



[SA/EU Creative Industries Trade Dialogue Project: A Summary of Findings and Proposed Action](#)



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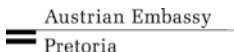
The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

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#01 SYNOPSIS

The present publication brings together insights into and perspectives on the role of trade in creative industries development in South Africa, generated through commissioned research, a conference and a series of seminars and workshops undertaken over a nearly two year period. Financed by the European Union, and undertaken through a core partnership between the British Council, the Visual Arts Network of South Africa and Arterial Network, the project has brought together expertise from both South Africa and the European Union in a wide-ranging process of research and consultation. It has established a meaningful base for ongoing dialogue between the two contexts, and among a variety of actors in the South African context (government, business and civil society). The overall aim has been to strengthen the quality of these conversations, taking as a point of departure South Africa's relationship with the European Union, as one of South Africa's most significant trading partners both currently and historically.

The research component of the project has involved engagement with large supranational datasets that shed light on South Africa's position in the international marketplace for creative and cultural goods and services, as well as a more granular focus on the experience of individual South African businesses and platforms directly involved in export. This has been complemented by consideration of comparative approaches to data collection and enabling policy, institutional frameworks and programmes to support creative industries development and trade in a variety of national contexts, drawing both on experience in the European Union and relevant national contexts elsewhere in the developing world, such as Mexico, Kenya, Egypt and Colombia.

The project has furthermore sought to bring together voices and perspectives from both industry and government in better understanding the problems and obstacles that the South African creative and cultural sector faces in this area, and in generating possible solutions and specific actions that could bring about change. A Cultural Trade Working Group – with representatives from industry and government in South Africa, and trade and industry platforms in the European Union – has provided a valuable forum which has produced some quite immediate actions toward being able to generate more comprehensive data on creative industries trade in the future.

The picture of South Africa's position in the global marketplace for creative and cultural goods and services generated from the analysis of official trade data is a sobering and sometimes troubling one. The export of creative goods comprises a

negligible proportion of South Africa's overall exports to the rest of the world, a trend that appears to be being amplified rather than diminishing over time. At the lower end of the market, we are consuming increasing volumes of industrially manufactured creative and cultural goods emanating from China in particular, leading to a situation in which the value of our goods imports is nearly quadruple that of our exports.

With the exception of Africa as a market, our export of creative goods to the rest of the world is in decline across most product categories, and this is particularly true of Europe and North America, historically the two most significant export destinations for South African goods. The penetration of new markets for South African creative goods within the BRICS formation has been negligible, and also appears to presently be following a downward growth trend. The research also suggests that the growth in exports into Africa may be a consequence of products produced in other world regions being forwarded to the rest of the continent via South Africa, a situation which generates limited returns for the country from the point of new business development and job creation through export.

Significant growth in the export of creative services (driven particularly by marketing related services) is set against even more rapid growth in our import of creative services, driven in particular by our negative balance of trade in the area of intellectual property rights. The trends relating to the flow of Intellectual Property related payments suggests a failure to both protect and promote our IP in other national contexts, and also points to the extent to which we are using and consuming IP that originates in these contexts, rather than our own.

At the same time, the sense testing of the commissioned research on trade data and policy with industry organisations, trade platforms and individual businesses, together with comparative consideration against locally available data, has also raised a number of important questions about the veracity and value of the official trade data, and the extent to which it accurately captures the country's position in different sub-sectors and different markets. Existing local research and anecdotal evidence suggests that the true value of our exports may not always be being accurately or meaningfully reflected in these large datasets.

The parallel set of commissioned case studies of individual South African creative businesses and trade platforms produce an important set of counterpoints to the picture generated through the official trade data, and also point to areas where our creative economy is succeeding through the concerted efforts of individual business-owners, promotional platforms, support agencies and government. Across the various sub-sectors of the creative industries, the case studies demonstrate the

impact of trade in generating revenue, supporting livelihoods, stimulating the development of local products and services and projecting a positive and dynamic picture of South Africa on an international stage.

The case studies also shed light on the complex ways in which problems in the domestic consumption base for creativity and culture – and in the implementation of policy supporting the development of this consumption base – act as both drivers and inhibitors of international engagement. The continued importance of the European Union and North America as markets for South African creative goods and services is confirmed by the case studies, though these are reported as densely traded and highly competitive markets. The rapid expansion of economies on the African continent present a set of clear opportunities for South African creative businesses involved in infrastructure development (e.g. architectural services) and information and communication technologies (e.g. audiovisual and new media). The case studies also shed some light on the difficulties that South African businesses experience in accessing new markets in the developing world – Asia and China are felt to be particularly opaque business environments, and uncertainties in the regulatory and business environment in Africa were frequently cited by participants in the case studies.

Across the sub-sectors, there is clearly vigorous engagement with a variety of international platforms and trade events. While much of this engagement has occurred independently of governmental support, both the Department of Trade and Industry and the Department of Arts and Culture are clearly playing an increasingly important role in supporting access to these events. International trade events are seen as being particularly important in the visual arts, craft and design, audiovisual media production and new media subsectors, with a more uncertain value registered in the performing arts, architecture and publishing. Local trade events and platforms such as the Design Indaba, Joburg Art Fair, Durban Film Market and the National Arts Festival play an important complementary role in exposing a diversity of local creative output to internationals that are drawn – and in some cases actively brought – to these events.

The case studies clearly demonstrate that across sub-sectors there is significant uptake and impact of incentives and support measures from the Department of Trade and Industry (dti), and the department is widely perceived to be playing a pivotal role in assisting businesses to access international opportunities. While the impact of dti incentives is felt particularly in the areas of audiovisual media production and craft, the case studies suggest important opportunities for more effectively connecting other sub-sectors to these incentives and mechanisms for supporting international

engagement. A clearer sense of what the opportunities are for emerging businesses was cited repeatedly and consistently. There is also clearly scope for making the inevitable and necessary bureaucratic requirements which accompany such support more accessible, efficient and user-friendly for businesses operating in the sector.

The critical role of industry organisations and support agencies such as the Cape Craft and Design Institute in bridging the 'bureaucratic gap' and assisting businesses to become export ready, was noted, as was the need for sector organisations more generally to play a stronger role in the provision of this kind of support.

The Department of Arts and Culture is also playing an increasingly important role in promoting access to international platforms, supported both by the strategic impetus of the Mzansi Golden Economy programme and through the wider cultural-diplomatic mandate of the Department, most recently made manifest in the widely lauded 2012/13 French-South Africa Season. The benefits of DAC and dti working more closely together on promoting export opportunities, through a more joined up approach to their respective involvement in cultural showcasing and trade missions, also emerged through the research and discussions.

The role that European cultural agencies and platforms continue to play in creating opportunities for international visibility was also highlighted, as was the need for an increased focus on mutuality and exchange in creative and cultural collaboration, exchange and trade between the EU and South Africa.

While the research and consultations have drawn attention to the truly specialist nature of individual sub-sectors, their networks and modes of doing business, they equally demonstrate the commonality between sectors in building international profile and trade. Also apparent is the need for sectors to cross reference, particularly on issues such as IP, intangible cultural assets, and working together on the opportunities presented both by cultural seasons abroad and international events taking place in South Africa. There are also some overarching commonalities that the research has been able to identify for creative and cultural businesses, and some clear avenues where support for the cultural industries sector can benefit international trade, from access to specialist knowledge and market intelligence through to advice on doing deals, contracting and IP protection, and linking businesses into appropriate and relevant international networking and showcasing opportunities.

Flowing from the research and consultations, four key areas for action have been proposed, aimed at addressing structural weaknesses in the present approach to the promotion of the creative industries trade agenda:

- **Improved Data Collection**, providing a knowledge base to meaningfully inform policy and intervention. This would be achieved through two avenues: regularising and refining our ability to generate meaningful information from existing datasets held by SARS, StatsSA and the South African Reserve Bank, particularly in the area of creative services; and through incentivising industry organisations and support structures in particular sub-sectors to generate more precise data on trade and other key indices of industry development.
- **Strengthened Support Mechanisms**, assisting businesses to access relevant international networks and platforms for promoting their products and services as well as ramping up international engagement with domestic trade platforms. This would be achieved both through reviewing and refining those incentives that already exist, with a particular focus on exploring ways in which the present framework for promoting South African creativity and culture on international platforms might be complemented by support for bringing international buyers, producers and opinion-makers to domestic trade and showcasing events.
- **A Coherent International Strategy**, which would bring the respective mandates and strategies of particularly (but not exclusively) the Department of Trade and Industry and the Department of Arts and Culture into closer alignment in promoting the internationalisation of South African creativity and culture, together with a more joined up approach to more effectively exploiting existing trade and bilateral cultural agreements with the EU and other national territories, in ways that would make the most efficient and effective usage of limited state resources.
- **A Coordinating Structure or Forum**, which would enable the present conversation between industry and government to be sustained and developed in constructive ways. An annual event is proposed, which would bring these parties together in the context of an existing industry platform identified on a rotational basis - enabling an organisationally 'light' approach which could be achieved with very modest investment of governmental and industry resources.

In all of the above areas, there is very clear opportunity for structured dialogue and cooperation between South African and European Union state parties, promoted both through existing strategic, cooperation and trade agreements between the two territories. Crucially, the present project has generated impetus for bringing the creative and cultural industries more forcefully into the ambit of these agreements in concrete ways, translating into considered support for networking, collaboration and exchange between businesses, trade platforms, industry organisations and agencies of government in each context.

#02 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 – the Visual Arts Network of South Africa, Arterial Network, and EUNIC South Africa – successfully bid for a co-funded project with the European Union 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 within South Africa – and 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 the wider global marketplace for creativity and culture.

During the last twenty years, ‘the creative and cultural industries’ has emerged as a key point of reference in both governmental policy and wider public discussion in South Africa. This conversation has been largely concerned with the ways in which culture and creativity – notionally inexhaustible resources – might provide important sources of wealth, work and meaning for a post-apartheid South Africa needing to achieve redress and transformation of the society and economy. The present project has sought to shine a spotlight on one key dimension of this discussion – that of the country’s position in the international marketplace for creative and cultural goods and services, with a particular focus on the trade relationship with the European Union, and the development of dialogue on this question between the two contexts.

Fittingly, the sometimes dense language that has been developed around ‘the creative and cultural industries’ originates in Europe. The term ‘culture industry’ was coined as a (largely pejorative) part of the lexicon of the Frankfurt School of critical theory in the 1940s, and the ‘creative industries’ emerged (in a more positive and promotional vein) out of the policy environment of the United Kingdom in the late 1990s and early 2000s. In recent years, the United Nations Conference on Trade and Development has invested significant resources and energy establishing a definitional framework for the creative industries and in better understanding the dynamics of global trade in this area, and particularly the potentials resident in these industries for developing economies.

The present publication emerges out of an extended process of research and consultation with industry and government in South Africa and the European Union on the question of the transnational trade in South African creative and cultural

goods and services. The project involved the commissioning of an extensive study on existing data, data collection methods and trade policy from Kaiser and Associates (Cape Town) and KEA European Cultural Affairs (Brussels), which can be accessed on the partners websites. This research was supplemented by a more granular focus on individual creative and cultural business, organisations and trade platforms through a series of case studies and consultations with a diversity of role-players in the creative industries in South Africa. These studies – and the record of consultations convened – are summarised in this document.

Central to the project has been a process of wide-ranging engagement with both the creative industries sector and government within South Africa, with representatives from both included in the constitution of a Cultural Trade Working Group, which has functioned as both a guide and a sounding board in the development and realisation of the project. Consultation and engagement included:

- Findings from the commissioned research were presented at the Arts and Culture Trust/University of Johannesburg 'Creative Currencies' Conference in October 2013.
- Seminars were convened in different parts of the country with industry organisations and businesses active in the audio-visual media, music, visual arts, craft, design and performing arts subsectors between June and September of 2013.
- Two 'Trade Dialogue' workshops with representatives from industry and government were convened in Cape Town and Johannesburg during September and October 2013 respectively, seeking to draw together a set of key recommendations and action points for taking the export development agenda forward.

The present report seeks to synthesise insights gathered through this process together with the findings from a body of commissioned research. The report is structured around three areas of consideration:

- the existing policy framework, international agreements and treaties and support measures that promote international trade, and what might be drawn from the experience of such engagement in other national contexts.
- an analysis of official trade data together with a more ground-up view of the experience of individual businesses and trade platforms
- a synthesis of key issues and action points for strengthening South Africa's position in a complex and rapidly evolving global marketplace for creative and cultural goods and services.

