THE CREATIVE INDUSTRIES AND THE BRICS

A review of the state of the creative economy in Brazil, Russia, India, China and South Africa

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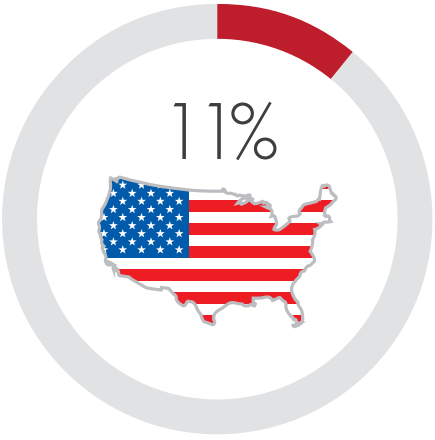
Dong Dongdong & Chen Xi


The Muffinz

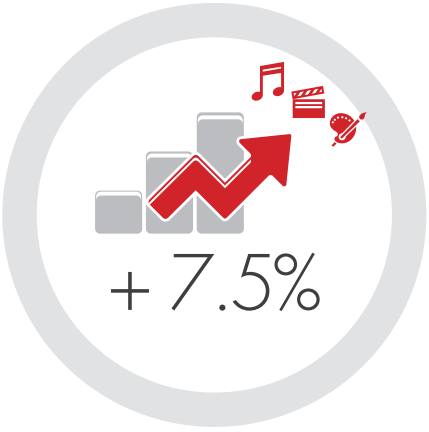

Alexandra Pakhmutova

KEY FIGURES

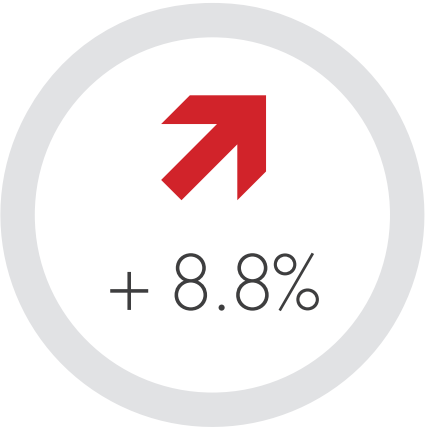
THE CREATIVE INDUSTRIES ARE AN ENGINE FOR ECONOMIC GROWTH



- **The creative industries significantly contribute to developed countries' GDP, (approximately 11% in the US and 10 % in Korea, respectively)**



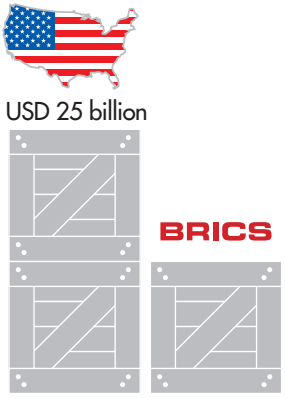
- **Global export of creative services almost tripled in the last decade (from a value of USD 62 billion in 2002 to USD 172 billion in 2011). In 2008 trade in creative goods and services combined accounted for about 7.5% of total global exports.**



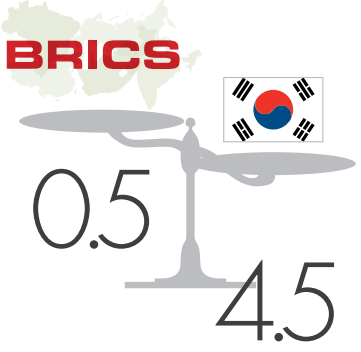
- **Exports of creative goods have an annual growth of 8.8% significantly outpacing global economic growth.**

THE UNTAPPED POTENTIAL OF THE CREATIVE INDUSTRIES IN BRICS

- **Despite the growing contribution of the creative industries to the BRICS economies, these countries have not yet unlocked the full economic potential and benefits of the creative economy. The economic contribution of the creative industries to the GDP of BRICS' countries is between 1-6% only.**



- **Total exports of core copyright goods and services (including audio visual goods and services, new media goods, publishing goods etc.) from the BRICS significantly lags behind mature markets. For example, exports of these goods and services from the US in 2010 (USD 25 billion) was more than double the value of the combined exports from the BRICS.**



- **BRICS countries are lagging behind their ability to generate income from the use of their intellectual property (including from creative goods and services). For example: in 2011 Korea was able to generate close to USD 4.5 billion from the use of its intellectual property assets, while the average level at BRICS markets stood at less than USD 0.5 billion.**

ASSESSMENT OF THE READINESS OF THE BRICS TO SUPPORT LOCAL CREATIVE INDUSTRIES

	BRAZIL	CHINA	INDIA	RUSSIAN FEDERATION	SOUTH AFRICA
Intellectual Property framework	Basic	Intermediate	Limited	Intermediate	Basic
Digital Market Potential	Strong – Significant increases in music consumption and overall digital music revenue	Strong – Internet penetration is growing together with internet advertising	Medium – Low internet penetration limits growth, however digital music market is booming	Strong – Launch of new services and strengthening of legal framework taking place	Medium – Potential for growth limited by low internet penetration
Ability to Collect Royalties	Challenging	Challenging	Challenging	Challenging	Fair
General attitude and respect for IP rights	Challenging	Challenging	Challenging	Challenging	Challenging

THE ROAD AHEAD: RECOMMENDED MEASURES TO SUPPORT THE CREATIVE INDUSTRIES IN BRICS COUNTRIES

- Map and measure the domestic creative economy – This is critical in order to have a detailed understanding of the creative economy in a given country. Its challenges and opportunities. The absence of reliable, accurate and updated information is a major barrier to unlocking the potential of the creative industries.

- Recognize the importance of effective collective rights management – Collective management organizations and other similar bodies play a strategic role in the process of stimulating creativity and protecting the rights of artists and creators.

- Support creativity and creative communities – This can be done through direct support initiatives for targeted communities or sectors, but also indirectly via e.g. the promotion of infrastructure which supports and incentivizes creativity and related economic activity.

- Recognize the importance of IP and copyright protection to the creative process –High levels of unlicensed use/piracy disincentives creativity and undermines investment in creative activity and, as a consequence, reduces the economic contribution of the creative economy to the national economy.

CONTENT

FIGURES


Jacques Morelenbaum


LeiLei


Cui Shu

The Soil


Paulinho Moska


Mallu

EXECUTIVE SUMMARY

The modern global economy today relies on creativity like never before and the creative economy makes up a growing proportion of national economic output and job creation in many countries around the world.

This review examines the state of the creative economy in the biggest emerging economies in the world namely Brazil, Russia, India, China and South Africa – the BRICS. Although at different levels of development, these economies are in many ways undergoing similar transitions from economies based on manufacturing, industrial output and natural resources to economies in which economic activity is based on innovation and creativity.

This review does the following. First, it examines the state of the creative economy in the BRICS. Second, it proposes policies that will enhance and increase the activity of these creative sectors and industries. The review looks at both economic evidence (including trade statistics) and the existing policy framework in each country. Based on these observations, the review makes two major general findings and a number of economic and policy findings.

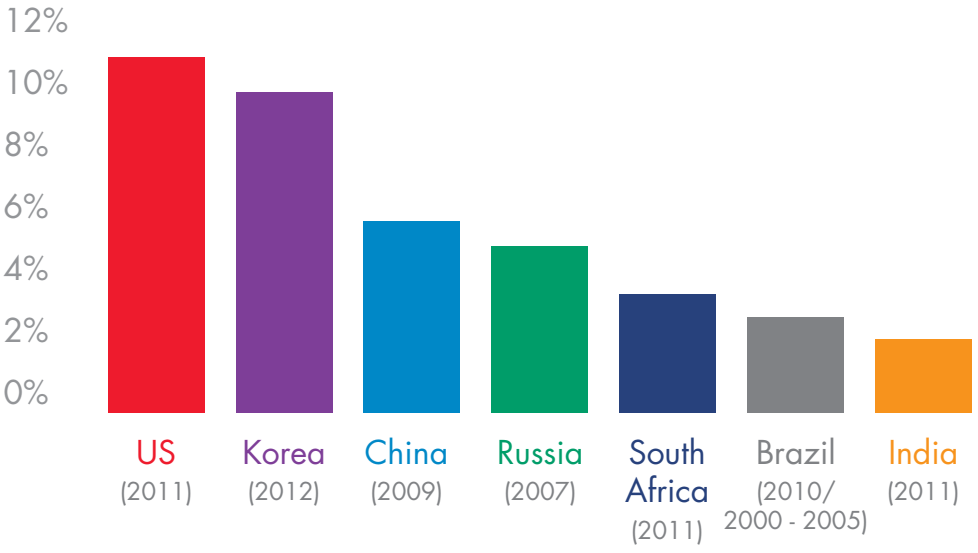
Perhaps of most importance, the review finds that the creative economy and creative sectors are an elemental and growing part of all the BRICS economies. All countries have a rich history of creativity and creative output with all countries having particular strengths in certain areas or creative sectors. For example, the Indian film industry is the largest in the world producing over 1,000 movies annually.

The second major general finding from the review is that all countries could potentially be benefiting even more from their creative sectors. Indeed, a recurring theme from the economic and policy analysis was how vast the potential for growth and increased activity the creative economy has in the BRICS.

ECONOMIC FINDINGS

The review finds that overall the creative economy (or the specific definition of sectors used in each estimate) is a relatively small part of each BRICS' overall economy ranging from an estimated 1.5-2.5% of GDP in Brazil and less than that in India, to 6.37% and 6.03% of GDP in China and Russia respectively and 4.11% of GDP in South Africa. While the quality and extent of the data varies (with particular weaknesses being for Brazil and India) and there are large differences between the BRICS, it is clear that compared to other countries such as the US and Korea the contribution to GDP by the creative economy in the BRICS has significant room to grow and huge untapped potential.

*Estimated percentage contribution of copyright-based/creative industries/media and entertainment sector to GDP, BRICS and selected countries, 2000-2012**

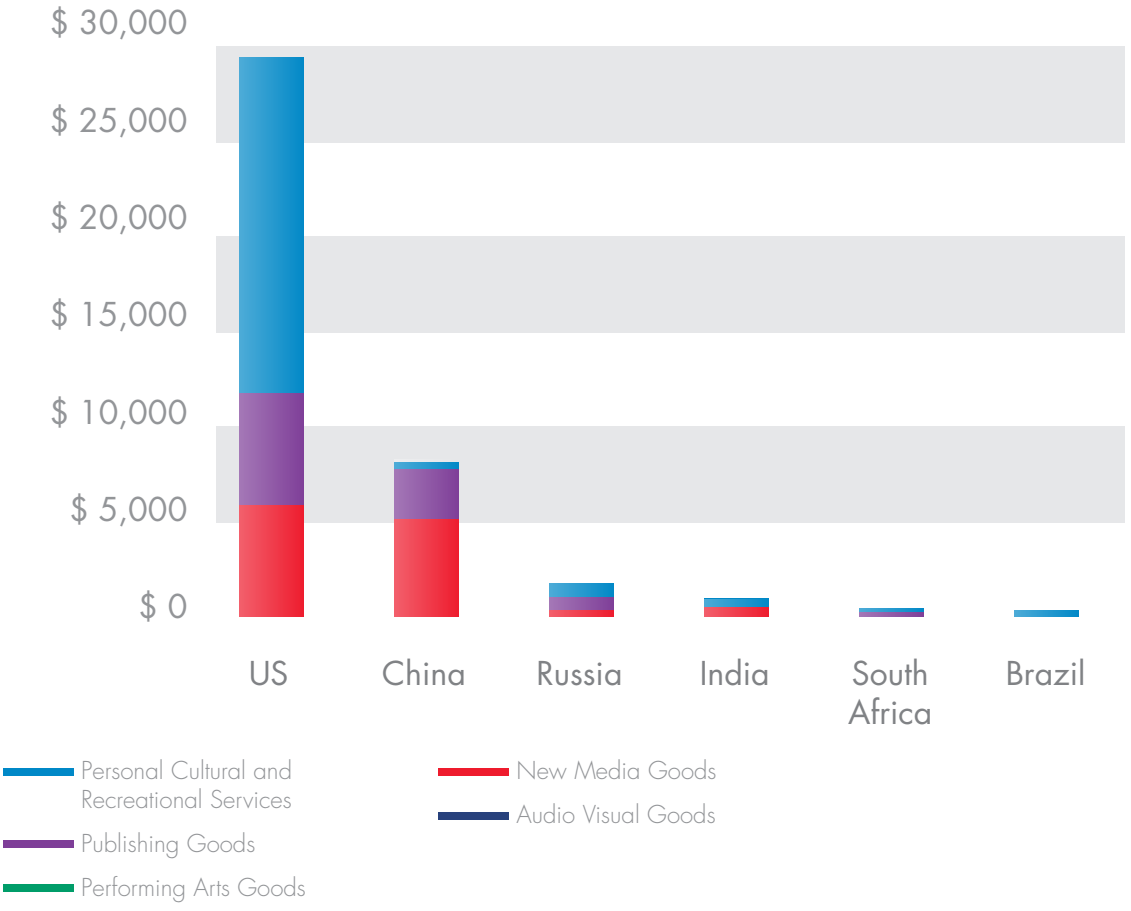


**Estimates based on information and studies by WIPO, FIRJAN, the IDB and KPMG. These sources are detailed and discussed below in section 3 for each country.*

Looking at trade in creative goods and services performance varies considerably between the BRICS and compared to comparator countries such as the US and Korea. In 2010 China's total exports of creative goods was close to USD100 billion while Brazil's and Russia's totals were barely USD1 billion and USD1.3 billion respectively. India had a higher total of close to USD14 billion whereas South Africa languished at USD350 million. With regards to creative services in absolute terms two out of the five countries – Brazil and Russia – actually export more creative services than they do creative goods. Conversely, China's exports of creative services, while not negligible, are considerably smaller than Russia's, Brazil's, India's and is minuscule when compared to its total exports of creative goods.

However, isolating and examining only exports of creative goods and services from core copyright industries including film, music and publishing it is clear that there is significant potential to increase the economic contribution of these sectors in each of the BRICS.

Combined exports core copyright creative goods and services, key sub-categories, US dollars at current prices and current exchange rates in millions, 2010



POLICY FINDINGS

The review identifies and classifies a number of key policy challenges in each country. While there is some variety across the policy areas and between each country, the management of rights and collection of royalties in all countries bar South Africa is characterized by barriers and challenges to creators. These range from relatively low rates of collection to a lack of basic recognition of the rights of particular collective management organisations to operate and represent their members.

Overall it was found that the BRICS have the potential for growth-enhancing reforms which would help boost creative and economic activity. In particular, the review finds that the development and growth of the digital sector holds great promise for boosting the economic contributions of creativity in all the BRICS.

POLICY RECOMMENDATIONS

The review offers four policy recommendations as a basis for encouraging growth of the creative economy in the BRICS.

1. **Map and measure the domestic creative economy** – To be able to develop and implement the most effective and tailored policies it is essential to have a detailed picture of the creative economy in a given country. Of the BRICS China, Russia and South Africa have conducted one-off assessments of the economic contribution of the copyright based industries under the auspices of the WIPO "Economic Contribution of the Copyright-Based Industries" program and established guidelines. This is a good starting point but should be made into a continuous assessment. Neither Brazil nor India have conducted or published such a study nor is there a domestic equivalent in either country. The UK early on established such a program and the British government's continued monitoring and measuring of the creative economy has been a key component in keeping it at the forefront of economic and public policy.

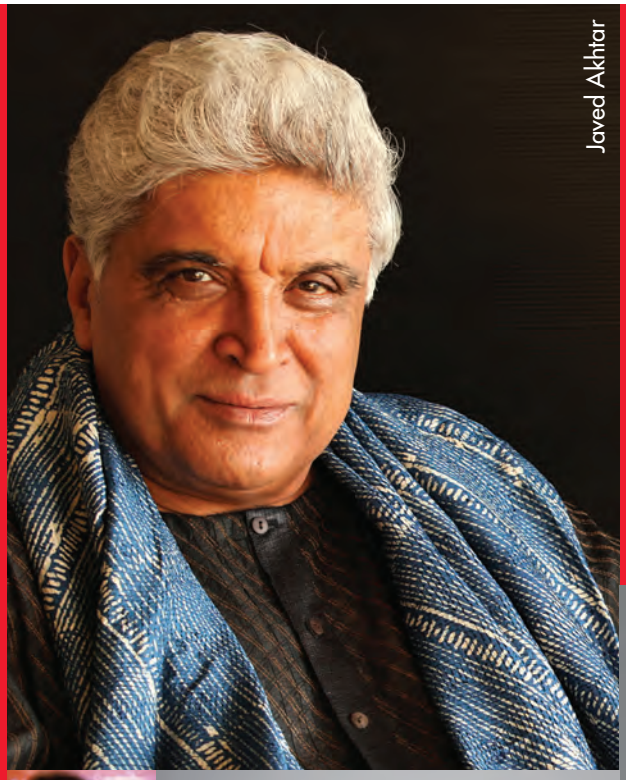
2. **Recognize the importance of effective collective rights management and collection of royalties** – The ability to collectively manage rights and collect royalties on behalf of artists and creators is an essential component of any well-functioning creative economy. Collective management organisations and other similar bodies play a strategic role in the process of stimulating creativity and protecting the rights of artists and creators.

3. **Support creativity and creative communities** – This support can be through direct support initiatives for specific communities or creative sectors, but also indirect through the promotion of the infrastructure which supports and generates economic activity. For example, the growth of digital creative services and accessing online content is highly dependent on widespread broadband internet and mobile technologies. Without this infrastructure digital and content-based industries are much less likely to thrive and grow. For instance, Internet access and broadband penetration in India and South Africa in particular is still only rudimentary.

4. **Recognize the importance of ip and protection of copyright to the creative process** – The protection of IP and copyright is an important incentive to creativity and economic activity. High levels of piracy undermine and disincentive creativity and, more broadly, reduce the economic contribution of the creative economy.

