

ECONOMICS*Sociology*

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Skavronska, I. V. (2017), Creative Industries in Ukraine: Analysis and Prospects of the Development, *Economics and Sociology*, Vol. 10, No. 2, pp. 87-106. DOI: 10.14254/2071-789X.2017/10-2/7

**CREATIVE INDUSTRIES
IN UKRAINE: ANALYSIS
AND PROSPECTS
OF THE DEVELOPMENT**

Received: December, 2016
1st Revision: March, 2017
Accepted: June, 2017

DOI: 10.14254/2071-
789X.2017/10-2/7

ABSTRACT. This paper provides a snapshot of the role and importance of the creative industries for the Ukrainian economy. The economic dimension of the creative sector in Ukraine is becoming of higher interest for policy-makers taking into account its increasing contribution to international trade and great potential for further development. Correspondingly, this research is aimed at determining the importance and efficiency of the creative industries for the Ukrainian economy. The methodology of the study is founded on exploring the impact of the creative sector on an economic milieu in Ukraine. The paper proposes a strategy how the creative industries can transform Ukraine into a creative economy. This approach identifies four primary targets, which may result in economic, social, creative and cultural benefits, including keeping and development the creative talent, encouragement of the Ukrainian creative businesses, promoting “culture of openness,” and shaping the creative ecosystem. This study provides a unique and vital contribution to ongoing discussions about the significance of the creative industries for national economies highlighting the universalized assumptions concerning the position of this sector in the Ukrainian economy.

JEL Classification: F010, O3, O4, O5 **Keywords:** culture, creativity, creative industries, a creative economy, creative clusters, creative cities.

Introduction

Globalization is one of the main phenomena faced by modern society, which affects all aspects of human activity at the present stage. Over the past few decades, globalization has dramatically changed the world creating many advantages for the development of national economies. The very same economy of many countries is undergoing significant structural changes as traditional industries replaced by the service sector and innovation, marking the transition to a knowledge economy where a particular role is played by creativity (Čábelková *et al.*, 2015; or Želazny, 2017).

Creativity is an inexhaustible resource based mainly on the ideas and cultural characteristics rather than on the physical capital. A major source of creativity is invisible as it includes both everything each person possesses – knowledge, emotions, talent, spontaneity,

intuition, memories, imagination, divergent thinking, the ability to produce new and original ideas, problem solving skills – and cultural assets and civilization foundations of each society, such as cultural heritage, values, traditions. That is why creativity is distributed among the countries quite equally.

The modern form of globalization determines a new plane in which cultural practices interact with creativity and innovation on a global scale shaping in such a way a new sector of the economy – creative industries. They encompass economic activities concerning the generation, exploitation, transformation, dissemination and commercialization of information and knowledge having significant economic and social impacts (e.g. drive sustainable development and create inclusive job opportunities). Therefore, the creative industries are converted into a stabilizing element of country's competitiveness.

Ukraine, unlike many other countries in the world, can rely on vast reserves of natural resources (land, mineral resources, etc.) to sustain growth but at the same time, it has enormous creative potential, which is underpinned by talents and national cultural and historic heritage.

Unfortunately, I have to state that there is no creative economy in Ukraine yet, but there are many creative people, i.e. creative class – small organizations and self-employed workers, which are key players in the creative industries. For instance, Snapchat has acquired the Ukrainian facial recognition start-up Lookserly as an addition to the social network. Regardless the Grammarly company works for the English-speaking market it has also been established by Ukrainian talents. As a result, the company has two major offices in Kyiv and in San Francisco.

These examples testify to the fact that the issue of the development of the creative industries is becoming increasingly topical for Ukraine; its creativity-building efforts can be in very high demand not only within the country but also throughout the world. However, the successful emergence of the creative industries in Ukraine should not overshadow the need for matching between global trends and national peculiarities.

This research is aimed at determining the importance and efficiency of the creative industries for the Ukrainian economy. It can also be considered as an attempt to measure the contribution of the creative sector to economic and social development of Ukraine.

In addition to this purpose, undertaking of the research sets the following objectives:

- 1) to accurately analyze the concept of the creative industries highlighting the position of creative cities, creative clusters and creative class within it;
- 2) to determine the contribution of the creative sector to Ukrainian GDP, foreign trade and employment;
- 3) to interpret and draw the position of Ukraine on the market of creative products;
- 4) to identify factors and preconditions, which affect the creative sector of Ukraine;
- 5) to formulate a strategy of transformation Ukraine into a creative economy.

1. Methodology

The methodology of this study demands research practices that negotiate the intersection of creative economy, international affairs, macroanalysis, and geography.

This research has been funded from different sources. Unfortunately, the system of annual analysis of the development of the creative industries has not yet been formed in Ukraine. Therefore, data about the creative industries are limited, and only reports of international organizations are today a primary source of statistical information. Mostly, funding has come from international organizations (the World Intellectual Property Organization, the United Nations Conference on Trade and Development, the United Nations

Educational, Scientific and Cultural Organization). The collection of such statistics is important because it provides necessary data for each country, including Ukraine.

Apart from that, there are a lot of literature focusing on the history and theory of the creative industries. Its exploring has helped to identify the key issues and latest developments in the creative sector. The literature on the subject reveals a broad range of terminology, including “creative industries”, “creative economy”, “creative cities”, “creative class”, and “creative cluster”, which are commonly used in the text. Today these terms are mostly exploited and understood as the creative industries have moved from the fringes to the mainstream in knowledge-oriented economies.

The main body of the research explores how creative entities affect the Ukrainian economy. Obviously, there are a lot of studies about the role of the creative industries for the world and local communities, but there is a need for better understanding the position and dynamics of the creative sector in the Ukrainian economy. A more holistic approach to development is required. It is necessary to look more deeply at the local environment identifying cultural and economic differences. The direct data analysis is based on such major indicators employed to measure the performance of the creative industries: share of employment and contribution to GDP. It seems crucial to explore the linkages between creative capacities, trade, employment, and see how this contribute to GDP and economic prosperity. For this reason, it is hypothesized that assessment of the development of the creative industries in Ukraine has not appeared very clearly. This statement have been the key motivation guiding this new publication.

The study also includes specifying the position of Ukraine in the global creative market that is carried out using the Global Creativity Index (GCI) calculated by the Martin Prosperity Institute. The Global Creativity Index is used for estimating a share of the creative class in different countries around the world. The Index is based on the ranks of the each of the three overall indexes – the Global Technology Index, the Global Talent Index and the Global Tolerance Index. In other words, the GCI determines creativity as the product of three measurable variables, “the Three Ts”: technology, talent, and tolerance. This paper presents the results and analysis of each of three indexes for the Ukrainian economy.