#03 THE POLICY CONTEXT AND SUPPORT MEASURES

Creative industries development has become a prominent feature of the South African policy landscape since the publication of the Cultural Industries Growth Strategy report in 1997, which was followed by a series of more industry specific development programmes on the part of both the national Department of Arts and Culture and the Department of Trade and Industry.

The development of these industries has evolved into a cornerstone of the most recent DAC strategic framework, the **Mzansi Golden Economy Programme**, and the discourse of creative industries figures centrally within the thinking informing the drafting of the national Department's Revised **White Paper for Arts Culture and Heritage**.

The Department of Trade and Industry has also clearly recognised the importance of the creative industries to the overall economy in the future, and has established a Creative Industries Sector Desk within its Industrial Trade Division. The department has developed customized sector programmes and strategies for film and craft, and is in the process of developing a strategy for the music industry.

There are a number of organisations, agencies, institutions and government departments providing financial support for the internationalisation of creative and cultural goods. There are broadly two different mechanisms for financial support, those which are specifically concerned with stimulating or promoting export, and the more general funding of the arts.

INCENTIVES, REBATES AND ALLOWANCES

The Department of Trade and Industry has played a lead role in the development of incentives and mechanisms to support export and foreign direct investment. Through the **Export Marketing and Investment Assistance (EMIA)** scheme, finance is made available to support South African market research, representation at trade events internationally as well as inward bound trade missions. Investment in the creative industries through EMIA has increased substantially during the past five years and this sector is now the largest single beneficiary of dti finance through this scheme - growing from R8 million in 2008/9 (7% of all finance invested) to R29 million in 2012/13 (41% of total investment). The **Sector Specific Assistance Scheme (SSAS)** enables export councils, joint action groups and industry associations to obtain finance to support the general promotion of export within specific sectors as well as

specific collectively organised initiatives generated by industry organisations.

The audio-visual media industry is arguably the most significant beneficiary of state incentives and investments in businesses and projects involved in the development and export of content and services. The Department of Trade and Industry has put in place a slate of specific support measures for film and television, aimed at promoting co-productions and promoting South Africa as a location for international film and television projects. The Film and Television Production and Co-production and Foreign Film and Television Production Incentives make provision for a rebate on expenditure incurred in the context of co-productions between South African and foreign entities, as well as for international projects using South Africa as a location. During the four year period from 2008 to 2012, more than **R1,4 billion** was invested in this rebate scheme.

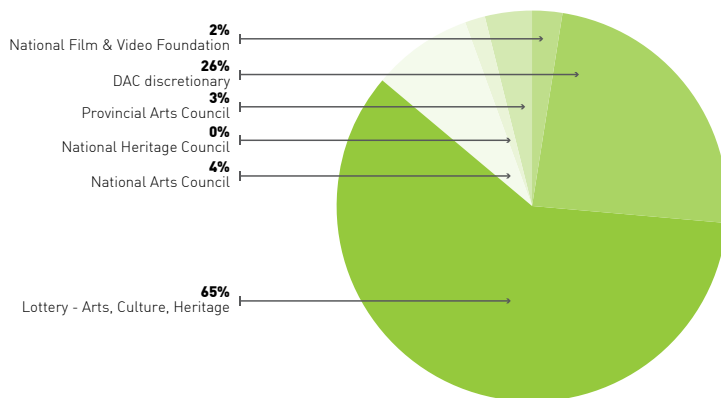
The audio-visual media sector also benefits from financing instruments available through the Media and Motion Pictures Strategic Business Unit of the Industrial Development Council, enabling both project financing and support for distribution mechanisms in both the audio-visual media sector and music. Finally, the South African Revenue Services makes provision for a portion of the expenditure incurred in the production of a film by the film-owner to be treated as tax deductible.

GENERAL ARTS FUNDING

While not specifically concerned with export development, general arts funding plays an important role in the overall development of a sector that is felt to be important for a variety of non-economic reasons. This funding effectively subsidises activity that would otherwise not be viable from a purely economic point of view, but which ideally assists in enabling a broader environment out of which economically sustainable projects, businesses and organisations can emerge.

A variety of state and non-state institutions play an important role in the provision of this kind of funding, including the National Arts Council, the National Film and Video Foundation, the National Heritage Council and the National Lottery Board, alongside independent or non-governmental bodies such as the Arts and Culture Trust, Business and Arts South Africa and a variety of international cultural agencies that have a presence in South Africa. The resources available through the state are considerable, with over R1,2 billion in funding being made available in the 2011 financial year from departments, agencies and institutions operating at a national level, as per the chart below.

State funding for the arts: the role of different agencies



source: [VANSA](#)

In recent years, international engagement within a cultural-diplomatic frame has come to feature strongly in the national Ministry's overall strategic framework. Numerous participants in the discussions convened around the present project cited the success of the 2012/2013 French-South Africa Season in making South African culture and creativity visible on an international stage. Though not explicitly concerned with the more economic dimensions of exchange, such projects play an important role in building the knowledge and networks that support trade and exchange between different national contexts, across both industry and government.

INTERNATIONAL TRADE AGREEMENTS AND SA-EU RELATIONS

Recognising the key role that SA plays in the southern African region, on the African continent and on the international scene, the European Commission initiated a European Union-South Africa Strategic Partnership which was formally adopted in 2006, and which in turn led to the development of a Joint Action Plan for building stronger relations between the two territories on various fronts. The EU has Strategic Partnerships with ten countries around the world (Brazil, Canada, China, India, Japan, Mexico, Russia, South Africa, South Korea and the United States).

While there are formalised agreements in place with the other nine other EU strategic partners, which are specifically concerned with the creative and cultural industries, this area has not featured in a significant and concrete way in the agenda of the EU-SA Strategic Partnership, beyond being mooted as an area for cooperation. Though

there have been a number of European Union funded programmatic interventions in the last five years in which South Africa has featured as a target country, these have focused on a cultural development and exchange mandate rather than an agenda concerned with promoting trade and commerce.

South Africa has additionally signed the Trade and Development Cooperation Agreement (TDCA) with the EU to reduce duties on products traded between the two territories. The TDCA covers political dialogue, the establishment of a Free Trade Area (which now covers 90% of bilateral trade between the EU and South Africa), development co-operation, economic cooperation, and cooperation in a series of sectoral areas. The TDCA contains reference to culture as a focus area together with a variety of related areas - such as intellectual property rights and tourism - that have implications for creative industries trade development between the two contexts. While these provisions have not to date translated into any specific actions or initiatives, both the South African government and the European Union Delegation in South Africa have expressed interest in developing dialogue in this area, as evidenced through the present project.

South Africa's inclusion in the Africa Growth and Opportunity Act (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 that have important implications for creative industries trade (including Copyright, Patents, Trademarks and other Intellectual Property agreements).

#04 GETTING TO GRIPS WITH THE DATA

Data on trade in cultural goods and services is generated principally from two sources - customs and excise data and the balance of payments system. The distinction between creative goods and creative services – and how data is generated for each - is important for interpreting and understanding the trade data referenced in this publication.

CREATIVE GOODS

Goods represent tangible, physical products that are moved between national contexts and whose value is tied up in the material form of the product. On the other hand, the value of services is bound up in transactions of labour, knowledge and experiences which are not captured in a durable physical form. Trade in visual arts and craft products, for example, is principally reflected through data relating to creative **goods**, whereas trade in the performing arts, architecture and audio-visual sub-sectors is largely captured under data related to **services**. Some sectors, such as music, new media, design and publishing, involve significant trade in **both** creative goods and services. In these industries there is trade in both intangibles such as intellectual property rights, licenses, design and architectural services, as well as in tangibles such as actual books, game devices, manufactured products and the like.

Data on trade in creative goods is gathered by the South African Revenue Services (SARS) through the role that it plays in monitoring and drawing duties from the movement of tangible goods between South Africa and the rest of the world. When goods are declared for import or export, these are assigned product codes (known as Harmonised System Codes), which enable a detailed breakdown of the volume and value of specific types of imported and exported product. This data relates principally to the movement of tangible, physical products and is thus relevant to a valuation of the trade in cultural and creative **goods** only. It does not capture value related to the provision of services. The Department of Trade and Industry is in the process of reflecting this data on its website, based on information supplied by the UNCTAD statistical database, which in turn draws its data from SARS and other revenue services operating in other territories.

For Creative Goods, the data reflected in the present report covers the following broad categories of goods (a more detailed breakdown can be found in the commissioned report on this issue.

SUB-SECTOR	INCLUDES
Arts and Crafts	Carpets, Paperware, Wickerware, Yarn and Fabrics, Tapestries, Bone and Ivory articles, Marquetry
Audio-visuals	Film
Design	Architectural Drawings, Fashion and Fashion Accessories, Glassware, Interior Design, Jewellery, Toys
New Media	Recording Media, Video Games
Performing Arts	Music (CDs, Tapes), Printed Music
Publishing	Books, Newspapers, Other printed matter
Visual Arts	Antiques, Paintings, Photography, Sculpture

It should be noted that the majority of the items captured under the design category represent industrially manufactured goods rather than high-end, collectible contemporary design.

CREATIVE SERVICES

For **services**, data is derived from the balance of payments system, managed through central banks in different national contexts. When a payment in one national context is made for a good or service provided in another context, central banks requires that information be supplied as to the purpose of the transaction. The categories of services related payments made through this system are however broad, making it difficult to distinguish creative and non creative categories of service, and to disaggregate data down to a sub-sector level. In the case of intellectual property rights, it is however possible to relatively precisely track revenue flows relating to particular categories of IPR such as copyright and reproduction rights through the records kept by collecting societies such as the South African Music Rights Organisation (SAMRO) and the Dramatic, Artistic and Literary Rights Organisation (DALRO).

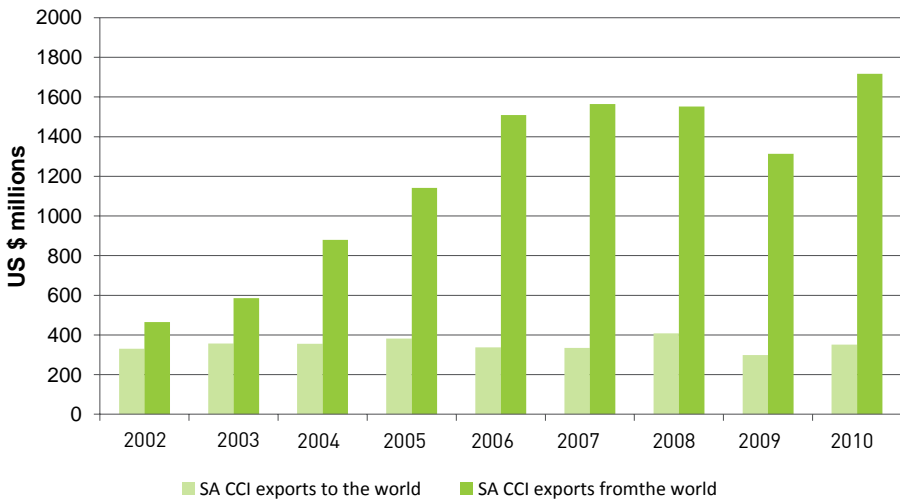
In South Africa, services related payments are captured by the South African Reserve Bank (SARB). While the Department of Trade and Industry is presently engaging with the Bank to see how meaningful data could be made available in the future, the SARB does not presently make this data available to third parties, and is not in a position to disaggregate transactions related to particular sectors. As a result, the services data presented in this report is derived from Eurostat, an agency that gathers this information from central reserve banks across the European Union, and thus only captures transactions related to the trade in creative and cultural services between South Africa and the European Union.

#05 THE BIG PICTURE - TRENDS FROM THE DATA

This section provides an overview of trends emerging from official trade statistics accessed through supranational datasets such as UNCTADStat, COMEXT and Eurostat.

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. Creative goods accounted for more than two thirds of the total value of these exports in 2011 and in the same period, exports of creative services more than tripled.