LIST OF ABBREVIATIONS

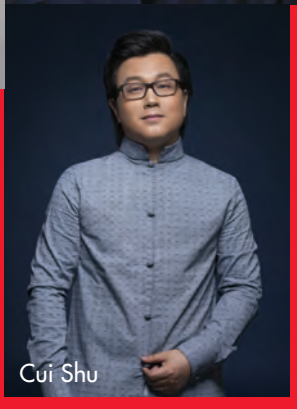
ACTA ..... Anti-Counterfeiting Trade Agreement
FDI ..... Foreign Direct Investment
GDP ..... Gross Domestic Product
IP ..... Intellectual Property
IPRs ..... Intellectual Property Rights
NGO ..... Non-governmental organisation
R&D ..... Research and development
SME ..... Small and medium enterprises
SOPA ..... Stop Online Piracy Act
TRIPS ..... Trade-Related Aspects of Intellectual Property Rights
UNCTAD..... United Nations Conference on Trade and Development
USTR ..... The Office of the United States Trade Representative
WTO..... World Trade Organization
WIPO..... World Intellectual Property Organisation


Javed Akhtar


Mallu


Mi Casa


Elena Nikolaevna Chavchavadze


Cui Shu

1. INTRODUCTION – BUILDING THE CREATIVE ECONOMY

The creative economy is today at the heart of modern economic development and growth. Across the world the creative economy makes up a growing proportion of national economic output and employment with contributions to GDP ranging from 2-6% depending on the definitions and sectors studied.[I] Equally, more and more people – particularly in the developed world – are working in the creative economy.[II]

What enables the creative economy to flourish is as much a topic of debate as the general policy discussion on how to develop and transition to an innovation-based economy. Questions range from: what is the impact of IP protection; to the impact of funding for the arts; to the dynamism created by creative clusters. Such debates are far from straightforward, not least considering how multifaceted and dynamic the processes of knowledge creation and diffusion are. It is more and more clear that innovation and creativity are quite complex phenomena which impact, and are influenced by areas including administrative, organizational, market, and societal elements.

This debate has perhaps been the most intense with regard to the role of IPRs and whether IPRs encourage the development of new technologies, affect rates of creativity, speed up the dissemination of technologies and create positive spill-over effects on economic growth and development. Many of these discussions have become as emotional as they are rational, encompassing economic, legal and health issues, and even questions of business ethics and morality. Most recently this level of emotion can be seen with regard to both the ACTA debate in Europe and SOPA in the US.

Nevertheless, over the years a robust evidence-based literature has emerged that suggests how having a strong national IP environment – combined with a number of other socio-economic factors – can lead to increased rates of innovation, creativity and economic development. Indeed, the economic impact of IPRs at both the macro and micro level has been a topic of growing interest to economists and social scientists. The literature encompasses theoretical as well as evidence-based discussions about how patents, trademarks, copyrights and other forms of IPRs contribute to or limit FDI, economic growth and trade flows. Primarily econometric in nature, this literature also includes a number of surveys and country-specific case studies. Significantly, much of this analysis suggests that there is a strong and positive correlation between IPRs, FDI, creativity, trade and economic development with the exact impact of IPRs depending on a country's stage of development, income level and technical capabilities.[III]

1.1 THE CREATIVE ECONOMY AND THE BRICS

This discussion is of particular salience to the biggest emerging economies namely Brazil, Russia, India, China and South Africa – the BRICS. Although at different levels of development these economies are in many ways undergoing the same transition from economies based on manufacturing, industrial output and natural resources to economies in which economic activity is based on innovation and creativity.

While there are certainly pockets of creative success in these countries, the BRICS are, relatively speaking, quite far behind both developed OECD economies and more recent additions and former middle income economies (such as South Korea). For example, as measured by the 2011 Global Creativity Index only one of the BRICS economies, Russia, was in the top half of the 82 economies ranked coming in at 30th place. South Africa came in 45th, Brazil was ranked 46th, India 50th and China 58th.[IV]

HHP

1.2 PURPOSE AND METHODOLOGY

The purpose of this review is to, firstly, examine the state of the creative economy in the BRICS and, secondly, propose policies that will enhance and increase the activity of these industries.

The review seeks to, first, discuss the concept of the creative economy and how this has become a topic of increasing importance in international policy discussions on economic development. Section 2 provides an outline of the concept of the creative economy and describes the current international evidence-based work on understanding the economic contributions of the creative economy and efforts to better measure these contributions internationally as well as at the national level. Both individual national governments as well as international institutions such as UNCTAD and WIPO have since the late 1990s spent a growing amount of time and resources on defining the creative economy and measuring it.

Second, the review maps the current status and value of the creative economy in each of the BRICS, examining economic data from domestic and international sources. Section 3 describes and analyzes the size and value of the creative economy in each of the five BRICS in terms of both overall macro-economic indicators and sector specific indicators. Macro-economic indicators include:

- the overall size and contribution to country GDP of the creative economy in each respective country;
- total trade in creative goods and services; and
- charges and receipts for the use of intellectual property, including licensing agreements of produced originals such as books, manuscripts software and sound recordings as well as receipts for related rights such as for live performances, television, satellite and cable broadcasts.

Sector specific indicators examined include:

- exports of goods such as art crafts, audio visuals design, new media performing arts, publishing and visual arts; and
- exports of services such as advertising, market research and public opinion polling, architectural, engineering and other technical services and personal, cultural and recreational services (including for example distribution rights for films).

Having discussed the size and contribution of the creative economy in the BRICS section 4 shifts the focus onto the policy space. Specifically, it provides a spotlight policy analysis on the public policies in place in the BRICS which enable or discourage creative communities and the creative economy to thrive. Particular emphasis is placed on the climate with regards to protection of copyrights as well as the availability of creators to profit from their endeavors by collecting royalties.

Section 5 provides a spotlight policy analysis on one of the most important yet also most controversial areas of incentivizing creativity: intellectual property. This section gives both a broad overview of some of the wider debates on the role of IPRs in promoting creativity, innovation and economic development as well as examining the most recent research on the strength of national IP environments and effects on innovation and creativity.

Finally, Section 6 provides policy recommendations on how a creative economy can be encouraged and growth boosted.


Dong Dongdong & Chen Xi


Sonia Menna Barreto


Vasiliy Konstantinovich Mischenko


Lloyd Cele


Mallu

2. THE CREATIVE ECONOMY

2.1 MAPPING THE CREATIVE ECONOMY

Up until recently the concept of the creative economy was not broadly appreciated or studied. In both academic and policy circles there was a limited interest and understanding of the economic contribution of creativity and growing importance of this sector. However, during the late 1990s and early 2000s a number of works appeared that attempted to conceptualise, study and understand the creative economy and its constituents.[V] In academia the most famous work is perhaps that by Richard Florida who developed ideas about the links between thriving cities and rates of creativity, social tolerance and culture in the early 2000s. Later he and his research team sought to more systematically measure these traits at a national level in the Global Creativity Index which is cited throughout this review.[VI]

Similarly, during this time governments began to more methodically analyse the creative economy and its contributions to national economic output. In 1998 the UK Government's Department of Culture, Media and Sport published "Creative Industries Mapping Document 1998".[VII] This document sought to understand the breadth and spread of the creative industries as well as their economic activity in the UK. It emanated from a desire in the new Labour Government under Tony Blair to focus on the creative sector and industries, measuring performance as well as understanding what policies could be put in place to encourage further growth. This document defined the creative economy quite broadly describing it as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property."[VIII] In terms of specific sectors or industries the DCMS measured the economic performance of 13 creative industries which included advertising, architecture, design, crafts, film and video, software and computer services, music and the performing arts.[VIX] For rates of economic contribution the document measured employment, size and number of firms, gross value added, exports and other key economic indicators.

The DCMS study was in many ways path-breaking and was replicated by governments at all levels around the world. Hong Kong, New Zealand, Singapore and Australia all carried out similar exercises attempting to measure and quantify the size and contributions of the creative economy within their respective jurisdictions. In the UK subsequent governments continue to study and formulate policies to encourage the growth of the creative economy as is illustrated by the work of what was formerly known as the National Endowment for Science, Technology and the Arts and is now a non-governmental charity NESTA, which in its research on innovation places a strong emphasis on understanding the creative economy. And the DCMS report has been followed up by a number of government funded assessments of the state of the creative economy in Great Britain.

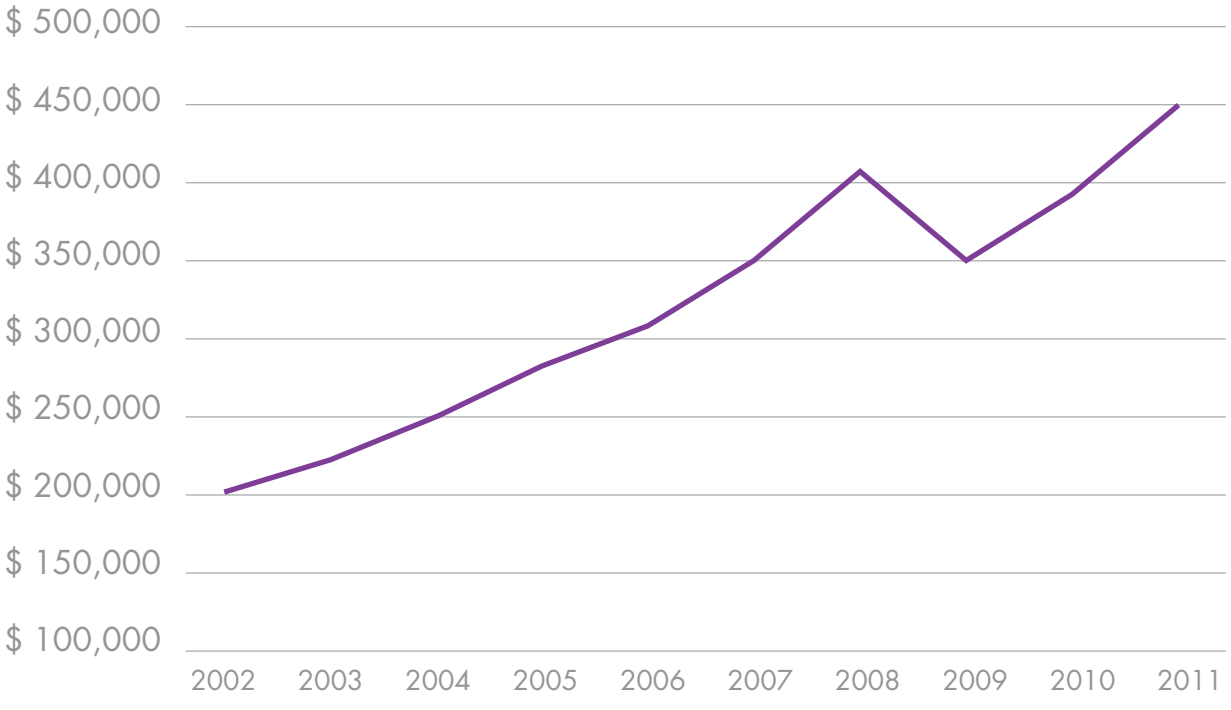
Similarly, international institutions such as UNCTAD and WIPO have in the past decade started to place an emphasis on the study and definition of the creative economy. UNCTAD began focusing on the creative economy in the late 2000s and in 2008 published the Creative Economy Report 2008, a comprehensive analysis of the creative economy from an international and economic development perspective.[X] This study was followed up in 2010 with Creative Economy Report 2010 which updated much of the data used in the 2008 report and sharpened the focus on developing and emerging economies.[XI] Likewise in the early 2000s WIPO began to study the creative economy but under the rubric of "Copyright-Based Industries". In 2003 it published the Guide on Surveying the Economic Contribution of the Copyright-Based Industries which was followed by a number of country specific assessments of the economic contributions of these industries.[XII]

2.2 THE CREATIVE ECONOMY = THE ECONOMY OF THE FUTURE

Although all these initiatives have differed somewhat in how they defined 'creativity' and which industries or sectors have been included in their measurement, what they all agreed on is the relative importance of the emergence of the creative economy to the global economy.[XIII] For instance, in a follow-up report to the DCMS mapping exercise by NESTA the authors called the creative industries "one of the most important contributors to the UK economy".[XIV] And in its 2008 report UNCTAD described the creative economy and the creative industries as a "leading component of economic growth, employment, trade, innovation and social cohesion in most advanced economies" and as "emerging high-growth areas of the world economy".[XV] Similarly, WIPO described the creative economy, and specifically copyright, as "a powerful source of economic growth, creating jobs and stimulating trade".[XVI]

Looking at some of the major headline data affirms these statements, particularly with regard to the international trade of creative goods and services. For example, UNCTAD figures show that in 2008 trade in creative goods and services combined for 7.53% of total global exports.[XVII] As mentioned above, more recent data from UNCTAD valued the total global trade in creative goods and services for 2011 at $624billion.[XVII] While trade in creative services is growing rapidly – exports of creative services have tripled since 2002 from a value of $62billion to a 2011 total of $172 billion – the largest proportion of this global trade consists of creative goods exports which were valued at $454billion in 2011.[XIX] Below figure 1 shows the growth of creative goods exports globally between 2002-2011.

Figure 1: Values and shares of creative goods, exports, annual, US Dollars at current prices and current exchange rates in millions, 2002-2011[XX]



Although global exports of creative goods dipped significantly in 2009 following the financial crisis and economic downturn, growth in both 2010 and 2011 was strong. Indeed, what is striking about this figure is that despite the severity of the 2008-9 crisis, overall the value of creative goods exported has more than doubled from less than $200billion in 2002 to $454billion in 2011.[XXI] As impressively, growth in the trade of creative goods has outpaced global economic growth during that time period with creative goods exports averaging annual growth rates of 8.8%.[XXII] While this figure is for all creative goods, looking a bit deeper at specific categories of goods – such as Design and New Media – growth rates have been even higher. Below figure 2 shows the annual growth rate for exports of creative goods between 2002-2011 broken down per category as defined by UNCTAD.

Figure 2: Annual average percentage growth rates creative goods, exports, globally, 2002-2011[XXIII]

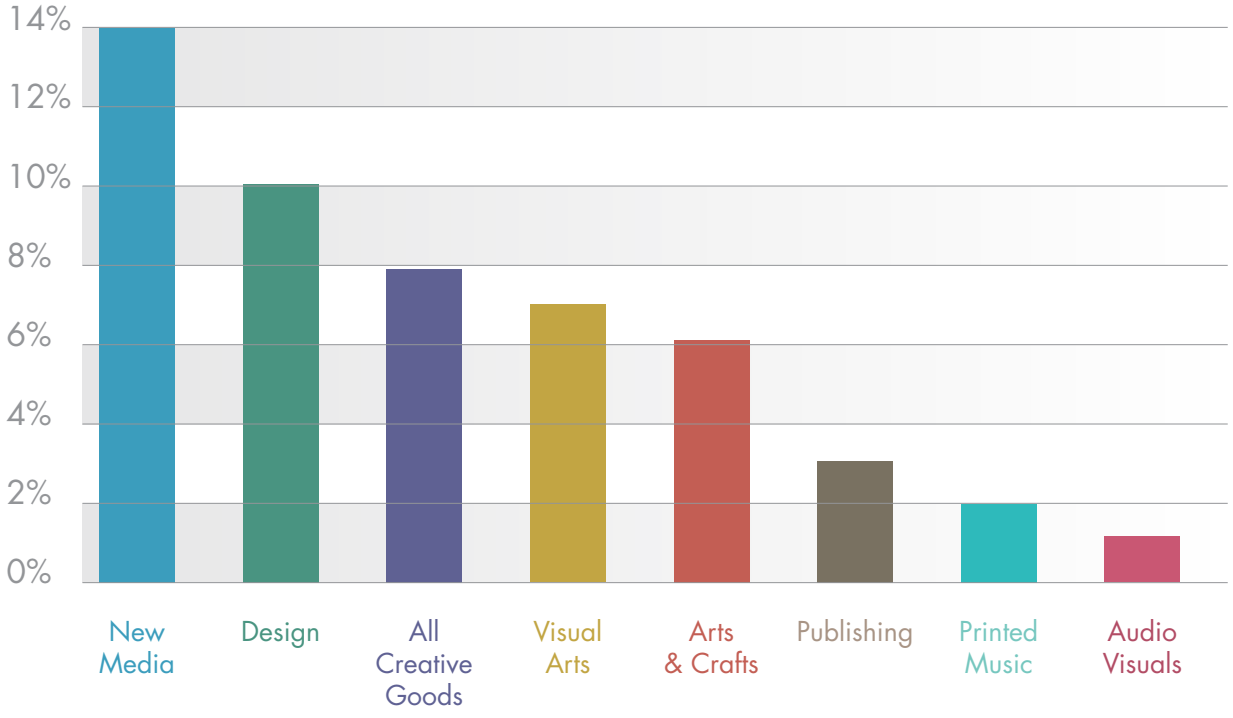


Figure 2 breaks down creative goods into seven categories as used by UNCTAD. Two of these categories, New Media and Design, saw annual average growth outpacing the average for all creative goods.

Overall, the figures from UNCTAD on the size and growth rates of the creative economy in international trade show clearly that the creative economy's importance to the global economy and future economic growth cannot be overstated. This is true for developed as well as emerging and developing economies.

However, this global macro trade data masks the large differences between individual countries. The following section shifts focus from the macro global perspective to an individual country level, examining the economic contribution of the creative economy in each of the BRICS.


Paulinho Moska


Dong Dongdong & Chen Xi


Mi Casa


LIRA


Jacques Morelenbaum

3. MEASURING THE CREATIVE ECONOMY IN THE BRICS

3.1 INTRODUCTION AND OVERVIEW

That the BRICS economies harbour a wealth of creativity and creative talent is not lost on anyone who has ever seen a Bollywood film, read a poem by Pushkin or danced to the beats of Brazilian samba. What is less clear is the size and extent of the economic contribution this creativity and talent is making to each economy. The purpose of this section is to describe and analyze the size and value of the creative economy in each BRICS economy in terms of both macro-economic indicators as well as sector specific indicators.