Regardless the GCI is a broad-based measure for the Ukrainian creative class it is not enough for the complete assessment of creativity. In this vein, it makes sense to use quantitative and qualitative analyses in order to evaluate extra dimensions, including economy, human development, labor market, education, science, government policy in the field of creativity and the quality of place of living necessary for a comprehensive analysis. While all of these factors are likely to be important for development of the creative sector in Ukraine, they are not mutually exclusive – two, more or even all of them can be important at the same time.

The complexity of today’s Ukrainian environment is more significant than ever to recognize aspects of growth, integrating such concepts as creativity, culture, and economy to provide a fuller picture of what is needed and what works. In this context, my research push forward on how the creative industries relates to economic performance.

I hope that the article will be useful for all those interested in the creative sector as well as for those with ambitions to act in this arena.

2. Literature overview

The idea of creative industries in not new in itself: there are many studies in this field, which represent a relatively new concept. The creative industries are sectors of organized activity whose principal purpose is the production or reproduction, promotion, distribution and/or commercialization of goods, services, and activities of a cultural, artistic or heritage-

related nature (Unesco.org, 2016). Since the creative industries provides the environment for the arts, culture and economic activities, they are considered to be a business sector.

The term “creative industries” is often replaced by other terms depending on the country. They are called experience industries/cultural industries/creative culture and creative industries in Scandinavian countries (Sweden, Denmark, Norway, and Finland), entertainment and media industry/copyright-based industries in the USA, creative and cultural industries in China and in the majority of European countries emphasizing the cultural heritage and elements of its creative activities based on local traditions and arts.

In fact, there is no fundamental distinction between all of them. UNESCO states that the cultural industries are those sectors, which include production and commercialization of creative content that is intangible and cultural in nature, for instance, publishing books, cinema, etc. In turn, the creative industries are industries that produce tangible or intangible artistic and creative outputs, which have the potential for wealth creation and income generation through the exploitation of cultural assets and the production of knowledge-based goods and services (both traditional and contemporary). Therefore, the creative industries are derived from cultural industries, as there are obvious connections to and continuities with cultural industries, such as the performing arts and handicrafts. Subsequently, the term "creative industries" presents a broad range of creative activities, particularly personal, in which the cultural industry is integral part. The designation marks a historical shift in approach to potential commercial activities that until recently were regarded purely or predominantly in non-economic terms.

Such differentiation is not as important in terms of the name of the new sector as it contributes to understanding what the creative industries are. Thus, the creative sector rests on creativity, technology and culture (Vveinhardt, Andriukaitiene, 2016).

J. Howkins (Howkins, 2001), a well-known expert on how to turn ideas into money, stated that creativity is the most interesting and profitable area of the economy. As creativity is the fastest growing business in the world, firms are hungry for people with ideas. For this reason, fundamental principles for success include uniqueness, endless learning, breaking the rules. Consequently, J. Howkins proposed the creative economy concept, which has emerged as a mean of focusing attention on the role of creativity in contemporary economic life stating that economic growth and cultural expansion are not separate processes but can be part of a larger process of development.

This achievement caused intensification in the investigation of the idea of creativity as part of economic success. J. Knell and K. Oakley (Knell and Oakley, 2007), analyzing London’s creative economy, identified that the creative industries are a very particular kind of sector – tough to define and to connect. Only the labor and ideas pool sustain the small creative businesses, which in their turn attract the larger ones. Authors argue that one of the most obvious disadvantages of creative industries policy-making is its obsession with something new, its insistence that everything is changed completely, and its seeming ignorance, often of its own history. Such a belief also came out of the linking of creativity to urban economic development and city planning. The British consultant Charles Landry (Landry, 2000) coined the term “creative city” in the late 1980s in response to rapid economic and social changes happening in the world at that time. He argues that appropriate conditions need to be created for people to think, plan and act with imagination addressing urban problems. There is also a focus on the contribution of the arts and the creative industries to driving innovation in cities.

A. Scott (Scott, 2000) stated that cities function as creative fields generating streams of both cultural and technological innovation but not all of cities can thrive. M. E. Porter (Porter, 1990) found that some cities in order to be successful built or established clusters of specialized industries, usually growing from location, natural resources, and local skills, all of

which became one with local culture. As a result, Porter formulated the cluster concept claiming that cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Major advantage of the cluster lies in synergy of its members, who are able to perform their work within intersectoral interaction of small businesses. Thus, cluster is the most optimal form for innovative development in any field.

N. Clifton and P. Cooke (Clifton and Cooke, 2007) emphasized that a creative cluster is a geographical concentration of individuals, not enterprises, which produces creative goods and services. L. De Propris and L. Hypponen (De Propris and Hypponen, 2008) supplemented their opinion considering the creative cluster as a place that describes both the community of creative people and a catalyzing place, in which people, relationships, ideas and talents are contributing to each other. Staying in the close location creative people spread and exchange ideas as well as freely express themselves. The clustering creates favorable conditions for cooperation and development of both creativity and commerce. Being near each other creative businesses use a strategy of cooperative sharing resources with the purpose of solving structural problems.

Promotion of the creative clusters within urban areas by public authorities can be based on one of two approaches a people-oriented approach and/or a business-oriented approach (Trip, 2008; EC, 2010). A people-oriented approach is directed towards improving the quality of life of citizens within cities to attract creative talent that, in turn, generates investments, enhances growth in jobs and induces the emergence of start-ups. A business-oriented approach focuses on the shaping creative production milieu, i.e. favorable conditions for development of creative businesses such as tax incentives and subsidies.

T. Borrup (Borrup, 2010) suggested ten characteristics to be common in the formation of creative milieu by scholars in business, economics, geography, leadership, urban studies, education, and the arts. They include availability of domain knowledge and expertise, interactions across cultures and between a variety of ideas, open communication and free exchange of ideas, stable environments with future possibilities, opportunities for solitude and interaction, the presence of other creative people generating new ideas, inclusive leadership that clarifies values and presents challenges, visual and aural stimulants, reflective thinking and practices, as well as risk-taking, failure, and ambiguity.

