

February 2019



New Golden Age Initiatives



CREATIVE CENTRAL ASIA NEW ECONOMIC GROWTH MODEL FOR KYRGYZSTAN

© 2019, RICA does not take institutional positions on public policy issues; the views represented herein are the author's own and do not necessarily reflect the views of RICA, its staff or its trustees.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from RICA.

**CREATIVE CENTRAL ASIA
NEW ECONOMIC GROWTH MODEL
FOR KYRGYZSTAN**

Content

Abstract	3
Introduction	4
Creative Economy in the World: A New Model	5
Creative Economy Cases in the World	8
Creative Central Asia: Current State	14
Creative Hub of Central Asia: Way Forward	18
Conclusion	20
Recommendations	25
Bibliography	26

Abstract

This paper presents the parameters of the new economy model, which has received the name “creative” among the experts. The author draws attention to certain achievements in the creative economy on the example of the developed countries of Europe and Asia. There are some advances in this regard also in Central Asian region, they are shown in comparative perspective.

Kyrgyzstan is considered here as the most acceptable model for creating a creative “hub” in Eurasia. Potential realizable opportunities in this direction with already embodied elements on the basis of the developed program are noted.

The commercial importance of the creative economy is evident in the perspective of the contribution that it already makes to the structure of the national gross domestic product of the country, stimulating innovation and technology. At the same time, there is significance in terms of reproduction of the cultural heritage of nations, in terms of ensuring the process of self-identification of states.

On the basis of the conducted research for the countries of Central Asia, specific recommendations were made for the implementation of the fundamental principles and policy provisions of the creative economy.

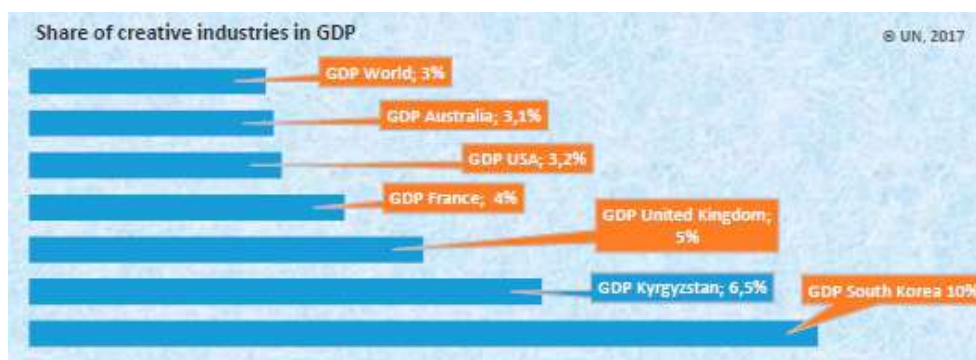
Introduction

Creative economy, a sector comprised of ideas, culture, and technology, is the fastest growing industry in the world. Its size has more than doubled over the last 10 years, reaching a turnover of more than 600 billion US dollars. Relying on the legacy of Yusuf Balasaguni, Avicenna, Beruniy, Al-Xorezmiy, Firdowsi, Omar Khayyam and others, Central Asia holds potential for becoming one of the global leaders in this economy of ideas. Historically saturated with ideas and endowed with a rich culture, the region should set a course for a creative economy to improve the well-being of its population, promote a green and smart economy and achieve a breakthrough under complete uncertainty of the global economy.

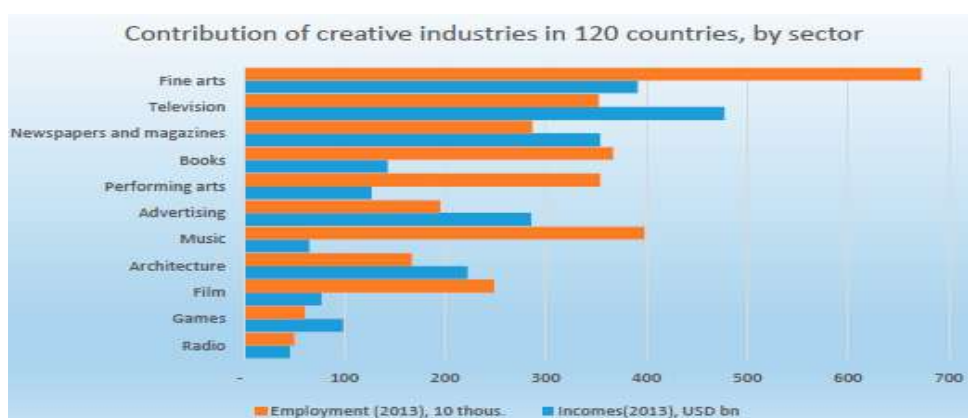
Creative economy has been recognized as a major industry with a significant contribution to national gross domestic product, which stimulates innovation and the transfer of knowledge in all sectors of a country's economy. In addition to its commercial value, it revives the cultural heritage of the country and cities and supports the country's self-identification in the context of globalization – these factors have prompted governments around the world to create opportunities for small and medium enterprises to develop creative economies. Creative industries promote culture and fundamental rights, which are also supported and fostered by international organizations, including UNESCO, the United Nations, the British Council and others, in both developed and developing countries.

Creative Economy in the World: A New Model

The creative economy, so named only as recently as 2000 but founded during the Central Asian renaissance, has always been of interest to world leaders, investors and businessmen, who have written books on the subject and used the concept to earn billions. Creative industries make up about 3% of the world's GDP, reaching as high as 10% of country GDP in South Korea. It is noteworthy that creative industries constitute 6.5% of the GDP of the Kyrgyz Republic, outpacing many other countries of the world.



