

LIBERALIZATION OF TRADE IN CULTURAL AND
ENTERTAINMENT SERVICES IN THE CARIBBEAN
REGION: A PROPOSAL

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PERSPECTIVE AND RATIONALE

Caribbean economies are required to improve their industrial competitiveness and diversify their economic base in the current context of global trade liberalization in part due to the erosion of preferences in traditional exports like bananas, sugar and clothing. Tourism, though the prime generator of employment and foreign earnings, has historically generated low levels of domestic value-added. The region's relative decline in world markets is well documented and signals that Caribbean economies must invest in new and more sustainable sources of employment, exports and growth.

The cultural industries sector¹ is an area of the global economy where the region enjoys some comparative, if not competitive advantage in production. This is an aspect of the new global economy that the region can participate in with relatively low levels of investment. There is also a window of opportunity for the region given the growth in the global cultural industries, the increasing commercialization of the arts in the burgeoning digital and knowledge economy and the widening acceptance of alternative genres and world cultures. From this standpoint investing in the cultural industries provides worthwhile returns because it draws on the creativity of regional artists, cultural entrepreneurs and communities, generates high value-added forms of employment, production and exports, and aids in the competitiveness of the tourism sector through market diversification, destination branding and media value².

The region's contribution to the global cultural economy, particularly popular music, has been very significant. It is often noted that the region's impact on world culture has been large relative to its size. From this perspective the challenges for the cultural industries in the Caribbean go beyond lack of talent, product or market. The main challenge is that of establishing new and alternative artforms and genres in global, regional and national markets that are increasingly saturated with content from the main cultural exporters (e.g. the US, EU and India). The problem is that the creativity of our artists has not been backed up by an entrepreneurial, managerial, marketing and distribution capability from within our business sector. In addition, the business environment has suffered from a lack of investment capital, managerial talent, business support services, fragmented institutional framework and weak governmental facilitation in terms of industrial, trade and intellectual property policies.

Small markets are a disincentive to investment and so exports to regional, extra-regional and diasporic markets has long been a means to overcome the diseconomies of scale. The cultural industries are also often viewed as risky

¹ The term cultural industry describes the role of cultural entrepreneurs and arts enterprises, for-profit as well as not-for-profit in the production, distribution and consumption of film, television, books, music, theatre, dance, visual arts, masquerade, multimedia, animation and so on.

² See K. Nurse "Festival Tourism in the Caribbean: An economic Impact Assessment" in Philip Long & Mike Robinson, eds. Festivals and Tourism: Marketing, Management and Evaluation Business Education Publishers, Sunderland, UK, 2004: 151 - 160.

investments due to the volatility of consumer tastes and the difficulties in predicting market demands. Consequently, the main source of capital has tended to come from private individual and family savings rather than from banks and credit facilities. The cultural sector has not been seen as a priority area in national budgets or in overseas development assistance. These observations highlight some of the key challenges that plagues the cultural industries in the region.

The consultants are mindful of the number of false starts, aborted initiatives and missed opportunities that the cultural industries sector has experienced within recent years. The sector has been researched on several occasions³ but none of these initiatives have led to the development of an information infrastructure and an actionable intervention strategy. Much of this has occurred due to the absence of institutional capacity, weak advocacy by industry associations and a shortage of governmental agencies to champion the required strategic interventions. The lack of a coordinated policy environment has also affected the potential for innovation and industrial upgrading.

As outlined in the terms of reference the objective of the study is to assess the economic contribution of the cultural industries in CARICOM and to analyze the trade and investment issues with a view to formulating an action plan for the development of the sector.

METHODOLOGY AND APPROACH

The study seeks to examine the structure and performance of the Caribbean cultural industries, with a view to identifying a strategy for industrial upgrading and export expansion. To this end, the study will illustrate the importance of industrial upgrading and export expansion, the basis to the success of any competitive strategy. In particular, the study will identify the emerging opportunities and challenges along with the respective strengths and weaknesses of the regional sector, as a means of identifying the key areas for intervention, and also as a basis upon which a series of policy recommendations can be formulated.

Phase 1: Global and Regional Situational Analysis

Phase one will conduct a review of available studies on the global cultural industries and analyzes the structure, operations, trends and prospects for the sector in the digital age. The goal is to identify the challenges and opportunities for the future development of the Caribbean cultural industries.

- a. Review and analysis of literature on Caribbean cultural industries.

³ The cultural industries sector has been researched by several national, regional and international organization. The main sponsors of the research have been TIDCO, Caribbean Export Development Agency, UNCTAD/WIPO, Caribbean Regional Negotiation Machinery, CARIFORUM.

- b. Review and analysis of relevant international experience.

Phase 2: Economic Impact Assessment and Competitiveness Analysis

The cultural industries sector is multi-faceted in that it has several transaction networks and income streams. Measuring the economic impact and performance of the sector therefore calls for a sophisticated range of measurement tools and analyses. The challenge is exacerbated by the lack of an institutional framework for the collection and publication of relevant data on the sector across the region.

Consequently the emphasis in the study is on measuring the value of foreign exchange earnings because the data on the value of local sales and earnings is difficult to ascertain for lack of documentation. The available official statistics are better on visible trade (e.g. the import and export of merchandise like books, paintings, steel pans, CDs, DVDs) than on invisible earnings (e.g. services from live performances or royalties from music publishing). An area where data is somewhat developed, especially in those territories that have functioning national copyright collection agencies (e.g. COTT, COSCAP, JACAP, HMS) is in the royalty collections and distribution. The statistics for invisible earnings (services and intellectual property) will be dependent on information assembled by the various national and regional trade and industrial development agencies (e.g. TIDCO, JAMPRO, OECS-EDU, CARICOM cultural desk) industry and trade associations (e.g. Jamaican Federation of Musicians, the Recording Industry Association of Trinidad and Tobago, the Bahamas Musician and Entertainers Union) or representatives as well as through direct investigations.