The picture generated for South Africa's creative goods trade stands in somewhat stark contrast to the global trend. During the same period, South Africa's total creative goods **exports rose only marginally** from US\$331m (R2.42bn) in 2002 to US\$351m (R3.12bn) in 2010. On the other hand, **our creative imports from all trade partners nearly quadrupled**, from US\$465m (R4.13bn) in 2002 to US\$1,717m (R15.26bn) in 2010, producing a dramatically negative balance of trade in this area – in 2010 we were importing nearly five times the value of what we were exporting



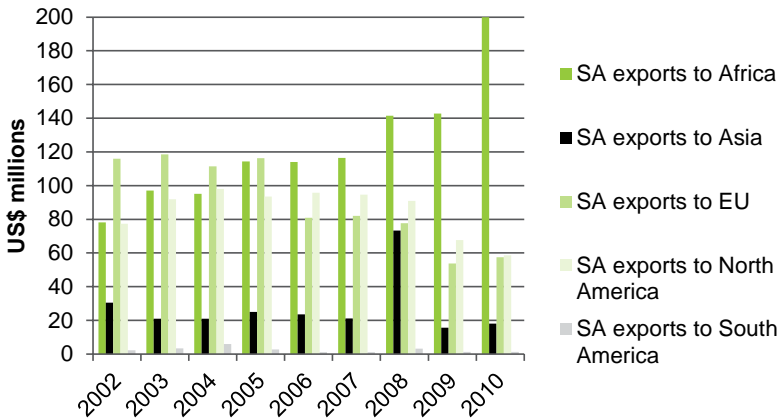
source: UNCTADstat

¹ Figure taken from UNCTAD Global Database on the Creative Economy

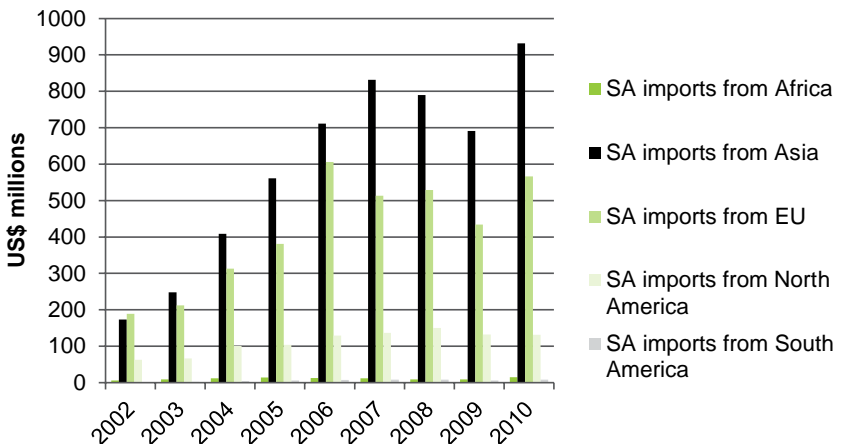
THE GEOPOLITICAL DIMENSIONS OF SOUTH AFRICA'S CREATIVE GOODS TRADE

The rise in imports to South Africa was significantly influenced by a more than sevenfold rise in imports from China, the single largest exporter of creative goods in the world. South African exports suffered primarily as a result of declining exports to the traditional export destinations represented by the United States and the European Union, and during this same period our exports to China in fact also declined in value. Africa represents the only world region which shows significant increase as an export destination for creative goods from South Africa.

CCI goods exports to world region

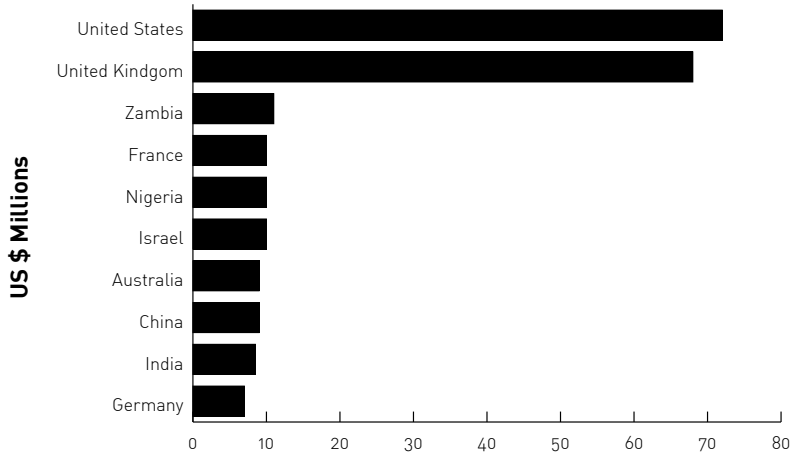


CCI goods imports from world regions

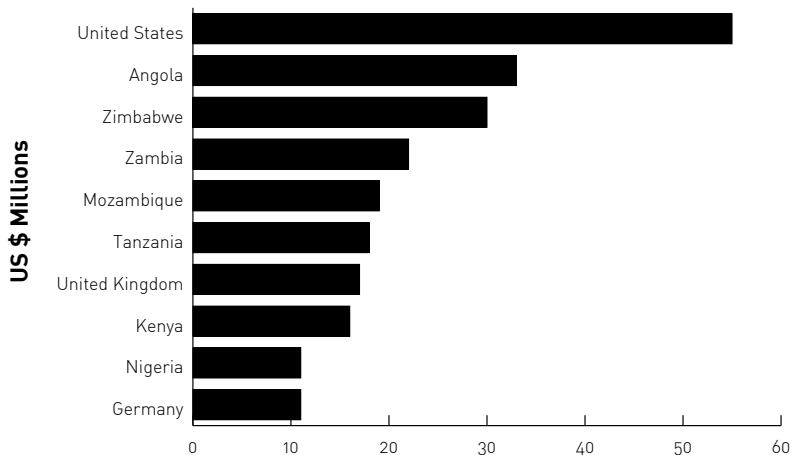


The following charts demonstrate this trend at the level of who South Africa's principal trading partners were in 2002 and 2010 respectively, with five new African countries entering the top ten group in 2010. Notably, while India and China are both among the top ten import partners for South Africa, none of the BRICS countries feature as significant export destinations.

Top Export Partners 2002



Top Export Partners 2010



source: UNCTADstat

Many of the goods that we are importing from China, the US and Europe are also precisely the same goods as we are exporting to the rest of Africa, suggesting that South Africa may effectively be functioning as a way-station into Africa for creative goods from the rest of the world. An analysis of the precise goods that are driving imports and exports shows the following four categories of goods as featuring in the top ten group for both imports and exports.

- Books, brochures, leaflets and similar printed matter, not elsewhere specified
- Furniture, wooden, not elsewhere specified
- Articles of jewelry and parts thereof of precious metal, plated or clad with precious metal
- Brochures, leaflets and similar printed matter, in single sheets

Further investigation would be required to confirm this analysis, with particular consideration given to the larger South African companies trading in these products.

CREATIVE GOODS TRADE AS A PROPORTION OF TOTAL TRADE

Overall, the value of trade in goods across all categories has in fact increased substantially during the period between 2002 and 2010, while sustaining a moderately negative overall balance of trade with the rest of the world. The data however suggests both that Creative Goods exports represent a tiny proportion of the value of our total exports, and that these exports are in fact declining in importance relative to other areas of trade, as per the following tables:

SA exports of all goods vs creative goods (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
% CCI	1.43	1.13	0.88	0.81	0.64	0.52	0.55	0.55	0.49

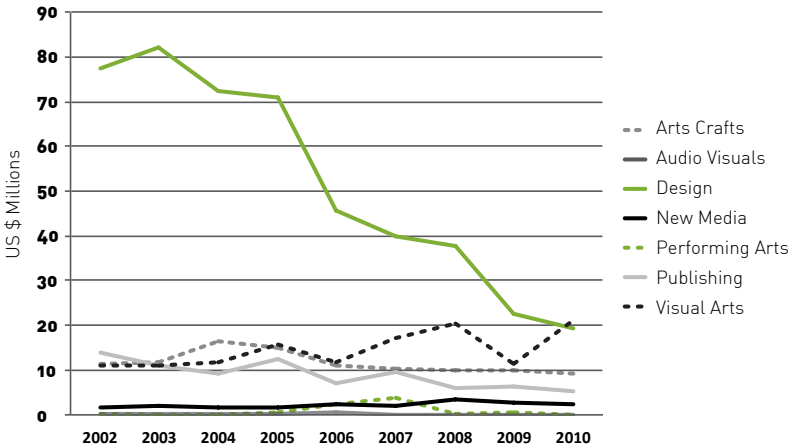
By contrast, the overall relative value of creative goods imports has moderately inclined during the same period:

SA imports of all goods vs creative goods (US\$ millions)

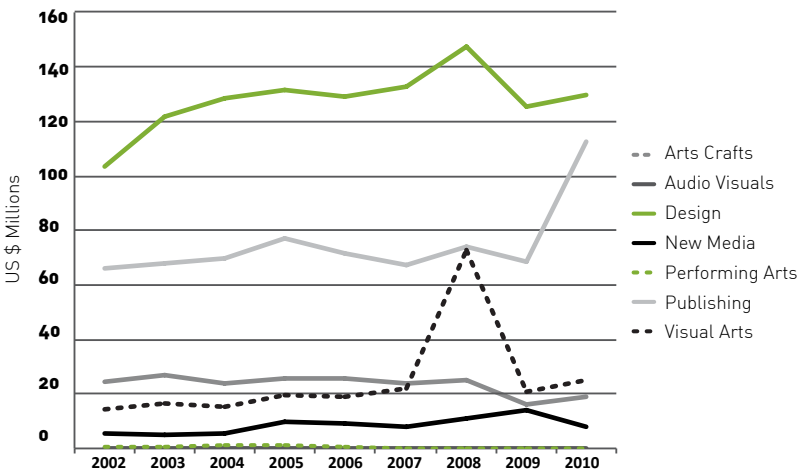
	2002	2003	2004	2005	2006	2007	2008	2009	2010
All products	26,221	34,543	47,603	55,033	68,469	79,873	87,593	63,766	80,139
Total CCI	465	586	879	1142	1509	1565	1552	1313	1717
% CCI	1.77	1.70	1.85	2.07	2.20	1.96	1.77	2.06	2.14

SUB-SECTORAL TRENDS

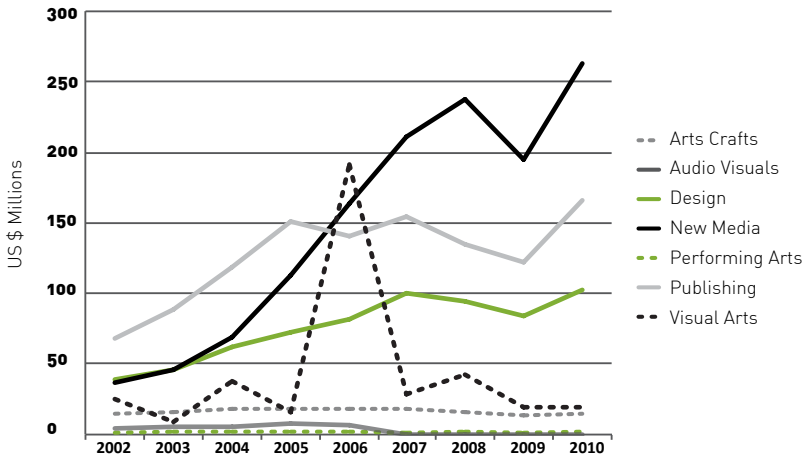
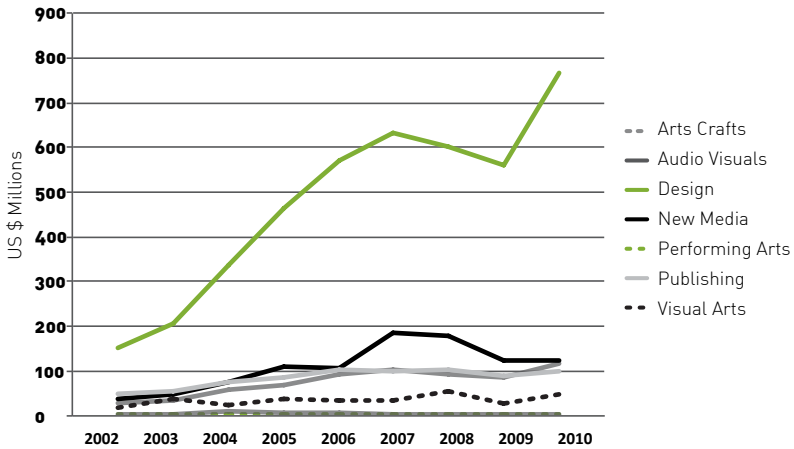
For Creative Goods it is possible to disaggregate the data down to a sub-sector level across the following categories, distinguishing between trade with EU and the rest of the world respectively. Data related to our exports to the European Union shows that the decline in exports to this world region have been driven by a marked downward trend in the export of design products, with only visual arts and new media showing a modest incline in exports, the latter from a very low base.



