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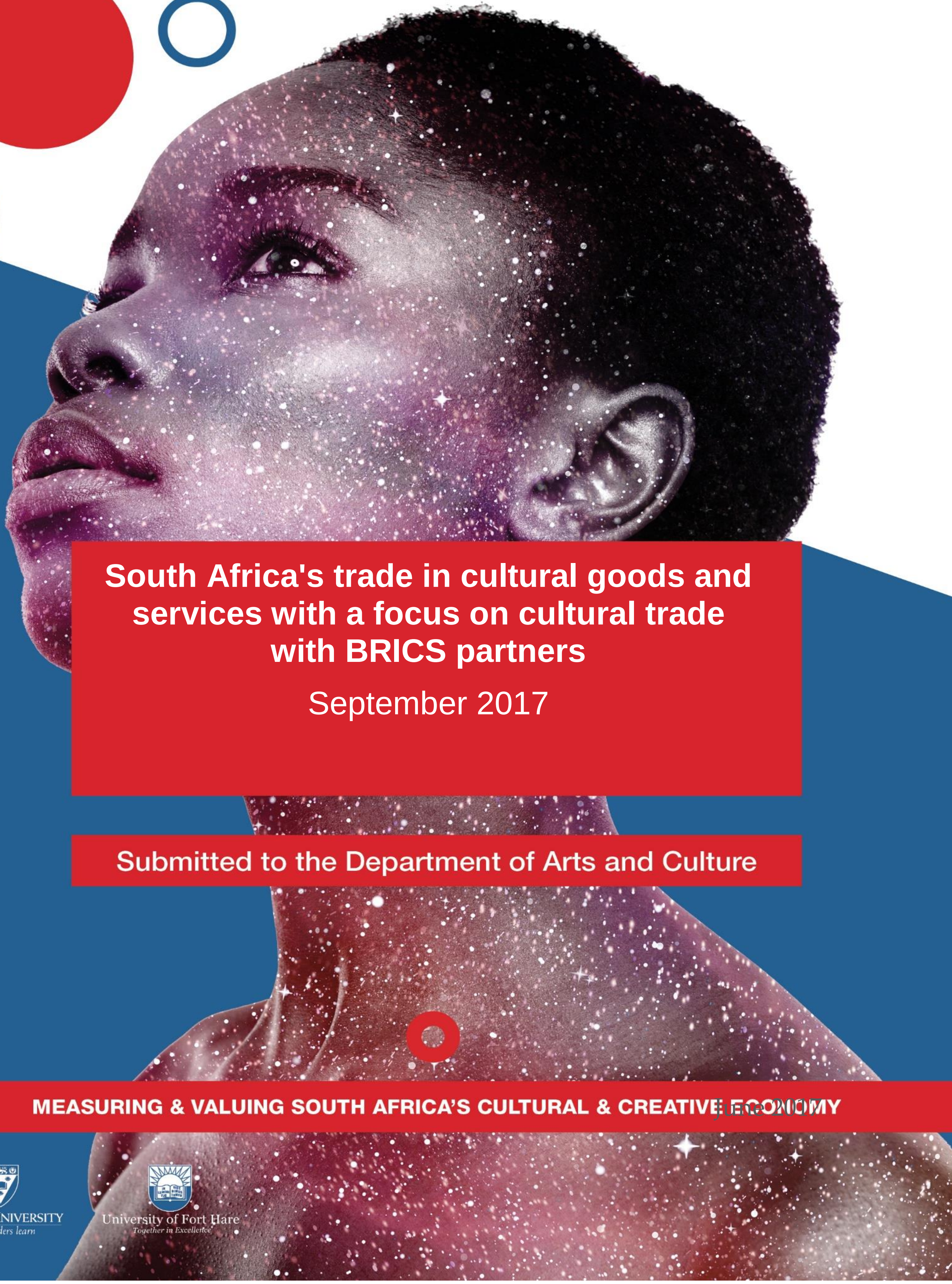

South Africa's trade in cultural goods and services with a focus on cultural trade with BRICS partners

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Summary

This report set out to examine the growth and structure of South Africa's cultural and creative industries trade between 2007 and 2016, with a focus on the country's trade with its BRICS partners. It made use of the UNESCO (2009) Framework for Cultural Statistics to define the sector.

Like most smaller, open, developing countries SA imports more cultural goods and services than it exports overall (a trade imbalance). Cultural goods exports accounted for 0.46% of South Africa's total commodity exports in 2016, while cultural goods imports accounted for 0.66% of total commodity imports. However, cultural goods exports grew faster than cultural goods imports for much of the post-crisis period, reducing the country's trade imbalance in cultural goods markedly, particularly in the most recent period.

Within the BRICS countries, South Africa has a trade imbalance with Brazil, India and China, and a cultural trade surplus with Russia, which is driven primarily by Cultural and Natural Heritage exports. The promotion of higher value added CCI trade with South Africa's BRICS partners would fit well into the country's current trade and industrial policy framework. Intra-industry trade (IIT) is associated with greater value added manufacturing trade, and can be measured using an IIT index. Cultural domains that have significant trade values and also a higher level of IIT include Performance and Celebration, Visual Arts and Crafts, and Books and Press.

Although the main focus of this report was on trade in cultural goods, the "dematerialisation" of certain cultural products as a result of digital creation and distribution platforms is increasing the importance of cultural services trade. Cultural services exports were found to be important for the country in a number of sectors, and this should be considered in South Africa's CCI strategy.

Key Findings

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- The Visual Arts and Crafts domain is an important contributor to cultural goods export growth.
- There is a positive trade balance in the Cultural and Natural Heritage domain.
- South Africa has extremely high cultural goods trade imbalances with China and India (with imports much greater than exports).
- Visual Arts and Crafts, Books and Press, and Cultural and Natural Heritage are the most important export domains for cultural trade with Brazil.
- Cultural and Natural Heritage and Visual Arts and Crafts are the most important export domains for China.
- Visual Arts and Crafts, and Performance and Celebration are important export domains for India.
- South African exports in Audio-visual services have been growing since 2014.
- An important priority is the improvement of data collection for CCI trade in both goods and services.

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1. Introduction and aims of the study

South Africa's re-integration into the global economy following the 1994 democratic transition was accompanied by a rapid opening up to international trade both unilaterally and as part of the country's obligations under the Uruguay Round of trade negotiations (Bell, 1997). Supply-side incentives accompanied trade liberalisation with a view to improving the competitiveness of South African industries. International trade was seen as an important potential driver of development and job creation for the post-apartheid economy. A more comprehensive trade and industrial policy emerged in the late 2000s, following the difficulties of industrial restructuring in a context of rapid liberalisation. A central tenet of the new policy trajectory was to orientate trade and industrial policy to encourage the development of sectors with the potential to stimulate higher value added growth and employment. These included the cultural and creative industries (CCIs) (the dti, 2010).

According to Hadisi and Snowball (2017), cultural occupations in South Africa account for about 3% of total employment in the country. This translated into a larger number of jobs than the mining sector in 2014. The first Industrial Policy Action Plan (IPAP) following the release of the 2007 National Industrial Policy Framework (NIPF) explains the prioritisation of cultural industries in terms of their "potential contribution to nation-building and South Africa's international image and because they can support employment creation in tourism as well as in production of cultural goods and services" (the dti, 2007: 29). This perspective informs the development of key action programmes for the film and television and crafts sectors, as well as other cultural industries, in subsequent iterations of the IPAP.

Against this background, this report explores the growth and structure of South Africa's cultural and creative industries trade, with a focus on the country's trade with its BRICS partners. As part of a broader mapping study of South Africa's cultural and creative sector, the report uses the trade classification system that is set out in the UNESCO (2009) Framework for Cultural Statistics (FCS). More particularly, the study uses UN Comtrade data at the 6-digit level of the 2007 Harmonised System (HS) for the goods trade analysis. This allows for a direct mapping to the HS codes used to define cultural goods trade in the UNESCO (2009) FCS. It also allows for an investigation of intra-industry trade by domain. Increased intra-industry specialisation within particular sectors or domains can better harness the potential benefits of trade expansion and promote more balanced value added trade.

While the focus of the report is on South Africa's cultural goods trade, it is important to recognise the role and significance of trade in cultural services. As noted in UNCTAD (2016: 12), there has been significant "dematerialisation" of certain categories of cultural goods as a result of digitisation, with noteworthy impacts on music, film and books, for example. This highlights the increasing importance of trade in cultural services. South African services trade data is not presently available at the required level of disaggregation to identify the country's cultural services trade at the extended balance of payments (EBOPS) sub-sector level outlined in the UNESCO FCS with any accuracy. However, some indication of South Africa's cultural services trade can be provided by looking at two sources. The first is more disaggregated services trade data that has become available following the Reserve Bank's move from the fifth to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM). The second is the International Trade Centre's services trade database. Bilateral services trade data between South Africa and its BRICS partners is not available at a disaggregated level, although a recent report by the ITC (2017a) provides some insights on key traded services sectors within BRICS.

The report is structured as follows: Section 2 highlights some of the theoretical debates related to the promotion of international trade in cultural products, while Section 3 explains the issues involved in defining and measuring cultural trade. Section 4 considers previous research and policy related to South Africa's CCI trade. Section 5 explains the data and methods used to examine the growth and structure of South Africa's cultural trade by domain and partner, as well as intra-industry trade by domain. Section 6 presents and discusses the results of the analysis, while Section 7 concludes the study and draws inferences for the country's industrial policy framework, as well as for trade and investment cooperation among the BRICS countries.

2. The theory and debates in international cultural trade

International trade is an important driver of the economies of many African countries, and has the potential to create higher value added employment. According to the UNESCO Creative Economy Report (2013), the creative economy is now one of the most rapidly growing sectors of the world economy. World trade of creative goods and services more than doubled between 2002 and 2011 with the average annual growth rate being 8.8% overall. Developing country export share in world trade has grown steadily, growth rates between 2002-11 averaged 12.1% annually (UNESCO Creative Economy Report, 2013). Similarly, a recent UNESCO report

(2016) shows that the world flow of cultural trade doubled between 2003 and 2014, despite the 2008/9 financial crisis which resulted in many countries suffering a recession.

Many authors have noted the tension between trade liberalisation and the desire to develop and protect culture, heritage and identity through managed trade. This is especially the case in post-colonial developing countries (Mulcahy, 2017) like South Africa. The question arises as to what extent cultural and creative industries (CCI) trade should be protected and subsidised, as expressed in many cultural policy documents (including the 2017 South African Draft White Paper on Arts, Culture and Heritage), or seen as a means to drive growth and job creation. There are also questions about whether some cultural sectors (also referred to as UNESCO Domains as discussed below) are more important for trade than others, and the impact of the online environment and digital distribution.

Early discussions on trade and culture in the context of international trade negotiations leading up to the GATT noted that "cultural specificity" meant that some cultural goods did not have much demand outside of their domestic market, often because of language differences. However, it was soon determined that some products, especially in the audio-visual sectors, were highly tradeable, and the danger of US dominance was noted. For example, an early study by Marvasti (1994) showed that, particularly for books and films, "the direction of trade is from the rich countries to the poor countries". There was also evidence of the dominance of English-speaking countries in these sectors, and that the size of the domestic market mattered. Ultimately, in the case of cinematographic film, "screen quotas" were included in the 1947 General Agreement on Tariffs and Trade (the GATT) (Marvasti, 1994). According to Neuwirth (2002), Article IV of the GATT, which allows screen-time quotas for films, was "designed to recognise the importance of the media for the Contracting Parties' sovereignty, cultural cohesion and identity, as well as their economic force in the stimulation of domestic production".

Mas-Colell (1999) contrasts the arguments in favour of free trade with those of protection for cultural goods and services. On the free trade side, each country would specialise in producing those cultural goods and services in which they have a comparative advantage, and trade these for other products. However, a counter argument is that comparative advantage is a dynamic rather than static phenomenon, and needs to be nurtured and created through learning by doing. This may require some initial protection, together with performance requirements (often referred to as reciprocal control mechanisms) to ensure that the recipients of incentives and subsidies improve their competitiveness or forgo the protection (Amsden, 2005). This is often referred to as the “infant industry” argument, and applies to both cultural and non-cultural production (Marvasti, 1994). Learning by doing can also facilitate the exploitation of both economies of scale and scope in particular industries, resulting in benefits to consumers in the form of lower prices and wider choice.

However, there are also arguments relating to what is often referred to as the “cultural exception”, that is, that cultural goods and services are different from other goods and services in that they have some public good value related to the protection and promotion of national cultural heritage and identity (Mas-Colell, 1999). If consumer demand for national cultural products is weak, there may be arguments for stimulating this demand (via education, for example). Mas-Collel (1999:89) explains that “there might well be public good and network externalities, issues that might create a failure in the transmission to the market of a demand that really exists”.

For example, according to the National Film and Video Foundation (NFVF) Box Office report of 2016, the South African market was heavily dominated by films from the US and UK, which had gross box office earnings of R775.5mn compared to the 28 South African films released in 2016, which earned only R69mn at the box office. Of the South African films, the top five in terms of gross box office earnings had takings of R10.16mn (nearly 15% of the total), with the majority of South African films performing poorly, with quite a few unable to reach the R100 000 mark (NFVF, 2016).

South Africa does subsidise the production of local, co-produced and international film and television production through the Department of Trade and Industry (dti) Film and Television Production and Co-production Incentive Programme (see Section 4). The Programme has a number of aims, but is mostly seen as a means to create jobs, especially for black South Africans, as a means to attract foreign capital, and as a means to develop the industry through skills transfer and experience. To qualify for the dti Programme, the content of the film or television production is largely irrelevant, although some categories (such as game shows and documentaries) are excluded (Collins and Snowball, 2015).

Foster and Graber (2000) note that few countries ever committed to the full market access aimed for under WTO agreements, with many reserving the right to cultural promotion through subsidies, domestic content quotas, licensing restriction, taxes on foreign productions etc. Neuwirth (2002) explains that in the Uruguay Round of trade negotiations leading up to the formation of the WTO, discussions on how to treat audiovisual media, for example, in the negotiations were so controversial that it was decided to leave the issue to future negotiating rounds.

Another source of conflict is the differing levels of intellectual property (IP) protection through systems like copyright, royalty fee payments and performers rights. On the one hand, the "idea" is a public good, while the "expression" can be copyrighted.

> It is due to this public/private dichotomy to which cultural works give rise that they may be equated both with the notion of the public good and with the intensification of cultural commodification and hence, the market retains an ambivalent position with respect to these public/private spheres (Foster and Graber, 2000:127).

Mas-Collel (1999) also points out that some countries restrict the export of unique cultural goods or artefacts, on the grounds that they are part of the cultural capital of that particular country. This is also related to the ideas around the status of copies and mass-produced cultural goods and what is sometimes seen as the 'commodification' of culture.

Shin (2015) argues that trade in cultural goods and services can also have implications for cultural diversity. While economists have tended to focus on the variety of choice as a measure of cultural diversity, scholars from the humanities have also included "fair" distribution or representation of different cultures in cultural diversity measures. For example, cultural diversity should not only include the number of films available to South African consumers to choose from, but also the presence of diverse, local South African films in, for example, different indigenous languages. If one accepts this latter description of cultural diversity, Shin (2015) argues that protection of local cultural production could be justified in terms of its impact on current and future cultural diversity.

Shin (2015), also finds evidence of a "hub effect", that is, that countries that are cultural hubs produce cultural goods that are more attractive to their trading partners than the products of the trading partner are to the hub country. As shows in the NFVF (2016) report for South Africa, this would mean that South Africans like US films more than US audiences like South African films. In this case, the hub country becomes the dominant trading partner (a net exporter).

On the other hand, there is growing evidence that trade in cultural goods and services is increasing worldwide and, as such, provides an opportunity for growth and job creation in the Cultural and Creative Industries (CCIs). A study conducted by Disdier et al. (2010), showed that countries are more likely to trade in cultural goods if they share a common language, have past colonial links, and have similar "cultural tastes". In addition, they found that "cultural trade has a facilitating impact on non-cultural trade", which suggest that bilateral cultural goods trade and non-cultural goods trade move together, although causality was not proven (Disdier et al., 2010:592).

