Turning Hong Kong into a Creative City

Hong Kong Ideas Centre

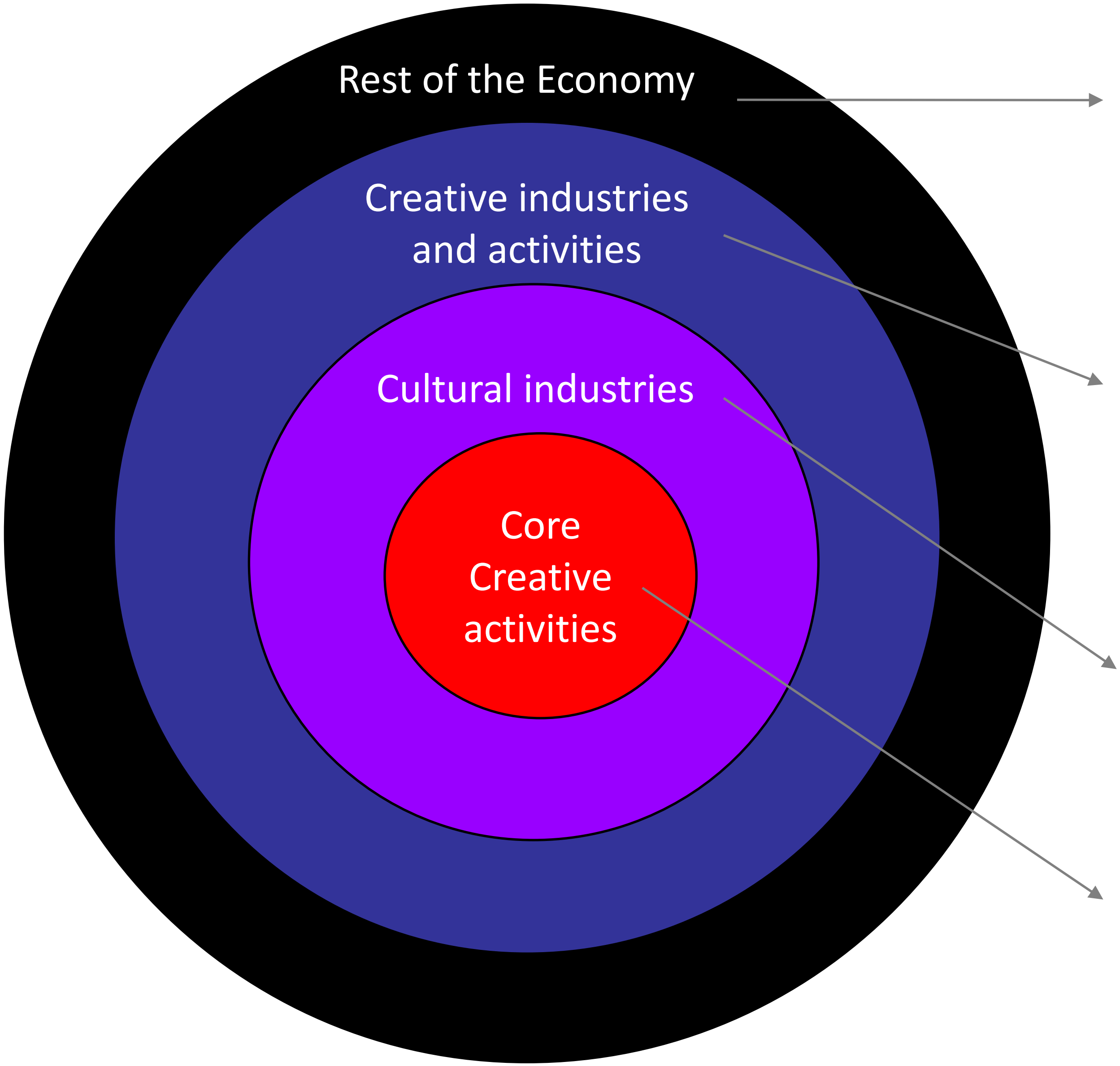
October 2009

Definition – Hong Kong

"A group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning – a production system through which the potentials of wealth generation and job creation are realized."

Source: Centre for Cultural Policy Research, HKU for Central Policy Unit, HKSAR Government (Sept. 2003) "Baseline Study on Hong Kong's Creative Industries".