By contrast design and publishing products emerge as our two most important exports to the rest of the world, driven by demand from the rest of Africa in particular.



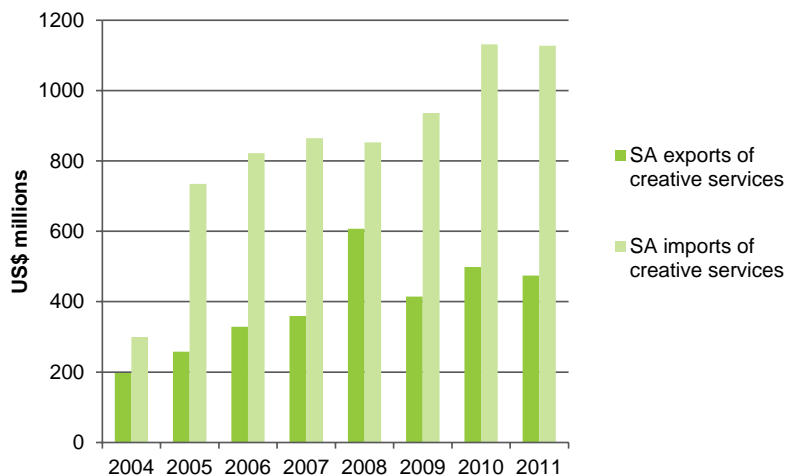
With regard to imports, design and new media products feature strongly as a driver of our negative balance of trade with both the EU and the rest of the world, with publishing also featuring strongly in our imports from the European Union.



source: UNCTADstat

Based on data from Eurostat, South Africa's creative and cultural 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)



source: EUROstat

As noted earlier, services data from the EBOPS statistical system is difficult to correlate with the UNCTAD definitions of the creative industries sub-sectors, with many categories cutting across different sectors (for example: Other services, Royalties and license fees, Other royalties and license fees), and many including data related to services that may not qualify clearly as cultural and creative services (eg Computer & information services, Information services). Disturbingly, the greatest level of disparity between imports and exports is found in the area of intellectual property. Data on trade in “Other services, Royalties and license fees, Other royalties and license fees” shows that in 2011, South Africa spent \$215.8 million in the purchase of various rights from EU countries against incoming revenue of only \$17,4 million from the EU in this area. This trend is even more pronounced when our total trade in royalties and license fees with the rest of the world are considered, where the ratio of exports (\$59,2 million) to imports (\$1,9 billion) stood at an astonishing 1:33 in 2010.

Available industry-level surveys indicate however 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 Commercial Producers Association of South Africa (CPASA) alone show a combined value of around US\$100m in exports to the EU, a figure which does not include long revenue form the export of services related to feature film production.

SUMMARY OF INSIGHTS

The following key trends emerging from the analysis of official trade data, suggests that South Africa is presently poorly positioned in the international marketplace:

- Overall, the export of creative goods comprises a negligible proportion of our overall exports to the rest of the world, a trend that appears to be being amplified rather than diminishing over time
- At the lower end of the market, we are consuming increasing volumes of industrially manufactured creative and cultural goods emanating from China in particular, leading to a situation in which the value of our imports is nearly quadruple that of our exports
- With the exception of Africa, our export of creative goods to the rest of the world is in decline across most categories of these goods.
- The study suggests that the growth in exports into Africa may be a consequence of products produced in other world regions being forwarded to the rest of the continent via South Africa, a situation which generates limited returns for the country from the point of new business development and job creation through export
- Our penetration of markets for creative goods within the BRICS formation have been negligible, and also appears to presently be following a downward growth trend
- Significant growth in the export of creative services (driven particularly by marketing related services) is set against even more rapid growth in our import of creative services, driven in particular by our negative balance of trade in the area of intellectual property rights
- The trends relating to the flow of Intellectual Property related payments suggests a failure to both protect and promote our IP in other national contexts, and also points to the extent to which we are using and consuming IP that originates in these contexts, rather than our own.

The sense testing of the commissioned research with industry organisations, trade platforms and individual businesses together with comparative consideration against locally available data have also raised a number of important questions about the veracity and value of this data:

- The highly aggregated nature of data relating to the fast growing trade in creative services was recognised as a significant obstacle to meaningful analysis, particularly with regard to areas such as music, design and architectural services, new media and publishing

- The need to disaggregate goods that relate to manufactured inputs into the production process from the creative outputs of this process was noted – for example rolls of newsprint versus books in the publishing industry.
- In the case of both audio-visual media and visual arts, industry representatives felt that the data as presented almost certainly under-recorded actual revenue flows from the sale of goods and services in these areas into the international marketplace.
- In the case of film and television production, the annual survey of member businesses conducted by the Commercial Producers and Stills Association substantially corroborates this view.
- In the case of the visual arts it was felt that our exports in this area are substantially higher than reflected in the data, and almost certainly exceed our imports, in contrast to the negative balance of trade shown in the official statistics.

#06 THE VIEW FROM THE GROUND - CASE STUDIES AND CONSULTATIONS

A series of case studies were conducted into businesses, organisations and trade platforms involved in the export of South African creative goods and services. In addition, a series of seminars were convened within particular sub-sectors together with two workshops which brought industry and government together with a view to generating proposals for action in promoting the export/international trade agenda for the South African creative industries sector.

These case studies and interactions suggest an important set of counterpoints to the picture generated through the official trade data, and also point to areas where our creative economy is succeeding through the concerted efforts of individual business-owners, promotional platforms, support agencies and government. They also point to areas in which we could be doing better through more coordinated action on the part of industry and more coherent policy and implementation on the part of government.

The case studies component of the research looked at businesses operating in different parts of the value chain in different subsectors of the creative industries, as well as the experiences of platforms and organisations that are involved in promoting access to international markets at a sub-sectoral level. Both established and emergent enterprises were targeted with the aim of yielding a wide cross-section of experiences, and with a particular focus on black-owned and managed enterprises, and enterprises demonstrating some degree of innovation and success in their engagement with international markets.

Notably many businesses were reluctant to participate in the research project for a variety of reasons, ranging from concerns relating to competitors accessing business information that might compromise their position in the market, through to cynicism about the value of such research exercises, coupled with simple constraints related to the demands on the time of respondents. All of these issues point to a need for internal lobbying and advocacy on the value and utility of a regularised and institutionalised approach to such research within and across sub-sectors. The work of the Commercial Producers Association of South Africa (CPASA) has been exemplary in this regard, with an annual survey of businesses operating in this part of the audio-visual media subsector being supported and financed by an association of companies that have recognized the value of this kind of exercise, with additional support coming from governmental agencies such as the Gauteng Film Commission, which sponsored the 2013 edition of the report.

The case studies focused on the following five areas of inquiry:

- The ways in which business are engaging with international markets
- The place of international trade within the business models of organisations
- The impact of this trade in terms of revenue and work generated
- The role of trade platforms and support agencies in promoting access to international markets
- The identification of factors that either enable or constrain international market access, including the both the promoting and regulatory role of the state

AUDIO-VISUAL MEDIA

The film and television industry in South Africa has gone through a period of substantial development, formalisation and diversification during the last two decades, much of it driven by engagement with international markets on the one hand, and the provision of a variety of tailored support mechanisms from government on the other. In broad terms, international engagement has taken two quite different forms – servicing and partnering with international projects in the production of both feature films and commercials, and producing and licensing locally produced content to international broadcasters and other users.

Companies operate in complex ways across and between these two broad areas of activity, though the bulk of international revenue is derived from the first area, promoted in particular through the Department of Trade and Industry’s provision of rebates on project expenditure for international co-productions, and the co-production treaties that support these partnerships. While the effective dissemination of South African content to the world is still at a relatively nascent stage, there are emergent examples of success across both the documentary and feature film formats.

Moonlighting is a large production company based in Cape Town that has made extensive use of dti incentives and the various co-production treaties in place between South Africa and other territories to enable projects such as Safehouse and Invictus. The company is involved in facilitating both feature film and commercials production with international partners, and also provides a financing service. In 2012, their co-productions with international partners generated approximately 1800 work opportunities and R90 million in expenditure, and they have facilitated financing supported by the dti incentive scheme for more than 25 projects. Virtually all of their projects involve international partnership, though “passion for the project” drives investment in at least one entirely local film in any given year, with revenue from

international projects effectively cross-subsidising these local projects. Most of their international partners are North American, UK or European companies.

While the Moonlighting experience points to the sea change that international engagement and the introduction of incentives has had on the film and television industry in South Africa, it also draws attention to the competitive international marketplace for incentivising film and television production. The Moonlighting team suggests that there is room to make the present rebate system more competitive relative to incentives offered elsewhere, and a need to update co-production treaties in ways that would open up the benefits that accrue from these treaties in each national context to a greater diversity of production types. For example, television productions are felt to be a particularly important category for inclusion in certain treaties, most notably the existing UK-South Africa agreement.

Velocity is an award-winning production company specialising in commercials production with offices in Johannesburg and Cape Town. The company is comprised of five subsidiaries operating in specialist areas of service provision and project development. While the majority of Velocity's clients are still South African, one of their subsidiary companies, Velocity Afrika, has been established with a sole focus on the producing and directing of commercials on the African continent. Velocity also notes that though the commercials industry generates substantial revenue and employment – Velocity reports employing more than 5000 freelance workers per annum on projects – the focus of government incentives has been on the production of feature films.

Uhuru Productions is a wholly black owned film and television production company with offices in both Johannesburg and Cape Town, which specialises in social impact documentaries. In response to what is felt to be the weakness of the domestic market and financing system for documentary filmmaking, Uhuru has aggressively targeted foreign broadcasters, partners and funders to sustain its operations and output, with 70% of its revenue currently being derived from these sources. Key factors in the success of the company relate to concerted and effective international networking and relationship development, the retention of intellectual property rights and the holding of significant components of distribution rights across digital and video-on-demand platforms. The tightening of budgets for international broadcasters, and a move towards reliance on revenue from advertising on the part of broadcasters, is however noted as a significant threat.

Fireworx Media is a Johannesburg-based film production and distribution company which produces and licenses content to local and international broadcasters and

derives 30% of its revenue from engagement with international markets – a similar set of problems are noted around the domestic market and the engagement of the public broadcaster, content regulator and statutory body for the film industry with the effective development of the film industry in South Africa. Fireworx has nevertheless benefited in significant ways from trade promotion schemes and platforms operated through the National Film and Video Foundation, as well as the Export Marketing and Investment Assistance (EMIA) scheme of the dti. Fireworx notes the need for thoughtful facilitation of international networking between producers, both through engagement with international platforms, as well as through bringing more producers to platforms in South Africa, such as the Durban Film Market. Co-production treaties are seen as a key vehicle for financing, and they are in the process of setting up an office in Sao Paulo, Brazil.

NEW MEDIA

There is substantial overlap and blurring between the traditional audio-visual media industry and what UNCTAD defines as ‘new media’. The latter represents a somewhat porous category under the UNCTAD definitional framework for the creative industries, including quite defined areas such as animation and digital gaming, as well as on-line and digital media design and development more generally.

Triggerfish is a Cape Town based company which has firmly placed South Africa on the international map in the field of animated movie-making. They have had an unprecedented impact in both domestic and international markets with their first two major international feature-length releases, *Adventures in Zambezia* (2012) and *Khumba* (2013). *Adventures in Zambezia* received significant project finance from the Industrial Development Council, and was distributed by Sony and CMG into more than fifty territories. The film reaching the number one position on the Russian box office and has reportedly generated more international revenue than any other South African film since *The Gods Must be Crazy*. *Khumba*, released late in 2013, achieved the number one position on the South African box office ranking – a rare achievement for locally produced films outside of the comedic output of Leon Schuster – and has already garnered significant international attention, including featuring as ‘critics pick’ in the *New York Times*, and receiving two Gold Panda Awards at the Sichuan TV festival in China in November 2015.

While the producers note that this success partly hinges on the use of high profile international talent for character voices, more than 100 artists were employed in the production process for the film. CEO Stuart Forrest comments on both the consumption base for their output and the use of Hollywood-based actors are illuminating:

“Considering that only 4% of our revenue model comes from Africa, we need to be thinking globally about how to make the product internationally as entertaining as possible. On Zambezia we auditioned 1,000 people from South Africa and 1,000 people from Hollywood, and we chose the voices that best fit the character we were casting for. In most cases, the Hollywood actors extensive experience shone through.”