3. Defining and measuring cultural trade in goods and services

South Africa does not currently have an official framework for cultural statistics that defines what is included in the cultural and creative industries, although some discussion documents are available (*Towards a FCS for South Africa*, SACO, 2016). However, South African policy documents refer to the "cultural and creative industries" (CCIs), based on the UNESCO Framework for Cultural Statistics (2009), and this is the general framework used throughout the mapping study. The UNESCO FCS (2009) is not the only possible framework, and Throsby (2008) outlines several others that continue to be used today. However, the UNESCO FCS incorporates many of the features of some of the other models and attempts to provide a useful template that can be adapted to the needs of individual countries and, most importantly, can use existing data to measure the CCIs. The UNESCO Framework provides a breakdown of the cultural and creative industries into a set of sub-sectors, or cultural domains, and links these to data sets and classifications available in many countries.

There are six domains that the UNESCO FCS identifies: Cultural and Natural Heritage, Performance and Celebration, Visual Arts and Crafts, Books and Press, Audio-visual and Interactive Media and, lastly, Design and Creative Services. The FCS domains (see Figure 1) include all the cultural activities, goods and services that are involved in the phases of the culture cycle model (creation; production; dissemination, exhibition/reception/transmission; and consumption/participation) and are mutually exclusive. "Transversal" domains refer to those that are embodied in all domains, such as intangible cultural heritage, and those that play an important role in the production and dissemination parts of the culture cycle (Education and training, Archiving and preservation, Equipment and supporting materials). Related domains include general Tourism, as well as Sports and Recreation.

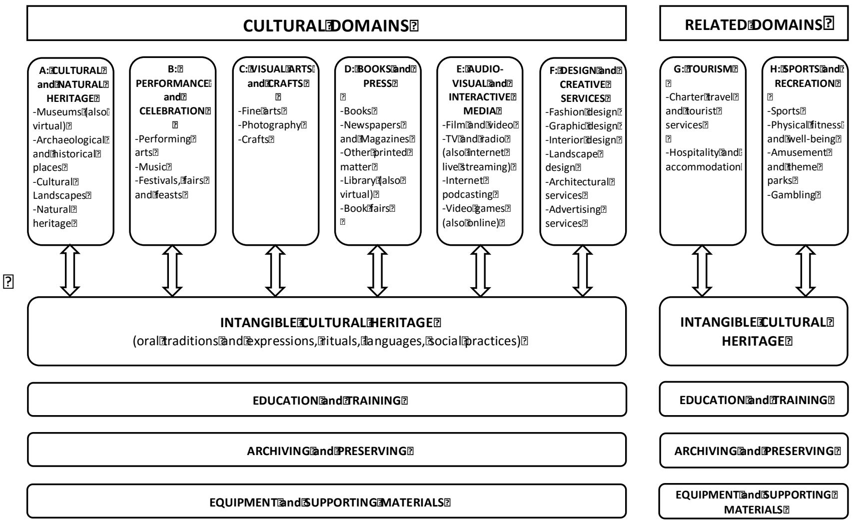

Figure 1: Framework for Cultural Statistics Domains (UNESCO, 2009: 24)

In terms of measuring international trade, the UNESCO FCS (2009) provides guidance on how existing trade data can be used to identify cultural trade in both goods and services. For goods trade, the FCS specifies which categories of the 2007 Harmonised Commodity Description and Coding System (HS) and the Standard International Trade Classification Revision 4 (SITC4) can be used to measure cultural goods trade. Of the two classification systems, the 2007 HS provides greater detail, with 85 six-digit HS codes identified as relevant for cultural goods trade across the six domains. More specifically, the UNESCO FCS defines the HS six-digit codes that are included in each of the six cultural domains (see Appendix 1). Data for South Africa's total and bilateral trade is readily available from a number of sources at the HS six-digit level. For this reason the more detailed HS classification system is used in this report. The 2016 UNESCO report on cultural goods and services trade, noted in Section 2, uses the 2002 version of the Harmonised System for goods trade, based on UN Comtrade data. The present report however uses the 2007 HS in order to allow for a closer alignment with the 2009 UNESCO FCS.

It is important to understand that the aspect of cultural trade captured using the HS codes is somewhat limited. As noted in UNESCO (2009: 37), the HS "classifies goods by their observable physical characteristics and not according to the status of national content, cultural value or other similar criteria". Furthermore, for categories such as film, customs data may simply capture the import or export of the master copy, while copyright charges are recorded in services trade data (UNESCO, 2009: 38). In addition, as noted in the introduction, the impact of digitisation is significant in sectors such as music, film and books, increasing the importance of taking account of cultural services trade.

Trade in cultural services can be measured using the Extended Balance of Payments Services Classification System (EBOPS). This system is based on the sixth edition of the Balance of Payments and International Investment Position Manual (BPM). The services trade data that is recorded via the balance of payments is primarily cross-border supply of services (known as Mode 1 supply of services under the WTO). Under this mode of supply, the service provided "moves across" the border while the consumer and service supplier remain in their own countries. UNESCO (2009) explains that isolating cultural services trade categories precisely in the EBOPS classification system is not straightforward, but that the categories depicted in Table 1 below provide an important guide to measuring cultural services trade.

Table 1: EBOPS cultural services categories

	BPM6	**EBOPS**	**Labels**
Core cultural services	1.A.b.8.	8.4.1	Licenses to reproduce and/or distribute audio-visual products
		8.4.2	Licenses to reproduce and/or distribute related products1
	1.A.b.9.3.	9.3.1	News agency services
	1.A.b.9.3.	9.3.2	Other information services
	1.A.b.10.2.	10.2.2	Advertising, market research and public opinion polling
	1.A.b.10.3.	10.3.1.1	Architectural services
	1.A.b.11.1.	11.1.1	Audio-visual products
	1.A.b.11.1.	11.1.2	Related services
	1.A.b.11.2.	11.2.3	Heritage and recreational services
Equipments & supporting materials	1.A.b. 8.	8.3	Licenses to reproduce and/or distribute computer software
	1.A.b.9.2	9.2.1	Computer services
	1.A.b.9.2	9.2.2	Other computer services
Related cultural services & Tourism	1.A.b.4.2.3	4.2.3.	Travel – Other personal

Source: UNESCO (2009: 39)

The difficulty is that for many developing countries services trade data is not presently available at the required level of disaggregation to identify the country's cultural services trade at the EBOPS sub-sector level shown in Table 1. Much more work has to be done in the developing country context to improve the collection of disaggregated trade in services data to allow for better measurement of cultural services trade. In the case of South Africa, the move from BPM5 to BPM6 at the end of 2014 allowed for some disaggregation of broader balance of payments services categories that is useful in this regard. This is discussed further in Section 5.

4. South Africa's cultural trade: previous research and policy

In 2013, a research report on CCI trade between South Africa and the EU was published (EU-SA trade report, 2013). The project was a collaboration between the British Council, VANSA (Visual Arts Network of South Africa) and the Arterial Network. The analysis uses the UNCTAD definition of cultural and creative industries trade in goods and services, and UNCTADstat trade statistics to investigate total South African CCI imports and exports between 2002 and 2010, as well as specific trade patterns with the EU, one of South Africa's main trading partners. The UNCTADstat database distinguishes seven main groupings for cultural goods trade that differ slightly from the six UNESCO (2009) cultural domains (see Section 5).

Findings suggest that the value of CCI good exports from South Africa to the rest of the world rose slightly from R2.42bn in 2002 to R3.12bn in 2010 in nominal terms – a compound annual growth rate of 0.65% per year. However, during this same period, imports of CCI goods grew at 15.62% per annum in nominal terms (from R4.13bn to R15.26bn). CCI goods exports made up just 0.005% of total South African exports in 2010, while CCI imports made up 0.021% of total South African imports in the same year (EU-SA trade report, 2013). South Africa's trade imbalance with the rest of the world widened considerably between 2002 and 2007, then narrowed marginally in 2008-2009, before widening again in 2010. Section 6 below compares these results to the more recent findings in the present report for the period up to 2016.

An interesting finding of the 2013 EU-SA trade report is that significant changes in the direction of South Africa's CCI trade took place between 2002 and 2010. The data suggest that South African CCI goods exports to the EU and North America fell in this period, but rose “significantly” to other African countries. However, imports from the EU increased, while imports from Africa and South America remained “negligible”. In both 2002 and 2010, South Africa’s largest source of CCI imports was China. By 2010, CCI imports from China had increased from just over US$100m to US$700m in nominal terms, while imports from the UK (the next most important source of CCI imports) also increased, but by a far smaller amount (EU-SA Trade Report, 2013). The report notes that this is likely to be a result of the financial crisis, which reduced trade with developed countries more significantly than with some emerging markets. The increase in CCI trade with China also reflects the rapid growth in the importance of China as a trading partner for South Africa more generally. An orientation towards the country’s BRICS partners and the African market while maintaining relations with traditional trading partners has been a feature of South Africa’s trade strategy since the late 2000s (the dti, 2012).

By value, the CCI sectors with the largest export volumes from South Africa to the rest of the world in 2010 were: Design (US$129.93m), Publishing (US$112.35m), Visual Arts (US$24.95m), and Art Crafts (US$18.78). By HS codes, the biggest export categories to the EU from South Africa were Books, brochures, leaflets and similar printed matter, followed by Newsprint, in rolls or sheets, and Articles of jewellery and part thereof (EU-SA Trade Report, 2013).

The report (2013:38) notes that services trade data is generally more limited than data on goods trade. However, using EBOPS data, they identify a number of categories (specified by UNCTAD) as being part of the CCIs. These include: Computer and information services; Royalties and license fees; Business and professional services (which includes architectural consultancy), and Personal, cultural and recreational services. Findings indicate that, although South Africa still has a negative trade balance with the EU in CCI services trade, South African exports to the EU increased at a compound annual growth rate of 11.61%, which is significantly faster than goods exports grew. However, the report does note that, in the important category of intellectual property (captured in Royalties and license fees), “the value of exports [to the EU] was massively outweighed by the value of imports [from the EU]” (EU-SA Trade Report, 2013:44). More recent trends in these categories are considered in Section 6.

In 2014, the DAC commissioned a Mapping Study of the CCIs from Plus94. The study was based on data collected from a random sample of about 2500 CCI firms, along with a database of CCI firms in the country. The study then used a partial equilibrium economic impact model to estimate the direct, indirect and induced impact of the CCIs (defined using the UNESCO FCS) on the South African economy. Results suggested that the CCIs accounted for 2.9% of GDP and 1.08% to 1.28% of employment in South Africa. Cultural exports and spending by foreign cultural tourists contributed R35.57bn to the balance of payments account. Interview data indicated that only 17.6% of CCIs interviewed reported selling their goods or services to international markets. Of those CCI organisations which did sell their products internationally, international markets account for 23.7% of their sales. SADC and the EU were most frequently reported as the international markets for organisations, but small sample sizes prevented more detailed analysis (DAC Mapping Study, 2014).

A recent report on world cultural trade flows between 2004 and 2013 (UNESCO, 2016) shows some interesting changes in world cultural trade patterns. Using the UNESCO FCS (2009) to define cultural goods and services trade, the report indicates that cultural trade is largely dominated by developed countries, with North America and Europe accounting for 49% of world cultural exports, and 61.7% of world cultural imports. Sub-Saharan Africa exported only 0.3% of world cultural goods and services, and imported 0.9%.

However, upper middle income countries (including South Africa) more than doubled their share of cultural exports between 2004 and 2013. Most of this growth is as a result of the phenomenal increase in the export of cultural goods from China, which began in 2009. Within a year, China was the largest exporter of cultural goods in the world by far (having overtaken the USA). By 2013, China exported ten times more cultural goods than it imported. India was another country that experienced rapid growth in cultural exports, and by 2013, it also had a positive cultural trade balance. However, the report also found that, together with Zambia, South Africa was amongst the top 20 exporters in the “Cultural and Natural Heritage” Domain, with 0.5% and 0.4% of the world export share, respectively. The value of South Africa’s exports in Domain A doubled between 2004 and 2013 (UNESCO, 2016:42).

As found in many parts of the CCIs, cultural trade depends heavily on economic conditions, especially in developed countries. The UNESCO report (2016) suggests that the 2008/9 financial crisis decreased world cultural exports by 13.5% and cultural imports by 22% in that period. However, it is also noted that exports of all goods fell by 22.4%, and imports fell by 23% in 2008/9, perhaps suggesting that cultural trade is not as volatile as trade overall. This is an interesting question that is examined further in Section 6. In the UNESCO (2016) report, however, it was found that despite a quick recovery cultural trade growth rates by 2013 were significantly lower than before the financial crisis. This was also very much the case in South Africa, as Table 2 below indicates.

Table 2: South African Imports and Exports of Cultural Goods (in millions of US $) 2004 - 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Exports	171.16	190.62	195.19	181.89	225.24	138.15	233.57	243.56	247.34	256.08
Imports	518.18	679.58	902.49	790.41	824.00	621.45	759.03	825.87	825.28	737.78

(Source: UNESCO, 2016: Tables G1 and G2).

In terms of CCI trade policy, the third draft of the South African Revised White Paper on Arts, Culture and Heritage (Draft White Paper, 2017), recognises barriers to trade (particularly market access for small, medium and micro CCIs) as a factor constraining the growth and transformation of the sector. With respect to proposals for the funding and financing of the CCIs, the draft White Paper (2017:75) particularly mentions the establishment of a “regional fund…to invest in cultural and creative industries that are, or are wanting to, trade in the African region”. The draft White Paper also emphasises the importance of inter-departmental co-operation in financing and managing the CCIs, with the Department of Trade and Industry referred to as one of the “key” ministries for taking the sector forward. There is also a proposal to treat CCI trade differently from other goods and services trade to enable “the movement of cultural products, publications of cultural works” and “the partial or total removal of taxes on works of culture and payment in national currencies for the trade in cultural goods” (Draft White Paper, 2017:82).

South Africa’s CCIs were prioritised in the country’s rolling Industrial Policy Action Plans (IPAPs) between 2007 and 2014. The early IPAPs focused on key action programmes for the Film and Television and Crafts sectors. The 2010 IPAP explains the designation of Film and Television as a strategic sector with reference to its employment, investment and export generating potential, as well as prospects for beneficial spillover effects into the domestic economy (the dti, 2010: 77). The sector’s importance in generating synergies with the tourism sector, in education, and in protecting and sustaining cultural heritage are noted as important considerations. In subsequent IPAPs, the need for a music industry strategy has also been emphasised.

The Film and Television Incentive initially contained two categories: a foreign film and television production and post production incentive and a South African production and co-production incentive (the dti, 2015: 52). In 2014, the Emerging Black Filmmakers' Incentive was instituted as a third sub-programme of the Film and Television Production Incentive Scheme (the dti, 2014). The objective is to support black filmmakers to develop the capabilities necessary to undertake large scale productions that will generate employment. The incentive takes the form of a 50% rebate on the first R6 million of qualifying expenditure and 25% on remaining qualifying costs.

The Crafts sector was identified as a strategic IPAP sector due to its importance for economic growth and the rural economy, and for providing a link between formal and informal sector activity, as well as creative design for other sectors. The 2010 IPAP notes the sector's ability to "contribute to nation building…through the expression of creativity and exploration of culture and heritage" (the dti, 2010: 75). The sector is seen as important for broad-based black economic empowerment and the development of small businesses. The IPAP highlights the export market as a key opportunity for South Africa's Crafts sector, together with the tourism market. Policies to promote the commercial development of the sector for the local market and export include the establishment of Craft hubs and the development of synergies with the Tourism sector. More recent IPAPs (2015-2017) have continued to focus on the Film and Television sector, although the Creative Industries Unit at the dti has moved to the Department of Small Business Development since that Ministry's creation in 2014.

5. Data and methods

This report uses statistical and graphical analysis to explore the growth and structure of South Africa's CCI trade since 2007, with a focus on the country's trade with its BRICS partners. The study computes the shares and growth rates of South Africa's cultural goods trade relative to total trade to explore the extent to which cultural goods trade moves together with total trade. Graphical analysis is used to examine the relative importance of trade by domain in the aggregate and with each of the country's BRICS partners. This facilitates a discussion of the domains and sectors that drive the trade balance with each partner which in turn has implications for policy and future research at the sector level.