To provide context and points of comparisons data for all countries are presented together and also in comparison to other countries with high-performing creative sectors.

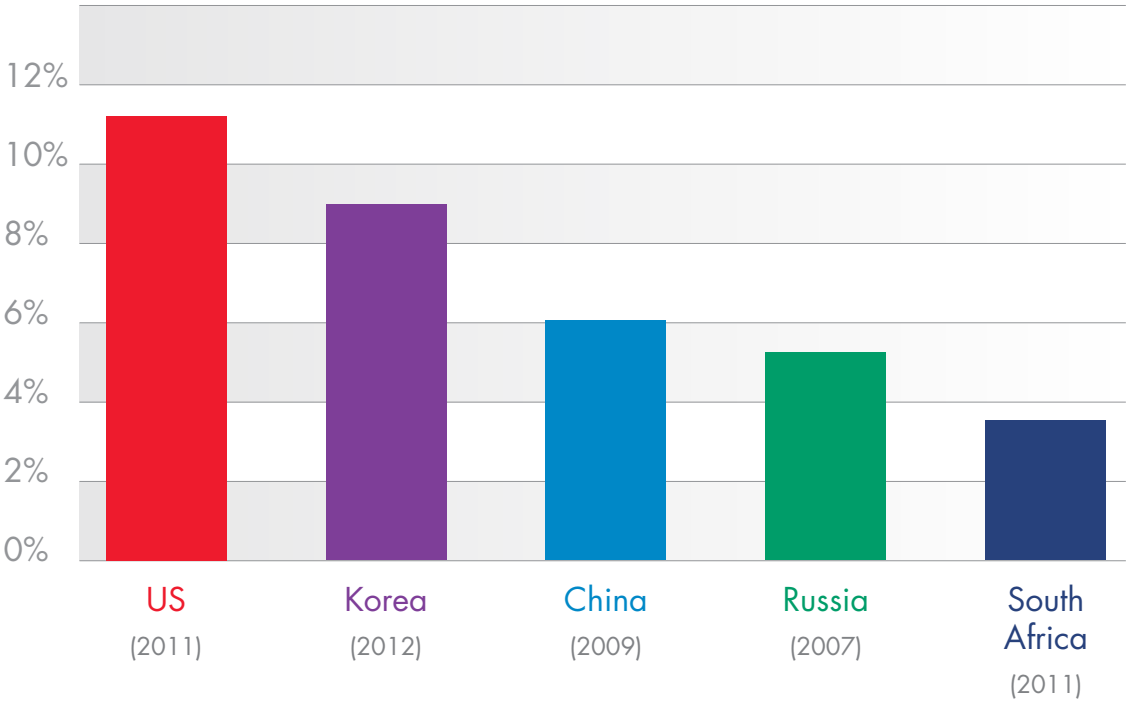
3.2 OVERALL SIZE AND CONTRIBUTION TO COUNTRY GDP OF THE CREATIVE ECONOMY

The size and value of the creative economy to an economy is perhaps best captured in its contribution to national GDP. While there are limitations with this measure – such as the lack of granularity with regards to the exact composition of the creative economy in a given country – it provides an easy to understand baseline from which to perform further analysis.

Although it sounds simple to calculate, there are significant challenges when both collecting this data as well as comparing country performance over time and with other countries. Primarily, there is the challenge of consistency and comparing countries and country measures over time on a like-for-like basis. Definitions of 'creative economy', 'creative industry' or 'creative sector' are in this regard crucial. As described in the notes to section 2 above, this review does not adopt a singular definition of the 'creative economy'. Instead, to the extent possible, it relies on the data and definitions used by accredited international institutions such as WIPO and UNCTAD. Given that different institutions use different definitions and there is some variety with regard to the industries and sectors included in data collection from source to source (even between UNCTAD and WIPO) where data is not available for all BRICS and/or comparator countries they are not compared on a like-for-like basis.

Examining figures on contribution of the copyright based industries to GDP (as defined by WIPO), it is clear that the overall performance of many of the BRICS is still behind economies with very large and well-established creative sectors as well as relative new-comers. Below figure 3 compares the economic contribution to GDP of the BRICS with that of the US and Korea. The US has the largest absolute concentration of creative industries and sectors in the world and the contribution of the creative economy to GDP is among the highest in the world. Korea is an interesting example of a country that until recently had a relatively under-developed creative economy but which has seen significant growth in recent years. As comparators to the BRICS they provide a good starting point for our analysis.

Figure 3: Percentage contribution of copyright-based Industries to GDP, select WIPO country studies 2007-2012[XXIV]



A number of observations can be made from figure 3.

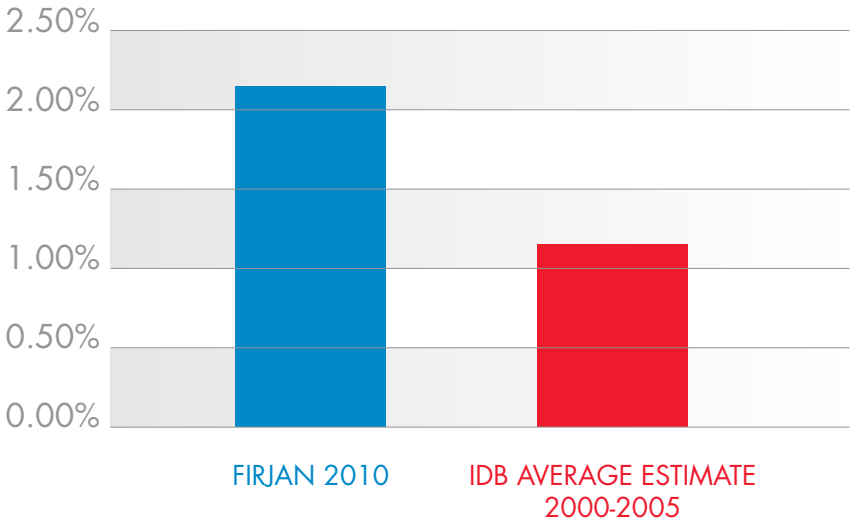
First is the discrepancy between the US, Korea and those BRICS economies for which data is available. The economic contribution of the creative economy in the US was found to be over 11.1% of GDP; in Korea 9.89%. Conversely in China and Russia the contribution was 6.37% and 6.03% respectively. This is just over half of the contribution of the creative economy in the US and significantly less than in Korea. South Africa at 4.11% was even further behind.

The second observation is the fact that not all BRICS are included in the figure. The reason for this is that robust data on the size and nature of economic contributions of the creative economy is not available. The data in figure 3 is from studies conducted under the supervision of WIPO. Unfortunately, no such study exists for either India or Brazil. While there are some estimates as to the size and economic contribution of the creative economy in each of these countries these estimates are different from and use a different methodology than that outlined by WIPO. Because of this including them in the above sample is not possible and would be akin to comparing apples to oranges.

However, those studies that do exist tend to echo the results of the WIPO collected studies. For example, looking at Brazil a 2007 study sponsored by the Inter-American Development Bank found that the economic contribution of the "cultural industries" (as defined by the author) contributed between 1.36-1.64% of GDP between 2000-2005. [XXV] Similarly, a 2010 Brazilian report by the Federation of Industries of the State of Rio de Janeiro (FIRJAN) estimates that the percentage of GDP made up by the "creative industry core" in 2010 was 2.5%.[XXVI] Worth noting is that these figures from FIRJAN were also used as a benchmark by the Brazilian Government in its own four-year policy plan for the creative economy published in 2011. [XXVII] Here too the Government lamented the lack of more comprehensive data on the size and contribution of the creative economy to the Brazilian economy.

Below figure 4 summarises the estimates of the IDB and FIRJAN reports.

Figure 4: Estimated percentage contribution of the creative economy to GDP, Brazil, 2000-2005 and 2010[XXVIII]



Similarly, with regards to India there is a dearth of economic statistics and measures of the creative economy. No WIPO supported analysis of the economic contributions of copyright based industries to GDP has been conducted. Nor are there many domestic or regional estimates as to the size and contribution of the creative economy to India's national economy. However, those sources that do exist suggest that the creative economy in India is relatively small. For example, a 2007 report by the Work Foundation (a UK research institute) commissioned by the UK Government found that the creative industries in India made up less than 1% of GDP in 2002. [XXIX] One can glean similar results when examining industry data in specific creative industries. For instance, figures on the media and entertainment industry (which includes television, film, music radio, gaming etc.) suggest that compared with the overall economy media and entertainment is still a relatively small sector. Data from a 2011 industry survey found that the total value of the Indian media and entertainment industry was

INR728 billion.[xxx] Total Indian GDP for 2011 in current prices was INR76,081 billion.[xxxi] Based on these figures as a percentage of total Indian GDP the media and entertainment industry would in 2011 have been 0.95%.

Overall these figures for the BRICS and comparator countries show that the creative economy is a relatively small part of each country's overall economy. While the quality and extent of the data varies (with particular weaknesses being for Brazil and India) and there are large differences between the BRICS, it is clear that compared to other countries there is room to grow the contribution to GDP by the creative economy in the BRICS.

3.3 TRADE IN CREATIVE GOODS AND SERVICES – TOTAL AND SECTOR SPECIFIC

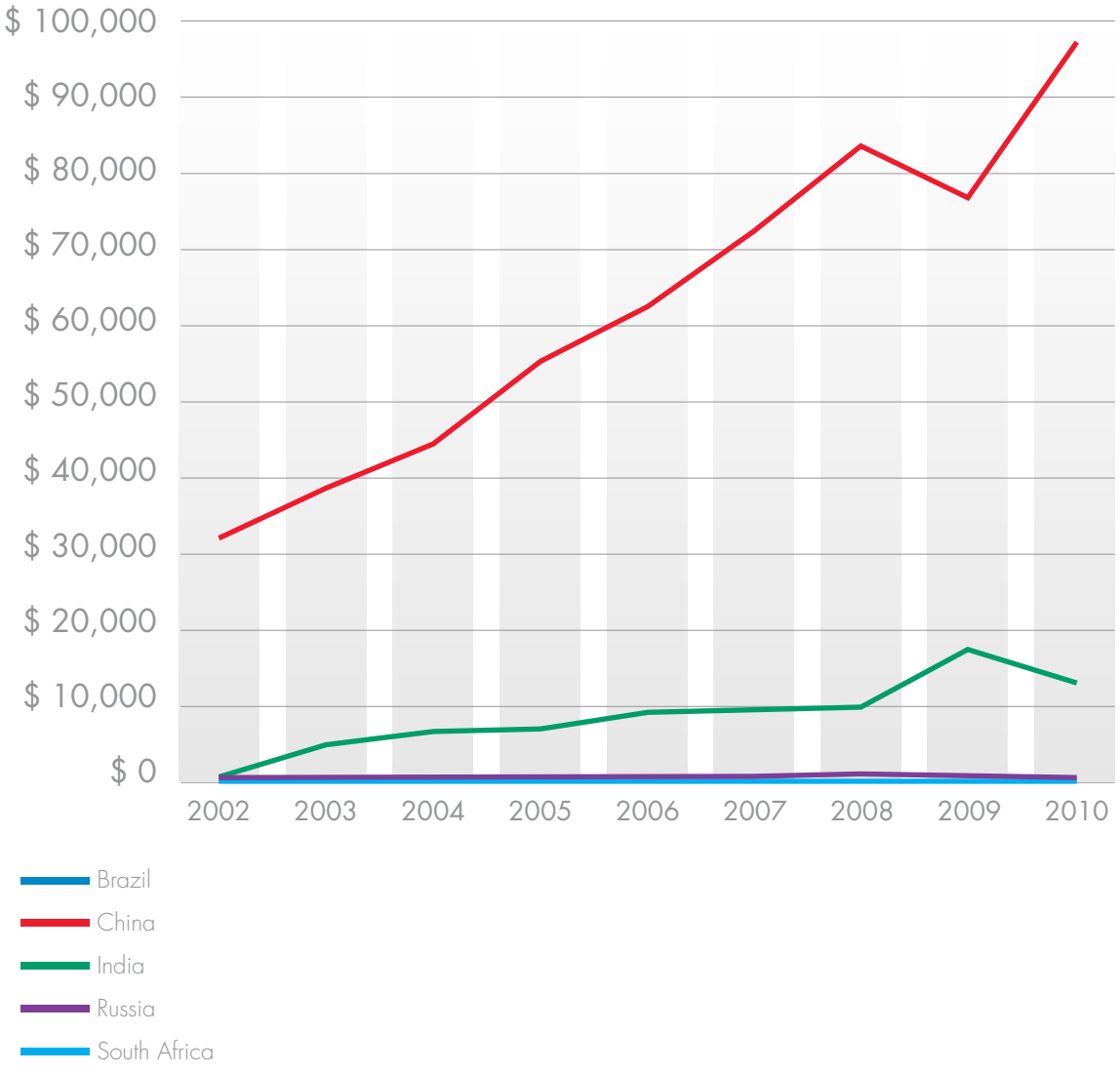
In contrast to estimates of the overall size and contribution to GDP of the creative economy there is very rich and specific data on the international trade of creative goods and services for all the BRICS. Collected and housed by UNCTAD this data is categorised and sub-categorised around creative goods and services and specific sectors and sub-sectors within those two core groups. UNCTAD's data thus provides a very detailed and granular picture of the state of the creative economy in all of the BRICS as well as other comparator countries. Crucially, comparisons can be made on a like-for-like basis between countries and over time.

Although mainly positive nevertheless there are some drawbacks to this data. For one, trade data is limited to creative goods and services which are either exported or imported. This data does not cover creative goods and services produced and consumed within national boundaries. Given the size and breadth of domestic creative industries and sectors in all BRICS this is a significant weakness. However, the size and contribution of both the domestic consumption and production of these goods and services will have been included and measured in the preceding sub-section on the size and contribution to country GDP of the creative economy. Moreover, the trade of creative goods and services is a very helpful indicator as to the international competitiveness and attractiveness of a country's creative economy. That is to say, to what extent are consumers outside the respective country willing to purchase and consume creative goods from the BRICS.

Trade in creative goods

Below figures 5 and 6 provide an overview of the absolute and relative size of the export of creative goods by the BRICS. Figure 5 shows the growth rate in creative goods exports from 2002 to 2010 and figure 6 breaks down creative goods exported category by category and country by country for 2010.

Figure 5: Exports of creative goods, US Dollars at current prices and current exchange rates in millions, 2002-2010[XXXII]



What is clear from both figures is the great variety in both the relative size of exports of creative goods as well as their composition. For example, above figure 5 shows how China has more than tripled its exports of creative goods in less than a decade, but how the other BRICS – with the exception of India – have seen growth in creative goods exports stay relatively flat during the same time period. In 2010 China's total exports of creative goods was close to USD100 billion while Brazil's and Russia's totals were barely USD1 billion and USD1.3 billion respectively. India had a higher total of close to USD14 billion whereas South Africa languished at USD350 million.[XXXIII]

Figure 6: Exports of creative goods, US dollars at current prices and current exchange rates in millions, 2010[XXXIV]

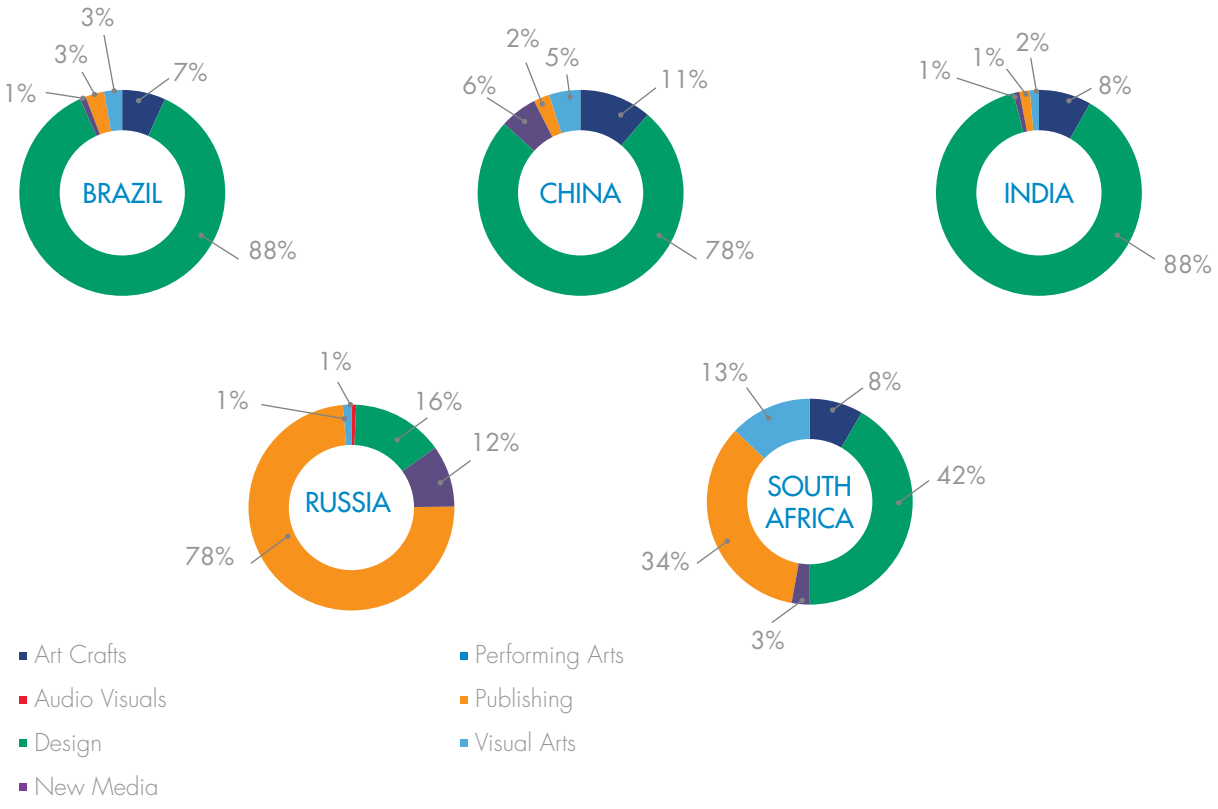


Figure 6 shows how the composition of creative goods exports is with the exception of Russia and South Africa remarkably similar for all BRICS. Although vastly different in terms of absolute levels, as a percentage of all creative goods exported China, Brazil and India have similar percentages of goods in the 'Design' category ranging from 76% of the total to 88%. In China for example this category amounted to USD74 billion of the USD98 billion total creative goods exported in 2010.[XXXV] According to UNCTAD's classification system 'Design' is by far the largest category or sub-group of creative goods containing 102 codes or types of goods.[XXXVI] Some of the most notable codes include 'Fashion', 'Interior' and 'Jewellery' and include goods such as "handbags, belts, accessories… furniture (living room, bedroom, kitchen, bathroom), tableware, table linen, wallpaper…"[XXXVII] Unlike goods or services included in other categories there is no clear evidence that the majority of these goods were created domestically or within the borders from which they are exported. Instead it is highly likely that these goods were created in other countries but manufactured for export in these countries. Consequently, exporting a large amount of creative goods from the 'Design' category is not necessarily indicative of high levels of creativity.