There are some evidences (Landry, 2000; Atkinson, 2007) suggesting that creative cities have caused the emergence both clusters and a new social class – the creative class. The concept of creative class proposed by Richard Florida (Florida, 2012), an American urban studies theorist, defines the creative class as a broad grouping of creative workers in the cultural and creative industries, as well as different types of managerial, professional, and technical workers, producing various innovations. It consists of people in science, design, engineering, architecture, education, music, arts and entertainment whose economic function is to create new ideas, technology, and creative content. Florida states that creative centers are thriving because creative people want to live there and companies follow the people – or, in many cases are started by them. Hence, the creative class is a key driving force for economic development of post-industrial cities. Cultural activities are seen as advantages in the urban infrastructure that can attract professional labor force.

These theoretical and academic ideas determined that alongside benefits from agglomeration, the creative sector can also take advantages of urbanization, variety and diversity.

Discussion about the scope of the creative sector is ongoing (Strazdas, Cernevičiute, 2016; Jureniene, Stonyte, 2016; Becerra-Alonso *et al.*, 2016; Sueldo, Streimikiene, 2016). There are various approaches to the definition of the creative industries ranging from a narrow approach, in which the creative sector is defined through one specific policy area, such as

culture, to a broader approach where creativity is associated with almost every aspect of human activity.

3. The concept of the creative industries

For the first time the term “creative industries” was used by an Australian federal government in the 1994 national cultural policy “Creative Nation”. In 1998 the Department for Culture, Media & Sport (DCMS) of the United Kingdom (Creative economy: a feasible development opinion, 2010) drew up the original definition of the creative industries. It says that creative industries are industries originated in individual creativity, skills, and talent, which have a potential for wealth and job creation through the generation and exploitation of intellectual property. Original UK definition has been widely adopted and followed by other countries and international organizations. By this definition, the creative industries include such sub-sectors: advertising, architecture, the arts and antique market, crafts, design, fashion, film, interactive leisure software (e.g. video games), music, the performing arts, publishing, software, and television and radio. On the other hand, French people emphasize that the creative industries include cultural industry, cuisine, haute couture, and museums, while according to Ruhr model, football is also involved in the creative sector.

Growth in the creative sector needs primarily a comfortable milieu that involves a combination of a natural environment, artificial background and energetic and exciting atmosphere built by an active street life, café culture, music preferences. It demands appropriate conditions for creative life, including opportunities for work and lifestyle (arts, technologies, sports etc.). Such a place gives people from diverse social and cultural groups a possibility to connect, communicate and collaborate with each other. Simultaneously, jobs in the creative sector generate new professions and specializations, employment is characterized by “flexibility” requirement and “mobility” constraint, ITC competences and abilities enrich the labor content.

Creative milieu contributes importantly to a sustainable urban development of a city. A city needs to embed a culture of creativity in the way it operates. This is a place, where new living and work conditions form, and ideas for new products and services can be developed on a small scale.

In practice, creative cities *a priori* demands people who live there to be creative. Having many advantages (high productivity, independence, youth employment etc.), the concept of the creative class is problematic in today’s world. It is believed that each person can become a member of the creative class because creativity is not a mental ability, it is the ability to perceive, choose and make something new and useful. In spite of such a belief, the creative class is criticized for elitism. On the pursuit of success and creativity, the principle of “creative communities” is sometimes forgotten, which stated as: “Ensure that no one is left behind” (Eger, 2003). Often a situation can be observed where the interests of the creative class run counter to the interests of other social groups. Creativity sometimes serves as a new method for building social boundaries and social exclusion since creative social groups declare their preference and priority rights.

An interesting example of such an exclusive and even discriminate position against non-creative people is a view of one of organizers of squatters in Amsterdam, showed in the film “Creativity and the Capitalist City” (Netherlands/Germany, 2011, director Tino Buchholz): “If you’re an average citizen – you can not live here. This is Amsterdam. This is a smart city in bigger urban context”. Interestingly, precisely Amsterdam, which is one of the recognized creative cities in the world, has recently been the subject of criticism. Amsterdam’s creative policy is seen as a manifestation of neoliberal urbanism, in which urban policy and culture have been “colonized” by businesses that justify social inequality (Peck,

2012). The creative class is winning one-third of society, and two-thirds of those that remain are losers and should learn to live as winners.

Another argument against the emergence of the creative class is gentrification of urban areas that means renovation of deteriorated urban neighborhoods by means of the influx of more affluent residents, infrastructure improvements and the overall progress (Loretta *et al.*, 2008). In general, things are not so bad. Indeed, there is a gradual change in the population, rise in house prices, and forced relocation of residents.

In any case, creative environment is a basis for the implementation and development of innovative and creative thinking, but at the same time itself undergoing transformation due to the impact of creative thinking, which reflects dynamic changes in the socio-economic, institutional and organizational areas. Interrelation between the constant use of innovation and creative approach to problem solving is an efficient innovative development strategy for both the enterprise and the state.

The creative industries, being an economic mechanism, have an internal structure, which includes independent actors, SMEs, large-scale corporations and public or quasi-public cultural institutions (Creative Industries Mapping Documents 2001). The group of independent actors and producers of creative goods and services covers artists, writers, poets, musicians, sculptors, painters, etc. Results of their work can be used as a final consumer product or as a resource for further manufacturing of the final product. For example, 53% of Canadian game developers are independent operators.

SMEs usually dominate in the structure of the creative industries of most countries, and their economic importance is much higher than in other sectors of the economy. It has long been recognized that small businesses play a special role in the process of restructuring of the economy. Yet, most European creative companies (95%) are micro-enterprises (employed less than 10 people), which provide 35% of jobs in the sector (European Commission, 2010). The small businesses are closely linked with creativity – art cafes, design studios, fashion shops, etc. with their "face" create a special atmosphere and serve not only residents, but also visitors stimulating extra revenues into the local economy. Large corporations, which can be as national, so part of multinational companies, are the largest generators of creative production. These giants usually implement their activities in the publishing field and production of audiovisual products. Museums, galleries, historic buildings and other cultural attractions belong to the group of public or quasi-public cultural institutions. They depict movable and immovable cultural heritage of each country and play a significant role in the development of domestic and inbound tourism.

A small number of multinational corporations are major actors and leaders in this field, but their activities are largely dependent on numerous microenterprises entrusted with the execution of similar projects. Such enterprises quickly respond to changes in fashion and technology, and their assets are ephemeral and invisible, like reputation, skills and brands. They operate in global niche markets and evolve improving quality indicators, rather than quantitative ones.