Grubel-Lloyd indices of intra-industry trade are computed to explore the extent of two-way trade within particular domains and sectors for the most recent period.[1] International trade is referred to as *inter-industry* trade when it takes place between two different sectors (such as the exchange of textiles for video games) and *intra-industry* trade when it occurs within a sector (such as the exchange of Toshiba computers for Dell computers). The expansion of trade that is intra-industry in nature (that is, two-way trade within a sector) is associated with higher value added manufacturing trade and lower adjustment costs for industries and workers (Cattaneo and Fryer, 2002). The intra-industry trade index ranges from 0 to 100%, with higher percentages reflecting greater two-way trade within a sector. An index of 0 indicates no overlapping trade within that sector, while an index of 100% reflects exports and imports of the same value within that sector.

Cultural goods trade data across countries and sectors is available from the UN Comtrade database, UNCTADstat and the International Trade Centre (ITC). This study uses UN Comtrade data at the 6-digit level of the 2007 Harmonised System (HS) for the goods trade analysis to provide direct alignment with the HS codes used to define cultural goods trade in the UNESCO (2009) FCS. It was noted in Section 3 that the UNESCO FCS defines the HS six-digit codes that are included in each of the six UNESCO cultural domains (see Appendix 1). In total there are 85 six-digit HS categories spread across the six domains.

By comparison, the UNCTADstat database distinguishes seven main groupings for cultural goods trade that differ slightly from the six UNESCO (2009) cultural domains. These seven broad UNCTADstat categories are Art Crafts, Audio-visuals, Design, New Media, Performing Arts, Publishing and Visual Arts (UNCTAD, 2017). While sub-group coverage within each broad group is similar when taken as a whole, there are a number of noteworthy differences by group. For example, the Jewellery sector is classified in the Visual arts and crafts domain by UNESCO (2009) and under Design in the UNCTADstat database. The designation of New Media in the UNCTADstat database as a separate broad sector is potentially useful as it allows for the Video games sub-sector it contains to be stripped out more readily. This sub-sector can distort the trade figures substantially, particularly on the import side for a country like South Africa (see Section 6). For the purposes of this study, however, the UNCTADstat database is not as easy to use as the UN Comtrade database, as the HS codes attached to each sub-sector

[1] The Grubel-Lloyd index is given by $B_i = (1 - (|X_i - M_i|) / (X_i + M_i))) \times 100$.

are not made explicit. With respect to the data itself, the UNCTADstat HS data is, in any event, derived from the UN Comtrade database.

According to the SA-EU Report (2013: 18), the creative economy grouping in the ITC database uses an older version of the UNCTADstat categories. Furthermore, the time series provided by the ITC is not consistent across the different versions of the Harmonised System at the six-digit level. In other words, data from 2007-2011 reflect 2007 HS six-digit categories, while data from 2012-2016 are reported in 2012 HS six-digit categories within the same time series (ITC, 2017b). In the UN Comtrade database, the researcher can choose a consistent time series in either the 2002, 2007 or 2012 versions of the HS. For the present study, the 2007 version of the HS from the UN Comtrade database is accordingly used to match the UNESCO (2009) FCS, providing data from 2007 to 2016 for most of the goods trade analysis.

It was noted in the introduction that South African services trade data is not presently available at the required level of disaggregation to identify cultural services trade at the EBOPS sub-sector level outlined in Table 1. However, an indication of South Africa's cultural services trade is provided by looking at the more disaggregated services trade data that became available from SARS since 2014 following the Reserve Bank's move from BPM5 to BPM6 (see Section 3). In addition, information from the ITC services database is used where applicable, as the ITC provides a breakdown of South Africa's services trade into eighteen BPM6 categories, some of which are relevant for cultural services trade at a broad level. UNCTADstat provides only six sub-groupings in its creative services database, with data only up to 2012, while the World Bank Trade in Services Database only has data until 2010.

Bilateral services trade data between South Africa and its BRICS partners is not currently available for the CCIs, although some indication is given in Section 6 of key relevant services sectors traded bilaterally within BRICS, based on a recent ITC report on the BRICS services sectors (ITC, 2017a).

6. Results and discussion

The results and discussion of the statistical and graphical analysis in the report is divided into four sub-sections. Section 6.1 focuses on the growth and structure of South Africa’s total CCI trade since 2007. It explores the growth of South Africa’s cultural goods trade relative to total trade and the relative importance of trade by domain in the aggregate. Section 6.2 presents the results of the analysis of South Africa’s cultural goods trade with its BRICS partners individually, including the domains and sectors that drive the trade balance with each partner. Section 6.3 outlines the extent of two-way trade (intra-industry trade) within particular sectors and domains, as the promotion of intra-industry specialisation can augment the potential benefits of trade expansion. Finally, Section 6.4 provides a picture of recent trade trends in the key broad services sectors within which cultural services trade is prominent and indicates important relevant sectors for intra-BRICS services trade.

6.1 South Africa’s total cultural goods trade

In 2016, South Africa’s cultural goods exports as a share of total commodity exports stood at 0.46%, while cultural goods imports as a share of total commodity imports were 0.66% (UN Comtrade 2017). Figure 2 depicts annual growth rates of South Africa’s cultural goods exports and imports in nominal terms for the period 2008 to 2016. Annual growth rates of total exports and imports for all commodities are included for comparative purposes. Cultural goods export growth reflects a sharp recovery following the global financial crisis but collapses again in 2011 remaining low but stable until 2014 before falling quite sharply again in 2015. A similar pattern is seen with respect to the growth rates of cultural goods imports. It is interesting to note that import growth is more muted in the recoveries than export growth, however the latter takes place off a significantly lower base (see Figure 3).

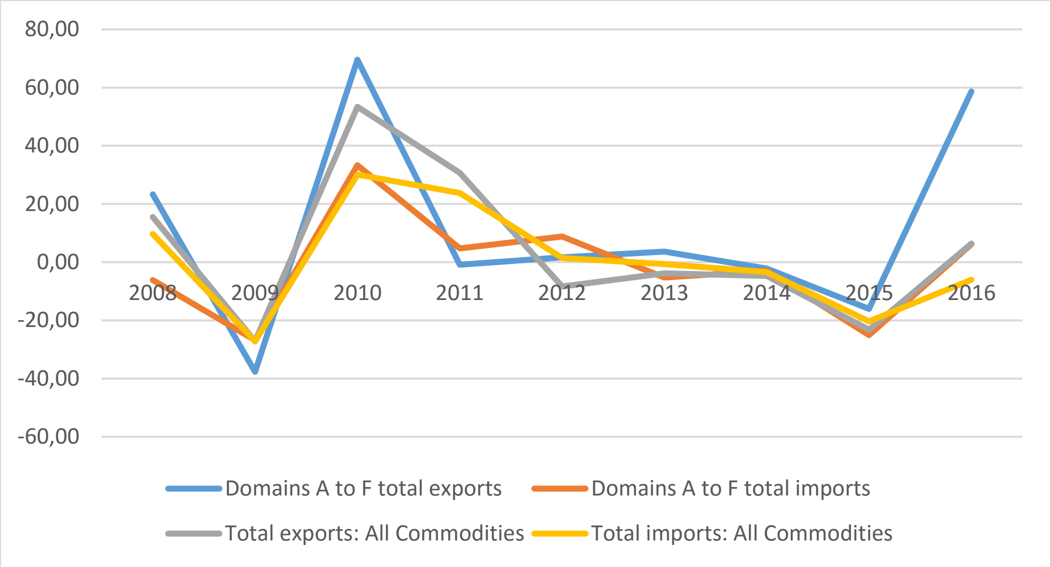

Figure 2: Annual growth rates of South Africa's total cultural goods trade relative to total trade (Source: Authors' computations from UN Comtrade, 2017)

Focusing on the most recent period, it is evident that there was a significant slowdown in South Africa's total cultural goods trade in 2015. Hadisi and Snowball (2017) find a similar phenomenon in the cultural occupations employment data. In the economy more broadly, GDP growth slowed to 1.3% in 2015 from 1.5% in 2014 following a modest post-crisis recovery during the commodity boom. According to SARB (2015):

> Consistent with the sluggish quarter-to-quarter growth registered throughout the year, growth in real gross domestic production moderated further from 1.5 per cent in 2014 to a disappointing 1.3 per cent in 2015 – with the exception of 2009, the slowest rate of expansion during the past 17 years. On average, annual growth amounted to 2.3 per cent between 2010 and 2015 compared with an annual average rate of 4.0 per cent in the ten years prior to 2009. The lacklustre performance of the South African economy in 2015 could, to an important extent, be attributed to subdued business and consumer confidence levels, muted demand conditions, ongoing supply-side constraints, a further decline in the prices of key export commodities, and the knock-on effects of the widespread drought conditions in many parts of the country (SARB, 2015).

The 2014-2015 trend in CCI trade is therefore unsurprising, particularly since the CCIs are known to be quite volatile and sensitive to economic growth (Grodach and Seman, 2013). Interestingly export and import growth for all commodities tracks cultural trade growth fairly closely, as Figure 2 indicates. While total trade growth did not fall as sharply in 2011 as cultural trade growth, it is evident that, for the period since 2012, cultural good export growth has performed better than total export growth, especially in the 2016 recovery period. This is reflected in Figure 3, which depicts the shares of South Africa's cultural trade in the country's total commodity trade for both exports and imports. The rising share of cultural exports in total exports since 2012 (reflecting the faster growth of the former) is clearly evident. Figure 3 also shows that cultural imports are a greater share of total commodity imports throughout the period under study compared to cultural exports as a share of total commodity exports. However, this gap in the export and import shares is narrowing, with cultural imports as a share of total imports at 0.66% in 2016 and cultural exports as a share of total exports rising to 0.46% that year.

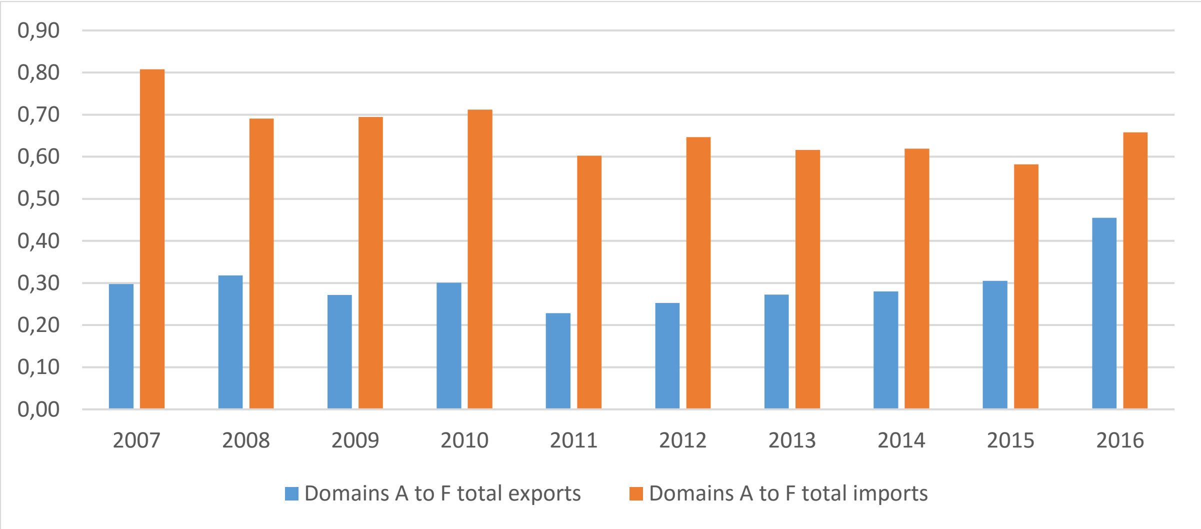

Figure 3: South Africa: shares of cultural trade in total commodity trade (Source: Authors' own computations from UN Comtrade, 2017)

While Figures 2 shows that cultural exports grew faster than imports for much of the post-crisis period (and particularly more recently), it fails to provide a clear picture of the different levels from which this growth is taking place and hence of South Africa's trade balance in its total cultural goods trade.

Figure 4 shows South Africa's total cultural goods exports and imports in nominal US$ values from 2007 to 2016. The extent of the trade imbalance is stark, but it is also evident that the trade imbalance has fallen in a number of periods, most markedly since 2014. Cultural goods imports show greater downward sensitivity in bad times, while cultural goods exports appear to have been more resilient during the downturns, particularly during the contraction associated with the global financial crisis and during the 2015 downturn. Nonetheless, as noted in Section

2, it is not unusual for cultural trade to reflect a significant negative trade balance in the case of small, open developing economies such as South Africa.

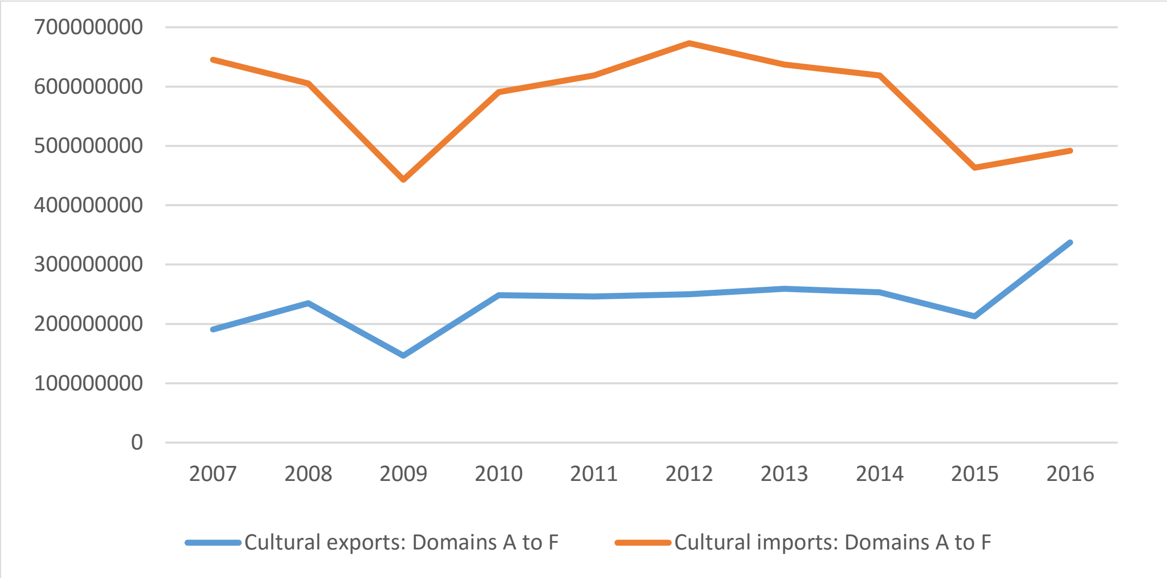

Figure 4: South Africa's total cultural trade: all domains (US$) (Source: Authors' computations based on data from UN Comtrade, 2017)

The interesting question to examine is which domains are driving the level of the trade balance as well as trends in the trade balance over the period under discussion.

On the export side, Figure 5 indicates the rapid growth of the Visual Arts and Crafts domain and the small but positive upward trend in Performance and Celebration. Books and Press, together with Cultural and Natural Heritage exports, appear to be more volatile, while Audio-visual and interactive media exports are very low. Design and creative services are poorly captured by the HS codes and are better reflected in the services trade data.