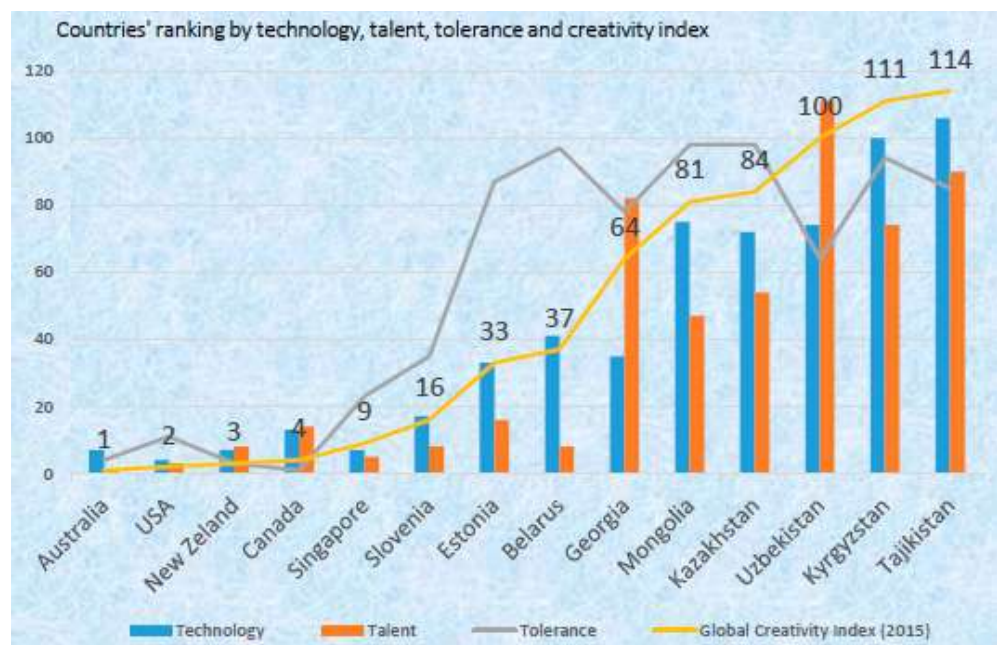
A country's creative economy constitutes people and businesses that generate ideas and create technologies for new products in the scientific and technological spheres, as well as in architecture, design, education, art, music and entertainment. With revenues of over 2.3 trillion US dollars, creative industries employ more than 300 million people and fundamentally transform countries' social, cultural and economic structures.



These 11 industries shown in the graph constitute the creative economy sector. They take on special importance for the transition of developed countries to a post-industrial economy based on dominance of knowledge, services, intellectual work, scientific and cultural achievements and the latest technologies.

Ideas lie at the heart of creative economy, while its foundation is represented by technology, talent and tolerance, also known as “the three Ts.” While the need for technology and talent is obvious, tolerance is of paramount importance because openness to diversity - the willingness to perceive new things that are different from the usual as well as openness to things with which you disagree - is an added advantage – it is a multi-cultural environment that makes those born in the US more productive.

The Global Creativity Index is spearheaded by Australia, USA and New Zealand. As for the post-socialist countries, Slovenia ranks 16th, Estonia is 33rd, and Belarus is 37th. Of the 139 countries in the rating, Kazakhstan ranks 84th, Uzbekistan is 100th, Kyrgyzstan is 111th, and Tajikistan is 114th.



The Global Creativity Index considers the following three aspects:

- Technology - investment in research and development and the number of patents per capita.

- Talent - the proportion of adults with higher education and the workforce in the creative sector.

- Tolerance - attitudes towards immigrants as well as towards racial, ethnic and social minorities.

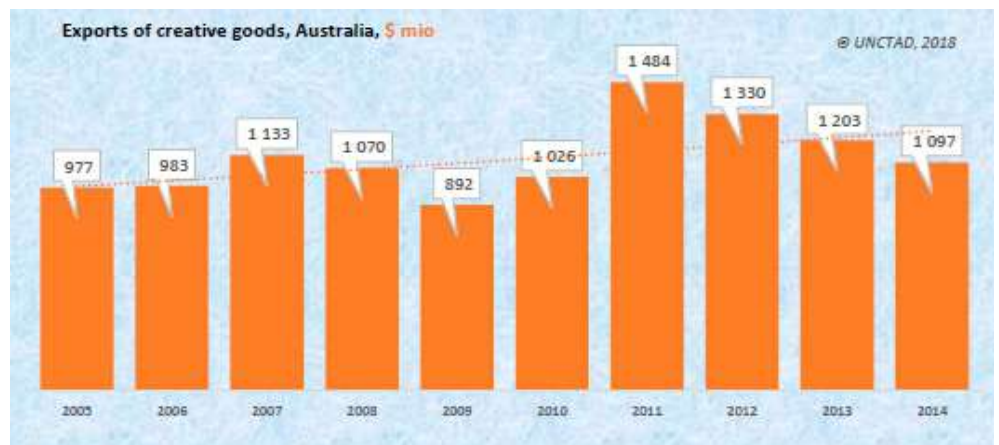
International experience shows that high ratings in all of these aspects allows for an effective implementation of a creative economy, which contributes to increased investment attractiveness and better worker skills, stimulates innovation and enhances the competitiveness of cities.

Creative Economy Cases in the World

There are various methods by which to implement a creative economy. Establishment of favorable creative blocks and clusters is among the most popular, as it provides for the high concentration of creative people in one region. Furthermore, countries understand that along with economic benefits, a creative economy provides intangible values that are not translatable into monetary valuations but that nevertheless make significant contributions to inclusive and sustainable development.

Australia

Australian creative industries are known globally for their innovation, talent and energy, and play an important role in the Australian economy. This is especially important considering that almost 95% of the population engages with the arts in some capacity at least once a year. “Creative Australia” is a national policy based on the successful state strategies implemented over the last 40 years, which have fostered trust and innovation in the field of art, heritage and creativity. The Australian Government laid the foundations for “Creative Australia” through a combination of sector and education reforms and a continuing programme of investment in arts and cultural infrastructure.



