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# IMPORTANCE OF FOREIGN DIRECT INVESTMENT FOR DEVELOPING CREATIVE INDUSTRY IN SLOVAK REPUBLIC<sup>2</sup>

## Abstract

At the basis for the use of creativity as a determinant of economic growth is creative implementation of knowledge and information in generating new, unusual, unconventional solutions and conceptions. These should rely on free and creative environment that supports new ideas and views, which further become a source of innovation. The advancement of the creative economy requires achieving a certain level of development in economic, technological and social environment. Among the key factors are advanced and educated workforce, suitable working and living conditions, and a good institutional background. The lack of domestic capital induces the need to obtain funds in the form of foreign investment. The paper deals with the theoretical aspect of the creative economy, investigating the particularities of its development in the case of the Slovak Republic. The goal of the paper is to analyze the inflow of foreign direct investment in particular sectors of the Slovak economy and to identify its contribution to the development of the creative economy. The creative economy of Slovakia has the potential to create new jobs, encourage GDP growth, and improve competitiveness.

**Key words:** creativity, creative economy, creative sectors, foreign direct investment

## ZNACZENIE BEZPOŚREDNICH INWESTYCJI ZAGRANICZNYCH W ROZWOJU SEKTORA KREATYWNEGO W REPUBLICE SŁOWACKIEJ

### Streszczenie

Podstawą do wykorzystania kreatywności jako determinanty wzrostu gospodarczego jest wkład wiedzy i informacji w tworzenie nowych, niezwykłych, niekonwencjonalnych rozwiązań i koncepcji. Proces ten powinien odbywać się w wolnym i twórczym środowisku, które wspiera nowe pomysły i punkty widzenia, które stają się źródłem kolejnych innowacji. Zaawansowanie kreatywnej gospodarki wymaga osiągnięcia pewnego poziomu rozwoju otoczenia gospodarczego, technologicznego i społecznego. Istotnym warunkiem tego jest wykwalifikowana i wykształcona siła robocza, odpowiednie warunki pracy i życia oraz dobre otoczenie instytucjonalne. Brak kapitału krajowego wywołuje potrzebę pozyskania środków w formie inwestycji zagranicznych. Praca analizuje teoretyczne aspekty gospodarki kreatywnej z uwzględnieniem specyfiki jej rozwoju w Republice Słowackiej. Celem artykułu jest analiza napływu bezpośrednich inwestycji zagranicznych do poszczególnych sektorów gospodarki słowackiej oraz zbadanie ich wkładu w rozwój

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<sup>2</sup> This paper was supported by the Grant Agency VEGA, under project No. 1/0379/12 “Contradiction of Creating Human Capital in New Economy”.

gospodarki kreatywnej. Gospodarka kreatywna na Słowacji ma potencjał tworzenia nowych miejsc pracy, stymulowania wzrostu PKB oraz poprawy konkurencyjności.

**Słowa kluczowe:** kreatywność, gospodarka kreatywna, sektory kreatywne, bezpośrednie inwestycje zagraniczne

## Introduction

Among the first to use the term 'creative economy' was J. Howkins<sup>3</sup> in 2001. Crucial contribution to research into the concept was made by R. Florida<sup>4</sup>. Both emphasized the high added value that in most developed economies is generated by scientists, artists, people of talent, original, non-conventional and creative ideas. A creative economy is one where the main source of economic growth is not only capital and labour, but chiefly human creativity. This creativity manifests itself in finding, accepting and creating non-conventional procedures or practices, in inventing new ideas and original solutions<sup>5</sup>. As noted by J. Howkins<sup>6</sup>, we need to distinguish between creativity and innovation. Creativity is defined as internal, personal and subjective, while innovation is its external and objective demonstration. Creativity is able to drive innovation, but innovation cannot manage creativity. Thus, creativity is an input, not an output of a working process. Therefore, it is presently regarded as one of the most important factors encouraging the growth of individual industries of particular economic sectors, as well as entire economic systems.

