



Trade in Creative and Cultural Goods
and Services, in the context of
EU-South Africa Development of
Creative Industries in South Africa

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INTRODUCTION

The EU has long been considered one of the primary importers and international consumers of South African arts and creative products. With the aim of further developing this relationship, the British Council along with its partners VANSA, Arterial Network, and EUNIC South Africa, successfully bid for a co-funded project with the EU delegation to deliver a project that would interrogate this relationship further. Focusing specifically on trade between our two territories, the project is designed to provide insight into current trade levels and to begin dialogue between South Africa and the EU about how we might strengthen South Africa's capacity for exporting its creative and cultural wealth in the future – both to the EU and, more broadly into international markets.

The project began in 2012 with a piece of research and series of case studies which look at current trade in and out of South Africa. This fact sheet provides a summary of this research. As with all research it has limitations, but provides a useful snapshot for discussion about how South African arts and culture is exporting and engaging internationally.

The research is followed by a series of public seminars, workshops and a partnership with ACT and UJ on their annual creative industries conference. Through these initiatives we aim to open the debate and ultimately stimulate long term strategies for increased international trade and engagement in the creative industries in the future.

Further information about the project, forthcoming seminars, and copies of the full research are available from the British Council, VANSA and Arterial Network South Africa

www.britishcouncil.org.za

www.vansa.co.za

www.arterialnetwork.org

Research conducted by:



Commissioned by:



#01 WHAT IS CULTURAL AND CREATIVE TRADE?

Trade is defined as the cross-border movement of goods and services, both informal and formal. South Africa is the EU's biggest trade partner in Africa and the EU is in turn South Africa's second biggest trade partner (after China).

Within the context of broader trade there is significant international growth in the trade of creative and cultural goods and services. Global trade in creative products more than doubled from 2002 to 2011 with trade in creative goods and services reaching a record US\$624 billion in 2011, up from \$559.5 billion in 2010¹.

There are different international definitions of cultural and creative industries overall and as they relate to trade. The UNCTAD definition is used in the context of this project as it provides an opportunity for international comparison.

#02 HOW IS CULTURAL AND CREATIVE TRADE MEASURED?

Internationally: There are different systems for gathering trade data, using particular measurement frameworks. Despite the different systems there are a certain common ones used widely around the world, which are internationally comparable.

In South Africa: South Africa follows a similar system to international processes in terms of goods, but has only official measurement in terms of CCI services trade.

INDICATOR	MEASURE	DESCRIPTION
Goods: Measurement categories	<ul style="list-style-type: none"> • HS codes – most common • Other methods in EU (Combined Nomenclature (CN) system), US 	<ul style="list-style-type: none"> • Through SARS (Customs) • In terms of HS Codes
Goods: Measurement process	<ul style="list-style-type: none"> • Customs forms (Usually revenue service function) • Surveys 	
Services: Measurement categories	<ul style="list-style-type: none"> • BMP5 • EBOPS 	<ul style="list-style-type: none"> • Through SA Reserve Bank – high-level Balance of Payments only • Also through various sub-sector rights collection agencies • There are some regular industry association surveys (but these are not currently integrated into formal data systems)
Services: Measurement process	<ul style="list-style-type: none"> • ITRS system (Usually central bank function, through Balance of Payments measurement) • Surveys 	

¹ Figure taken from UNCTAD Global Database on the Creative Economy

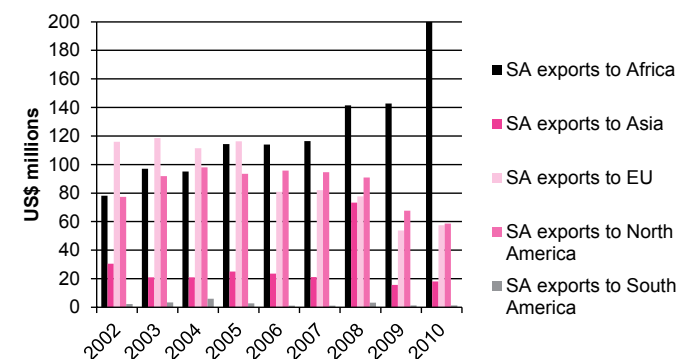
#03 WHAT DO WE KNOW?