Creativity, Creative Industries and the Wider Economy



Manufacturing & service sectors benefit from and exploit the expressive outputs generated by the creative industries

The combination of expressive & functional values, e.g. design, fashion, advertising, architecture, software

Mass reproduction to commercialise expressive values, e.g. film, music, publishing

Performing arts, arts & crafts

Adapted from "Staying Ahead: The Economic Performance of the UK's Creative Industries", The Work Foundation, June 2007.

Hong Kong – 11 sectors

1. Advertising
2. Architecture
3. Art, Antiques & Crafts
4. Design
5. Digital Entertainment
6. Film & Video
7. Music
8. Performing Arts
9. Publishing
10. Software & Computing
11. Television & Radio

Importance/Benefits (1)

- high value-added and employee-intensive, with increasing contribution to GDP and employment. UNCTAD estimated that creative industries accounted for 7% of world GDP and were forecasted to grow at an average of 10% per annum*

- environmentally friendly

- desirable and prestigious – image appeal, also attracting talent for non-creative sectors

- tool for urban/regional regeneration, instilling and reinforcing community identity and vitality

* Eleventh session on Creative Industries and Development, United Nations Conference on Trade and Development, São Paulo, 13-18 June 2004.

Importance/Benefits (2)

- crossover ability – sustaining the evolution of individual sectors as well as breeding new products

- multiplier and spillover effects
  - Conference Board of Canada estimated a 1.84 multiplier impact if taking indirect and "induced" contributions into account*
  - NESTA of UK estimated that 54% of "specialist" creative people worked in non-creative sectors**
  - spillover impact on tourism, for example

- creativity as an economic "enabler" which facilitates a stronger focus on innovation to foster the development of a creative economy

---

* The Conference Board of Canada (Aug. 2008) "Valuing Culture: Measuring and Understanding Canada's Creative Economy".

** National Endowment for Science, Technology and the Arts (Feb. 2008) "Beyond the Creative Industries: Mapping the Creative Economy in the United Kingdom".

Globalisation and economic development have changed the nature of industry and country competitiveness. Creative industries are becoming a key component of the knowledge economy.

Nature of Competitiveness between Firms in Different Sectors

Transformation-intensive sectors **e.g. manufacturing** **Transaction-intensive sectors** **e.g. retail, transportation**	**performance gaps narrowing**
Tacit-interactivity sectors **- high communications and problem-solving elements**	**wide performance gaps**

The Knowledge Economy

- financial services
- business services
- information and communication technologies (ICT)
- education services
- health services
- cultural/creative services
- research & development services

Knowledge Economy in the UK

The knowledge economy has a 41% share of national income in the UK in 2002.*

* The Work Foundation Report, June 2007.

Global Competitiveness Index 2008-2009:

The 12 Pillars of Competitiveness

Basic requirements

- Institutions
- Infrastructure
- Macroeconomic stability
- Health and primary education

Key for **factor-driven** economies

Efficiency enhancers

- Higher education and training
- Goods market efficiency
- Labor market efficiency
- Financial market sophistication
- Technological readiness
- Market size

Key for **efficiency-driven** economies

Innovation and sophistication factors

- Business sophistication
- Innovation

Key for **innovation-driven** economies

Source: The Global Competitiveness Report 2008-2009, World Economic Forum.

Global Competitiveness Index 2008-2009:
The 12 Pillars of Competitiveness – with Hong Kong's rankings

Basic requirements		5
• Institutions	9	
• Infrastructure	5	
• Macroeconomic stability	3	
• Health and primary education	43	

Key for **factor-driven** economies

Efficiency enhancers		6
• Higher education and training	28	
• Goods market efficiency	2	
• Labor market efficiency	4	
• Financial market sophistication	1	
• Technological readiness	10	
• Market size	26	

Key for **efficiency-driven** economies

Innovation and sophistication factors		21
• Business sophistication	13	
• Innovation	24	

Key for **innovation-driven** economies

Overall 11

Source: The Global Competitiveness Report 2008-2009, World Economic Forum.

