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Creative Industries: Case Studies from Arab Countries*

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Summary: The paper describes and explains empirically the economic performance of four key creative industries (the book publishing, music sound recording, film production and software industries) in five Arab countries (Morocco, Tunisia, Egypt, Jordan and Lebanon). Using the Porter (Diamond) model as its theoretical background, a survey was conducted in the years 2002-03 among 242 experts, covering firm representatives, industry and government experts. The results were incorporated into five national case studies. This paper synthesizes the results of those national reports, giving a comparative account of the performance of the four creative industries in these Arab countries. The overall results of the study suggest that creative industries in Arab countries are substantially underdeveloped, and there remains a great potential that should systematically be mobilized. A discussion of how this can be achieved is offered, based upon a well-designed and implemented process of upgrading and innovation in companies, industries and clusters related to creative activities. Public policy can play in this process an important role, as shown in the example of promoting Shanghai creative industries, where the Municipal Government has played a key role.

Key words: Knowledge-based industry, knowledge economy, creative industry, creative economy, cultural industry, copyright –based industry, Arab countries, Arab world, Morocco, Tunisia, Egypt, Jordan and Lebanon

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1. INTRODUCTION

The latest United Nations Creative Economy Report (2008) defines the creative industries as being “the cycles of creation, production, and distribution of goods and services that use creativity and intellectual capital as primary inputs. They constitute a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property right. They comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives. They are at the cross-road among the artisan, services and industrial sector, and constitute a new dynamic sector in world trade.” (UN, 2008: 13)

According to this definition, the creative industries comprise four groups: heritage, arts, media and functional creations. Cultural heritage is identified as the origin of all forms of arts and the “soul” of cultural and creative industries. This group is divided into two subgroups: traditional and cultural expressions: arts and crafts, festivals and celebrations; and cultural sites: archeological sites, museums, libraries, exhibitions, etc.

Arts: This group includes creative industries based purely on art and culture. Artwork is inspired by heritage, identify values and symbolic meaning. This group is divided into two large subgroups: visual arts: painting, sculpture, photography and antiques; and performing arts: live music, theatre, dance, opera, circus, puppetry, etc.

Media: This group covers two subgroups of media that produce creative content with the purpose of communicating with large audiences (“new media” is classified by UNCTAD separately): Publishing and printed media: books, press and other publications; and audiovisuals: film, television, radio and other broadcasting.

Functional creations: This group comprises more demand-driven and services-oriented industries creating goods and services with functional purposes. It is divided into the following three subgroups: design: interior, graphic, fashion, jewelry, toys; new media: software, video games, digitalized creative content; and creative services: architectural, advertising, cultural and recreational, creative R&D, digital and other related creative services.

In economic terms, creative activities are also economic activities that generate income, create jobs and contribute to the foreign trade of their countries of origin. Their contribution to gross domestic product (GDP) can be substantial, as illustrated in the following figures for some selected countries: the share of creative activities in the value added of Bulgaria is 3.0%, of Spain 2.2%, of Portugal 1.2% and of Poland 2.7%. Figures obtained for other developed countries are as follows: Australia 3.1%; Canada 3.5%; France 2.8%; USA 3.3% and UK 5.8% (see UN 2008: 31).

In addition, the creative industries account for 3.4% of total world trade, with exports reaching \$424.4 billion in 2005 and an average annual growth rate of 8.7% during 2000-2005. These impressive figures are attributable to developments in developed and some developing countries in Latin America and Asia. China, which is leading this process,

became the world's leading producer of and exporter of value-added creative products in 2005. Nevertheless, the large majority of developing countries are not yet able to harness their creative capacities for development gains. Africa's share in global trade of creative products remains marginal at less than 1% of world exports (all the figures listed here come from UN 2008).

In Arab countries there has been a widespread impression that there has been a decline in creative and artistic activities which, in turn, has led to a decline in the output of creative industries in those countries (see for instance, the Arab Human Development Report 2003.) Since there has been no systematic collection of data/statistics for verifying this impression, a systematic empirical study was needed, in order to provide scholars, business leaders and policy makers with a sound advice and assist them in making informed policy decisions concerning this important issue. It could have been, however, quite costly and time consuming to conduct such an analysis for all creative industries and for all Arab countries. Therefore, a selective approach was required. This consisted of choosing four key creative industries in five selected Arab countries (Morocco, Tunisia, Egypt, Jordan and Lebanon) and thus conducting five national case studies (the final reports of these case studies are listed in the reference list)¹.

This paper synthesizes the results of the national case studies and thereby gives a comparative account of the performance of the four creative industries in the five selected Arab countries. The rest of the paper proceeds as follows: Part 2 describes the objectives of the study; Part 3 outlines the methodology and Part 4 summarizes the major results. Part 5 concludes with recommendations for public policy.

2. OBJECTIVES OF THE STUDY

The overall purpose of the study is to help estimate the economic importance of the creative industries in five Arab countries, as well as to identify the main problems that those industries are currently facing. It should therefore be seen as an important step towards fulfilling the following objectives:

- (a) To describe the economic performance of key creative industries in Egypt, Jordan, Lebanon, Morocco and Tunisia, including the contribution of each category of industries to GDP, employment and foreign trade;
- (b) To understand the economic performance of those industries, the focus here being on qualitatively analyzing the major determinants (positive and negative factors) affecting the growth process of those industries; the determinants include cultural, economic, legal (notably IPR), social, technological and political factors;

¹ In January 2001 the World Intellectual Property Organization (WIPO) launched such a research project. Under the overall supervision of WIPO the author of this paper served as the international project coordinator. He coordinated the whole project, organized interaction among the participants, monitored the progress of the country studies and supervised the production and delivery of the various national reports. The author is grateful for WIPO for its authorization to use his contribution to the final WIPO report in this report.

- (c) To provide policymakers and business leaders in the Arab region and international development institutions (e.g. the World Bank) with theoretically sound, evidence-based advice on the issues analyzed in the project.

3. METHODOLOGY OF THE STUDY

The study followed a standard approach used in applied economics. Inspired by the state of the art in this field, we first developed a common theoretical understanding of the questions at hand and then tried to find empirical evidence for those questions. Both steps are discussed in more detail below.

3.1 Theoretical Background

To illustrate the economic importance of creative industries, economists have so far used the following three indicators:

- Gross Added Value of all creative industries as a percentage of total Gross Domestic Product (GDP);
- Share of employment in all creative industries as a percentage of total national employment;
- Share of foreign trade in all creative industries as a percentage of total national foreign trade.

However, the actual computation of the three economic indicators as applied to creative industries - see, for instance, Miller & Strooberger (1993) and Siwek & Mosteller (1999) – came up against both methodological difficulties and the crucial problem of a lack of appropriate data (for a good discussion of these issues, see WIPO (2003)).

The first methodological difficulty is that of defining exactly what industry should be considered a creative industry. Secondly, what are the (upstream and downstream) boundaries of the creative industries? In other words, what parts of the value-chain of the creative industry should be included in the analysis? In publishing, for example, around the central activity of writing and organizing the production of publications there is the manufacture of paper and the retailing of books and periodicals. Should those peripheral activities also be included in the calculation of the economic importance of the publishing industry or not?

An empirical answer to these questions has been given in a study by the International Intellectual Property Alliance (IIPA). It distinguishes between “core” and “total” creative industries. The “core” industries are those that create copyright works as their primary product. They include the motion picture industry (television, cinema and home video), the recording industry (records, tapes and CDs), the music publishing industry, the book, magazine and newspaper publishing industry, the computer software industry (including data processing, business applications and interactive entertainment

on all platforms), legitimate theater, advertising and the radio, television and cable broadcasting industries. The “total” creative industries encompass both the “core” industries and portions of many other industries that create, distribute or depend on copyright works. Examples are the retail trade (a portion of which involves the sale of video and audio material and books, for example), the doll and toy industry and computer manufacture (see, for instance, the 2002 IIPA Report compiled and edited by Siwek, 2002).

A third methodological problem is that the number of creative industries varies over time. The computer software industry, for example, has been an important component of all recent studies, but was mentioned only as a secondary feature in some earlier studies. Comparisons of the economic importance of creative industries at different times and between different countries are therefore difficult to make.

Last but not least, the problem of availability of reliable data, especially in developing countries such as the Arab countries, has to be emphasized (for more country-specific and industry-specific data problems the interested reader is advised to look at the national case studies).