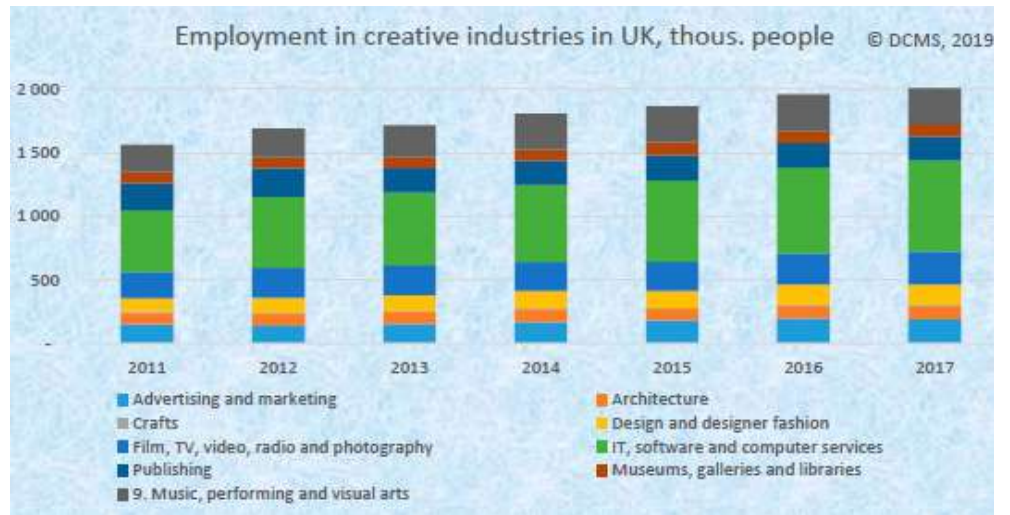
Exports of creative goods from Australia have been growing since 2005, reaching a peak of 1.5 billion US dollars in 2011, and then declining to 1 billion US dollars in 2014. In 2014, the exports of creative services amounted to 5 billion, exports of architectural, engineering, scientific and other technical services were 1.5 billion, and exports of computer services totaled 1.4 billion US dollars. Creative industries in Australia employ 594 thousand people (5.5% of the employed population). Incomes generated by creative industries are on average higher than those of other industries. In 2016, the average annual income per employee in creative industries was 76.2 thousand US dollars, which is 24% higher than the average income of the Australian workforce (61.4 thousand US dollars).

United Kingdom of Great Britain

The United Kingdom is a successful example of an effective creative economy. In the UK, the creative economy includes stable implementation of policies to provide creative education to children, transformation of talents into work, support of research and innovation, help for creative business to develop and access finance, protection of intellectual property, support for creative clusters and promotion of the UK as a global creative center.



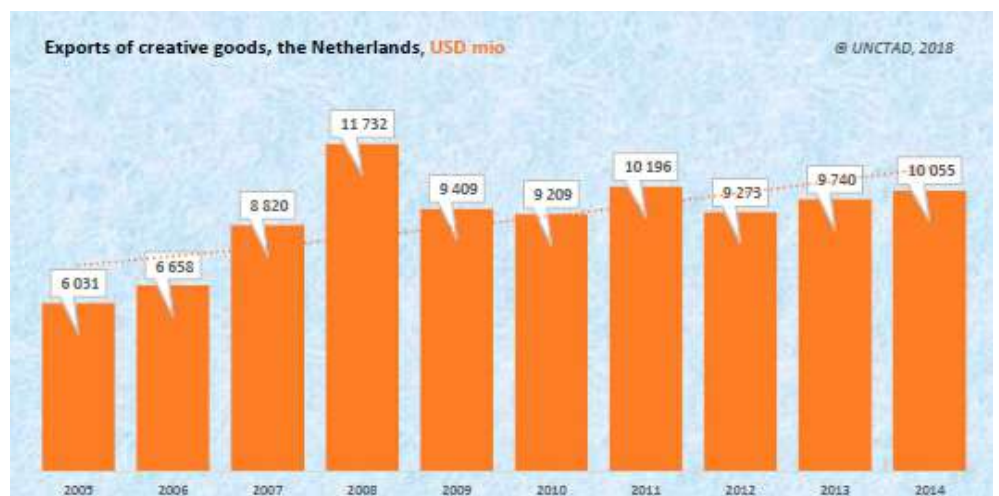
At present, this industry supersedes many other sectors of the country's economy in terms of the contribution to gross value added (GVA), as well as in the total number of jobs and enterprises. In 2017, the creative industry's contribution to GVA amounted to 101 billion pounds (130 billion US dollars), or 5.5% of the total GVA, 1.5 times greater than the equivalent figure in 2010 (66 billion pounds sterling). Exports of creative goods and services increased from 25.6 billion pounds in 2010 to 40.3 billion pounds in 2016. Creative services and goods account for 11% and 4.3% of the country's total exports, respectively.



It is worth noting that 2 million people were employed in the UK creative industry in 2017 (6.1% of people employed) with 400,000 new jobs created since 2011.

Netherlands

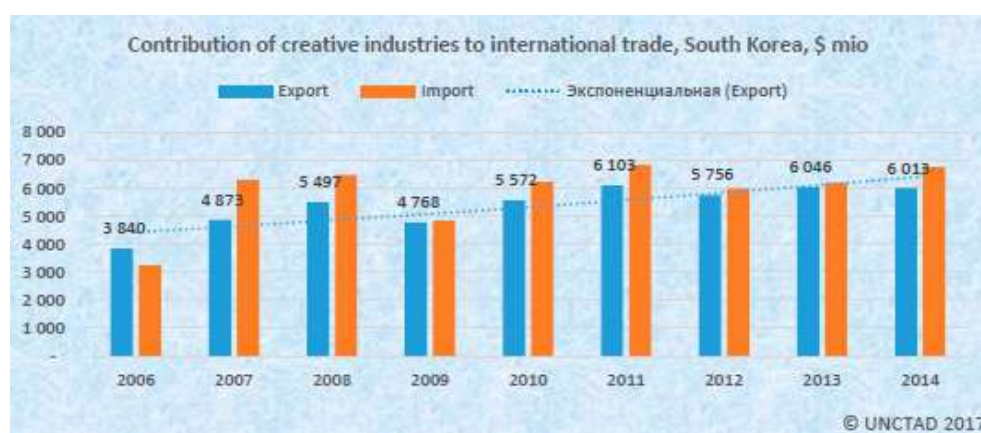
The Netherlands has also demonstrated a successful model of a creative economy. In 2012, the country founded a knowledge and innovation network for researchers and entrepreneurs working for creative industries - CLICKNL. The network serves as a link among the “golden triangle” sectors: knowledge, industry and government institutions. Today, CLICKNL consists of 147 thousand companies (10% of the country's companies) with 186 thousand employees, annual revenue of 23 billion euros and a turnover of 11.5 billion euros (1.9% of GDP).



