and Mexico have fallen, whereas that of the rest of South America has increased slightly. The shares in global trade of creative goods and services of the smaller trading blocs, Central America and CARICOM, also increased during the same period.

In sum, mainly due to their small size, which translated into small exported volumes, CARICOM countries accounted for only 0.01% of the world trade in creative goods and 0.04% world trade in creative services in 2008. The largest shares of CARICOM trade in creative services were in other personal, recreational and cultural services, personal and cultural services and publishing (see figure 3).

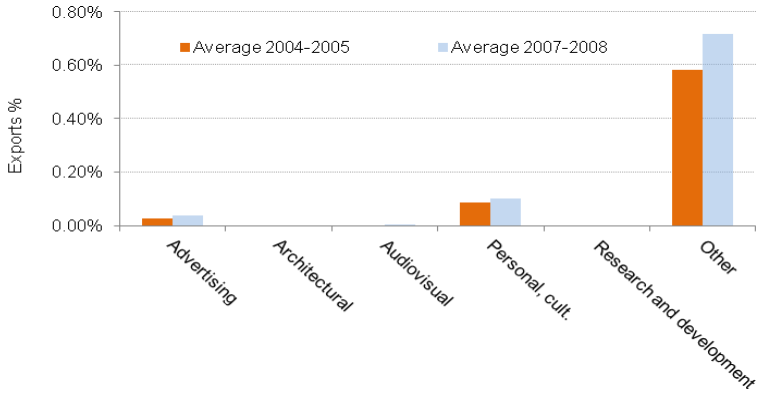
Nevertheless, CARICOM has the potential to increase its export and trade shares in global trade of creative industry products, as suggested by the higher trade shares of various other small economies, including Estonia, Malta and Mauritius.[23]

FIGURE 3
CARICOM: EXPORT SHARE IN WORLD TRADE OF CREATIVE GOODS AND SERVICES BY CATEGORY

a) Creative goods (7 categories)



b) Creative services (5 categories)



Source: Authors' calculations, based on UNCTAD (2010), Global database on Creative Economy.

[23] Their export shares in world trade in creative goods were 1.6%, 0.6% and 0.4%, respectively, in 2007-2008.

In 2007-2008, CARICOM posted a large trade deficit in its creative goods trade, and a smaller deficit in its exchange of creative services. The trade deficit was concentrated in the bilateral goods trade with the United States of America, in particular, in design and publishing products. Bilateral trade with the European Union was relatively small, albeit also showing a deficit, concentrated in publishing goods. The deficit with the rest of the world was mainly related to imports of design products. CARICOM registered only a small deficit in global creative services trade, concentrated in advertising services, even though its trade in personal and cultural services showed a surplus (see table 5).

TABLE 5
CARICOM: EXPORTS, IMPORTS AND TRADE BALANCE OF CREATIVE GOODS AND SERVICES BY DESTINATION MARKET, AVERAGE 2007-2008
(million US dollars)

	European Union			United States			Rest of the world			World		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Goods	3.2	54.0	-50.9	16.0	405.3	-389.3	25.2	152.2	-127.0	44.4	611.5	-567.1
Art Crafts	0.1	1.8	-1.7	0.4	23.2	-22.8	0.5	10.5	-10.0	1.0	35.5	-34.5
Audio Visuals	0.0	0.0	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.1	-0.1
Design	2.0	16.1	-14.1	12.6	184.0	-171.4	9.6	86.8	-77.2	24.2	287.0	-262.7
New Media	0.0	0.3	-0.3	0.5	8.5	-8.0	0.3	0.7	-0.4	0.8	9.6	-8.7
Performing Arts	0.2	0.7	-0.5	0.2	6.8	-6.7	0.3	2.9	-2.6	0.7	10.5	-9.7
Publishing	0.2	34.0	-33.7	1.2	172.6	-171.4	12.1	47.8	-35.6	13.6	254.4	-240.8
Visual Arts	0.7	1.1	-0.5	1.2	10.1	-8.9	2.2	3.4	-1.1	4.0	14.6	-10.5
Services	…	…	…	…	…	…	70.5	80.7	-10.3	70.5	80.7	-10.3
Advertising	…	…	…	…	…	…	7.4	62.4	-55.0	7.4	62.4	-55.0
Architectural	…	…	…	…	…	…	0.0	0.8	-0.8	0.0	0.8	-0.8
Audiovisual	…	…	…	…	…	…	0.0	7.8	-7.8	0.0	7.8	-7.8
Personal, cultural	…	…	…	…	…	…	34.7	9.3	25.3	34.7	9.3	25.3
Research and development	…	…	…	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0
Other	…	…	…	…	…	…	28.4	0.5	28.0	28.4	0.5	28.0
TOTAL	3.2	54.0	-50.9	16.0	405.3	-389.3	95.7	232.9	-137.3	114.8	692.2	-577.4

Source: Authors' calculations, on the basis of UNCTAD (2010), Global database on Creative Economy.
Note: Ex = exports; Im = imports; Bal = trade balance. …= data not available

Available data for 2007-2008 showed that three of the larger economies of CARICOM (Barbados, Jamaica and Trinidad and Tobago) accounted for the highest proportion of creative industry (66% of the available total). Design and publishing were main goods export categories, with Barbados being the main exporter in the design category and Trinidad and Tobago the main exporter in the publishing category. The main items within creative services exports, 'personal and cultural services', and 'other personal, cultural and recreational services', were both exported by Jamaica (table 6).

TABLE 6
CARICOM: EXPORTS OF CREATIVE GOODS AND SERVICES, 2007-2008 AVERAGE
(million US$)

(a) Goods

	Art crafts	Audio visuals	Design	New media	Performing arts.	Publishing	Visual arts	Total
Bahamas (the)	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
CARICOM	0.98	0.01	24.21	0.85	0.71	13.55	4.04	44.35

(b) Services

	Advertising	Architectural	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
CARICOM	7.4	0.0	0.0	34.7	0.0	28.4	70.5

Source: Authors' calculations, based on UNCTAD (2010), *Global database on Creative Economy*.

Note: (a) No goods export data using the Harmonized System 2002 were available for creative goods exports of Antigua and Barbuda, Grenada, Haiti, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Suriname. (b) No services export data were available for the remainder of the CARICOM member States.

The analysis of trade in creative goods at the intraregional level showed interesting results, as shown in table 7. The CARICOM share of intraregional trade in creative goods ranged from 0.5 per cent to 1.6 per cent. This ranged from 5 per cent to 10 per cent of the total share of intraregional trade for the period 2000 to 2009. In the case of the OECS creative sector, intraregional trade was more important than for the rest of CARICOM. The shares of intra-OECS trade in creative goods were 4.2% in 2000 and 3.0% in 2008. At the same time, the OECS share of exports of creative goods to CARICOM stood at 15.9% and 12.7% in 2000 and 2009, respectively.

