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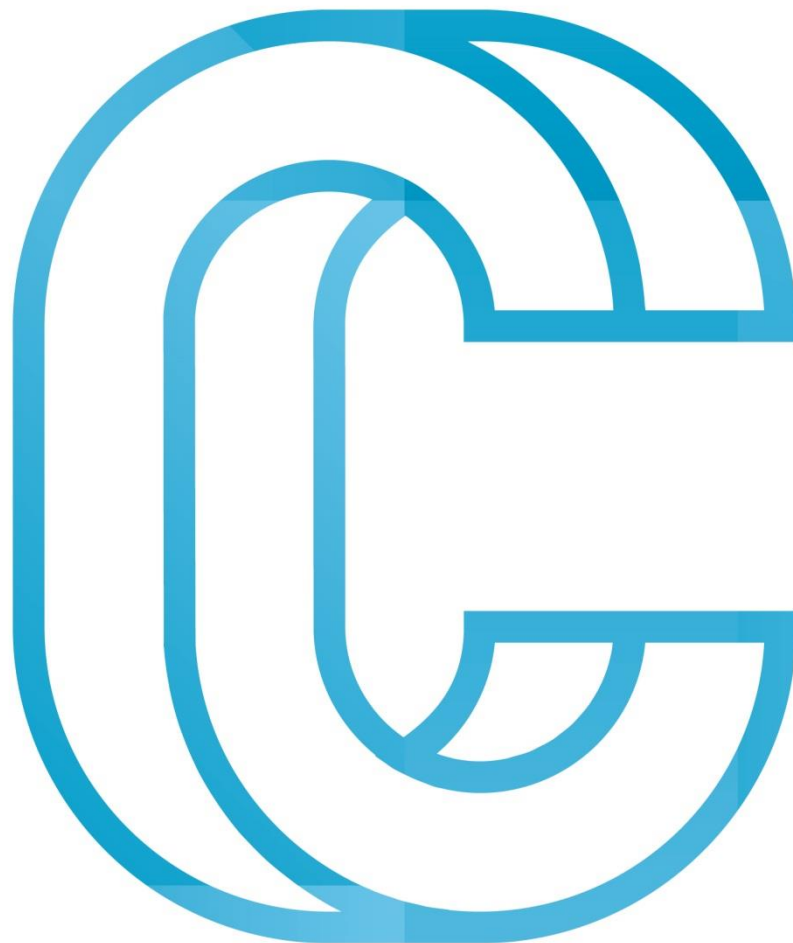
Culture, creativity & internationalization of the Portuguese economy

Executive Summary

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Executive summary

This study seeks to contribute towards the improvement of public policies and business strategies in order to explore the potential of culture and creativity as a tool for the competitiveness and internationalisation of the Portuguese economy.

The overall objective is to ensure that the opportunities opened up by the new cycle of European funding for the 2014-2020 period are fully appropriated by the public policies and by the economic, social and institutional actors engaged in the cultural and creative sector across all of its great diversity of forms and activities.

In this context, we need to clarify the objectives and the opportunities for the intervention of public policies, co-financed by the European Union through operational and regional programs that are able to foster the mutual strengthening of the cultural and creative sector and the economy as a whole.

This challenge involves establishing the conditions for culture and creativity to contribute and to play a leading role in boosting the internationalisation and competitiveness of the country, whether by reinforcing the actual extent of internationalisation prevailing in the cultural and creative sector or by deepening the internationalisation of the broader Portuguese economy through innovation and differentiation.

This study focuses on what the next generation of European funding might do in terms of internationalising Portuguese culture and creativity. The study also considers the role played by culture and creativity in terms of generating wealth and employment in the country over the 2014-2020 cycle.

The specific internationalisation of the cultural and creative sector clearly represents a decisive factor in this outward tendency of the Portuguese economy.

In the internal domain, and even without including the growing dynamism of the digital revolution, the cultural and creative sector is one of the most dynamic in the Portuguese economy and compares well in terms of generation of wealth with other key productive sectors, such as textiles and clothing, food and beverages or the automobile sector.

Methodological approach

Chapter I, on the methodological approach, demonstrates the reasons why this research cannot limit its scope to the internationalisation of the cultural and creative sector.

What will create jobs in the Portuguese economy is a virtuous circle driven by what the country does better. We should set off into globalisation through reinforcing what makes us unique and that means our culture, our history, our knowledge and our creativity to produce goods and services of high value on a global scale.

We should furthermore reveal the role of culture and creativity in strengthening the international competitiveness of the goods and services the Portuguese business sector deploys in international markets, from music to tourism, film to footwear, or arts and crafts to science.