Overall, exports of creative goods increased from 6 billion in 2005 to 10 billion US dollars in 2014. Design products, which account for the largest share of exports (4 billion US dollars), included fashion goods (1.5 billion US dollars), interior design items (1.3 billion US dollars) and toys (1.1 billion US dollars). Exports of creative services amounted to 63.1 billion US dollars in 2014, with the share of telecommunications, computer and information services accounting for 41.6 billion, R&D accounted for 11.1 billion, and architectural, engineering, scientific and other technical services accounted for 5.4 billion US dollars. The Netherlands has become the leading global knowledge economy and the creative center of Europe.

South Korea

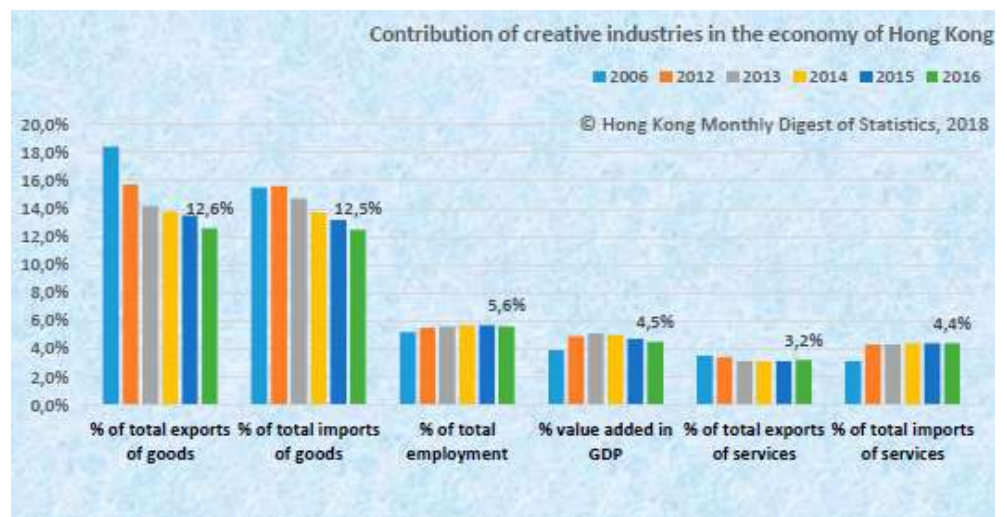
The South Korean Government has made a creative economy a goal of the country's new policy. This policy enables the creation of new industries and markets by integrating imagination and creativity with science, technology and ICT, and provides new jobs within enhanced traditional industries. This began in the late 1990s, when K-Wave (Korean wave) pop culture gained immense popularity in Asia and diversified the structure of the economy. Creative Economy and Innovation Centers were created to support startups and SMEs in all regions of the country: anyone who had creative ideas could visit one of these centers for support, ranging from product development and investment, to launching new sales channels. This cluster creates ecosystems for large companies, as well as for small and medium enterprises and startups.



Exports of creative goods in South Korea increased from 3.8 billion in 2006 to 6 billion US dollars in 2014. This growth was mainly due to the export of designer goods (2 billion), arts and crafts (1.8 billion) and new media (823 million), which together made up the largest share of exports. The Government strategy of the Republic of Korea was focused on promoting small and medium-sized enterprises and startups in the creative content industry.

Hong Kong

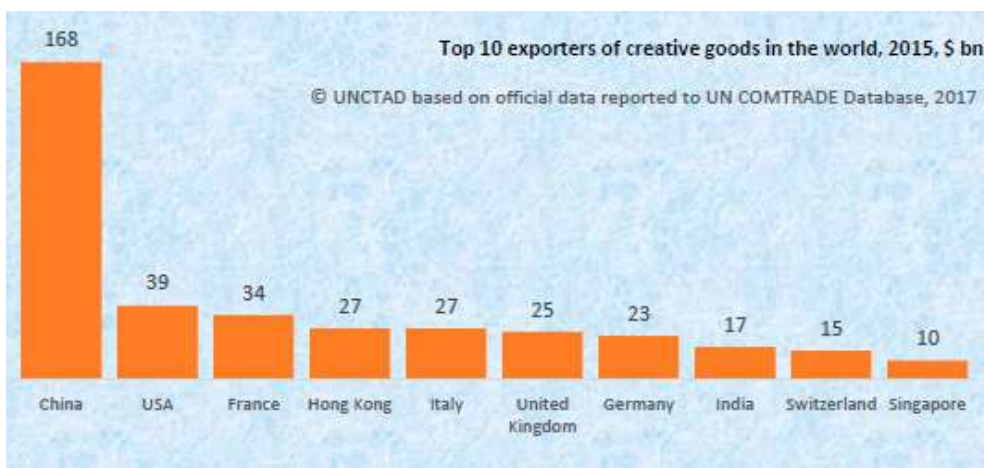
Hong Kong is developing creative industries with a view to becoming the creative capital of Asia. “Create Hong Kong”, established in June 2009, is a specialized government agency responsible for promoting the development of creative industries and providing universal services and better support for companies with the creative industries. This cluster programme is designed to foster talent, provide support to startups, study markets and promote Hong Kong.



In 2016, Hong Kong exported over 450 billion Hong Kong dollars' worth of creative goods (1 Hong Kong dollar = 0.13 US dollars) (403 billion in 2006). The industry employs 213 thousand people (177 thousand as of 2006), which is 5.6% of the total employed population. The value added by creative industries in GDP amounted to 110 billion in 2016 (4.5% of GDP), compared to 57 billion HK dollars in 2006. The exports of creative services stood at 25 billion Hong Kong dollars in 2016, compared to 14 billion in 2006.

