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Creative Industries Policy & Evidence Centre

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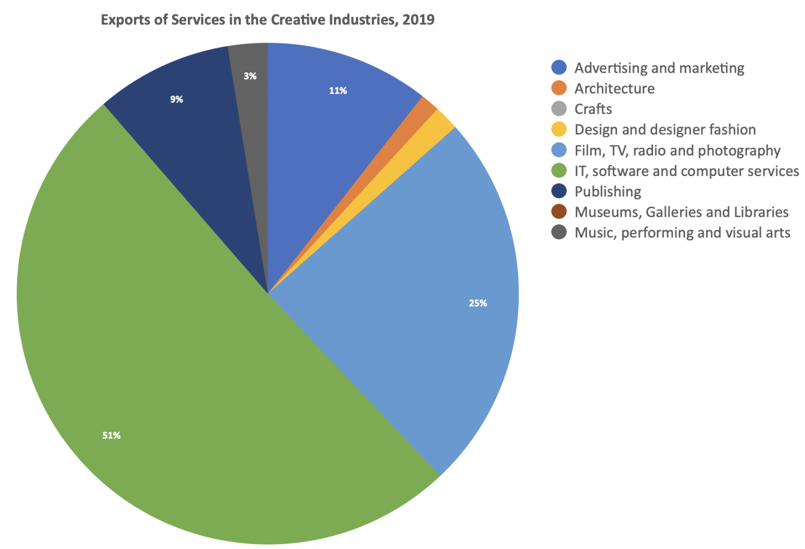
Insights for policymakers

The Creative Industries in the UK's Export Strategy

Over the past decades, the creative industries (CIs) - from the arts to film to fashion to advertising to tech - have become increasingly global (UNCTAD, 2018). Within this context, the UK is in a good position to remain a world-leading creative nation. In fact, the strength of growth in the creative industries' Gross Value Added (GVA) and employment is already paralleled by their trade performance, in particular in services. But as the sector becomes more global, the UK cannot be complacent and the UK's export strategy should aim to sustain and accelerate our international competitiveness. Whilst other nations - from South Korea to Russia - are now ensuring their creative economy is a public part of their long term global strategies, the UK risks lagging behind on practical interventions which can support the creative sector's long term success overseas. This briefing breaks down some key facts from a **new PEC piece of research**, supported by data from the Creative Industries Council, which looks at barriers to exporting for creative industries businesses, ending with some broad policy conclusions. Further research on the international position of the creative industries can be found on the PEC's website

General characteristics of creative industries trade

- In 2019, prior to Britain exiting the EU and to the Covid-19 pandemic, **£37.9bn of services** were exported by the Creative Industries (11.9% of UK service exports in 2019, and an increase from 9.4% in 2015) and **£20.1bn in goods** (33.0% higher than 2015).



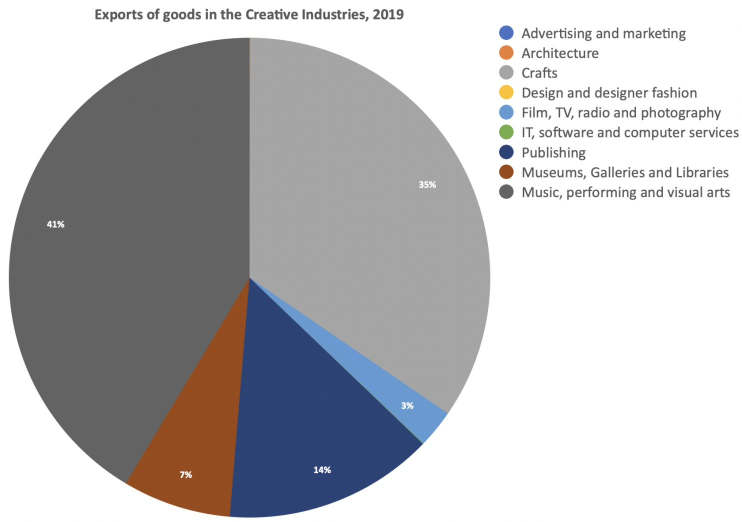


Fig 1 and 2. DCMS, 2019

- UK creative exports are also **mostly "made in the UK"**, since value added, especially in the service exports, is generated inside the country.
- Our research has found that **creative exporters are more likely to have made use of a range of financial instruments than those who don't export**, including loans from banks, business credit cards, loans from directors, family and friends, crowdfunding and third party equity investment, and - to a lesser extent - funding from public bodies (like Creative England or one of the Arts Councils).

- **Creative exporters tend to have innovated more in the past** in both products/services and processes than non exporters and they are also more likely to plan product innovations in the next 12 months. This evidence suggests the importance of sectoral growth strategies that, at the same time, are able to support both innovation and trade.
- Creative businesses, including exporters, are **most likely to be found in London and the South East**. However, while international shocks, such as those due to changes in trade policy or exchange rates, affect the UK creative industries nationally via London and the South East, the same **shocks may affect *proportionally* more some regions and creative industries outside London and the South East.** Specific regions are highlighted in Fig 1 of our **report**.

Migration and soft power

Although the PEC's new research focuses exclusively on exports, it is important to note that for the creative industries (CIs), export opportunities are closely linked to other policy areas including **migration** policy and **soft power** or cultural initiatives.