Today's creative environment is inherent various new forms of entrepreneurship like clusters, hubs, incubators, coworkings etc. Their economic potential had been realizing since nations understood that creativity was a powerful mean of economic growth and strengthening regional competitiveness. For instance, governments often consider creative clusters as a way of solving the city's social problems and developing its economy, while municipalities, competing for creative people and access to technology, involve them in policy of urban regeneration. As a result, there are almost one million creative companies and 1,784 creative clusters in the European Union.

Unlike traditional sectors, the creative industries are characterized by enhanced dependency on new technology and low capital intensity, which in combination with

heterogeneity of the market, creates low barriers to entry into the market and encourages start-ups. Since creativity combines aesthetics, technological, commercial and management activities, it can be considered as a competitive advantage, philosophy, motivation, decision-making, an increase in productivity or even a strategic weapon as for companies so for states.

4. The Impact of the Creative Sector on the Ukrainian Economy

Ukraine has a diverse industrial and agricultural economy rich in natural resources and minerals, which together with highly skilled workforce has helped to provide a strong foundation for robust future progress. Nevertheless, being under constant external pressure, the country searches for new ways of growth and productivity while managing resources sustainably. It must embrace and respond to external influences that can change the shape of the economy. On the other hand, Ukraine is home to a dynamic and distinctive indigenous culture and people of different nationalities. Being rich in cultural traditions and historical events of international significance, it remains the center of preservation of national identity and uniqueness, as well as the bearer of creative ideas inherent to the Ukrainian people.¹

For its further development, Ukraine has reserves in the creativity of its workforce and industries on which it can call. Its sustainable strengths lie in the cultural and creative abilities of its people, businesses and communities. Collectively these provide the country with strong cultural foundations as well as the inspiration, innovation and agility to underpin future economic growth and livability. Consequently, there is a great potential for development not only of the creative industries themselves but also for creative projects in other sectors of the economy. Furthermore, keeping in mind the geographical proximity of Ukraine to the Western European countries, where the creative industries progress, it is also possible to apply their experience in this field.

Unfortunately, the development of the export-oriented economy in Ukraine does not support the creative initiatives. The creative industries in here are a type of socio-cultural practices with the integrating creative component, which often borders on the experiment, innovation, but, therefore, not always pursues commercial objectives. Ukraine is a relatively isolated and small market compared to those of Europe, North America or Australia, and the impact of the creative sector on the economy is the lowest (see *Figure 1*).



Figure 1. The Contribution of the Creative Industries to GDP and Employment
Source: compiled by author based on data (Wipo.int, n.d.).

Figure 1 demonstrates that the contribution of the creative industries to GDP is the highest in the USA – 11.2% and Australia – 10.3%. The contribution of the creative sector to

¹ There are 113 theatres, 564 museums, 40000 libraries, 8000 nature reserves in Ukraine.

employment is the highest in Netherlands – 8.8% and again in Australia – 8%. In Ukraine, the input of the creative industries to GDP equals 3.47%, while the contribution to employment is only 1.91%.

Figures above allow indicating a position of Ukraine along these two indicators on a four-quadrants chart (see *Figure 2*). The clustering of countries is relative to the average contribution of the creative industries.

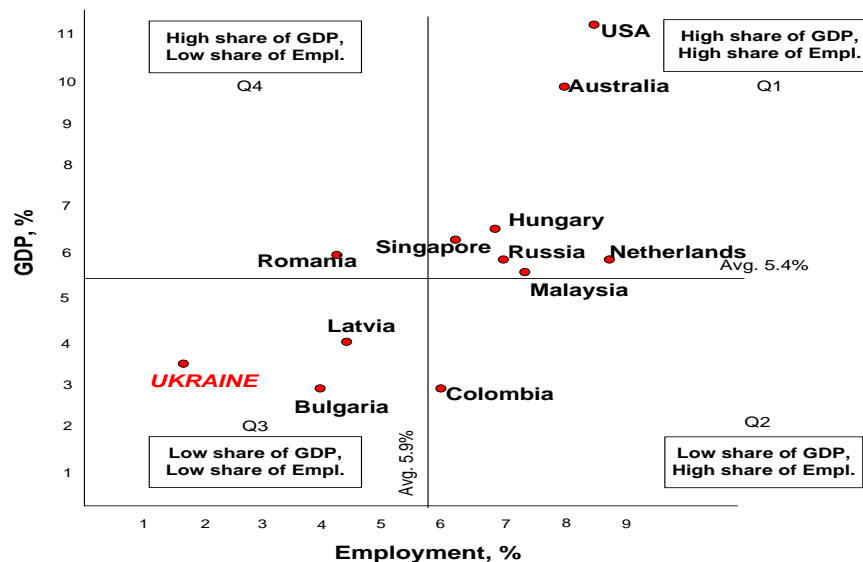


Figure 2. Positioning of Ukraine Compared to Other Countries Based on the Contribution of the Creative Industries to GDP and Employment

Source: compiled by author based on data (Gantchev, 2009).

Ukraine is positioned in Q3, which means including Ukraine in one group with Bulgaria and Latvia, with a lower level of contribution to GDP and employment than average. Such a situation has been created under the following circumstances: lack of a national framework policy governing development of the creative industries; the indefinite positioning of the creative sector in domestic and global markets; inaccurate usage of the Ukrainian traditions and cultural heritage in the process of the creative production.

Sadly, employment of Ukrainians in the creative industries is insignificant in spite of the fact that human resources are one of the five drivers (alongside social organization and values, cultural assets management, technological and infrastructure development, policy environment) for development of the creative industries (Jodhpur Symposium on Cultural Industries – Symposium Documents, n.d.). Being non-typical in nature and representing the “frontrunner” of tomorrow’s job market, it is not only an essential source for new jobs, a vital mean for local and regional development, but also a new pattern of labor market demand.

In this research, the impact of the creative industries on Ukrainian international trade has been analyzed by using ten major indicators, which show tendency (see *Table 1*).

Table 1. Impact of the Creative Industries on International Trade of Ukraine (million US dollars)

Indicator	2008	2012	% change
Foreign trade turnover	152489.7	153171.0	0.5
Foreign trade turnover in creative products	1674.8	1989.5	18.8
Total exports	66954.4	68532.0	2.4
Export of creative products	551.6	787.0	42.7
Share of creative products export in total export	0.82	1.15	40.2
Total imports	85535.3	84639.0	-1.1
Import of creative products	1123.2	1202.5	7.1
Share of creative products import in total import	1.31	1.42	8.4

Source: compiled by author based on data (Unctadstat.unctad.org, 2012).