TABLE 7
OECS AND CARICOM: SHARES OF CREATIVE GOODS IN INTRAREGIONAL TRADE
(percent)

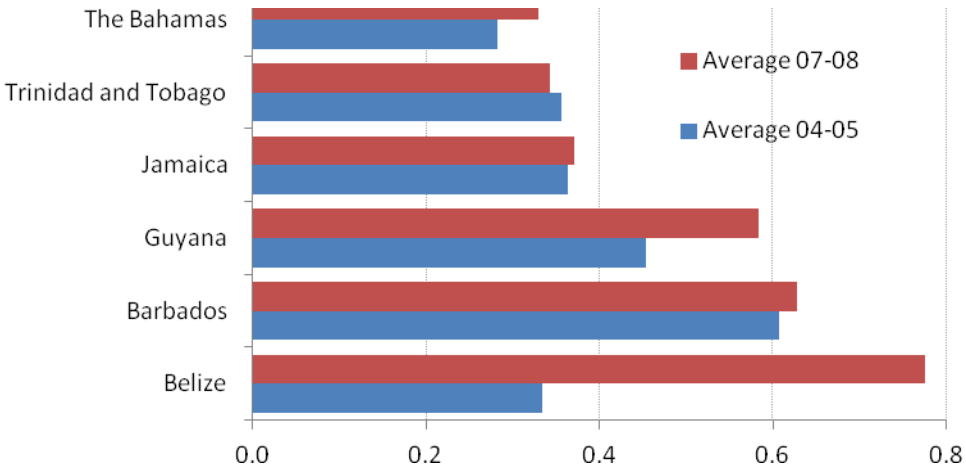
	Intra- OECS Exports	Exports of OECS-CARICOM	Intra-CARICOM Exports
2000	4.2	15.9	1.6
2001	4.8	14.5	1.4
2002	4.6	14.1	1.5
2003	4.2	14.4	1.3
2004	3.5	14.5	1.4
2005	3.6	10.9	0.6
2006	3.4	11.3	0.6
2007	2.1	10.0	0.8
2008	3.0	12.7	0.5

Source: Authors' calculations, based on World Integrated Trade Solution (WITS) (2010), UNESCO and UNCTAD.

This finding was in line with the general empirical evidence which showed that intraregional trade was more important for the smaller States than their larger CARICOM counterparts.

CARICOM exports of creative goods and services were, in general, highly concentrated. The Bahamas and Trinidad and Tobago had the least concentrated export baskets. For the period 2004-2005 to 2007-2008, exports of most member States became somewhat more concentrated, except for those of Trinidad and Tobago (see figure 4).

FIGURE 4
CARICOM: CONCENTRATION INDEX OF EXPORTS OF CREATIVE GOODS AND SERVICES, 2004-2005 AND 2007-2008



Source: Authors' calculations, based on UNCTAD (2010), Global database on Creative Economy.

VI. Examples of Caribbean national and CARICOM policies to foster the development of the creative industries

The creative economy requires a policy framework that is multidisciplinary in nature, with integrated, cross-cutting public policies requiring inter-ministerial actions and coordination. To this effect, a number of countries have formulated national cultural policies to nurture and develop creative talent. According to the UNCTAD Creative Economy Report 2010, the Caribbean has made progress in enhancing the creative economy by putting in place some policies and institutions to harness the benefits of creative industries (see annex).

In recognition of their potential as an indigenous source of growth and exports, CARICOM policymakers began actively developing a strategy for promoting the creative industries early in the current decade. The efforts across the CARICOM region were far from homogenous and were centred initially in the larger economies, such as Barbados, Jamaica, and Trinidad and Tobago. Later on, these creative industry efforts also began to permeate the policy discourses and initiatives of the smaller economies of OECS (see table 8)[24].

In Jamaica, the Government defined the music industry as a major economic activity in its National Development Plan in 2002. The support for creative industries has materialized in the granting of a series of tax concessions to creative arts sectors and, in particular, to the film industry.

[24] For details on policies for the creative industries, see Henry and Nurse (1996), Davis (1996), Bully (2002), Downes and others (2005), Tull (2005), WIPO/CARICOM (2006) and Nurse (2007).

The Government is also drafting an Entertainment Industry (Encouragement) Bill, whose objective is to provide incentives for entertainment operators similar to those proposed for motion picture producers.[25]

The Government of Barbados has also identified the promotion of the creative industries as a key pillar of its economic development. However, promotion efforts have been less robust than in the case of Jamaica. There are plans for draft legislation to provide exemptions from corporation or income tax and import duties for cultural practitioners and approved corporate, governmental and other entities, to facilitate the requisite investment and capitalization for cultural projects which fall under the Bill for Cultural Industries.[26]

TABLE 8
POLICY INCENTIVES IN FORCE FOR THE DEVELOPMENT OF CREATIVE INDUSTRIES IN JAMAICA

Motion Picture Industry (Encouragement) Act (2006)	Income tax relief for a period not exceeding nine years following the release of a motion picture and an investment allowance of 70% of the total expenditure on production facilities.
Tax concessions	Tax free profits from overseas release of film and video for nine years
	Duty free and tax free concessions on equipment, machinery, and materials for the building of studios and support facilities. A 70% allowance on investment in infrastructure.
	No withholding tax on dividends paid to residents shareholders with investments in film companies.
	Rebate of 16.5% on the General Consumption Tax on a project by project basis on all goods and services purchased in Jamaica

Source: *Investing in Jamaica* (2010), Developing Markets Associates Ltd.

Other efforts have been undertaken at an institutional level through the creation of the Indigenous Services Export Division of Invest Barbados, and there are plans for the creation of a national infrastructure which will encourage and sustain creative expression. Nonetheless, the precise instruments, goals and objectives to achieve this institutional re-restructuring have not yet been announced, and the plans to foster the creative sector have been formulated at a more general level. [27]

Saint Lucia created a National Endowment for the Creative Industries (2010-2011) aimed at promoting the creative sector by formalizing the existing financial assistance to local artists. [28] The fund will devote approximately US$ 500,000 to this purpose for the fiscal year 2010/11.

There are some CARICOM initiatives to develop the creative industries. One example is provided by the CARICOM Regional Cultural Policy[29] proposal to increase Governments' shares of their national budgets allocated to cultural/creative industries. However, there is as yet no indication that this policy has been implemented.