For example, looking at China specifically a 2011 study commissioned by the EU and Chinese Government as part of the IPR2 partnership project found that on a number of measures a relatively low percentage of China's exports of creative and/or cultural goods were actually of Chinese creative origin. Referring to copyright products the report states that "the ratio of imported copyrights to exported copyrights is as high as 6:1" meaning that relatively little in the way of Chinese content and copyrighted material was being exported.[XXXVIII] Similarly, the report found that "over 70% of total exports of cultural products were produced by foreign enterprises".[XXXIX]

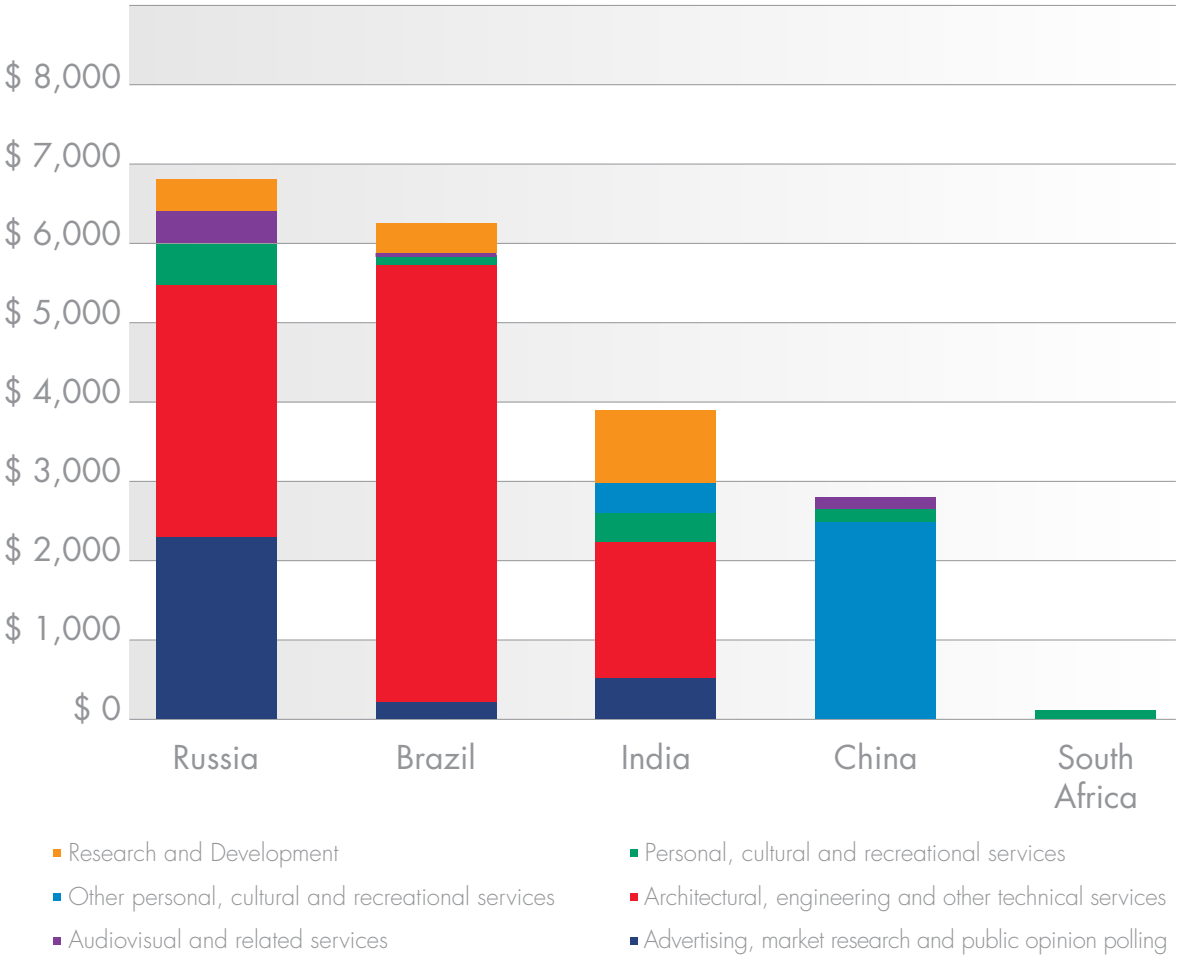
The 'Design' category aside, there are pockets of relative high performance both in absolute and relative terms in some of the BRICS. For example, in China the gaming industry and 'New Media' is a fast growing sector and significant part of total exports. In 2010 it accounted for USD5.6 billion or 6% of total creative goods exports. Similarly, Russian exports in the 'Publishing' category dominates its 2010 exports with newspaper exports making up 73% of total creative goods exported. [XL]

Trade in creative services

Measuring the trade in creative services is a relatively recent phenomenon with more and better data becoming available by the year. UNCTAD and other international institutions are developing this data and more countries are now reporting and categorising these statistics. Together this data supplements the longer-standing collection of trade in creative goods, broadening the picture as well as including some of the fastest growing service sectors of the global economy. However, there are some challenges also with this data. Primarily the fact that it is not disaggregated and categorised to the same detailed level as the creative goods category. Nevertheless this data does provide real insight into the size and contribution of these sectors to a country's national economy and, given the growing importance of the service sector in most of the BRICS' economic development, it is a good indicator of the size of the creative economy in each country.

Compared with creative goods, the picture of trade in creative services in the BRICS is rather different. To begin with in absolute terms two out of the five countries – Brazil and Russia – actually export more creative services than they do creative goods. Conversely, China's exports of creative services, while not negligible, are considerably smaller than Russia's, Brazil's, India's and is minuscule when compared to its total exports of creative goods. Below figure 7 provides an overview of trade in creative services for each country for 2010 broken down per category of service.

Figure 7: Exports of creative services, US dollars at current prices and current exchange rates in millions, 2010[XLI]



Apart from the relative performance of the BRICS compared to one another – in particular South Africa's low level of exports – it is striking how large a proportion of exports of creative services consist of the category "Architectural, engineering and other technical services". In Brazil this category dominates exports in 2010 totalling 86% of all creative services exported in that year. Similarly, this category is very large in both Russia and India. It is worth noting that these services are not always considered as being core creative services. For example, WIPO in its *Guide on Surveying the Economic Contribution of the Copyright-Based Industries* considers architecture and engineering services as being "partial copyright industries".[XLII] That is, subsidiary to both "core copyright industries" and "interdependent copyright industries". Specifically with regards to architecture WIPO notes that depending on the industry only a percentage of architectural industries can be considered as pertaining to copyright industries with the remainder being pure "services".[XLIII]

With this in mind it is worth noting that all BRICS have quite small exports on services related to core copyright based industries as defined by WIPO such as "Audiovisual and related services" which includes "services and associated fees related to the production of motion pictures (on film or video tape), radio and television programs (live or on tape), and musical recordings… and fees for distribution rights".[XLIV] Brazil exported a very small number of such services with Russia and China only exporting a slightly greater amount. Unfortunately, no judgment can be made on India or South Africa as no data has been reported for this category.

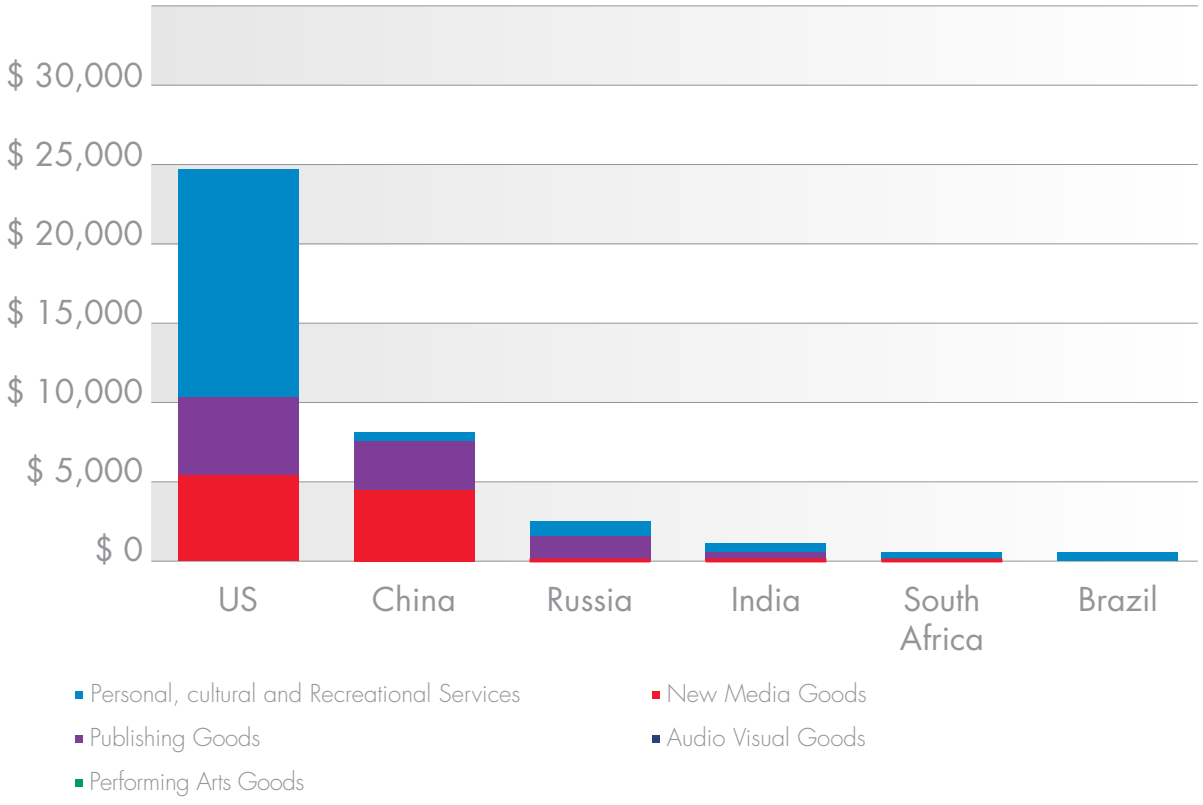
This distinction between core copyright based exports and non-core services is also true with regards to creative goods. In fact, it is possible to isolate data on exports of core copyright creative goods and services and compare the BRICS' levels with other high-performing countries such as the US. Although this is not a perfect measure or comparison given the inherent limitations of the data described above, nevertheless this does give an indication of the relative size and prominence of these core copyright industries within each country. It is thus a good indication of the relative size and value of these core copyright industries in each country.

Below figure 8 compares the total exports of creative goods and services of the BRICS to the US. The data categories isolated are from both creative goods and services exported and include:

- "Personal, cultural and recreational services (including audiovisual and related services);
- Audio visual goods;
- New media goods;
- Performing arts goods; and
- Publishing goods".

Together these categories provide a good cross-section and sample of core copyright goods and services and point of comparison.

Figure 8: Combined exports core copyright creative goods and services, key sub-categories, US dollars at current prices and current exchange rates in millions, 2010[XLV]



From figure 8 it is clear that examining exports of creative goods and services from core copyright industries including film, music and publishing the BRICS are behind a traditionally high performing country such as the US. China does by comparison quite well primarily due to its fast-growing 'New Media' sector, with a particular focus on video gaming. Yet overall what is noteworthy is the gap between the BRICS and the US.

3.4 CHARGES AND RECEIPTS FOR THE USE OF INTELLECTUAL PROPERTY

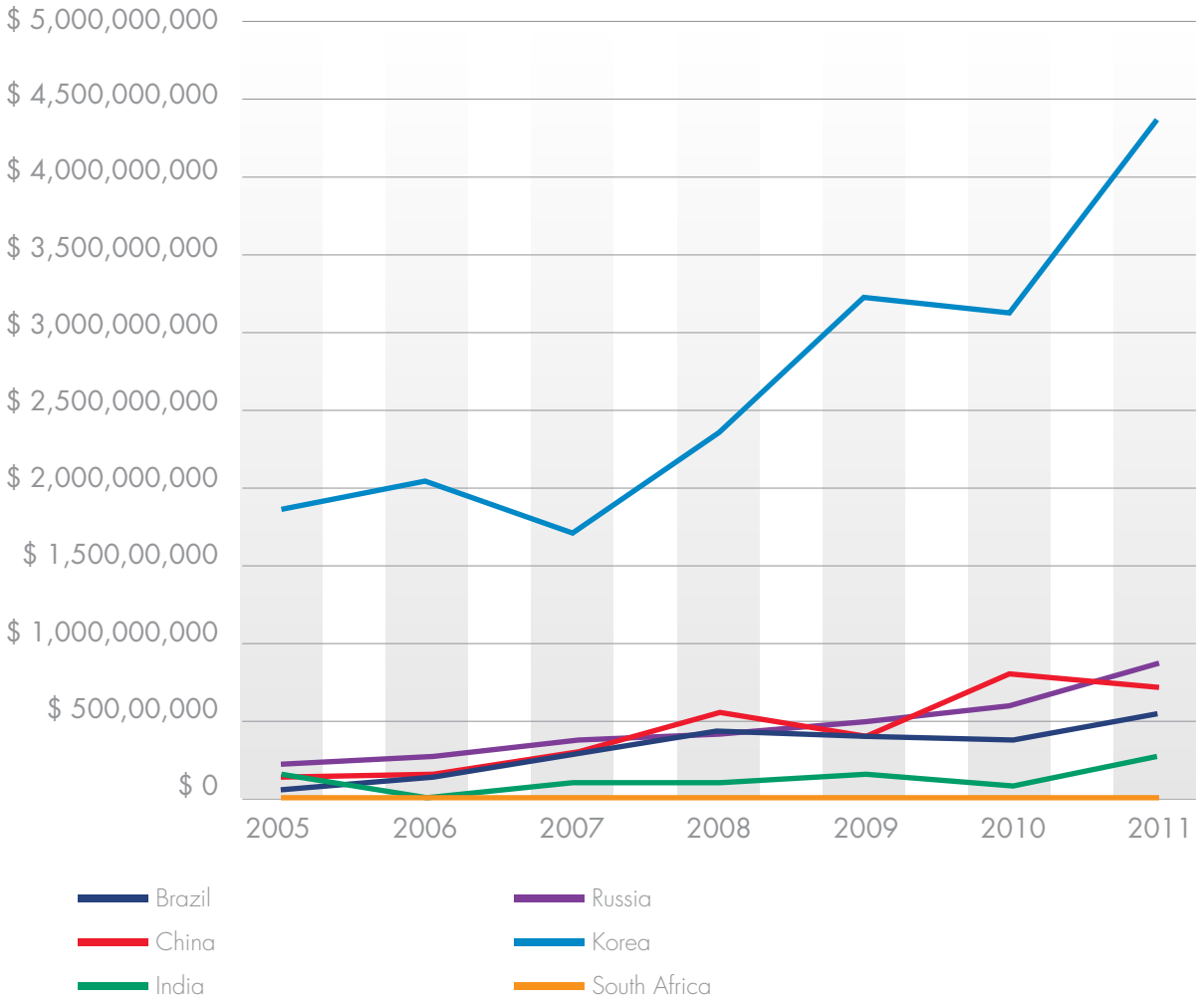
When trying to measure the economic contribution of the creative economy or sectors to a national economy it is worth considering the amount of income generated by creative assets and goods created and generated by residents of that economy. In particular it is worth examining how much income intangible IP based goods and assets generate. This is both a broader reflection of the number and value of such assets generated in an economy, as well as the relative quality and international competitiveness of those assets as indicated by nonresident purchases.[XLVI]

Defined by the World Bank charges and receipts for the use of intellectual property are "payments and receipts between residents and nonresidents for the authorized use of proprietary rights… and for the use, through licensing agreements, of produced originals or prototypes… and related rights."[XLVII] Such rights and nonrelated rights include, for example, patents, trademarks, copyrights, industrial designs, use of prototypes and satellite broadcasts.

Charges and receipts for the use of intellectual property is an economic measure that the World Bank has collected data on for a number of years. Like the above cited figures from UNCTAD this data is collected globally and on a like-for-like basis making it possible to compare countries both over time as well as vis-à-vis one another. Consequently, this indicator is a very robust and useful tool for comparison purposes. However, as with the UNCTAD data there are also some significant drawbacks. Primarily, there is a lack of specificity and granularity in this data in that it covers and includes all major forms of IP assets. As a result, it is not possible to isolate, say, receipts and payments generated by patent or trademark assets from licensing fees generated by copyright assets. Judgments and conclusions made as to the relative economic contribution of specific sectors of creativity (such as core copyright industries) from this data thus need to bear this in mind. Still, this is a measure of real value when attempting to estimate the relative contributions of the creative economy. For one it is unlikely (although not impossible) that a given country would exclusively have very high rates of income from only one type of IP asset such as patents or copyrights. Of course, countries can have IP dependent sectors which are stronger and with greater levels of economic activity than others, but it is unlikely that a country would develop only a certain type of IP asset and generate income exclusively from that. Instead, and as will be discussed in more detail in sections 4 and 5 with regards to a national IP environment, countries which generate large amounts of income from IP assets tend to have a policy and economic environment that encourages and incentivizes the generation of all types of IP assets.