Foreign trade in creative products experienced higher growth rates than overall foreign trade, 18.8% and 0.5% growth rate over five years, respectively. The growth rate of creative products export is higher than six times compared to growth rate of creative products import for a period from 2008 to 2012 (export increased by 42.7% while import – just by 7.1%). The creative industries positively affected trade balance of the country as the Ukraine's deficit on trade in creative products fell by 72.7%, which led to 6% reduction in the overall trade balance of Ukraine.

Export and import indicators show that Ukraine concentrates its efforts mostly in the spheres of design (75.8% of total exports compared to the world indicator 60.1%), publishing (15.2% of total exports compared to the world indicator 8.1%), and crafts (6.1% of total exports compared to the world indicator 7.2%). These export product groups represented the highest value in 2012. The most imported products also belong to design industry – 64.5% of total imports compared to the world indicator 59.1%, publishing – 12.1% of total imports compared to the world indicator 8.8%, and crafts – 10.7% of total imports compared to the world indicator 6.4%. The major results of the study are summarized in the following charts (see *Figure 3*).

Such a situation is a witness of underdevelopment of the creative sector in Ukraine as exports and imports concern of the same groups of products. The structural imbalance is a result of lack of audiovisual goods (film, television, and radio), the arts, performing arts, and new media production. The lack of new media products is caused by two major factors: issues in the field of the enforcement of intellectual property rights, particularly on the Internet, and issues of the national intellectual potential used mainly by foreign IT companies, especially those outside of Ukraine. Curiously enough, Ukraine imports more crafts products than exports, while the country is famous due to its folk culture.

Mainly Ukraine imports from developing countries and partially from developed nations.

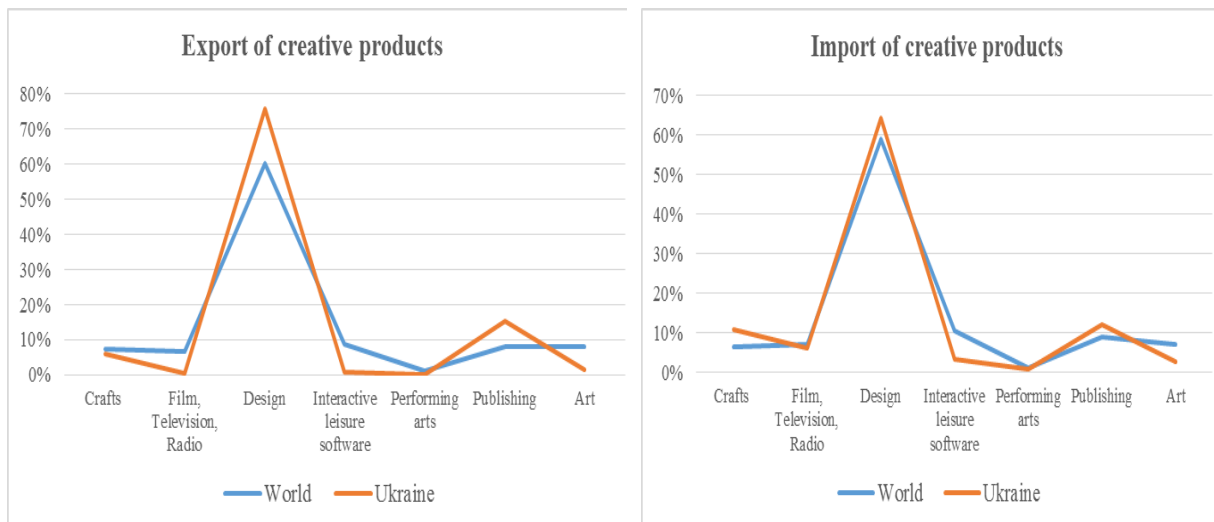


Figure 3. The Ukrainian and World Exports and Imports of Creative Products
Source: compiled by author based on data (Unctadstat.unctad.org, 2012).

It means that Ukraine quickly integrates into the global economic system, and its internal market environment corresponds to world tendencies. Ukraine's export of creative products is less diversified and is directed predominantly in transition economies, which indicates that creative goods and services are not competitive internationally and/or marketing policy on the external market is underdeveloped. For this reason Ukraine should take steps in the direction of activation its cooperation with advanced economies either.

5. Ukraine in the Global Creative Space

The peculiarity of the national creative sector is that along with commercial goods and services, a large number of creative ideas is sold that is aimed more at the satisfaction of spiritual values of humans than at creating a profit.

As proved above, the creative industries open up new development chances for countries and their cities. The focus lies on various creative milieus, where creative industries and artistic action concentrate in a unique way and shape the urban environment. Nowadays, such milieus are being created in Ukraine. There are many creative projects implemented in the country, including:

- 1) Creative Quarter, which is a huge innovation hub with many services based on the philosophy of creative entrepreneurship located in L'viv.
- 2) Art-cluster "Jam Factory" that is an industrial area for creative solutions and ideas, like various events of contemporary arts (L'viv).
- 3) Revitalization concept for the plant "Promprylad" that assists to transform it into a hub of creativity and knowledge (Ivano-Frankivsk).
- 4) Mapping cultural and creative initiatives with aim to make a creative cluster (Rivne).
- 5) Art-plant "Platforma" is a creative cluster, space of opportunities, which unites people, ideas, and work. It is a center of education, music, design and IT industry (Kyiv).
- 6) iHUB is a network of centers for innovation and entrepreneurship, which provides access to education, community, investors and space for work of IT-companies in Eastern Europe (Kyiv, L'viv, Vinnitsa, Chernihiv).

Remarkably, the creative industries need well-developed infrastructure and investment. It is very paramount to make an initial investment, as a creative business is

hazardous because it starts something unknown. All aforementioned projects are foreign-invested: Creative Quarter is created in cooperation with foreign companies, like Intel, Cisco, Microsoft, Hewlett-Packard, Ericsson, Schneider Electric, MasterCard; Jam Factory is financed by Austrian investor Harald Binder; Art-plant “Platforma” is invested by Ofer Kerstner from Israel; iHUB is developing thanks to the Seed Forum Norway Foundation. Foreign investors are business angels for these start-ups as they support and assist them to develop. The Ukrainian companies, regrettably, are less enthusiastic about creativity and are not ready to invest in the creative projects yet.

