

Can Brazil become a creative economy?

Other countries have recognized that today economic success depends on ideas, not crops or machinery; Brazil has some catching up to do.

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Quick: What do the cities of Sheffield in England, Brisbane in Australia, and Buenos Aires in Argentina have in common? Confronted with stagnation or crisis, all have committed to a new economic approach: The Creative Economy. Devastated by unemployment as the coal and steel industry declined, Sheffield has become a center for digital media. Brisbane's business strategy is now centered on marketing cultural goods and services and on education that encourages talent and creativity. Buenos Aires has been promoting talent development in the audiovisual field.



Throughout the world, says economist and researcher Lidia Goldenstein at Alberto Luiz Coimbra Institute for Graduate Studies and Research in Engineering (COPPE-RJ), there has emerged a consensus on the importance of economic sectors that intensively use new technologies and new ideas — creativity. “These sectors are now regarded as generators of competitiveness, innovation, and value,” she says. Beyond traditional cultural and mass media activities, such as movies and publishing, the new approach is stimulating business models based not only on generating intellectual property but also on adding innovative features to traditional products, such as distinctive design that adds value.

“The creative economy ... has an important role in contemporary lifestyles,” says Edna dos Santos Duesenberg, a Brazilian who since 2004 has led the Creative Economy and Industries Program of the United Nations Conference on Trade and Development (UNCTAD). UNCTAD says the expanding global market for creative goods and services is less vulnerable to crises. In 2008, for example, when international trade fell by 12%, transactions in creative economic goods, which amounted to US\$592 billion, averaged 14% growth between 2000 and 2008. The creative

economy is also socially inclusive and a strong job generator. Duesenberg notes, for instance, that “Today, we are evaluating how to rethink many sectors in Portugal, Greece, and Spain, which were hit hard by rising unemployment and the decline in the construction sector and tourism.”

Brazil is lagging behind this movement, which goes far beyond Europe, Duesenberg says: “China, for example, has made a huge effort to move from ‘made in China’ to ‘created in China’. Today the country exports US\$84 billion in creative economy goods. Brazil is not even close to that.” She notes that although the creative economy has been discussed in Brazil since 2004, it was not until February 2011 that the government created an agency and appointed as Secretary of the Creative Economy Claudia Leitão, who had been professor of public policy and society at the State University of Ceará.

WHERE TO START

To become a creative economy Brazil needs data to support international comparisons, formal public policies, and an understanding of an appropriate direction. There is already some dynamism. According to UNCTAD in 2008 Brazil exported US\$6.3 billion in creative services and US\$1.22 billion in creative goods — far behind the

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LIDIA GOLDENSTEIN

10 leading developing countries, led by China, India, and Turkey — and imported US\$4.6 billion in such services and US\$1.7 billion in goods. In 2010, PriceWaterhouseCooper reports, Brazil was among countries with the highest growth in media and entertainment: 15.3% over 2009, for a total of US\$33.1 billion. Cable television, internet access, and television advertising all had over 20% revenue growth. A joint report from the World Intellectual Property Organization (WIPO) and the European Institute of Business Administration (INSEAD) ranked Brazil 12th among 125 countries in dynamic artistic and cultural productions, and in 2008 the Federation of Industries of the State of Rio de Janeiro (Firjan) found that “jobs involved in the creative economy

The creative economy according to UNCTAD



- ➔ Boosts tax revenues, job creation, and exports, promoting social inclusion, cultural diversity, and human development.
- ➔ Promotes economic, social, and cultural rights and involves technology, intellectual property, and tourism.
- ➔ Is characterized by cross-cutting activities that connect macro and micro levels to the total economy.
- ➔ Demands innovation, interdisciplinary public policies, and interministerial actions.
- ➔ Has a solid core of creative industries.



in Brazil represent 21% of total formal employment, and in Rio de Janeiro that reaches 23%,” says Cristiano Prado, Firjan’s manager of new business.

Recently, the Brazilian Service of Support to Micro and Small Enterprises, Rio de Janeiro City Hall, and the Municipal Institute of Urbanism Pereira Passos (IPP) commissioned a study of “Fashion Territories” from the Center of Technology and Society (CTS) of the Getulio Vargas Foundation (FGV) Law School, which surveyed brand and apparel industry representatives. “Business turnover is R\$891 million a year, and the sector employs more than 34,000 people, formally and informally,” says Pedro Augusto Francisco, a project coordinator. IPP president Ricardo Henriques explains that “With this information, it is much easier to define incentives and policies to encourage [such] businesses.”