The Ministerial Conference of Small Island Developing States in Mauritius in 2005 recognized the role of culture in accelerating development through the implementation of the Mauritius Plan of Action. Since 2007, OECS and UNCTAD have begun exploring ways to collaborate on efforts to

[25] For the draft bill, see Government of Jamaica Legislation Programme 2010/2011 (1 April 2010).
[26] See the 2009 Budgetary Proposals presented by Prime Minister David Thompson (18 May 2009).
[27] One example is provided by the general development objective of the Medium Term Development Strategy of Barbados, 2010 to strengthen the existing legislative framework so as to make the cultural sector comparable to other economic sectors. This will make provision for fiscal incentives, income tax concessions and assistance through loans and grants.
[28] Government of Saint Lucia Budget Address for the Financial Year 2010/11 "The road to recovery: Engineering growth, engendering social cohesion and building resilience to external shocks" by the Honourable Stephenson King, Prime Minister and Minister for Finance (19 April 2010).
[29] See CARICOM (1996), "Regional Cultural Policy of the Caribbean Community".

enhance creative capabilities in OECS, in particular, arts and crafts, visual arts and music festivals. In 2008, the creative economy was the theme of the Second Annual OECS Development Conference. One outcome of these efforts is that a few national development foundations and development banks now provide some finance for creative projects.

A recent innovation is the establishment of the Creative Industries Exchange at the Shridath Ramphal Centre for International Trade Law at The University of the West Indies (UWI), Cave Hill Campus. The Exchange is a subregional mechanism for the collection, collation and dissemination of data and information on the cultural and creative industries in the Caribbean[30]. The Exchange aims to assess the economic impact and contribution of creative industries to the Caribbean, to improve the production and sharing of data and information and to enhance the image and profile of the sector. The Exchange is an important development as it could provide a one-stop information and knowledge bank on the creative industries sector. Moreover, through the use of digitalized technologies and its virtual library, it could provide valuable information on actors and instruments for facilitation and distribution of creative goods and services. This could facilitate better research and analysis of the sector that could inform policymaking.

[30] See http://www.creativeindustriesexchange.com/index.php?view=article&catid...

VII. Challenges and constraints to the development of the creative industries in the Caribbean

Clearly, the Caribbean possesses an abundance of creative talent in music, the arts, fashion and culinary arts, among other areas. Nevertheless, the creative talent input, although a necessary factor, is not sufficient to develop a dynamic, competitive creative industries sector. In 2009, the Director of Culture of Jamaica, noted that artists in the Caribbean are accidental creations rather than the product of a structured and coordinated strategy to discover, nurture and develop talent in a systematic manner.[31] The reality is that the Caribbean creative industries sector has been hampered from realizing its potential by a number of binding constraints in areas of product/service development, finance, innovation and productivity, education and training, export promotion, intellectual property development and management, data collection and management.

A. Product/service development

Rapid change and increasingly knowledgeable and discriminating consumers mean that only high quality, competitively-priced creative products and services can maintain market share in the global economy.

[31] See Kaieteur News, June 2, 2009 "Caribbean Cultural Industries being discussed in Suriname…Governments need to provide incentives for artistes"

Caribbean countries display varying capacities to meet the challenge of global competition in trade in creative products and services. In Barbados, Jamaica and Trinidad and Tobago, where greater attention has been paid to the development and commercialization of creative activities, the sector has met with more success than in Belize, Guyana, Suriname and OECS, where efforts at development have been more recent. Nevertheless, all Caribbean countries are performing below their potential with respect to output and trade in creative activities.

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An important contributing factor to this suboptimal performance has been the limited resources allocated to product/service development in the sector. This has led to creative artistes and actors developing their trade with little public financial or technical support. The hindrance to the development of high quality products and services stems from a number of factors, leading to cumulative effects. One critical constraint is the very limited investment in product and process research and development in most countries. There seems to be a prevailing view that Caribbean creative entrepreneurs and firms can compete based on raw talent. Therefore, success stories in research and development, such as Sacha Cosmetics of Trinidad and Tobago which has developed a range of cosmetics for different skin tones leading to four Miss Universe winners using its cosmetics line, and Ian Randle Publishers of Jamaica, are the exceptions to the rule.

As the Caribbean tourism sector has shown, branding is essential to high value added and market share. A similar programme of branding is required in the creative industries. This would lead to benchmarked certification and standards for products and content, thereby enabling the consumer to know what to expect from a given product or service. Nevertheless, research and development that facilitates the production of differentiated creative products and services is an essential part of branding.

Product development has been hampered by relatively high cost and inadequate quality of information and communications technology (ICT) services in the Caribbean. As table 9 shows, Internet penetration rates in Caribbean countries such as Anguilla, Aruba and the Bahamas were lower than would be expected for countries at their level of per capita income. In addition, broadband access, a critical platform for modern creative industries, remains relatively limited and the costs of access are high in the Caribbean.

TABLE 9
INTERNET USERS AND PENETRATION RATES IN SELECTED CARIBBEAN COUNTRIES, 2010

Country	Users	Penetration rate
Anguilla	4 500	31%
Antigua & Barbuda	65 000	75%
Aruba	24 000	23%
The Bahamas	115 800	37%

Source: Caribbean Telecoms-Mobile and Broadband-Lawrence Baker

[32] As Barraclough and Kozul-Wright in the Caribbean, as in countries such as Senegal and Burkina Faso in Africa, the creative industries have a high profile but are not yet sustainable. Only some creative activities have a high profile in the Caribbean: these include music, fashion and press and literature.

B. Cost of and access to financing

The development of the creative industries in the Caribbean is constrained by the inadequate access to and high cost of finance. The continued limited access to finance reflects, in part, the tension between the sector as a force for social development and its role as a commercial activity in its own right (Hickling, 2011).[33] Historically, the creative sector was seen as a public good to be funded by the public sector in its civilizing mission. This was the traditional model of public funding for the arts. As a result, the formal financial system came late to the view that the creative sector was a viable commercial sector for private financing.

Commercial banks, the main private financiers in the Caribbean, deem most creative sector projects to be too risky because of the uncertainty surrounding the viability of these projects. Furthermore, where creative activities do have access to credit, its high cost is an important constraint on the profitability and ultimate success of the business venture. Given that most creative sector firms are small and medium enterprises (SMEs) operating in a competitive market with small profit margins, high costs of credit could easily determine business success or failure.