Culture is an important source of creativity. The creative industries are built on the richness and diversity of cultural heritages, as well as on gifted artists and cultural professionals. This core of creativity is surrounded by interlinked layers of innovative services provided by entrepreneurs who bring creativity to the market. Theorists and makers of creative policies (e.g. parliament or government leaders) claim that in order to take full advantage of the creative potential of Europe it is necessary to combine arts and creativity with a spirit for enterprise and innovation.

The European Year of Creativity and Innovation in 2009 highlighted the importance and benefits of the creative industries. The creative and cultural industries account for about 2.6 percent of the European GDP, which is more than in many other industries, in particular manufacturing. What is even more important, its growth is faster than the growth of other sectors of the economy.

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<sup>3</sup> J. Howkins, *The Creative Economy: How People Make Money from Ideas*, Penguin Books, London 2001.

<sup>4</sup> R. Florida, *The Rise of the Creative Class: And How It Is Transforming Work, Leisure and Everyday Life*, Basic Books, New York 2002.

<sup>5</sup> J. Kloudová et al., *Kreativní ekonomika. Trendy, výzvy, příležitosti*, Grada Publishing, Praha 2010.

<sup>6</sup> J. Howkins, *Creative Ecologies: Where Thinking Is a Proper Job*, University of Queensland Press, Queensland 2009.

The creative industries are largely involved in production of higher added value. Obviously, many countries, regions and municipalities have invested in creative economy programs and related schemes, or have formed strategies for its support. The main task of such programs and strategies was the creation of jobs, the effort to attract investment into this sector of the economy, as well as an enlargement of creativity in all the sectors of the national economy and society as a whole.

The period of financial crisis, but also the present time, have been full of uncertainty regarding the future developments. The financial crisis that arose in 2007/2008 raised many questions. One of them is the role of the creative economy and the values it creates. Quite frequently these values are not material, but intangible and experiential. Therefore, there is a need to change the approach to supporting creative entrepreneurs, revalue the relationship between culture and the economy, and sustain development strategies of the creative economy on local levels, i.e. municipalities, agglomerations, and further on the level of regions.

The present economy is based on knowledge and information. As mentioned before, creativity becomes a determinant of further economic development and growth. This change will have many consequences. Many of these implications are related to international trade that is a source of economic growth in many countries. "Globally, it is estimated that the creative sectors of the economy produce more than 7% of world GDP, assuming its continuous growth, averaging a 10% growth rate per annum"<sup>7</sup>. Although the creative economy represents a huge potential for GDP growth and job creation, related industries are still marginalized in spite of the immense resources of thought, ideas and talent that they offer. This is because particular economies are orientated towards other areas of industry, which seem more attractive at present, even though they might not be so in the long term. "Creativity, more than labour and capital, or even traditional technologies, is deeply rooted in the culture of each country"<sup>8</sup>. Elements such as talent, experimentation, openness to new ideas and opinions are often the domain of developed economies. Exactly these opportunities, which are available in developed, but also in developing and emerging countries, need to be fully used and thus help increase the share of the creative industries in international trade in order to raise the standard of living.

## 1. Creative industries

In the literature, particularly by Slovak authors, the term 'creative industry' is defined various, which is a result of differences in translation. Many authors, for

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<sup>7</sup> UNCTAD, *Creative Economy: Report 2010*, Geneva and New York 2010, [http://www.unctad.org/en/docs/ditctab20103\\_en.pdf](http://www.unctad.org/en/docs/ditctab20103_en.pdf), retrieved 16.10.2013.

<sup>8</sup> Ibidem.

example Kloudová<sup>9</sup>, use the terms creative industry, cultural industry, and creative sector.