For instance, it is not by chance that Argentinean director Juan Jose Campanella won an Oscar for “The Secret in Your Eyes,” says Fernando Arias: “It all comes from an effort that begins in incentives to the local market, encouraging national projects as well

Brazilian Drums Challenge game is a mix of memory and music game. It is exported to more than 60 countries.

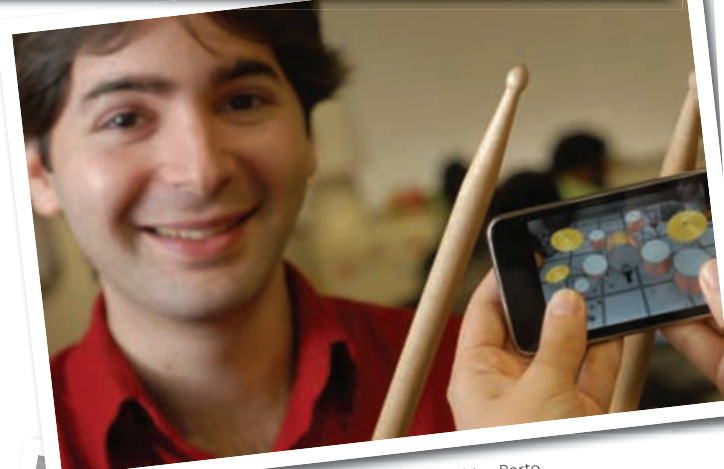
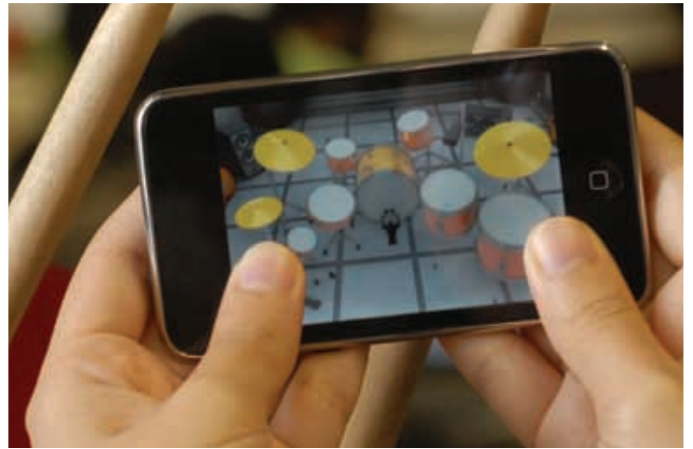


Photo: Chico Porto



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as co-production strategies.” Arias is coordinator of the Creative Industry Observatory in Buenos Aires, which collects information about what is happening in the city and in the country. In 2004, because American productions had been dominating the local box office, Argentina passed a law setting minimum quotas of Argentine films for theaters to show. Arias says his group and others are lobbying the legislature to provide incentives to promote an audiovisual hub for companies to set up in Palermo.

Goldenstein of COPPE-RJ points out that in Canada today, animated films generate more than 200,000 jobs and export revenue of US\$5 billion, but in Brazil “this activity, as well as the

related production of games, still is not seen as an industry more important than the auto industry for job creation and generating positive externalities to other sectors of the economy.”

Arthur Protasio, CTS researcher and coordinator of game studies, agrees. He notes that in Brazil game development is yet a “fragmented” market and that edicts to promote the market mistakenly use film as the main reference. They require that 60% of the funding be dedicated to the script, which means “the programming, often the main part of any software development, ends up receiving fewer resources.” He laments that internationally, Brazil has no identity in this market, and there is a risk that what is created here “will not have the same quality or investment as big players in this sector.”

ART AND CAPITALISM

Another challenge for creative endeavors is professional market-oriented management, which is not clear how to associate art and business. Some cultural sectors, Goldenstein says, “are afraid that the creative economy will be taken over by a corporate bias. ... They do not realize the importance of creating a channel capable of promoting skilled workers and attracting sophisticated consumers. At the other end, there are people in the creative economy who think it is just about crafts and similar activities. They overvalue the social and playful.”

David Parrish, an English consultant who wrote *T-Shirts and Suits: A Guide*

The Jazz & Blues Festival of Guaramiranga, Ceará state, has taken advantage of government incentives and its program now takes one month and involves the local community.