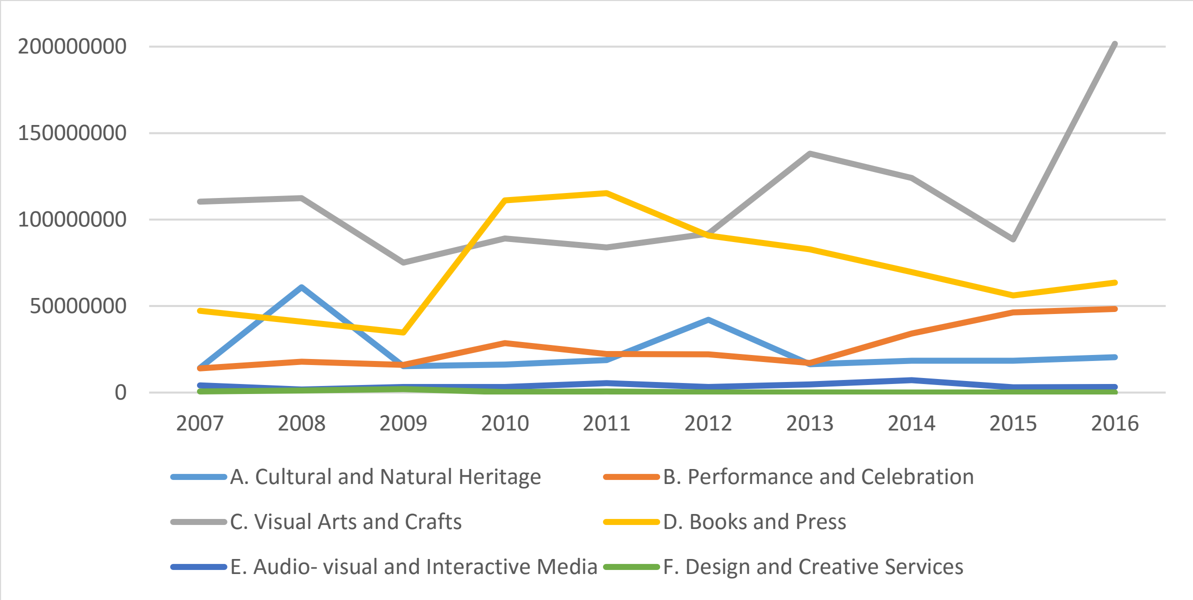

Figure 5: South Africa's total cultural exports by domain (US$) (Source: Authors' computations based on UN Comtrade 2017)

The importance of the Visual Arts and Crafts domain in South Africa's total cultural goods exports can be linked back to the Craft sector's designation as a priority sector in the various IPAPs (see Section 4). The sector was noted to be particularly important for employment, economic growth and the rural economy, broad-based black economic empowerment and the development of small businesses. The export market was highlighted in the IPAP as a key opportunity for South Africa's Crafts sector. The film and television sector, as part of the Audio-visual and Interactive Media domain, does not appear have a significant export profile as yet. This may be partly because the longstanding Film and Television Incentive programme outlined in Section 4 provides incentives to foreign companies, so that the final production would not show up in South Africa's exports. As the Emerging Black Filmmakers' Initiative takes effect, this may change in the future. South Africa's export data for the Cinematographic sub-sectors in the UN Comtrade database appear patchy since 2011, however, and there may be a case for investigating whether export data for this sub-sector has been adequately reported.

On the import side of South Africa's total cultural goods trade by domain, Figure 6 shows that there are few imports in Domains A and F (Cultural and Natural Heritage, and Design and Creative Services). Imports of Audio-visual and Interactive Media are much more significant than exports (but still fairly volatile). These imports are driven by the Video games sub-sector which has a distortionary effect on cultural goods trade on the import side in particular. Imports in the Performance and Celebration domain show a downward trend over the period under study, as do Books and Press. While Visual Arts and Crafts imports have grown in the most recent period, exports in this domain have done very well. The reduction in the overall trade imbalance in South Africa's total cultural goods trade has therefore largely been driven by the strong performance of Visual Arts and Crafts exports and the better growth of Performance and Celebration exports, alongside a reduction in imports mainly in Books and Press in the recent period, but also Performance and Celebration and Audio-visual and Interactive Media imports.

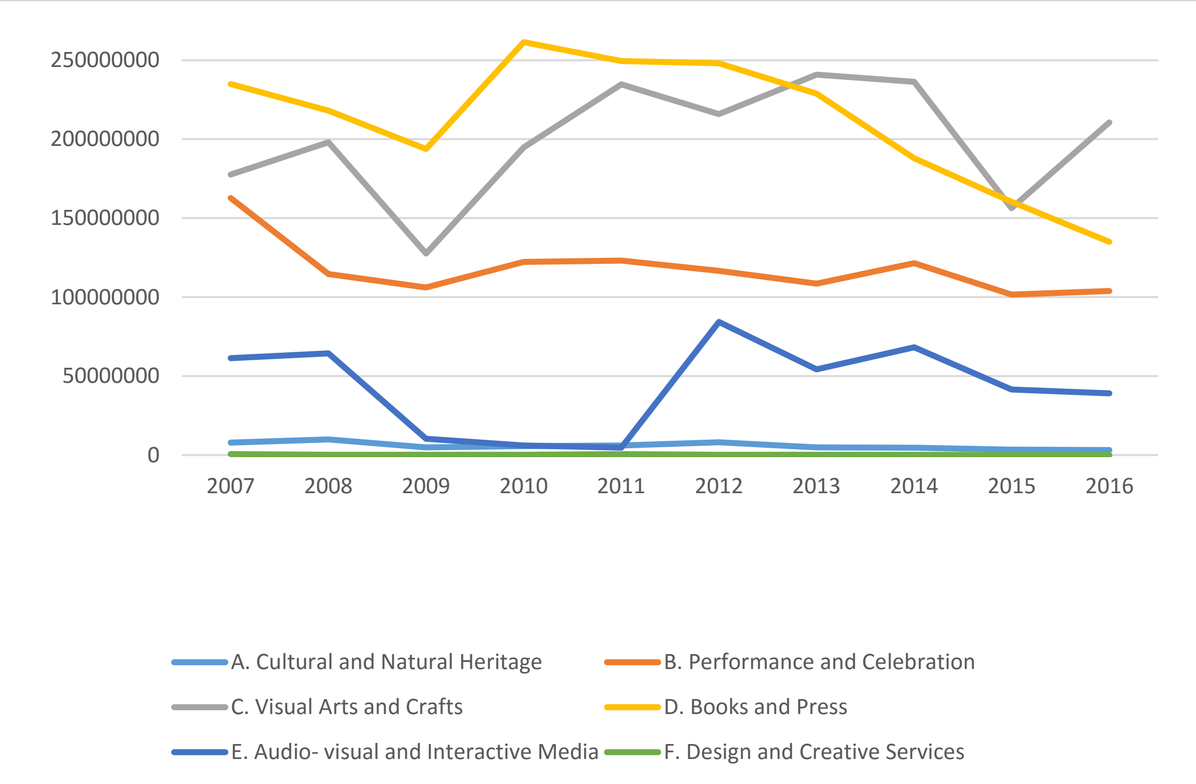

Figure 6: South Africa's total cultural imports by domain (US$) (Source: Authors' computations based on UN Comtrade 2017)

Since the left-hand scales of the export and import graphs by domain (in Figures 5 and 6) can mask the picture of the trade balance in each domain, Figure 7 below shows South Africa's exports and imports by domain for the period 2014-2016, on average. In this period, the trade balance was positive only for Domain A (Cultural and Natural Heritage). The trade imbalance was most significant in Books and Press and Performance and Celebration and least in Visual Arts and Crafts and Audio-visual and Interactive media. Interestingly, if the distorting effect of the Video games sub-sector is removed from Audio-visual and Interactive media, the trade imbalance improves significantly in this domain. This points to a more encouraging export performance for the Film sector than might otherwise appear to be the case, at least up until the Cinematographic sub-sector data becomes more unreliable for the recent years. In sum, both of the sectors that have received much support in the industrial policy space (Crafts and Film) appear to have shown some promising export performance.

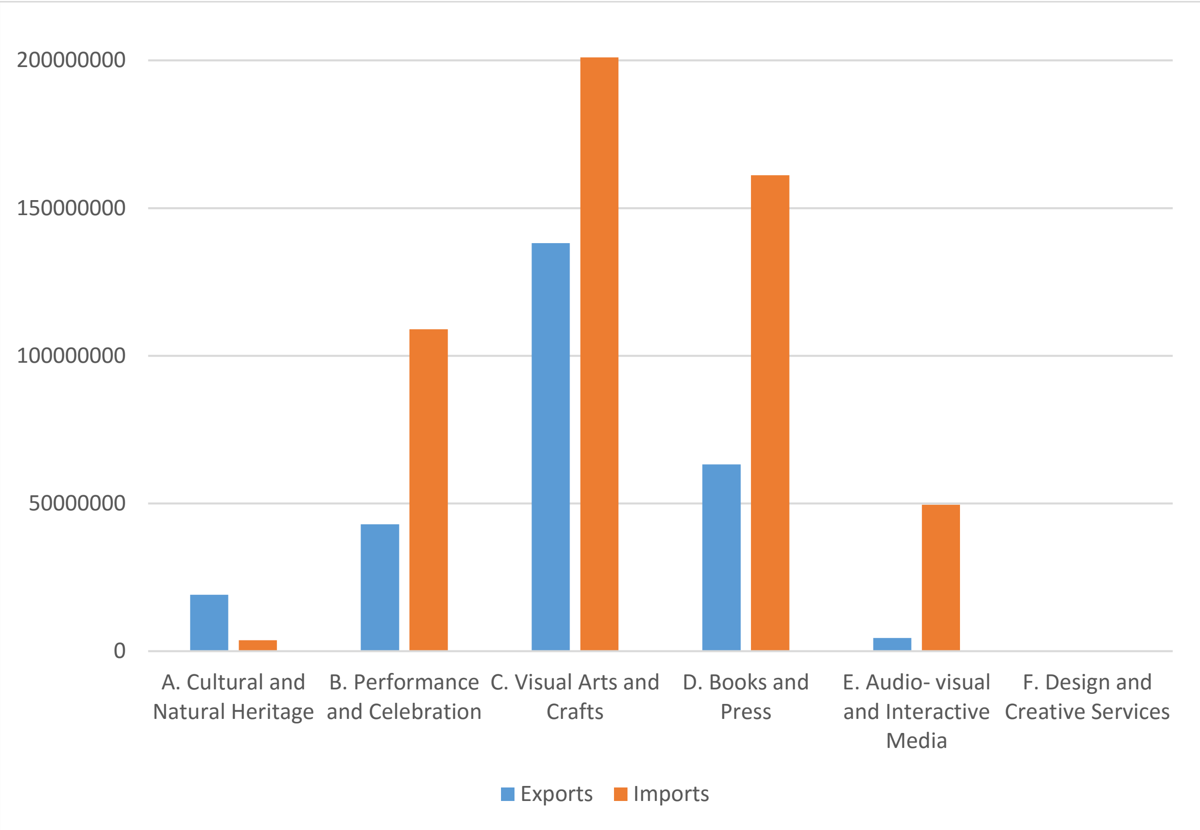

Figure 7: South Africa's total cultural trade by domain: 2014-2016 averages (US$) (Source: Authors' computations based on UN Comtrade, 2017)

6.2 South Africa’s cultural goods trade with its BRICS partners

South Africa became a member of the BRICS group of emerging markets at the end of 2010. While the country’s much smaller economy makes it the group’s outlier in terms of its contribution to global trade and GDP, it sits comfortably within the group in terms of GDP per capita, trade as a proportion of GDP, and indices such as the World Bank’s ease of doing business index and the World Economic Forum’s Global Competitiveness Index. South Africa’s growth performance has been most similar to that of Brazil, although both South Africa and Brazil have significantly worse growth performances than China and India.

As noted in Section 4, since 2012 South Africa's trade policy documents have emphasised an orientation towards the country's BRICS partners and the African market while maintaining relations with traditional trading partners (the dti, 2012). From a foreign policy perspective, participation in the BRICS grouping has been of key importance to South Africa. Furthermore, China and India have become significant individual trading partners for the country, while trade with Brazil has grown steadily, albeit off a much lower base. It is therefore interesting to examine the extent and nature of cultural goods trade between South Africa and its BRICS partners.

Figures 8-11 show South Africa's cultural goods trade in nominal US$ values from 2007 to 2016 with Brazil, China, India and Russia respectively.[2] It is clear that China and India are South Africa's largest trading partners in cultural products within the BRICS grouping. The trade imbalances with both China and India are, however, enormous, and largely increase over time (Figures 9 and 10). The exception is the most recent period, when imports fell sharply in 2015, narrowing the trade imbalance in both partnerships. While imports failed to recover in 2016, exports rose marginally, further improving South Africa's trade balance with China and India that year. As in the aggregate cultural goods trade data, South Africa's cultural goods imports show greater volatility in general and more downward sensitivity in bad times, while cultural goods exports appear to have been more stable. South Africa's trade imbalance in cultural goods trade with Brazil narrowed noticeably during the period of the global financial crisis and from 2015, but widened considerably from 2011 to 2014 (Figure 8). The domains that drive these trends are considered further below. Figure 11 depicts South Africa's cultural goods trade balance with Russia. Interestingly, Russia is the only BRICS country with which South Africa records a consistent trade surplus in cultural goods trade. The exception in the period under study is the trade deficit with Russia that is evident in 2013.

[2]Figures 8 to 19 in this section are based on the authors' computations from UN Comtrade (2017).

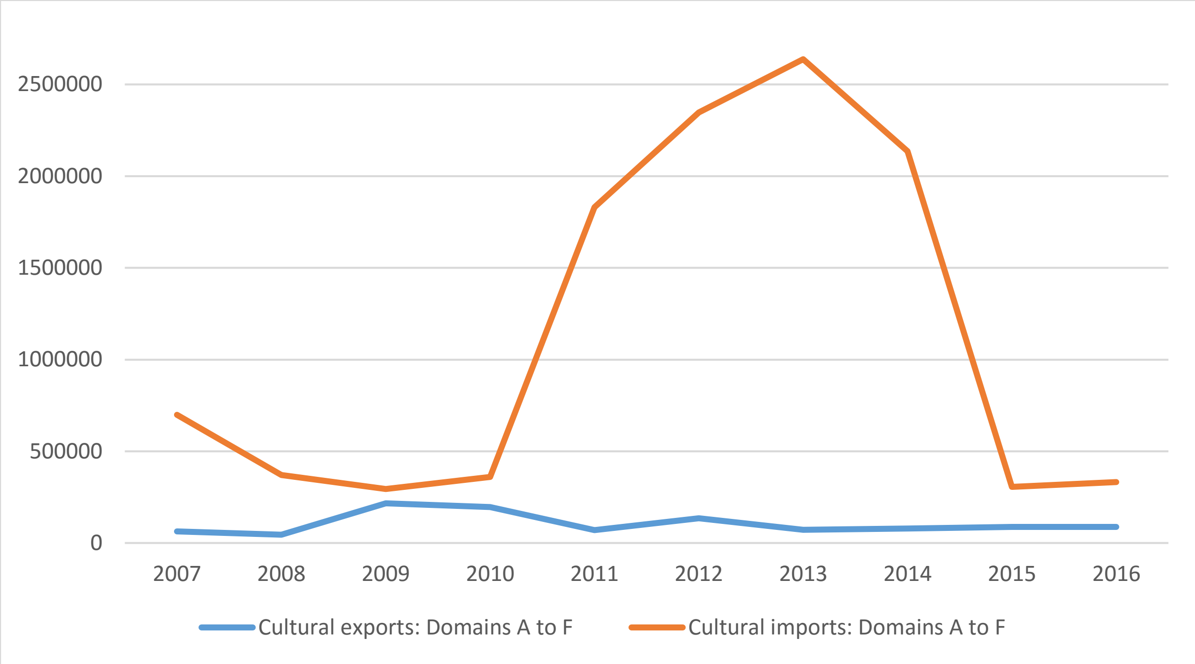

Figure 8: South Africa's cultural goods trade with Brazil: all domains (US$)