The term 'creative industry' began to be used in 1990 by the British Department for Culture, Media and Sport (DCMS), and gradually replaced the former term 'cultural industries' (which was defined already in 1940 by Adorno and Horkheimer). Crucial importance is attached to the relationship between culture and economy, which is one of the ideas of the neoliberal theory. Since the 1970s, culture has gradually become to be seen as an instrument of economic growth. The shift from the cultural to the creative industries was related to the neoliberal government in the United Kingdom. This change in terminology has allowed to include the creative industries in government policies. It has brought about a boost in the performance of these industries, along with growing earnings and profits.<sup>10</sup>

According to DCMS, the creative industries include the following areas: advertising, architecture, art and antiques, crafts, design, fashion, publishing industry, software industry and computer games, television and radio.

For the purpose of this analysis, it is necessary to determine which industries fall under the category of creativity. After classifying the particular industries as creative, we focus on the volume of inward foreign direct investment (FDI) to these industries that would influence the development of companies, lead to enlargement of existing companies, and increase the production capacities of firms conducting business in the creative economy. We will use the definition and classification of the creative industries proposed by UNCTAD.

The UNCTAD definition states that the creative industries<sup>11</sup>:

- are periods of creation, production and distribution of goods and services, which use creativity and intellect as primary inputs;
- consist of a set of knowledge-based activities, focused on but not limited by arts, potentially generating revenues from trade and intellectual property rights;
- include tangible products and intangible intellectual or artistic services with creative elements;
- stand at the crossroads of the artisan, services and industrial sector,

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<sup>9</sup> J. Kloudová et al., op. cit.

<sup>10</sup> Christopher Robert Smith (Baron Smith of Finsbury) was a member of the lower house of the Parliament of the United Kingdom of Great Britain and Northern Ireland from 1983 to 2005, when he resigned and was subsequently appointed to the House of Lords. He was awarded the title Lord Smith of Finsbury. In 1997-2001, he served as Minister of Culture, Media and Sport and as chairman of the Millennium Commission. His activity in these capacities was associated with the issue of creative industries as a major economic phenomenon. From this perspective, very important is his tenure as chairman of the British Council for Advertising. Since 2008, the chairman of the Environment Agency, visiting professor for culture and creative industry at the University of the Arts in London, and chairman of the Wordsworth Trust.

<sup>11</sup> UNCTAD, *Creative Economy: Report 2010...*, op. cit.

- and form a new dynamic sector within international trade.

The creative industries are divided into four main industries, namely: heritage, arts, media, and functional creations. Heritage represents all the cultural aspects, goods, services and cultural activities resulting from the historical, ethnic and social perspectives of creativity. It is the foundation of all the creative industries. Arts include all forms of art, often inspired by historical heritage and symbolism. The media represent the industry involved in communication with an audience or with a larger number of people. The industry of functional creations is comprised of sectors that are more oriented towards the creation of goods and services produced for practical purposes.

**Table 1. Classification of creative industries by UNCTAD**

<b>Heritage</b>	<i>traditional cultural expressions</i>	art crafts
		festivals and celebrations
	<i>cultural sites</i>	archaeological sites
		museums
		libraries
		exhibitions
<b>Arts</b>	<i>visual arts</i>	paintings
		sculptures
		photography
		antiques
	<i>performing arts</i>	live music
		theatre
		dance
		opera
		circus
		puppetry
<b>Media</b>	<i>publishing and printed media</i>	books
		press and other publications
	<i>audiovisuals</i>	film
		television
		radio
	other broadcasting	
<b>Functional creations</b>	<i>design</i>	interior
		graphic
		fashion
		jewellery
		toys
	<i>new media</i>	architectural
		advertising
		cultural and recreational
		creative research and development
		digital and other creative services

Source: UNCTAD, *Creative Economy: Report 2010...*, op. cit.

In its research, UNCTAD pays great attention to the research area of FDI. Since this paper focuses on FDI inflows to the creative industries, it begins from the definition and classification of industries given by UNCTAD. However, there is one problematic issue. The classification of industries (sectors) used in Slovakia is different. Therefore, it is debatable whether a particular industry should be included in the category of the creative economy.

