

The Independents Voice

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The Economy of Culture in Europe A strategy for a creative Europe

Modern economies are not built with capital or labour as much as by ideas. Numerous EU Member States are assessing the impact of intellectually based businesses on the economy. A raft of United Nations agencies, covering health, development or trade, are disputing over how best to enforce copyright and make use of culture as a tool for economic development.

The powers of the European Union in cultural matters are recent, dating back to the adoption of the Maastricht treaty in 1993. They focus chiefly on the ideas of enhancing heritage and cultural cooperation between Member States. However EU policy makers largely ignore the commercial, social and industrial dimension of creativity and culture.

KEA's study on the Economy of Culture which was completed for the European Commission, casts some light on this unexplored field. It captures the direct and indirect socio-economic impact of the cultural and creative sector in Europe, but it also and most significantly finds out that, in the context of the Lisbon agenda, creativity cannot be relegated to the rank of the optional and superfluous, especially when Europe's competitiveness and influence in the world is at stake.

The main difficulty faced by policy makers in their approach to culture and creativity lies in identifying the challenges of the knowledge based economy and the new features that differentiate it from traditional industrial models.

The EU creative sector is marginalised from a EU policy point of view. However, this might be changing as, for the first time, reference has been made to the creative industries by the Heads of State and governments. Indeed, the participants at the Council Summit held in Brussels on 8/9 March 2007 recommend that the European Commission should take the creative industries into consideration in its policy for the Internal Market.

The figures supplied by the study confirm that the cultural and creative sector in Europe is outperforming other sectors: while over two million people work directly for the automotive industry – one of Europe's key industrial sectors – creative industries employ close to six million.

With nearly 1,400,000 enterprises, the sector records many more enterprises than the «manufacturers of machinery», with 162,000 enterprises, or the often quoted automobile industry with scarcely

17,000 enterprises. At the same time according to the estimate, a higher than average number of micro enterprises (less than 5 employees) can be found in the creative Industries.

The turnover of European cultural industries amounted to EUR 654 billion in 2003, while the car manufacturing industry amounted to EUR 271 billion in 2001; the cultural industries contributed to 2.6% of EU GDP in 2003, while the food, beverage and tobacco manufacturing sector contributed 1.9%; the overall cultural industries growth between 1999 and 2003 is 12.3% higher than the growth of general economy. Cultural industries employed a conservative 5.8 million people, 3.1% of total EU25 population, in 2003.

The study recommends ways of harnessing the opportunities of the digital shift, the biggest challenge facing the cultural industries. It draws an analogy between innovation and creativity which both play an essential part of the knowledge economy. It regrets that this aspiration to more innovation as part of the Lisbon strategy does not include creation and culture. As Diana Farrel, director of the McKinsey Institute puts it, «the fallacy of innovation is that it is all about spending on R&D and information technology».

Cultural policy is the prevalence of national or regional authorities whilst the regulatory environment is mainly set in Brussels in relation to copyright, competition, single market or VAT legislation. Therefore the authors argue that it is wrong to say that culture is a subsidiary competence of the EU.

Moreover the economy of culture touches the heart of the European project: European integration and intercultural dialogue, the latter being linked to the definition of its foreign, development or trade policy. Culture broadens Europe's vision of the world.

In a speech made at the Delft University in The Netherlands on 13 January 2006, European Commission's President José Manuel Barroso, a true supporter of a Creative Europe, said that culture and science «are the legs on which Europe stands» and that «constant innovation in art and science has helped Europe to enjoy both rapid development and unparalleled wealth».

The study examines the strengths and weaknesses of the European cultural and creative sectors as well as the context and the challenges faced by Europe's policymakers.

The study proposes a strategy for a creative Europe to achieve Lisbon.



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The European cultural & creative sector – Strengths and weaknesses: a Snapshot

Plenty of individual talent...	>>>	... but with limited business skills
Some of the largest competitive players at global level... In the publishing, video-games, fashion and music sectors for instance	>>>	... but they lack the same power and leverage compared to US-based creative industries on governments Examples include: copyright duration, trade policy (piracy), a more conservative approach in relation to the future (digital developments, notably in the music and film sectors)
Strong creative industries, and a myriad of creative SMEs with strong local presence...	>>>	... but these are often unable to benefit from the internal market with market access and undercapitalisation problems • Linguistic and cultural fragmentation • Problems in valuing copyright in relation to rights management and accounting • Heterogeneous tax and social systems
Importance of the public sector... The public sector is essential to nurture the supply of cultural diversity	>>>	... but a resistance in taking stock of international challenges Public policies are: • Often disconnected from market realities (cinema) • Marked by excessive national focus • Not addressing the digital challenge to the level it deserves.
Sustained consumer demand (growth in demand for content)...	>>>	... but poor understanding of consumers' demand in relation to the digital economy
Strong IP laws in the EU...	>>>	... but poor enforcement in some countries (piracy levels) and subsidising free content for ISPs and telcos.

It considers a range of recommendations to realise the Creative Lisbon potential

A strategy for a creative Europe Main recommendations to realise the Lisbon potential

INTELLIGENCE GATHERING	>>>	• Establish a strong quantitative evidence base for policy makers
THE LISBON AGENDA	>>>	• Use and make the most of existing EU support programmes (7 th FP- structural funds - support to SMEs) • Promote links between creators and technology by clustering the various competences in creativity platforms • Maximise the use of financial instruments of the EIB, and the EIF, in line with the EIB i2010 Initiative. • Integrate the cultural dimension in cooperation and trade agreements between the EU and third countries with a view to develop exchanges and promote cultural diversity
STRUCTURAL REFORM	>>>	• Reinforce coordination of activities and policies impacting on the cultural & creative sector within the European Commission

The study is available at www.keanet.eu