A few empirical studies on the economic importance of creative industries have been conducted in a number of countries on the basis of the methods briefly discussed above. They all had to find a solution to the difficulties and problems mentioned (for a survey of some of the studies, see Silberston 1998 and Alikhan 2001 and WIPO 2006). For the USA, for example, the IIPA has been regularly publishing studies on the economic importance of creative industries. For the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) and Chile, WIPO and the State University of Campinas (Argentina) have for the first time conducted a joint study on the economic importance of creative industries. Some results of that study are used in this paper for comparative purposes.

With regard to the second objective of the study - understanding the factors that affect the economic performance of creative industries in five Arab countries -, we have chosen a theoretical background based on a model (the Diamond Paradigm) developed and used by Michael E. Porter of Harvard University (see Porter 1990), which is itself derived from the structure-conduct-performance (SCP) paradigm in industrial economics (Bain 1956). According to this model, the economic performance (or competitive advantage) of any industry is affected by the following four major forces:

- Production factor conditions;
- Demand conditions;
- Related and supporting industries;
- Corporate strategy, structure and rivalry.

Production factors include basic inputs such as land, labor, capital, infrastructure, natural resources, scientific knowledge, etc. In addition to these general-purpose factors

Porter emphasized the need for specialized inputs that include highly specialized pools of skills, applied technology, infrastructure and even sources of capital that are tailored to the actual needs of particular industries. These specialized factors are not natural endowments; firms and governments create them. Their presence or absence in an industry is critical to its economic performance. For producing complex creative products (e.g. films), diversely skilled inputs are required. Each skilled input must be present and perform at some minimum level to produce a valuable outcome (“motley crew principle”, Caves 2000). In addition, skills are vertically differentiated. Artists are ranked on their skills, originality and proficiency in creative processes and/or products. Small differences in skills and talents can yield huge differences in (financial) success generating hit-based, winner-takes-all markets. (“A list/B list property”, Caves 2000)

The second determinant of competitiveness is demand conditions. They include the contribution of both the size and the character of the home-market demand to the industry’s product or service. National and international success grows out of having local customers who are among the most sophisticated and demanding in the world for products and services. Size, while important, is nevertheless less crucial than character. Sophisticated, demanding local buyers provide a window on advanced customers’ needs; they prevail on local firms to meet high standards in terms of product quality, features and service. By meeting such demands local companies often gain a competitive advantage in foreign markets.

In addition, demand conditions in creative industries are characterized by a high level of uncertainty. Consumer reactions to a new creative product are neither known beforehand nor easily understood afterwards. (“Nobody knows property” (Caves (2000:2). To reduce this uncertainty, consumers and producers focus on well-established ‘superstars’. Another property of the demand side is that is divided into “direct demand” for primary markets and “indirect demand” for secondary markets. In both cases it is highly sensitive to price and income changes (high price and income elasticity).

The presence or absence of suppliers and related industries that are internationally competitive is the third point of the Porter Diamond. A firm may not need local suppliers for all of its inputs, but it clearly benefits from having a critical mass of competitive suppliers of specialized components, machinery and services nearby. Far more significant for competitive advantage than mere access, says Porter, is the advantage that home-based suppliers provide in terms of innovation and upgrading based on proximity and close working relationships.

Suppliers and end-users located close to each other can take advantage of quick and constant information flow, joint work on improvements and mutual motivation to progress. In addition to supplier industries, home-based competitors in related industries, or industries with similar skills, technologies or customers provide similar benefits: information flow, technology interchange and opportunities for sharing, which in turn increase the rate of innovation and upgrading.

The fourth determinant of performance and competitive advantage and the fourth point of the Porter Diamond are corporate strategy, structure and rivalry. These determinants encompass the conditions in a country that govern how companies are created, organized and managed, as well as the nature of domestic rivalry. According to Porter, intense local rivalry is one of the most significant pressures on companies to innovate and upgrade.

The four determinants of the diamond – production factor conditions; demand conditions; related and supporting industries; corporate strategy, structure and rivalry – shape the environment for competing in particular industries. The determinants themselves are subject to the influence of two other variables: (1) government and (2) chance. It would be tempting, as Porter has argued, to regard government as a fifth determinant, especially because its role is so prominent in most discussions on competitiveness. Yet this would be wrong: government is best seen not as independent determinant of competitiveness but as an agent that makes its presence felt through the four determinants of the diamond.

The other outside influence on the diamond is chance. Such events as major technological discontinuities and significant shifts in key factor costs such as energy, not to mention wars and other massive economic and political dislocations, alter conditions in the diamond and can cancel out the advantages of entrenched competitors. While chance events may make for shifts in competitive advantage in an industry, the attributes of local environment determine what nation, state or city exploits them. The locality with the most favorable diamond will be the most likely to convert chance events into competitive advantage. Hollywood, it is said, is there because of the sunshine (an accident of geography or climate.)

Another point Porter emphasizes a great deal is that the four determinants of competitiveness constitute a dynamic system that is as important as its parts – or perhaps more so. The effect of one part of the diamond on competitive advantage depends on the state of the others. Serious weakness in any one determinant will hamper an industry's potential for advancement. The four determinants are thus self-reinforcing. In sum, the system (diamond) can work both as a virtuous and as a vicious circle of mutually supporting forces at industry level.

The last point in the Porter model that should be mentioned here is the relationship between the diamond and the building of clusters. On the basis of numerous industry case studies, Porter observes that a firm's ability to perform and upgrade continuously is strongly influenced by its proximity to advantages in the diamond. Having capable rivals, suppliers, sophisticated customers and providers of specialized factors nearby ensures more rapid information flow, more fluid working relationships and greater pressure to perform. Such dynamics lead to the formation of clusters of nationally or internationally competitive industries (including at a regional level involving two or more countries). Clusters of industries that compete nationally and internationally are the driving force behind economic development in a nation or region; their mutually

reinforcing character energizes performance, fosters upgrading, spawns new firms and new industries and stimulates demand for local industries.

3.2 Empirical Approach

With regard to the first objective of the study - estimating the economic importance of creative industries - we have relied basically on facts and figures published by national and international institutions. Unfortunately, data on creative industries from those sources are either not available or insufficient in the Arab countries under consideration. This is due to a number of factors: first, relevant economic data, if available, are highly aggregated (national accounts data), and cannot therefore be used for assessing the economic importance of creative industries. Secondly, since the existing Standard Industrial Classification (SIC) used by national statistical agencies for collecting data at corporate and industry levels are also highly aggregated (mostly at the three-digit level), they are not suitable for adequately analyzing the value chain of creative industries. Thirdly, additional statistical sources (such as corporate and household surveys data) are not available in all five countries, and even if they are they use heterogeneous definitions, concepts, sampling methods, etc.

This last remark is unfortunately also true for the national research teams working within the present WIPO study. They have not, for instance, always used the same definitions, sampling methods etc. for their country studies. For example, while the Egyptian study considers the film industry exclusively in terms of the production of films, the Lebanese study looks also at the production of advertisements and video-clips, firms involved in the retail distribution of films and also schools and training institutions. There is a more complex problem in the Jordanian statistics: official statistics do not make a clear distinction between the audiovisual sector and music or other sound recording, either at the production level or regarding international trade. For a comparison of the similarities and differences between the industry-studies in the five Arab countries, see Tables 1 & 2.

Add table 1 here

The consequences of these problems are first that we can say very little in quantitative terms about the economic importance of creative industries in the selected Arab countries and secondly that, even if data are available at the national level, comparisons between the countries are very difficult to make, as we shall see below. Finally, since the present study analyzes a selected group of only four core industries, the results can only partly reflect the importance of the entire creative sector in the economy, apart from which it is not appropriate to make international comparisons. None the less, the work represents an important contribution.... Or however you want to say this. I would emphasize the positive rather than be so negative, given that you are presenting a first take on the subject. I would say more about what you have achieved.

As for the second objective of the study - understanding the factors affecting the economic performance of creative industries in five Arab countries - the research teams collected original qualitative and quantitative data themselves. For that purpose we developed a comprehensive questionnaire (88 items) based on the Porter model briefly described above. It covered all major aspects of the model and thus contained general questions on the firm (10), on the economic performance of firms (2), on supply conditions (13), on demand conditions (9), on related and supporting industries (13), on market structure and firm strategy (20), on government policies (13) and, lastly, concluding questions on the future expectations of firms in creative industries (8). The questionnaire – its detailed structure can be found in Appendix A - was designed as a guide for face-to-face interviews for a basically exploratory analysis of the four creative industries in the selected Arab countries.