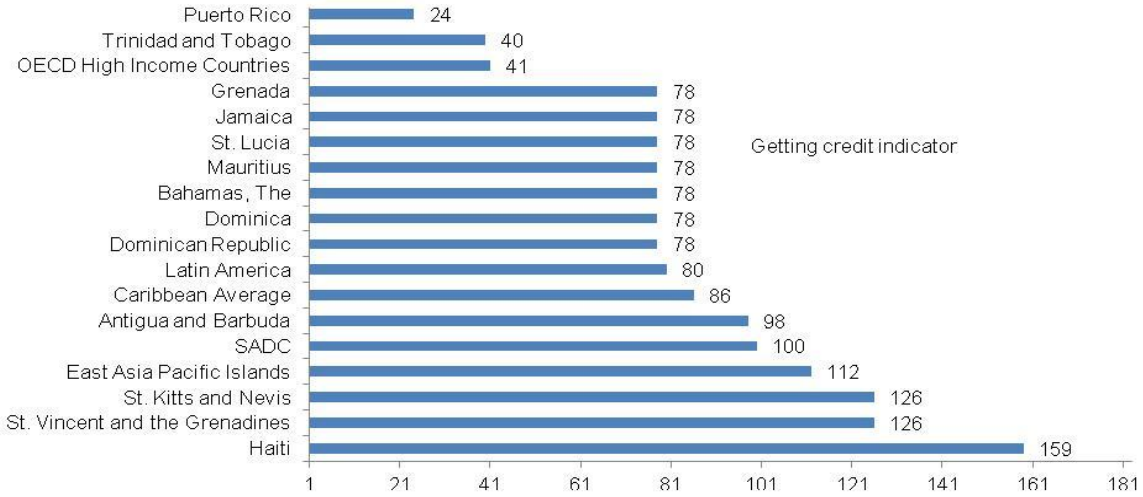
An important reality is that, since the output of the creative industries is based on intellectual property, financial institutions often find it difficult to assess the future profit potential of a given venture. Therefore, banks often require traditional forms of collateral, such as land and property, which many operators in the creative sector do not have. Another bottleneck is the lack of capital for scaling up creative activities with international export market potential.

Nevertheless, the constraints to credit in the sector are found not only on the supply side, but institutional weaknesses in the creative sector itself hampers credit growth. The World Bank (2011) in its *Doing Business Report 2012*[34] highlights the role of credit information systems (CIS) and the legal rights of borrowers and lenders in collateral and bankruptcy laws (World Bank, 2011). According to the World Bank, CIS help lenders to evaluate a potential borrower's financial history (positive or negative) which is valuable information for determining risk. CIS also allow borrowers to establish good credit history that facilitates easier access to credit. Meanwhile, strong collateral laws enable businesses to use their assets, especially movable property, as security to access capital, while strong creditors' rights promote lending and have been linked to higher ratios of private sector credit to GDP.

[33] Hickling, D. (2011), "Whither a Modern Cultural Policy for Jamaica?", Jamaica Observer, June 20, 2011.

[34] Although the annual *Doing Business Report* has its own constraints, it provides good performance indicator benchmarks on key parameters of the business environment.

FIGURE 5
PERFORMANCE OF SELECTED CARIBBEAN AND OTHER ECONOMIES ON THE WORLD BANK GETTING CREDIT INDICATOR



Source: World Bank *Doing Business Report*, 2012

Figure 5 shows that, overall, Caribbean countries have not performed well in the 'Getting credit' indicator. In general, the Caribbean, at 86, just lies within the top half ranking of the 183 countries surveyed, and below Latin America at 80. Nevertheless, the performance in the subregion is quite varied, with Puerto Rico at 24, ranked as a better performer than OECD at 41. Jamaica, despite years of market reforms aimed at getting the macroeconomic situation right, still ranks poorly at 78. States such as Saint Kitts and Nevis, and Saint Vincent and the Grenadines, both ranked 126, highlighting the more severe capacity constraints in these SIDS.

The low average ranking of the Caribbean across all types of business is an ominous sign for creative sector firms as, given their peculiar constraints, getting credit is likely to prove even more difficult. However, half of the Caribbean economies surveyed got a solid ranking of 8 out of 10 with respect to a sub-indicator measuring the strength of legal rights for borrowers and lenders, suggesting strong rights protection in the subregion. Nevertheless, in terms of the extent and accessibility of credit information in Caribbean economies, almost three quarters, eight of the countries surveyed, got a score of 0, while the remaining four countries got an average score of 4. This is an important concern, as it relates to creative firms engaged in co-production arrangements with foreign players, where credit information is critical for securing such contracts.

Alternative forms of financing, such as angel investors[35] and venture capital, have not taken off in the Caribbean. Angel investors provide important monitoring and oversight functions to ensure the success of the business and a return on their investment. Angel investors have become more important investors in creative activities in developed economies, including the European Union (EU) and the United States of America, as the creative industries sector has become more important in their economies. Venture capital also remains quite underdeveloped in the Caribbean, in part because of a number of weaknesses in the business environment. One constraint is the inadequate framework for potential venture capital institutions to calculate the risk involved in business projects. Second, companies seeking venture capital need to design successful business plans that indicate how they might be profitable. There is also need for transparent systems for the valuation and rating of start-ups so that investors can ascertain their risk. Importantly, given the monitoring and evaluation function of venture

[35] Angel investors are usually rich individuals who provide seed capital for business start-ups with the expectation of a high rate of return.

capital partners, Caribbean SMEs in the creative and other sectors would need to open their financial, operational and corporate strategies to scrutiny and advice from prospective venture funds.

In developed and developing economies, a variety of instruments and modes of finance are used to fund the creative industries. The mix of private, public and joint private and public financing models used reflects the economic philosophy, the relative strength of both types of institutions, and demand by creative businesses. The United Kingdom and the Netherlands, for example, have used creative credits to finance innovative projects in the creative sector to good effect. In the United Kingdom, credits of £4,000 are provided for innovative projects, aimed at fostering creative business.[36]

In recognition of the scarcity of finance to the sector, some Caribbean Governments have implemented initiatives to assist in funding the sector. The Government of Jamaica has established the Jamaica Promotions Corporation (JAMPRO) to provide funding for product/service quality improvements and marketing in the film, music, fashion and other creative activities.

C. Innovation and productivity

A defining feature of creative industries is the fast pace of innovation[37] that leads to new products and processes. Innovation improves the efficient use and productivity of resources, and raises growth in value added and profitability for cutting-edge firms. [38] Both innovation and productivity are driven by the skill and talent of the workforce and the workers' capacity to leverage technology to upgrade product and service offerings. Moreover, the products and services of the creative sector are intended to stimulate particular responses from users. This means that experiences are often co-produced with the consumer. Therefore, an important aspect of innovation is problem-solving that responds to the specific needs and demands of consumers.[39]

Weak innovation and productivity growth is one of the most severe binding constraints on successful commercialization of the raw creative talent present in the Caribbean. Most countries lack a systematic approach to innovation or boosting productivity in the different sectors of their economies. The recognition of the limited capacity at the CARICOM level was considered in the creation of institutions to further agricultural, industrial and services research and development and innovation. Important among these are the Caribbean Agricultural Research and Development Institute to promote research and development in agriculture, the Caribbean Industrial Research Institute to provide industrial research, testing and problem-solving and the Caribbean Community Climate Change Centre to deal with climate change and its impacts. However, although the creative industries have long been important in the Caribbean, no comparable CARICOM institution has been established to strategically facilitate research and development, innovation and technological development in the creative sector.