Below figure 9 compares the relative performance and growth rates of receipts from IP assets in the BRICS and Korea from 2005 to 2011.

Figure 9: Charges for the use of intellectual property, receipts (BoP, current US dollars)[XLVIII]



As figure 9 illustrates, although growth and the relative size of these receipts have been relatively strong in Brazil, China and Russia, it is noteworthy how relatively low these levels are in India and South Africa. Furthermore, compared to other markets such as Korea, the BRICS are quite far behind. Since 2005 the BRICS have trailed behind Korea with this difference having increased since 2009-2010. This trend becomes even more pronounced if one compares the BRICS to the US. Below figure 10 shows receipts from IP assets in 2011 – the latest year for which data is available – comparing receipts in the BRICS with that of the US.

Figure 10: Charges for the use of intellectual property, receipts, 2011, (BoP, current US dollars)[XLIX]

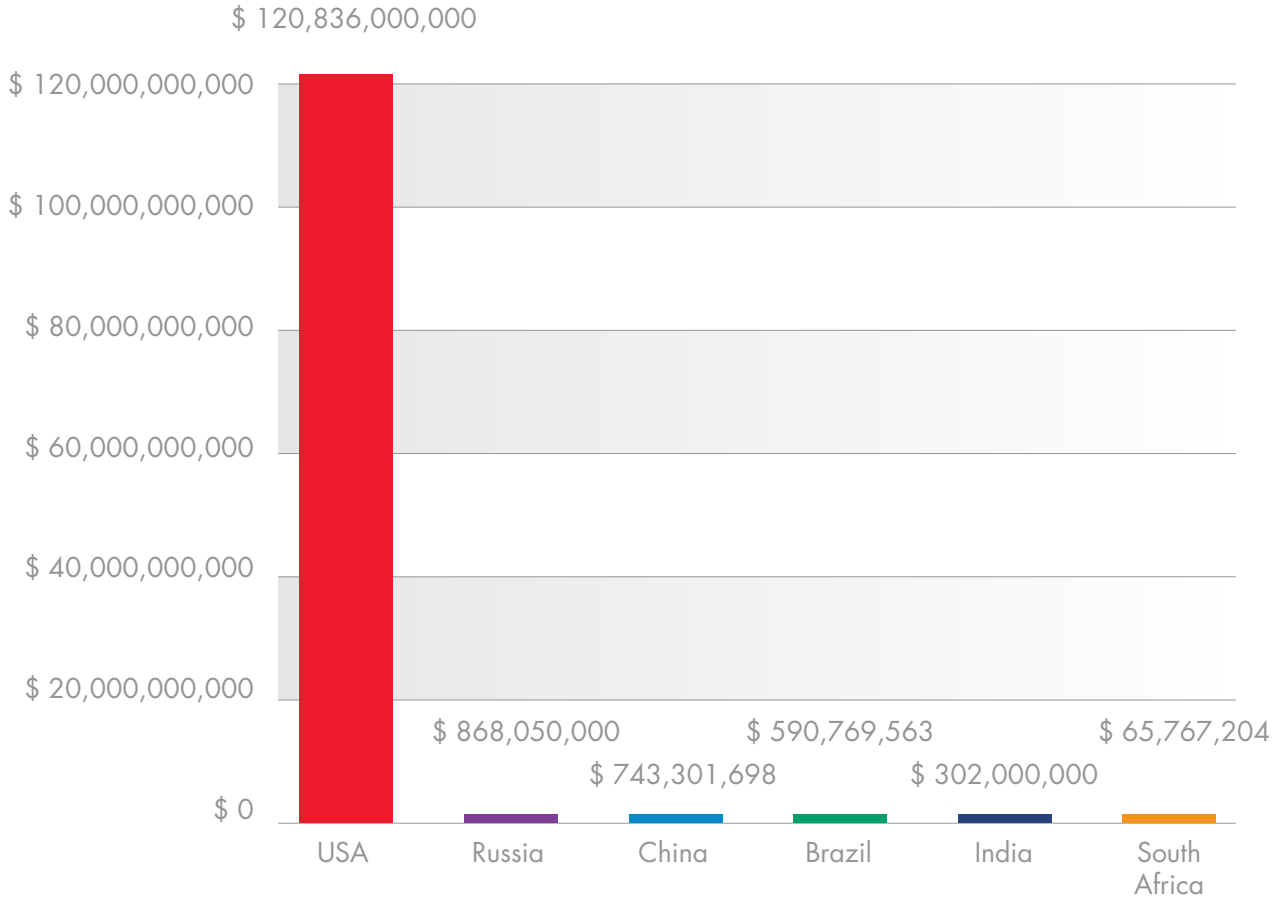


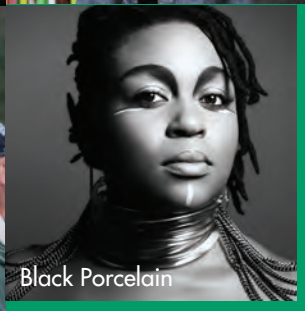
Figure 10 shows how far behind the BRICS are a high performing country such as the US. In 2011 US residents generated total IP-based receipts (as defined and explained above) of over USD120 billion. Russia, the best performing country out of the BRICS, generated receipts of USD868 million.[L]


Andrey Eshpay

The Soil


Chen Xi


Karen Shakchnazarov


Black Porcelain

4. POLICY SPOTLIGHT I – PROMOTING CREATIVITY? THE POLICY ENVIRONMENT IN THE BRICS

Having mapped the current status and value of the creative economy in each of the BRICS and examined economic data to the size and value of the creative economy in each of the five BRICS this section will discuss in more detail specific policy challenges and opportunities in each of the BRICS. Both individually and collectively the BRICS are addressing a number of the most difficult policy challenges. For example, in the realm of IPRs the recent 2013 announcement of a "Cooperation Roadmap" between the countries suggests a recognition of the importance of cooperation and experience sharing on IP issues.[LI]

4.1 BRAZIL

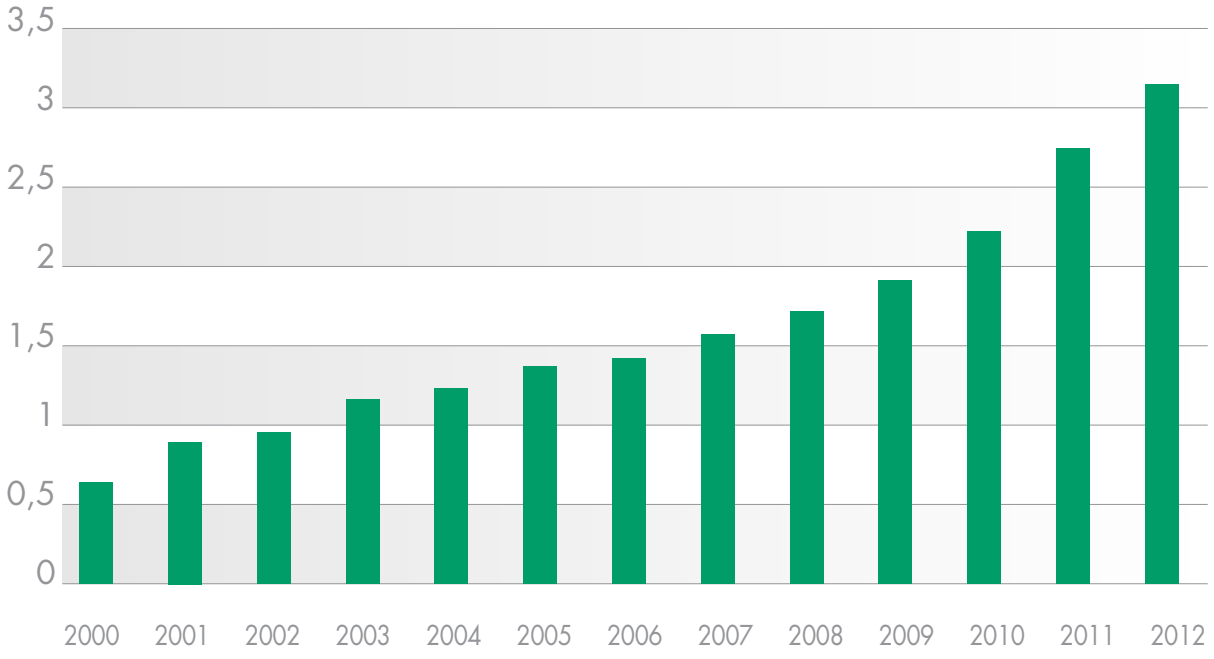
On an anecdotal level Brazil's level of creativity and creative output is high: Brazilian music, film and culture are all widely available and well-known globally. However, on empirical measures Brazil is not living up to its potential. For instance on the Global Creativity Index cited above Brazil received under 50% of the available score and ranked 46th below Nicaragua and the United Arab Emirates.[LII] Similarly, as has been documented in section 3, the economic contributions of the creative economy in Brazil are relatively low. Although there is a paucity of good data – particularly on the size of the creative economy vis-à-vis GDP – those indicators that do exist suggest that the creative economy in Brazil could be much larger and of greater value than it currently is.

With regards to public policies in place to encourage growth in the creative sector, the Brazilian government in 2011 launched a four year action plan and in 2012 the Creative Economy division of the Brazilian Ministry of Culture was given the lead role in overseeing the development of the creative economy, particularly at the SME level.[LIII] Part of the Ministry of Culture's action plan was an acknowledgement of the scarcity of high quality data as to the level and value of the creative economy in Brazil and the need to obtain such data. Yet since 2011 there does not appear to have been any major study published or conducted by the Brazilian Government measuring the size and scale of the creative economy. The Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics – IBGE) in its classification system of economic activities does not have a separate and combined category for the creative economy.[LIV]

While the 2011 plan sought to reform the Brazilian legal framework to promote a greater recognition of creators and access to their works efforts, in the realm of copyright protection Brazil still has relatively high rates of physical and digital piracy and there are also key

weaknesses in the existing legal framework including quite broad exceptions.[LV] Proposed amendments to the Copyright Act and new legislation in the form of an "Internet Bill of Rights" would broaden current exceptions.

Figure 11: Annual collections per capita Brazil, ECAD, (R$), 2000-2012[LVIII]



These figures show a significant increase in annual collections per capita. This data hints at the great potential in the Brazilian market for increased collections. Indeed, comparing Brazil to other economies it is clear that on a per capita basis Brazil still has a vast potential for growth. Below Figure 12 compares collections per capita for Brazil through ECAD with other countries and the 2012 world average.

Figure 12: Annual collections per capita Brazil, select countries and world average, (EUR) 2012[LIX]

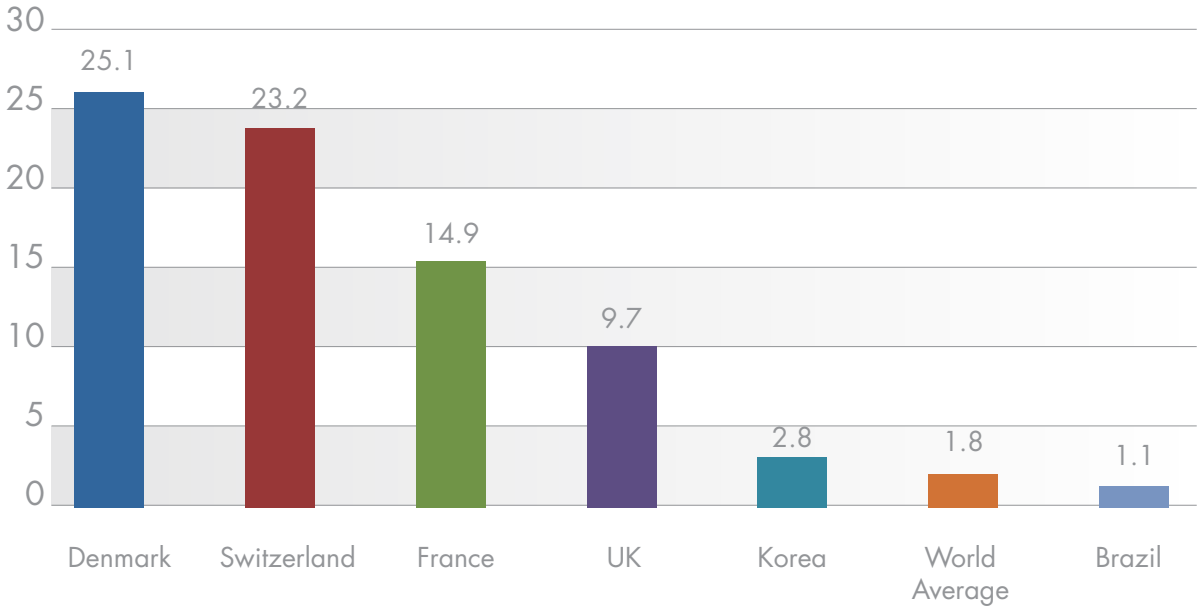


Figure 12 shows how per capita collection rates in Brazil by ECAD are lagging behind both the world average as calculated by CISAC as well as other major markets including Korea.

There are also indicators, particularly in the digital environment, which suggest that the Brazilian market is ready for expansion. For example, looking at recorded-music trade revenues from 2010 to 2012, it is clear that while physical sales took a big dip in 2012, digital online sales and downloads increased. The Brazilian trade association APBD found digital trade revenue to be up with 83.1% in 2012 (BRL111.4 million) from 2011 (BRL60.9 million) and physical sales to be down with 10% in 2012 (BRL281.4 million) from 2011 (BRL312.8 million). Internet downloads increased to BRL23.7 million in 2012 from BRL2.4 million in 2011 (a 909.1% change).[LX]

As these figures and data in the previous section illustrates the Brazilian creative economy is in many ways at a crossroads, showing clear signs of potential growth in a number of areas but challenges remaining in other. As will be described in section 6 there are a number of policies that can be introduced which would spur further growth.

4.2 CHINA

As was discussed above in section 3 China's creative economy is growing and on some measures is internationally quite competitive. For instance, as established by a WIPO supported study the economic contribution of the creative economy in China was 6.37%. Although behind the US and Korea this is still higher than Brazil, India and South Africa. Similarly, looking at statistics from the Chinese Government shows growing strengths in creative sectors. For example, looking at exports from China's core intellectual property-dependent industries (which includes creation of literary works, music, film etc.) these generated total revenues of USD5.3billion in 2011.[LXI] Similarly, China's imports and exports of "core cultural products" was estimated at USD14.39billion in 2010 by the Chinese Government.[LXII]

However, as was noted above, relatively few creative goods exported by China were actually created – as opposed to manufactured – in China. Equally, examining receipts from IP assets (which include royalties and licensing fees for copyrights and related rights) there is room for growth.