China

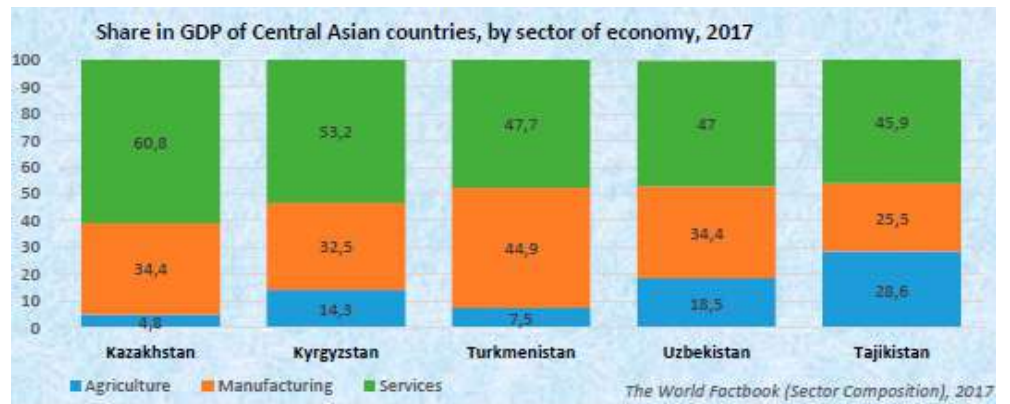
Chinese creative goods dominate the global market with 34% of world exports coming from for China. Exports of Chinese creative goods grew from 54.8 billion US dollars in 2005 to 168 billion in 2015, while imports remained significantly lower standing at just 14.5 billion US dollars in 2014. In general, value added by culture-related sectors amounted to 463.9 billion US dollars in 2016, which is 13% greater than in the previous year.



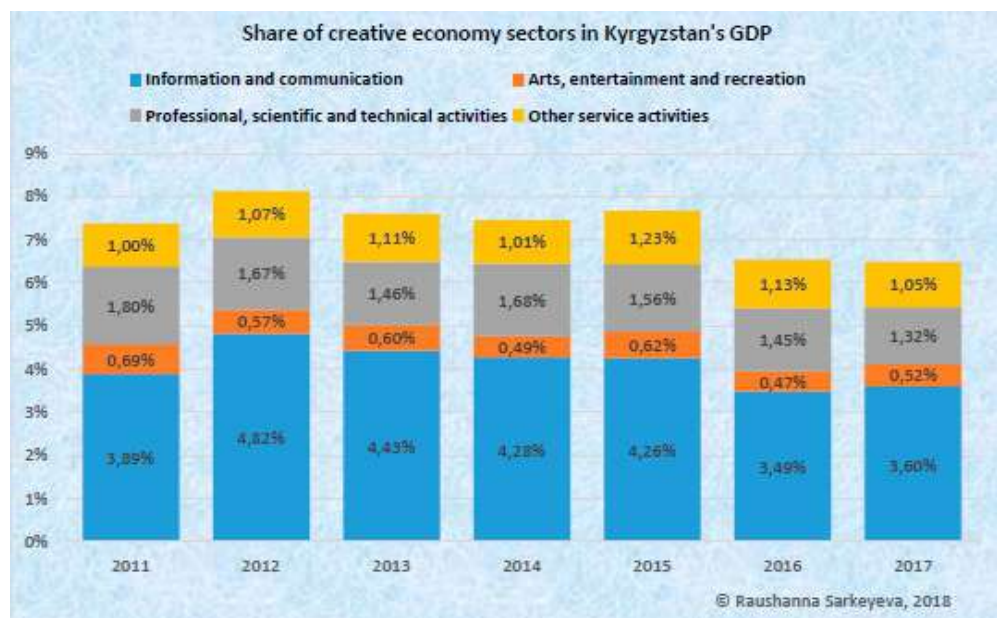
The creative economy is developing all over the world, especially in the fashion, filming, design and art industries, and is contributing to countries' gross domestic products, exports and overall development. Developing countries prioritize economic measures that develop their creative potential. For instance, in Argentina, creative industries provide 300 thousand jobs and account for 3.5% of GDP; in Morocco, 1.8% of the working-age population is engaged in a creative economy. In South Africa, creative industries created 192 thousand jobs (up to 1.28% of the employed in the country) in 2014, which represented 2.9% of GDP.

Creative Central Asia: Current State

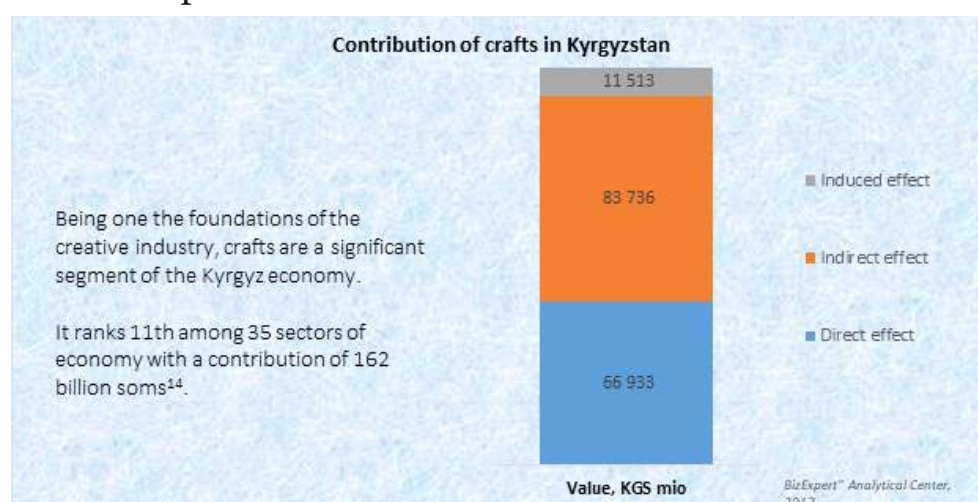
Central Asia has a rich cultural heritage, including in the performing arts. On the other hand, new disciplines such as media art and technology are still awaiting recognition of their creative and cultural value and still need to be incorporated in the country's framework initiatives and programmes. Additionally, with the services sector representing on average 51% of countries' GDP, Central Asia fits easily into the global trend of focus upon and growth of cultural economies.