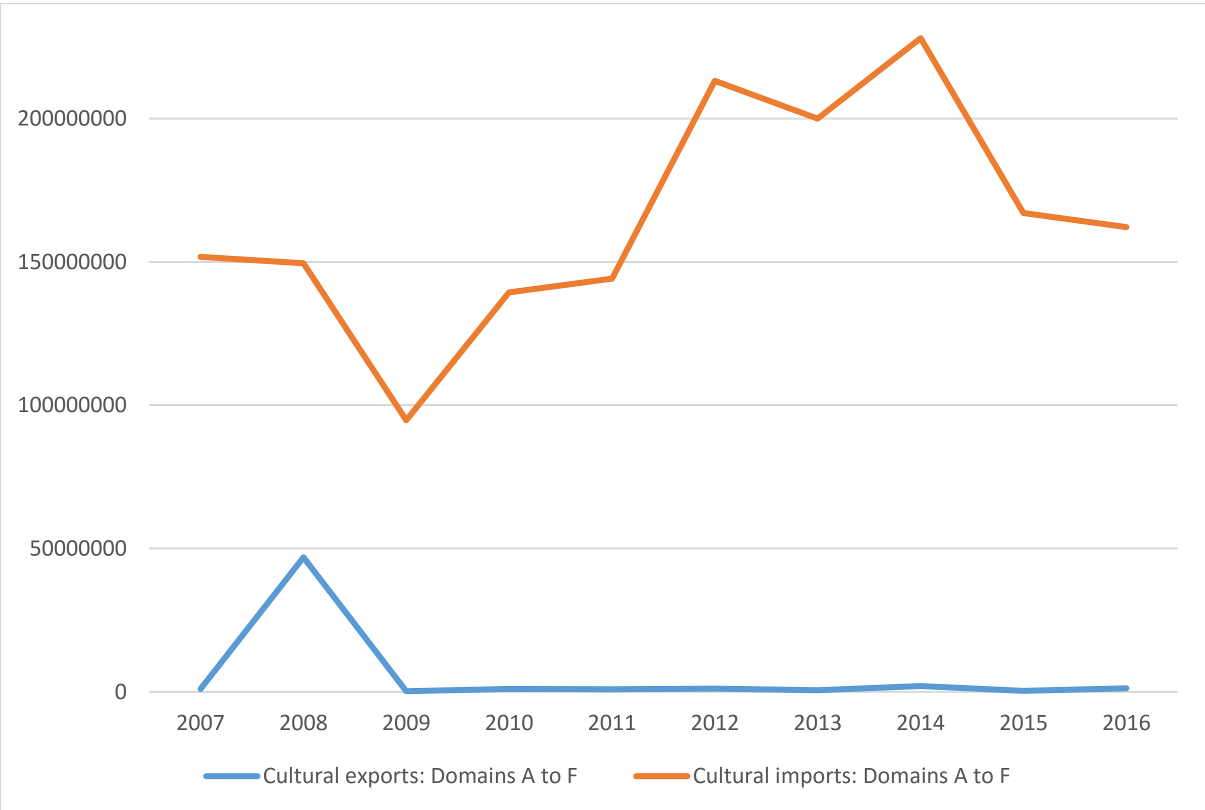

Figure 9: South Africa's cultural goods trade with China: all domains (US$)

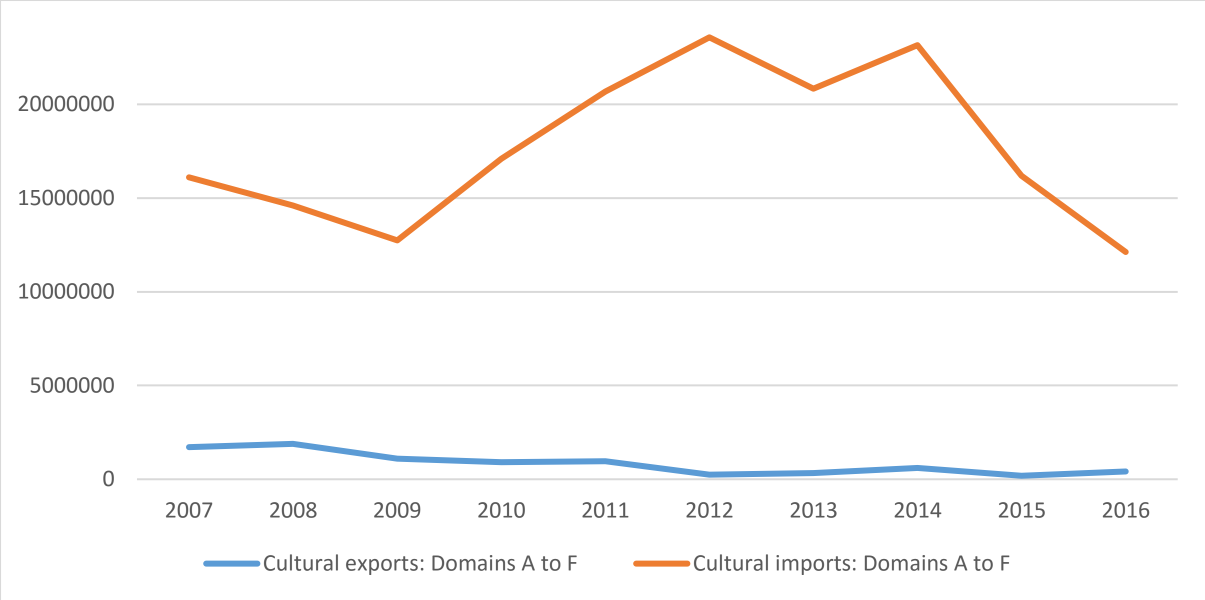

Figure 10: South Africa's cultural goods trade with India: all domains (US$)

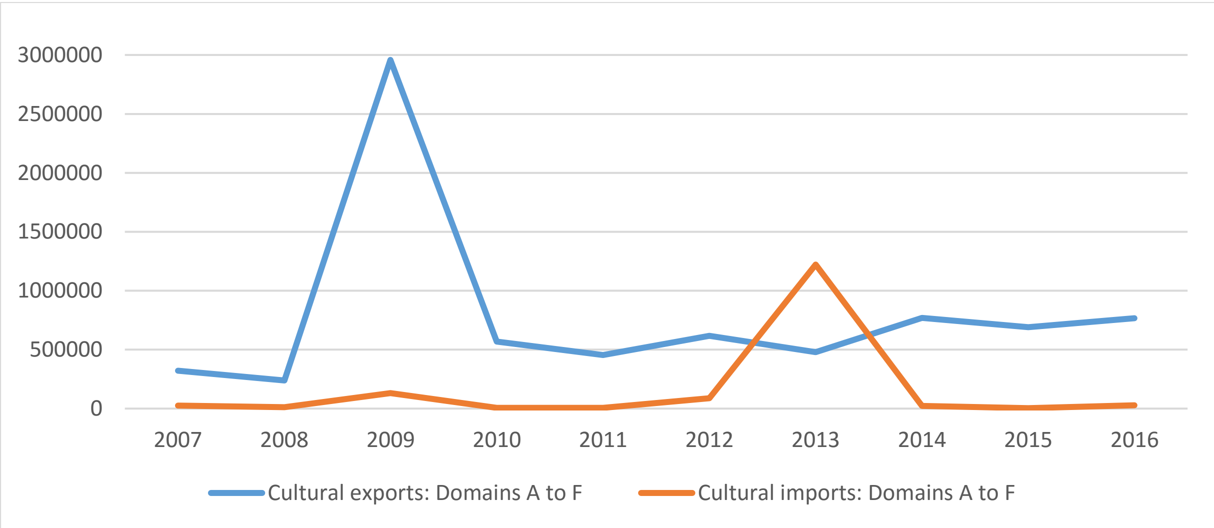

Figure 11: South Africa's cultural goods trade with Russia: all domains (US$)

As in the case of aggregate cultural goods trade, it is important to examine which domains are driving the level of, and trends in, South Africa's trade balance with its various BRICS partners. It is important to bear in mind that once aggregate trade by domain is decomposed by partner, the reliability of the data can become less certain. There are some data gaps and a number of significant outliers in the bilateral direction of trade data that tend to be masked in the aggregate trade data. With that qualifier in mind, Figures 12-19 depict South Africa's cultural exports and imports by BRICS partner and cultural domain.

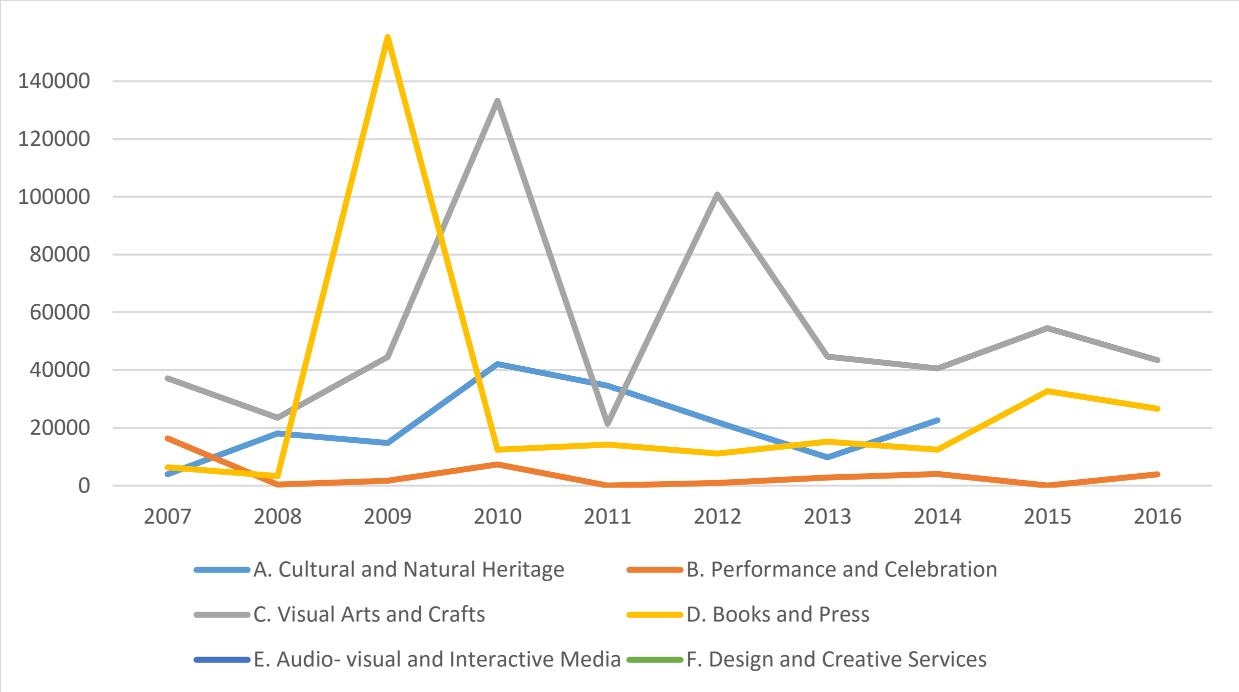

Figure 12: South Africa's exports to Brazil by domain (US$)

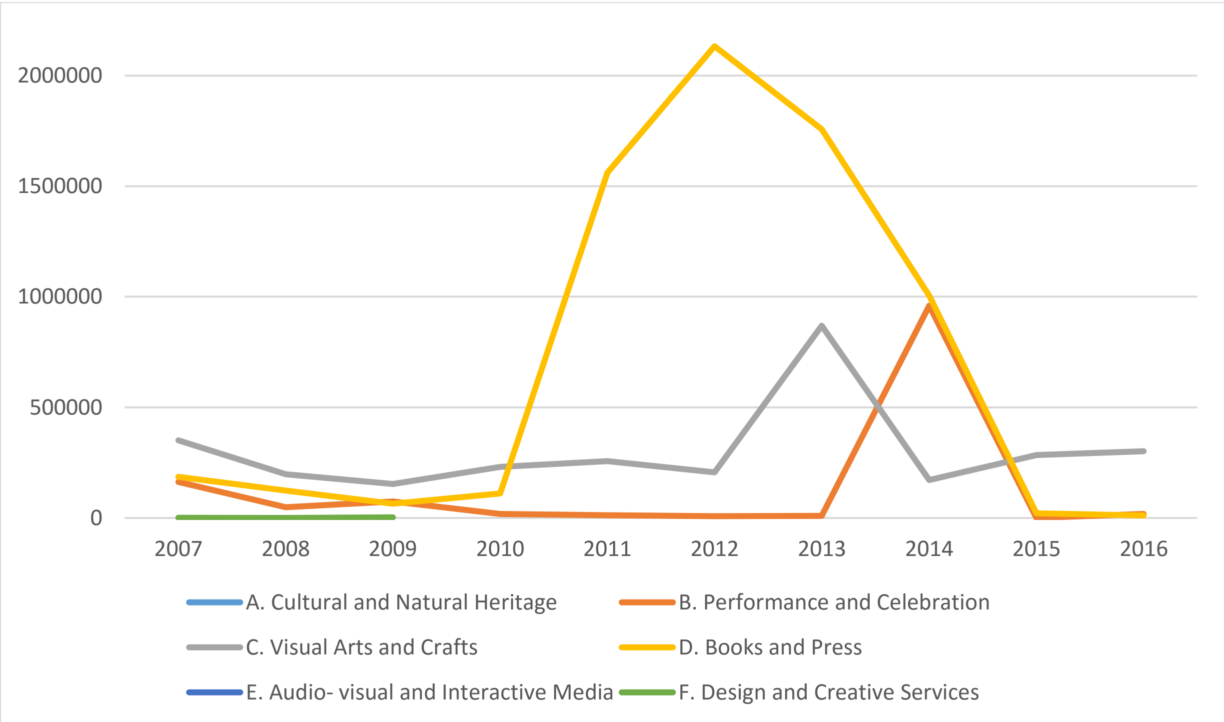

Figure 13: South Africa's imports from Brazil by domain (US$)

Figures 12 and 13 show, respectively, South Africa's cultural goods exports and imports with Brazil by domain for the period 2007 to 2016. On the export side, Figure 12 indicates significant volatility in exports to Brazil. This is primarily due to a number of outliers in the bilateral data on the export side, in the Books and Press domain ("Printed books, brochures and leaflets", and "Printed/illustrated cards") in 2009 and in Visual Arts and Crafts in 2010 and

2012 in particular. The general trend in exports to Brazil is positive though volatile across the domains. Visual Arts and Crafts, Books and Press, and Cultural and Natural Heritage are the most important export domains.

On the import side, Figure 13 indicates some volatility in Performance and Celebration and Visual Arts and Crafts imports in recent times. However it is the trend in Books and Press imports between 2011 and 2014 that is most noticeable and drives South Africa's trade imbalance with Brazil in that period. This can be attributed to large imports in the "Printed books, brochures and leaflets" sub-sector in 2011-2014. The bilateral trade data tends to be quite lumpy at this level of disaggregation, which accounts for the sometimes extreme trends that are visible in the graphs. Cultural goods imports from Brazil in Performance and Celebration and Books and Press declined more drastically than exports in the most recent period, contributing to the narrowing of South Africa's trade imbalance with Brazil since 2015.

