

Creative Economy: Implication for Thailand

Creativity is a key component of “creative economy”, an emerging concept of the world’s economy in the twenty-first century. The global trade value of creativity-related goods and services surged from US\$ 234.8 billion in 1996 to US\$ 445.2 billion in 2005 and, during the year 2000 and 2005, an annual average rate of global trade growth in this sector was 8.7 percent.¹ Thanks to the rising value of creative industries, it has been taken into major consideration by developed countries and is increasingly being promoted in developing countries. Despite its commercial importance, a single definition of creative economy has not been agreed upon.

According to the United Nations Conference on Trade and Development or UNCTAD’s Creative Economy Report 2008 – the first report resulting from the United Nations’ concern of the emerging creative economy issues, a new development paradigm regards creativity, knowledge and access to information as influential engines of economic growth and development in a globalising world.² The UK’s Department of Culture, Media and Sport (UK DCMS) defines creative industries as “those activities 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”.³ The World Intellectual Property Organisation (WIPO), on the other hand, states, “creative industries has a wider meaning and includes, besides the cultural industries, all cultural or artistic production, whether live or produced as an individual unit and is traditionally used in relation to live performances, cultural heritage and similar “high-art” activities”.⁴

¹ “An Artificial Poverty - Time to commercialize the creative industries”, http://www.creative-africa.org/CREATIVE-AFRICA_2008/index.php?option=com_content&task=view&id=42&Itemid=95, Retrieved on 10 October 2008

² UNCTAD, Creative Economy Report 2008: The Challenge of Assessing the Creative Economy Towards Informed Policy-making, http://www.unctad.org/en/docs/ditc20082cer_en.pdf, Retrieved on 12 October 2008

³ <https://www.creativeclusters.com/modules/eventsystem/?fct=eventmenus&action=displaypage&id=33>, Retrieved on 12 October 2008

⁴ World Intellectual Property Organisation, 2003 “Guide on Surveying the Economic Contribution of the Copyright-Based Industries” http://www.wipo.int/copyright/en/publications/pdf/copyright_pub_893.pdf, Retrieved on 12 October 2008

Table 1: Classification systems for the creative industries derived from different models

1. UK DCMS model	2. Symbolic texts model	3. Concentric circles model	4. WIPO copyright model
Advertising Architecture Art and antiques market Crafts Design Fashion Film and video Music Performing arts Publishing Software Television and radio Video and computer games	Core cultural industries Advertising Film Internet Music Publishing Television and radio Video and computer games Peripheral cultural industries Creative arts Borderline cultural industries Consumer electronics Fashion Software Sport	Core creative arts Literature Music Performing arts Visual arts Other core cultural industries Film Museums and libraries Wider cultural industries Heritage services Publishing Sound recording Television and radio Video and computer games Related industries Advertising Architecture Design Fashion	Core copyright industries Advertising Collecting societies Film and video Music Performing arts Publishing Software Television and radio Visual and graphic art Interdependent copyright industries Blank recording material Consumer electronics Musical instruments Paper Photocopiers, photographic equipment Partial copyright industries Architecture Clothing, footwear Design Fashion Household goods Toys