Municipalities are unconcerned about large creative spaces as cities are experiencing a decentralization process, which currently takes place in Ukraine. It can result in the competition of creative initiatives that will stimulate innovation and know-how. However, less social sensitivity can also be expected. It is possible that some politicians, entrepreneurs or top managers will limit the emergence of new clusters and hubs. The obsession with corporate interests may restrain the development of the creative economy in socially significant scale.

5.1. The Assessment of Creativity in Ukraine

Measuring creativity is undoubtedly a necessary task that should be fulfilled comprehensively and fully. Unfortunately, I have to state that there are no any institutions or organizations in Ukraine, which deal with this issue. Accordingly, there are no any reports or complete descriptions concerning the creative sector, which can be used as a basis for further investigations and studies.

In this vein, at the beginning I've considered the Global Creativity Index (GCI), calculated by the Martin Prosperity Institute. The GCI provides information regarding the level of development of technology, talent and tolerance, those dimensions, which, according to the Martin Prosperity Institute, are responsible for creativity.

The Global Creativity Index of Ukraine was 0.518 in 2015, which ranked the country 45th among 139 economies of the world (Florida *et al.*, 2015) (see Table 2).

Table 2. Ranking Ukraine by the Global Creativity Index

Position of Ukraine	Global Technology Index		Global Talent Index		Global Tolerance Index		Global Creativity Index
	R&D investment	Patents per capita	Creative class	Educational attainment	Racial and ethnical minorities	Gays and lesbians	
	33	37	40	11	98	85	45
	43		24		105		

Source: compiled by author.

Analyzing position of Ukraine ranked by each of three Indexes of the GCI, I can claim that creativity mainly comes out from highly educated people and from a share of creative class workers (29,75% according to the survey). Good results are also shown by technology. Third Index of the GCI represented by attitude towards both racial and ethnical minorities and gays and lesbians has placed Ukraine on 105th position.

To confirm or deny these data I've utilized quantitative and qualitative analyses considering major social, economic and cultural dimensions. However, it is difficult to

differentiate quantitative and qualitative parameters, since qualitative parameters can have quantitative traits, while quantitative parameters can be qualitative.

A set of factors and preconditions, which affect the creative sector and should be analyzed, I've summarized and grouped into the list that includes:

1. The state of the economy: economic growth in Ukraine remains historically low, confirming the belief that the Ukrainian economy is troubled by a slow and weak recovery. The country is facing particularly difficult economic management decisions with challenging social and political ramifications. Although Ukrainian leaders do not agree on how to address the immediate challenges, there is recognition that, in the longer term, more sustainable growth path will necessitate improvements and progress. Following the results of 2016, investment flows into Ukraine continued to fall since 2011, consumer spending keep rising, while the structure of modern production is dominated by heavy industry and agriculture. A quite a difficult economic situation is characterized by economic stagnation as evidenced by the Global Competitiveness Index that measures national competitiveness. In 2015–2016 rankings its competitiveness fell six more positions compared to 2012–2013 rankings and took 79th place among more than 140 countries (World Economic Forum, 2012, 2015). In light of these uncertain ramifications, development of the creative sector may become one of strategic tools for Ukraine to stabilize economic growth, enhance competitiveness and ensure the rising prosperity of its population.

2. Human resources depend primarily on the size of population of a country. Regrettably, population decrease appears to be permanent in Ukraine: it dropped from 51.9 million in 1991 to 42.8 million in 2016. It caused by a demographic crisis (a negative natural population growth and a declining working-age population that accounted 50% of total population), as well as by intensive migration processes (2-3 million of Ukrainians live abroad).

3. Labor market, which is greatly affected by economic recession. As evidenced by statistics, employment rate fell to 56.5% in September 2016 from 56.9% in September 2015. Moreover, unemployment is higher (1.2 times) for women than it is for men. Unemployment rate among young people under 25 was 22.8%. Industries with the highest concentration of employment include agriculture, forestry and fishing. Less people work in arts, science, and telecommunications. Those, who involved in the creative sector, usually co-work in small groups instead of positioning themselves as important players in the economy in order to motivate the authorities and owners of resources. Although there are many creative people in Ukraine (creative class share was 29.75% in 2015) (Florida *et al.*, 2015), qualitative personnel resources are insignificant.

4. Education: 61.7% of young people under 20-24 have completed secondary education in Ukraine; 50.3% of Ukrainians under 30-34 have higher educational attainment rates (compared to 36.9% of EU's citizens). Government expenditure on education has been 6.4% of GDP in 2015 (the highest rate, 8.2% of GDP, was recorded in 2009). Against this background, Ukraine has low rates of economic growth: GDP per capita remains constant – US \$ 8267 (as of 2014). Thus, many Ukrainian students travel abroad to study, for example, in 2015 60 thousand students went to study in Poland and 25 thousand students left for Germany. In my opinion, the imbalance between high demand for education and the level of economic growth in Ukraine depends on various factors, including the weak link between education and economy.

5. Science: since 1991, 0.1 million scientists have left Ukraine, but it still has more scientists than any other country in the Black Sea region. Usually, the country spends just 1.7% of its GDP on science and research, while now this figure does not exceed even 1% of GDP. Public expenditure per one scientist in Ukraine is 3 times less than in Russia, 18 times less than in Brazil, 34 times lesser than in South Korea, and 70 times lesser than in U.S.

6. Innovation: innovation activity of the Ukrainian enterprises remains in its infancy. As shown in Table 3 Ukrainian SMEs' innovation activity is significantly lagging behind the European SMEs' innovation activity. It is caused by the lack of opportunities for development of intellectual and creative potential of those people who think outside the box and have many ideas like artists, architects, programmers, engineers, etc., which travel abroad to work that *a priori* reduces the numbers of domestic creative class workers. Moreover, this tendency remains negative.

In spite of such an unfavorable situation, in 2016, according to the Global Innovation Index, Ukraine ranked 56th place among 128 countries with the score 35.72, while in 2011, Ukraine ranked 60th place with the score 35.01 (World Intellectual Property Organization, 2011, 2016) that allows to include Ukraine into a segment of "successful" effective innovators. Growing a position in the ranking evidences a significant innovation potential that can be considered as a competitive advantage in terms of development of the creative industries.

