European Creative Business Network

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Public hearing on the "Implications of Brexit for Culture and Education"

Presentation by Bernd Fesel, Chair of European Creative Business Network, Rotterdam

Brexit impact takes place now

For the Cultural and Creative Sectors (CCS) Brexit already has a negative effect. Preliminary data from EU member states shows a decline of foreign investments in UK and of exports in goods and services to UK in 2016.

CCS must expect in 2017 and 2018 further reduced income from the UK markets - f.e. because of a low value or volatility of the pound.

From the EU perspective working in the UK CCS is an easy entry point into the global market and global level of qualification. Just one example: The Royal Institute of British Architects has stated that 25% of the architects in the UK are non- UK EU citizens. Reduced movement of EU talent into the UK can therefore be expected to have negative effects on the income and skill development in Europe as well.

- A transition scheme leading up to when permanent Post-Brexit regulations have been reached is not enough to prevent negative impacts on the European CCS.
- Expected risks today means less investments in the future and shrinking income and jobs in future years, especially in companies which are too small to hedge risks. This applies in particular to the Cultural and Creative sectors, since companies in CCS with fewer than 10 employees account – according to EP – for more than 95% of the workforce in CCS.

A Brexit Anti-Risk Scheme is necessary to lessen now the expectation of volatility, f.e. in currency or administrative burdens. Volatility is expected far beyond the two years of negotiations, at least for 5 years.

Size of Brexit impact on cultural creative sectors matters to the future of Europe

Most imports of creative goods in the UK came 2012 by far from the EU (8.0 B $), outnumbering US (5.1 B $) and China (1 B $). UK was 2011 second largest importer of creative goods in the world, 7.61%, only exceeded by USA with 20.04% - according to UNCTAD statistics. Chinas´ import of creative goods reached 2.29% of world trade. It can therefore be concluded that losing or reducing access to the UK creative industries market will have a critical impact on European CCS.

- Less exports to UK will have a severe impact on more than 12 million jobs, 7.5 % of the EU's work force.

- Less EU-Nationals working in UK CCS will also have a negative impact: DCMS has estimated that non-UK EU nationals constitute 6.1% of 1.9 million CCS workers in UK. Expecting negative dynamics in investments and trade between EU and UK til at least 2020, ECBN estimates up to 2% of EU work force might cope with reduced working opportunities and / or less income due to the Brexit effect, that is potentially up to 240.000 jobs.

- The Brexit effect will not be gradually, but abrupt reduction because of the prohibitive character of obstacles - it is not a matter of costs, but of capability as UK studies show: „The average creative company in UK employs fewer than four people and operates on tighter profit margins than businesses in other sectors. The high cost of applying for a visa, as well as the administrative burden associated with the process, means it is beyond the capacity of many organisations working in the sector …. Many of the EU nationals currently employed in the UK creative industries would fail to qualify for an appropriate visa."

The EU has an innate interest in a special relationship to the UK CCS to optimize access for its CCS: Brexit negotiations should aim to exempt CCS in total from visa regulations to protect the EU workforce, however at least

- companies with no more 10 employees
- for the next five years and
- promise that any future introduction of visa requirements have a transition period of 2 years prior to implementation.

Structure of Brexit impact matters to innovation capacity of the wider economy in Europe

The largest proportion of UK creative industries service exports went to EU in 2014, approx. 42.5% of all exports. These services are innovative inputs to all sectors in Europe - far beyond cultural creative industries reaching out to the health sector, to automotive and digital industries.

- Growth of exports of UK creative industry services is rapid, approx 48% from 2009 to 2014, compared to approx 29% of the services exported by UK industries as a whole. The creative industry tax reliefs in UK might be a reason for this.

- Services so far were not traded at a distance - the digital world is changing this. It is as important that digital borders to CCS services are open as movement of artists and stakeholders of CCS.

- Given the European demand for CCS services from UK – for reasons not researched widely so far – it can be concluded UK CCS services are vital to a success of digital single market and transformation in Europe.

ECBN calls for a coherent strategy to compensate the potential loss of UK CCS services to creative and digital development of the European Union - the UK tax relief scheme and cross-sectorial UK governance (Minister of State for Digital and Culture) approach might be a good examples.

ECBN calls to seize the opportunity to take the digital lead in cultural creative industries – as UK government already noted in 2016: Brexit might undermine its own dominance in the field. This is an opportunity for boosting digital content and innovation of CCS by unleashing the potentials of the SMEs and Global Players alike in the European CCS.

Character of international agreements must be tailored to the specifics of CCS

CCS thrive within a creative ecology, that is an intellectual, economic, social and legal framework open for experiments and innovation, „for individual creativity, skill and talent as well as for wealth and job creation through the generation and exploitation of intellectual property'.“ CCS depend on regulations such as IP as well as on low bureaucratic barriers and reliable foresight of such regulations.

- The interdependent character of creative ecology´s elements implies that trade without tariffs alone, but without free movement or full protection of IP will lead to a loss of wealth.
- For thriving CCS in Europe international agreements must integrate all pillars of a creative ecology: free movement of talents / of goods and services / strong IP frameworks.
- For a thriving CCS in Europe the international pillars are not enough, since all research shows that CCS can not exist without an urban dimension. All content creation is local, even if its topic is international and its sales are international. Silicon Valley is called „valley“ for a reason.
- Investment in the local cultural creative infrastructure of UK – as in all EU member nations – is vital to the European Union to be a global competitor in CCS, from Libraries and Museums to urban regeneration, from public to private infrastructures.

The best model to tailor international agreements to the multiplicity of these elements for a creative ecology has so far been the cultural exception.

In the Brexit context one way for a cultural exception might be to define a different timeline for the Brexit in the Cultural Creative Sectors as in other sectors which are already dislocating from UK. However the British Library will not move to Paris – so why the rush ?

Growing internal potentials of the European Single Market shields CCS of Brexit effect

According to the European Parliament the potentials of CCS are not yet fully recognized and unleashed, especially for smaller stakeholders, up to 95% of all CCS companies.

As the negative Brexit effect is forseeable, it is now the time to implement a coherent policy as proposed by experts since many years to increase growth and jobs and well-being of CCS within the European Union and as laid out in European Parliament resolution of 13 December 2016. ECBN recommends the following focus:

- to implement strategies for digitisation, f.e. including incentive schemes for content investments
- to prioritize support for education and skills
- to mainstream EU support for cultural and creative industries through the adoption of an „overarching and transversal EU strategy“
- to establish the Cultural Creative Industries as a „horizontal priority within EU funding schemes and programmes, particularly in Horizon 2020, EaSI and the ESIFs“
- to increase the budget of Creative Europe and the Guarantee Facility to strengthen the internal potentials in the global competition - now stronger as the UK is set to be a competitor