Culture and creativity are understood here in their broadest and most ubiquitous sense as a transversal and decisive factor in strengthening the internationalisation of the Portuguese economy through innovation and differentiation.

We would very much emphasise that this greater interaction between culture and the economy seeks neither to substitute nor subvert the values and liberties in cultural and artistic activities to some mercantilist principle.

What is at stake here is not the presentation of an alternative path but rather the suggestion of a complementary path that expands and deepens the vital space of the cultural and creative sector within the framework of the country's development.

By accepting the challenge of innovation and differentiation, the new strategy for the use of European funds in Portugal can be driven by its cultural diversity and creative talent applied to the most diverse sectors of the economy.

Diagnostic

Chapter II, on the international positioning of ©reative trade and production, reports on the results of an extensive survey of the international trade in cultural and creative goods and services over the last decade. This demonstrates the Portuguese position in the European and global contexts in terms of trade of goods and services considered creative by international statistics.

By ©reative, we designate the basket of goods and services detailed in the creative economy trade statistics as defined by the United Nations Conference on Trade and Development (UNCTAD) and the basket of indicators estimating creative production under the auspices of the global innovation index published by the World Intellectual Property Rights Organization (WIPO), Cornell University and INSEAD.

©reative thereby seeks to highlight the restrictiveness of these international statistical sources regarding the amplitude with which the concepts of culture and creativity are approached within this study. In fact, within the scope of this chapter, we cannot simply ignore how the currently available data bases are not fully able to capture the direct and indirect impact of culture and creativity on the internationalisation of the Portuguese economy.

Despite the existing limitations, the international statistics nevertheless do reveal the strengths and weaknesses of the Portuguese case within the European and world contexts.

The diagnosis begins with the analysis of trends in the Portuguese ©reative balance of trade between 2002 and 2011 and in accordance with figures from UNCTAD.

This evolution reveals both how the exports of the creative industries (including design, art craft, visual arts, publishing, new media and audiovisuals goods and services related to advertising, architecture, R&D, audiovisual and other cultural and recreational activities) and the exports of related industries (including raw materials and support equipment that ensures the creation, production, distribution and consumption of creative products) report levels of dynamism and resilience above the national average.

These exports have recovered from the collapse of international trade since 2009 at a pace that equals or exceeds that of the major national export sectors such as chemicals, automobiles, foodstuffs and electric equipment.

The largest national ©reative exports involve audiovisual related goods (boosted by international sales of support equipment such as radio receivers for automobiles, i.e.

car radios), design related products (boosted by international sales of materials such as gold) and design products, such as furniture, home textiles, wallpaper, porcelain, jewellery, lighting, fashion accessories or toys.

©reative production is one of the criteria adopted by the global innovation index published by WIPO, Cornell University and INSEAD.

This evaluates the relevance attributed nationally to intangible assets, creative goods and services and online creativity. The results of an international comparison of ©reative production demonstrates national weaknesses in terms of daily newspaper circulation levels, brands with truly international reaches or active participation on the internet.

Analysing both its global dimension and its various specific dimensions (products, markets, sectors), our research concludes that the trends in international ©reative trade highlight the overall lack of coherence in the level of specialisation attained.

In contrast with the greater dynamism demonstrated by trends in the models of consumption, there is a lower level in terms of the productions most closely associated with the digital revolution.

The main Portuguese export strengths stem from products displaying various factors of vulnerability within the context of consolidating globalisation and facing the growing roles of emerging countries in terms of industrial production.

In order to guarantee a relatively stable trade balance over a medium and long term trajectory for the cultural and creative sector, our research identified the need to undertake sustained efforts to internationalise the sector, especially in terms of the hard core of intellectual property driven activities.

Official Portuguese language markets absorbed 15% of the Portuguese creative exports in 2011. Portugal holds significant market shares in Sao Tome and Principe, Angola, Cape Verde, Guinea Bissau, Mozambique and East Timor but not in the Brazilian market.

In Brazil, the single most relevant official Portuguese language market, as a supplier Portugal drops back to 21st place on a global scale and 7th in European terms, even while adopting other forms of internationalisation such as direct investment.

Our research furthermore concludes that enhancing the value of the Portuguese language in the countries and communities that speak and share this language is

essential as a collaborative platform externally projecting the cultural and creative sector of Portugal.

The internationalisation of the cultural and creative sector finds here a powerful lever, by not limiting itself to the Portuguese language, but rather gaining identity and the transversal character guaranteeing the necessary resilience to reap the rewards of this international profile.