Characteristics of Creative Industries

- structured uncertainties
  - market uncertainty
  - value and quality difficult to predict
- high risks, volatile returns
- co-existence of very large and very small firms; simultaneous fragmentation and consolidation in many sectors
- complex labour market with implications for training and management
- clustering – importance of co-location
- close linkages among different sectors and with other industries
- substantial input of knowledge and skills

Market Phenomenon

- consumption unpredictable - quality and word of mouth important
- discretionary spending, strong dependence on income
- high fixed costs of creation, low marginal costs of production
- concentration of smaller companies
- excess of supply
- distorted distribution of income and risks
- technological development leads to globalisation and international competition

Changes to the Landscape of Creative Industries (1)

- impact of technology resulting in new products, new markets and new processes:
  - digital entertainment; new media
  - digitisation and the Internet are changing the business models of entertainment and knowledge industries
  - opportunities to work interactively with consumers in co-production
  - moving from a distribution-driven to consumer-driven model

Changes to the Landscape of Creative Industries (2)

- increasing crossover of different sectors; old sectoral boundaries partially obsolete
- globalisation of industries, markets and labour
- more creative specialists working outside creative industries; “creative economy” rather than a set of “creative industries”
- networks supplanting traditional organisational firms; harnessing and leveraging in-house and external competencies gaining importance

Drivers of Success for Creative Industries (1)

- **demand** – affected by level of affluence, economic activities, education, exposure to culture and government procurement
- **talent** – supply of highly-skilled workforce, education and skills
- **technology** – community ICT readiness; use of technology in production and delivery
- **nurture of creativity** – education; investment in arts and culture; public institutions
- **diversity** – atmosphere of tolerance, openness and exposure

Drivers of Success for Creative Industries (2)

- **infrastructure**
  - hardware (land/development policy)
  - software (business support, information exchange)
- **networks** – harnessing interdisciplinary collaboration & innovation
- **capital and business building capacity**
- **Intellectual property** – clearly defined and enforced regime
- **improved data & classification**

Creative industries are moving from the fringes to the mainstream of policy considerations.

Development of Creative Industries as a Matter of National/Development Policy (1)

- United Kingdom – Creative Industries Task Force (1997)
- Singapore – Creative Industries Development Strategy (2002)
- New Zealand – Creative Industries as one of the three industry sectors (with ICT and biotechnology) to focus government resources and raise international competitiveness in the government’s Growth and Innovation Framework, Growing an Innovative New Zealand (2002)

Development of Creative Industries as a Matter of National/Development Policy (2)

- Taiwan – identified "Cultural Creative Industries Development" as part of the "Challenge 2008: Strategic Development Plan for the Nation" (2002)
- China – in its report to the 16th Plenary Session of the Chinese Communist Party (Nov. 2002), the government announced plans to "actively promote the development of cultural activities and cultural industries"

Rationale for Public Sector Involvement

- to generate economic growth, exports and employment
- market failure – public goods; imperfect competition; research and development
- beneficial externalities
- public sector in better position to assume risks, with prospect to share gains
- education and training
- cultural identity/diversity
- intellectual property
- linkages to tourism, urban and regional development

Instruments of Public Policy (1)

- fiscal
  - subsidies (including grants to arts/culture), tax concessions, investment allowances, business start-ups
- infrastructure
  - "affordable" space, development of creative clusters, access to ICT, cultural asset management
- trade-related
  - import quotas, incentives for FDI
- education and training
  - direct or subsidised provision of training schemes, arts education
- investment in arts, culture and heritage

Instruments of Public Policy (2)

- information and market intelligence
  - effective collection and analysis of universally comparable and reliable data
- international cooperation
  - cultural exchange, cultural diplomacy
- regulation
  - copyright protection, planning regulations
- government procurement

Potential Policy Domains Involved

- economic development
- urban/regional development
- international trade
- domestic and foreign investment
- taxation
- labour and migration
- technology and communications
- arts and culture
- tourism
- education
- social welfare
- intellectual property protection

Clear need for…

long-term policy and related strategies,

clear objectives and sustained commitment, and

cross-cutting linkages beyond the industry-based approach.

Hong Kong's Advantages & Opportunities (1)

- open and free society for information, capital, talent and goods flow
- robust IP protection framework
- pluralistic and cosmopolitan society
- confluence of Eastern and Western ideas and cultures
- good IT and communications infrastructure
- long history and solid foundation of many creative sectors

Hong Kong’s Advantages & Opportunities (2)

- experienced talents with good international exposure, adaptability and sound management/marketing skills
- easy access to efficient support services
- benefiting from Mainland hinterland for production facilities and talent support; large potential market and strategic alliances for exports
- ready adoption of new technology
- established quality image
- West Kowloon Cultural District Project