In the Kyrgyz Republic, creative industries amounted to 521 million Kyrgyz soms or 6.5% of GDP in 2017, while the share of tourism was only about 5%. The total share of creative and innovative industries accounted for 7.1% of GDP.



Kyrgyzstan's National Strategy for 2018-2040 emphasizes that the development of personality and human capital is the country's ultimate goal and an indicator of the state's successful development. The state priority is to support the fundamental value of each person to the society, which allows them to reach their highest spiritual, cultural and creative potential as an individual. A creative economy allows implementing this goal through the monetization of ideas and developments that can scale up to industrial volumes.



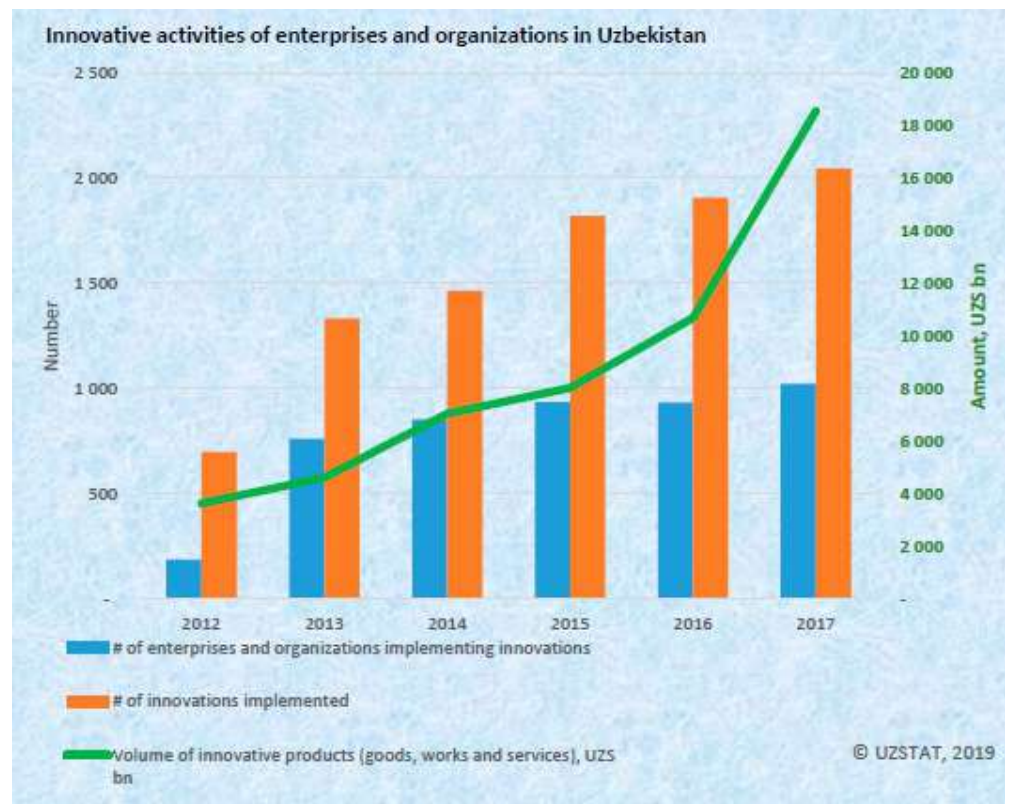
The Strategy is aimed primarily at creating a supportive environment for human development, unleashing human potential and ensuring well-being, which fully coincides with the goals of creating a cluster of creative and innovative industries.

The success of the creative and innovative industries cluster depends on the capacity to attract and retain a creative class of people. The Kyrgyz Republic Government is still looking for ways to implement the National Strategy for 2018–2040. In this regard, the concept of a specialized creative and innovative industries cluster proposed by the Central Asia FEZ Development Corporation for the Development of the FEZ provides an accurate vision of further actions and programme measures needed to achieve long-term objectives of state policy.

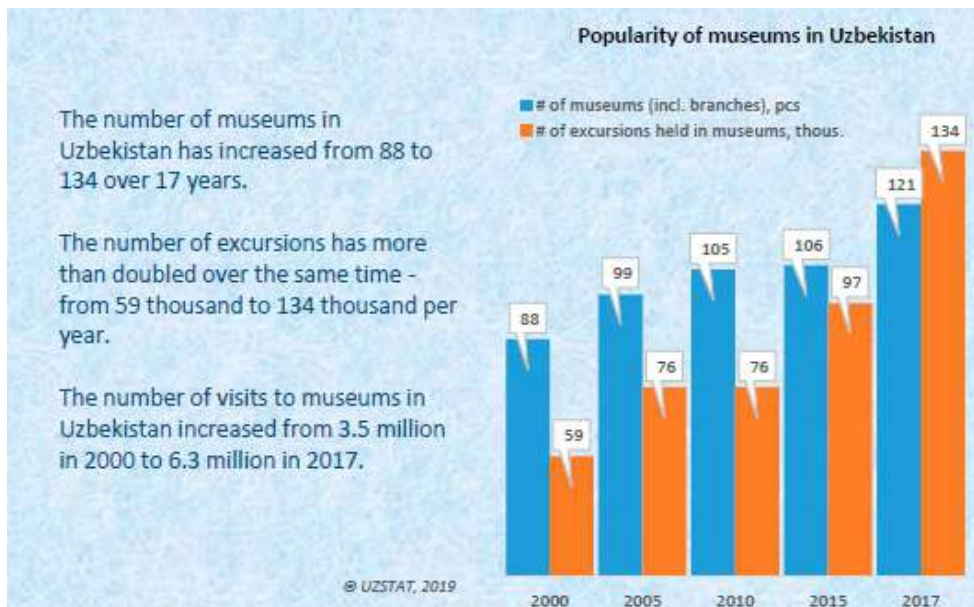
In Kazakhstan, creative industries are an important part of the country's business base. Almost 18 thousand enterprises are registered in the business register of creative industries as of January 2018, which is 3.8% of the business population. The creative economy in Kazakhstan outnumbers real estate companies and service businesses in large cities.