The interchange of business statistics with international trade statistics from the National Institute of Statistics (INE) confirms the bias displayed by the cultural and creative sector towards the internal market. This cross-referencing reveals that only 3.2% of cultural and creative companies are exporters, below the national average (3.8%) and six times lower than the percentage of exporting companies in the Portuguese manufacturing sector (19.4%).

Potential

The following three chapters demonstrate how culture and creativity can stimulate the process of internationalisation of the Portuguese economy.

Each chapter proposes a particular type of synergy as a combined action generating an impact greater than the sum of its individual parts.

Cultural synergy

The first synergy proposed is a cultural synergy which incorporates a new dynamism in the international profile of the cultural and creative sector by sharing the risks and the costs.

Chapter III approaches this cultural synergy and focuses on the relevance of cooperation within the cultural and creative sector, on the role partnerships with other public and private entities, alongside the collective and simultaneous efforts of the different actors and policies, may play within the scope of the internationalisation of culture and creativity.

This involves the identification of international best practices, strengthening the internationalisation of the cultural and creative sector. This selection of best practices

contains measures already implemented in other countries and clearly susceptible to replication in support of those Portuguese cultural and creative structures striving to engage internationally.

More than some generic description of plans, strategies or the organisations launched in support of the cultural and creative sector, the objective here involves presenting very specific measures able to bring about, in different ways, the resolution of actual problems encountered in processes of internationalisation undertaken by small and medium sized companies.

Within the scope of this cultural synergy are means of cooperation and forms of collective efficiency able to:

- i) empower the cultural and creative sector, raising awareness and informing on the challenges and the tools available for its internationalisation;
- ii) promote the cultural and creative sector, integrating it into the strategies related to internationalization, networks and clusters, urban regeneration along with the research and innovation strategies for smart specialisation (RIS3);
- iii) connect up the cultural and creative sector, developing technological partnerships for the digital transition in order to take full advantage of the internet's capacity to serve as a platform for internationalisation.

Tourism synergy

The second synergy proposed is tourism based and suggests a new relationship in which the cultural and creative sector takes on a leading role in the renovation of the core factors for tourism sector competitiveness and benefits from the new audiences and the new markets opened up by tourism sector development.

Chapter IV focuses on this tourism synergy, considering the relevance of culture and creativity to strengthening the competitiveness of tourism products and attracting tourists in addition to the relevance of tourism as a platform for exporting and internationalising the cultural and creative sector.

We should note here that travelling and tourism represent a specific export channel structured around the mobility of people. In this case, it's the consumers that travel to the markets and places of sale and not the products.

In Portugal, the acquisition of goods and services by international tourists is one of the most important sources of national exports, rivalling the main industrial sectors in the country's internationalisation efforts.

Portugal ranks among the top thirty countries in terms of tourism generated revenues. In 2012 alone, national airports handled 12.6 million passengers on international flights, the hotel and accommodation sector catered for 7.7 million foreign visitors and the national ports coped with a flux of 1.3 million cruise passengers on maritime transits. The monuments, museums and palaces under the auspices of the General Directorate of Cultural Heritage are visited by over two million foreign tourists annually.

Within the scope of this tourism synergy are means of cooperation and forms of collective efficiency able to:

- i) differentiate between tourist destinations, providing unique experiences to niche markets with stronger purchasing power;
- ii) segment and deepen the understanding of the characteristics and motivations of tourists in order to maximise the potential of tourist destinations;
- iii) interact through greater coordination of tourism sector agents and through the use of information and communication technologies to drive innovation in tourism sector products.

Industrial synergy

The third synergy proposed is an industrial synergy that suggests a move towards a new level of specialisation and a new competitive paradigm, combining culture and creativity with knowledge to endow Portuguese companies with an original mix of innovation and differentiation able to boost its international competitiveness and the value added embodied in exports.

Chapter V, on industrial synergy, focuses on the relevance that an alliance between industry, culture and creativity might play in innovation and in the differentiation of the production of goods and services of high value on a global scale.

This identifies the benefits of culture and creativity to the non-cost competitiveness of the Portuguese economy and its internationalization, in particular regarding the main exporting sectors.

At stake is the contribution of culture and creativity to leveraging the value of the goods and services that Portugal trades internationally through innovation and differentiation and thereby analysing the potential spillovers in terms of strengthening the competitiveness of the country's business sector.

Creativity vouchers represent one of the public policy measures considered within the scope of encouraging company investment in the intangible factors of competitiveness that are behind innovative goods and services which prevail in international markets.

