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War economy or Warhol economy?

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Ladies and gentlemen,

The timing of this conference is certainly faultless: with the pressure in Greece over the last few days mounting sky high and nerves in financial markets and European capitals on edge, managing the financial crisis in Europe has been a topic almost too hot to handle.

The feeling of crisis was as strong as ever. Turning it into an opportunity is what we need to do next.

But we all realise it is an enormous challenge, whether for governments, companies, citizens, creative and cultural institutions, all operating in awfully difficult budgetary circumstances.

I vividly remember a woman, protesting in Athens last week, telling a TV reporter: "We all know we need savings and cuts, as a result of the errors the past. But we also need hope and perspectives for the future."

How do we, as governments and policy makers, offer hope without sacrificing financial diligence?

How do we offer citizens, workers and companies some perspective with limited means?

And how do we help them rebuild their own future after the tremendous impact of the financial crisis?

We, as European Commission, are starting to draw up just such plans, forcing opportunities for the future.

With the so-called European Semester, we are keeping a close eye on Member States' spending precisely with a view to striking that delicate balance between saving and investing.

With the Multiannual Financial Framework, approved by the Commission last week, we aim at a European budget that gives tax payers value for money and at the same time makes possible the often ambitious goals the European Union has for itself – and should have.

More than ever, after the financial crisis, European integration and European leadership will be needed to provide economic perspective.

Creative and cultural industries in particular have a major stake in this debate.

They have a lot to offer in terms of economic potential.

They have a lot to lose in terms of public financing.

If investments should come to be seen as untenable…

If cultural expenses are seen as unsupportable…

We would saw off the branch we're sitting on.

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Ladies and gentlemen,

Some of you probably know this story:

During the Second World War, when Winston Churchill’s finance minister suggested Britain should cut arts funding to support the war effort, the response was a cynical question: “Then what are we fighting for?”, the Prime minister supposedly asked in reply.

To be honest, no-one seems to know for sure whether this often recounted episode ever really happened. But I like it nevertheless. Se non è vero, è ben trovato.

For there is certainly a similar feeling amongst many people in the cultural sector, now that governments across Europe are at war with public debt.

In a number of these countries, the austerity measures adopted or planned by national governments have had a severe impact on the cultural sector.

To give you just a few examples:

- the Baltic countries, hit hard by the recession, were the first to take drastic measures. Latvia cut its culture expenditure by 42% in 2009, Estonia by 30%;
- many others are following suit, or plan to do so in the next few years. By 2014 the Dutch ministry of Education, Culture and Science will have its culture budget slashed by 20%, while the British Department for Culture, Media and Sport faces a budget cut of 25%.

Across Europe, even where budget cuts have so far been less drastic, the good old days are most certainly over. Tremendous pressure on public budgets has forced cultural organisations depending on government support to prove more than ever how and where they guarantee value added.

It is also pushing cultural and creative industries to seek new ways of financing, of attracting private funds and investments by showing more than ever what they're worth in economic terms.

And there is value added in the cultural sector, that is beyond doubt.

Cultural and creative industries play a major role in the economy of the European Union. EU-commissioned studies have found that the cultural and creative industries account for 4,5 % of total EU GDP and employ some 8.5 million people.

They can certainly make a major contribution to future economic growth, jobs, innovation and broader goals aimed at fostering strong and cohesive communities.

If, in line with the Europe 2020 strategy designed by the European Commission last year, we want Europe to achieve smart, sustainable and inclusive growth in the years to come, we must come up with creative and innovative solutions to the problems Europe is facing.

Europe 2020 is a bold strategy with ambitious targets to put Europe back on a long-term growth path. It aims at tapping into Europe's potential for innovation to achieve smart, sustainable and inclusive growth. It's about getting the framework right, which becomes even more important when public money is scarce.

Europe 2020 is not sector-specific, but if we look at the flagship initiatives in Europe 2020, we can see that culture and the cultural and creative industries are firmly embedded in some of them, in particular in the Digital Agenda, the Innovation Union and our Industrial Policy for the Globalisation Era.