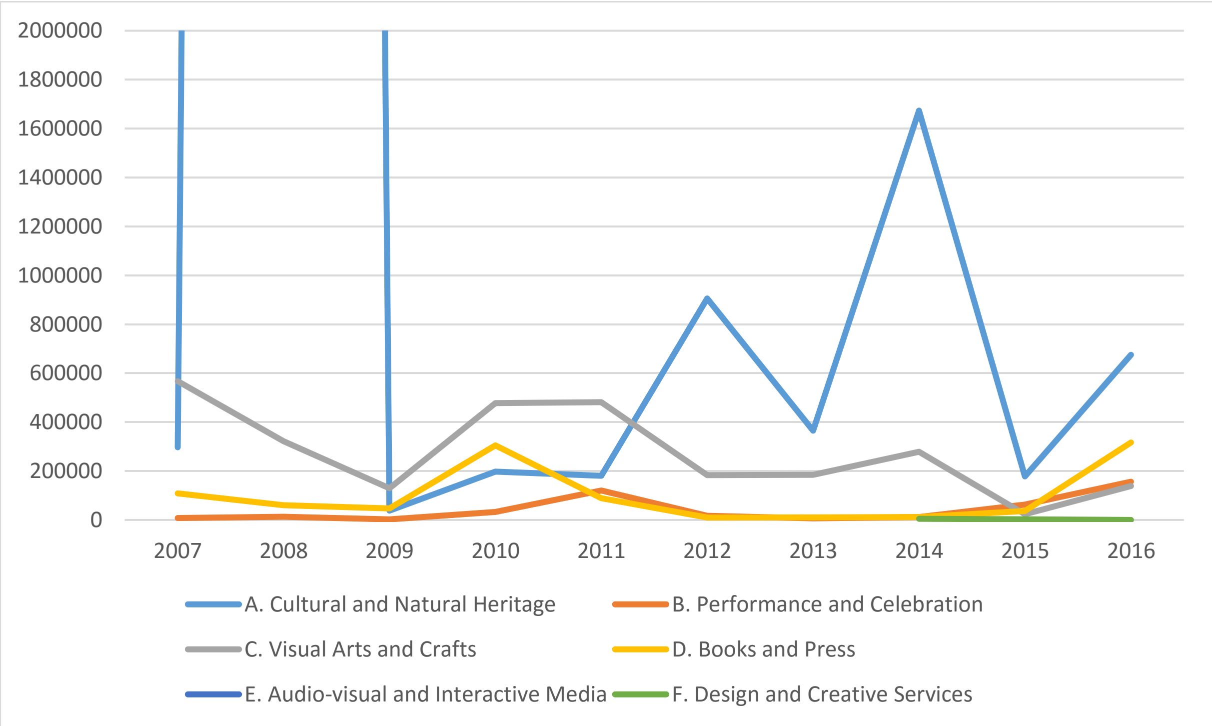

Figure 14: South Africa's exports to China by domain (US$)

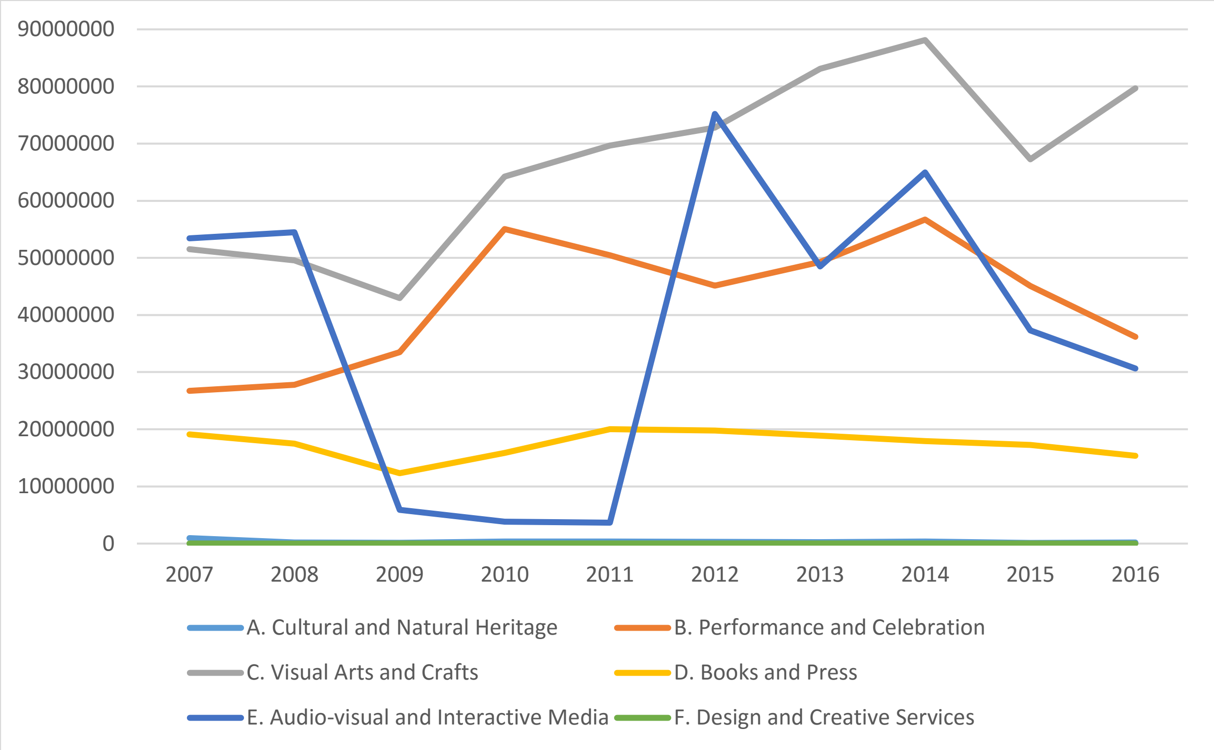

Figure 15: South Africa's imports from China by domain (US$)

Figures 14 and 15 show South Africa's cultural goods exports and imports with China by domain for 2007-2016. The most important domains on the export side are Cultural and Natural Heritage and Visual Arts and Crafts, with Books and Press exports growing more strongly since 2015 (see Figure 14). Export performance is highly volatile and there is an extreme outlier in the data for Cultural and Natural Heritage exports in 2008. This can be traced back to the sub-sector "Antiques of an age greater than one hundred years". The more modest 2014 peak in the same domain's exports can be traced to the "Collections and collectors' pieces" sub-sector. Figure 15 indicates that Visual Arts and Crafts, Performance and Celebration and, more recently, Audio-visual and Interactive Media are the main import categories from China. Imports have also been volatile and have shown a downward trend since 2015, except in the case of Visual Arts and Crafts. This has contributed to a small narrowing of South Africa's trade imbalance with China in the most recent period. The huge trade imbalance with China is driven mainly by Visual Arts and Crafts, Performance and Celebration, and Audio-visual and Interactive Media in the period 2014-2016.

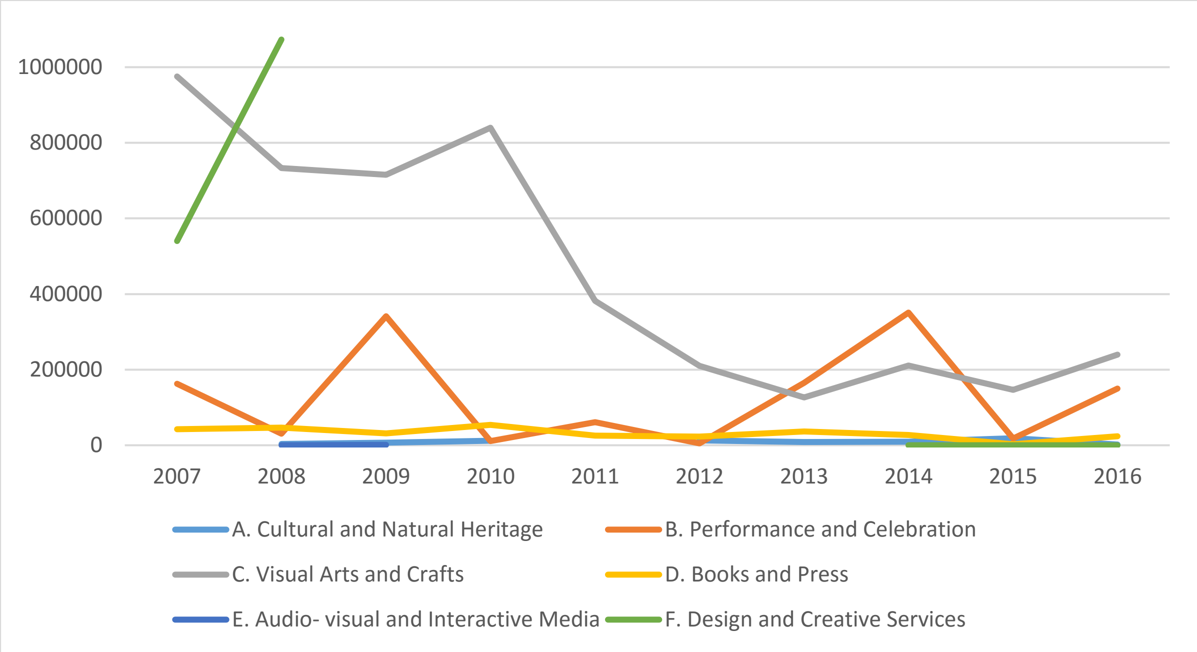

Figure 16: South Africa's exports to India by domain (US$)

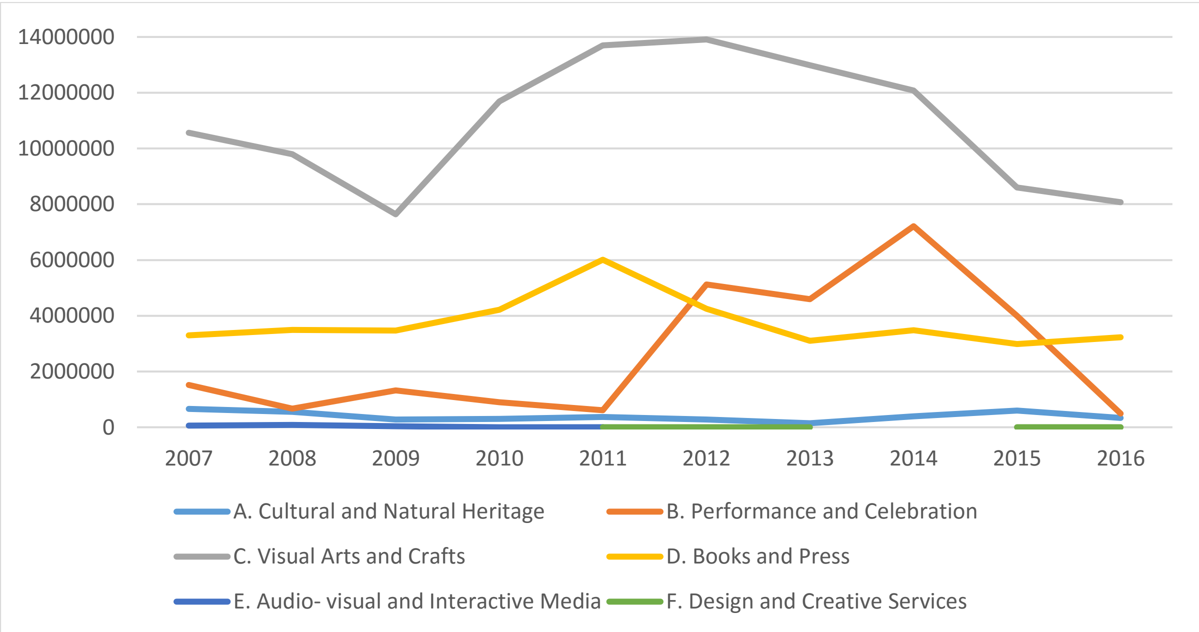

Figure 17: South Africa's imports from India by domain (US$)

Figures 16 and 17 show South Africa's cultural goods exports and imports with India by domain for the period 2007 to 2016. Exports are most significant in the Visual Arts and Crafts domain, although there appears to have been a notable collapse in exports from this domain between 2011 and 2013, evident in Figure 16. It is difficult to trace the collapse to a particular sub-sector or group of sub-sectors within the domain. Interestingly, Performance and Celebration emerges as an export sector to India, unlike in the cases of Brazil and China. However, there is a lot of volatility evident in the export data for this domain. In general, exports have shown some recovery after the 2015 downturn, particularly in the case of Performance and Celebration and Visual Arts and Craft.

The main imports from India are found in the Visual Arts and Crafts, Performance and Celebration, and Books and Press domains (see Figure 17). Imports in the first two of these domains have fallen markedly in the recent period, however. Imports of Visual Arts and Crafts are driven notably by the Statuettes and Jewellery sub-domains. South Africa's large trade imbalance with India is mainly a result of trade imbalances in Visual Arts and Craft, Performance and Celebration, and Books and Press for the period 2014-2016. As in the case of China, there has been a narrowing of South Africa's trade imbalance with India in the most recent period. The reduction of the trade imbalance with India is more significant, however. This can be explained by the combination of recent export growth and the most significant slowdown in imports taking place in the two same domains, Performance and Celebration and Visual Arts and Crafts.

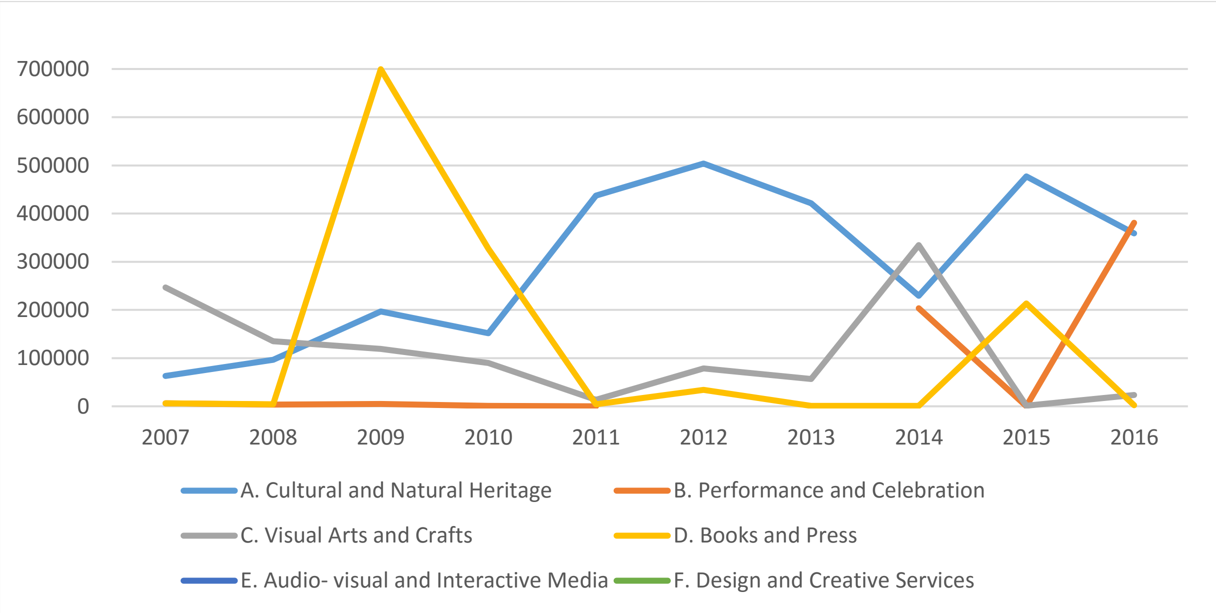

Figure 18: South Africa's exports to Russia by domain (US$)

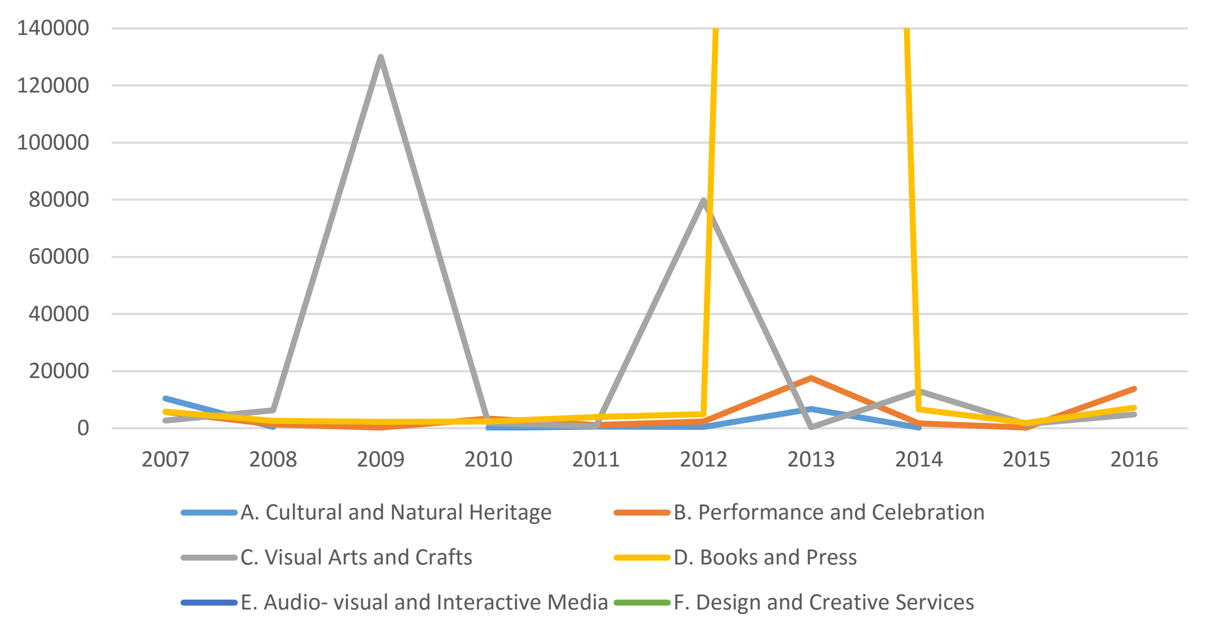

Figure 19: South Africa's imports from Russia by domain (US$)

South Africa's cultural goods exports and imports with Russia by domain for the period 2007 to 2016 are shown in Figures 18 and 19. The situation here regarding South Africa's bilateral trade by domain is very different from the country's trade with its other BRICS partners. The positive trade balance that South Africa has with Russia in its cultural goods trade is driven primarily by Cultural and Natural Heritage exports and Performance and Celebration, but also by Visual Arts and Crafts and, to a lesser extent, Books and Press in the more recent period. The main export domains are Cultural and Natural Heritage (driven by the sub-category "Collections and collectors' pieces") and Performance and Celebration (driven by the sub-sector "Discs, tapes, solid-state non-volatile storage devices"). Exports are volatile, however, as Figure 18 demonstrates. This volatility is also evident on the import side, and there is a significant outlier in the Books and Press domain for 2013 which can be traced to the "Printed books, brochures, leaflets" sub-category. Imports in the most recent period are concentrated in the Visual Arts and Crafts, Books and Press, and Performance and Celebration domains, but are generally relatively low and variable (see Figure 19).