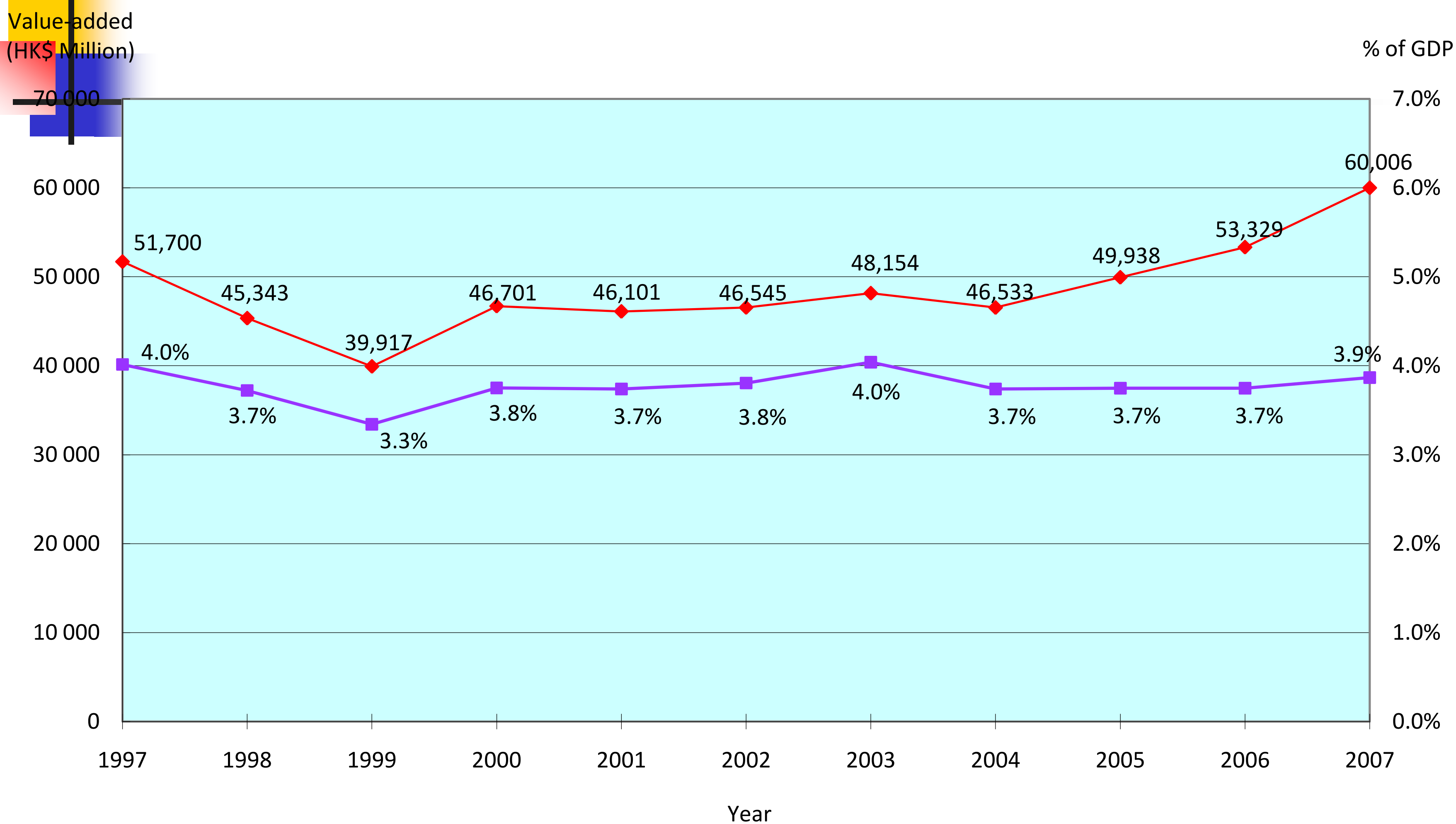
Hong Kong’s Limiting Factors & Challenges (1)

- small domestic market
- high costs, in particular high land costs
- difficulty in retaining and attracting talent
- increasing competition and Hong Kong’s advantages quickly eroding
- importance of design and branding not well recognised
- government procurement policy does not promote creativity
- difficult for SMEs to scale-up and to embrace new technology

Hong Kong's Limiting Factors & Challenges (2)