CREATIVE AND CULTURAL GOODS TRADE

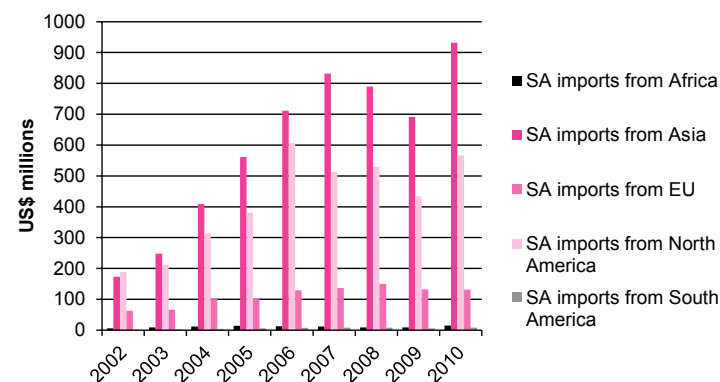
South Africa's total CCI goods exports rose marginally from US\$331m (R2.42bn) in 2002 to US\$351m (R3.12bn) in 2010, while imports rose significantly from all trade partners, from US\$465m (R4.13bn) in 2002 to US\$1,717m (R15.26bn) in 2010.

The rise in imports to South Africa was significantly influenced by a large rise in imports from China. South African exports suffered primarily as a result of declining exports to the US and to the EU. Exports into Africa continue to increase. Although it is not definitive, there is a good chance that some of these imported products are being forwarded from South Africa to its trading partners (most likely in Africa).

CCI goods exports to world regions



CCI goods imports from world regions



Based on the available data, the largest categories of exports to Africa were publishing products and design products. More specifically, the top 3 exports to the rest of Africa in 2011 were:

- Books, brochures, leaflets and similar printed matter, nes
- Newsprint, in rolls or sheets
- Furniture, wooden, nes

CCI goods trade makes up a very small percentage of total trade for South Africa, as shown in the tables below. The trends show that the percentage of total SA exports to the world made up by CCI goods is decreasing. This is in contrast to percentage of total imports into South Africa from the world that are made up of CCI goods, which increased between 2002 and 2010.

SA exports to world (US\$ millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
All products	23,064	31,636	40,264	46,991	52,602	64,027	73,966	53,864	71,484
Total CCI	331	357	355	381	337	335	408	299	351
% of total exports made up by CCI exports	0.014	0.011	0.009	0.008	0.006	0.005	0.006	0.006	0.005

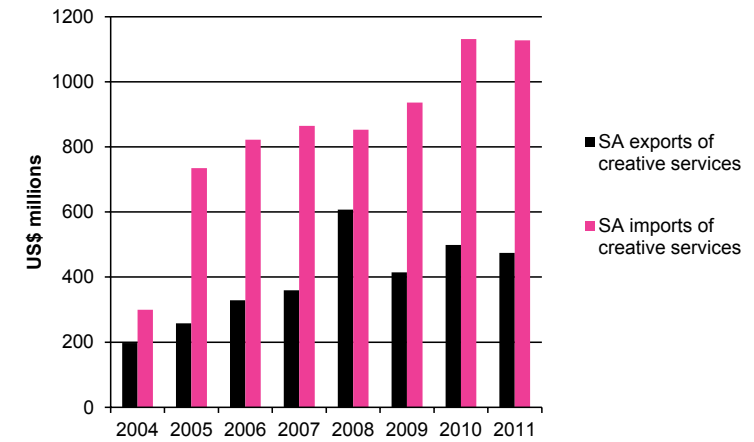
SA imports from world (US\$ millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
All products	26,221	34,543	47,603	55,033	68,469	79,873	87,593	63,766	80,139
Total CCI	465	586	879	1142	1509	1565	1552	1313	1717
% of total imports made up by CCI imports	0.018	0.017	0.018	0.021	0.022	0.020	0.018	0.021	0.021

CREATIVE AND CULTURAL SERVICES TRADE

SA CCI services exports to the EU grew from US\$197.20m (R1.16bn) in 2004 to US\$ 474.68m (R2.79bn) in 2011, while imports rose even more significantly, from US\$299.93m (R1.76bn) in 2004 to US\$1,127.66 (R6.62bn) in 2011.

SA's trade in creative services with EU (US\$m)



EUROStat

Available surveys indicate that the official trade statistics may not be capturing all trade value. For example, in the audio-visual sector, Eurostat EBOPS figures show service exports from SA to the EU valued at US\$53.3-m; whereas surveys by the Stills and Commercial Producers Association alone show a combined value of around US\$100m in exports to the EU, which does not include long form feature film exports

#04 HOW IS CCI TRADE SUPPORTED?

The CCI sector spans economic, arts, cultural and heritage policy areas, creating a complex policy environment. The 1996 White Paper on Arts, Culture and Heritage continues to provide the overall policy direction in this area.

SA trade policy and international agreements: South Africa has signed a series of trade agreements with different trading partners, including the duty free movement of goods within SACU, as well as the TDCA with the EU to reduce duties on products

traded between the two countries. There is very little provision within the TDCA for promoting the export of South Africa CCI goods and services to the EU. South Africa's inclusion in AGOA is also an important agreement allowing South African products easier access to the US market. South Africa has also signed a number of international agreements relating to trade and relating to creative industries (including Copyright, Patents, Trademarks and other Intellectual Property agreements).