It is noteworthy that Kazakhstan is among top 10 largest exporters of creative goods among developing countries. In Astana and Almaty, higher value-added services (advertising, architecture, and programming) dominate the creative industries sector, accounting for over 90% of the registered business sectors.

There is no data on creative industries for Uzbekistan. However, we would like to highlight two key elements: the innovation activities of Uzbek companies and statistics of Uzbek museums.



According to the State Statistics Committee of the Republic of Uzbekistan, the number of introduced innovations has tripled over the past 10 years - from 683 in 2008 to 2,046 in 2017. In monetary terms, the volume of innovative products has increased by 14 times - from 1.3 trillion Uzbek soums in 2008 to 18.5 trillion Uzbek soums in 2017. The country holds great potential to implement innovations in the cultural industry.



Finally, it is worth noting that the State Institute of Arts and Culture and the Westminster International University in Uzbekistan will provide training and work to develop the creative economy in the country – Westminster International University is opening a Department of Creative industries and Culture Management. This programme is designed for specialists who have completed higher education in the humanities, and who are seeking additional theoretical and practical skills in creative entrepreneurship and culture management.

No data is available on creative industries in Tajikistan. However, information provided by the Statistical Agency under the President of Tajikistan allows for comparisons among average salaries of programmers, researchers and developers (natural sciences, humanities, and engineering) and the national average. The comparison reveals that the innovation sector has been generating 20-100% more revenue than other sectors in the past several years.



Creative Hub of Central Asia: Way Forward

Central Asian countries, including Kyrgyzstan, have yet to revive their cultural heritage and compete for a place in the world, which would require strengthening the necessary framework, infrastructure and ecosystem to allow for the development of creative industries.

While the region has just begun to explore the notion of “a creative economy”, it is time to catalyze the same through the establishment of the Central Asian Creative Hub based on the FEZ Bishkek at VDNKh, which will provide the necessary infrastructure, and the Central Asia FEZ Development Corporation (CAC), which can act as an organizer and link government policy-makers, investors, entrepreneurs, the creative class, programmers and the global community.

Choosing the right state policy and strategy plays an important role in achieving positive development results and unleashing the socio-economic potential of a creative economy. Policy measures aimed at promoting the development of a creative economy should take into account the fact that a creative economy is closely connected with economic, social, cultural, scientific, technical, ecological spheres, among others. The successful coordination of intersectional actions is a key factor of a long-term strategy for building a creative economy, and the CAC development team has the necessary skills and experience in this field.

Why the Kyrgyz Republic? The Kyrgyz Republic is a fabulous and fascinating Central Asian country with an alluring natural beauty, a rich history, a deeply engrained culture, and an array of elaborate traditions. Located at the crossroads of the Great Silk Road, Kyrgyzstan zealously preserves its unique ancient monuments, which, being seamlessly mingled with modern structures, give unforgettable impressions to visitors. The country has great potential to develop innovative and creative industries, supported as it is by a liberal economy and democracy, a qualified creative class and a management sector

that has strong links with both the local and international markets.

Why Bishkek? Most major initiatives implemented in Kyrgyzstan are concentrated in Bishkek, the country's capital, which has the great potential to become a leader among the capitals of neighboring Central Asian countries. Furthermore, Bishkek with its 12 parks, 48 gardens, and many squares and recreation areas, is considered one of the greenest cities in Central Asia. A visa-free regime and the “open sky” policy open up incredible opportunities for the global interaction of creative companies in the country's capital, which, like a magnet, attracts the best minds and creative elite from all regions of Kyrgyzstan. There is sufficient potential and resources to create a unique cluster of creative industries with an open inspiring environment and a unique ecosystem that will give powerful impetus for development that coincides with the country's economic growth strategy.

Conclusion

The mission of the creative and innovative industries cluster is the development of new technologies, new sectors, and new economic advantages of the Kyrgyz Republic and the providing of opportunities for unlocking the creative and intellectual potential of people.

The project pursues an ambitious yet realistic goal of forming a hub of innovative and creative industries in Bishkek, which will be a one of a kind cluster in Central Asia. The regional market is in dire need of modern infrastructure to create innovative products that are in demand all over the world. The project has the following objectives:



The development of a creative and innovative industries cluster will enhance opportunities to support related industries, attract investment, build strong world-class national brands, create new jobs, increase tax deductions to budgets and strengthen the attractiveness of the investment climate.

Furthermore, the Kyrgyz Republic will benefit from the import of capital from third countries, the development of markets for financial and credit services, as well as booms in construction, tourism, education, the preservation and reproduction of cultural heritage, the growth of small and medium-sized businesses, the sustainability of culture and creativity institutions, and much more.

The creative and innovative industries cluster is designed not only for work, but also for life, for communication and, ultimately, for the generation of common ideas. The project to create this cluster can become the basis for the competitive edge of Kyrgyzstan in the Central Asian region and create the necessary conditions for declaring Kyrgyzstan a renowned innovation center worldwide. This is because the cluster contributes to the integrated development of territories by performing the following functions:



A creative and innovative industries cluster is a group of interrelated organizations (companies, individual entrepreneurs and other institutions) that complement each other and strengthen the competitive advantages of selected companies and the cluster as a whole for the ultimate goal of the development of a regional creative economy. The creative and innovative industries cluster is set to encompass the best creative resources in the country and the Central Asian region and create a fundamentally new creative and innovative environment for people.