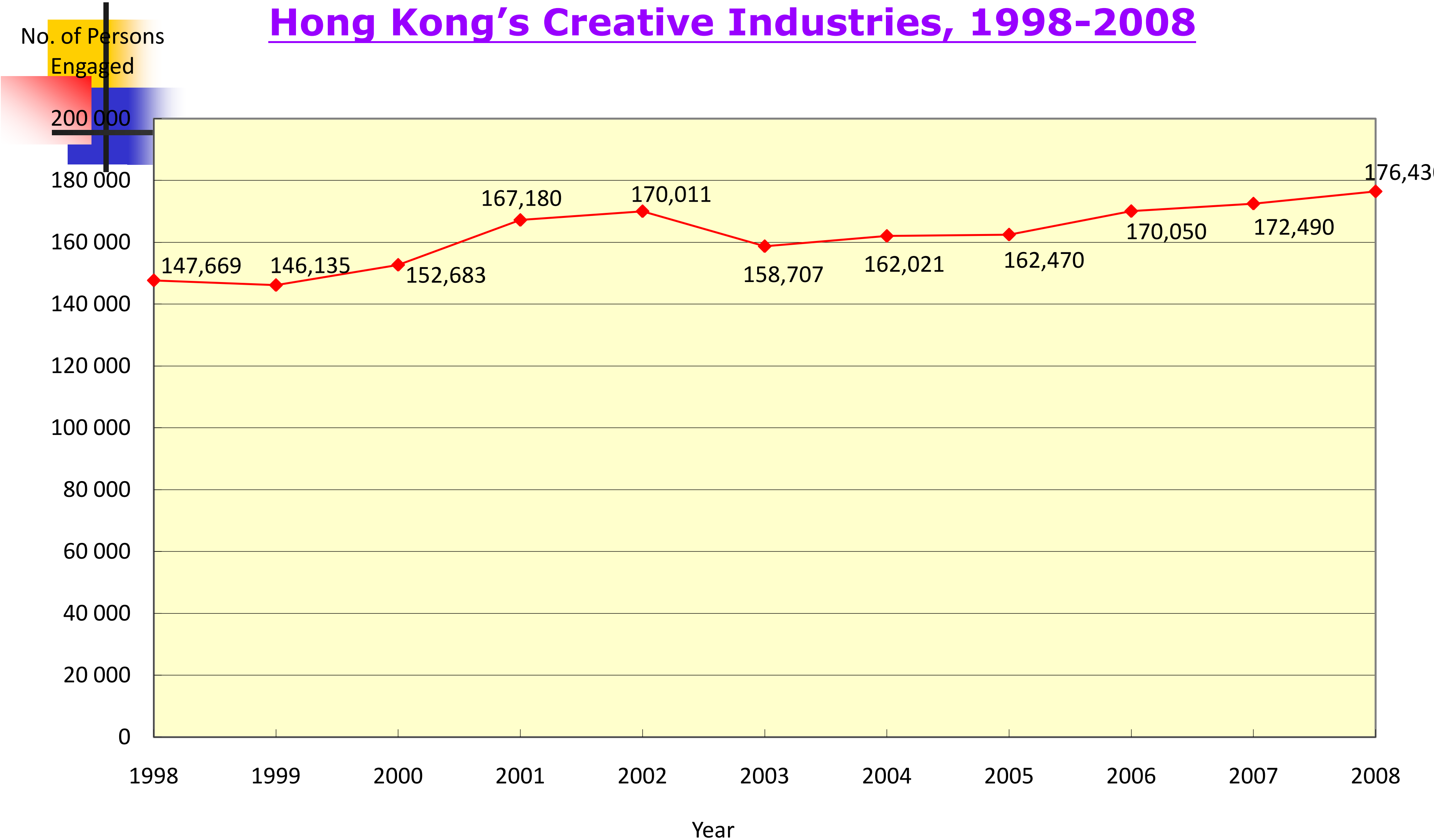
- lack of R&D, information and mapping
- creativity not well nurtured and promoted
- not enough formal or skills training to groom new talent
- arts and culture not treasured
- not enough interdisciplinary collaboration
- lack of coherent, inter-disciplinary Government policy for promoting/developing creative industries

Value-Added of Hong Kong's Creative Industries, 1997-2007



Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Creative Industries, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

How the sectors are doing

- established but matured, with little prospect for growth:

  Advertising; Architecture; General Publishing;

  Television and Radio

- facing major challenges:

  Music; Magazine and Newspaper Publishing

- have the potential to grow, given the necessary support:

  Art, Antiques and Crafts; Digital Entertainment;

  Film and Video; Performing Arts

- growing:

  Design; Software and Computing

Value-Added as % of GDP, 2007

Four Key Industries	%
Financial services	19.5
Tourism	3.4
Trading & Logistics	25.8
Professional services & other producer services	11.0
Total	59.6%
Creative Industries	3.9%

Source: Census and Statistics Department.