Owing to the limited financial resources available, it was agreed that the survey would not cover a “representative” sample – in statistical terms - of all firms and experts in the five countries, but rather a limited number of “important” firms and experts in all four industries located in the five Arab countries. The national research teams were thus able to conduct 242 interviews not only with representatives of firms, but also with industry and government experts. Of those interviews, 15% were conducted in Morocco, 14% in Tunisia, 15% in Egypt, 25% in Jordan and 31% in Lebanon. In terms of industry coverage, 32% of the interviews were done in the book publishing industry, 17% in the music recording industry, 22% in the film industry and 29% in the software industry (for more detail see Table 2). The survey was conducted in the five countries in 2002 and 2003.

Add table 2 here

In addition to the quantitative limitations on the number of firms and experts interviewed, the national case studies – with the exception of Lebanon – focus in particular on the "core" firms involved either in the production or in the distribution of creative goods and services. It does not focus much (if at all) on the opinions of creators, artists, actors, directors, musicians, etc., or on the firms operating in the whole value chain, such as distributors, retailers, etc. (parts of the “total” industries). In other words, important parts of the value chain in the four creative industries are under-represented in the survey and analysis, and future research will be needed to add their perspective. Finally, as in all survey work, the information given by respondents will be subjective, and subject to all the usual qualifiers. Nevertheless, the work offers a valuable insight into four copyright based industries in the five Arab countries studied

4. MAJOR RESULTS

The purpose of this section is to present the comparative results among the five Arab countries. The reader interested in the details of the individual countries is referred to the national country studies presented separately.²

4.1 Overall View

The economic importance of creative industries is measured, as mentioned above, by three indicators: (1) Gross Added Value in relation to GDP; (2) share of national employment and (3) share of foreign trade (export and import). In the case of the five selected Arab countries Table 3 summarizes the major quantitative results.

Add table 3 here

With regard to the first indicator, Lebanon³ seems to have - in relative terms - the highest contributions from creative industries to its GDP, followed by Jordan, Tunisia, Morocco and Egypt.

As for the second and third indicators, data are unfortunately not available for most of the countries in the study. For Lebanon⁴ and Jordan only, rough estimates suggest that 1.2 % of the overall labor force is employed by the four creative industries in the former and less than 0.5% in the latter. As for the estimated contribution of the four creative industries to foreign trade, data are available for Jordan only: 2.4% of all exports and 1.2% of all imports come from the creative industries of this country.

Of all creative industries, book publishing seems to be the most important in most Arab countries with the exception of Jordan and Egypt. Its contribution to GDP seems highest in Lebanon, followed by Tunisia, Morocco, Jordan and Egypt.

The contribution of the music recording industry to GDP varies from country to country. Its contribution to GDP seems highest in Lebanon, followed by Morocco, Jordan, Tunisia and Egypt.

² A word of warning: when reading and interpreting the figures given in this section, one should keep in mind all the methodological and statistical difficulties mentioned above.

³ For Lebanon, Roger Melki has carried out, on behalf of WIPO, a new study on the economic contribution of copyright-based industries. The study covers nine core industries: press and literature, motion picture, music, arts, visual graphics, photography radio and television, software, advertising and copyright collecting societies. The study reveals that those nine industries contributed in 2005 around 1044 million US\$ to the Lebanese economy, this is about 4.75% of GDP (see, Melki 2007). This latest study on Lebanon can be compared neither to the earlier 2003 study on Lebanon by the same author nor to the other Arab countries' studies.

⁴ The 2005 Lebanon Study suggests a higher figure of 4.49%. In absolute terms, 49666 workers found their livelihood in the creative industries of that country (see Melki 2007).

In most of the countries under consideration the film industry contributes less than 0.1% to GDP. The highest contribution is in Lebanon, followed by Jordan, Morocco, Tunisia and Egypt.

Of all the creative industries, software is either the most important - in Egypt and Jordan - or the second most important – in Lebanon and Tunisia. Only in Morocco is it the least important.

These preliminary overall results suggest that creative industries in Arab countries are substantially underdeveloped. They confirm the anecdotal evidence (impression) alluded to above. As mentioned in the Introduction, other countries, both developed and developing, are doing much better, in relative terms, than the Arab countries under study. The share of creative activities in the value added of Argentina, for instance, is 6.6% (1993), of Brazil 6.7% (1998), of Uruguay 6.0% (1977), of Paraguay 1.0% and of Chile 2.0% (see World Intellectual Property Organization (WIPO) and State University of Campinas 2002:9).

4.2 Book Industry

The two most important creative industries in Arab countries under consideration are the book publishing and music industries. In those countries, there are – unfortunately - no accurate estimates of the size of this industry, with respect to both the number of titles published and copies produced. According to the latest UNESCO statistics for 1998/1999, the total number of titles published was 1410 in Egypt, 511 in Jordan, 289 in Lebanon, 386 in Morocco and 1260 in Tunisia (see Tab 5). The book industry in Egypt is therefore considered the largest in the whole Arab world. In Greater Cairo alone (Cairo, Giza and Kalyobia provinces) there is at least 112 publishing houses.⁵

The overall economic performance of the book publishing industry varies from country to country. It has been seen as positive in Lebanon and Jordan, as negative in Tunisia and as very negative in Morocco (see Table 5).

Add table 5 here.

The good economic performance of book publishing in Lebanon and Jordan can be explained basically by a combination of positive production factor conditions (labor in Jordan and capital in Lebanon), positive demand conditions (relatively high domestic demand in Jordan and an important foreign demand for Lebanese publications) and favorable interaction with the upstream and downstream industries.

Other distinguishing features of the Lebanese book industry are worth mentioning: Lebanese publishers enjoy a good reputation. One of their strengths lies in the diversity and relative high quality of its products in three languages (Arabic, French and English). The industry is also relatively open to foreign competition: well-known international

⁵ According to Egypt's telephone directory.

publishers are represented in this country with many brand- name titles (for more details, see Melki, 2007).

In contrast, the perceived adverse position of the book publishing industry in Morocco and Tunisia is due to poor production factor conditions (mainly lack of capital, especially a difficult access to bank loans), weak support from peripheral industries. Eighty percent of the paper used in the Moroccan printing and publishing industry is imported and these imports are subject to customs duties of between 10 and 50%. In addition, there are severe limits on the demand side due to low average income, low literacy rate (especially in Morocco) and inconvenient location in remote rural areas. The impact of government policies on demand stimulation is also weak.

The position of the Egyptian book publishing industry is mixed. On one hand the industry enjoys positive production factor (low labor costs) and demand conditions (a very large and growing population), positive support from downstream industries and healthy domestic competition, but on the other hand it faces serious obstacles to its further development. There is for instance a lack of support from upstream industries, such as paper manufacturing or book and publishing equipment (printers, ink cartridges, etc.). These important ingredients are not produced locally, and must therefore be imported on terms that are not always beneficial (high tariffs and taxes). There is also a weak support from downstream industries: an efficient distribution system is lacking, especially for privately owned firms. This situation indicates that critical requisites for a local cluster of firms to operate in the Egyptian book publishing industry are missing.

In all countries the enforcement of IPRs in the book publishing industry is weak. Copyright protection is not widely used as a positive means of enhancing the economic performance of this industry. The main problem here, as in all other creative industries, is the lack of enforcement of the existing IPR- laws and regulations.

4.3 MUSIC INDUSTRY

The heterogeneity among Arab countries applies also to the music industry. In Egypt, the music sound recording industry was estimated in 2001 at 15 to 17 million US \$⁶ (in terms of the production value), (see Ghoneim 2004). There are three large firms in the industry accounting for 70-80% of production, another 20 small firms account for 20-30% of production. These figures suggest a high degree of concentration in this industry. The total number of employees is estimated to be about 650. All firms are privately-owned; with the exception of one quasi state-owned firm (the firm falls under the umbrella of the Union for Radio and Television).

In Lebanon, the music recording industry generated in 2005 US\$ 125. 5 Mio of turnover and US\$ 72.26 Mio of value added. It consists of 1237 operators employing 2400 workers (0.22% of total employment). The Lebanese music recording industry is, as in Egypt, highly concentrated: Rotana, a Saudi-owned firm, owns 80 percent of the Arab repertoire. Each of the five main international music companies, Sony Music

⁶ Using an exchange rate of 1US\$ to 4.3 Egyptian pounds.

International, EMI, BMG, Warner Music and Universal Music, controls about 15 to 20 percent of the music played in Lebanon. A small share of the market remains in the hands of small, privately-owned Lebanese studios (for more details, see Melki 2007).