Triggerfish has also managed to secure the ‘holy grail’ of slate funding for a series of films through the Business Partners’ Venture Fund, a specialist risk finance company for small to medium enterprises in South Africa and select African countries, and anticipate releasing a film a year from 2016. A number of respondents from the film sub-sector cited the difficulty of attracting this kind of funding as a key inhibitor to the development of the local film industry, with low levels of awareness and appreciation in South Africa regarding the potential returns on investment possible through creative products such as film.

South African animation is also making a mark in the television production arena. Florrie’s Dragon is a 2D animated TV series - 52 x 11minute episodes – commissioned by the Disney Channel. The South African company Clockwork Zoo was involved as part of a full joint venture with UK-based Wish Films (rather than a co-production, as the SA-UK film co-production treaty does not cover TV). The production was worth around R40 million in total, with spending evenly split between South Africa and the UK – script, voice, and post-production were done in the UK and animation in South Africa. The animation work took place over around 18 months, during which time around 80 animators were employed. Clockwork Zoo owned 25% of the IP for the project.

While Triggerfish is now also exploring the possibilities of translating it’s animated films into the digital gaming format, the production of digital games is presently a micro-industry in South Africa, largely driven by individual designers and small independent enterprises which operate within an industry that exists largely in the globalised space of the internet. While there is a large market for imported console-based gaming products in South Africa, the development of an infrastructure for game development locally is still at a nascent stage.

Quarter Circle Forward (QCF) Design is a Cape Town based company comprised of four game developers who both develop their own games and provide game design services to a diverse mix of domestic and international corporate and NGO clients interested in novel approaches to the communication of their products and services. Clients have included South African tertiary institutions, the educational TV channel

Mindset Learn, Nokia, the United Nations Development Programme and the World Bank, with a roughly even split between local and international revenue. Their focus is however increasingly on the development of their own games, in which they retain ownership of intellectual property rights, which allows the company to generate revenue 'while we are asleep', as QCF founder Danny Day puts it.

In 2010, the company released the beta version of the game Desktop Dungeons, which is now available both through their website and the on-line game distribution platform, Steam. The game won an award for Excellence in Design at the 13th Annual Independent Games Festival in San Francisco in 2011 and has had more than 300 000 downloads and over 13 000 pre-orders, generating in excess of R1,5 million in mostly international revenue against an investment of circa R400 000 in the development of the game. While in international terms this is a modest success story, it is a significant achievement for the local gaming industry. Much of QCF's success in the field is attributed to their ability to get the game onto a major on-line distribution platform such as Steam, as has been vigorous engagement with a variety of international trade and industry events in North America (E3, Indicaade, the Game Developers Convention), Australia (Absential), Germany and Japan. There is now an interest in developing a boxed version of the game from distributors in Europe and Asia.

QCF notes that the absence of either large game publishers or angel funders in the South Africa context has meant that companies like QCF have to essentially 'bootstrap' the development of their own games, with revenue from consulting work for clients cross-subsidising the development of independent games. He notes that while the skills base for game development in South Africa is felt to be small, the constraints of the context have produced a level of excellence and innovation in game design which, together with comparatively low input costs, makes the country competitive internationally.

Make Games SA is an industry network within the game design field which is seeking to support local game development through knowledge-sharing, facilitating access to international networks and markets and lobbying government around regulatory issues. In the context of local industry events such as Rage largely promoting imported product to a local market, Make Games SA has been engaging with the Department of Trade and Industry around support for trade missions to various international platforms where local games can be promoted an international network and audience, though these discussions have yet to come to fruition. The manner in which the Film and Publications Board has implemented approvals processes for game content is felt to have had an inhibiting effect on the ability of mobile and console-based game

distributors to make content (both South African or international) available locally. The regulatory frameworks around exchange control have also seemingly produced some uncertainty around, for example, the management and taxation of revenue through on-line transaction portals such as Paypal.

THE PERFORMING ARTS AND MUSIC

Under the UNCTAD framework the performing arts encompass both the traditional performing arts (theatre, opera, dance, cultural performances) as well as music. The nature of trade differs quite significantly between these broadly defined areas, with international revenue from the traditional performing arts largely comprised of revenue through live performances and touring productions. Live performance comprises an increasingly important revenue stream in the music industry. The sale of recorded music and associated rights, together with digital sales, play a major part in the international trade in music, sharing many of the formats and characteristics of audiovisual and new media. And whereas, particularly in the developed world, public subsidy plays a major role in the traditional performing arts, it plays a relatively minor role in the music industry. The case studies commissioned for this project provide some insight into this diversity and complexity.

Cape Town Opera represents a unique example of a cultural institution which is managing to achieve both sustainability and growth through a business model and strategy predicated on success and profile in an international marketplace. Cape Town Opera emerged from the unbundling of CAPAB, the regional performing arts council for the Western Cape established under the apartheid administration. With the reorienting of national budgets towards arts development and heritage projects in the post 1994 period, Cape Town Opera needed to fundamentally rethink audiences, markets and sources of funding and finance for an art form that was historically largely the preserve of a relatively elite audience within the white population – a minority of a minority. Central to this reorientation has been the development of an international touring programme, which now contributes more than 30% of the overall revenue of the organisation, and which has also played a role in the ability of the institution to establish an endowment fund, now valued at more than R5 million.

Under the direction of CEO Michael Williams, revenue from touring productions has provided Cape Town Opera with room to start to develop the local consumption base for its cultural offer through the effective cross-subsidisation of (loss-making) local performances from revenue generated through profits from international touring and the development of local educational and outreach programming supported by South African funding agencies such as the National Lotteries Distribution Trust

Fund. Between 2010 and 2012, the institution generated a turnover in excess of R21 million, and profit of circa R7 million. In the same period, the company provided job opportunities for 269 permanent, temporary and part-time employees, and generated work valued at around R1 million for local small and micro-enterprises supplying services related to productions.

While the CTO competes in an international marketplace in which its peers in other national contexts would generally benefit from much greater levels of public finance, the CTO is nevertheless able to price its touring performances competitively due to lower input costs. This success has also been achieved through concerted networking which has involved bringing international producers to South Africa, and cultivating a very high level of professionalism in its engagement with local funders and international partners alike.

The **Soweto Spiritual Singers** represents an example of a music group which has, on a smaller scale, also found a primary home in the international marketplace. The Soweto Spiritual Singers are a gospel choir group whose music and performances have been developed into an 'inspirational world music' product in response to a European market in which they have enjoyed substantial success in multiple countries, with a recent run of 30 days of sold-out performances in France, employing more than 35 people. Their success in these markets has been so marked that they no longer see the local market – in which the space for faith-based genres is largely saturated – as a significant source of revenue for their business.

The experimental performing arts company, **Third World Bunfight**, has established an international reputation for cutting edge and challenging work, which has historically been largely financed through funding or commissions from cultural agencies and institutions located in Europe, effectively constituting an export of a cultural service. As with the Cape Town Opera, the company operates in an essentially niche, high end market for culture, and would be unable to stage productions to domestic audiences without public subsidy from local and (principally) international sources – their most recent production generated 10% of the cost of production at the box office at the Baxter Theatre in Cape Town.

Within the traditional performing arts, the **National Arts Festival**, based in Grahamstown, has played a leading role in facilitating and promoting both the import and export of productions in this field. According to CEO Tony Lankester, its emergence as a major platform for international work in South Africa and for exporting work was not by design - it happened over time and was an expression of the quality and diversity of the work showcased through the NAF there and the growth of its reputation and standing in the international arena.

As more international producers starting visiting the festival, the NAF management decided to help formalise this shopping experience as far as possible, to facilitate as much of the networking and selection as they could. One strategy was to join the World Fringe Alliance. The idea behind this alliance is to facilitate travel and linkages between each of the nine member festivals – between places as far flung as Hollywood, Perth, Brighton and Edinburgh. Lankester is aware of approximately 40 producers who visited the 2013 festival – in addition to an unknown number who did not announce themselves officially to the festival management. He attributes these numbers to a steady growth of interest in South African work internationally.

While international platforms such as the Edinburgh International Festival have been used in the past few years to launch South African productions into the international market, Lankester is of the view that this platform has not proven to be effective for South African offerings seeking to build a market in the North. The sheer size of that event and the relative inconspicuousness of the South African presence both militate against effective use of the platform. Both the NAF and Third World Bunfight suggest that bringing international producers into the country represents a more cost effective and impactful approach to promoting the South African performing arts internationally than sending productions to international festivals on a speculative basis. Complementing this approach, the NAF is also planning to launch a Flight Fund to facilitate the mobility of productions that have been tested in the Festival context into other markets.

The National Arts Festival has also joined a new initiative called Afrifestnet. Afrifestnet, as the name suggests, is a network of festivals on the African continent. The vision behind it is to “to build the independent sustainability and to promote African arts festivals as key platforms to nurture, celebrate and project excellent and emerging African artists nationally, regionally and internationally.” The NAF estimates that there are approximately 300 arts festivals occurring annually on the continent. Networks such as Afrifestnet have a clear role to play in growing opportunities to generate and sustain work on the continent and unlock the potential for market development and touring productions.

Within the music industry, **Sheer Publishing** represents an example of a business in which engagement with music on the rest of the continent is central to its vision for business and market development. Sheer is a music publisher that grew out of the record labels Sheer Sound and Sheer Music. Sheer represents songwriters from across Africa, and draws positive attention to the importance of South Africa’s position as a trade portal/broker between continental creative producers and international market contexts, with it’s relatively small but growing international

revenue stream predicated on the development of a portfolio of musical content which draws on and benefits artists from across the continent. Though at this stage only 10% of Sheer's overall company revenue is derived from receipts from outside of South Africa, the company sees itself as competing with multinational publishing companies, with their large catalogue of African music and staff stationed in other African regions providing them with what is felt to be a ground-up advantage. Sheer takes stands at various international music trade shows including Kenya Music Week and SIMA in Cameroon, and participates in national pavilions at events such as Womex and Midem every 2nd year. Initially this participation relied to a significant degree on subsidy from the Department of Trade and Industry's Export Marketing and Investment Assistance and Sector Specific Assistance schemes (EMIA and SSAS), but now most such trips pay for themselves through the expansion of networks and buying markets.

iSupport is an emergent artist management and promotion company in the music sector that supports the development of musical talent in particularly the Kwazulu Natal region. iSupport exemplifies the ways in which different opportunities for engaging the international market can build upon each other. IMEXSA (Independent Music Exporters South Africa), a non-profit organisation, secured finance through the Department of Trade and Industry's SASS scheme which enabled iSupport to attend WOMEX in 2011, where the idea for the production 'Under the Madiba Skies' was gestated. Complementary finance was then secured from the National Arts Council for a tour of France in the context of the 2012/13 France-South Africa Cultural Season..

THE VISUAL ARTS

In the global contemporary visual arts market, significant revenues are generated from relatively low volumes of sales of niche, high-end goods into a rarefied market of dealers, collectors and public and private institutions. While there is a significant domestic interior and décor market for more traditional and accessible visual arts, local demand for contemporary, 'cutting edge' visual art is currently small, with a small number of serious collectors on the one hand, and public institutions with extremely limited acquisitions budgets on the other. These circumstances come together to make international engagement a necessity for galleries wishing to establish a serious and sustainable presence in this market segment.

In the international market, work by South African artists is generally considered to deliver substantial value for money, with work generally priced substantially lower than work originating in more developed markets. The most developed and established markets for South African contemporary art are presently Europe and

North America, though the importance of South Africa starting to access the East Asian and particularly Chinese markets - the latter now the largest for contemporary art in the world - was noted by a number of respondents.

The **Goodman Gallery** is one of the largest, most established contemporary art galleries in South Africa, with spaces in Johannesburg and Cape Town. The gallery generates approximately 60% of an annual turnover of circa R70 - R80 million from international clients and buyers. While the business only directly employs twenty five people, the sale of work generates income for a significant stable of nearly 50 artists through a commission-based system. Currently the Goodman Gallery participates in several international art fairs that operate at the top-end of the market for contemporary art, including Art Basel, Art Basel Miami, Paris Photo, Frieze London, Art Basel Hong Kong and, for the first time in 2013, Frieze New York. The Goodman is one of a small handful of South African galleries that have the resources to participate in these sorts of fairs on an annual basis and emphasises the importance of this sustained presence for building its international client base.

blank projects, a Cape Town based contemporary art gallery which currently represents eleven mostly younger South African artists, sees the future of the business being fundamentally linked to international market access, based on the view that the South African market favours figurative and representational work rather than the more abstract and conceptual work that the gallery principally deals in. While international trade presently comprises a negligible proportion of the roughly R2 million annual turnover of the space of the space, blank is aggressively engaging with international platforms and has exhibited at the Supermarket Art Fair in 2012 and 2013, Art Berlin Contemporary in 2012, and NADA Cologne in 2013.