Employment as % of Total Employment, 2007

Four Key Industries	%
Financial services	5.5
Tourism	5.6
Trading & Logistics	24.2
Professional services & other producer services	11.7
Total	46.9%
Creative Industries	4.9%

Source: Census and Statistics Department.

Contribution

- overall economic contribution of the creative industries has remained at more or less the same level (about 4% of GDP and 5% of employment in last decade), i.e. growing at the same pace as the economy
- this compares favourably with Tourism (3.4% contribution to GDP and 5.6% of employment in 2007) and Manufacturing (2.5% contribution to GDP and 4.9% of employment in 2007)

Limitations of Statistics

- Government and public sector not included but they are important consumers and providers of creative services
- increasingly blurred boundaries between different sectors of the creative industries
- large creative workforce in other sectors of the economy
- induced impact and spillover effects on wider economy not included

Hence, the importance and contribution of the creative industries are likely to have been understated.

Major Drivers for Creative Industries Development in Hong Kong

- nurture of creativity, arts and culture
- talent development, attraction and retention
- collaboration with the Pearl River Delta region and leveraging on Hong Kong's links with the Mainland
- development of creative clusters
- greater collaboration with other industries in developing creative economy
- Government commitment and facilitation

General Suggestions of Interviewees (1)

- need to preserve and enhance Hong Kong's key strengths and advantages as competitors are catching up fast
- promote the development of Hong Kong into:
  - an arts and antiques auction centre
  - an Asian design hub
  - a vibrant creative city
- review Government procurement policy to put greater emphasis on creative elements and facilitate the participation of SMEs

General Suggestions of Interviewees (2)

- promote the collaboration of different sectors of the creative industries as well as between the creative industries and the rest of the economy, i.e. encouraging all industries to be creative and innovative
- better mapping of the creative industries and their relations with the wider economy
- seek more liberalisation measures under CEPA to develop the Mainland market for creative industries
- more promotions overseas by organisations such as the Trade Development Council for Hong Kong branded products and services

General Suggestions of Interviewees (3)

- greater collaboration with the Pearl River Delta region, in particular Shenzhen, with geographical proximity and common language
- build up the software/capacity for development of the creative industries, including information and research, knowledge and skills, and the nurture of creativity and a rich cultural environment
  - more education and training programmes targeted at manpower needs of the creative industries, taking technological developments fully into account

General Suggestions of Interviewees (4)

- provide more opportunities such as incubation schemes, mentorship and apprenticeship programmes for newcomers, as well as more international exchange opportunities
- introduce a more sustainable model for supporting arts and culture
- a more structured approach to promoting arts education in schools
- consider the establishment of a TV arts and culture channel, perhaps using the vehicle of a public broadcaster like RTHK

General Suggestions of Interviewees (5)

- make use of the opportunities brought about by the West Kowloon Cultural District project to review policy on museums, performance venues and the public sector's involvement therein
- Government/industry/academia collaboration in more research
- benchmarking with and learning from overseas experience
- encouragement of public art and more imaginative use of public space; consider "Percent for Art" scheme

General Suggestions of Interviewees (6)

- promote the use old buildings and sites for the development of creative clusters and review land and development regulations to promote their development

- top-level Government commitment to and support for the development of creative industries, with a high-level, cross-functional agency adopting an integrated approach to promote their development

HKIC’s Recommendations

A. Turning Hong Kong into a Vibrant Creative City

1. Establishing a “Creative IN Zone” in Central District and

   Making Hollywood Road a World Famous Creative Street

2. Organising Creative Events in the 18 Districts of Hong Kong

3. Promoting Hong Kong as a Regional Creative Hub through

   Signature Asian Creative Industry Events

4. Promoting Public Art

HKIC's Recommendations

B. Providing Good Hardware and Software Support for the

Development of Creative Industries

5. Facilitating and Supporting the Development of Creative Clusters

6. Providing Support for New Entrants

HKIC's Recommendations

C. Laying Solid Foundations for the Development of Creative Industries

7. Establishing a Television Channel for Arts, Culture and Creativity

8. Nurturing Creativity and Building Up Hong Kong's Cultural Fabric

9. Developing the Evidence Base for the Creative Industries:

   Creative Industries Mapping

10. Government/Industry/Academia Cooperation in Developing

    Creative Talent

HKIC's Recommendations

D. Strengthening and Consolidating Government Support for the Creative Industries

11. Establishing a Creative Industries Task Force and Upgrading the Status of the Create Hong Kong Office