The Moroccan music is very rich and covers a very large spectrum: Arabo-andalouse, Malhoun, Chaabi, Classic, Berber, Rifi and Soussi music. Each type of music is very popular and has an important market. However, the largest share of the music activities in Morocco is informal and not well structured. Hence, the market value of the Moroccan music is very low (and underestimated). According to Sekkat\Achy (2004), it is roughly estimated at 54 millions dollars turnover per year. Until recently (15 years ago), the Moroccan television (Radio ET Television Marocaine, RTM) had had a quasi-monopoly on music recording and distribution. Hence, the artist has to go to Rabat and convince television officials. Such an approach was not convenient for many artists who are far from Rabat or not familiar with the RTM bureaucracy. However, in recent years some decentralization and competition took place and induced a visible (although not measurable) development of creation, recording and distribution activities.

In Tunisia, the value of the production and consumption of tapes and cassettes has remained quite small, about TD 5 million in 2000 according to national accounts data, although it did increase during the 1995-2000 period (see, Lahouel 2004). The music recording and distribution industry was a State monopoly until the early 1980s. In the 60s and 70s the Tunisian Radio and Television Board (RTT) used to produce works of performers under contracts signed between the two parties. The first distribution firm, "Ennaghem", was set up in the 70s as a subsidiary of RTT and was the first firm to produce records in Tunisia. It was granted the monopoly of reproduction, while RTT continued to hold the recording monopoly. Ennaghem then started producing tapes around 1977 and 1978, a few years after tapes appeared on the international market (in 1972-73). When Ennaghem failed and went bankrupt in the mid-1980s, newly created private firms took over the market. However, many of these have closed down in recent years owing to the inadequacy of demand, while others are currently experiencing great difficulties and are even at risk of bankruptcy, with only one or two at most largely dominating the market, to the extent of even selling the products of financially distressed competitors.

The overall economic performance of the music recording industry differs from country to country. It is considered positive in Egypt and Lebanon, negative in Morocco, very negative in Tunisia and unchanged (neutral) in Jordan (see Table 6).

Add table 6 here

The encouraging performance of this industry in Egypt and Lebanon can be understood as a result of a favorable combination of good production factor conditions (especially labor and human capital), demand conditions (especially the possibility of exporting to other countries), adequate support from upstream and downstream industries and lively domestic competition. In both countries the performance of the music industry is due to private sector effort and not to government support. On the contrary, public

policy is seen (especially in Egypt) as having an adverse effect on the music industry. In Egypt, this includes first, government ineffectiveness in controlling smuggling and tracing piracy through well enforced IPR laws and regulations; second, high import tariffs on raw cassette tapes and CDs and other main inputs: heavy tax burden on advertising (where for example, adding the logo of the firm on the advertisement in television costs 100% more of the actual cost of the advertisement), (for more details, see national case study of Egypt by Ghoneim, 2004).

Lebanon's music industry has, according to industry's experts, the potential of becoming one of the leading music industries in the Arab world. This is due both to favorable supply side conditions (the market is dominated by a few companies benefiting from economics of scale) and favorable foreign demand conditions (Lebanese firms have been expanding their exports to countries in North Africa and Middle East, for more details see Melki 2007).

The poor economic performance of the music industry in Morocco and Tunisia is attributed to unfavorable production factor conditions (lack of capital), adverse demand conditions (both domestic and foreign) and insufficient support from downstream industries (in Morocco) and upstream industries (in Tunisia). In Morocco, the organization of music activities is very informal and lacking of any systematic long-term global strategy. In neither country is public policy perceived as helping to mitigate those serious problems.

In all countries under consideration the enforcement of IPRs in the music recording industry is very weak. Piracy and other infringements of IPRs seem to be seriously detrimental to the economic performance of that industry.

4.4 Film Industry

Egypt has a long and proud tradition of moviemaking dating back to the late nineteenth century when projections were shown in Cafés. The first feature films to be produced were romantic movies intended for the urban middle class while the first full-length silent feature and the first made with an entirely Egyptian crew was "Leila", produced and co-directed by Azira Amira with Turkish director Orfi Bengo in 1927. Since then, the Egyptian film industry has become the most important in the Arab world. More than 75% of the 4000 short and feature films made in Arabic-speaking countries since 1908 has been Egyptian. At its peak, the film industry of Egypt produced some 60 to 70 feature films a year. In 2006, however, the industry managed to produce locally only 23 feature films. Both locally produced films and imported films are currently distributed by around 11 companies. The total number of admissions for feature films is 29.4 Mio, which take place in 218 cinemas all around the big cities of Egypt, especially in Great Cairo and Alexandria. The frequency of attendance per capita is very low (0.4).

In Morocco, The average number of locally produced feature films has almost quadrupled after 1980 (from 3 during 70-79 to 11 during 80-96). In 2006 this figure has slightly increased to 12 (see Tab. 7). The significant increase in the production of

Moroccan films after 1980 is clearly associated with the creation of a national fund supporting the industry. The average number of films produced by foreigners in Morocco also exhibits a spectacular increase since 1980, as it documented by UNESCO statistics. This fact is due – according to film professionals – to the combination of a large geographical variety in Morocco and the availability of skilled and cheap human resources contribute greatly to the attractiveness of Morocco.⁷ It remains, however, that Moroccan producers do not take advantage of such endowment as it is reflected in their low production. The film production is supported by a distribution system consisting of 7 companies serving around 96 cinemas, mainly in the big cities of Rabat, Casablanca and Marrakech etc. The number of movie goers is relatively low (3.8 Mio.) which leads to a relative low attendance per capita (0.1). This figure is even lower than the Egyptian one (0.4).

The Film production in Lebanon has been meager throughout its recent history. After experiencing a golden age between 1929 and 1957, when 500 films were produced, and then stabilizing its output to 7 or 8 films a year, the Lebanese film-making industry has been unable to turn out more than 1 or 2 films a year since 1990. In 2006, a total 8 films were locally produced (by both Lebanese and foreign producers). As to the distribution system, 7 companies have been serving the local market. This consists of around 150 cinemas, most of which have state-of-the art audio and visual equipment and show the latest release (90% of the market). The number of admissions for feature films in those cinemas is relatively high (9.5 Mio.). Lebanon thus has one of the highest attendance frequencies per capita in the Arab world (2.4).

The production of Tunisian films has been very low, averaging less than two a year in the 1990s. Co-production with foreign producers is also low and sporadic: there has been only one film co-produced from 1997 to 2002. Moreover, the number of films shown in Tunisian cinemas has been declining, from 142 feature-length films in 1993 to 80 in 2000. In terms of origin, American films increasingly dominate the market, with their share rising from 55 per cent in 1993 to over 72 per cent in 2000, even though they too have followed a downward trend in absolute terms. Egyptian and French movies are far behind, averaging respectively eight and five films in recent years. The decline in short films, which are mainly documentaries, has been sharper, from 20 in 1993 to only three in 2000, and very few of them were produced by Tunisians in the 1990s. Attendance and cinema capacity have also shown sharp downward trends. Box offices declined from about 1.6 million viewers in 1994 to less than 1.3 million in 2000 and to 300 000 in 2005. Several cinemas outside the capital closed down as a result of the activity slowdown. While the number of cinemas and seating capacity remained more or less constant in Tunis in the 1990s, they declined by about a third in other cities. In 2006 Tunisia had a total number of cinemas of 22, the lowest number of all Arab countries under consideration.

After this short description of the film industry in the five Arab countries, we turn now to their qualitative assessment, based on the responses of the survey conducted on

⁷ Some famous films such as *Platoon*, *Harem*, *1492* or *Highlander* were produced in Morocco

the field. The overall economic performance of the film industry is considered positive in Lebanon, negative in Morocco and Tunisia and mixed in Egypt⁸ (see Table 8).

Add table 8 here

In Egypt, experts have identified both positive and negative factors affecting the development of this industry. The positive include favorable production factor conditions, good demand conditions (especially the opportunities for export, especially to other Arab countries), adequate support from upstream and downstream industries and supportive public development of human resources and technology. On the other hand, competition (both domestic and foreign) and the role of public policy (especially with respect to infrastructure building, stimulation of demand and lack of IPR enforcement) are regarded as having an adverse effect on the development of this prestigious industry in Egypt.

In Morocco and Tunisia, a lack of capital (limited or no access to formal financing), a weak demand (declining cinema attendance in domestic markets and lack of foreign demand), an inadequate support from downstream firms, limited distribution channels, a fierce foreign competition (especially from USA and India) and insufficient public policy are the major negative factors explaining the poor economic performance of this industry. That low performance has been recorded in spite of the availability of adequate labor and government efforts to develop human resources and technology.

In Lebanon there is hardly any film industry, and current output is very small (one or two films a year produced by nationals). This is due to a vicious circle of poor production factors (lack of finance and competent professionals), unfavorable demand conditions (lack of interest in locally produced films, preference for substitutes such as DVD, TV etc.) and strong foreign competition (especially from USA). Consequently there are practically no local supporting and related industries. Government support is weak.