With regards to the policy framework in place to encourage the growth and development of the creative economy, Chinese policymakers have taken a growing interest in this area of development. Specifically, the Chinese Government has through a number of policy initiatives and publications stressed the importance of promoting and developing the creative economy. For instance, at the Chinese Communist Party's 17th National Congress the promotion of the creative economy was highlighted with specific policies aimed at increasing investment and a greater emphasis on the creation of, rather than manufacturing of goods and services for export.[LXIII] In more recent proclamations this sentiment has been reaffirmed. The importance of the cultural sector was highlighted in the speech by former President Hu at the 18th National Congress where he referred to a need for the cultural sector to become a pillar of the economy.[LXIV]

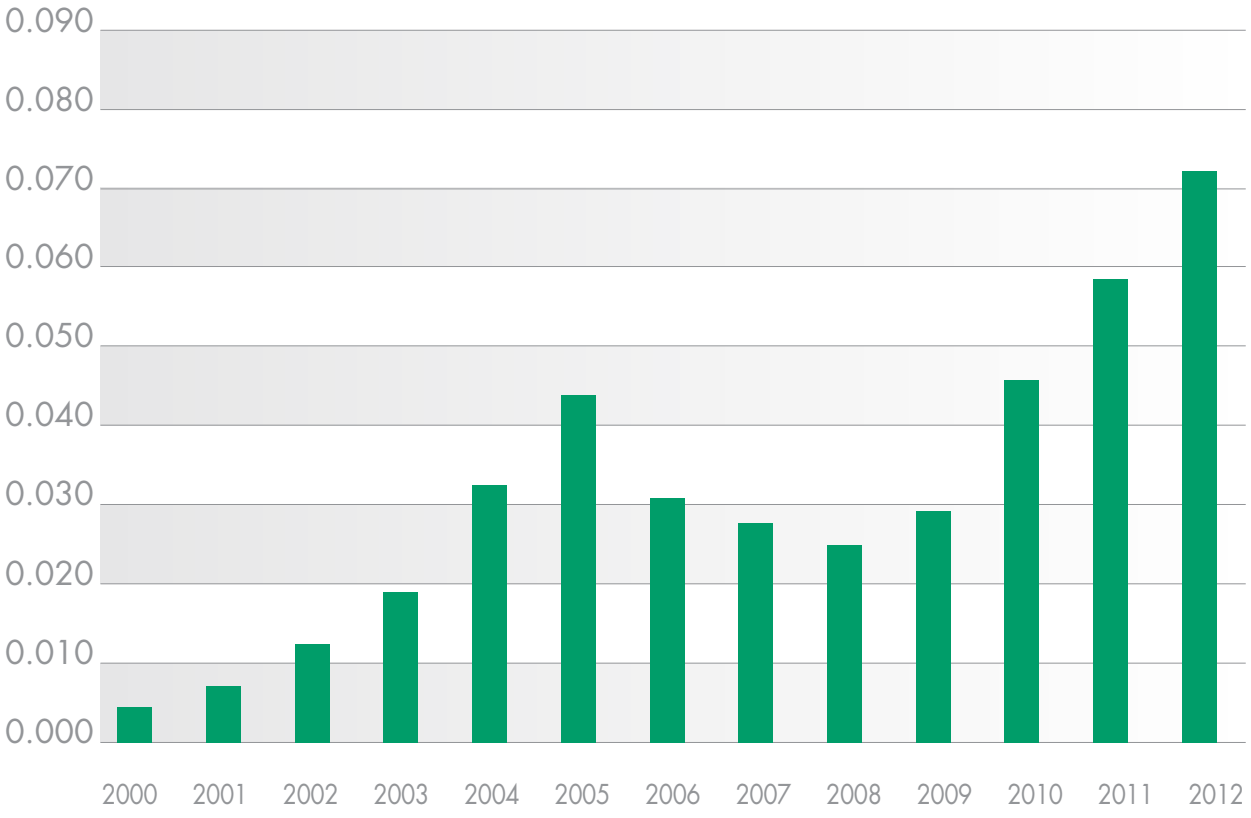
Chinese policymakers have also since the mid-2000s placed a strong emphasis on innovation and promoting innovation-based economic activities through a policy known as "indigenous innovation".[LXV]

Reform efforts have also zeroed in on the copyright environment. However, challenges remain both at the level of legislation and enforcement. Physical and digital piracy rates are high. Similarly, obtaining legal redress through the judicial system and administrative proceedings is difficult with copyright infringement in particular not always being treated as a serious and/or criminal offence.[LXVI]

There are also weaknesses in the area of royalty collection. For instance, royalties collected in China both on an absolute and relative basis are very low with low tariffs in place. Reports by rights holders suggest that not only is the state providing minimum tariff of 0.51% low in comparison to other countries, but that this even this rate is not being applied.[LXVII] Comparing royalties collected in China with other neighboring economies illustrates this disparity. According to a submission before the USTR by the American Society of Composers Authors and Publishers (ASCAP) the Music Copyright Service of China (MCSC) collected "about 6% as much as the reported gross collections in Taiwan, less than 2% as much as the reported gross collections in Hong Kong, Malaysia, or Singapore, and less than 1% as much as the reported gross collections in Australia or Japan."[LXVIII]

Looking at collections in China overall the trend is indeed mixed with both total and per capita collections having increased significantly over the past decade but in fits and starts. Below Figure 13 shows collection data for the period 2000-2012 through the MCSC.

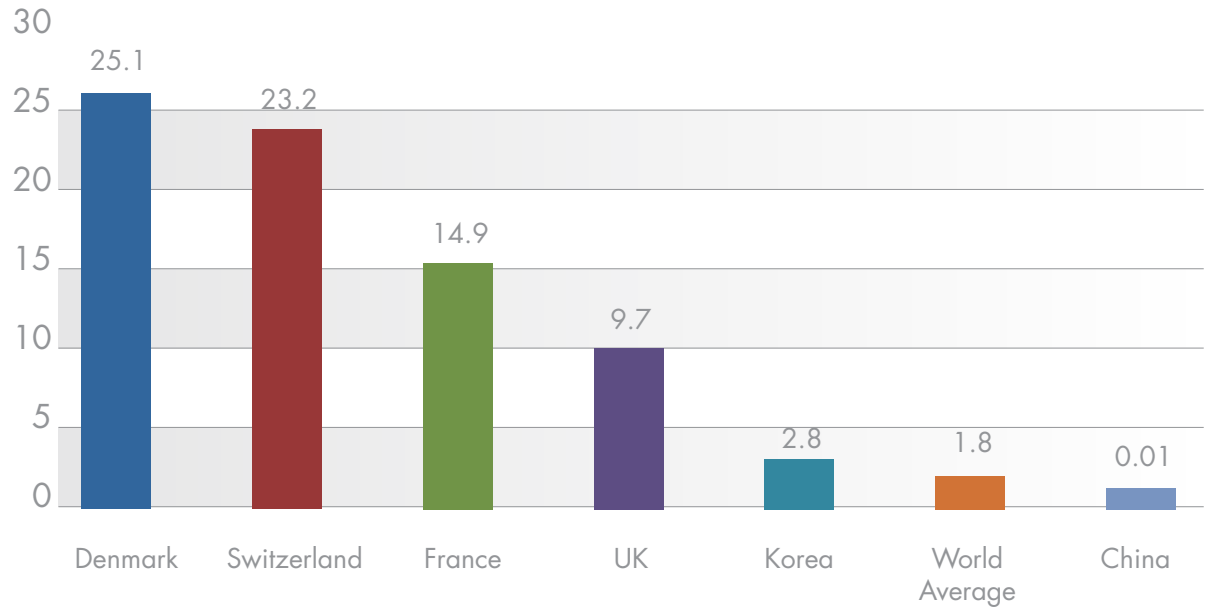
Figure 13: Annual collections per capita China, MCSC, (Yuan), 2000-2012[LXIX]



These figures show an overall positive trend in annual collections per capita over the period measures. Chinese collections through the MCSC have grown significantly in the twelve years since 2000. However, the data also illustrates the extent to which the starting point was at quite a low absolute level. Furthermore, the growth rate has not been uniform with the period 2006-2009 seeing a marked slow-down in activity only to reach 2005 levels in 2010.

From this data it is clear that there is great potential in the Chinese market. Indeed, comparing China to other economies it is clear that on a per capita basis China still has a vast potential for growth. Below Figure 14 compares collections per capita for China collected by the MCSC with other countries and the 2012 world average.

Figure 14: Annual collections, per capita, China, select countries and world average, (EUR) 2012[LXX]



Although on a per capita basis China is far behind other countries with a rate of collection many times below the world average, there is significant room for growth and maturation of the Chinese market. This is illustrated, for example, by China's increased internet and digital usage rates.

One indicator for the potential for digital markets is internet usage. China's percentage of individuals using the Internet in 2012 was 42.30% up from 34.30% in 2010; a 20% increase in two years.[LXXI] Significantly, increased internet usage has also been accompanied by an uptick in use and downloading of online content. Statistics from the Chinese Internet Network Information Center shows an overall increase in online utilization between December 2012 and June 2013 with online literature users growing by 6.4%, online video users by 4.5%, and music by 4.7% between December 2012 and June 2013.[LXXII]

This growth can also be seen in the advertising space and in particular internet and online advertising where China has seen extraordinary growth. From 2007 to 2010 advertising on the internet more than tripled from USD 1.5 billion to USD5.2 billion.[LXXIII] Growth rates of internet based advertising have continued to be strong with an increase of close to 60% between 2010 to 2011.[LXXIV] According to these figures online advertising in China in 2011 exceeded that of newspaper print revenue by close to USD1 billion.[LXXV]

Overall the environment in China across the areas of IP, copyright enforcement and royalty collections remains mixed. In particular there are significant challenges in the enforcement of copyrights and the ability of rights holders to collect royalties.

Yet there is also huge potential for growth. As will be described in section 6 there are a number of policies that can be introduced which would spur further growth.

4.3 INDIA

As was detailed above in section 3 India's creative economy and its potential is held back by a number of factors. To begin with there is limited systematic analysis or data as to the size and contribution of the creative economy and sectors to the Indian national economy. No WIPO supported mapping of the creative economy has been undertaken nor are there any equivalent local or government-led efforts in place. Those measures and data that do exist suggest that despite the ubiquity of Indian culture and creative products – highlighted by the Bollywood film industry – the economic contribution of the creative economy and creative sectors in India could be much greater. India suffers from piracy, particularly of film and music.[LXXVI]

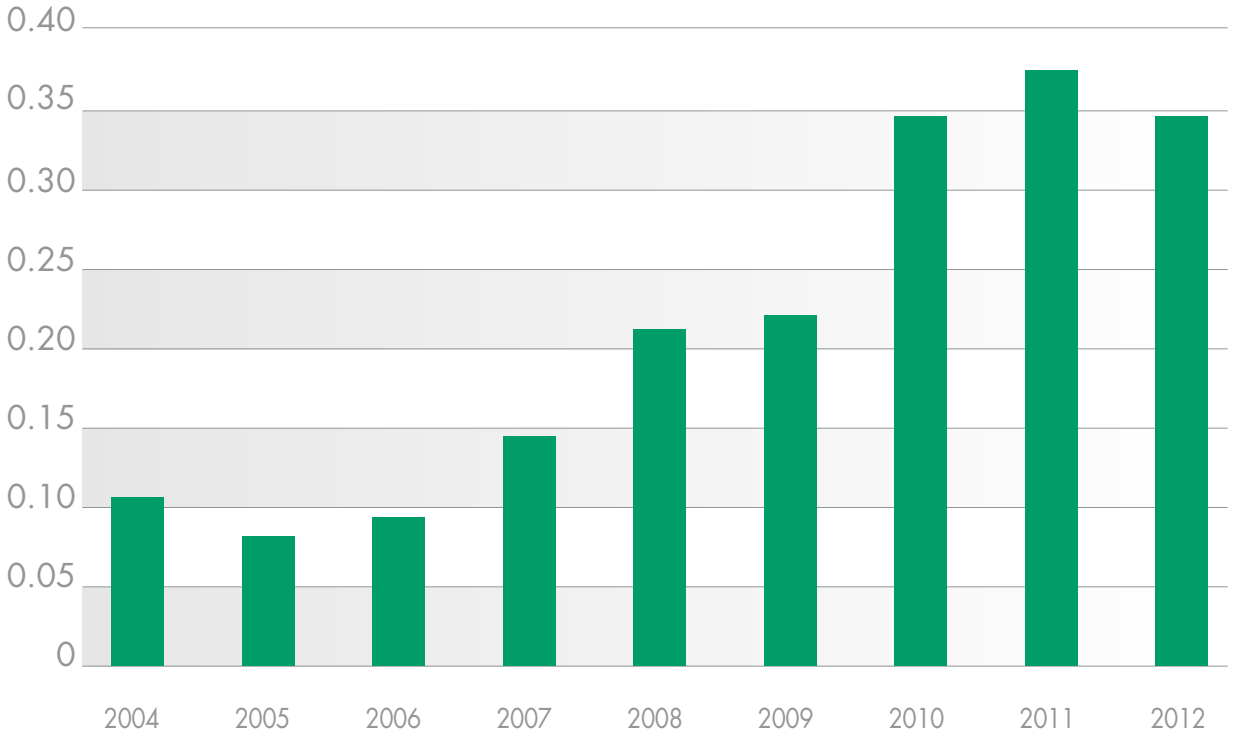
With regards to the policy framework in place to encourage the growth and development of the creative economy, there is a limited amount of activity. There are sector specific policies in place but no wholesale policies for the creative economy. For example, the Indian Government allows 100% rate of FDI into Indian publishing houses to encourage the growth of that sector.[LXXVII] Similarly, the Indian film industry often receives favorable treatment at the state level including subsidies.[LXXVIII]

Looking at the copyright environment there are shortfalls in the existing legal framework with the most recent changes to the Indian Copyright Act having had a negative impact in a number of areas.[LXXIX]

With regards to the collection of royalties the situation in India is also challenging. Issues are still present in audiovisual works resulting from TV broadcasters not paying royalties for the music used in series or films because broadcasters may claim 100% ownership of the work and treat them as works for hire. Many publishers are not members of collective management organisations, thus limiting collection and many publishers who do have membership have not given mandate to the collective management organisations with regard to mobile businesses and mechanical (reproduction) collections. Additionally, the Copyright Amendments of 2012 (in favor of authors' rights) remains in litigation as there are different interpretations of what the new law means.

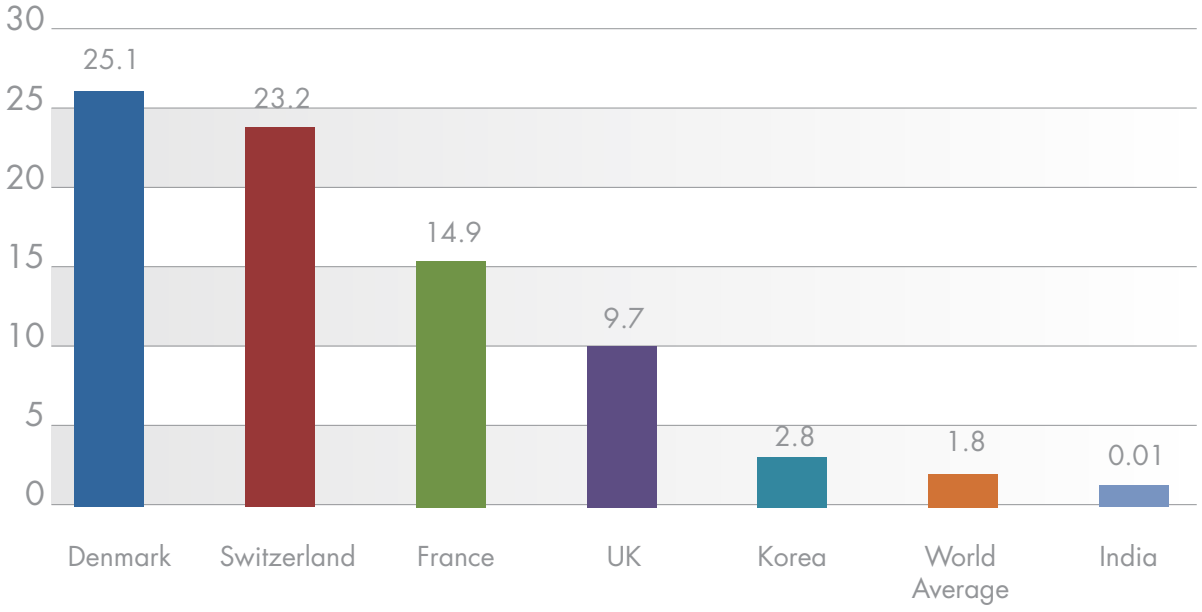
These issues spill over and affect the rate of collections as currently measured in India. Indeed, the figures reflect this narrative of showing how India has a great deal of promise to grow. Looking at collections in India overall the trend is clear with both total and per capita collections having increased significantly over the past decade. Below Figure 15 shows collection data for the period 2004-2012 by the Indian Performing Right Society (IPRS).

Figure 15: Annual collections per capita India, IPRS, (Indian Rupee), 2004-2012[LXXX]



These data shows how collections have increased many times in the period examined with a substantial leap between 2009-2010. India's further potential for growth is illustrated by a comparison of its per capita collections in 2012 with collections in other countries. Below Figure 16 compares collections per capita for India through the IPRS with other countries and the 2012 world average.

Figure 16: Annual collections, per capita, India, select countries and world average, (EUR) 2012[LXXXI]



Although on a per capita basis India is behind other countries with a rate of collection many times below the world average, there is significant room for growth and maturation of the Indian market. This is illustrated, for example, by the growth in the Indian digital sectors, in particular the growth in the digital music sector and online advertising.

Indian internet penetration remains weak, at 7% for 2012 with broadband penetration standing at 1%.[LXXXII] However, even with the low penetration rate, India has seen significant growth in its digital music market.[LXXXIII] Between 2009 and 2011 digital music distribution grew at a rate of 44%.[LXXXIV] In contrast, physical distribution declined at a rate of 17% in 2011.[LXXXV] Digital music's share of the overall Indian music market is expected to keep on growing and to reach 79% of the total music market by 2015 at a value of approximately USD330 million.

With regards to the Indian online advertising market this totalled USD410 million in 2011. While small compared to global averages, the Indian market is poised for growth as internet and broadband penetration increases.[LXXXVI] Forecasts suggest that broadband penetration could reach over 15% of the Indian population by 2015, thus increasing the potential digital market for online music and content.[LXXXVII]

Overall the environment in India across the areas of IP, copyright enforcement and royalty collections is mixed. In particular there are challenges and shortfalls in the legislative framework and the protection and enforcement of copyright remains partial. But there are also a number of bright spots – particularly in the digital sphere – which are growing and further potential exists. As will be described in section 6 there are a number of policies that can be introduced which would spur further growth.

4.4 RUSSIA

As was detailed above in section 3 Russia's creative economy is by a number of indicators relatively strong and one of the top performers of the BRICS. For example, the economic contribution of the creative economy in Russia was estimated at 6.03%. Similarly, Russian exports of creative services were the highest of all the BRICS. Still, a number of policy challenges remain.

With regards to the overall policy environment Russia does not have in place a specific policy framework on the creative economy. There are cultural and creative sectors that receive government support – for example, the Russian film industry has received state support for a number of years – but there is no overarching strategy.[LXXXVIII] Russia does have in place an ambitious plan for innovation named "Innovative Russia 2020" which includes policy initiatives in creative and technology sectors such as ICT. Yet overall there is a disparity between a traditional focus on economic development on the one hand and support for creative industries from a preservation and cultural point of view on the other.[LXXXIX]

The legislative and enforcement environment with regards to copyright is also challenging although 2013 did see a number of positive steps. Specifically the introduction of interim judicial measures and designation of the Moscow City Court with the power of issuing temporary injunctions in copyright infringement cases is a positive development. The Court, which is the sole court of cassation competent to hear cases involving intellectual property, began functioning in 2013. As is the designation of the Russian Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (the ROSKOMNADZOR) as part of the enforcement mechanism of these provisions. Specifically this agency has been granted the power to issue notices to a hosting service provider that require notification of alleged infringement to the alleged infringing party and, if no action is taken, the agency can restrict access to the alleged infringing material.