Within the scope of this industrial based synergy are means of cooperation and forms of collective efficiency able to:

- i) differentiate the Portuguese products sold internationally and fostering incremental and soft innovation;
- ii) immerse the remaining industries into the ideas and knowledge that spill over from culture and creativity, inducing innovation and differentiation into the Portuguese economy;
- iii) encouraging cross-fertilisation through nurturing multidisciplinary environments, involving the cultural and creative world with the major exporting industries, namely through the European creative vouchers experience.

Strategy

The following recommendations focus on leveraging the potential of culture and creativity as instruments for fostering the competitiveness and internationalisation of the Portuguese economy. The main goal is that the cultural and creative sector makes full use of the 2014-2020 cycle of European funding.

Strategic recommendations

Internationalisation represents an overly demanding and costly challenge to be taken on board solitarily and instead requires collaborative platforms for the sharing of the costs and risks inherent. A multidisciplinary cultural and creative common front should be fostered to act in the diverse domains of internationalisation whether in promotional campaigns or by exploring new sales channels. Within this context, we recommend:

- Encouraging the cultural synergy, the tourism synergy and the industrial synergy to explore the potential of culture and creativity as a tool for the competitiveness and internationalisation of the Portuguese economy;
- Encouraging the integration of cultural and creative organisations into networks for business cooperation and into clusters with the critical mass and of sufficient scale to compete globally, fostering the pooling of strengths and the sharing of risks and costs incurred in approaching international markets;
- Encouraging the integration of culture and creativity into regional research and innovation strategies for smart specialisation (RIS3) and into the national strategies for innovation and the internationalisation of the Portuguese economy;
- Encouraging the creation of a platform for dialogue and reflection between actors engaged in national export industries and structures representing the cultural and creative sector as a means of designing new forms of cooperation sharing competences and approaching the international markets;
- Encouraging the associations and structures representing the cultural and creative sector to establish partnerships with public and private entities to launch virtual catalogues of excellence worldwide through the internet in order to boost the exports of cultural and creative sector goods and services, whether from the field of design, cinema, music, visual and performing arts. Taking into consideration the potential for cooperation with other Portuguese speaking countries on this strategy for opening up internet based sales channels;
- Encouraging the translation of Portuguese language contents into a diversified range of foreign languages, especially those of emerging markets holding the greatest potential for Portuguese cultural and creative exports;
- Encouraging the opening of pop-up stores in prime locations alternating through world capitals to serve as promotional windows for Portuguese cultural and creative products among international retailers and consumers.

Additionally, consideration should also be paid to replicating the experience of the Lisbon ferryboat that the artist Joana Vasconcelos took from Trafaria to Venice to represent Portugal at the international arts fair, converting the vessel into a Portuguese embassy of cultural and creative products calling in at various ports around the European coastline.

Operational recommendations

The development of collaborative partnerships should expand beyond the scope of the cultural and creative sector itself. The consolidation of alliances is essential to empowering and strengthening the internationalisation strategies of cultural and creative actors and leveraging the impact of public policies targeting internationalisation. Within this context, we recommend:

- Consolidating the alliance between AICEP – the Portuguese Investment Board, and IAPMEI – the Portuguese Institute for Support to Small and Medium Companies, and chambers of commerce in order to enhance the adhesion of the cultural and creative sector to the range of awareness raising tools and supports for internationalisation already available to various other sectors of the Portuguese business world, in particular the export stores, client managers and the national network of mentors;
- Consolidating the alliance with APB – the Portuguese Association of Banks and leading entities in the diversification of funding sources, such as the PME Investimentos and the Portuguese Federation of Business Angel Associations, to broaden the cooperation between the cultural and creative sector with banks, risk capital and other potential investors. Taking advantage of the growing role of visual art as a diversification and capital protection tool;
- Consolidating the alliance with ANACOM – the National Communication Authority and other leading institutions such as ACEPI – the Association for E-trade and Interactive Publicity or TICE.PT – the Information and Communication Technologies and Electronics Pole, in order to support the digital transition of the cultural and creative sector in terms of developing new business models, investing in the infrastructures and the competences necessary to capitalising on the platform of internationalisation provided by the Internet and specifically encouraging the establishment of consortia between cultural, creative and technological partners;
- Consolidate the alliance with the IEFPP – the Institute of Employment and Professional Training to encourage the integration of cultural and creative competences into the Portuguese business environment.

Within the specific framework of PPART – Programme for the Promotion of Crafts, it should be taken into consideration the development of an internet based catalogue for Portuguese hand crafted objects focusing on sales to international markets;

- Consolidating the alliance with the Ministry of Foreign Affairs designed to encourage the international mobility of the Portuguese cultural and creative sector, whether through the network of diplomatic representations spread around the world or the integration of cultural and creative agents into business missions.