## **2. Impact of FDI on development of creative economy in Slovak Republic**

We will examine whether there is any FDI inflow into the creative industries in the case of Slovakia. Our goal is to analyze the inflow of FDI into the creative industries on the basis of the structure of FDI inflows into particular sectors of the Slovak economy. The highest inflow was achieved in the sectors of manufacturing and financial intermediation. This largely due to the privatization of Slovak banks and the involvement of foreign investors in the industries of car manufacturing and electronics. Obviously, many further investments were conditioned by initial investments in the relation supplier – customer. Thus, Slovakia has focused on creating real physical output more than on the services or products of the creative economy. Total FDI inflows into Slovakia are presented in table 2 and chart 1. On the whole, Slovakia is very popular with investors, mainly since the beginning of the new millennium, when FDI inflow began to grow rapidly. This situation was caused mainly by the change in the macroeconomic policy of the new government formed in 1998. Slovakia then changed its policy towards the support of foreign investors, improved the business environment and commenced the privatization of banks and other state-owned enterprises. Thus, the FDI inflow chiefly depended on the processes of privatization and investments, which were very unstable. Only a few years later, in 2002 and 2003, after the effects of privatization had worn off, Slovakia began to focus on greenfield investments. A sharp drop in investment inflows, or in fact, disinvestment was noted in 2009. This was due to an unstable economic environment and decreasing economic performance of Slovakia, but mainly its trade partners and countries from which investments originated. At present, the FDI inflow is beginning to grow again. Having experienced during the financial crisis how very narrow the specialization of the Slovak economy is and how dependent it is on car manufacturing, Slovakia is now trying to change the strategy and intends to attract FDI with higher added value, i.e. investment in research and development and other sectors of the creative economy. The change in orientation should diversify the dependency on one or two industries, as well as encourage economic growth.

The directions of FDI inflows into Slovakia and their structure demonstrate that there is an element of creativity in the investments. However, they are neg-

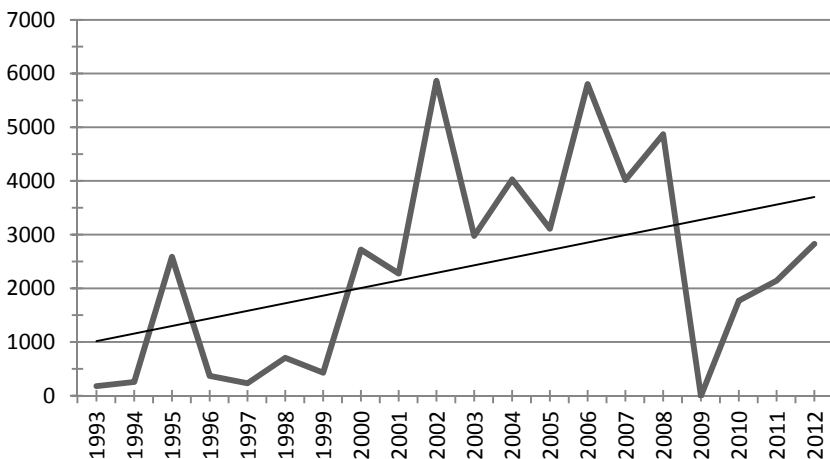
ligible, mainly because investment is virtually limited to production and is not aimed at participation in research and development or design of particular products. It should be noted that there are investments whose effect on the economy is small, but which play an important role for the creative economy. An example of such investment is the entrance of the transnational multimedia company CME into Slovak television broadcasting in 2002.

**Table 2. FDI inflow into Slovak Republic (in millions USD)**

Year	Inward FDI	Year	Inward FDI
1993	179,1379	2003	2 975,6680
1994	255,1740	2004	4 028,9920
1995	2 587,1490	2005	3 109,6380
1996	369,7433	2006	5 803,0860
1997	230,6031	2007	4 017,2450
1998	706,8293	2008	4 868,0240
1999	428,5010	2009	-6,0791
2000	2 720,3790	2010	1 769,7610
2001	2 274,8400	2011	2 142,8920
2002	5 864,8790	2012	2 825,9230

Source: UNCTADstat, <http://unctadstat.unctad.org/EN/>, retrieved 17.03.2014

**Chart 1. FDI inflow into Slovak Republic (in millions USD)**



Source: authors; UNCTADstat, op. cit.