In spite of these difficult conditions, efforts have been made to stimulate the film industry in Lebanon, including through the organization of Beirut Development and Cinema (Beirut DC), founded in 1999 by a group of cinema professionals and Art advocates. The aim of Beirut DC is to provide support to Arab independent filmmakers in overcoming the constraints facing independently minded Arab cinema. Important film festivals are organized in Beirut, and in the fourth edition held in 2006, the festival screened more than 40 films, mainly shorts and documentaries.

In most of the countries in the study the enforcement of IPRs in the film industry is seen as weak. The impact of copyright protection on the economic development of the industry is perceived as negative.

4.5 Software Industry

⁸ In Jordan the research team reported on the audiovisual sector in general, as this country does not have a film industry.

The Egyptian software industry was estimated in 2001 at 50 million US \$⁹ (in terms of the market value of production). The industry is divided into selling (retail) software industry and software development industry (e.g. business applications for industries, such as banking, hotels, etc.). The software development industry is estimated at around 45 Mio US\$ whereas the local software industry's share is about 5 Mio US\$. If the sales of foreign software are included, the figure jumps to 80 million US \$. There are over 300 firms operating in this field¹⁰, covering all sizes (large, medium and small firms). The number of employees in large firms is between 50-150 people per firm and some exceptional firms reach 300-400 people. Small firms and start-ups have between 1-5 employees. Government employees working in the information technology (IT) sector are about 4,000 working as support staff in ministries and other government agencies. Private sector accounts for about 5,000 employees. Thus, about 8,000-9,000 people are working in the field mainly in the private sector and the government¹¹. Such figures exclude businesses working in related activities, mainly distribution, which exceed 1,500 distributing agencies.

The software industry in Jordan is relatively small, consisting of around 10 firms directly involved in developing or selling software or both. Its contribution to GDP is estimated at 21 Mio JD in 2001 (less than 0.4%; total value added in Jordan was 5, 992 Mio JD). It employed around 2000 employees (out of 1,175 000 employees in Jordan).

The Lebanese software industry consists of 374 firms in 2005, concentrated in Beirut and its suburbs, and employs around 1300 high-skilled employees – computer engineers, programmers, technicians etc. According to industry experts (see Melki 2007) the five leading firms cover more than 50% of the local market (high concentration). Due to openness of the country, domestic software firms have been facing severe import competition, especially from Far East.

According to the “Association des Professionnels de Technologie de l’Information (APEBI)”, the IT-market in Morocco is estimated at a market value between 300 and 500 Mio. US\$, including software, service support and hardware. However, the share of software (creation and commercialization) is very low and does not exceed 3% of the total market. The software market is dominated by well-known multinationals like

⁹ Using the exchange rate of 1 US\$ to 4.3 Egyptian pounds. Other studies estimate the industry to be larger. For example, Makary, 1999 put an estimate of 620 million Egyptian pounds in the year 2000 compared to 290 million in 1999, with a growth rate of 60% (i.e. 143 million US \$ in the year 2000 and 67 million US \$ in the year 1999 if we adopt a similar exchange rate).

¹⁰ Published data available from a 1999 report on the industry assert that the industry is worth 50 million US \$ and that there are 120 firms working in the industry with an annual growth rate of 35%. The number of employees was estimated to be 5,000 (Harvard Computing Group, October 1999). The report did not take support staff in government agencies into consideration. The report also stated that estimates of the Egyptian Software Association and multinational companies, such as NCR and ICL estimated the industry to be worth 40-45 million US\$.

¹¹ The latest available published figures for this industry indicate that the size of the industry was 50 million US \$ in 1999 and had 120 firms

Microsoft or Oracle. A large majority of Moroccan firms are specialized in commercialization of computers and other office machines and sometimes install imported software. There are few firms which create and develop software tailored to specific needs of public institutions and large corporations.

There is an emerging software industry in Tunisia: the number of software firms reached almost 260 in the year 2000. They account for about 30 per cent of the total number of firms working in the IT sector. Most of the others assemble or sell computer hardware and software. Employment has also been growing fast in this sector, rising from about 4,400 in 1997 to over 6,500 in 2000. The sector has thus accounted for about 1.3 per cent of the new jobs created in the whole economy during the 1997-2000 period, and the sales of software companies rose from TD 33 million in 1997 to 42 million in 2000 (about US\$ 37 million). Since the added-value content of these sales is very high, the estimated added value of the software industry was probably close to TD 40 million in 2000. The share of exports in the sales is also very high, indicating that this activity has targeted foreign markets early on, even though exports are still very modest. Exports of software and software-related services rose from less than US\$ 2.5 million in 1997 to more than US\$ 30 million in 2001.¹²

After this short description of the software industries, we now turn to the question of the qualitative assessment of its overall economic performance. Of all the creative industries studied here, only the software industry has been unanimously seen as performing well or very well in all five Arab countries. Almost all factors of the Porter Diamond register positively. This optimistic view is not only true of the recent past development of the industry: it also holds for its future. Corporate expectations are good in all countries (see Table 9).

Add table 9 here

So, what explains this special case? It is basically the combined beneficial effect of major components of the Porter Diamond, such as good production factors (availability of finance and credit), sufficient demand (from both the private and public sectors), adequate support from upstream and downstream industries (ICT industry and others), strong domestic competition and deep involvement of public policy, coupled with international aid, both private and public (see for instance the case of Jordan).

The only dark area in this picture is the persistence of piracy and the illegal use of software in Arab countries, especially Lebanon and Morocco.¹³ As in other creative industries, the enforcement of IPRs in the software industry remains weak. According to

¹² See the annual reports of the Central Bank of Tunisia.

¹³ In Egypt, according to Ahmed Ghoneim, team leader of the Egyptian national study, “software development does not suffer from IPR problems.” However, software in general, which is normally imported from abroad, is still facing the problem of piracy (mainly due to its high price), although this problem has been lately “narrowed and scaled down” (see A. Ghoneim: e-mail dated July 14, 2003).

a PriceWaterhouseCoopers study around 90% of the software in the Maghreb countries consists of illegal copies (quoted by Sekkat/Achy 2004).

5. RECOMMENDATIONS

The third objective of the present study, as already mentioned above, is to provide Arab policymakers, business leaders in the Arab region and international development institutions with theoretically sound, evidence-based advice on the issues of the creative industry. On the basis of the evidence submitted in the Arab national case studies and on evidence from other countries we will be able to draw up some general recommendations. (For industry and country-specific recommendations, the reader is referred to the national case studies published separately.)

In the light of the evidence that creative industries in the Arab countries selected for this study have not yet achieved the level of development (in either absolute or relative terms) of both other developing and developed countries (see figures mentioned above), we can conclude that there is great potential, which should be systematically mobilized. This can only be achieved by a well-designed and implemented process of upgrading and innovation in companies, industries and clusters. Public policy can play an important part in this process; indeed it should play four fundamental parts in the process of development of the economy in general and of creative industries in particular.

The first such part is that of improving the quality and availability of the generalized inputs that companies draw upon, such as educated human resources, physical and technological infrastructure and capital. These lacks were particularly noted in all countries under consideration with regard to access to financing in the book, film and music industries. There is also a lack of qualified human resources in the software industry (in terms of quality for instance in Egypt and in terms of quantity and quality in Morocco).

Secondly, government should encourage upgrading and innovation with the aid of rules, regulations and incentives. Through regulations, tax policies, the enforcement of IPRs & antitrust laws and many other measures, governments influence the climate in which companies operating in creative industries compete. That influence should be used to encourage investment and other determinants of economic performance. Areas where this has already been particularly encouraging include the software industry; areas where it is particularly lacking include the book, film and music industry.

Thirdly, government should leverage its investment in skills, research capabilities and infrastructure to facilitate the process by which all local clusters form and develop. Such investment feeds whole groups of firms and industries. Thinking in terms of clusters rather than industries also encourages firms to work closely with suppliers and customers. Unfortunately, this kind of thinking is lacking in practice in most Arab countries under study.

Fourthly, and most subtly, government leaders should challenge local companies and people in their regions to raise their sights and strive for greater competitiveness. The ability of government to signal the future fosters economic upgrading.

Looking at these four government roles more closely, we can see that they are consistent with a modern view of the role of the State in the economy. They advocate neither a laissez-faire nor a strongly interventionist industrial policy. They operate in tandem with the Porter Diamond presented earlier (see Porter 1990). With reference to this model let us see what kinds of action policymakers in Arab countries should take in order to influence positively the different components (the dynamics) of the diamond as applied to their creative industries.