Cultural and creative sectors are not only essential to Europe's cultural diversity. They are also one of the most dynamic sectors of Europe's economy. They build on the only natural resources Europe has: brains. And they are still a part of the economy in which Europe is clearly a global leader.

Just as an anecdote:

Despite all the talk and fear of emerging economies taking over the world, lock, stock and barrel, there is some frustration in China with the fact that they don't succeed enough in capturing the high end of the market in most sectors. Certainly in the creative and cultural sector that seems to be the case: most of us here today will be wearing something made in China, but how many of you are wearing clothes that are designed and marketed by Chinese?

There was one promising attempt recently with vintage Chinese sports sneakers called Feiyue – Chinese for "Flying Forward" – which were redesigned and professionally branded, supported by a campaign including hip US movie star Orlando Bloom wearing them, articles in Elle fashion magazine, and so on.

But there was only one problem: the company now creating, upgrading, designing and selling the decades-old classic Feiyue shoe is … French – causing the Chinese to complain of copyright violations.

If true, I am not saying I condone it, of course, but it's interesting to see the boot is on the other foot for once, so to speak. And it does say something for the European talent and flair for success in the creative industries.

But talent and flair are not enough, and the industry has met with a number of serious structural challenges recently for which they need our support.

Although, as you know, the main responsibility for policy and funding in the field of culture lies with the Member States at national, regional or local level, there is scope for European intervention. In this context, I see three main challenges ahead of us.

First, the market context for cultural works is highly fragmented along linguistic and cultural barriers. This hinders the circulation of works and professionals and limits critical mass.

Second, globalisation and digitisation are seriously affecting the way in which cultural goods are made, managed, disseminated, accessed, consumed and monetized. They offer great opportunities, but they also require knowledge development and investment. The sector needs support to adapt to these technological changes and new business models. And Europe must make a greater use of its immense cultural assets on the world scene.

Thirdly, and most importantly, the sector faces a challenge in terms of access to financing. Music, books, films, are all considered high-risk businesses where every new product is, in a sense, a prototype. The situation must be improved. Banks need to build up expertise in this sector and the sector needs to build up its capacity to 'sell' what it has to offer to banks.

The cultural sector itself, consisting mainly of SME's, also needs to build professionalism in its approach to finance. Recent research commissioned by the European Commission pointed out the short-term span of financial planning in the cultural and creative industries, with only 4% of entrepreneurs having a financial forecast of up to 5 years. Combined with a reliance on intangible assets such as soft, novelty innovation, copyright and creativity - things that are often not reflected in accounts - it makes it hard to approach banks and convince potential investors.

Public sector funding, the report said, is often more accessible to the core cultural institutions, so that cultural and creative industries as a whole are on the look-out for new sources to add to self-financing, which for them remains the main source of capital. Tax credits and fiscal exemptions, business angels, venture capital and innovation vouchers could all provide interesting avenues to pursue.

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Ladies and gentlemen,

The million dollar question in the debate about financing the creative sector is still, of course: what about culture's invaluable contribution to society at large? That is the classic public goods problem the cultural sector needs to try to overcome. That we, as politicians, have to try to overcome.

Because we know for a fact that, whereas one talented fashion designer can provide jobs for a healthy small or medium-sized enterprise, six of them together can change the very image of a city the size of Antwerp. How do we value that?

And how – in times of austerity and government efficiency - do you guarantee the necessary investments in such areas?

Maybe we should not think of ourselves so much as a war economy, but as a Warhol Economy – to use the term of American researcher Elisabeth Currid. For a city like New York, she provocatively argues, creative and cultural industries are as important as all Wall Street firms combined: they both directly account for about 5% of local jobs.

Like Richard Florida before her, she explains how the social fabric of cities, networks of galleries, cafés, clubs, art schools, an atmosphere of tolerance and so on… how all these elements combine into a context of creativity which is crucial for a modern, innovative economy. Cultural subsidies, in her view, are much like infrastructure investments: they stimulate overall growth, they benefit all those who in one way or the other make use of it, and are therefore worth much more than at first seems to be the case.