It is evident that the bilateral trade data between South Africa and its BRICS partners at this level of disaggregation is sparse in places, with a number of significant outliers. Nevertheless, it is interesting to see the pattern of trade by domain between South Africa and the rest of BRICS. Trade imbalances with China and India are enormous, although they have narrowed slightly in the more recent period. The trade imbalance with Brazil has also improved and South

Africa runs a surplus in its cultural goods trade with Russia. Visual Arts and Craft is a significant traded domain on both the export and import side in South Africa's trade with its BRICS partners. Cultural and Natural Heritage is an important export domain, followed by Books and Press. Performance and Celebration is an important cultural export domain in South Africa's trade with Russia. On the import side, Visual Crafts and Arts, Performance and Celebration, and Books and Press are prominent import domains. In the case of South Africa's trade with China, Audio-visual and Interactive Media is a key import domain. It is evident that there is some notable two-way trade in particular domains and partnerships. This is investigated further in Section 6.3 below.

6.3 South Africa's intra-industry trade in cultural products

Section 5 distinguished between inter-industry trade (the exchange of products in different industries) and intra-industry trade (two-way trade within a particular sector), Intra-industry trade (IIT) is associated with greater value added manufacturing trade. It can be beneficial as trade expands, since it is easier for firms and workers to move to activities within the same broad industry with specialisation than to shift between industries.

Table 3 depicts South Africa's intra-industry trade by domain and partner, based on average trade values for 2014-2016. IIT is measured using the simple Grubel-Lloyd index given in Footnote 1. As noted in Section 5, the index ranges from 0 to 100%, with higher percentages reflecting greater two-way trade within a particular domain.

Table 3: South Africa's intra-industry trade (%) by domain and partner (2014-2016 averages)

	World	Brazil	China	India	Russia
A. Cultural and Natural Heritage	32.6	0.7	41.5	4.4	0.9
B. Performance and Celebration	56.5	1.6	0.3	8.5	5.3
C. Visual Arts and Crafts	81.4	30.9	0.4	4.1	10.2
D. Books and Press	56.3	12.9	1.4	1.1	13.4
E. Audio- visual and Interactive Media	16.6		0.0	1.1	
F. Design and Creative Services	78.4	0.0	88.0	22.9	

(Source: Authors' computations based on UN Comtrade, 2017)

There is intra-industry trade of at least 30% in South Africa's total cultural goods trade in all domains except for Audio-visual and Interactive Media. It is most useful to consider intra-industry trade in domains where the value of trade is relatively significant.[3] This is the case for Performance and Celebration, Visual Arts and Crafts, and Books and Press (see Figure 7). In these domains there may be scope for further intra-industry specialisation with its associated trade benefits.

However it is important to note that the small size of existing trade in a particular domain does not mean that the sector in question should not be important from a policy point of view. For example, Domain A (Cultural and Natural Heritage) is the only domain where there is a trade surplus in overall cultural goods trade (Figure 7). It is therefore important in containing the trade imbalance that is pervasive in the other domains, even to a small degree. South Africa's Cultural and Natural Heritage domain also records a trade surplus in cultural goods trade with Brazil, China and especially with Russia.

Another issue that is important when considering intra-industry trade is that an improvement in the IIT index in sectors where imports exceed exports (i.e. where there is a negative trade balance from South Africa's perspective) can be brought about through export promotion in that domain. For example, an increase in the exports of Visual Arts and Crafts with slower growth in imports would improve the level of IIT (see Figure 7). A more detailed study of IIT should therefore take into account both the value of trade in the sector and the extent of any existing trade imbalance before making policy recommendations regarding particular domains.

The picture Table 3 provides of IIT between South Africa and its BRICS partners is very different to the IIT levels of at least 30% evident in South Africa's total cultural goods trade in most domains. In the case of Brazil, there is notable IIT in Visual Arts and Crafts of 30.9% in the period 2014-2016. The only other domain that shows some IIT of any magnitude in South Africa's trade with Brazil is Books and Press with 12.9% of matching trade.

In South Africa's trade with China, there is 41.48% IIT in the Cultural and Natural Heritage domain but the value of trade is quite small (although important for South Africa's trade balance). IIT in the Books and Press domain is low at 1.44%. While exports were growing and imports tapering off, the trade imbalance with China is very high. There would have to be significant export growth across Domains B to E to improve the level of IIT with China. The

[3] It is not of much interest, for example, if an IIT index of 80% is associated with a sector in which there are only US$40 of exports and US$60 of imports.

Design and Creative Services domain shows high IIT, but only US$2274 of export trade and US$1786 of import trade is involved.

IIT with India is not significant in South Africa's cultural goods trade. It is highest in Performance and Celebration at 8.5%, followed by Cultural and Natural Heritage at 4.4% and Visual Arts and Craft at 4.1%. Cultural and Natural Heritage trade is also quite low in value. The Design and Creative Services domain depicts higher IIT than the others at 22.9%, but only has negligible exports and imports. IIT with Russia stands at 13.4% for Books and Press in 2014-2016, and 10.2% for Visual Arts and Crafts. In this case, however, the trade balance is significantly in South Africa's favour.

Given the potential benefits of intra- versus inter-industry specialisation outlined in Section 5, export growth in sectors with some two-way trade could be promoted. The promotion of higher value added CCI trade with South Africa's BRICS partners would fit well into the country's current trade and industrial policy framework. In the case of South Africa's relations with China, for example, the 2010 Comprehensive Strategic Partnership Agreement between the two countries explicitly calls for investment and other strategies to promote more balanced value adding trade between South Africa and China. It is important for the CCI sector to develop a higher profile in these kinds of discussions in order to benefit from trade promotion strategies that could advance the sector.

6.4 Trade in cultural services

It was noted in the introduction that digitisation is increasingly impacting on cultural trade in certain product categories such as music, film and books. Although this report is focused on South Africa's cultural goods trade, it is important to recognise the role and significance of trade in cultural services. With "dematerialisation" of certain cultural products, cultural services trade will increase in importance. Practitioners concerned with the CCIs should be pro-active in recognising which traded services sectors are important for cultural trade and work towards the provision of better services trade data for the CCI sector at an appropriate level of disaggregation.

It was also noted that South African services trade data is not available at the required level of disaggregation to identify the country's cultural services trade at the EBOPS sub-sector level set out in Table 1. However, some indication of South Africa's cultural services trade in 2016 is provided in this section, based on data from the South African Reserve Bank following the move from BPM5 to BPM6. The ITC breakdown of South Africa's services trade is provided for the period 2007 to 2016 in order to get an idea of trends in the relevant services sectors. The ITC provides eighteen BPM6 categories, some of which are relevant for cultural services trade at a broad level.

Table 4 is derived from services trade data provided in the September 2017 Reserve Bank Quarterly Bulletin (SARB, 2017). The categories in the table are significantly more aggregated than the EBOPS categories in Table 1, but they do provide a picture of the value of trade in a number of the services sectors that contain cultural services exports and imports, as well as their relative importance (shares) in South Africa's total services trade.

Table 4: South Africa's trade in broad sectors relevant for cultural services trade in 2016 (SARB)

	Exports Rmn	Share (%)	Imports Rmn	Share (%)
Other (non-business) travel	106513	50.5	30301	13.8
Charges for the use of intellectual property	1601	0.8	29375	13.4
Telecommunications, computer and information services	8424	4.0	16325	7.5
Personal, cultural and recreational services	2898	1.4	267	0.1
Advertising and market research services	2282	1.1	2362	1.1
Architectural, engineering and other technical services	10667	5.1	17910	8.2
Total services	210852		219056	

(Source: Authors' computations from SARB, 2017)

It is evident that Other (non-business) travel, Architectural, engineering and other technical services, and Telecommunications, computer and information services are key export categories. The same sectors are important on the import side, together with Charges for the use of intellectual property. The category Personal, cultural and recreational services is relatively small, but more important on the export side.

Using the ITC database, Figures 20-24 plot South Africa's services exports and imports by sector for the period 2007 to 2016 for the available services categories that are important for cultural services trade.[4] It must be emphasised that the services categories depicted below

[4] The full source for Figures 20-24 is the ITC, UNCTAD, WTO trade in services database based on IMF statistics.

contain services that would be classified as core cultural services, or supporting or related services (see Table 1). However, most of the broad categories also contains services that would not be classified as cultural services. More disaggregated services trade data is not currently available from this source.

Figure 20: South Africa: Personal travel services (US$ 1000s)

South African has a consistent trade surplus in Personal travel services (Figure 20). This Tourism category is significant, especially on the export side, and falls under "Related cultural services" in the UNESCO (2009) FSC. Although a decline in services trade in this category is evident at the time of the global financial crisis, and again after 2014, the positive trade balance appears to have widened marginally in recent years.

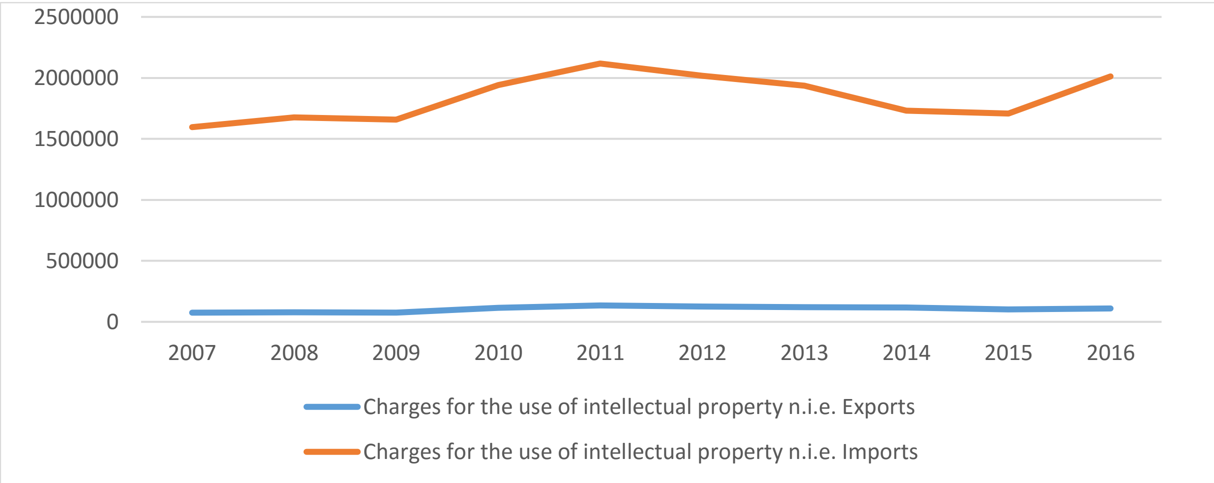

Figure 21: South Africa: Charges for the use of intellectual property (US$ 1000s)

South Africa exhibits a significant negative trade balance in the category Charges for the use of intellectual property (Figure 21). This is not surprising given its status as a small middle income developing country. The relevant UNESCO FCS categories within this sector are Licences to reproduce and/or distribute audio-visual products, Licences to reproduce and/or distribute related products, and Licences to reproduce and/or distribute computer software (see Table 1).

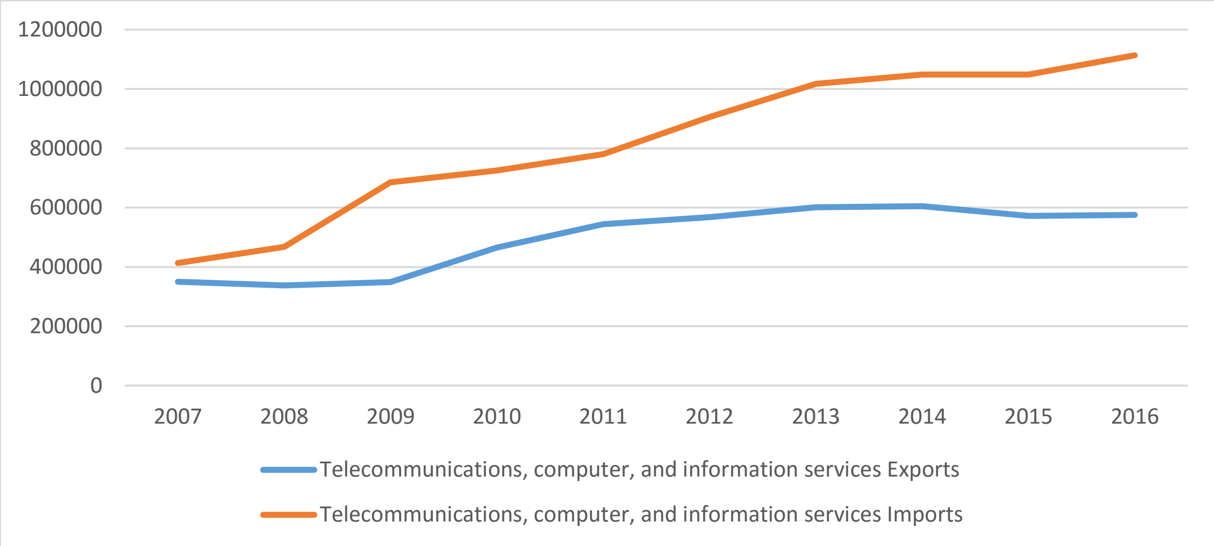

Figure 22: South Africa: Telecommunications, computer, and information services (US$ 1000s)

There is a comparatively small but widening trade imbalance in South Africa's Telecommunications, computer, and information services trade (Figure 22). Imports have been growing steadily while exports have tapered off. The important sub-categories within this sector for cultural services trade are News agency services, Other information services, Computer services, and Other computer services (see Table 1). The first two of these sub-sectors are classified as core cultural services in the UNESCO FCS, while the other two are equipment and supporting services.

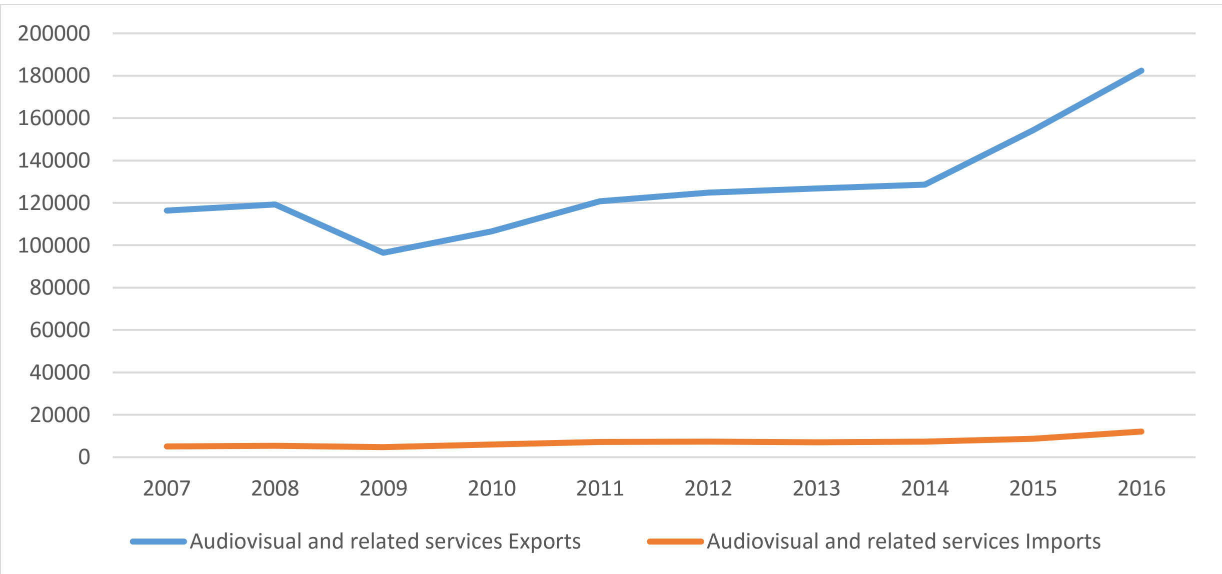

Figure 23: South Africa: Audio-visual and related services (US$ 1000s)

Interestingly, South Africa records a noticeable and growing positive trade balance in Audio-visual and related services. This category is "pure" core cultural services trade (see Table 1). Export growth appears to have accelerated since 2014. It is too early to speculate about whether this reflects the success of domestic incentives in this sector, but the trend should be followed in the next few years.