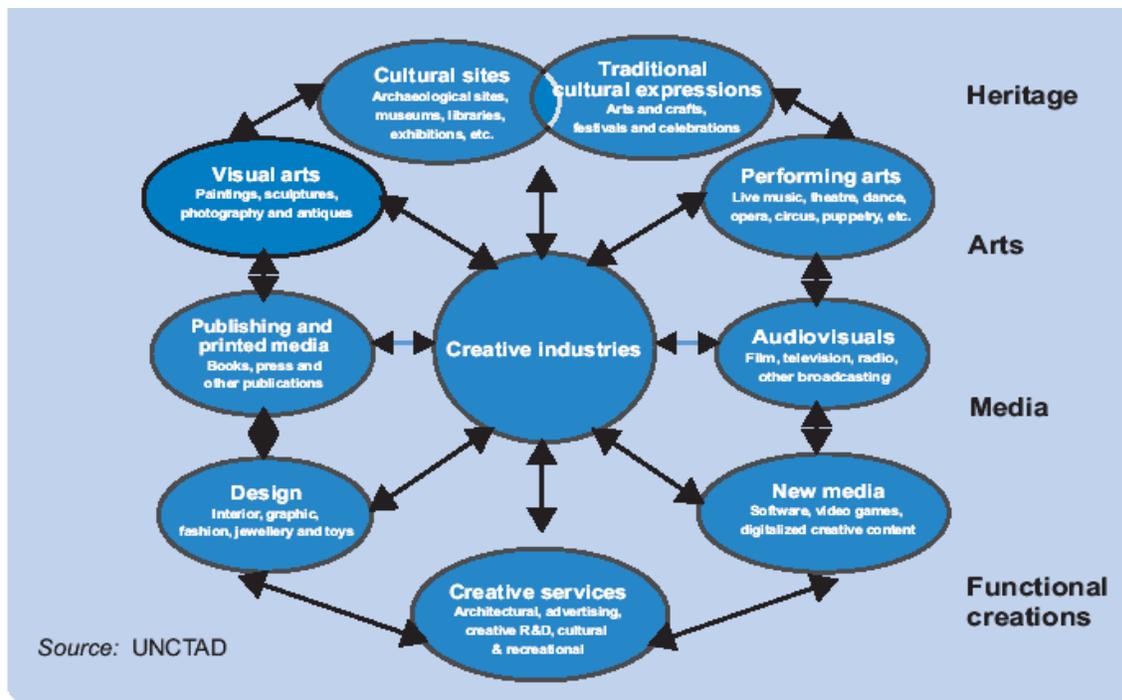
Source: UNCTAD Creative Economy Report 2008

In addition to the definitions offered by international and national organisations as mentioned above, John Howkins⁵, one of the gurus in this field also provides an interesting explanation on creativity and creative economy. He states that people with capability to create something new can be defined as creative people. Nevertheless, creativity is not necessarily related to economic activities unless it is transformed to tradable products. Creative products are composed of two major features: developed from creative activities and creating economic value. Importantly, according to Howkins, these creative products are recognised as intellectual property which is classified into several types such as copyrights, patents, trademarks, and designs. However, for the creative industry, volume of creative products firms can produce is not as significant as exploitation, distribution, and trade of their products.

Due to the differences in classification as discussed above, UNCTAD categorises the creative industries into four major groups in order to make them easy to understand and to create a platform for the analysis. The four major groups of creative industries are heritage, arts, media and functional creations as illustrated in Figure 1.

⁵ John Howkins is the author of a book “The Creative Economy: How People Make Money from Ideas” and he is well-known as an expert in the creative economy issues.

Figure 1: UNCTAD classification of creative industries



Source: UNCTAD Creative Economy Report 2008

At present, the creative industries greatly contribute to the growth of advanced economies. Thanks to digital technologies development and globalised communication networks, the creative sectors have been rapidly developed in the advanced economies with annual growth rates of 5 – 20 percent. It is also noticeable that most successful companies in the world are game designers, entertainers, publishers and broadcasters; such as Time Warner, Disney, Sony, Bertelsmann and News Corporation.⁶ It is hence undeniable that this sector results in significant impact on the world’s economy. Moreover, a recent study conducted for the European Commission demonstrates that in the European region the creative economy is expanding 12 percent faster than the overall economy and, in 2005 Italy ranked top among developed countries in exporting creative goods in the field of design.⁷ With regards to developing countries, economic value gained from their creative sectors is low in comparison to advanced economies. However, the value continually increases especially in East Asian countries like Japan and the East Asian “Tiger” economies, namely, Korea, Taiwan, Hong Kong and Singapore.