The cities that know how to brand their local economy find the most productive way to combine public and private strategies to keep their creative industries going. Places like London and Toronto, which she names as good examples, are now more in touch with Andy Warhol's creative factory ideas than New York is.

The European Commission - and myself in particular - never needed convincing of culture's inherent worth.

Apart from its economic value and spin-offs, culture reinforces social and territorial cohesion, it strengthens the social fabric and crosses borders in a way that is central to the European project. There are numerous examples of “inclusive” interventions in cities which demonstrate the potential of culture for territorial regeneration and the restructuring of urban areas in crisis.

Maybe the most fitting example is the way European Capitals of Culture have successfully invested in culture both 'high' and 'low' to create jobs, unite a city around a concrete project and transform its image. In European capitals, culture certainly drives creativity and innovation; with artists greatly contributing to society not only by being creative, but also by inspiring others to do the same.

Antwerp, again, is a good example: its stint as European cultural capital in '93 formed the basis of a general transformation of the city which culminated recently in the opening of the new MAS – Museum aan de Stroom.

Lille, in 2004, was another impressive success story, using the momentum generated by being Cultural Capital to renew a city and a region in dire need of a common project, built around art and culture in the broadest sense of the term.

And Mons, the next Belgian city to become European Cultural Capital in 2015, is ready to do the same: in close cooperation with other cities throughout the country and in the North of France, around key cultural figures like Vincent Van Gogh, Orlandus Lassus and Paul Verlaine that symbolise the open, European spirit of a project nevertheless rooted firmly in local traditions.

Other European Commission funding, managed by my colleague Androulla Vassiliou, has targeted a similar approach to the cultural sector's potential.

The EU Culture Programme is doing great work to encourage and maintain cultural projects in Europe. With a budget of 400 million€ for the period 2007-2013 the programme celebrates Europe’s cultural diversity and enhances our shared heritage. The Media Programme – with a budget of 755 million€ – is crucial in boosting the competitiveness of our movie industry.

On top of these two programmes, other EU programmes such as the ones developed in the context of our external relations, the framework programme for research and technological development or the Structural Funds hugely contribute to the financing of cultural projects in Europe and beyond. To give just one example, it is estimated that for period 2007-2013, around 6 billion€ will be spent on culture and cultural heritage in the framework of the EU Structural Funds.

We will keep up and even speed up these investments despite the pressure on the EU's budget. The financial programme proposed by the Commission last week foresees an increase of 37% for the Creative Europe programme in the years from 2014 to 2020. Creative Europe will bring together the current Culture, Media and Media Mundus programmes of the Commission to better focus on Europe 2020 goals and unlock the job creation potential of cultural and creative sectors, but always in the broader context of operating beyond national borders and promoting cultural and linguistic diversity.

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Ladies and gentlemen,

To sum up: yes, cultural and creative industries will play a crucial role in the years to come, if we want Europe to achieve sustainable economic growth again.

But, while I am here, allow me to say a few words on my own area of expertise as well – for I am convinced international trade and trade policy will also be critical in maintaining future growth and welfare in the years to come.

Trade has been a mainstay of our economic model and success both before and after the financial crisis.

Right up until the economic crisis swept over us, global trade grew rapidly. From 1999 until 2008, the value of world trade in goods grew by 73%. And when the worst of the crisis was behind us, international trade picked up as fast as global demand did.

The fact that the protectionist threat, though very much present at the time, did not materialise goes to show that leading politicians across the globe still believe in open markets as key to their growth strategy.

And so should Europe. Because trade has also been one of the most important factors in our own economic recovery of the last two years. The latest figures indicate that net exports from the EU were responsible for one third of our 1.8% GDP growth in 2010.

And there is more potential to reap in the future: we estimate the benefits that would flow from the trade agreements currently under negotiation to be considerable: for the European Union, completing what's on the table in Doha and with all our future FTA partners would amount to around half of one per cent of GDP. This would be a major contribution to growth and jobs in Europe.

But this will not come automatically. We have to do more, both at multilateral level and bilaterally, to open up trade even more and to keep trade flowing. And we have to convince our citizens that, even if opening markets is not always easy and requires difficult adjustments, it is the only way to keep our economic engine running.