In this context, the following question arises: What is the potential of Slovakia's creative industries in relation to the overall economy, and in relation to the

other industries? It is in our interest to assess the potential of the creative industries because of their attractiveness to foreign investors. It is exactly the potential of the particular sectors of the economy that is one of the determinants of FDI inflows into these sectors, and hence into the country as a whole. Slovakia is considered to be a country with a developed industry. From the socio-historical development it is clear (though, regrettably, often forgotten) that there are some traditional sectors, such as crafts, which belong to the creative economy. Craft skills have always been passed from father to son and used to be the main source of income for many Slovak households. Presently, crafts are on the ebb due to unfavourable conditions for their development. Even so, Slovakia still has an abundance of creative and skilful craftsmen who work in other professions, not being able to earn a sufficient income in crafts.

Table 3 presents the potential of the creative industries in FDI inflows in the Slovak Republic. The creative or creative-related industries are given in bold type. The level of investments in the creative industries is not very impressive, but it is not insignificant, either. Moreover, we can observe an upward trend, unfortunately hindered by the global financial crisis of 2008.

As has already been mentioned, FDI flows into Slovakia are directed mainly to sectors or industries producing real physical outputs (tangible assets), i.e. finished products, in which Slovakia's design, research or development sectors do not participate. Nevertheless, it can be claimed that there exist many elements supporting human creativity with respect to FDI. Thanks to these elements, new ideas and business plans have emerged, which might be a driving force for the development of the creative economy in Slovakia.

This notion is obvious from the available data of FDI inflow into Slovakia overall and into the creative industries. The creative industries constitute an important part of FDI inflow. The development of FDI inflow into Slovakia is very unstable. Its volume largely depends on privatization processes (privatization of Slovak banks, power industry, and telecommunications) or on the investments of large multinationals, mainly in car manufacturing, electronic production, and related industries. Thus, there is no clear trajectory of its development. However, the following graph gives us many clues to FDI inflow into Slovakia. As can be seen, the volume of foreign investments had been relatively high up until the global financial crisis. In 2009, Slovakia, like many other countries (but as the only one among the V4 countries), had a negative inflow of investments. That new situation – disinvestment – usually means that foreign companies leave a country or even withdraw their capital. Fortunately, Slovakia offers many advantages to those who conduct business here and FDI inflow increased already in the following year.



Table 3. FDI inflow by industry (in millions USD)