Funding resources to support the CCI sector: There are a number of organisations, agencies, institutions and government departments providing financial support to this sector. There are two different kinds of funding:

1. **Export Promotion, Financing and Incentives** – which refers to the support provided by government through incentives, which support particular projects and generally within particular sectors. Funders include:
 - Department of Trade and Industry (the dti) – Export Marketing & Investment Assistance Scheme (EMIA), Film & TV incentive
 - Industrial Development Corporation (IDC)
 - South African Revenue Service (SARS)

Cost of EMIA assistance for cultural industries (Rand thousands) in 2008/09

Cultural Industries	7,952
All sectors	114,573
% of total costs allocated to cultural industries	6.94

2. **General Arts Funding** – which refers to the general funding support provided to a range of sectors within what is generally known as the Arts. This category of funding is linked to the general promotion of the arts, helping to subsidise particular sectors. Funders include:
 - Nationals Arts Council (NAC)
 - Business Arts South Africa (BASA)
 - National Film and Video Foundation (NFVF)
 - National Lottery

#05 INTERNATIONAL BENCHMARKS

Six comparisons from around the world were identified to draw out their approaches to supporting and measuring CCI trade:

	EU	USA	Mexico	Colombia	Kenya	Egypt
Gov support for CCI trade	Integrated regional support for CCI at both national and regional level	IP laws help ensure prominence of US CCI exports	Strong overall support and particularly around financial incentives and other funding	Specific identification of	Growing government recognition for importance of CCI	Strong government protection of Egyptian history and cultural artefacts & sites
Measuring trade in CCI goods	HS classification comprising Combined Nomenclature (CN)	HS classification	HS classification		HS classification	HS classification
Measuring trade in CCI services	EBOPS	BMP5	BMP5	BMP5 (supplemented by satellite account data)	BPM5	BPM5
Interesting lesson for SA to learn	Strong protection of IP and geographical indications	Compulsory survey system to gather trade data	Strong financial support for CCI	Cultural satellite account	Growing government support for CCI	Strong history of exporting Egyptian cultural goods & services

Overall lessons learnt:

- Surveys are the best tool for collecting trade data (as well as other economic data on CCI)
- Laws that protect IP and enforce IP claims at an international level are crucial
- A satellite account is a very useful way to collect economic data (including trade data) in a mixed industry such as CCI

#06 RECOMMENDATIONS OF THE RESEARCH:

Based on the research and analysis conducted during this project, a series of recommendations have been developed. These are summarised below:

1. Definitions
2. Data collection
3. CCI support
4. SA-EU CCI relations

1. DEFINITIONS:

- Adopt UNCTAD definition to categorise CCI in South Africa

2. DATA COLLECTION METHODS:

Improve data collection methods through surveys – It is recommended that short-to medium-term efforts to improve CCI trade data gathering should focus on cost-effective surveys, using methods now preferred by market research agencies. This could be achieved through partnerships between donors, industry associations, and research institutions.

In the longer-term (5 to 10 years), the approach could shift towards integration of improved information into official trade systems, including:

- Agreement on a definition of CCI
- Exploration of gathering data in terms of this definition by StatsSA in Enterprise Survey
- Information sharing and consultation with other African countries to support development of comparable systems across the continent
- Seeking agreement on gathering of greater detail on CCI services trade by SA Reserve Bank, preferably using Expanded Balance of Payments Services (EBOPS) Classification, or the most disaggregated international system available at that time
- Development of an integrated CCI data gathering system incorporating official statistics and surveys, potentially in the form of a satellite account
- Ongoing review in line with developments in UNCTAD, ITC, UNESCO and WIPO definitions

3. CCI SUPPORT:

- Institutional strengthening to address gaps in support for CCIs through industry and export support structures – both strengthening existing bodies and developing well-capacitated and representative structures where no national structures exist e.g. design, craft
- Investigate creative industries export council in consultation with the dti sector desk and TISA
- Review of funding and incentives to improve coverage of CCIs, in particular EMIA coverage of CCI sub-sectors including services

4. SA-EU CCI RELATIONS:

- Use of the cultural and related provisions of the TDCA and its Strategic Partnership as a legal basis to formulate a new strategy to make the cultural and creative sector a priority.
- Development of a new EU-SA framework for CCI to reflect the most recent strategies, policies and activities of the EU, in particular since adoption of the UNESCO Convention in 2005, with elements to include:
- EU-SA Policy Dialogue for Cultural and Creative Industries Sector (EC officials and SA government officials)
- EU-SA Dialogue for the CCI (public and private stakeholders)
- Programme to increase trade and cooperation between the EU and SA CCI
- Review current EU funding resources for the CCIs and ensure that the CCI are better mainstreamed into the existing and future financial instruments for SA.