Besides the above-mentioned advanced economies in East Asia, China is becoming a significant player in this sector. According to UNCTAD Creative Economy Report 2008, China’s export of creative goods increased from US\$ 18.4 billion in 1996 to US\$ 61.3 billion in 2005

⁶ “Key Concepts: Creative Industries”, <https://www.creativeclusters.com/modules/eventssystem/?fct=eventmenu&action=displaypage&id=33>

⁷ “An Artificial Poverty - Time to commercialize the creative industries”, http://www.creative-africa.org/CREATIVE-AFRICA_2008/index.php?option=com_content&task=view&id=42&Itemid=95

accounting for 19 percent in the global market share.⁸ Recently, it has become one of the top creative goods exporters as shown in Table 3. This reflects the Chinese government's determination to enhance creative industries as the high value-added sector for economic development, as emphasised in China's 11th Five-Year Plan. China has determined to shift its position from the "Made in China" economy to the "Created in China" economy and established the Shanghai Creative Industry Center since 2004, which makes China become the first country to concretely set up a center of creative industries.⁹ More importantly, concerning protection of intellectual property rights (IPR) which is the core issue in the creative industries, China has recently improved its image in IPR protection. The Chinese government has designated the first group of cities to be the national IPR model cities, of which Guangzhou is part of. Designation of national IPR model cities is a part of China's national IPR strategy which has a purpose to promote the intellectual property system establishment and to enable the local governments to pay attention to the intellectual property issues.¹⁰ In addition, the Guangzhou government has expressed clear determination to enhance the creative industries by implementing policies to attract FDIs to this sector; for example, providing financial support for software outsourcing companies in Guangzhou, particularly for the animation industry. The government has also focused on building Guangzhou to become one of national IPR cities and there is a remarkable record of patent and trademark application in this city. This is thanks partly to the fact that IPR is the basis of independent innovation as well as a city's competitive power.

⁸ Xinhua News, http://www.chinadaily.com.cn/china/2008-04/25/content_6645161.htm, Retrieved on 27 October 2008

⁹ Xinhua News, http://www.chinadaily.com.cn/china/2008-04/25/content_6645161.htm, Retrieved on 27 October 2008

¹⁰ "Establishment of National IP Pilot, Model Cities", http://www.gov.cn/english/2006-02/15/content_192107.htm, Retrieved on 24 November 2008

Table 3: Top 20 exporters of creative goods worldwide, 1996 - 2005

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

Source: UNCTAD.

Notes: (1) Belgium and Luxembourg reported trade figures jointly from 1996 to 2001 and separately after 2002;

(2) Trade figures for creative goods from Thailand were available only after 1999.

Source: UNCTAD Creative Economy Report 2008

Creative Economy in Thailand

Thailand's economy has been dependent upon the labour-intensive manufacturing sector for many decades; however, the country is in the stage of developing creative industries driven by knowledge and information. Knowledge-based economy is regarded as a basis for the development of the creative economy. Thailand has attempted to improve its role in international trade to be more proactive and has shifted its focus to the knowledge and creativity-based production with an aim of adding more value to Thai products.¹¹ Thailand considers knowledge management as the critical factor for enhancing economic development, in addition to infrastructure and services management, by developing knowledge and technology as well as promoting R & D and innovation for commercialisation.

As indicated in Table 3, Thailand ranked 17th in the world's top 20 creative goods exporters in 2005. Even though Thailand is not recognised as a key exporter in this area; for example, its value of cultural goods export (e.g. fine arts, films, fabrics and accessories) is relatively low in comparison to that of other countries, particularly European countries, the U.S. and advanced

¹¹ “The 10th National Economic and Social Development Plan (2007-2011)”, <http://www.nesdb.go.th/Default.aspx?tabid=139>, Retrieved on 5 October 2008

economies in Asia like Japan¹², Thailand is in the developing phase to become one of the significant exporters in creative goods and services. According to Thailand's 10th National Economic and Social Development Plan, the enhancement of creativity is regarded as part of the measures for economic restructuring particularly in agricultural and manufacturing sectors, as shown in the following examples:¹³

A. Restructuring the Agricultural Sector

- Supporting R&D in agriculture to enable Thailand to achieve its “kitchen of the world” mission
- Promoting value creation of non-food products in order to expand Thailand's export share in the international market
- Utilising “local wisdom” and “Thai-ness” to generate “value creation” in products.
- Creating brands and using marketing strategy to increase sales