While this presence has in the short term mostly been a loss-making exercise, the gallery recognises the necessity of maintaining a regularised presence on these platforms. The gallery has also been invited to participate in other fairs, most notably Frieze London and Frieze New York, but has been unable to participate due to the high costs involved - the fees for a stand at these events is in the region of \$10 000. In addition to this, personal travel costs and the cost of shipping artworks are prohibitively high. Furthermore, currency fluctuations can mean that cost projections related to attending fairs are unreliable.

The impact of international trade in the visual arts is also felt in a range of ancillary areas, including logistics and freighting. The specialist fine art removals freighting and logistics company, **Fine Art Logistics**, estimates that approximately 30% of its business is associated with transnational trade, with a combination of both private

galleries and public institutions as clients. Notably, the recent French-South Africa season represented the largest single project managed by the company to date, pointing to the increased importance and impact of governmental investment in the international promotion of South African culture and creativity.

The **Joburg Art Fair** has represented a significant local platform for the development of the domestic market which both emergent entities like blank projects and more established ones like the Goodman gallery participate in. Organised by the Johannesburg based company, Art Logic, the Fair forms part of a suite of lifestyle related trade events managed by the company focusing on the visual arts, contemporary design, artisanal food and most recently, cycling. Located at the Sandton Convention Centre, the Fair generates approximately 10 000 visitors over a three day period – this is approximately a quarter of the footfall that the Johannesburg Art Gallery experiences in a year.

With the support of some of the international cultural agencies based in Johannesburg, **Art Logic** has brought international journalists, curators and critics to the Fair, building the international profile and reach of the event. The organisers estimate that approximately 20% of sales are accounted for by foreign buyers, and have been engaging with the Department of Trade and Industry to explore ways in which the dti might be able to incentivise inward-bound trade missions of significant international collectors and dealers in contemporary art from Africa.

DESIGN AND CREATIVE SERVICES

Trade in design products and services represents one of the largest sub-sectors of the creative industries, in which trade in tangible goods plays a very large role in statistical terms. A large proportion of the goods included in this category are industrially manufactured goods, and as the UNCTAD 2010 Creative Economy report notes, “it is not possible to isolate the design input from the final product. Thus, the export figures reflect the total value of the final products, not the design content”. There is also a strong services dimension to design and overlap with what UNCTAD defines as ‘Creative Services’, which includes the provision of services in advertising and marketing, audiovisual media and architecture. For example, under the UNCTAD statistical framework, architectural drawings as physical objects are treated as a good or product falling into the design category, whereas the provision of architectural services is captured under the “Creative Services” category. Both of these dimensions – of product and services - are explored in the case studies undertaken in these interlocking fields.

The Design Indaba was launched by the company Interactive Africa in 1995 as a conference, but has evolved to include an expo, a series of professional workshops and networking events, a music festival and various offsite public outreach projects based on innovations in the design sector. It is the largest event of its kind in the southern hemisphere and is regarded internationally as a flagship platform for African design and craft. The event is considered to be on par with major design conferences internationally.

In terms of developing export markets, the focus of the platform has been on bringing the international design community to South Africa - 70 to 80% of Design Indaba's annual conference speakers are foreign professionals in design and related industries, and approximately 20% of the professional buyers that attend the Indaba each year are internationally based. While a 2013 study conducted by the UCT Business School estimates business turnover at the Indaba of R184 million, with an estimated 5.4 jobs supported through every million rand in sales, it is difficult to precisely define what proportion of this value is generated through international sales and orders.

In the fashion design industry, competition from international brands and retail chains selling (substantially cheaper) imported product are identified as a major impediment to the growth of the industry locally and its ability to access international markets. The director of **SA Fashion Week**, Lucilla Booyzen, provides valuable insight into the international market for South African fashion. Though the international market for South African fashion is reportedly very small, interest in the sector is increasing incrementally as a small number of designers, such as Amanda Laird Cherry, Black Coffee and David Tlale, are being accepted to show at international fashion weeks, particularly in the United States. Accordingly, there has been a growth in international press coverage of South African fashion. However, this interest has not yet translated into a substantial foothold in international markets.

Booyzen notes that a major hindrance to South African fashion design entering the international market is that most designers are not yet at a stage in their practice or in their production processes where they are ready for export. There are several reasons for this unpreparedness, most of which are related to a lack of access to bridging finance. Designers are unable to afford sufficient quantities of high quality fabric or to produce in large enough quantities to satisfy the requirements of international buyers and clients. Their position is further compromised by the fact that the South African season is not aligned to those of Europe and the United States, and because Europe is presently the global fashion centre, South Africa tends to follow the European trends of the previous season. The South African industry is presently felt to be too small to innovate and to lead Europe one season ahead. As

a result South African fashion is seldom “on-trend” for the European and American market. Furthermore, in South Africa garments are not cut on European blocks, which means that the fit of South African-made clothes do not correspond to standard European sizes.

Southern Guild is a commercial platform which has played a strong role in taking South African collectible designer objects to the international marketplace. The platform was created in 2008 by **Source**, an agency run by Trevyn and Julian McGowan that markets South African high-end contemporary design internationally and consults to international buyers and collectors. Southern Guild commissions an annual collection of high-end designer objects from a range of product and furniture designers in South Africa. These are then marketed to international and local collectors and collecting institutions. Additionally, Southern Guild coordinates projects and exhibitions of commissioned designer objects, and curates selections of works and solo presentations to take to international design fairs. Southern Guild’s primary source of revenue is sales commission taken on works sold, with 70% of this revenue generated from internal sales. An ancillary non-profit entity, the Southern Guild Foundation, was established in 2011 with finance from ArcelorMittal. The Foundation has a complementary focus on developmental projects and works with emerging designers on product development and market/export readiness.

Their market closely resembles that of the contemporary visual arts, with buyers including individual collectors, museums with design collections, corporate collections, and other collecting institutions. As with the contemporary art, the domestic market for contemporary design is felt to be still quite limited. Southern Guild has an established reputation with leading international design fairs, such as Design Miami, Design Miami/Basel and Design Days Dubai. Southern Guild has received support to attend half of its 2013 fairs from the Department of Trade and Industry, under the dti’s “Emerging Exporters Scheme”. The company notes that without this support attendance would not have been possible due to the very high cost of participation in these events - revenue from sales at the fairs would not alone cover the costs of attending fairs. However, attendance at fairs has led to invaluable relationships with international design galleries and collectors, with whom Southern Guild has collaborated or conducted business subsequently. The company also notes that some of the bureaucratic processes accompanying dti support have sometimes undermined the impact of these otherwise highly valued investments, and also point to the importance of support repeat attendance at trade events, which the dti framework currently sets limits on.

The McGowans view the market for South African high-end design as one experiencing significant growth, with the high quality and comparatively low pricing of South African work competing effectively against producers from countries with stronger

domestic markets. Turnover from the platform is estimated to have doubled between 2012 and 2013, and revenue from international sales has had a direct impact on the ability of designers that are represented through Southern Guild to employ staff to assist with studio and production management.

For both established and emergent firms operating in the architectural services subset of the creative services field, the rest of Africa is a particularly important focus for international engagement, driven by significant investments in infrastructure development on the continent.

LYT Architecture, part of the Basil Read construction group, is in the top fifth percentile of architectural firms in the sub-Saharan African region, with nearly a hundred staff employed in offices in Johannesburg and Port Elizabeth. The firm has been involved in a number of major development projects, including retail development, high end and affordable housing units, mining and educational infrastructure. A significant portion of their revenue is generated from retail projects within the African continent with the remainder generated within South Africa. A small but not insignificant portion of the work is generated outside of the continent, primarily involving leisure projects. They have also recently opened a regional office in West Africa to manage their numerous projects within that region. For **MMA Architects**, a wholly black owned medium-sized firm based in Johannesburg, intense local competition for a reduced landscape of local opportunity in the post 2010 World Cup period has started to drive engagement with opportunities on the rest of the continent. **Odyssey Architects** is a recently established firm which has nevertheless built up a preliminary portfolio of project work in Nigeria and Mozambique and which is actively pursuing project opportunities in Gabon, Zambia and Namibia.

While Odyssey Architects is exploring financing from the Department of Trade and Industry to support research and engagement with continental markets for their services, both MMA and LYT cite regulations relating to the repatriation and taxation of revenues derived from work as an important inhibiting factor for international engagement. MMA also note the asymmetry between the licensing requirements that apply to South African companies doing work in Europe and North America, and the requirements for foreign companies doing work in South Africa. They also note that European companies in particular have the financial leverage to price competitively against South African firms seeking to do public sector work both in South Africa and on the continent – an issue that is becoming more marked as foreign firms increasingly look to projects in Africa in the wake of the impact of the global recession on infrastructure development in their own national contexts. These circumstances in their view conspire to skew the competitive environment for both local and international work against South African companies. Variation in legal and

bureaucratic systems across Africa – together with linguistic and cultural barriers – are also seen as significant challenges to doing business on the rest of the continent by both LYT and Odyssey.

While major developing economies such as India and China have been experiencing a significant construction boom, these business environments are perceived as being somewhat opaque for South African companies. While Odyssey has to date had limited engagement with trade events and conferences, for LYT and MMA they are significant contexts of the development of networks and the profiling of their work. In the case of MMA, while their involvement in platforms such as the Venice Architectural Biennale and the Design Indaba has helped them to establish significant international visibility within the profession, the impact in terms of new business development is felt to be modest. LYT foresees investing in more significant ways in their presence on both local platforms such as the Design Indaba as well as having a more robust presence in international events and conferences such as the World Architectural Festival and the Tall Buildings and Urban Habitat Conference.

Luyanda Mphahlwa of [DesignSpaceAfrica](#), a Cape Town based firm, emphasises that there is often a disconnect between the role that such platforms play in showcasing and promoting innovation in the field, and the realities of the business environment both locally and internationally, which are shaped in powerful ways by the wider ebbs and flows of the construction sector. Recognition and exposure on these platforms do not in his view have much purchase in the latter realm, and there are very high barriers to entry in establishing a capacity for undertaking international projects on a significant scale. He suggests that a more important priority for the professional locally is the need for a significant shift in the local understanding of the contribution of the architectural profession to wider socio-economic goals and the meaningful realisation of policy relating to the development of sustainable human settlements within South Africa.

CRAFT

In UNCTAD trade statistics, craft is subsumed under the category of heritage, with data on trade in groups drawn from a series of subgroups that fall under the arts and crafts category in the UNCTADSTAT database. It is an area in which developing countries account for a majority portion of global exports, and it is widely considered by policymakers to be a sector that holds rich potential to generate sustainable livelihoods with relatively low barriers to entry and startup costs. It is however difficult to distinguish between handmade and industrially manufactured goods in interpreting the trade data relating to craft.

Across all of the case studies and consultations, it is clear that success in both domestic and international markets for creative goods and services is fundamentally predicated on the passion and entrepreneurial talent of individuals. However, in a country which suffers from extreme levels of economic inequality such as South Africa, the role of support agencies and governmental incentives in helping to establish a more level playing field in which this passion and talent can find expression and success is vital.

Within the craft sector, the **Cape Craft and Design Institute** (CCDI) has played a vital role in precisely this kind of 'leveling' through the provision of affordable training and mentorship in all aspects of running a craft business, from product development and business administration through to networking with local and international customers. The CCDI was established through a partnership between the Western Cape provincial government and the Cape University of Technology, and receives substantial support from the national Department of Trade and Industry for its work both in developing the overall fabric of the industry, as well as in the specific area of enabling access to international markets for local producers and businesses.

The CCDI regularly hosts a range of workshops aimed at craft producers at different stages of formalisation and business development. The CCDI keeps a database of all producers and customers who wish to be associated with the organisation, and uses this to facilitate contact between the two groups, or between different producers, where relevant.

With financial assistance from the Department of Trade and Industry the CCDI attends three to four international trade shows a year, and curates a selection of products from its associated producers to display at each event. Between eight and ten producers are represented at each trade show, and the cost of attending trade shows is approximately R60 000 to R100 000 per producer represented. Of the international events visited, a greater proportion are industry trade shows, which are attended by wholesale buyers, and a smaller number are consumer shows, at which individual consumers attend and typically purchase small quantities of products. Although consumer fairs can be encouraging outlets for emerging businesses, trade shows are more conducive to entering the wholesale export market, although this area is not necessarily suited to all producers. However it usually takes up to three consecutive years of attendance at the same trade shows before producers start receiving significant orders from buyers.