Creation and creativity are in demand in industry, in business, and in management. Therefore, the cluster-based interaction of the culture sector with various industrial sectors is one of the key elements of innovative economic strategy that is actively supported by the world community.

The Bishkek creative cluster has a number of advantages, including the unique historically significant place of the Kyrgyz Republic on the Silk Road, the advantageous location of the country at the heart of both the Central Asian region and the continent as a whole, with proximity to the rapidly growing economies of China and India.

Additionally, basing the creative cluster in Bishkek allows for the free movement of goods, services and human capital in 5 countries of the Eurasian Economic Union, a unique programme of state support and preferences for the development of the IT industry, and finally, the intellectual and human resources of the Kyrgyz Republic and the Central Asian countries.

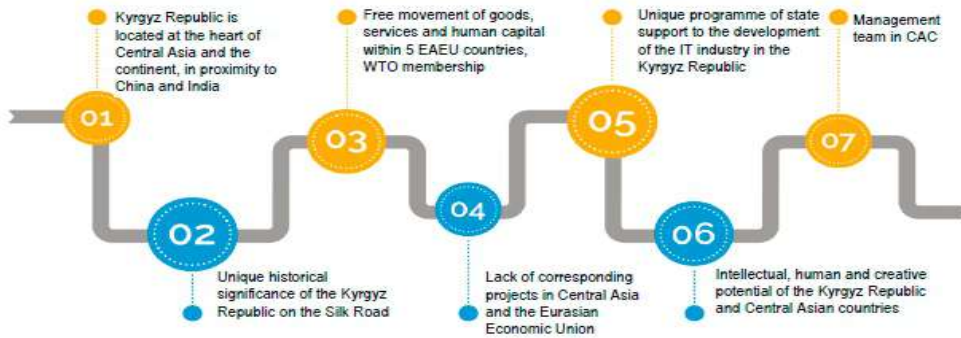
Today we live in an amazing time: an era when radical changes in technology occur before our eyes. It is now clear that innovation is becoming an arena in which many thousands of companies around the world struggle. Central Asia will be able to rank high in the revolution of cultural industries.



The Bishkek creative cluster has a number of advantages, including the unique historical, geographical and political significance of the Kyrgyz Republic.



The uniqueness and development prospects of the project are due to a variety of circumstances, including the geographic location and the creative class of Central Asia:



1	INNOVATIONS	IT, software	Mobile technology
		IOT, Big Data/Analytics	Cloud systems
2	ARTS	Robotics	Cyber security
		3D printing, games	Accelerator /Financial technology
3	FINANCE	Blockchain technology	Artificial intelligence
4	EDUCATION	Creative industry	Music industry
		Production industry	Design and architecture
		Crafts	Fashion industry
		Jewelry industry	Museums and galleries
		Hospitality services: Tourism	Financial services: banking services,
		HORECA, Beauty and Health,	audit, accounting
		Leisure	Communications
		Business services: Marketing,	Coworking spaces
		HR, Management, Logistics	Venture funds
		Insurance	
		Research and development	IT academies
		laboratories	International school
		University	Preschool institution

The concentration and accelerated development of the creative industries in Kyrgyzstan will attract investment, increase exports of creative goods and services, create new high-pay jobs, produce strong world-class national brands, support the development of tourism, education, and most importantly, the preservation and reproduction of cultural heritage of Kyrgyzstan and the whole region. This new economic model will give a qualitatively new impetus to the country's economic development and citizens' welfare.

Reccomendations:

1. Strengthening cross-sectoral and interdisciplinary elements in education and working life
2. Develop and introduce into education provision practices promoting interdisciplinary collaboration and the involvement of stakeholders and the business community
3. Support creative actors in development by providing flexible access to expertise, facilities and equipment
4. Engage regional and national key players in joint problem-solving in a systematic way
5. To develop a comprehensive and inclusive policy for the creative areas, openness in collaboration
6. Building on regional specialization and networks
7. Attracting international talent and companies in creative areas
8. The role of cities and regions should be kept and developed as target-oriented growth platforms
9. Branding the Kyrgyz creative industries
10. To develop creative areas as an export service
11. To ensure an attractive infrastructure for domestic and international talent in the creative areas
12. To build innovative and creative industries cluster in Bishkek and Osh

Bibliography

1. Dcms sectors economic estimates 2017: employment
2. Creative Australia. National cultural policy
3. Creative economy outlook, united nations 2018
4. Hong Kong monthly digest of statistics, June 2018
5. Culture and creative economy in the Kyrgyz Republic, [Raushanna Sarkeyeva](#), rush data
6. In search of Finnish creative economy ecosystems and their development needs – study based on international benchmarking, 2018
7. Mapping the creative industries in Kazakhstan, British council 2018
8. Global trade report
9. Birmingham business school discussion paper series, 2018
10. The creative economy in Australia
11. Creative economy outlook and country profiles: trends in international trade in creative industries, unctad 2016
12. Strengthening the creative industries for development in the republic of Korea, unctad 2017
13. The impact of territorial policies on the distribution of the creative Economy: tracking spatial patterns of innovation in Slovenia, d. Hungarian geographical bulletin 2018
14. The orange economy. Felipe Buitrago Restrepo, Iván Duque Márquez
15. Cultural times the first global map of cultural and creative industries, December 2015



Nazira Beishenalieva



Ainura Chekirova



Mirsulzhan Namazaliev

**REGIONAL INSTITUTE OF CENTRAL ASIA (RICA) ACCEPTS
MATERIALS FOR ITS MONTHLY REPORTS AND QUARTERLY
JOURNALS ON REGULAR BASIS.**

**For more information please contact
Public Affairs Coordinator Toktobek Omokeev**

E-mail: t.omokeev@rica.network

Tel.: +996 (312) 88 22 01

Webpage: www.rica.network

What
we do:



Social issues



Politics and security



Economy



IT and innovations

B/C «Maximum+»
st.Turusbekova 109/3,720001
Bishkek, Kyrgyz Republic
Tel.: +996 (312) 882 201
e-mail: rica.network@gmail.com
Website: www.rica.network