

Box 4.2**Major issues in fostering development of creative economy**

The concept of creative economy – whereby creativity provides an important means for adding economic value of goods and services – is increasingly popular around the globe in recent years. As creative mind is inherent in virtually all people and generation of new ideas is basically limitless, a good use of human creativity in economic activities can help significantly to foster long-term economic development. In the case of Hong Kong, the pursuit for greater role of creativity in production is also coherent with the ongoing structural shift towards knowledge-based and high value-added activities.

There are two fundamental issues in the development of creative economy viz. generation of creative ideas and their commercialisation. On generation of creative ideas, it depends on whether the creative potentials of people can be enhanced and effectively unleashed. Regarding commercialisation of creative ideas, there has to be an enabling environment that motivates businesses and individuals to turn creative ideas into valuable ends.

Below is a brief account of some major directions identified in addressing these two fundamental issues :

- (i) *Pool of creative talents* : This involves not only nurturing of local talents but also attraction of talents from abroad. The former requires a sophisticated education system that increases the desire and capability of people to engage in creative thinking, and a flexible labour force who are able to alter work norms to adapt to new skills and technologies. On attracting new talents from abroad, a liberal and cosmopolitan society open to differences and receptive to diversity in norms, cultures and values is desirable, apart from a favourable living, business and cultural environment. This environmental factor is also important in containing brain-drains of local talents.
- (ii) *Effective use of technology* : Technology helps to convert abstract ideas into concrete innovation activities for improving product design and features, production methods, and management techniques, etc. The other way round, technology is always advanced by human creativity. Attention should not only be confined to invention of new technologies, but should also be extended to absorption of advanced technologies from abroad followed by appropriate selection and adoption to fit into local condition.
- (iii) *Informative environment* : Freedom of speech and media facilitates flow of information and acquisition of new ideas and knowledge within and outside of the economy. Dissemination of information, ideas and knowledge can be further enhanced by established information and communications technology infrastructures, such as Internet and other telecommunications services.

Box 4.2 (cont'd)

- (iv) *Appreciation of cultures and the arts* : Culture and creativity are closely related in the sense that knowledge and understanding of culture can inspire creativity while creative ideas can give cultural breakthrough. By virtue of the communal nature of culture and its diversities across different societies, good appreciation of cultures and the arts is often a key to success in originating and applying creative ideas into market deliverables that fit the taste and demand in different markets.
- (v) *Protection of intellectual property rights (IPR)* : Creative ideas, innovative products and technologies are all intellectual properties. Sufficient protection of IPR (including ownership rights and the rights to income from use and transfer of the properties) provides the necessary incentives for businesses and individuals to engage in creative and innovation activities, and encourage them to share their ideas and knowledge with the rest of the economy. However, the recent experiences of some developed economies reveal that with increasing cross-over of ideas and techniques, the IPR protection is sometimes subject to abuse by enterprises to block competitors' product development and business expansion by imposing litigation risk on infringement of rights. This has given rise to debates on the optimal level and scope of IPR protection in order to foster rather than retard creativity, and ensure that the IPR protection regime can move with times.
- (vi) *Facilitation of new businesses* : New enterprises are often keen players in experimentation of creative products and techniques in commercial settings away from established norms and practices on which they do not have competitive advantages. To ensure an enabling environment that facilitates their start-ups, it is necessary to maintain a competitive market structure and do away with unnecessary entry barriers. An effective channel to obtain venture capital is also supportive by solving the funding problems faced by new firms. Another view with lesser consensus is to relax the bankruptcy rules so that the business risks for new start-ups can be reduced, but arguably the increased risks to lenders may translate into higher cost of financing.
- (vii) *Promotion of creative industries* : Although the contribution of creativity occurs in every corner of an economy and goes beyond the boundary of industries, there are some economic sectors where creativity serves as a more principal means of production. Promotion of these sectors helps to increase creative intensity of the economy directly and indirectly through sales of their goods and services to other sectors and households.

It is important to note that the seven directions identified above are general prescriptions and are by no means exhaustive. As there is no one-size-fit-all solution, the suitable formula for one place depends on its unique social, cultural and economic situation. Collaboration and communications among various stakeholders is thus necessary to work out the model that fits our economy the best.