Industry/Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AGRICULTURE AND FISHING	-0,19	-0,041	1,545	15,08	21,085	9,221	5,166	18,882	13,056	11,114	15,894	8,357	..
MINING AND QUARRYING	-0,05	7,901	0,486	-5,66	11,509	16,311	17,955	37,562	45,765	0	1,325	26,462	..
Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction, excluding surveying	0	0	0	-6,576	5,656	11,032	-1,794	27,673	21,292	..	-9,272	..	..
MANUFACTURING	846,876	249,265	5,298	802,802	2 139,929	1 164,886	2 028,949	153,943	555,639	-773,826	830,464	-119,777	..
Food products	23,175	37,066	7,483	21,967	9,849	-11,167	109,306	68,565	83,856	48,625	5,298	-6,964	..
Total (1805 + 2205)	110,742	12,659	0,221	27,735	38,68	43,045	95,886	142,768	48,432	68,074	17,219	-43,175	..
Textiles and wearing apparel	2,293	7,839	7,329	5,719	12,468	14,311	29,626	9,367	-4,118	-1,389	-5,298	-6,964	..
Wood, publishing and printing	108,449	4,819	-7,108	22,016	26,212	28,734	66,261	133,401	52,55	69,464	22,517	-36,212	..
Total (2300 + 2400 + 2500)	148,694	43,292	59,713	168,753	689,63	-127,957	195,522	106,947	336,079	-293,137	192,053	-41,783	..
Refined petroleum & other treatments	124,274	-0,29	0	107,776	458,185	-116,131	44,807	-23,7	87,693	-304,251	52,98	-112,813	..
Chemical products	22,15	22,629	-16,159	28,007	186,074	-36,871	69,266	-135,595	109,031	-1,389	88,742	-22,284	..
Pharmaceuticals, medicinal chemical and botanical products	..	..	..	0	0	0	0	-27,955	0,047	0	1,325	0	..
Rubber and plastic products	2,27	20,953	75,871	32,97	45,371	25,045	81,449	266,241	139,354	12,503	51,656	93,315	..
Total (2805 + 2900)	584,729	5,998	116,335	387,643	638,134	225,171	621,01	59,434	111,979	-479,3	488,742	179,666	..
Metal products	595,058	-1,096	118,785	322,807	581,946	167,281	577,261	50,751	43,379	-333,426	397,351	100,279	..
Mechanical products	-10,329	7,095	-2,45	64,836	56,188	57,889	43,749	8,683	68,601	-147,263	91,391	79,387	..
Total (3000 + 3200)	6,634	12,183	-5,673	18,035	34,742	43,732	261,386	253,376	-455,264	934,982	-357,616	-412,256	..
Office machinery and computers	0,327	0,124	0,044	-0,053	-0,642	5,116	-1,485	0,248	-9,593	1,389	2,649	4,178	..
Radio, TV, communication equipments	6,308	12,059	-5,717	18,088	35,384	38,617	262,871	253,128	-445,625	933,593	-360,265	-416,435	..

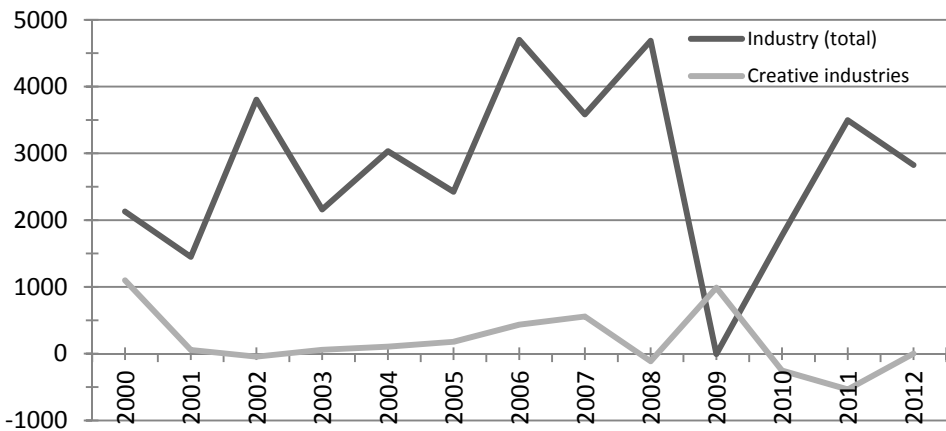
	..	..	..	..	-0,139	2,96	5,228	4,787	1,401	-2,714	0	-1,325	4,178	..
<b>Medical, precision and optical instruments, watches and clocks</b>	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total (3400 + 3500)	-100,495	136,019	-161,809	71,461	459,871	817,302	617,041	161,358	443,285	-948,875	356,291	29,248	..	..
Motor vehicles	-100,495	135,978	-161,677	71,08	459,278	823,061	615,887	161,076	443,285	-948,875	354,967	27,855	..	..
Other transport equipments	0	0,041	-0,132	0,382	0,593	-5,759	1,154	0,283	0	0	0	1,393	..	..
Manufacture of aircraft and spacecraft	..	..	..	0	0	0	0	0	0	0	0	0	..	..
ELECTRICITY, GAS AND WATER	-0,4	67,886	2979,517	449,599	109,105	36,62	1173,636	202,486	95,601	675,188	549,669	568,245	..	..
CONSTRUCTION	7,154	-1,034	0,728	-23,756	34,807	54,662	67,297	48,278	47,871	105,585	96,689	-97,493	..	..
TOTAL SERVICES	..	..	..	922,661	716,503	1145,192	1406,667	312,163	3927	-23,618	274,172	3112,813	..	..
TRADE AND REPAIRS	169,18	130,31	236,025	363,833	313,759	272,325	491,826	550,418	471,081	-377,883	26,49	559,889	..	..
Sale, maintenance and repair of motor vehicles and motor cycles; retail sale of automotive fuel	..	..	..	63,102	-0,291	39,389	18,891	65,982	60,646	-177,827	3,974	27,855	..	..
Wholesale trade and commission trade, except of motor vehicles and motorcycles	..	..	..	260,102	139,788	126,762	292,108	386,903	220,309	-322,312	55,629	518,106	..	..
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	..	..	..	40,629	174,261	106,174	180,828	97,534	190,126	120,867	-33,113	13,928	..	..
HOTELS AND RESTAURANTS	3,065	5,502	3,488	12,574	-11,533	1,716	-30,046	5,809	124,193	-106,974	-14,57	2,786	..	..
TRANSPORTS, STORAGE AND COMMUNICATION	971,612	40,313	35,187	84,818	-227,714	109,364	160,732	236,249	224,895	-150,042	43,709	-45,961	..	..
Transport and storage	..	..	..	17,551	24,824	41,592	106,416	72,313	74,31	-6,946	33,113	40,39	..	..
Land transport	0,316	4,406	76,622	5,842	8,364	15,049	14,251	19,812	6,317	-22,228	10,596	12,535	..	..
Water transport	..	..	..	0,839	0,485	-1,168	10,854	3,598	2,667	2,779	2,649	1,393	..	..
Sea and coastal water transport	0	0	0	..	..	..	..	..	..	..	..	..	..	..
Air transport	0	0	0	-0,023	7,777	18,278	69,18	0,114	0	0	0	0	0	..