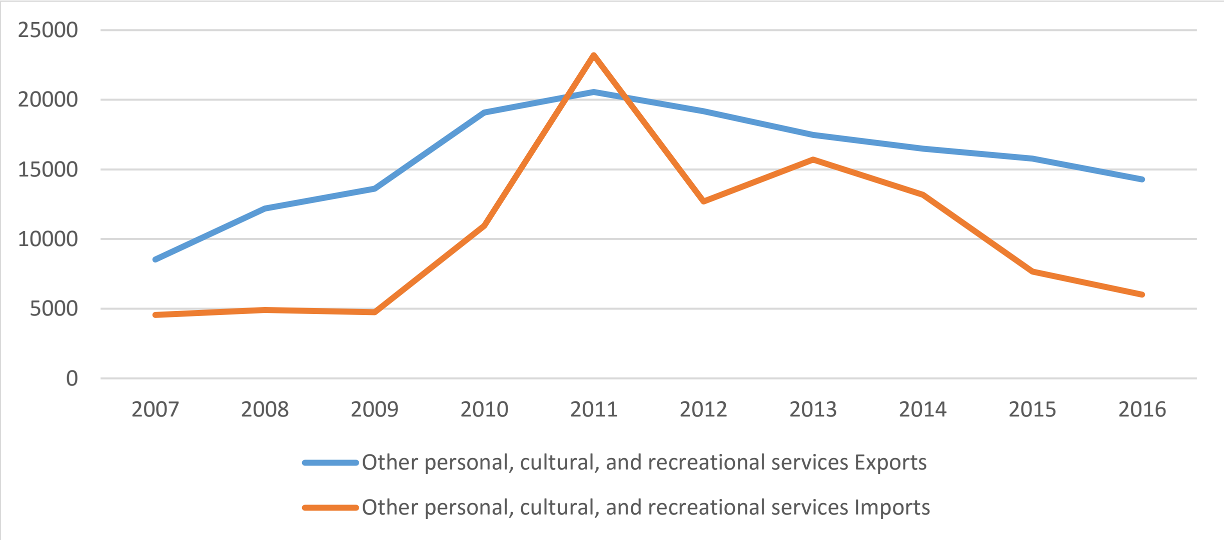

Figure 24: South Africa: Other personal, cultural, and recreational services (US$ 1000s)

Figure 24 shows South Africa's trade in the category Other personal, cultural and recreational services. There is a positive trade balance in this sector (except in 2011), but the trend in both exports and imports has been downward since about 2011.

South Africa performs comparatively well in the selected services sectors within which cultural services are important. The main exceptions relate, unsurprisingly, to Charges for the use of intellectual property and Telecommunications, computer, and information services trade. This is to be expected for a small open economy at South Africa's stage of development. It does appear that cultural services exports are important for the country in a number of sectors, and this should be considered in South Africa's CCI strategy.

It was noted in Section 5 that bilateral services trade data between South Africa and its BRICS partners is not currently available for the CCIs. A recent report on the services sectors of the BRICS countries (ITC, 2017a: 19) finds that intra-BRICS services trade is most prominent in sectors such as transport and logistics (related to growing goods trade) and increasingly in tourism. For South Africa, intra-BRICS services trade is estimated to account for nearly 30 per cent of the country's total services exports, largely due to trade with China and India (ITC, 2017a: 20). This suggests that there is potential for increased trade with BRICS countries in tourist-related service activities in particular.

7. Conclusions and recommendations

This report set out to examine the growth and structure of South Africa's cultural and creative industries trade between 2007 and 2016, with a focus on the country's trade with its BRICS partners. It also investigated the country's intra-industry trade by domain with each partner, since increased intra-industry specialisation within particular sectors or domains can better harness the potential benefits of trade expansion and promote more balanced value added trade.

Although the report focused on cultural goods trade, it emphasised that the role and significance of trade in cultural services is likely to increase with growing digitisation affecting a number of CCI product categories. South African services trade data for selected categories in which cultural services trade is important were therefore examined, to provide a picture of the pattern of the country's cultural services trade since 2007.

The main findings of the study are as follows. Cultural goods exports accounted for 0.46% of South Africa's total commodity exports in 2016, while cultural goods imports accounted for 0.66% of total commodity imports. A significant slowdown in South Africa's total cultural goods trade was evident in 2015, in line with the slower growth in the economy more broadly. However, there was evidence of a comfortable recovery in 2016. Cultural goods exports grew faster than cultural goods imports for much of the post-crisis period, reducing the country's trade imbalance in cultural goods markedly, particularly in the most recent period. The analysis in Section 6.1 indicated that Visual Arts and Crafts domain is a significant driver of this trend, alongside weaker import performance in a number of domains. On the import side, Audio-visual and Interactive media imports are important but volatile. The trade balance by domain is only positive in the case of Cultural and Natural Heritage, while the trade imbalance is most significant in Books and Press, and Performance and Celebration.

The results of the analysis of South Africa's cultural goods trade with its BRICS partners individually were presented in Section 6.2. Bilateral trade data between South Africa and its BRICS partners at this level of disaggregation is sparse in places, with a number of significant outliers. South Africa's trade imbalances with China and India were found to be extremely high, although they narrowed slightly in the more recent period. The trade imbalance with Brazil has also improved. Russia is the only BRICS country with which South Africa runs a surplus in its cultural goods trade. Visual Arts and Craft is a significant traded domain on both the export and import side in South Africa's trade with its BRICS partners. On the export side, Cultural and Natural Heritage is an important domain, together with Books and Press. Performance and Celebration is an important cultural export domain in South Africa's trade with Russia. With respect to imports, Visual Crafts and Arts, Performance and Celebration, and Books and Press are significant domains. Imports of Audio-visual and Interactive Media are significant in South Africa's trade with China.

Section 6.3 examined the extent of intra-industry trade by partner within particular sectors and domains. It was found that there was some significant IIT by domain in South Africa's aggregate cultural goods trade, with IIT reaching at least 30% in most cases. The situation was very different with BRICS partners. Notable IIT was recorded between South Africa and Brazil in the case of Visual Arts and Crafts in the period 2014-2016, while in South Africa's trade with China, there was 41.48% IIT in the Cultural and Natural Heritage domain, although the value of trade was comparatively low. Apart from these sectors, IIT was not very high in South Africa's trade with its BRICS partners in sectors with notable trade flows. Export growth in selected domains would improve the pattern of IIT considerably.

Section 6.4 provided a picture of trade trends in selected broad services sectors within which cultural services trade is prominent and for which data were available. It was found that South Africa performed quite well in a number of these sectors and there was evidence of growing Audio-visual services exports, suggesting that the Film Incentive programme could be taking effect. There was insufficient data to analyse intra-BRICS services trade at a suitable level of disaggregation, but a recent ITC report suggests that there are prospects for increased trade between South Africa and other BRICS countries in tourist-related service activities in particular.

A number of recommendations follow from these findings, as well as areas for further research.

- An important priority is the improvement of data collection for CCI trade in both goods and services spheres. This requires coordination between industry groupings, the dti, DAC, the Small Business Development Ministry, SARS and the SARB. Since cultural services trade is likely to grow in relative importance under digitisation, better services trade data for the CCI sector at an appropriate level of disaggregation is particularly important.
- The promotion of value added trade in both cultural goods and services, both with BRICS and other trading partners. This aligns with South Africa’s Trade Policy and Strategy Framework and Industrial Policy Action Plan.
- Raise the profile of the CCI sector in trade negotiations within Africa and elsewhere; consult industry groupings to explore what the CCI sector wants out of international trade and cooperation agreements.
- Create hubs (like industrial parks but for CCI clusters) to promote competitiveness, informal-formal sector linkages, employment and export opportunities. Export growth in sectors with some two-way trade could be promoted.
- Introduce CCI “stalls” or sections at international trade fairs hosted by the dti.
- Liaise with industry bodies to ensure that information about incentives are properly communicated to the CCI sector. There is preliminary evidence that the IPAP focus on the Film and Crafts sectors has improved their export performance.
- Further research on IIT within the sub-categories of particular domains would be useful. A number of cultural domains are divided into sub-sectors. For example, Visual Arts and Crafts is sub-divided into five sub-categories, namely Paintings, Other visual arts, Craft, Jewellery and Photography, each of which has its own cluster of six-digit HS codes. This would facilitate an investigation of, for example, IIT within the Jewellery sub-sector which is potentially an important focus area for South Africa.
- Improved data collection could facilitate the estimation of a gravity model of South Africa’s bilateral cultural goods trade to allow for the concept of “cultural distance” to be added to the analysis of trade in cultural products.

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Appendix 1: Cultural goods trade: 2007 Harmonised System codes and descriptions

Domain		HS 2007	Description
A. Cultural and Natural Heritage	Antiques	970500	Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest
		970600	Antiques of an age exceeding one hundred years
B. Performance and Celebration	Musical Instruments	830610	Bells, gongs and the like
		920110	Upright pianos
		920120	Grand pianos
		920190	Harpsichords and other keyboard stringed instruments (excl. pianos)
		920210	Other string musical instruments (for example violins, harps) played with a bow
		920290	Guitars, harps and other string musical instruments (excl. with keyboard and those played with a bow)
		920510	Brass wind instruments (for example, clarinets, trumpets bagpipes)
		920590	Wind musical instruments (excl. brass- wind instruments)
		920600	Percussion musical instruments (for example drums, xylophones, cymbals, castanets, maracas)
		920710	Keyboard instruments other than accordions
		920790	Accordians and musical instruments without keyboards, the sound of which is produced, or must be amplified, electrically
		920810	Musical boxes
		920890	Fairground organs, mechanical street organs, mechanical singing birds, musical saws and other musical instrument; decoy calls of all kinds; whistles, call horn and other mouth blown sound signalling instruments
	Recorded Media	852321	Cards incorporating a magnetic strip
		852329	Magnetic media for the recording of sound or of other phenomena (excl. cards incorporating a magnetic stripe and goods of chapter 37)

		852351	Solid-state non-volatile storage devices
		852359	Semiconductor media, unrecorded, for the recording of sound or of other phenomena
		852380	Gramophone records and other media for the recording of sound or of other phenomena, whether or not recorded, incl. matrices and masters for the production of discs
		490400	Music, printed or in manuscript, whether or not bound or illustrated
C. Visual Arts and Crafts	Paintings	970110	Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading 4906 and other than hand- painted or hand- decorated manufactured articles, collages and similar decorative plaques
		970190	Collages and similar decorative plaques
		491191	Pictures, designs and photographs2
	Other visual arts	970200	Original engravings, prints and lithographs
		970300	Original sculptures and statuary, in any material
		392640	Statuettes and other ornamental articles in plastic
		442010	Statuettes and other ornaments, of wood
		442090	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; wooden articles of furniture
		691310	Statuettes and other ornamental ceramic articles of porcelain or China
		691390	Statuettes and other ornamental ceramic articles, n.e.s. (excl. of porcelain or china)
		701890	Glassware articles including statuettes
		830621	Statuettes and other ornaments, of base metal plated with precious metal
		830629	Statuettes and other ornaments, of base metal, not plated with precious metal (excl. works of art, collectors' pieces and antiques)
		960110	Worked ivory and ivory articles
		960190	Bone, tortoiseshell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding)
	Craft	580500	Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like and needle-worked tapestries

		580610	Narrow woven fabrics: Woven pile fabrics (including terry towelling and similar terry fabrics) and chenille fabrics
		580620	Narrow woven fabrics: Other woven fabrics, containing by weight 5% or more of lastomeric yarn or rubber thread
		580631	Narrow woven fabrics: Other woven fabrics of cotton
		580632	Narrow woven fabrics: Other woven fabrics of man-made fibres
		580639	Narrow woven fabrics: Other woven fabrics of other textile materials
		580640	Fabrics consisting of warp without weft assembled by means of and adhesive (bolducs)
		580810	Braids in the piece; ornamental trimmings in the piece, without embroidery; other than knitted or crocheted
		580890	Other braids in the piece; ornamental trimmings in the piece, without embroidery; other than knitted or crocheted
		580900	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading 5605 of a kind used in apparels as furnishing fabrics or for similar purposes
		581010	Embroidery in the piece, in strips or in motifs without visible ground
		581091	Embroidery in the piece, in strips or in motifs: Other embroidery of cotton
		581092	Embroidery in the piece, in strips or in motifs: Other embroidery of man-made fibres
		581099	Embroidery in the piece, in strips or in motifs: Other embroidery of other textile materials
		581100	Quilted textile products in the piece
		600240	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of lastomeric yarn but not containing robber thread
		600290	Other knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of lastomeric yarn or robber thread
		600310	Knitted or crocheted fabrics of a width not exceeding 30 cm of wool or fine animal hair
		600320	Knitted or crocheted fabrics of a width not exceeding 30 cm of cotton
		600330	Knitted or crocheted fabrics of a width not exceeding 30 cm of synthetic fibres
		600340	Knitted or crocheted fabrics of a width not exceeding 30 cm of artificial fibres
		600390	Other knitted or crocheted fabrics of a width not exceeding 30 cm

		600410	Knitted or crocheted fabrics, of a width exceeding 30 cm containing by weight 5% or more of lastomeric yarn but not containing robber thread
		600490	Other knitted or crocheted fabrics, of a width exceeding 30 cm containing by weight 5% or more of lastomeric yarn or robber thread
	Jewellery	711311	Articles of jewellery and parts thereof of silver, whether or not plated or clad with other precious metal
		711319	Articles of jewellery and parts thereof of other precious metal, whether or not plated or clad with precious metal
		711320	Articles of jewellery and parts thereof of base metal clad with precious metal
		711411	Articles of goldsmiths' or silversmiths' wares and parts thereof of silver, whether or not plated or clad with other precious metal
		711419	Articles of goldsmiths' or silversmiths' wares and parts thereof of other precious metal, whether or not plated or clad with precious metal
		711420	Articles of goldsmiths' or silversmiths' wares and parts thereof of base metal clad with precious metal
		711610	Articles of natural or cultured pearls
		711620	Articles of precious or semi-precious stones (natural, synthetic or reconstructed)
	Photography	370510	Photographic plates and film, exposed and developed, other than cinematographic film for offset reproduction
		370590	Photographic plates and film, exposed and developed (excl for offset production)
D. Books and Press	Books	490110	Printed reading books, brochures, leaflets and similar printed matter whether in single sheets whether or not folded
		490191	Dictionaries and encyclopaedias and serial instalments thereof
		490199	Printed books, brochures and similar printed matter
	Newspaper	490210	Newspapers, journals and periodicals, whether or not illustrated or containing advertising material appearing at least four times a week
		490290	Other newspapers, journals and periodicals
	Other Printed Matter	490300	Children's picture, drawing or colouring books

		490591	Maps and hydrographical or similar charts of all kinds in book form
		490510	Maps and hydrographical or similar charts of all kinds in globes
		490599	Other maps and hydrographical or similar charts of all kinds
		490900	Postcards, printed or illustrated; printed greeting cards
		491000	Calendars of any kind, printed, including calendar blocks
E. Audiovisual & Interactive Media	Film and Video	370610	Cinematograph film, exposed and developed whether or not incorporating soundtrack or only consisting of sound track of a width of 35 mm or more
		370690	Cinematographic film, exposed and developed, whether or not incorporating soundtrack or consisting only of soundtrack, width < 35 mm
		950410	Video games used with a television receiver
F. Design and Creative Services	Architecture & Design	490600	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing

Source: UNESCO (2009: 65-69).