By 2015 90% of world growth will come from economic power houses outside of Europe – one third of which from China alone. Europe, the continent where the budgetary impact of the financial crisis is arguably the most severe, has no other option but to find access to economic growth generated in markets that have been less severely hit.

Far from breaking up our social model at the hands of global economic forces, we have to tap into global economic flows to protect our social model.

That, to me, is what trade is all about.

So we need growth, we need trade, we need cultural organisations and creative industries, but the combination of these has always been fodder for intense debate.

The complex relation between trade and culture has come under intense scrutiny during the recent years, notably following to the adoption of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expression in 2005.

As one of the main supporters of its adoption, the EU is among the first in recognising the dual nature of cultural activities, goods and services, which have both an economic and a cultural dimension.

This interaction should be examined in the light of both the general objectives of the Convention (such as the pursuit of wider and more balanced cultural exchanges, promotion of cultural diversity) and of its specific provisions (such as promoting international cooperation in the field of culture and granting preferential treatment to developing cultural industries).

The EU-practice in trade negotiations, both in multilateral fora and in regional and/or bilateral context, is fully in line with the general objectives of the UNESCO Convention. This does not prevent certain EU Member States from having certain commitments in GATS and in FTA's on some cultural services.

As far as audiovisual services are concerned, the EU, together with many other WTO Members, has refrained from making specific commitments on market access and national treatment in the audiovisual sector and has notified exemptions from the application of the Most Favoured Nation rule in order to allow for the development of national policies for preserving cultural diversity as well as meaningful cultural cooperation with third countries.

In bilateral and regional trade agreements, the EU has excluded audiovisual services from the scope of the trade provisions of such agreements, while calling for the treatment of audiovisual and other cultural services in specific cooperation frameworks which seek to promote cultural and audiovisual exchanges.

This balanced approach is intended to promote also the offensive interests of European cultural and creative industries. We must not fall into the trap of taking too defensive a stance on the sector at large, and think of how we can develop the full potential of our highly innovative, dynamic and popular cultural and creative industries in the context of international trade as well.

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Ladies and gentlemen,

In a recent edition of the Dutch magazine De Groene Amsterdammer, Pieter Hilhorst names a number of reasons to support funding for cultural and creative industries. Two of them are along the lines of what I have just said:

First the 'bombastic' one – art as civilisation, something you cannot touch without undermining the very essence of our societies. There is a lot to be said for that but the concrete implications are not always that clear-cut. Even in the Netherlands, he argues, public spending will continue to be at the level of 2005 – 'Were we barbarians in 2005', he asks?

The second reason is pragmatic – art as a means to an end, whether that end is economic growth, social progress or regional integration and so forth. Again, as a line of defense it is suboptimal, because 'what happens if there are other, cheaper ways to achieve the same ends?'

But there is a third way to look at it, he argues: to see art as an end in itself, a core characteristic of being human, an ability to create something from nothing, to express ourselves and reach out to others.

This line of reasoning does not provide the final argument for or against scrapping culture subsidies, but it does transcend the view of art as a product and casts it in a different light: that of a personal and social ideal, which deserves our attention and support in whatever shape or form.

Even in times of crisis.

Especially in times of crisis.

Is that the reason why, even in the wake of the financial meltdown, Belgian companies have cut about one third of their sports sponsoring but less than 10% of their culture budgets? 'Cultural patronage says a great deal about the values of a company,' explained Chantal Pirot, who researched the Belgian market for private funding in the cultural sector, 'It is something clients appreciate, it's also part of creating a brand that interests future business partners. A sprong point in times of crisis.'

Regardless of the public/private funding debate, the way we deal with culture says a great deal about the values of a government or a politician as well.

About the often intangible ideals we pursue by tangible political initiatives.

About 'what we are fighting for', to quote Churchill again.

I myself am firmly on your side in hoping that, despite the financial crisis and public debt panic, our cultural and creative industries will never suffer from a deficit of attention from governments, businesses and institutions across Europe.

Thank you very much.