A shared strategy for the international promotion of the Portuguese language and culture should be aligned with the scope of action attributed to the Camões Institute, specifically through a joint venture for cultural diplomacy on the internet to foster Portuguese participation on such online collaborative platforms as YouTube and Wikipedia;

- Consolidating the alliance with leading entities in terms of national business associations such as the CIP – the Business Confederation of Portugal, CAP – the Portuguese Farmers Confederation, CCP – the Portuguese Confederation of Trade and Services and ANJE – the National Association of Young Entrepreneurs to bring about a greater integration of cultural and creative skills in the internationalisation strategies of the tradable sector, specifically through professional training or awards that encourage the adoption of the best differentiation practices in the fields of conception, design, production and distribution of the goods and services exported by the Portuguese business sector;
- Consolidating the alliance with Portugal Tourism, the Confederation of Portuguese Tourism and other key national tourism entities enhancing the value and differentiation of national tourism products through valuing cultural heritage, through integrating cultural and creative goods and services into excellent standard tourism products and through the development of a coherent territorial marketing program based on the intensive utilisation of the information and communication technologies;
- Consolidating the alliance with core entities in the field of innovation, specifically COTEC – the Business Association for Innovation in Portugal, the FCT – the Foundation for Science and Technology or the AdI – the Agency for Innovation to ensure the involvement of culture and creativity in research, scientific knowledge, technological development and industry, specifically through the diversification of incubator centers and other business platforms or through support of projects implementing research, development and innovation (R+D+I), facilitating the interrelationship between innovation and differentiation, based on the valuation of heritage, culture and creativity;

- Consolidating the alliance with RTP – Radio and Television of Portugal and other radio, television and internet service providers to foster digitalisation and strengthen channels disseminating activities subsidised by the Secretary of State of Culture, in order to guarantee greater equality in the access to culture outputs as well as greater international visibility.

The concerted actions of the diverse entities operating under the auspices of the Secretary of State for Culture represent a decisive factor to increasing the vital space of culture and creativity in national development strategies and in the priorities of the new cycle of European funding. Within this context, we recommend:

- Concentrating in GEPAC – the Office of Cultural Planning, Strategy and Evaluation, the technical competences necessary to coordinate the strategic positioning of the Secretary of State for Culture in regards to cohesion policy funding provided under the Common Strategic Framework (2014-2020), specifically under the auspices of the interrelationship with the Inter-Ministerial Commission for Partnership Agreement Coordination, the Agency for Development and Cohesion and the Financial Institute for Development;
- Concentrating in GEPAC the technical competences necessary to establishing a one-stop office for empowering and optimising the terms of financing available for the internationalisation of the cultural and creative sector, compiling and advertising all of the existing means and opportunities available, public and private, ranging from cohesion policy funding, traditional public support structures such as subsidies, fiscal incentives or guarantees, bank loans and micro-credits, sponsorship and donations, through to more innovative instruments such as risk capital funds or business angels as well as the more recent forms of collective financing such as crowdfunding or crowdinvestment;
- Concentrating in GEPAC the monitoring and evaluation of the internationalisation strategy of the cultural and creative sector, specifically through the systematic collection of information on the diverse range of entities overseen by the Secretary of State for Culture and through regular surveys of cultural and creative agents;
- Concentrating the management of the stores under the auspices of the Secretary of State for Culture in order to take full advantage of this additional channel of export by retailing articles of excellence from the cultural and creative sector, specifically

at the monuments, museums and palaces run by the General Directorate of Cultural Heritage and visited annually by over two million international tourists;

- Concentrating in a single entity, sufficiently specialised and renowned, the mission of defining and selecting the catalogue of cultural and creative products of excellence annually retailed at the chain of stores run by the Secretary of State for Culture, privileging tender procedures ensuring merit and equal access for all artists and creatives to this additional export platform;
- Concentrating in a single internet site all of the online stores currently dispersed across the various sites of the entities answering to the Secretary of State for Culture and thereby enabling appropriate investment in the best e-trade practices for international markets including the translation of the catalogues into a diversified range of international languages in order to maximise the impact of this additional channel for the export of cultural and creative products;
- Concentrating international promotional efforts in successive campaigns designed for the medium term so as to ensure they cause an impact on international markets rather than fragmenting resources across small operations by players lacking in the appropriate level of scale. Specifically at stake here is establishing the priorities in terms of the products and target markets, for example, investing in raising the visibility of national cinema and architecture in the Brazilian market over the next two years.