(1) Policies affecting production factor conditions:

- Invest in human resources by building a strong basic education system for all citizens, thus eradicating illiteracy, by setting high educational standards, by supporting institutions that develop specialized skills and, last but not least, by creating incentives for company investment in training. Since intellectual capital and creativity are the most important inputs for the creative industries, investing in their human resources is therefore crucial.
- Support science and technology by creating incentives for private R&D, backing research and technological infrastructure for crosscutting technologies and industries and promoting wide dissemination of basic scientific knowledge. The digital revolution has dramatically changed the way creative goods are produced, diffused and consumed. Investing in ICT and ICT-related technologies is therefore very urgent.
- Invest in physical infrastructure. The infrastructure needs of the creative industries of Arab countries arise at all points in the value chain from initial creative production (which may be undertaken on a small scale at the local level or on a larger scale in towns and cities) right through marketing and retailing.

(2) Policies affecting demand conditions:

- Stimulate early demand; government purchases can enhance the production of creative products if they take place in the early stages of the product cycle, thus reducing market uncertainty for the producers. Government can assure a reliable pocket of demand and therefore secure the launch of new creative products.
- Act as a sophisticated buyer in purchasing, for instance, of school textbooks, of software for public administration and companies, or of films for state-owned broadcasting organizations.

(3) Policies affecting related and supporting industries:

- Facilitate cluster development. Here can the creative clusters established in Barcelona (Spain), Rosario (Argentina) and Shanghai (China) of great help. Especially the Chinese experience can be very instructive for Arab countries.

- Base regional policy on clusters.

(4) Policies affecting strategy, structure and rivalry:

- Introduce a capital allocation system that encourages investment. Sources of finance for businesses in the creative industries may arise from public-sector funding programs of various sorts (ministries of culture or other public agencies), private sector investment, and public-private partnerships involving joint contributions and responsibilities. The creative industries in Arab countries have been primarily using the first source of funding, an effort should be made in order to establish the other ones and therefore create a more diverse capital allocation system.
- Promote local competition by deregulating the structure of industry and strictly enforcing antitrust policy and IPRs. Because creative industries are based on intellectual property, an important aspect of the legislative framework for creative industries is the enforcement of IPRs relating to cultural activities and creative goods and services. A balance needs to be struck, however, between strengthening of IPRs and strengthening the public domain. Ensuring that this balance is established is essential to asset management and wealth creation in the creative economy.
- Expand interregional and international trade and investment by opening markets, promoting exports and attracting appropriate foreign investment. Arab countries share a common language, common religions, a common history and largely a common cultural heritage¹⁴, all important ingredients for producing and consuming common creative goods. Still markets for creative goods and their producers are largely national. This lead to lost profit opportunities both on the supply side (economics of scale) and on the demand side (higher revenues due a larger market) of the creative industries. It is time to correct this situation!

The way of promoting creative industries in China is an example of successful policies towards creative industries: As mentioned above, China has become in a relative short time period the world's leading producer of and exporter of value-added creative products. It has achieved this position through an integrated policy towards its creative industries. As an important part of this policy is the promotion of creative hubs and clusters in different parts of mainland China and Hong Kong. The example of the way of promoting Shanghai creative industries is in this regard very instructive for those Arab countries that are planning the development of a policy framework towards their creative industries:

“Shanghai was a pioneer city in the promotion of the creative industries, with the Municipal Government playing a key role. In the 11th Five-Year Plan of the Shanghai government, promoting creative industries has been listed as a key issue in developing modern service industries. In the past, Shanghai was very strong in manufacturing, but

¹⁴ ¹⁴ For more details about aspects of the cultural heritage in Arab countries, see De Trafford, A. et al (2008) and World Bank (2001).

now it is shifting towards the service and finance industries. Hence, in 2007, it was a government priority to accelerate the development of creative industries so as to promote the structural reform of industries with a view to building a new framework focused on the service economy. In the “Key Guide for the Development of Creative Industries in Shanghai”, the five main areas of creative-industry development are:

- R&D, including advertising, animation, software and industrial design;
- architectural design, including engineering and interior design;
- culture and media, including art, books, newspaper publishing, radio, television, film, music and performing arts;
- business services, including education, training and consulting services; and
- lifestyle, including fashion, leisure, tourism and sports.

Creative industries already account for about 7 per cent of Shanghai GDP. Seeking to turn Shanghai into a creative city, the government has set a target of 10 per cent for the contribution of creative industries to total Shanghai GDP in 2010

Shanghai has divided its development of creative industries into three stages: creative-industry parks, creative-industry clusters and creative-industry projects.

■ *Stage 1: Creative-industry parks – the model of old factory warehouses plus artists. In the first stage, many old warehouses in the downtown area were renovated and furnished to become modern office buildings while retaining some of their original equipment and appearance. These buildings are usually spacious with high ceilings, making an ideal environment for the start-up of creative businesses by artists and entrepreneurs. Since these buildings were almost useless in the past, the rents were comparatively low and thus good for creative companies and individual artists. This model has proved to be quite successful: by the end of March 2007, 75 creative-industry parks had already been built in Shanghai.*

Since most creative businesses start small and are modestly capitalized, these creative-industry parks play an important role at bringing such businesses together and providing an enabling environment. In addition, they may facilitate marketing such companies since the clients may approach creative-industry parks when searching for suppliers.

M50, an old warehouse converted into painting and sculpture galleries and studios, is a very good example of these creative-industry parks. Numerous very creative artists are now concentrated in M50 and receive many visitors and clients. Some of the artists at M50 became very successful and now have their artwork listed in Sotheby auctions.

With the support of the government, owners of culture-industry parks are able to convert unprofitable warehouses into prosperous office buildings. In turn, the surrounding environment also improves. This model has proved to be very successful from a business perspective. However, it has some shortcomings. Creative-industry parks remain owners, while creative businesses are renters. As real estate values increase and rents rise, some companies and artists are forced to relocate, consequently hindering the industries’ development.

■ *Stage 2: Creative-industry clusters – clusters formed according to the local art and cultural resources. Eventually, creative-industry parks were found to be insufficient to fully support the development of the creative industries. The Shanghai Municipal Government has stopped building new creative industry parks but continues to maintain and develop the existing 75 parks. Based on the latter, the government starts to explore the development of creative-industry clusters, which take into consideration the characteristics of the local art and culture and intentionally focus on certain industries. As a result, a full range of companies and businesses in the value chain are concentrated in these clusters so as to foster the development of that particular industry. The main industries include: the theatre and performance-art cluster, the film and television cluster, the comic cartoon and game cluster, the gallery cluster and the intellectual-property cluster. For example, the Zhangjiang Culture and Technology Creative Cluster has attracted enterprises relating to comics and cartoons, games, television and movies, and post-production services. At present, this cluster concentrates 70 per cent of the total production value of game software in China, including some of the top game businesses.*

■ *Stage 3: Creative-industry projects – big and important events and projects based on the value chain. Shanghai is also trying to promote such projects in the creative industries. For the 2010 World Expo, a creative project is being carried out that will place in one service system all the elements attractive to a participant in the World Expo, including clothing, food, accommodation, travel and entertainment. This kind of big project has great potential to promote the creative enterprises in Shanghai.*

All these quick developments require strong support from the government. A long-term policy and related strategies are necessary for the stable promotion of the creative industries. Moreover, five-year plans are an effective way of informing people of the direction of development. Government initiatives take the leading role and must continue to be the main impetus, particularly when facing competition from more developed creative industries in other countries. For China, the development of creative industries involves almost all industries, and people are increasingly aware of this trend. Our target, however, extends beyond GDP increases and includes the exploration of the potential of deeply-rooted Chinese culture for making creative products rich in Chinese culture and heritage. The cultural value of the creative industries lies not solely in its products but also in the emergence of culture as a core element of industrial and economic activities. Much progress remains to be made, though, as Chinese industries have been mainly manufacturers. However, as exemplified by the experiences of other countries, creativity will become a driving force in the whole economy.

China is facing the twofold task of promoting new industries and improving traditional industries. Fostering cultural development is also paramount. The creative industries provide us with a new perspective on our current gap vis-à-vis developed countries and a new way to explore the potential of development as a big country rich in cultural resources.