Bishop Tarambawamwe started out selling beaded craft objects at a traffic

intersection in Claremont in Cape Town. With business development advice and support from the Cape Craft and Design Institute (CCDI) he was able to develop and formalise **Master Wire Bead and Craft** as a business and now employs four people on a full-time basis, and has busy on-line retail portal which complements physical retail outlets at the V&A Waterfront and Spier Wine Estate. With assistance from the Department of Trade and Industry and the CCDI, Tarambawamwe has been able to take his goods to trade shows around the world and has developed an international network of clients who order his goods on a wholesale basis for the design and décor market, which he estimates now account for upwards of 75% of his sales.

While the Design Indaba has played a role in developing the modest domestic market for Master Wire and Bead Craft products, a range of international trade shows have been central to building this network of buyers, including Top Drawer (London), the India International Trade Fair, Beckmans Handcrafted Show (Chicago) and Ambient (Frankfurt). Tarambawamwe is now also a member of the board of the CCDI.

PUBLISHING

The publishing industry has two quite different faces within the UNCTAD framework for the creative and cultural industries. The more readily recognisably 'creative' dimension of the sector relates to the production of books - from educational publishing through to the publication of novels and poetry. Less easy to classify in precise ways in creative terms is the printed media more generally, translating into newspaper, magazines, brochures and the like. While the latter area faces significant challenges related to the increasing importance of digital and mobile access to content, the present project has largely captured the experience of the former at the level of individual business case studies.

Generally, across the organisations consulted in the book publishing sector, the focus is largely on the development of the domestic consumption base. Businesses are principally concerned with lobbying for stronger measures to grow the reading public within South Africa, together with a better managed dispensation for the industry in the purchasing/commissioning of educational titles for schools on the part of government. Educational publishing constitutes in excess of 50% of the revenue base of locally based publishers, in which subsidiaries of multinational companies play a significant role. These observations are supported by local industry driven research - the 2011 Annual Book Publishing Industry Survey of the Publishers Association of South Africa (PASA) reports export sales of book products at R58 million and the value of export rates at R18 million. These figures stand in strong contrast to overall sales in excess of R3 billion, of which R753 million is accounted for through the sale

of imported product.

This import intensive dimension to the local publishing industry is borne out by the experience of trade publisher **Pan Macmillan South Africa**, a locally registered subsidiary of UK-based Macmillan Holdings. The business is primarily focused on developing and servicing the domestic market for content related to current affairs and politics, and export constitutes only an estimated 3-5% of their revenue base.

For the Africa branch of educational publisher **Cambridge University Press** (based in Cape Town and registered as a South Africa company), expansion into African markets is however regarded as a necessity in the face of what is felt to be a dwindling and strained domestic market for educational publishing. While only 10% of their revenue is derived from this continental market, significant efforts and investments are being made to grow their footprint, including the hiring of sales representatives in Kenya, Nigeria and Cameroon, and the bundling of books with other services such as teacher training. Particular issues that the publisher faces in accessing new markets in Africa include problems experienced with customs arrangements and freighting goods across borders, losses incurred through currency exchange, piracy of content and non-payment on the part of governmental clients.

As with Cambridge University Press, exported titles constitute a similarly small proportion of the revenue of **Jacana Media**, a wholly South African owned company. This revenue is generated mostly through relationships with distributors in North America, UK and Europe. While there is an emergent Zimbabwean market for Jacana titles and a real interest in engagement with the African market, a concerted engagement with this market would require some form of subsidy or incentive from the state to assist in developing the necessary trade networks – there is simply not human or financial capacity within the company to do so on an exploratory, at-risk basis.

The **Cape Town Book Fair**, a project of the Publishers Association of South Africa, is presently being redeveloped and rebranded as the **South African Book Fair**, operating within a non-profit framework. The original Fair, supported through seed financing from the Frankfurt Book Fair, enjoyed a mixed reception from locally based publishers, with a reported lack of clarity regarding the core focus of the event/project in relation to different markets. While the project has enjoyed substantial success as an event promoting a local consumer market with a footfall in excess of 57 000 in 2008, its impact in developing international market access for local publishers has yet to be proven.

SUMMARY OF KEY INSIGHTS

Trade as a Priority

The relative importance of 'internationalisation' versus the development of the local market and consumption base for creative and cultural products and services emerged as an important discussion point in both the case studies and consultations. In some instances, engagement with international markets has clearly emerged as a necessity in the face of weak demand within the local economy and consumption base for culture. This was particularly the experience of businesses operating in areas of what we traditionally think of as 'high culture' - the contemporary visual arts and design, the performing arts and some forms of audiovisual media, such as documentary film-making. In other instances, companies such as Cape Town Opera are developing novel approaches to organisational sustainability and local audience development, enabled through revenue from international trade. A number of companies are focusing their development of product entirely around international markets.

In areas such as craft and audio-visual media production international engagement is seen as an important priority, but one which sits alongside the necessity for developing the domestic marketplace. Indeed, in the audio-visual media production sector, robust international collaboration and engagement – much of it aided by the South African government – contrasts with significant weakness in the local market for locally produced content, and significant issues with the implementation of existing policy frameworks that would support the development of this local consumption base. In other areas, such as publishing and architecture, international engagement has emerged as somewhat less of a pressing priority, and businesses are more concerned with addressing issues that impact on the domestic marketplace and environment.

The Impact of Trade

Across the case studies, it is clear that international trade supports livelihoods and generates significant revenue at the level of individual businesses. Because businesses in the creative industries generally operate on quite a small scale, these effects are quite dispersed and difficult to aggregate. In areas such as audiovisual media production and architectural services, which include larger firms alongside smaller enterprises, the direct and indirect impacts of international co-productions and projects on both revenue and job creation are considerable.

Trade also plays an important role in stimulating and strengthening the development of local products and services, shaped by the demanding standards of the international marketplace. In some cases – such as in the emergent field of game design - success in an international context is often also a prerequisite for obtaining traction in the domestic market. A less tangible but important complementary impact of international trade lies in the communication of positive messaging about the country more broadly, and the dynamics and complexities of South African culture are felt to be a powerful asset in the international marketplace – but one which could be more effectively promoted and exploited.

Key Markets

In the core creative arts components of the creative industries (performing arts, music, visual arts, literature) the traditional markets of Europe and North America continue to play a centrally important role in our engagement with the rest of the world. They are however also densely traded and highly competitive markets for more service oriented industries such as architecture, new media and design.

Developing economies – including the large economies of the BRICS grouping – represent an emergent market for South African products and services that is not without difficulty. Difficulties in accessing particularly Chinese and East Asian markets – which represent potentially very large markets for both manufactured cultural goods as well as more bespoke, high-end goods and services – were cited by respondents across different sub-sectors, and there is clearly a need to build a stronger base of knowledge, relationships and networks between the South African creative and cultural sector and these territories.

While the rest of the continent registers as a significant market in official trade statistics, businesses and organisations largely report an emergent engagement with the wider continental context, with numerous initiatives springing up to foster greater levels of mobility, interaction and collaboration on a creative level. In architecture, new media and publishing this is seen as a particularly important market for South African products and services, but one which is still quite difficult to access to due to difficulties and inconsistencies in the regulatory environment, differing legal frameworks and linguistic/cultural barriers.

The Role of Trade Platforms

Across the sub-sectors, there is clearly vigorous engagement with a variety of international platforms and trade events. While much of this engagement has

occurred independently of governmental support, both the Department of Trade and Industry and the Department of Arts and Culture are clearly playing an increasingly important role in supporting access to these events. International trade events are seen as being particularly important in the visual arts, craft and design, audiovisual media production and new media subsectors, with a more uncertain value registered in the performing arts, architecture and publishing.

Local trade events and platforms such as the Design Indaba, Joburg Art Fair, Durban Film Market and the National Arts Festival play an important complementary role in exposing a diversity of local creative output to internationals that are drawn – and in some cases actively brought – to these events. A recurrent theme emerging from the case studies and consultations is also the need to complement the current focus on outward bound trade missions and representation at international trade events with the utilisation of local platforms to bring international buyers, producers and opinion-makers into the country so as to achieve the widest possible exposure to local creative product and the context out of which it is generated.

The Role of Incentives and Support Measures

The case studies clearly demonstrate that across sub-sectors there is significant uptake and impact of incentives and support measures from the Department of Trade and Industry, and the department is widely perceived to be playing a pivotal role in assisting businesses to access international opportunities. While the impact of dti incentives is felt particularly in audiovisual media production and craft sectors, the case studies suggest important opportunities for more effectively connecting other sub-sectors to these incentives and mechanisms for supporting international engagement, such as game design, the visual arts, architectural services and publishing. A clearer sense of what the opportunities are for emerging businesses was cited repeatedly and consistently. There is also clearly scope for making the inevitable and necessary bureaucratic requirements which accompany such support more accessible, efficient and user-friendly for businesses operating in the sector.

The critical role of industry organisations and support agencies such as the Cape Craft and Design Institute in bridging the ‘bureaucratic gap’, assisting businesses to become export ready, and facilitating access to trade missions was noted, as was the need for sector organisations more generally to play a stronger role in the provision of this kind of support.

The Department of Arts and Culture is also playing an increasingly important role in promoting access to international platforms, supported both by the strategic impetus

of the Mzansi Golden Economy programme and through the wider cultural-diplomatic mandate of the Department. The recently concluded French South Africa Season was frequently referenced as a success story for the Department and the Arts Council in achieving international profile and visibility for the South African cultural sector. The benefits of DAC and DTI working together on export opportunities through better connecting their respective focus on showcasing opportunities and trade missions also emerged through the research and discussions.

There has also been substantial access to international opportunities through European cultural agencies and platforms and many of those are highlighted within the case studies. There is also clearly scope for strengthening the role that cultural agencies play in enabling the mutual accessing of opportunities between the two contexts, and identifying the most appropriate and relevant platforms for networking, building business relationships, activating cultural exchange and trade.

While the research and consultations have drawn attention to the truly specialist nature of individual sub-sectors, their networks and modes of doing business, they equally demonstrate the commonality between sectors in building international profile and trade. Also apparent is the need for sectors to cross reference, particularly on issues such as IP, intangible cultural assets, and working together on the opportunities presented both by cultural seasons abroad and international events taking place in South Africa. There are also some overarching commonalities that the research has been able to identify for creative and cultural businesses, and some clear avenues where support for the cultural industries sector can benefit international trade, from access to specialist knowledge and market intelligence through to advice on doing deals, contracting and IP protection, and linking businesses into appropriate and relevant international networking and showcasing opportunities.

#07 TOWARDS ACTION

OPPORTUNITIES AND PRIORITIES

The findings from the research suggest a number of key opportunities and priorities that a forward-looking agenda in this area would face:

- The growth in the consumption of imported creative goods and the way-station function that South Africa appears to be performing in relation to the rest of the continent suggests that there is nevertheless significant growth in the consumption base for these classes of goods both within South Africa and Africa more generally.
- This demand could theoretically be being met by domestic production and/or the more effective marketing of locally produced goods, rather than through import, which could have significantly positive implications for both the domestic creative economy and for our trade relationship with the rest of Africa.
- A more granular analysis of the data – and of South Africa’s capacity to compete in specific product areas – would need to be undertaken in order to give substance to such a proposition
- Such analysis would also need to provide guidance as to what measures might need to be taken – whether in terms of increased investment in productive capacity areas where we could compete more effectively, or in terms of higher tariffs being applied to the import of particular classes of creative and cultural product
- The substantially positive growth trend in the provision of services is one which needs to be better understood in order to be able to identify measures that might help to amplify this trend, and the economic benefits that flow from it
- Our strong political and economic linkages with the large developing economies within the BRICS formation presents an important opportunity for opening up these significant and expanding markets to South African creative goods and services

PROBLEM ANALYSIS

The following overarching issues and gaps were identified from the commissioned research, case studies and consultations with industry and government:

- **Inadequate data:** while providing an indicative high-level picture of the position of creative industries trade, it is clear that the present datasets have a limited

utility value in guiding policy and strategy on the part of either government or industry. A key priority is the generation and sharing of better knowledge about trade in cultural and creative goods and services.