Table 3. Ukrainian SMEs' Innovation Activity vs. European SMEs' Innovation Activity

Indicator	EU's member-states	Ukraine
License and patent revenues from abroad	0.7% of GDP	0.2% of GDP
SME that develop and implement innovations themselves	28.7% of all SMEs	18.7% of all SMEs
Innovative SMEs that cooperate with others	10.3% of all SMEs	1.5% of all SMEs
SMEs, which have introduced innovative products or processes	30.6% of all SMEs	7.4% of all SMEs
High-technology exports	49.5% of exports of services	38.9% of exports of services

Source: compiled by author based on data (Yehorov, 2016).

7. Business: most problematic factors for doing business in Ukraine include: corruption, political instability and the war in Donbass, inflation, inefficient state bureaucracy, the complexity of cooperation between the government and businesses (in this case creators), lack of space for creative enterprises. That is a reason why Ukrainian creators do their business abroad, mostly in the Czech Republic, Poland, Slovakia, Hungary and the Baltic countries.

8. Government policy: priority belongs to the legal framework concerning the legal rights, which result from intellectual activity in the industrial, scientific, literary and artistic fields. Ukrainian legislation has been undergoing vigorous development since new means of the protection of intellectual property rights have appeared, including civil law, administrative and criminal measures under the Criminal Code of Ukraine and the Law of Ukraine on Copyright and Related Rights.

9. Openness to other cultures: Ukrainian society is both traditional and multicultural simultaneously. It is believed that it is characterized by intolerance and xenophobia, racism, and homophobia. In fact, Ukrainians are more tolerant to gays compared to some other European countries.

10. Production of creative content: the creative industries are based on individual creativity, and creativity grows out of culture. Local exotic things are becoming more popular in terms of global market as they unite two components – uniqueness and globality (e.g. Irish music, pub culture, henna painting, yoga). Ukrainians also have such unique products, for instance, Ukrainian embroidery, which can be offered to the world.

11. “The quality of place” defined by R. Florida depicts an environment attractive for creative people. Choosing the place of living creators estimate not only opportunities for work but also lifestyle (musical milieu, arts, technologies, various types of sports). In Ukraine, such places can be found just in big cities (Kyiv, Odessa, Dnipro, L’viv), while small cities and towns creative people seeking to leave.

The analysis carried out above confirms information expressed through the Global Creativity Index concerning arguments that Ukraine has a huge potential made of technological progress, innovation (regardless indicators of Ukrainian SMEs’ innovation activity are lagging behind analogous European indicators) and educational attainments for development of the creative industries. Nevertheless, I consider that these dimensions should be supplemented by other positive-affected factors like government policy that is expressed through the legal framework, science despite insignificant public expenditures for it, labor market that has opportunities for further expansion, and promotion of other sectors of the economy. Improving business environment and the overall economic situation, can make Ukrainians, especially creators, stay inside the country.

Based on my analysis, I confirm a low score of the Global Tolerance Index (which is part of the Global Creativity Index), as Ukrainian citizens sometimes can show disrespect to representatives of other cultures or differentiate people according to their sexual preferences.

5.2. Strategy of Transformation of Ukraine into a Creative Economy

Creative economy should not be considered as a super-goal for Ukraine; it is a transition period to the new high-tech and highly intellectual economic structure. Such an idea can be expressed through an aspiration to make Ukraine a creative country based on its culture heritage, history, unique assets and capabilities. It should deliver the benefits needed by Ukraine the most and address the issues and challenges that the country faces. The vision is to develop the creative industries in order to transform Ukraine into a creative economy.

Hallmarks of Ukraine as a creative economy involve:

- A strong creative sector with innovative practitioners by forming more opportunities for gifted creators;
- “Culture of openness” implies being open minded about new cultures, styles and ideas;
- Thriving creative businesses by developing an effective creative ecosystem;
- Creativity provides value added by influencing both own outcomes and products from other sectors.

Using these hallmarks, it is necessary to focus on four primary targets of actions, including:

1) Keeping and development the creative talent through the system of educational institutions as creative skills are amongst the most sustainable and value adding: the analysis above showed that Ukraine has vast creative human resources and highly educated talented people, which are interested in creative professions.

2) Encouragement of the Ukrainian creative businesses and start-ups by improving labor market and insitutional capacity, creating favorable business conditions, including financial and tax incentives, and fostering the value of creativity.

3) The policy of an “open city” can only be sustainably successful, when all actors adopt it that requires a high willingness to an open dialogue with people from other cultures and religions, which is oriented towards mutual understanding, future oriented solutions, flexible acting, binding agreements and the adoption of economic and social responsibility. There is a need to create a non-political platform, a place for meeting of creative people,

where they could discuss the projects, implement them, establish contacts and together create something new.

4) Shaping the entire ecosystem is essential for Ukraine. The availability of spaces that will assist the expansion of infrastructure is a substantial key factor for the development of creative milieu. For this reason, public authorities must encourage the cooperation with the city real estate management and the private property owners.

These actions lead to four major outcomes, which may result in economic, social, creative and cultural benefits for Ukraine. First outcome is development of an efficient model for creative production that ensures freedom for creativity to all participants of the creative sector. For this purpose, sectoral approach for managing economy should be replaced by a framework for assessing the economic potential of different forms of creative institutions. Second and third outcomes (stimulating innovation potential of culture and supporting international and interregional collaboration among actors) based on the formation of place, where the culture is space for communication and for creating something new, enhance role of culture as a factor of understanding in society. As globalization brings the world closer together, there are more opportunities to communicate quickly. Last outcome concerns building a new paradigm of thinking that transforms a modern Internet era, when things are done bigger, better and faster, into the new Creative era, when things are done bigger, better, faster and more new. This new paradigm assists businesses rapidly expanding competitive landscape, facing new customer mindset and power, and applying technology “megatrends” ongoing today, including mobile technologies, advanced materials and robotics, distributed energy, 3D printing. The entire framework illustrated the relationship between the goal, outcomes and focus targets appears in *Figure 4*.