This benign neglect of innovation in the creative sector has left operators to do what they can with limited resources. As a result, although there have been seminal breakthroughs in the cases of reggae and the steel pan, and more recent ones in fashion and design through experiment and learning by discovery, these have been sporadic and limited. Caribbean firms and policymakers would do well to learn from developed markets such as the United Kingdom and Australia and developing countries such as China and Singapore, where creative industry innovation is tackled in a systematic way. An important contributor to successful innovation in these countries has been the use of a value chains approach to provided targeted innovation at different segments of the value chain, such as creative content development, advertising and distribution.

[36] See NESTA (2011), "A Guide to Creative Credits", March.

[37] Innovation refers to new ways of doing existing activities or the development of completely new economic activities, and includes new products, processes, technologies (DESA, 2007).

[38] There is a marked disparity in the market share and profitability of Caribbean creative industry operators in music, design, fashion and other activities, based on asymmetries both in the efficiency of their operations and in the quality of their products and services.

[39] There is another side to innovation, where a product or service developed responds to needs that the consumer could not have even imagined. This was reflective of the approach of the iconic late Steve Jobs of Apple, who used his creative genius to develop software and hardware products and services that were highly novel and user-friendly.

For the most part, Caribbean creative industries still follow the traditional models of innovation based on developing products and services designed around basic market research. Nevertheless, the interactive model that facilitates responses based on closer exchanges between producers and consumers or even pro-sumers is the one best suited to the creative industries. [40]

D. Education and training

Education and training programmes in the Caribbean suffer from deficiencies in both the number of programmes and enrolment numbers in creative sector programmes, as well as the quality of such programmes. These deficiencies adversely impact the skills set, knowledge, and knowledge pool in the sector. The limited pool of tertiary graduates in the creative industries sector is of particular concern, as the experience in developed countries and developing countries with dynamic creative sectors indicate that tertiary training is an important force in driving innovation and change. The reality is that, although the so-called maverick creator is important for start-ups, the process of systematically turning these ideas into competitive products and services requires a strategic team that is built on sound tertiary training. This is essential for ensuring more consistent success in the sector.

Apart from the limited number of training programmes, there are inadequate mechanisms for reaching the high-school graduates and persons with vocational training who predominate in the sector. This constrains the ability of these operators to add value to their products and services and limits their ability to become export-ready.

E. Export promotion and other policies

The constraint of small markets with insufficient purchasing power implies that competitive exports are vital to the success of the Caribbean creative industries sector. However, unlike the case of the tourism industry, the Caribbean lacks an integrated, consistent export development strategy for the creative industries. Institutions such as Caribbean Export (The Caribbean Export Development Agency) and the former Caribbean Regional Negotiating Machinery (now the CARICOM Office of Trade Negotiations (OTN)) have tried to promote a culture of exporting in the sector, but the efforts of these institutions focused on individual projects rather than a CARICOM regional programme.

The Caribbean has paid little attention to the productive development policies that are required to strengthen the export-readiness of creative firms. The lack of productive development policies has put limits on the match between indigenous creative talent and cutting-edge technologies to produce creative content, and has been a constraint to export growth.

Further, the generally limited capacity to undertake effective market research and analysis has been a serious constraint to export growth in a rapidly-changing sector. This has limited the ability of firms and policymakers to keep ahead of the curve with respect to changing tastes and preferences that impact demand. Indeed, this weak response to dynamic developments in the market has meant that, in many cases, the Caribbean has continued to lag behind innovations in the sector. Keith Nurse has noted that this went to the heart of the Caribbean perception of creative industries and that, should the Caribbean not keep pace with developments, it could be left specializing in low value added segments while other countries and regions transitioned to the higher value added, more dynamic segments.[41]

Apart from being an important factor in the domestic development of the creative sector, a modern, efficient intellectual property rights (IPRs) regime is an important driver of competitive exports. The reality is that rights management in external markets, and the ability to collect the rents from the use of products and services of Caribbean creative sector producers systematically, are important components of export promotion.

[40] Pro-sumers are persons who simultaneously produce and consume creative content.
[41] Proceedings and discussions of the ECLAC Workshop on the creative industries.

Export promotion efforts also include initiatives to foster the development of the creative industries through trade agreements. An illustrative example is provided by the CARICOM Economic Partnership Agreement (EPA) with the EU, which has certainly increased export opportunities to the EU in the music and audiovisual sectors[42]. Bilateral commitments have improved access to the EU market for Caribbean artists and creators in music, dance, visual arts, theatre and other creative sectors.

Under the new EPA provisions, Caribbean firms have more opportunities to access EU countries, because some restrictive nationality and residency requirements and restrictions on corporate form have been eliminated. The most radical change, however, has come under Mode 4 (movement of natural persons). The European Commission (EC) has granted quota-free entry of up to six months to contractual service suppliers (CSS) and their employees to provide creative services to the EU market. This market access issue is subject to two horizontal limitations: transitional periods and recognition or qualification requirements.[43]

F. Intellectual property development and management

Caribbean countries have ratified a number of international treaties that aim to protect intellectual property. These treaties include the Berne Convention for the Protection of Literary and Artistic Works ratified by all CARICOM countries, and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, ratified by Barbados, Dominica, Jamaica and Saint Lucia. In addition, a number of Caribbean countries, including Antigua and Barbuda, the Bahamas, Belize and Trinidad and Tobago, have introduced copyright protection legislation to foster the development of their creative industries. Furthermore, Article 66 of the Revised Treaty of Chaguaramas has sought to strengthen the CARICOM approach to the development and protection of intellectual property rights. The focus has been on strengthening rights regimes, accelerating registration, and the use of enhanced measures to prevent piracy and other forms of exploitation. Collective management organizations, such as the Copyright Music Organization of Trinidad and Tobago and the Eastern Caribbean Collective Organization for Music Rights, have been helping with the enforcement of copyright and collective rights management.

These regulations notwithstanding, active policies to promote the development, management and regulation of copyright remain weak. The majority of artists develop their creations with little or no consideration given to the copyright potential of their activities. This outlook stems, in part, from inadequate training or awareness, areas that require substantial attention. Moreover, piracy remains open and rampant in the Caribbean, with a seeming lack of will and resources to address it and to enforce copyright laws effectively.