- **Weak industry organisations:** Throughout the consultations that were convened around the project, it was noted that there is both a willingness and capacity on the part of government to invest in export promotion, but that the available instruments to support such investment required the industry to engage with government in an organised fashion, rather than as individual entities. This issue relates to the need for stronger membership-based industry support structures, associations and networks which are able to both assist in generating accurate data on trade and other issues from their members, as well as credibly representing the interests of their members in cooperative engagements and ventures with government around the export development agenda.
- **Weak coordination:** a recurring issue in the consultations that were convened around the project related to the general lack of coordination within the creative and cultural sector, within government, and between government and the sector, on this and other specific industry development issues. Within government, the development of a shared and overarching approach to industry development on the part of the Department of Arts and Culture and the Department of Trade and Industry, with complementary and clearly delineated roles and responsibilities being an important priority. The dialogue that these Departments have initiated with StatsSA and the Reserve Bank relating to a common statistical framework for the creative and cultural industries was seen as an important first step.
- **An incoherent international strategy for the creative sector:** closely related to the last point, the discussions around the research yielded a strong view that while there have been significant initiatives around international promotion (such as the recent French-South Africa Season), and that there are significant policy instruments and resources available for promoting South African creative and cultural goods internationally, there is a need to develop a more coherent approach to the presentation of South Africa in the global marketplace for creative goods and services. This issue relates both to the need to grow awareness of the incentives that exist

Additional partners within government that were identified as needing to be brought into the conversation were the Department of International Relations and Co-Operation (DIRCO) and the Department of Home Affairs (DHA). DIRCO was felt to be an important partner in ensuring close coordination with embassies in the positioning of trade missions and the staging of export promotion initiatives and events in other national territories.

A WAY FORWARD

Flowing from this analysis, a number of recommendations for action emerged from the research and consultations with industry and government. These recommendations constellate around four key areas for practical intervention, with specific consideration also given to future dialogue and cooperation between South Africa and the European Union across each of these areas:

- Improved Data Collection
- Strengthened Support Mechanisms
- A Coherent International Strategy
- A Coordinating Structure or Forum

IMPROVED DATA COLLECTION

In order to address the gathering of more reliable data on creative goods and more precise and useable data on creative services, a two-pronged approach is recommended:

1. The relevant government departments co-operate on the regularised accessing, refinement and dissemination of data on creative industries trade from datasets presently held by the Reserve Bank and Revenue Services.
2. The incentivising of industry-driven surveys within specific sub-sectors, and the promotion of a common definitional and methodological framework for these surveys. Such surveys would seek to bring together data on trade, alongside other kinds of data on the impact of each sub-sector in areas such as job creation, contribution to GDP and so on.

Presently, the only regularised industry research that is conducted in the creative sector are the surveys conducted by the Commercial Producers Association, and the Publishers Association of South Africa. In addition, both DAC and dti have at various moments commissioned research to inform industry specific strategies in the visual arts, film, craft and music, alongside instances of spatially based sector surveys such as the Gauteng Creative Industries Mapping Project. Invariably, approach and methodology have varied considerably across these various efforts, with varying degrees of buy-in and engagement from industry.

Industry-driven surveys are felt to produce the most credible results and involve significant buy-in from members. They do however rely on there being strong

industry organisations, with members both recognising the value of such research, and being willing to pay for it, a situation which does not generally obtain across the creative sector at the present time.

It is proposed that a plan of action in this area should seek to move toward the conducting of industry-wide annual surveys which are driven in the first instance by industry organisations. This would enable proper comparability of data drawn from different sub-sectors, and enable such an endeavor to benefit from economies of scale. The possibility of such research being undertaken through either a tertiary institution, public research agency or private market research firm (or some combination of these) would need to be investigated further. Finance for such an endeavour would need to be drawn – at least in part - from one or both of the two government departments with a core mandate in this area, with the possible involvement of an international cultural agency or a multilateral agency such as EUNIC. The evolving thinking within the DAC regarding the implementation of a Cultural Observatory could produce the requisite set of institutional arrangements to take such a project forward in the medium term.

Such an endeavor should have an initial three-year span in order to establish a meaningful baseline and a basis for the institutionalising of a sustainable approach to data collection. Finally, such a project should engage the South African Reserve Bank, SARS and StatSA, in furnishing the basis for a longer-term approach through the medium of, for example, a Cultural Satellite Account.

STRENGTHEN TRADE SUPPORT MECHANISMS

Significant progress has been made in translating policy commitments into specific support mechanisms and incentives to support and promote the trade development agenda for the creative industries through the Department of Trade and Industry and agencies that are supported by the dti such as the Industrial Development Council and the Cape Craft and Design Institute. The research and consultation around the project suggest that there is nevertheless still much work to be done in sharpening and refining mechanisms for support such as the Export Marketing and Investment Assistance Scheme (EMIA) and the Sector Specific Assistance Scheme (SSAS). Levels of awareness of these support mechanisms vary considerably between sub-sectors, and some areas (such as craft and design) report some difficulty in engaging with both the compliance and administrative demands of these schemes, and the regulatory regimes that apply in a variety of export destinations, including the European Union.

It was further felt that coordinating structures operating between the sector and

government to support export development needed to be consolidated and developed in a more structured way, particularly in those areas of the creative industries that have to date largely fallen outside of the ambit of governmental engagement and investment related to international trade. The possibility of forming a Creative Industries Export Council was mooted at various moments during the course of the consultations. It was noted that such a structure would be predicated on there being a sufficient critical mass of export-ready organisations willing to invest time, money and energy in a collective industry structure. It was also noted that efforts to form export councils in, for example, the music sector had encountered substantial difficulty in achieving the required critical mass and had proved to be difficult to sustain.

On balance, it was felt that such a structure would be premature at this stage, with different sub-sectors enjoying very variable levels of internal organisation and the requisite time, energy and money that such an endeavor would involve. It is proposed that at this point, efforts from both industry and government should be focused on seeking to consolidate and strengthen those sub-sectors and industry organisations which are already active in this arena (music, craft, film, new media and gaming) and develop those that have not yet engaged in an organised way (visual arts, performing arts), working with existing initiatives within these sub-sectors.

A number of priorities were identified during the course of consultations that suggest practical ways in which this framework of support might be improved:

- The dti should engage industry organisations and development agencies in each sub-sector around bolstering the ability of each to provide coordination and support to the various sub-sectors in accessing the existing incentives and support mechanisms
- The dti should conduct a review of the impact of investments made to date through instruments such as EMIA and SSAS, and in consultation with industry organisations and agencies, introduce modifications to the administration and management of these schemes that would render them both more effective and more accessible to businesses operating in the sector.
- Parallel to these efforts, a sector-wide forum/coordinating structure (see below) should be developed to serve both as a point of constructive engagement, dialogue and information-sharing between the dti and creative industries stakeholders, while also serving as a forum within which thinking around a possible consolidated Export Council could be developed over time

A COHERENT INTERNATIONAL STRATEGY

The need for a more coherent approach to the internationalisation of South Africa's creative industries was expressed throughout the consultations around this project, as was the concomitant need to strengthen intergovernmental coordination in this area. This relates principally to the bringing together of the substantial efforts of both the Department of Trade and Industry (through its staging of national pavilions and targeted support to businesses and organisation through EMIA, SSAS, etc) and the Department of Arts and Culture (through its bilateral engagements with various territories in the staging of 'cultural seasons').

The weaving together of the cultural-diplomatic agenda and the trade development agenda has the potential to yield significant returns for the creative sector – the impact of for example, the French South Africa Season (financed by the DAC) in achieving greater visibility for South African cultural products in the French marketplace were emphasised repeatedly, and a more coordinated approach to such programming between the two Departments was felt to be a relatively easily achievable short term goal by participants in the dialogues convened around the project. Such programming should be conceptualised and developed with reference to the experiences, insights and ideas of people and businesses working in the sector.

The other dimension of this cooperation would relate to greater engagement with existing agreements that South Africa has in place relating to trade with other territories, such as the Trade and Development Cooperation Agreement (TDCA) with the European Union. The present project has established a basis for activating the cultural and creative industries provisions and mandate contained in this agreement. A new EU-SA framework for the creative and cultural industries needs to be developed reflecting the most recent strategies, policies and activities of the EU in its trade and cooperation agreements and external relations with third countries in this area. In particular the trade agreements and joint declarations signed and the activities undertaken by the EU after the introduction of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions in 2005 should be taken into consideration. Bilateral co-operation in this area would be concerned with enabling government-to-government engagement and sharing of best practice and experiences in data collection, policy formulation, support mechanisms and financing. At the same time such bilateral cooperation should generate opportunities for creative practitioners and businesses in each context to share knowledge, build transnational networks and provide a basis for the development of mutually beneficial trade and creative collaborations, partnerships and relationships.

A COORDINATING STRUCTURE OR FORUM

A fundamentally important need identified which would impact on the efficacy of all of the measures proposed would be the development of a structure that would be able to take this conversation forward, both between government departments, and between government and the sector.

This could take the form of an effective continuation of the Cultural Trade Working Group structure, with a core membership comprised of representatives of membership based organisations and the two principal government departments invested in this agenda – the Department of Arts and Culture and the Department of Trade and Industry. Such a structure would serve a number of functions:

- Enabling dialogue and sharing of information between government departments, and between government and the sector
- Enabling a more coherent and informed approach to governmental engagement with the creative and cultural industries trade agenda, informed by industry perspectives on key issues
- Enabling the rapid dissemination of information on new developments and opportunities generated by government in the area of international trade promotion to businesses and organisations working in the sector
- Providing a forum through which other government departments and agencies (DIRCO, SARB, StatsSA, SARS, Home Affairs, etc) can be engaged around specific issues in a focused and meaningful way on specific policy issues that impact on the CI trade development agenda.

Alternately, the purposes of such a structure could also be achieved in quite simple and cost-effective ways through the convening of an annual forum for the sharing of knowledge and perspectives between industry leaders and government on issues related to trade and creative industries development. Existing industry events that bring these parties together would represent a practical context for such an initiative, enabling an organisationally 'light' approach which could be achieved with very modest investment of governmental and industry resources.

FUTURE SA/EU DIALOGUE AND COOPERATION

The historical and current significance of the European Union as a trading partner for creative goods and services has been evident throughout the research and consultations conducted in the context of this project. The relationship between the two territories is not however a straightforward one. Particularly with regard to the

EU as an export market for South African design and related manufactured cultural goods, the official trade data suggests a relationship that is both lopsided and in a state of significant decline from the South African perspective. Furthermore, South Africa enjoys a markedly negative balance of trade with the EU in the growing area of trade related to services, based on data available through EUROSTAT.

A more ground level engagement with individual businesses and industry organisations within South Africa has at the same time made clear that European trade platforms, events and festivals remain a vital point of reference and connection for the creative and cultural sector in South Africa. In areas such as film and television there is robust collaboration and partnership at the level of individual firms. It is also evident that European cultural agencies present in South Africa play a dynamic role in promoting relationship between the two contexts, and that at both EU and member state level there have been considerable investments in the cultural development agenda in South Africa.

The research commissioned through this project has also drawn attention to the increasingly sophisticated knowledge base and organisational infrastructure supporting and promoting the internationalisation of EU creative goods and services, both within and outside of state structures. Presently more than 230 entities across EU member states are involved in one way or another in promoting the export of European culture and creativity to the rest of the world, and at both the level of the EU and of individual members states, increasingly concerted attention and resources are being invested in this agenda.

Across all of the areas identified for intervention in this document, there is much to be gained from a more structured approach to dialogue and sharing of knowledge and experience between South Africa and the European Union, in ways that would also enable the present imbalance in trade between the two territories to begin to be better understood and addressed. The report has also drawn attention to a set of strategic agreements between the two territories that provide a strong base in established policy and protocol from which to launch a programme of practical collaboration, supported by state parties in each context. Crucially, there is also a clear willingness and enthusiasm for such collaboration among both public sector agencies and industry organisations and platforms, which has found positive expression both in this project and in, for example, the recently staged cultural season between South Africa and France.

It is proposed that the South African government and the European Union should harness these existing agreements toward the formalisation of a policy dialogue and a programme of action focused on the need for:

- More reliable and meaningful data to inform priorities and concrete actions
- Stronger industry-level networking and collaboration
- Greater levels of intergovernmental and cross-industry coordination
- Smarter, more efficient incentives and support mechanisms for the export development agenda.

Such government-to-government engagement should focus both on maximising mutual benefit in areas where there is presently relatively strong cooperation and support, such as film and television production, as well as in fostering innovative approaches to trade development through collaborative networks and business-to-business relationships in new areas of opportunity.

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