Awareness of the value of creativity is just beginning in China. In the last two to three years, many cities have begun to explore the creative industries. In the 16 cities that belong to the Yangtze delta, 14 are boosting creative industries. Moreover, Beijing has taken powerful measures to support its creative industries. The value of creative talents is also increasingly recognized in the society, with schools encouraging greater creativity among its students, a change that may influence China's entire education system. To properly understand and take advantage of this trend, the Ministry of Education has started a three-year research project on China's strategy towards the creative industries. This exemplifies China's commitment and vision for development. Though its experience may not be easily replicated, it could be an interesting reference for other countries, especially developing ones." (Prof. He Shou Chang, Executive Vice Chairman, Shanghai Creative Industry Association)¹⁵

6. SUMMARY

This paper has tried to describe and explain empirically the economic performance of four key creative industries (the book publishing, music sound recording, film production and software industries) in five Arab countries (Morocco, Tunisia, Egypt, Jordan and Lebanon). Using the Porter (Diamond) model as its theoretical background, a survey was conducted in the years 2002-03 among 242 experts, covering firm representatives, industry and government experts. The results were incorporated into five national case studies.

This paper has synthesized the results of those national reports, giving a comparative account of the performance of the four creative industries in these Arab countries. The overall results of the study suggest that creative industries in Arab countries are substantially underdeveloped (both in absolute and relative terms), and there remains a great potential that should systematically be mobilized. A discussion of how this can be achieved is offered, based upon a well-designed and implemented process of upgrading and innovation in companies, industries and clusters related to creative activities. Public policy, well understood and efficiently implemented, can play in this process an important role.

The example of the Chinese way of promoting Shanghai creative industries is in this regard a very useful example for those Arab countries that are planning the development of a policy framework towards their own creative industries.

¹⁵quoted by United Nations Creative Economy Report 2008: 181-182

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Appendices

Appendix A: Structure of the Questionnaire

Section I. General questions on the firm

- Corporate name
- Field (s) of corporate activity (music, software, book publishing, audiovisual, etc.)
- Position in the value-chain of the industry (supply of inputs - author of book, software etc. - production, distribution, etc.)
- Position in the firm of person interviewed
- Date of foundation
- Number of employees in 2000/2001
- Capital in 2000/2001
- Volume of physical output 2000/2001
- Volume of sales 2000/2001 (in national currency)
- Past evolution (growth rate) of sales over the past five years

Section II. Questions on the performance of firms

- Growth of sales in the last two years
- Growth of market share in the last two years
- Growth of number of employees in the last two years
- Growth of profits (after taxes) in the last two years
- Growth of cash flow in the last two years
- Growth of other indicators (specify) in the last two years
- Overall performance in the last two years

Section III. Questions on supply conditions

- Number, skills, training, etc. of employees in the firm
- Availability, structure and sources of financing
- Price/quality ratio of other inputs (electricity, postal services, telephone, domestic transport, port services, airport services, shipment)

Section IV. Questions on demand conditions

- Size and determinants of domestic demand
- Consumers targeted
- Character of domestic demand (demanding, anticipating foreign demand, etc.)
- Foreign demand (exports)

Section V. Questions on related and supporting industries

- Number of and cooperation with local suppliers
- Availability of specialized inputs
- Horizontal cooperation with other firms
- Contribution of supporting industries (insurance, legal services, banking, marketing, etc.)
- Contribution of public institutions (universities, R&D organizations, etc.)

Section VI. Questions on market structure and corporate strategy

- Market structure (number of firms, etc.)
- Intensity of domestic competition
- Market access and other market entry barriers
- Entry barriers for foreign competitors (foreign competition)
- Existence of an explicit business strategy (number of people involved, goals, strengths and weaknesses of the firm, etc.)
- Image of the firm (held by customers, competitors, etc.)
- Existence of an explicit IPR strategy

Section VII. Questions on government policies

- Government policies in human resource development (education, health, training, etc.)
- Government policies in science and technology
- Government policies in physical infrastructure (transport, shipment, utilities, etc.)
- Government as a buyer of cultural goods (demand stimulation)
- Government policies in industry-specific investment, building clusters, protecting IPRs, protecting competition, setting price controls, attracting foreign investments, etc.

Section VIII. Concluding questions: future expectations (sales, profits, employment, market, etc.)

Appendix B: Tables

Table 1: Industries covered by the study (X: covered by the national case study; O: not covered by the national case study)

| | Morocco | Tunisia | Egypt | Jordan ^(*) | Lebanon |
|--|---------|---------|-------|-----------------------|---|
| Motion Picture Industry | | | | | |
| • Television | X | O | O | X | O |
| • Theatrical and | O | O | O | X | O |
| • Home video | X | O | O | X | O |
| Recording Industry | | | | | |
| • Records, | X | X | X | X | X |
| • Tapes and | X | X | X | X | X |
| • CDs | X | X | X | X | X |
| Music Publishing Industry | X | O | X | X | X |
| Publishing Industry | | | | | |
| • Book, | X | X | X | X | X |
| • Journal and | O | O | O | O | X |
| • Newspaper | O | O | O | O | X |
| Computer Software Industry, including | | | | | |
| • Data processing, | X | X | X | X | X |
| • Business applications | X | X | X | X | X |
| • Interactive entertainment on all platforms | X | O | O | X | O |
| Legitimate Theatre | O | O | O | O | O |
| Advertising | O | O | O | X | X |
| Broadcasting industries: | | | | | |
| • Radio | O | O | O | X | O |
| • Television and | O | O | O | X | X |
| • Cable | O | O | O | X | X |
| Other industries (specify) | | | | | |
| • Film production | | X | X | | Printing, Live shows, Concerts, Festivals Schools and Training Institutions |
| • Film distribution | | X | X | | |

* For Jordan: since there is no film industry in this country, the Jordanian research team examined the audiovisual sector instead. In addition, owing to overlaps and minute size, Advertising has been combined with Radio, TV and Cable broadcasting.

Table 2: Number of Interviews for the Four Copyright Industries of Arab Countries

| | Morocco | Tunisia | Egypt | Jordan* | Lebanon | Total |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------------|
| Book | | | | | | |
| • Firms | 16 | 09 | 07 | 09 | 12 | 53 |
| • Experts | 00 | 01 | 02 | 06 | 16 | 25 |
| Total | 16 | 10 | 09 | 15 | 28 | 78 32% |
| Music | | | | | | |
| • Firms | 04 | 04 | 03 | 05 | 03 | 19 |
| • Experts | 05 | 01 | 01 | 07 | 09 | 23 |
| Total | 09 | 05 | 04 | 12 | 12 | 42 17% |
| Film* | | | | | | |
| • Firms | 05 | 09 | 10 | 10 | 04 | 38 |
| • Experts | 01 | 00 | 02 | 02 | 10 | 15 |
| Total | 06 | 09 | 12 | 12 | 14 | 53 22% |
| Software | | | | | | |
| • Firms | 04 | 08 | 10 | 15 | 08 | 45 |
| • Experts | 02 | 01 | 02 | 06 | 13 | 24 |
| Total | 06 | 09 | 12 | 21 | 21 | 69 29% |
| Total | 37 | 33 | 37 | 60 | 75 | 242 100% |
| | 15% | 14% | 15% | 25% | 31% | 100% |

* For Jordan: since there is no film industry in this country, the Jordanian research team examined the audiovisual sector instead.

Table 3: Economic Importance of the Four Copyright Industries in Selected Arab Countries

| | Morocco (1999) | Tunisia (2000) | Egypt (2000/01) | Jordan (2000) | Lebanon (1999) |
|---|--------------------------|--|---------------------------|-------------------------|--------------------------|
| Share in GDP (in %) | | | | | |
| • Book | 0.299 | 0.37 | 0.02* | 0.2 | 0.843 |
| • Music | 0.161 | 0.02 | 0.02* | << 0.1 | 0.216 |
| • Film | 0.045 | 0.09 | 0.02* | < 0.1 | 0.108 |
| • Software | 0.030 | 0.16 | 0.05** | 0.4 | 0.451 |
| Total | 0.534 | 0.64 | < 0.1 | 0.7 | 1.618 |
| Share in Employment (in %) | | | | | |
| • Book | n.a. | n.a. | n.a. | 0.1 | 0.79 |
| • Music | n.a. | n.a. | n.a. | << 0.1 | 0.19 |
| • Film | n.a. | 0.2 ^(a) | n.a. | < 0.1 | 0.12 |
| • Software | n.a. | 1.2 ^(b) | n.a. | 0.2 | 0.13 |
| Total | n.a. | n.a. | n.a. | < 0.5 | 1.22 |
| Share in Exports and Imports (in %) | in X in M | in X in M | in X in M | in X in M | in X in M |
| • Book | n.a. | 0.04 ^(c) 0.5 ^(c) | n.a. | 0.6 0.2 | 3.36 0.39 |
| • Music | n.a. | 0.06 ^(d) 0.03 | n.a. | 0.1 0.1 | n.a. |
| • Film | n.a. | n.a n.a. | n.a. | 0.4 0.2 | n.a. |
| • Software | n.a. | 0.3 ^(e) n.a. | n.a. | 1.4 0.9 | n.a. |
| Total | n.a. | n.a. n.a. | n.a. | 2.4 1.2 | n.a. |

For Egypt: * of GNP (not GDP) in 2000; ** for 2001

For Tunisia: (a): average of new jobs created over the period 1996-2001

(b): average of new jobs created over the period 1998-2001

(c): Printed material (year 2000); (d): Recorded tapes (year 2000)

(e): Software only (year 2000)

For Jordan: since there is no film industry in this country, the Jordanian research team examined the audiovisual sector instead.