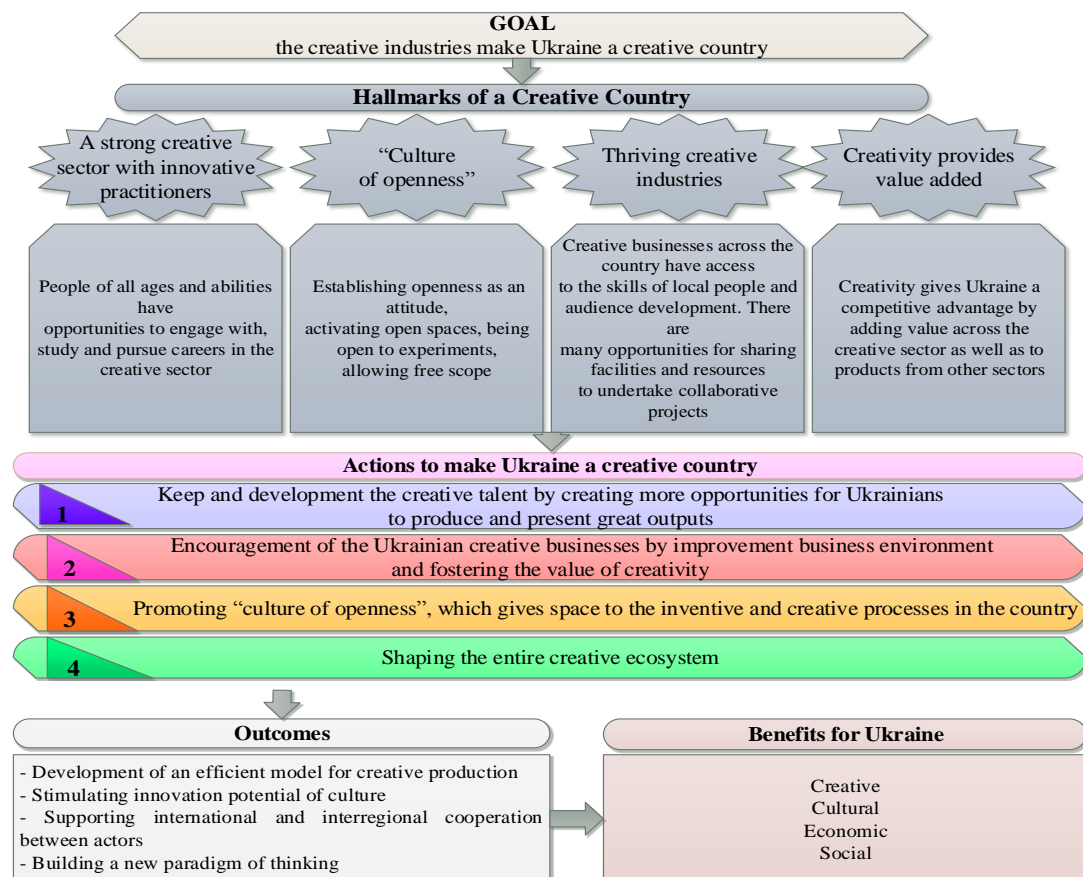


Figure 4. Strategy of Transforming Ukraine into a Creative Economy
Source: compiled by author.

Only if there are infrastructure effort, investment and growing creative potential, the creative economy will become the dominant mode of production in Ukraine.

Benefits, which Ukraine can experience by implementing this Strategy, I propose to assess based on interconnected dimensions due to their particular relevance and explanatory power in addressing the central question of how the creative sector contributes to economic growth and social and cultural changes. Each dimension includes those indicators that best reflect a particular side of the creative economy and can be used for its measuring. In my opinion, there are six major dimension, including economy (GDP, government and local revenues from the creative sector, household expenditures), social participation (employment in the creative sector, share of males and females completing creative tasks in sectors outside of the creative industries), education (number of people with higher education, number of people with inclusive education, public and private spending for professional education), governance (standard-setting framework, policy and institutional framework), communication (indicators of Internet use and diversity of media content), gender equality (share of women occupied in the creative sector, share of men occupied in the creative sector).

With this approach, the creative industries can be positioned as central to the future growth and prosperity as they are fundamental to Ukraine's sense of identity. Therefore, the creative sector can take its rightful place as part of the economic mainstream and a principal supplier to social policy in addition to its unique cultural contribution. The only thing that is excluded by this approach is the absence of complex assessing creative activity in sectors outside of the creative industries. Ukrainian traditional businesses often hesitate to involve creative actors in their production processes. Creative outputs are frequently still developed separately and then added on to the traditional value added process in enterprises. Supportive approaches here could be to raise Ukrainian companies' awareness for these additional possibilities and to promote the consideration that the aesthetic elements should be understood as a holistic and integrated process.

Conclusion

Over the past few decades, the global economy has faced new challenges and issues related to knowledge, technology, and imagination, which are combined with one term "creativity." Creativity is fostered by exchanges of information, experience, skills, and ideas. It is a prominent element of the creative industries, a new sector of the economy, which can help to compete internationally. Economic development and creativity cannot be seen as opposite forces, one of change and one of tradition, but rather they must be articulated as parts of a single and the same cycle of on-going beneficial transformation, with feedback effects and mutual dependencies emphasized in a holistic development system. This is a main reason why academics and policy-makers pay so much attention to development of the creative sector.

The creative industries, which include a wide variety of sub-industries and fields, represent a dynamic sector of national economies, including Ukrainian economy with a high development rate. Unfortunately, currently the creative sector of Ukraine has an insignificant effect on the market, taking into consideration low share of both GDP and employment. The value of the national creative industries in terms of exports and imports is an indicator of trends that deserve policy consideration. In my opinion, one of such trends is the transformation of Ukraine into a creative economy. The country possesses talented people and creative potential, cultural background, growth in demand for creative content, and technology progress. These advantages can help Ukraine to benefit creatively, culturally, economically, and socially. The results of the study show that more support of the creative

industries is needed to strengthen its involvement into the innovation and value-added system of the economy.

Being one of major targets in the Ukrainian economy the creative sector may act as a role model. In this regard, there is an urgent need for a critical understanding of creative labor and the study of its status in Ukrainian society. An awareness-raising campaign should be started with the investigation of development and implementation of new educational programs for professionalization of the new sector and stabilization of career trajectories. In order to make informed decisions, it makes sense to explore the role of the creative class in the national social system.

Because of increasing economic importance of the creative industries for Ukraine, a considerable improvement of national statistics is necessary in order to refine theoretical aspects and obtaining essential empirical information. The current national statistical system (if it can be claimed like this) does not offer the required and needed data. Complications arise for this reason and slow the process of analysis and prognosis in this field. In order to upgrade the national statistical system, the key aspects should be considered, including a coherent system of indicators and collection of data (government and local revenues from the creative sector, level of employment, policy and institutional framework, diversity of media content, etc.) on core creative industries according to international standards. A standardized statistical framework of creative industries will help to develop this sector strategically in cooperation between government, local authorities, private businesses, individuals and foreign partners.

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