B. Restructuring the Manufacturing Sector

- Setting up a road map for “patent management”
- Setting up an integrated national R&D system to promote innovation creation
- Building and/or supporting entrepreneurs to create innovation

To enhance Thailand's capacity in the creative industries, it is undeniable that the government's role is critical. The government's policies are considered as a push factor for the private sector to increase their competitiveness in the market both domestically and internationally. The development in creative industries in Singapore, Hong Kong and Taiwan is, besides market incentives, enhanced by the proactive policies of the governments.¹⁴ Hence, it is necessary for the Thai government to seriously support and promote the creativity related industries so as to enable Thailand's creative industries to compete with those of other countries, either within and outside the region. One of areas of government support that Thai entrepreneurs in some creative industries such as game and animation needed is the financial support for pre-production, since they are facing problem in obtaining loans from commercial banks due to the fact that intangible

¹² UN Comtrade as cited in the study on Competitiveness Development Phase 3 Commissioned by NESDB (2007)

¹³ Termittayapaisith, Arkhom (2007), “Creativity and Economic Development in Thailand”, Office of the National Economic and Social Development Board

¹⁴ Yusuf, Shahid and Kaoru Nabeshima (2005), “Creative Industries in East Asia”, Development Economics Research Group, The World Bank, Washington D.C., USA

features of creative products such as innovative technologies or intellectual property cannot be used as a collateral against the loan for which they apply.

Furthermore, the policy and institutional support is important for the industries. In this regard, the Thai government has supported Thailand's game industry through various forms of contributions and facilitations under the national IT plan (IT2010). In addition, wide-ranging incentives are also offered such as simplifying the visa and work permit application processes, providing tax exemptions to foreign investors and permission of 100% foreign ownership to foreign investors.¹⁵ With regards to the institutional support, the Software Industry Promotion Agency (SIPA) was established with a purpose of promoting Thailand's game and animation industry. Moreover, there are other organisations established by the Thai government to support the creative industries; for example, the Office of Knowledge Management and Development (OKMD) was established with an aim of providing opportunities for Thai people to be more creative and creating a knowledge-base in creativity for Thai society. There are also other seven specialised organisations under the same umbrella of OKMD with the same purpose of enhancing new ideas and creativities.

However, in addition to the government's supports, the entrepreneurs in the creative industries should recognise and understand the differences in customers' needs and taste on the creative goods and services in different markets, so that their products can ultimately satisfy the customers. For example, game products in the Japanese market need to be translated into Japanese, or animation characters in the Middle East market should be made in the Arabian style. This can be a significant tool to enable Thai creative industries to be more competitive in the international markets. More importantly, to enhance Thailand's competitiveness in the creative industries, intellectual property right (IPR) need to be protected to safeguard the interests of creative products and services providers,, since IPR is a valuable source of wealth for all creativity-related products. This is the reason why the IPR issues are serious concerns of advanced economies, particularly the U.S. and the European Union. Therefore, managing and protecting IPRs needs to be taken into consideration by both public and private entities in Thailand. Regarding this, Thailand has taken an assertive position to enhance the IPRs system in the country. The Department of Intellectual Property, Ministry of Commerce has been established for nearly two decades. In addition to this, the Intellectual Property Mart (IP Mart) has been set up under the umbrella of the Intellectual Property Management Center (IPMC) which is the unit providing consultation on how to manage and profit from intellectual properties.

¹⁵ "Thai Small and Medium Enterprises Engagement in the Emerging Digital Content and Game Industry" by Vasin Chooprayoon and Chun Che Fung, School of Information Technology, Murdoch University, Perth, Western Australia

In spite of the above-mentioned issues, one last but not least point that also needs to be taken into account is marketing strategy, since it is a major tool to market and boost sales for all types of goods and services, including the creative sector. Nice products and services without the right distribution and sales promotion channels can make them uncompetitive in the market. Therefore, boosting Thailand's creative industries requires attention to be paid to various aspects of international trade strategies such as products development, IPR management, marketing strategies and the government's supports, in order to minimise risks and maximise profits from this emerging creative economy.