Supporting and auxiliary transport activities; activities of travel agencies	..	..	10,893	8,197	9,433	12,132	48,789	65,325	12,503	19,868	26,462	..
Post and telecommunications	..	..	67,267	-252,538	67,772	54,315	163,936	150,585	-143,095	10,596	-86,351	..
Post and courier activities	..	..	..	..	3,535	-1,877	4,336	4,539	0	-2,649	0	..
<b>Telecommunications</b>	<b>970,883</b>	<b>26,186</b>	<b>..</b>	<b>..</b>	<b>64,237</b>	<b>56,192</b>	<b>159,6</b>	<b>146,046</b>	<b>-143,095</b>	<b>11,921</b>	<b>-86,351</b>	<b>..</b>
FINANCIAL INTERMEDIATION	31,387	812,165	341,435	399,886	514,617	470,269	1206,776	1791,53	-361,211	286,093	1626,741	..
Financial intermediation, except insurance and pension funding	..	..	281,391	308,263	369,054	280,847	1013,701	1710,342	-443,179	294,04	1444,29	..
Monetary intermediation	0	0	..	..	160,022	115,831	715,719	948,713	-223,673	430,464	965,181	..
Other financial intermediation	0	0	..	..	209,033	165,016	297,982	761,675	-219,505	-136,424	479,109	..
Financial holding companies	0	0	..	..	0	0	-39,192	0	-2,779	-1,325	0	..
Insurance and pension funding	..	..	51,985	89,32	115,837	179,812	192,384	82,265	47,235	6,623	140,669	..
Activities auxiliary to financial intermediation	..	..	8,059	2,302	29,726	9,61	0,691	-1,076	34,732	-14,57	40,39	..
REAL ESTATE, RENTING AND BUSINESS ACTIVITIES	64,936	80,441	103,849	230,776	228,946	301,949	1078,133	1296,444	1015,56	-98,013	1006,964	..
Real estate	39,868	55,847	40,12	157,76	152,68	111,968	600,977	814,179	323,701	41,06	448,468	..
Renting of machinery and equipment without operator and of personal and household goods	..	..	4,92	7,355	10,035	70,176	79,362	3,042	-11,114	51,656	73,816	..
<b>Computer activities</b>	<b>7,432</b>	<b>5,192</b>	<b>12,947</b>	<b>4,679</b>	<b>16,609</b>	<b>7,634</b>	<b>-11,571</b>	<b>142,77</b>	<b>8,336</b>	<b>41,06</b>	<b>34,819</b>	<b>..</b>
<b>Research and development</b>	<b>2,077</b>	<b>-0,083</b>	<b>-1,605</b>	<b>11,304</b>	<b>-5,101</b>	<b>0,052</b>	<b>0,734</b>	<b>0,374</b>	<b>2,779</b>	<b>3,974</b>	<b>-1,393</b>	<b>..</b>
Other business activities	15,559	19,485	47,467	49,678	54,722	112,119	408,632	336,032	691,859	-237,086	449,861	..
Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy	0	0	..	5,234	16,103	92,803	451,591	175,058	140,317	-98,013	267,409	..



