LATIN AMERICA: Creative sector yet to reach potential

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Abstract

Failure to capitalise on the economic potential of creative industries.

A report released recently by the Inter-American Development Bank (IDB) suggests that Latin American and Caribbean countries are not taking sufficient advantage of the contribution their creative industries could make to economic growth and job creation.

Full Text

SUBJECT:Failure to capitalise on the economic potential of creative industries.

SIGNIFICANCE:A report released recently by the Inter-American Development Bank (IDB) suggests that Latin American and Caribbean countries are not taking sufficient advantage of the contribution their creative industries could make to economic growth and job creation.

ANALYSIS: Impacts.

The labour-intensive creative sector could help to reduce high unemployment among young Latin Americans.

Latin America is currently a net importer of cultural goods and services.

For the region's film industry and plastic and performing arts, insertion into international circuits is a key challenge.

Differences in how the so-called 'creative economy' is defined by different countries and organisations make it difficult to measure its size and composition and, therefore, to identify the scope and nature of the business opportunities it offers. However, defined roughly as including the visual and performing arts, traditional and new media, audiovisual goods and services, design, architecture and crafts, it is widely considered one of the most rapidly growing sectors of the global economy. This is borne out by a number of partial and approximate indicators:

Output.A study by UK consultant John Howkins estimated that, in 2000, the creative economy (including, in this case, science and technology) was worth 2,200 billion dollars, or some 6% of global output, and growing at an annual rate of 5%.

Exports.However, export data from the UN Conference on Trade and Development (UNCTAD) suggests that the sector's growth may since have far exceeded that of global GDP. According to UNCTAD, exports of creative goods (without including services and related industries) reached 454 billion dollars in 2011, up from 198 billion dollars in 2002, equivalent to a 129% increase. There is, in addition, evidence that trade in creative services has grown more rapidly than in goods, boosted by advances in connectivity. In addition, the sector appears to be less volatile than other export industries. In 2009, exports of creative goods dropped by 14.2%, according to UNCTAD, as compared to a 22.2% contraction of total world exports, and, in 2010, nearly rebounded to 2008 levels.

Employment.Preliminary results from a global survey of cultural employment being developed by the UNESCO Institute for Statistics (UIS) found that the sector's contribution to total employment ranges from 6.5% in Switzerland, 6.2% in Sweden and 5.3% in the UK to 1.4% in Qatar.

Latin America and Caribbean.

According to The Orange Economy, An Infinite Opportunity, the new IDB report (published only in Spanish), Latin America and the Caribbean (LAC) is lagging on almost all these indicators. Drawing on data from a study, The Economic Impact of Creative Industries in the Americas, by Oxford Economics, a consultancy company, it concludes that:

LAC's creative economy, with an estimated value of some 175 billion dollars in 2011, led by Brazil (67 billion dollars) and Mexico (55 billion dollars), represented just 3.1% of regional GDP or roughly half the estimated world average. Similarly, LAC accounted for only 4.1% of the output of the global creative economy while, according to the IMF, its share of total global GDP reached 7.9%.

In 2011, the region's creative economy showed a trade deficit, with exports for 18.8 billion dollars and imports for 28.7 billion dollars.Moreover, if royalties, licences and other related balance of payments items are included, the deficit reached 16.5 billion dollars.

LAC's low level of intra-regional trade as compared, for example, to Asia (see LATIN AMERICA: Trade challenges reduce growth outlook - September 25, 2013) appears to be an important hindrance to the development of its creative economy. In 2011, less than a third of its creative exports went to other LAC countries as compared to almost two-thirds to the United States or Europe. It is, for example, unlikely that a film produced in a LAC country will be screened in the rest of the region unless acquired by a US or European distributor.

Country initiatives.

However, according to the UN Creative Economy Report 2013, the situation varies widely across the region. It concluded that five countries -- Argentina, Brazil, Chile, Colombia and Cuba -- have in place a framework for the development of their creative sector and that Mexico, Peru and Uruguay are beginning to move in this direction. Bolivia, Ecuador, Paraguay and Venezuela, on the other hand, have yet to do so in a lag which the report attributes partly to resistance to viewing culture as an economic resource.

The report also highlights a number of successful national initiatives:

Argentina.

According to government statistics, Argentina's cultural sector expanded at an average annual rate of 7.8% between 2003-11 when it reached 3.8% of GDP. Strong growth was reported in the audiovisual industry, particularly feature films and animation. The report notes the creation of an Audiovisual District by the city of Buenos Aires in 2011, granting it benefits similar to those available to the manufacturing sector. The city has also established a Technology District and a Design District and plans an Arts District.

Brazil.

In 2010, Rio de Janeiro launched the Rio Criativo programme, establishing two incubators for the development of creative-sector projects, while the Brazilian Service for Support of Micro and Small Enterprises (SEBRAE) has implemented a number of projects to foster awareness of the creative economy and its development. In 2012, Brazil also went on to establish a Creative Economy Secretariat with responsibilities that include the collection of data as well as the promotion of creative enterprises and the development of the infrastructure and legal framework they require.

CONCLUSION: Development of the creative sector could significantly reduce dependence on natural resources in South America, and in the Caribbean, add value to its key tourism industry. However, for most of the region's countries, a prerequisite for the design of public policies to foster the sector's development will be to compile information about its existing size and composition and, in some cases, to overcome negative attitudes towards the economic use of culture. Meanwhile, the sector's development is likely to be patchy and driven principally by isolated initiatives such as those already seen in some of the region's main cities.

Details

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