The industrial and export capabilities of the regional cultural industries are highly differentiated across countries and across sub-sectors. Some countries have a more developed home environment and have had longer exposure to export markets with varying levels of success (e.g. Jamaica, Barbados, Trinidad & Tobago). In other territories, the industry is in its embryonic stage with a weak business environment and legal framework (Guyana, Suriname, the OECS). And in terms of the cultural industries some sub-sectors like music, book publishing, visual arts and film/television are more commodified or commercialized and have had a longer experience of exporting goods, services and intellectual property.

The goal is to identify the factors constraining the global competitiveness of the sector. This involves an investigation of the economic and export performance of the cultural industries based upon primary and secondary data gathering and interviews with key industrial stakeholders and national policy makers.

1. This section will provide an economic assessment of each of the following sub-sectors to the CARICOM economy in terms of employment, exports (goods, services and intellectual property), and contribution to GDP:

- a. The Music Industry, including the recording, live performance and music publishing.
 - b. The Film and Television, including on-location productions.
 - c. The Media Industry, including radio and television broadcast, cable and satellite television and “new media” (e.g.the Internet, mobile telephones)
 - d. The Book publishing industry
 - e. The Performing Arts
 - f. The Visual Arts
 - g. Festivals and Cultural Tourism
 - h. Fashion and Glamour industry
 - i. Collective Management of Copyright & Related Rights
2. An analysis will be done of the competitiveness of each sub-sector in terms of potential for growth, income generation, employment generation and further diversification of the exports of the region.

Phase 3: Trade, Industrial and Intellectual Property Policy Issues

Transformations in the cultural industries sector have been complimented by the emergence of an inter-governmental framework and regime in terms of the harmonization and internationalization of copyright regulations (WTO-TRIPs; WIPO copyright & digital treaties); the liberalization of cultural industries under WTO-GATS; and, the protection of cultural diversity (e.g. UNESCO International Instrument for Cultural Diversity). This section will examine the implications and make proposals in regards inter-regional trade arrangements such as the proposed FTAA (and/or bilaterals with the US) and the ACP-EU Cotonou Agreement and the EU-Caribbean Economic Partnership Agreement. At the regional level the Caribbean Single Market and Economy (CSME) offers the promise of reduced barriers to trade and greater facilitation of the movement of artists and cultural workers. This section will involve an evaluation of the policy space and the scope for proactive measures in relation to the following multilateral and regional trading arrangements or initiatives:

- a. WTO
- b. WIPO
- c. FTAA
- d. UNESCO
- e. ACP-EU Cotonou Agreement
- f. EU-Caribbean Economic Partnership Agreement
- g. CSME

A review and analysis will be done of the regulatory and legal environment. Legislation for the protection of intellectual property rights must not only be enacted and/or updated to meet the challenges of the digital environment but must also be enforced. Piracy of music and movies is rampant within the Caribbean and in Caribbean Diasporic markets and is ignored by law

enforcement agencies. The growth of new digital technologies provides both opportunities for and threats to cultural industries.

The challenges to trade of cultural products and services posed by national policies will be reviewed and analyzed. Barriers to trade within the CARICOM market and externally must be removed. Fiscal measures relating to cultural products and services (such as withholding taxes and tariff treatment) needs to be harmonized. Regulation of broadcast sector – local content rules, respect for intellectual property rights etc.?

Phase 4: Strategic Industrial Action Plan:

The development of an institutional framework is critical to respond to the challenges of trade liberalization and global competitiveness. International best-practice suggests that sustained and dynamic competitiveness requires the strategic coordination of industrial upgrading, human resource development, institutional capacity building, export facilitation, international media access and the alignment and harmonization of government policies with global and business imperatives.

The proposed action plan is designed to boost income generation, foreign exchange earnings, employment (especially of the youth), thereby contributing to the further diversification of the regional economy and to the alleviation of social problems such as poverty and inequality. The specific projects identified are designed to improve the production, marketing and distribution processes.

The action plan calls for the deployment of a wide range of expertise backed up by an industrial infrastructure and a range of business support services, which are not currently in place. The action plan is therefore premised on the creation of a cluster or networking framework that would involve the development of initiatives such as regional initiatives and business incubators. Some of the initiatives call for legislative and administrative change and support. Where this is the case the initiatives call for advocacy and lobbying on the part of the key stakeholders.

1. In this section the study will make recommendations on how the competitiveness of the cultural industries can be enhanced through business and trade facilitation, legislative and institutional capacity strengthening, human resource development, etc.
2. A regional institutional framework will outline the scope for cooperation and harmonization of policies and programmes among a number of regional organizations such as the CRNM, Caribbean Export Development Agency, the Caribbean Development Bank, CARICOM (e.g. COTED, COHSOD), the Caribbean Media Corporation, and the University of the West Indies.

3. A preliminary list of business projects and strategic initiatives for which feasibility studies can be done will be identified. The list will focus on priority areas for intervention and the areas that will generate industry goodwill and enthusiasm.

The consultants are of the view that the selection of projects should be done in conjunction with the key stakeholders in the industry. This calls for a participatory consultative process where key stakeholders inform the strategic options through focus groups. The consultants highly recommend this approach for the proposed follow-up meeting and rollout of the strategic industrial action plan.