G. Data collection and management

Presently, effective policymaking with regard to the creative industries is hampered by the severe lack of data. There is a severe shortage of data, especially on the creative services sector and particularly in the smaller economies of OECS. The reality is that data on the sector is difficult to compile as costly surveys would be required, which some countries cannot afford, given budget constraints.

Another constraint is the lack of a harmonized methodology for collecting creative sector data across the Caribbean. This could lead to different countries providing non-comparable measures of

[42] Some analysts claim that the agreement locks in reciprocal treatment among States with huge development asymmetries, without a clear capability development strategy for the underdeveloped members of CARIFORUM (Girvan, 2008). In contrast, others argue that the agreement presents new opportunities for Caribbean exports to EU, which may increase its competitiveness and foreign exchange earnings (CRNM, 2008).

[43] Under EPA, market access depends on the modes of service delivery. Under Mode 1 (cross-border supply), exports remain restricted owing to stipulated reservations in the sale over the Internet of music, animations and other services. Under Mode 2 (consumption abroad), CARICOM also gains little in market access, as this is the most liberalized mode of supply of services. Under Mode 3 (commercial presence), market access has improved, even though the contentious audiovisual sector remains excluded.

production and activity in the sector. Some countries, such as the Bahamas, Jamaica, Guyana and Trinidad and Tobago, have developed supply and use tables (SUTs) that could provide valuable information on input-output flows in the creative industries sector. However, the SUTs need to be strengthened to provide more disaggregated data on the sector to enable deeper analysis of its operation.

VIII. Recommendations for increasing the contribution of the creative industries to economic diversification and export growth

The earlier discussion of the models/frameworks of the creative industries highlights a few key arguments. First, a dynamic view of these industries would regard them as potential catalysts of growth, innovation and structural change in the Caribbean. Second, by contributing to an improved pattern of specialization in CARICOM based on higher value added products and services, the creative industries can increase import productivity. This improvement in import productivity based on improved combinations of imports with domestic capital is key to reducing the balance of payments constraint faced by Caribbean countries. Third, the creative industries are being rapidly transformed by information and communications technology and new forms of development and delivery of content. This has led to the growing importance of creative networks and opportunities for individuals to create and deliver their own content on YouTube, Facebook, Twitter and other interactive media. This process has been regarded as 'dis-intermediation' in the sector, in that it eliminates the need for intermediary services such as advertising, marketing and distribution channels in providing some forms of content.

Government policy that follows from this new model of the creative industries must also be dynamic and progressive. Neither old-style industrial policies nor those that leave the development of the sector purely to market forces, is adequate.

The reality is that the creative industries are developing in a rapidly-changing environment of high growth with factors of uncertainty. Therefore, for the Caribbean to move closer to its production possibility frontier (both in terms of quantity and quality) in the creative sector, selective industrial policies and public-private partnerships are required. Given the scarcity of financial, human and managerial resources, CARICOM countries would need to identify and focus on niches in which they have a comparative advantage.

Policymakers in individual Caribbean countries should determine, through adequate research, the incentives that could stimulate the creative potential of their populace, especially the youth. This could be facilitated at the community level by open, flexible school and work environments that allow students and workers to experiment, troubleshoot and seek solutions to specific problems. This would encourage them to use their creative imagination and intuition.[44] However, the policy and incentive framework would not only need to facilitate increased creativity and inventiveness, but also help them translate these talents into fruitful economic activity.

Government policies need to be better structured, focused and coordinated to overcome constraints in the areas of finance, innovation and productivity, education and training, and exports and competitiveness, including intellectual property development. Some recommendations for tackling these specific constraints and challenges are provided below.

A. Product/service development

The product/service development challenge is best tackled at the firm level in individual Member States. At the country level, countries should develop creative industry clusters, where businesses can exchange knowledge and experiences to strengthen their operations. Further, creative sector incubators should be promoted to strengthen collaboration in research and development and other activities that can strengthen the competitiveness of the sector.

Policies to reduce the cost and increase access to financing

The challenge pertaining to the high cost and inadequate access to finance bankable creative projects should be tackled by an integrated set of policies. In the first place, the banking system should be further liberalized to increase competition and to reduce the cost of credit. Regional banks have indicated that high reserve requirements contribute to higher interest rates. Policymakers should lower central bank discount rates and required reserves requirements as an incentive for banks to lower their lending rates. This lower cost of borrowing could help to boost investment in start-ups and business upgrading by creative SMEs such as art galleries, fashion designers and sound engineers in the Caribbean.

In addition, since access to credit is often impeded by inadequate collateral by creative entrepreneurs, the legal and incentive framework should engage to be more flexible in the types of collateral that they accept. For instance, lending institutions should allow creative entrepreneurs to use a mix of accounts receivable, moveable assets and real fixed assets as collateral in borrowing. As the *Doing Business Report*[45] indicated, the policy authorities play a role in legislating what types of collateral are acceptable.

Governments in Caribbean countries should partner commercial banks to provide discount finance windows in commercial banks to finance projects with good prospects in the creative industries. Although such windows would entail some subsidy for commercial banks based on the risk profile of specific activities, this strategy may be profitable overall. Firstly, it would allow the pooling of funds to reap economies of scale. Secondly, commercial banks would operate more efficiently and productively

[44] An instructive example is that of Google, which allows its workers one third of their work time for experimenting and 'free-thinking' to come up with ideas and possible inventions that will benefit the company, and also to take exercise breaks to refresh their thinking.

[45] World Bank (2012), "Doing Business Report".

than many State-owned financial institutions. Thirdly, the incentive of borrowers to repay commercial banks tends to be higher because of imminent likelihood that collateral will be seized on non-repayment.

Even with improved bank lending, other sources of financing would still be needed to support start-ups. Development banks should be mobilized to provide seed capital for start-up of creative industry firms and working capital to maintain and upgrade their operations (James, 2007). The development banks would operate on a commercial basis to guarantee their profitability, but would provide loans on more favourable interest and maturity terms than commercial banks.

The Caribbean should explore the prospects for angel investor and venture capital financing of creative industries. Rich patrons have long supported the arts, but angel investors could provide more than support, by actively monitoring new projects to ensure their success and the payback to the investor. Incentives such as tax credits should be used to encourage angel investors, both in the Caribbean and among the Diaspora, to finance creative SMEs with good growth prospects.

Given the constraints of scale at the individual country level, Caribbean countries could consider developing a Caribbean venture capital fund. This fund could probably target creative businesses that are oriented to the export market. The fund could be modelled as a public-private partnership that provides seed finance and management and organizational expertise for creative and other activities.