Photo: Chico Gadelha

to *the Business of Creativity*, recognizes that “confusion over the exact meaning of the ‘creative economy’ is the main obstacle to such activity being treated as an autonomous business. We need to discuss two issues separately: the value of creativity in terms of business and the value of artistic and cultural creativity to society.” Firjan’s Prado adds that “The dialogue between creators and business is still not significant. To the extent that artists begin to be recognized as professionals, the industry can identify them as key figures in the transformation of its products to gain market share.”

QUANTIFYING INTANGIBLES

Reconciling business and artistry is important to another issue: the difficulty of getting credit in a financial system used to traditional collateral. Goldenstein points out that “When it comes to tangible assets — nails, bricks, machines — there is not much to explain. But it is much more difficult to value intangible assets, which the current financial system does not yet recognize.” Brazil’s National Bank for Economic and Social Development (BNDES), she says, would never have financed Apple when it started.

Even successful creative companies in Brazil struggle to get financing. Coopnatural in northeast Paraíba state produces clothing made from naturally colored cotton and in 2010 earned about R\$2 million. The work of the parent Northeast Cooperative was possible thanks to a genetic improvement

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CRISTIANO PRADO

in cotton supported by the Brazilian Agricultural Research Corporation—but “Banks do not finance any business connected to organic products because they believe that an agricultural product that does not use pesticides presents higher risk,” says Maysa Gadelha, president of Coopnatural and the Natural Fashion brand.

Venture capitalists, who should be used to dealing with higher risk, still have yet to move fully into the creative economy. Sidney Chameh, president of the Association of Private Equity and Venture Capital, explains, “Companies cannot focus just on the creative question: you need management, market focus, know what you want to sell. The investor has to see clearly the direction of business if he is to add value, improve governance, and leave with his profit. If there isn’t a clear opportunity for profit, the investor will not enter.”

The lack of credit triggers a vicious circle. “Sometimes it feels like building a sand castle,” says Raquel Gadelha, a producer and one of the organizers of the Jazz & Blues Festival of Guaramiranga, Ceará state. The Federal Law on Cultural Incentives (Rouanet law), and sometimes state laws encourage such festivals, Gadelha says, “But every year is like starting from scratch with sponsors and partners. We need to create mechanisms so that some cultural projects have medium-term funding.”

Luciane Gorgulho, head of the BNDES Department of Cultural Economics, thinks that incentives to the cultural sector, such as the Rouanet and Incentive Audiovisual laws gave new impetus to cultural activities but affected the existing financial structure. “In the 1970s, there



Coopnatural in northeast Paraíba state produces clothing made from naturally colored cotton.



Above photo: W. Jan
Below photo: César de Cesário



was a history of performance that allowed a theatrical or movie producer to get a bank loan, profit, and pay off the debt. The incentive laws have changed this situation. Somehow, the production of the show or movie has become an end, which obscures a more comprehensive production chain,” she says. For this reason, or perhaps because banks do not fully comprehend the cultural segment, viable companies lost access to bank lines of credit. “By providing lines of credit, BNDES intends to help the industry reorganize itself financially, so that the incentive laws become increasingly focused on segments that have not and will not have their own economic dynamics,” Gorgulho says.

Among successful cultural actions, Gorgulho highlights the financing of a Brazilian-Canadian animated co-production through lines of credit and grant resources provided by the Audiovisual Law. In July 2011, the BNDES audiovisual portfolio covered 25 projects with R\$103 million in loans; the total value mobilized by these projects was R\$237million.

PLAYING CATCH-UP

“We have an excellent decade ahead, and we must seize it from the start,” says Paula Acioli, academic coordinator of the FGV fashion industry business management course. “We have a dynamic economy, with prospects of getting better; natural beauty; and a young population compared to many countries; Europeans, for instance,

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CLAUDIA LEITÃO



are aging. It brings a freshness,” she explains. UNCTAD’s Duisenberg points out the advantage of the growing Brazilian middle class: “The consumption pattern has changed in favor of creative industry. Young people begin to consume earlier, and with the general increase in life expectancy retirees need more cultural products and services, and entertainment.”

Creative Economy Secretary Leitão has a busy agenda. She says the secretariat has goals for promotion, training, infrastructure, and regulation that involve interdisciplinary policies. Are the goals too ambitious? The secretary says no: “We have the opportunity to develop a different relationship from the old traditional industry, one that promotes diversity and regional identities, one that is solid and sustainable.”

Brazilian animation production “Peixonauta” (below) has had success abroad, particularly in U.S. Discovery Kids and Al Jazeera Kids channels.