Equally, the introduction of a notice-and-takedown mechanism through amendments to the Civil Code Part IV has significantly boosted Russia's legislative framework. Unfortunately this law affects only audio-visual works. At the present time the Russian Government is preparing new documents, which would expand the scope of these new rules. The Russian Ministry of Culture has prepared a law draft, which would amend the Federal Law of July 27, 2006 "On Information, Information Technologies and Protection of Information" and the Administrative Offences Code. The Ministry suggests introducing fines (10.000-300.000 Rubles foe physical persons, 50.000-600.000 Rubles for state officials, 100.000-1.000.000 Rubles for legal entities) for violations. The draft also sets a rule, that a rights holder can file a notice on copyright violation to the hosting provider, which has to inform the website owner within one day. The owner of the website with illegal video has to block the allegedly illegal content within one day. Within the next ten days the person, who posted this information on a website, can lodge a protest against the rights holder's notice. In the site owner did not react to the provider's notice, the provider has to block the disputed content within the next 24 hours. The law draft also introduces the legal concept of "open licenses", whose terms shall contain the scope of the use of the work. These changes are currently still at the discussion phase as a number of stakeholders have raised concerns about the potential ripple effects of these policy changes.

Still, Russia has high levels of online and physical piracy; particularly music piracy is a key challenge with a number of Russia's largest social networking websites offering access to pirated content.[XC]

In the area of royalty collections there are also a number of specific challenges both legally and administratively.

On January 1, 2008, Part IV of the Civil Code of Russia was enacted. This document led to creation of a system of NGOs, which collectively managed property rights of authors, and which were able to get the State Accreditation from the Russian Ministry of Culture. Any organization which manages authors' and neighboring rights and matches the criteria, set by the Government Decree, has the right to apply for the State Accreditation and to undergo the accreditation procedure.

The key advantage of accreditation for a society is the authority to manage the rights of people, who did not sign direct contracts with such society. Thus creating two very important preconditions for a successful collective management – eliminating "rogue" CMOs and providing one stop shop for licensing. This is very important for territories lacking solid private copyright traditions where users tend to systematically avoid copyright payments under one or another pretext. At the same time the only sphere in which a rights holder can withdraw his rights from the organization's management is the sphere of published musical works (with or without text) and pieces of dramatic-musical works which are performed publicly, transmitted or retransmitted by air or cable.

An accredited organization automatically becomes a monopoly in a particular sphere of collective management. For this reason the legislator specifically mentioned that the restrictions of anti-trust legislation cannot be applied to accredited organizations. The state accreditation allowed copyright organizations from 2008 onwards to start implementing the right for remuneration for neighboring rights owners. These owners started receiving royalties for public performance, transmission by air and cable of their phonograms. Also authors, performers, phonogram and audio visual work producers started receiving royalties for free reproduction of phonograms and audio visual work for personal usage.

A new institutional structure which is affecting collective rights management in Russia is the Customs Union being created by Russia, Belarus and Kazakhstan. These countries are trying to unify their national legislations in the sphere of collective rights management and to work out common rules. This process is rather slow and difficult, because the three countries have very different collective management systems. In the vast majority of cases negotiations have led to agreement that the discussed question should be regulated individually on national level.

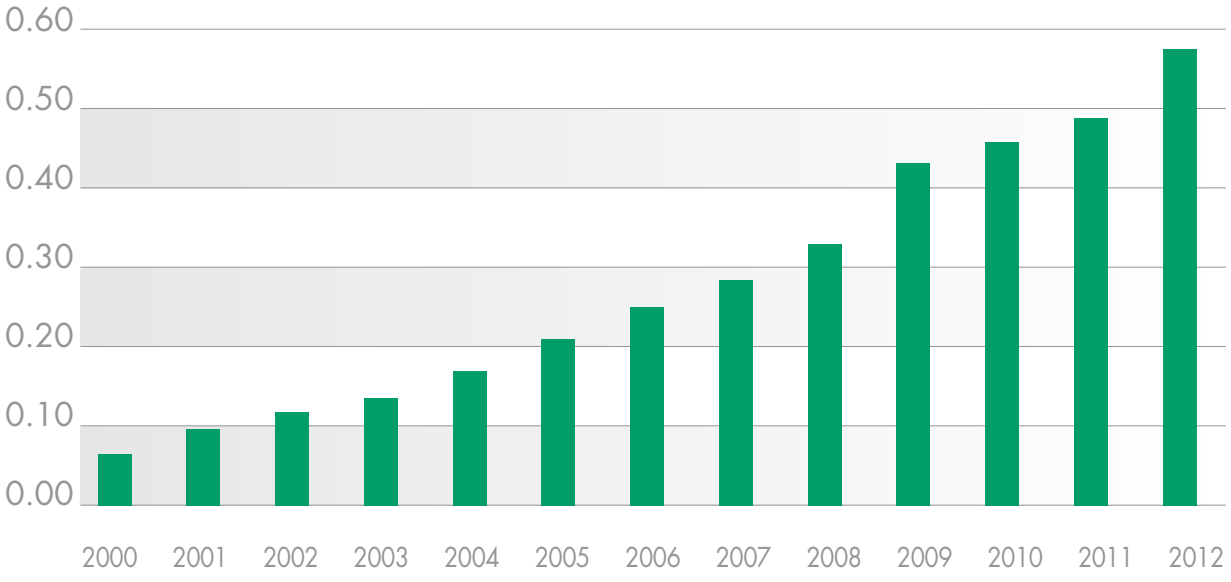
The accreditation system for collective management was particularly helpful for the successful implementation of the private copying remuneration scheme in Russia. As a matter of fact, the legal possibility for remunerating creators for the private reproduction of their works was introduced in Russia in the early 1990s but could not work due to a combination of objective and subjective factors. The situation began to move forward when the RUR («Russian Union of Right holders») was accredited to manage the right on behalf of creators, performers and producers in 2010 and the Russian Government adopted in 2010 adopted a Decree N 829 «On the remuneration for free reproduction of phonograms, and audio-visual works for personal purposes».[XCI] The society presided by the world renowned film director Nikita Mihalkov has been able since then to effectively start collecting and distributing such remuneration for the benefit of the Russian and foreign right holders concerned.[XCII] It is worth noting that, for example, while the EU Commission is currently revising the application of the private copying in the EU and some interested stakeholders even challenging the mere existence of the private copying scheme, the Russian Federation seems to see in the private

copying scheme a proper policy choice for rewarding and supporting creativity even in the digital age.

On the down side, proving that an accreditation system cannot be a panacea per se if other preconditions are not available is the situation in the resale right field. This is the right that entitles visual artists to get additional remuneration for each resale of their original work under specific conditions prescribed by the law.[XCIII] The accredited organisation «UPRAVIS» (since December 2008) could not effectively implement the right due to the persistent reluctance of the liable persons such as art dealers, auction houses, etc. to honor their copyright obligations and pay the due royalties.[XCIV] However, with UPRAVIS being a provisional member of CISAC since 2011, Russian right holders have already started benefiting from resale right remuneration collected abroad by similar societies having reciprocal agreements with UPRAVIS. Apparently the Russian right holders concerned are committed to improve the situation with resale right and UPRAVIS management was changed in June 2013; accordingly UPRAVIS state accreditation was renewed in December 2013.[XCV]

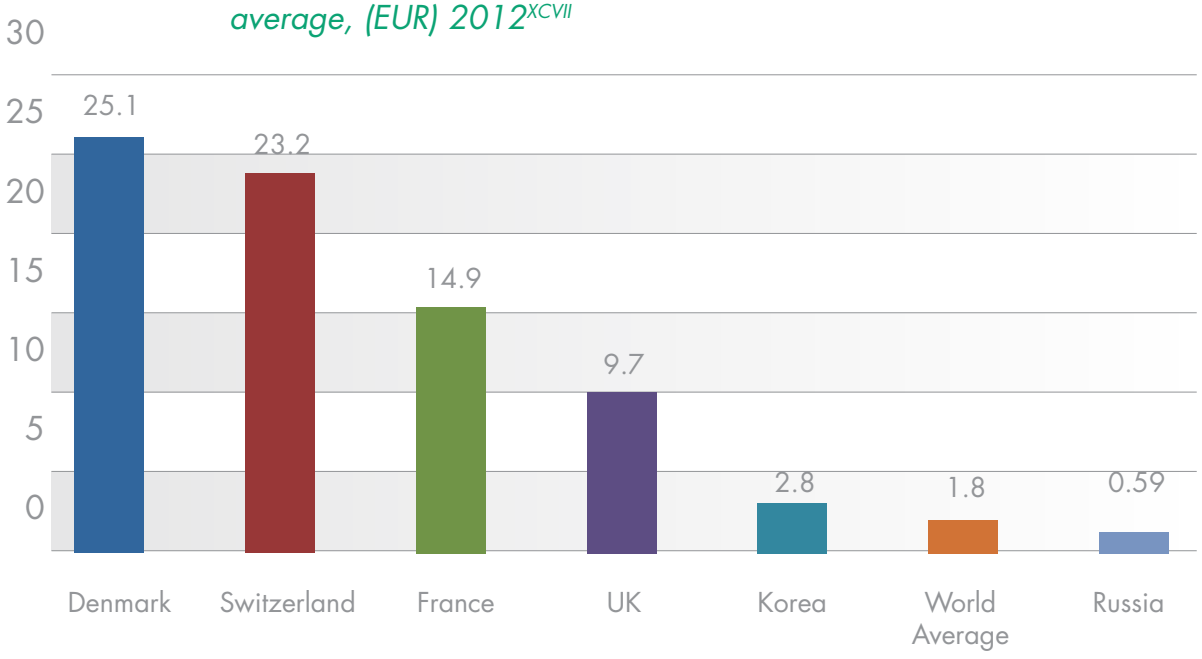
Like in the other BRICS there is room for royalty collections in Russia to grow considerably. Figure 17 gives an overview of the total growth trajectory for collections by the Russian Authors' Society (RAO) per capita between 2000 to 2012.

Figure 17: Annual collections per capita Russia, RAO, (EUR), 2000-2012[XCVI]



As this data shows there has been a tremendous increase in collections by the RAO since 2000. Collections per capita have increased almost ten-fold. However, as Figure 18 illustrates compared to the world average and other countries Russia still has room to grow its collections per head.

Figure 18: Annual collections, per capita, Russia, select countries and world average, (EUR) 2012[XCVII]



Although on a per capita basis Russia is behind the world average, there is significant room for growth and maturation of the Russian market. This is illustrated, for example, by the potential for growth in the digital sector, in particular the digital music sector and internet access.

Digital music downloads in Russia have historically lagged behind other countries and are currently in absolute and relative terms quite small. Recent figures show that in 2012 online sales reached USD1.8 million; a small share of the estimated USD 537 million global market.[XCVIII] Nevertheless, market research forecasts that the Russian online music market will expand dramatically reaching close to USD15 million by 2015-16.[XCIX] The basis for this strong growth is both the intensification of anti-piracy efforts, introduction of new legislative mechanisms and the launch of new services to access music such as Apple's iTunes which was introduced on the Russian market in 2012.

Looking at internet access and broadband penetration Russia has seen strong growth and laid the basis for increased online use and downloading of content. In the eight-year period from 2004-2012 internet users have increased from under 15 million to over 60 million; a quadrupling in the number of users.[C]

Overall the environment in Russia across the areas of IP, copyright enforcement and royalty collections remains mixed. The protection and enforcement of copyright remains partial with relatively high levels of piracy. Collective management organizations face some key challenges. Still, there are a number of bright spots – particularly in the digital sphere – which are growing and further potential exists for increasing online access to content. As will be described in section 6 there are a number of policies that can be introduced which would spur further growth.

4.5 SOUTH AFRICA

As was detailed above in section 3 South Africa's creative economy is by a number of indicators relatively small both in comparison to more developed countries as well as to the other BRICS. For example, the economic contribution of the creative economy in South Africa to GDP was estimated at just over 4% in the 2011 WIPO supported study cited above. This would appear to be a larger figure than both in Brazil and India. However, other indicators suggest that South Africa's creative economy is less developed and behind the other BRICS. For example, both as measured by international trade in creative goods and services as well as receipts for IP assets South Africa was found to be behind the other BRIC economies and the US and Korea.

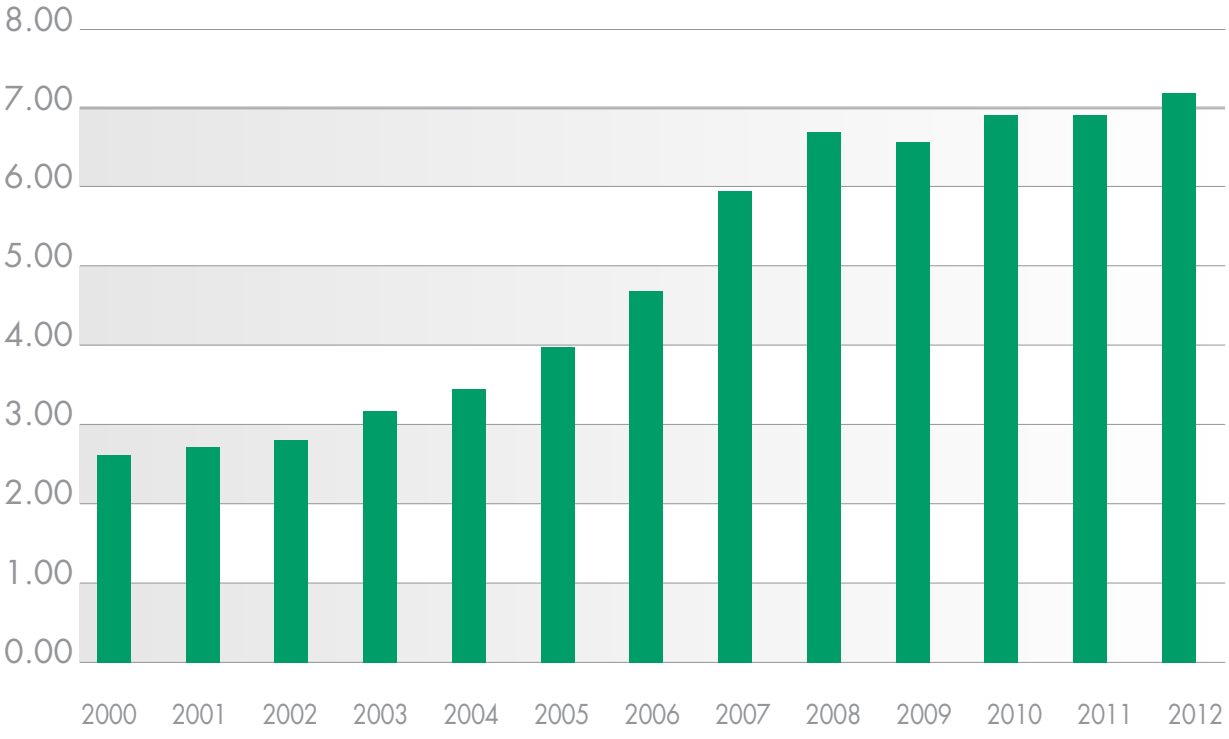
Looking at the overall policy environment the South African government committed in the 2007 plan Accelerated and Shared Growth Initiative of South Africa (ASGISA) to developing the creative industries as part of its overall growth initiative. In fact the creative industries (listed as craft, film, television, content and music) were identified as priority sectors for development.[CI] Similarly, the cultural and creative industries were referred to in the 2012 National Development Plan 2030 published by the National Planning Commission.[CII] Here a number of micro policies were outlined in terms of improving access to ICT, educational policies and promoting the overall value of the creative sector and industries within and to South Africa.[CIII] Yet as the data analyzed in section 3 suggests, the creative economy still seems to be under-developed.

With regards to the current copyright framework South Africa has a relatively strong framework in place particularly with regards to the online environment and digital piracy. However, given the relative low broadband penetration physical piracy has traditionally been the key challenge, particularly in the academic publishing sector. This is clear from looking at broadband penetration. South Africa's internet penetration in 2008 was only 10.5% of the population, with only 9% having broadband penetration.[CIV] Although upgrades are on the horizon, it is a slow and cumbersome process yielding limited results. Additionally, high prices and limited bandwidth is a problem for the future development of broader internet penetration.

The low levels of internet and broadband penetration is reflected in the low levels of online music sales. Recorded music sales in South Africa shows that the market for physical sales (94%) still dominates the digital sales market which has an overall market share of between 5-6% per 2011 figures.[CV] However, while projected to outpace growth in physical sales (which have steadily shrunk in South Africa) by 2017 digital sales will only account for 14% of total music sales per a recent analysis by PwC.[CVI] Furthermore, unlike the other BRICS growth in the digital sector is not projected to be overwhelming, estimated at a compound annual growth rate from 2013-2017 of 7.8%.[CVII]

The royalty collection environment in South Africa is by comparison to other BRICS relatively straight forward. There are challenges but South Africa has in place an environment in which collective management organisations can operate and their rights to collect royalties are generally respected. This is reflected in the data for collections. Below Figure 19 gives an overview of the total growth trajectory for collections by the Southern African Music Rights Organisation (SAMRO) per capita between 2000 to 2012.

Figure 19: Annual collections per capita South Africa, SAMRO, (ZAR), 2000-2012[CVIII]



These figures show how collections in South Africa more than tripled in this twelve-year period. However, as Figure 20 illustrates (and just like the other BRICS) compared to the world average and other countries South Africa still has room to grow its collections per head.