Table 4: Book Production: Total Number of Titles per Year

| Country | Year | Total Number of Titles |
|---------|------|------------------------|
| Egypt | 1998 | 1410 |
| Jordan | 1996 | 511 |
| Lebanon | 1999 | 289 |
| Morocco | 1999 | 386 |
| Tunisia | 1999 | 1260 |

Source: UNESCO, DataCenter, online, 5/6/2009

Table 5: Synthesis of Results for the Book Industry (Each response represents the perceived opinion of the majority of the experts surveyed in their respective country)

| Indicators | Countries | | | | |
|---|-----------|---------|-------|--------|---------|
| | Morocco | Tunisia | Egypt | Jordan | Lebanon |
| Overall performance | -- | - | (?) | + | + |
| Role of Supply | | | | | |
| Labor | + | 0 | + | + | - |
| Capital | -- | - | + | 0 | + |
| Role of Demand | | | | | |
| Domestic demand | -- | 0 | + | + | - |
| Export market | -- | 0 | + | 0 | + |
| Role of Related Industries | | | | | |
| Upstream | - | + | - | + | + |
| Downstream | - | - | + | + | + |
| Other firms | - | - | 0 | 0 | 0 |
| Role of Market Structure | | | | | |
| Domestic competition and strategies | 0 | + | + | - | - |
| Foreign competition | 0 | 0 | 0 | 0 | - |
| Role of Public Policy | | | | | |
| Development of human resources and technology | + | + | - | - | -- |
| Infrastructure and investment | + | + | - | - | -- |
| Stimulation of demand | - | 0 | 0 | 0 | -- |
| Enforcement of IPRs | -- | 0 | - | 0 | - |
| Firms' Expectations | + | + | 0 | 0 | 0 |

Note: 0 = None - = Poor -- = Very poor + = Good ++ = Very good
 (?) = Cannot be determined

Table 6: Synthesis of Results for the Music Industry (Each response represents the perceived opinion of the majority of the experts surveyed in their respective country)

| Indicators | Countries | | | | |
|---|-----------|---------|-------|--------|---------|
| | Morocco | Tunisia | Egypt | Jordan | Lebanon |
| Overall performance | - | -- | + | 0 | + |
| Role of Supply | | | | | |
| Labor | - | + | ++ | + | - |
| Capital | - | -- | + | 0 | + |
| Role of Demand | | | | | |
| Domestic demand | - | -- | + | - | - |
| Export market | - | - | + | 0 | + |
| Role of Related Industries | | | | | |
| Upstream | + | - | + | 0 | + |
| Downstream | - | 0 | + | 0 | + |
| Other firms | 0 | 0 | 0 | 0 | 0 |
| Role of Market Structure | | | | | |
| Domestic competition and strategies | 0 | - | + | - | + |
| Foreign competition | - | 0 | 0 | 0 | + |
| Role of Public Policy | | | | | |
| Development of human resources and technology | - | + | - | - | + |
| Infrastructure and investment | - | 0 | - | - | - |
| Stimulation of demand | 0 | 0 | - | - | ++ |
| Enforcement of IPRs | -- | -- | - | -- | -- |
| Firms' Expectations | -- | - | + | 0 | + |

Note: 0 = None - = Poor -- = Very poor + = Good ++ = Very good

Table 7: Film Production, Distribution and Attendance in 2006

| Country | Number of Feature Films Nationally Produced | % of Feature Films 100% Nationally Produced | % of Feature Films that were co-productions | Number of distribution companies (in 2006) | Number of Cinemas | Number of Admissions for Feature Films | Frequency per Capita |
|---------|---|---|---|--|-------------------|--|----------------------|
| Egypt | 23 | n.a | | 11 | 218 | 29.4 Mio | 0.4 |
| Jordan | n.a | | | n.a | n.a | n.a | n.a |
| Lebanon | 8 | 25% | 75% | 14 | 150 | 9.5 Mio | 2.4 |
| Morocco | 12 | 83% | 17% | 7 | 96 | 3.8 Mio | 0.1 |
| Tunisia | n.a | n.a | n.a | n.a | 22 | 300 000 | n.a |

Source: UNESCO, Data Center, online, 5/6/2009

Table 8: Synthesis of Results for the Film Industry (Each response represents the perceived opinion of the majority of the experts surveyed in their respective country)

| Indicators | Countries | | | | |
|---|-----------|---------|-------|---------|---------|
| | Morocco | Tunisia | Egypt | Jordan* | Lebanon |
| Overall performance | - | - | (?) | + | + |
| Role of Supply | | | | | |
| Labor | + | + | ++ | 0 | - |
| Capital | -- | - | ++ | 0 | - |
| Role of Demand | | | | | |
| Domestic demand | -- | - | + | - | - |
| Export market | -- | 0 | ++ | + | - |
| Role of Related Industries | | | | | |
| Upstream | 0 | + | ++ | + | + |
| Downstream | -- | 0 | + | + | + |
| Other firms | 0 | - | - | + | 0 |
| Role of Market Structure | | | | | |
| Domestic competition and strategies | 0 | 0 | - | 0 | + |
| Foreign competition | -- | - | - | 0 | -- |
| Role of Public Policy | | | | | |
| Development of human resources and technology | + | + | + | - | -- |
| Infrastructure and investment | + | - | - | - | -- |
| Stimulation of demand | 0 | - | - | 0 | -- |
| Enforcement of IPRs | - | 0 | - | - | -- |
| Firms' Expectations | + | - | 0 | + | - |

Note: 0 = None - = Poor -- = Very poor + = Good ++ = Very good
 (?) = Cannot be determined

* For Jordan: since there is no film industry in this country, the Jordanian research team examined the audiovisual sector instead.

Table 9: Synthesis of Results for the Software Industry (Each response represents the perceived opinion of the majority of the experts surveyed in their respective country)

| Indicators | Countries | | | | |
|---|-----------|---------|-------|--------|---------|
| | Morocco | Tunisia | Egypt | Jordan | Lebanon |
| Overall performance | + | + + | ++ | ++ | + |
| Role of Supply | | | | | |
| Labor | - | ++ | ++ | + | + |
| Capital | ++ | - | + | + | + |
| Role of Demand | | | | | |
| Domestic demand | + | + | + | - | - |
| Export market | + | + | + | + | + |
| Role of Related Industries | | | | | |
| Upstream | 0 | ++ | + | + | + |
| Downstream | + | 0 | + | + | + |
| Other firms | ++ | + | + | + | 0 |
| Role of Market Structure | | | | | |
| Domestic competition and strategies | + | + | + | - | + |
| Foreign competition | - | + | - | 0 | + |
| Role of Public Policy | | | | | |
| Development of human resources and technology | - | + | ++ | + | + |
| Infrastructure and investment | + | + | ++ | ++ | + |
| Stimulation of demand | 0 | + | ++ | + | - |
| Enforcement of IPRs | -- | + | - | + | -- |
| Firms' Expectations | ++ | + | + | + | + |

Note: 0 = None - = Poor -- = Very poor + = Good ++ = Very good

Table 10: Exports and Imports of Creative Goods and of services that include creative industries in 2005

| Country | Export of Goods (f.o.b., in Mio US\$) | Export of Services (in Mio US\$) | Imports of Goods (c.i.f., in Mio US\$) | Imports of Services (in Mio US\$) |
|---------|---------------------------------------|----------------------------------|--|-----------------------------------|
| Egypt | n.a | 102 | n.a | 22 |
| Jordan | 264 | n.a | 399 | n.a. |
| Lebanon | 188 | 0 | 419 | 0 |
| Morocco | 210 | n.a | 440 | n.a |
| Tunisia | 247 | 4 | 422 | 6 |

Source: United Nations (2008), Creative Economy Report 2008. The challenge of Assessing the Creative Economy: toward Informed Policy-making. Geneva 2008, P.240-243