The CIs rely on human capital and talent to generate their value added and, given the importance of service exports to the CIs, it is no surprise that an ability for people to move into and out of the country is of great importance. In some cases the impact of migration policy on the creative industries' balance of trade is very direct. For a musician wanting to tour, their ability to export relies on their ability to be able to travel to the countries they want to play in (and visa restrictions can make touring costs higher or prevent travel). In other cases the relationship between trade and migration may be less obvious - for example, the creative sector often requires knowledge of those countries that services are being exported to, and having access to recruits from different countries can give you access to those markets (e.g. in advertising, broadcast). More broadly, to maintain its position as a global creative hub, the UK will need to attract top global talent in fields like design, games and film. The PEC has previously provided recommendations around the expansions to the visa route being launched in Spring 2022, as highlighted in last week's spending review [para 2.42], that are needed by the sector to support exports, in particular for freelancers to live and work in the UK.

As Britain looks to define its new place in the world, creative and cultural assets also take on an additional importance beyond the economic. The PEC has challenged policymakers to pursue an ambitious Soft Power strategy making use of creative assets to redefine the UK's place on the global stage - creative exports can play an important role in achieving this.

Export destinations

The UK has relative free trade in creative services when compared to the rest of the world, where service-related barriers can still be quite significant. Together with the fact that the EU as a bloc is the least restricted trade area in the world, this increases the importance of reaching trade agreements which cover the most pressing issues for the CIs, such as intellectual property rights (IPRs), data, e-commerce and cultural cooperation.

- In the survey of creative industries businesses analysed by the PEC, **Europe** and **North America** were the top export destinations for creative industries businesses, with ≥59% and ≥54% of firms reporting having customers in these regions. This is almost twice the share of firms having customers in South America and Middle-East and Africa, and more than twice the share of those with customers in India and almost five times in China.
- This reflects data from the Department of International Trade which shows that 37% of creative industries services exports went to the **European Union** in 2019, and 32% to the **USA**.
- From the survey used in our study, **China** was the most desired future destination with ≥ 47% of the sample wanting to export more there, but we found only 9.7% of these were already exporting there.

The opportunity

Our research has found that a large portion of those businesses currently not selling abroad or who don't have current customers abroad, are either **planning to export in the next 12 months (19%) or would like to export in the future (22.3%)**. In addition, 48.4% of those who are already exporting want to sell more abroad over the next twelve months. There is a clear opportunity for policymakers to capitalise on this to achieve their trade ambitions, but also to extend the UK's soft power capabilities.

Across the board, investment and trade deals could unlock some of this potential - although how support should manifest depends on the exact sub-sector in question. Taking one example, over the last few years the UK has experienced a relative decline in the share of architectural service exports. In 2016, the

UK exported £439 million of architectural services. However, these only represented 0.3 % of total service exports (GLA, 2017). Unless we act quickly, UK dominance in creative areas like architecture will drift away.

In the case of architecture we know there are still many barriers that can prevent architectural practices from taking the first steps to international expansion. Visa restrictions and a lack of mutual recognition agreements for architects' qualifications are amongst the biggest barriers for working in overseas markets. Another barrier faced by especially small practices is being unprepared both financially and in terms of skills and expertise to work in other countries. Moreover, as architecture is a highly regulated profession, different regulatory environments further complicate overseas work (RIBA, 2018).

It is these sort of barriers which need to be prioritised in future trade negotiations and policy shifts - understood at a sub-sectoral level.

Policy implications and recommendations

- The creative industries should be a critical part of the UK's export strategy - with their complexities fully represented in negotiations and their economic heft reflected in the support given to the businesses that are supported through Government schemes. This will require specific support for those in negotiations given some of the peculiarities of creative industries trade, both at a sectoral and sub-sectoral level. Sectoral groups, particularly the Creative Industries Trade Advisory Group (chaired by the Department for International Trade), will play an important role in advising on upcoming free trade agreements at pace.
- Priority needs to be given to the creative industries' needs when thinking about our future trading relationships with European countries and North America, given the critical nature of these markets to the sector. Where we are looking to promote long term cultural exchange (e.g. as we form closer relationships in the Indo-Pacific) it would also be useful to think about the benefits of ensuring cultural exchange by guaranteeing easy trade in creative and cultural services and goods. Other soft power assets like the British Council and the GREAT Campaign will also play an important part in forming these relationships.
- As many creative companies are looking for opportunities to export to China, UK policymakers should ensure there is clear advice and support for those wishing to do so, particularly given the plethora of practical restrictions as well as other questions around national security and values, as pointed out in the Government's Integrated Review of Security, Defence, Development and Foreign Policy.
- More broadly, many key markets for the creative industries do not have creative leads in their Department for International Trade teams. Specific interventions to up-skill those based in-country in areas like Intellectual Property would be welcome, as well as creative leads added in those markets with the greatest opportunities. These should link into initiatives happening at the international level, for example through organisations like WIPO.
- As our research found that businesses who export are more likely to access various types of financial support including innovation funding, we recommend that gateways to innovation funding be used to find companies who might be looking to enter new markets and provide bespoke advice to those companies. This should build on cross-sectoral provision through schemes like the Export Academy, Internationalisation Fund and Trade Show Programme. There is a

particular opportunity for creative industries specific investment programmes, like the expansion to Creative Scale-Up announced in the Spending Review and Budget [para 2.87], to include signposting to tailored export support. UKRI projects focussed on the creative industries have begun to pilot this approach, with members of the Audiences of the Future programme collaborating on missions to China, South Korea, Canada and to global media conference SXSW.

- Consideration should be given as to how creative industries trade initiatives can play a part in the levelling-up agenda, building on the existing work of the Creative Industries Trade and Investment Board (CITIB). This is particularly important when considering inward investment opportunities, where creative hubs can act as a driver for growth in regions across the UK.

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