Figure 20: Annual collections, per capita, South Africa, select countries and world average, (EUR) 2012[CIX]

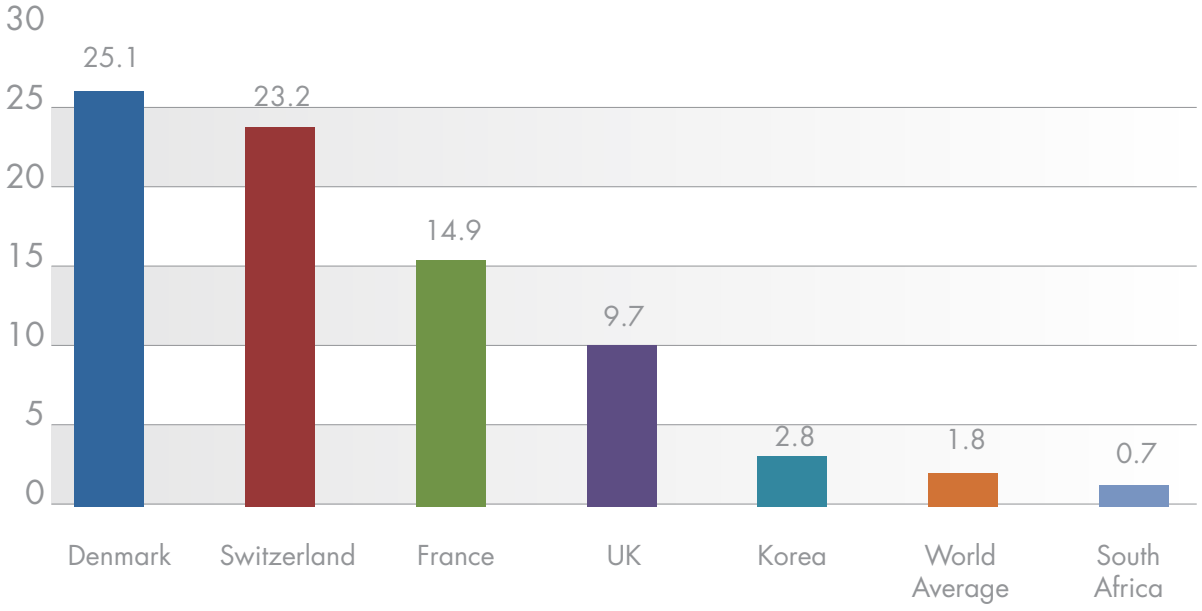


Figure 20 shows how per capita collection rates in South Africa by SAMRO are lagging behind both the world average as calculated by CISAC as well as other major markets including Korea. Still, collection rates in South Africa are compared to the other BRICS quite competitive second only to Brazil.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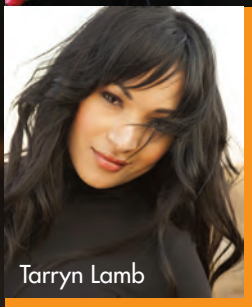

Tarryn Lamb

5. POLICY SPOTLIGHT II – CREATIVITY, ECONOMIC DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHTS

5.1 A COMBUSTIBLE DEBATE

As touched upon in the Introduction today there is a great deal of controversy and confusion with regards to the benefits of IP protection globally. Decision-makers in both the developed and developing world frequently ask if a strong IP system is actually in their national interest. Are IPRs important for the creation of jobs, attracting greater investment and driving revolutionary innovations that meet the most pressing needs of the 21st century? With regards to creativity, these debates (as illustrated by the proposed ACTA and SOPA legislation and general discussions over the role of the internet vis-à-vis copyrighted material) have been characterized by their intensity and often fierce criticism against the perceived ill effects of IPRs.

These discussions are far from straightforward, not least when considering different industry and economic sectors and countries with different levels of economic development. Sectors which dedicate significant resources to R&D activities tend to rely on and utilize IPRs to a greater degree than other sectors, and changes to IP protection may affect them more potently. The clearest examples of these are high-tech sectors such as information and communication technology, clean energy and biopharmaceuticals, which make the largest investments in R&D.[CX] Indeed, as was summarized in the Introduction there is a growing amount of evidence suggesting that there is a strong and positive correlation between IPRs, FDI, trade and economic development. But there is also compelling evidence on the positive economic effects a creative environment has. As mentioned above, perhaps most notable is the work by Richard Florida who linked levels of creativity and the presence of a "creative class" with a city or region's overall economic performance.[CXI]

5.2 WHAT DOES THE EVIDENCE TELL US? CREATIVITY, ECONOMIC DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHTS

Since the late 2000s a number of important international studies and indices have been published that try and measure both the strength of a national IP environment and better understand the relationship between the strength of IP protection in a country with corresponding levels of economic activity.

For example, in a 2010 study the OECD built three separate models measuring the relationship between IPRs and other economic variables and measures of innovation such as FDI, domestic R&D, and services imports.[CXII] Specifically, the OECD isolated the impact of the strength of IPRs on these economic variables. The most important of these variables is FDI, which is a core macro-economic indicator and, in practical terms, a key indicator of a country's relative attractiveness to international investment. First, using an international index of patent rights the OECD found that a 1% change in the strength in a country's IP rights environment is associated with a 2.8% increase in FDI in-flows. Second, and of most importance to copyright and core creative industries, the study found that for every 1% increase in copyright protection there was an accompanying 6.8% increase in FDI.[CXIII] This means that for every percentage point increase in the strength in a national copyright environment countries could expect to see an almost seven-fold increase in levels of FDI.

Although not empirical in their assessment other international studies have also acknowledged the importance of copyright and IP protection and enforcement to the development of creative products and services. For example, in its reports on the creative economy UNCTAD included a broad and detailed discussion of the concept of IPRs and their effect on creativity. In its 2010 report UNCTAD stated that: "intellectual property provides incentives to creators and entrepreneurs

in the form of a tradable economic asset — a copyright — that is instrumental for investing in the development, production and distribution of goods and services, in a market economy, that are largely based on human creativity."[CXIV] In addition to affirming the necessity of copyright protection and enforcement to creators, the report also raised the perspective that in policy terms there should be a balanced approach which was inclusive and mindful of enabling access to creative content.[CXV]

It is possible to illustrate the broader relationship between creativity and strength of a national IP environment by cross-comparing international measures and indices of, on the one hand, creativity, and, on the other, the strength of a national IP environment. This allows one to get a sense of if there is a correlation and estimate how strong this might be.

Below figures 21 and 22 cross-compares the 2014 US Chamber of Commerce's GIPC International IP Index (GIPC Index) and the 2011 Global Creativity Index both generally and more specifically with regards to copyright for the five BRICS countries.[CXVI] Both these indices are internationally recognized and actively used within the policy and research community. The GIPC Index provides a cross-sectoral measurement of major forms of IPRs in different countries. In addition to measuring the *de jure* existence of laws and relevant regulations, a substantial part of the GIPC Index also measures how IPRs are actually enforced and applied on the ground in individual jurisdictions. The 2014 edition measured the strength and enforcement of IPRs in 25 countries across 30 indicators. The Global Creativity Index is an international measure of creativity organized around what the authors term the "'3 Ts of economic development' Technology, Talent and Tolerance"[CXVII] In addition to the available BRICS the below figures also include three developed economies for comparison purposes: Australia, US, and UK. The scores for both indices have been standardized to a figure between 0-1.

Figure 21: GIPC Index 2014 and GCI 2011[CXVIII]

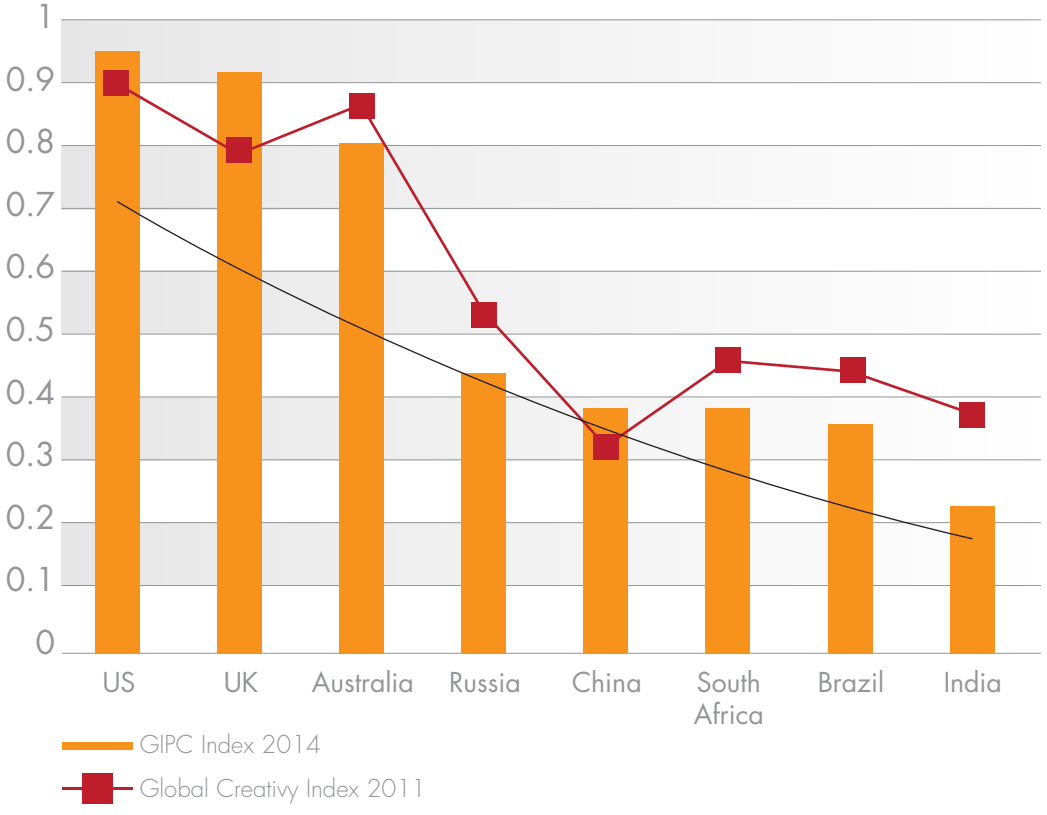
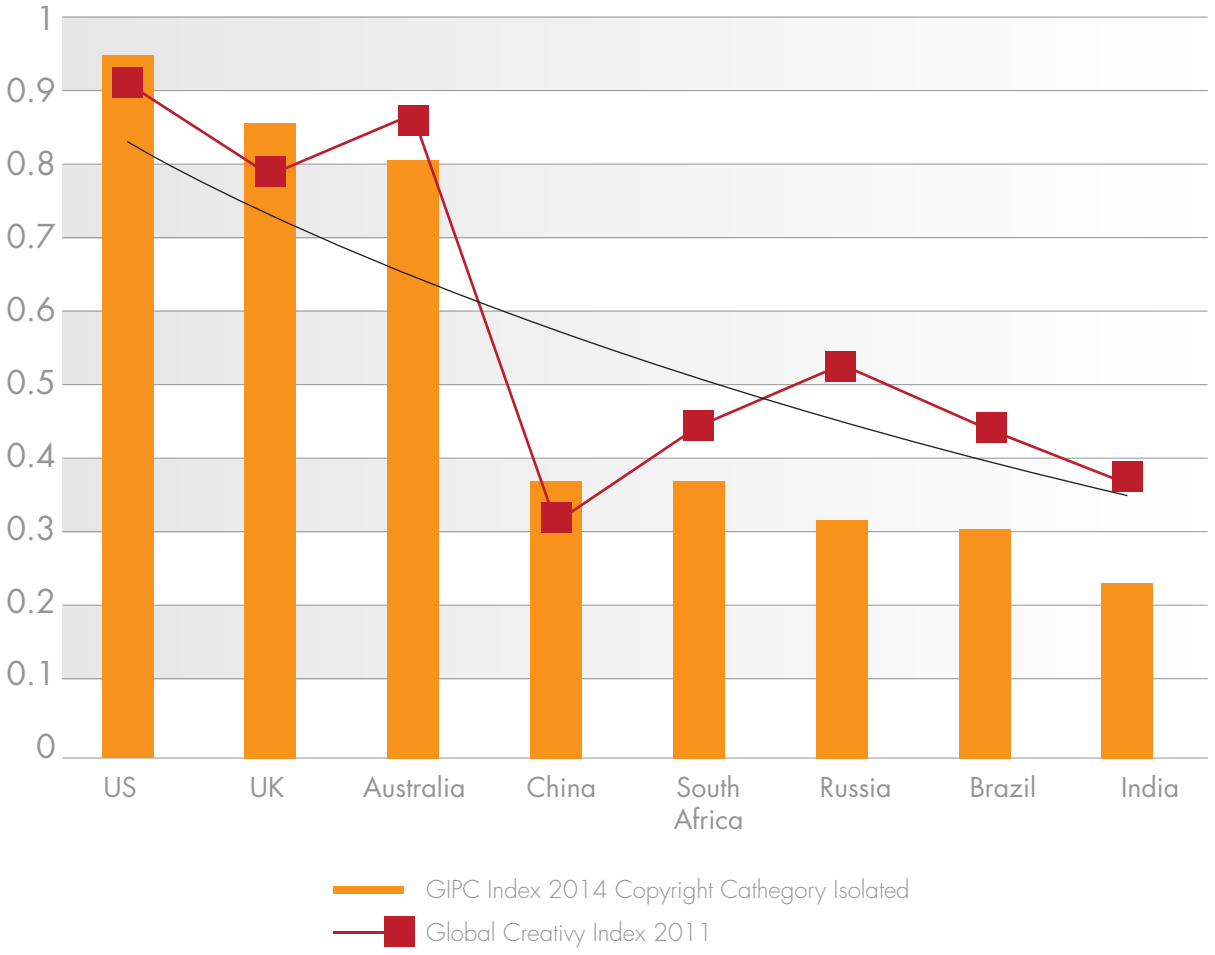


Figure 22: GIPC Index 2014 (copyright category isolated) and GCI 2011[CXIX]



Both figures 21 and 22 suggest that in the sampled countries there is indeed a correlation between strength of national IP environment and creativity. All five of the BRICS economies included had both lower levels of creativity as well as weaker national IP environments than the US, UK and Australia with levels of creativity generally following levels of IP protection. In contrast the US, UK and Australia tended to have both high levels of IP protection (both generally and specifically with regards to copyright) and a higher creativity score.

Still, the correlation is not perfect. For example, Russia's weakness in its copyright environment does not correlate with its relative high creativity ranking. Having said that it should be noted that although Russia's ranking on the GCI is higher than the other BRICS, overall, it only receives a score of 54%.

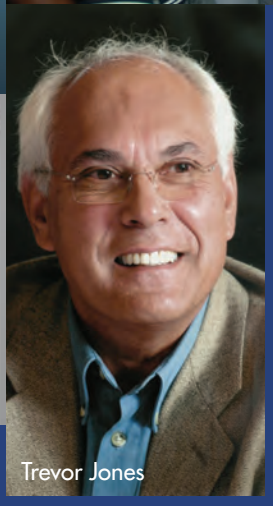

LeiLei


Roberto Cabot


Tumi and the Volume


Nothende


Mallu


Trevor Jones

6. CONCLUSIONS AND POLICY RECOMMENDATIONS

"Creativity is contagious, pass it on" – Albert Einstein[CXX]

That creativity and the creative economy is emerging as a key driver of economic growth and prosperity is increasingly being acknowledged by policymakers around the world. Yet recognizing this development is one thing. Understanding what encourages creativity to flourish and putting in place the relevant policies is something altogether different.

The purpose of this review has been twofold: firstly, examine the state of the creative industries in the BRICS and, secondly, propose policies that will enhance and increase the activity of these industries.

The preceding sections have discussed the broader concept of the creative economy and provided a detailed economic and policy analysis of the creative sectors in each of the five BRICS. It was found that the creative economy and creative sectors are an elemental and growing part of the BRICS economies. All countries have a rich history of creativity and creative output. Some countries have particular strengths in certain areas or creative sectors: the Indian film industry is the largest in the world producing over 1,000 movies annually.[CXXI] But it was also apparent that all countries could be benefiting even more from their creative sectors. Indeed, a recurring theme from both section 3 and section 4 was how vast the potential for growth and increased activity the creative economy has in the BRICS. Looking at some other examples it is remarkable how positive reform and an emphasis on the importance of the creative sector can lead to incredible levels of growth and development. For example, Korea reformed its copyright laws in 2009. Following this reform effort, piracy rates declined and the sale of digital music sales rose almost by 15% after the introduction of new anti-piracy measures in 2009.[CXXII] Combined with other positive efforts at promoting creativity and the creative sectors, Korean artists and culture are now finding their way into the international spotlight.

The above conclusions and the analysis that underpins them have been distilled into four policy recommendations outlined below.

1

Map and measure the domestic creative economy – To be able to develop and implement the most effective and tailored policies it is essential to have a detailed picture of the creative economy in a given country. Of the BRICS China, Russia and South Africa have conducted one-off assessments of the economic contribution of the copyright based industries under the auspices of the WIPO "Economic Contribution of the Copyright-Based Industries" program and established guidelines. This is a good starting point but should be made into a continuous assessment. Neither Brazil nor India have conducted or published such a study nor is there a domestic equivalent in either country. The UK early on established such a program and the British government's continued monitoring and measuring of the creative economy has been a key component in keeping it at the forefront of economic and public policy.

2 **Recognize the importance of effective collective rights management and collection of royalties** – The ability to collectively manage rights and collect royalties on behalf of artists and creators is an essential component of any well-functioning creative economy. Collective management organisations and other similar bodies play a strategic role in the process of stimulating creativity and protecting the rights of artists and creators.

3 **Support creativity and creative communities** – This support can be through direct support initiatives for specific communities or creative sectors, but also indirect through the promotion of the infrastructure which supports and generates economic activity. For example, the growth of digital creative services and accessing online content is highly dependent on widespread broadband internet and mobile technologies. Without this infrastructure digital and content-based industries are much less likely to thrive and grow. For example, Internet access and broadband penetration in India and South Africa in particular is still only rudimentary.

4 **Recognize the importance of IP and protection of copyright to the creative process** – The protection of IP and copyright is an important incentive to creativity and economic activity. High levels of piracy undermine and disincentives creativity and, more broadly, reduce the economic contribution of the creative economy.

Together these recommendations provide a starting point and a basis for action for better understanding and growing the creative economy in the BRICS.

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This report was conducted by Pugatch Consilum (www.pugatch-consilium.com), a UK-based consultancy that provides evidence-based research, analysis, and intelligence on the fastest growing sectors of the knowledge economy.

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