B. Innovation and productivity

Driving innovation and productivity growth, in a sector that has traditionally relied on raw talent and where creative destruction is so rapid, will not be easy. Nevertheless, if Caribbean countries get the overall framework right, supported by specific policies to address particular bottlenecks, the Caribbean could gradually move up the innovation ladder in the creative industries sector.

To get the overall framework right, it is proposed that countries in the CARICOM region pool resources to develop a regional innovation system (RIS). RIS comprises the socio-economic, political, organizational and institutional factors that influence the development, diffusion and use of innovation in a region.[46] RIS should be properly resourced to provide an integrated framework for coordinating the flow of technology, knowledge and information among enterprises, supporting research and educational institutions and policymakers. RIS would work with national institutions engaged in innovation to provide training, advice, standards and lessons learned from interaction at the regional level. Although it is expected that the RIS in different countries would be at different levels of sophistication based on relative levels of development, certain common standards and benchmarks should be observed in undertaking innovation across member countries. Nevertheless, the RIS framework is critical for providing some structure for realizing the synergies from cooperation and networking among actors in the creative industries sector.

Innovation within the RIS framework could be facilitated by clusters of firms that form a network to share ideas, knowledge, technology, and distribution systems. The cluster approach allows firms to learn by doing and to experiment with different solutions to problems. Moreover, clusters could be linked to a value chain[47] approach that evaluates value creation among the various segments of production, marketing and distribution of creation products and services. The knowledge gained from the value chain approach could allow clusters of firms to target weak, but important, segments of their operations for strengthening.

[46] See Endquist, referred to in Fogerberg, Jan and Srholec, Martin (2007) "National Innovation Systems, Capabilities and Economic Development.

[47] Value chains –a range of processes by which firms and workers bring a product or service from conception to its end use - are a useful concept for creative industries. In the creative industries, value chains include the conceptualization, design, production, marketing, distribution and consumer after-sales support services, in as seamless an operation as possible. This analysis would improve the assessment of strengths and weaknesses at the various stages of the production and distribution process. In turn, this would help operators to better identify binding constraints that can be tackled to strengthen their competitiveness (UNCTAD, 2010).

Furthermore, incentives need to be better structured to increase the level and quality of research and development in the creative sector. UWI, private universities and technology institutes need to be better funded and organized to carry out effective research and development to improve the development and delivery of creative industries content. This could facilitate firms in producing better quality music DVDs, undertaking Internet marketing that uses indigenous experiences creatively, and upgrading the fashion and other sectors.

C. Education and training

Education programmes, especially tertiary education, should be expanded and upgraded to provide more relevant training to respond to the fast pace of change in the creative industries. Training programmes should be targeted to remedying weaknesses in the skills set in different segments of the value chain of the creative sector. Moreover, training would need to be matched with adequate certification to ensure quality and standards. In this regard, the Caribbean Vocational Qualification Framework could provide a uniform standard for vocational training in the sector throughout the Caribbean. This would allow for comparability of skills sets across the Caribbean and facilitate the free movement of creative workers.

One weakness of the Caribbean creative sector is the limited organizational and business skills of many of the operators. This bottleneck should be addressed by complementing training in technical skills with training in project management, marketing, business planning and intellectual property management. Training in these areas is essential to stimulating process and product innovation that are essential to the success of firms in the creative sector.

Education and training programmes also need to increase the emphasis on the use of ICT to add value to creative products and services and better delivery of content to consumers. Few Caribbean creative industry firms are making the best use of digital and Internet technologies to provide real time delivery of music and virtual product/service tours to consumers.

D. Export promotion and other policies

In order to increase its market share in the exports of creative goods and services, the Caribbean would need to revamp its export promotion strategy for the sector. Product development policies would need to be integrated with export promotion strategy. This would enable firms in the sector to focus on niches in which they have a comparative advantage and to scale up these activities for export. Given the scarcity of resources, it might be inefficient to focus resources on market segments which would require long periods to build up competitive advantage.

The Caribbean should strengthen its capacity to undertake market research on emerging tastes and demand in the creative sector. This research would enable firms and other operators in the sector to differentiate their products and develop brands based on the precise market requirements sourced by careful research. For instance, a number of Jamaican music artists have been using better market research to market e-music to the Diaspora and other segments of the United States and of the United Kingdom markets.

Caribbean policymakers and copyright management organizations need to work to develop and modernize IPRs in the Caribbean as a part of their export promotion thrust. Training programmes for persons monitoring and managing IPRs should be strengthened to meet minimum international standards. In this respect, the initiative of the Copyright Music Organization of Trinidad and Tobago and others to facilitate WIPO training in the area is commendable. However, this needs to be replicated in other countries, such as OECS and Guyana. In addition, the capacities of the rights management agencies, such as the Copyright Music Organization of Trinidad and Tobago, the Jamaica Association of Composers, Authors and Publishers Ltd. and the Eastern Caribbean Collective Organization for Music Rights, should be strengthened through better-qualified staff and training.

E. Data collection and management

Weak data collection and management issues in the creative sector need to be addressed by a number of measures. The first issue that arises is agreement on a harmonized methodology and framework for delimiting the sector. Even at the international level, the different frameworks used by WIPO, UNCTAD, UNESCO and other institutions working in the area leave room for ambiguity and lack comparable data. Caribbean countries need to agree on a common definition of the sector and a harmonized system of data collection and mapping. At the most basic level, the systems of national accounts would have to be upgraded and all countries should develop harmonized supply and use SUTs that could provide adequate information on intersectoral flows. However, countries would also need to introduce satellite accounts for the creative sector that provide coverage for creative services.

It would be useful to follow a value chain approach (UNCTAD, 2008) to improve the mapping and policy design for the creative industries. Value chain analysis allows the identification of creative products and services with particular competitive advantages, which can be developed in special niche markets. The production side of the value chain is critical, and weaknesses at this stage hinder marketing and distribution. Most Caribbean creative production activities are dominated by small enterprises or single operators in some aspect of handicraft, painting or sculpture. A manifest weakness at this and other stages of the value chain is the governance and oversight systems. Two constraints are important here: under resourced governance mechanisms, with insufficient skilled personnel and technical resources to oversee the chain, and the lack of application of international standards. The lack of certification and use of standards by a number of Caribbean artists and creative activities hinders trade with countries that require these standards. For example, the lack of state of the art music studios in some countries in the Caribbean prevents the development of music videos that can capture market share in the music markets of industrialized countries.