The FDI inflow into the creative industries is relatively low, but with a growing tendency in the pre-crisis period. The change came in 2008 with the drop, or even disinvestment, in the creative part of the economy. Interesting is the situation in 2009. While the overall FDI dropped to negative numbers, FDI flows into the creative industries grew. Knowing that, we might claim that the creative industries had a positive impact on the moderation of the financial crisis. However, in the post-crisis time the FDI inflow into the creative industries decreased, with the exception of year 2012. We assume that this situation was caused by the effort of households to save some earnings as a result of an unexpected and unfavourable economic situation. Thus, the demand for the products of the creative industries fell and investments were not necessary. To conclude, we can find a negative relation between the FDI inflow into creative and other industries. However, the optimal situation would be an increase in both of them. In this case, production of tangible goods would be complementary to the outcomes of the creative industries and material well-being would go hand in hand with cultural, mental, and intangible welfare.

**Chart 2. FDI inflow into creative industries and industry overall**



Source: authors; OECD.Stat, op. cit.

Assuming a high potential of the creative industries, and their ability to create high added value and now jobs, we regard the growing trend of FDI inflow into these industries as positive. But the flow is still on a low level. Therefore, it is crucial that industries with such a high potential receive the support of the local and central authorities and policy makers.

## Conclusion

Increasing the importance of the creative industries requires the creation of a favourable business environment by implementing a special support mechanism. One of the basic documents which identify the possibilities of the so far insufficiently exploited potential of the creative industries to boost economic growth is *Green Paper: Unlocking the Potential of the Cultural and Creative Industries*<sup>12</sup>. Among the main future challenges are promotion of research into creativity, more intensive cooperation between the arts, academic and scientific institutions, as well as private-public partnerships and initiatives on local or regional levels. Another important task is the creation of an appropriate system of education that would encourage creativity. Nowadays, there is no systematic support for the creative economy. However, a precondition of the development of the creative industries was established by the strategic document 'Knowledge to Prosperity: Research and Innovation Strategy for Smart Specialization of Slovak Republic'. It concerns, in addition to legislative changes, e.g. effective consulting services, efficiency of business incubators, providing mentoring, creating optimal conditions for start-ups, establishment or formation and development of innovative firms, effective application of intellectual property rights, development of clusters, stimulating internalization of enterprises, promotion of international cooperation, as well as improving the access to financial funds. We might conclude that as a result of limited access to domestic funds, FDI inflows represent an important determinant and contribute to the development of the creative economy in Slovakia. Thus, they enhance the use of the creative economy's potential. We assume that the development of the creative economy is associated with the earnings and incomes of Slovak households. Firstly, households demand goods and services to improve living conditions, even to survive. Only the remainder of the income can be spent on goods or services associated with social events such as opera, theatre, exhibitions and so on, related to the creative industries. The development of the economy as a whole might bring a new impetus to the area of the creative industries.

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