IX. Conclusion and future agenda

The creative industries have great potential to foster exports, growth and employment in the Caribbean. The sector can help leverage the indigenous knowledge, creativity and resourcefulness of the populace to provide high-quality jobs. Moreover, considering the income elastic demand for creative products and services, and given its position as a price-maker rather than price-taker in world trade, this sector could help to relieve balance of payments constraints faced by Caribbean economies. Higher and more stable foreign exchange earnings could then be used to purchase high-quality technology and managerial expertise to help upgrade the creative sector.

The Caribbean creative industries sector continues to be constrained by challenges relating to the development of high-quality products and services, adequate start-up finance and working capital to maintain operations, the result of high credit costs and limited access to finance. In addition, although the Caribbean has established strong niches in music, fashion and literature, among others, it is not keeping pace with changing tastes and demand. Innovation and productivity growth, through a consistent programme of research and development and the upgrading of the skills of the workforce also remains inadequate. The lax intellectual property regime prevents artistes from benefiting fully from their creations. International cooperation in sharing the rents from intellectual property needs to be strengthened.

Nevertheless, the Caribbean has great potential in many segments of the creative industries sector. A thorough competitiveness mapping of the sector would indicate which segments are most dynamic.

In order to maximize benefits, countries could then take the strategic decision to target scarce resources into their most competitive niches, rather than trying to promote a large number of subsectors for export. Nevertheless, segments such as music, dance, drama, theatre, literature, fashion and new media niches have emerged as areas of generalized comparative potential, with modifications for individual countries.

The potential of these sectors, however, would have to be converted to real gains by an integrated package of production and trade development, financing, human resource upgrading, marketing and other policies. It is now for policymakers and firms in the sector to rise to this challenge.

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Annex

TABLE A.1
CARIBBEAN CULTURAL POLICIES

Country/ Organization	Name of policy	Objectives
CARICOM	Regional Cultural Policy, 1997	Articulation of clear policy objectives for development of cultural industries
		Cultural and artistic promotion and development
		Cultural heritage- preservation and promotion
		Culture and development
		Cultural relations
		Cultural financing and administration
The Bahamas	Draft National Cultural Policy, 2006	To safeguard cultural heritage
		To raise awareness at the local, national and international levels
		To give a coherent strategic national context for planning and decision making about culture
		To ensure respect for the cultural heritage of the communities, groups and individuals concerned
		To utilize international cooperation and assistance in the development and promotion of Bahamian culture
Jamaica	National Cultural Policy of Jamaica, 2003	To make provisions to ensure the full participation of communities in cultural expression and cultural development
		To outline strategies for the building of cultural infrastructure and for enabling cultural institutions to manage cultural development
		To outline plans for the promotion of arts and letters, the preservation of cultural heritage, the stimulation of artistic and intellectual creativity, the enhancement of cultural education and museum development
		To establish links between cultural policy and policies related to entertainment, education, science and technology, intellectual property rights, media, among others
		To declare Government commitment to providing facilities for ongoing cultural research and the training of cultural practitioners
		To identify sources for funding cultural development
St Vincent and the Grenadines	Draft National Cultural Policy	To create and encourage the establishment of appropriate institutions for enhancing cultural development
		To instil and develop national pride and create greater commitment, responsibility, self confidence, discipline and a collective spirit
		To identify, stimulate and develop the creative potential to enrich and improve the quality of life
		To inculcate an appreciation for and understanding of other cultures
		To preserve and conserve cultural heritage

Source: The National Cultural Policy documents for CARICOM, the Bahamas, Barbados, Jamaica and Saint Vincent and the Grenadines.

TABLE A.2
INSTITUTIONS AND ACCOMPLISHMENTS IN THE CREATIVE/CULTURAL INDUSTRIES IN THE CARIBBEAN

Organization	Accomplishments in the Caribbean	Evaluation
CARICOM	Regional Cultural Policy (1994) Cultural and Artistic Promotion and Development Cultural Heritage – Preservation and Protection Culture and Development CARICOM Culture Programme To create an enabling environment for the growth of cultural industries and the sustainability of indigenous culture. Caribbean Festival of Arts (CARIFESTA) The premier roving mega multi-disciplinary arts festival in the Caribbean Subregional workshops on IP for CARICOM member States (2005) – collaboration CARICOM Secretariat, Caribbean Export and WIPO, with funding from Japan CRNM Study 2006 The Cultural Industries in CARICOM: Trade and Development Challenges The study assessed the economic contribution of the cultural/creative industries in CARICOM	CARICOM has clearly identified the creative/cultural industries as an area to drive growth, employment and foreign exchange earnings. There is now need to determine what development and promotion activities can be carried out at the regional level and what is best done at the national level. A region-wide mapping of the actors in the sector would provide useful insights into which areas should be prioritized.
WIPO	WIPO Guide (2003) Linking copyright to quantifiable indicators (GDP, employment, trade) Developing practical guidelines for measurements Providing consistency of approach (Official data and supplementary statistics) Conducted a number of studies (e.g. Jamaica) Positioning of the creative sector in the national economy Input for policy formulation Adjustment of national policies and practices Position the CBIs in the context of the national economy i.e. contribution to GDP, employment and trade	WIPO provides a consistent framework for mapping and measuring the contribution of the copyright-based industries. However, for the framework to be more effective in the Caribbean, countries need to improve the quantity and quality of the data for assessments. The development of full national accounts SUTs will provide vital baseline data.

(continued)

Table A.2 (concluded)

Organization	Accomplishments in the Caribbean	Evaluation
The Creative Industries Exchange (Shridath Ramphal Centre for International Trade Law)	Regional framework for the collection, collation and dissemination of data and information on Caribbean creative industries Country profiles: e-magazine Entrepreneur profiles Training & outreach Industry & sector mapping	The Exchange is a welcome development that could act as a useful one-stop shop for certain kinds of data and information on the creative sector. It will need to be properly resourced in terms of finance and human resources to optimize its contribution.
Caribbean Audiovisual Network (CAN)	Regional organization focused on accelerating business development within the audiovisual sector. Objectives include: Facilitate and support the protection of intellectual property rights Promote the development of co-productions among member countries Seek international sources of funding Raise the visibility of the members' productions Assist in the creation of a Caribbean distribution mechanism Create a database of Caribbean practitioners Completed 3 films from the Dominican Republic, Jamaica and Trinidad and Tobago (2011) Participated in the 64th Cannes Film Festival and Market in France (May 2011)	CAN has the potential to become a critical network for exchanging knowledge and experiences of the audiovisual sector across the Caribbean. However, it would require stable financing for its activities and a better understanding of actors in the subsector.

Source: CARICOM, WIPO, The Creative Industries Exchange and Caribbean Audiovisual Network.

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