

Dear Dr Draghi,

We are writing on behalf of [Culture Action Europe](#), a pan-European network representing 230 cultural networks, organisations, artists, activists, academics, and policymakers.

We closely follow the EU's strategic exercise in defining new priorities for the 2024-2029 policy cycle and eagerly anticipate your forthcoming report on European competitiveness. Given the current geopolitical and economic situation, the proposed focus on competitiveness and innovation is reasonable and should complement ongoing commitments to green, digital and social transitions in the EU.

As you prepare the report, we would like to draw your attention to the [cultural and creative sectors and industries](#) (CCSI) as a significant sector of the EU economy that can enhance EU competitiveness, strengthen its global image, and stimulate innovation.

CCSI employed 7.7 million people in 2022, which represented [3.8%](#) of total employment in the EU. They contribute approximately [4%](#) to the EU GDP, although member states currently spend [0.7%](#) of their GDP on culture. The largest CCSI sectors are audiovisual, video games, advertising, architecture, music, and publishing.

The mapping of 275 European regions revealed that creative services have had a significant positive effect on labour productivity in [92%](#) of the regions. Studies also indicate that due to their innovative nature, creative sectors contribute to [technological advancements](#) across other industries. At the same time, the CCSI's environmental impact (except for the fashion industry) is low: they are only responsible for around [1-3%](#) of the impact of all sectors.

Beyond economic factors, CCSI can play a strategic role in the EU's global influence and comprehensive security. Hostile actors such as Russia are already harnessing CCSI's potential to promote pro-Kremlin narratives. Concerns about TikTok highlight the role of CCSI as China's soft power tool, which exposes users, especially children, to potentially harmful content. A key counter strategy involves promoting creative content that embodies and is built on alternative democratic values.

The EU has several favourable advantages for developing CCSI, including multilingualism, excellence in higher arts education, a rich cultural heritage, and a potentially large market. In 2021, [14.1%](#) of tertiary students in the EU were enrolled in culture-related fields, and arts saw the most significant growth of all culture-related educational fields between 2016 and 2021. With 24 EU languages, many of which are widely spoken globally, European creative content could help build a more inclusive and diverse cultural exchange and strengthen the EU's position in international relations.

However, CCSI in the EU need to catch up with overseas competitors.

Over a century ago, Europe was the birthplace of many artistic genres and movements, from the invention of cinema to cubism. This innovation potential should be harnessed to drive contemporary arts-based knowledge production, which ultimately fuels economic growth and competitiveness.

According to the European Audiovisual Observatory, EU works account for only [21%](#) of subscription video-on-demand viewing time in the EU, and it is noted that 'US works are systematically overconsumed while European works are underconsumed.' Three American platforms - Netflix, Prime Video, and Disney+ - account for 85% of European video-on-demand viewing time.

The US and Canada top the list in global advertising expenditures, followed by the Asia-Pacific region, with Europe far behind, accounting for only [20%](#) of global ad spending. When it comes to global video gaming revenues, Europe holds a [20%](#) global market share, trailing behind the Asia-Pacific region—the top-grossing market—and the US.

The music sector is more competitive: in 2023, Europe accounted for [28%](#) of global revenues and was the second-largest region worldwide for recorded music revenues.

The revenues per capita generated in the online segment of the entertainment and media industry also [illustrate](#) negative trends for Europe. The US and Canada lead in most sectors, such as event tickets, video games, video on demand, ePublishing, digital music, and digital advertising. Japan, Singapore, and South Korea typically occupy intermediate positions. Some Asian countries excel in specific sectors, such as video game production (Japan and South Korea), and ePublishing and digital music (Singapore). The EU generally ranks toward the bottom.

Asian countries have shown significant progress in recent years, gradually closing the gap with top performers through increased investment and proactive government measures. A prominent example is the widely exported Korean creative economy, which has sparked the phenomenon known as the [Korean Wave](#), or *Hallyu*. The Asia-Pacific region demonstrates higher compound annual growth rates across creative sectors, not least due to tailored policies, such as Cool Japan or the Korean Creative Content Agency, which 'will spare no effort until Korean creative content is recognised as the world's [best](#).' China's trade in creative goods grew exponentially between 2002 and 2015 at an annual rate of [14%](#). In contrast, growth in the EU tends to be primarily incremental.

Why are EU CCSI lagging behind, and what are the strategies for moving forward?

In 2020, cultural and creative industries were recognised as one of the 14 industrial ecosystems as part of the European industrial strategy. However, the EU's policies in the cultural sphere are constrained by the subsidiarity principle, leading to limited support.

Currently, the EU's main tools to promote CCSI include funding under the €2.44 billion Creative Europe Programme (which accounts for only 0.2% of the Multiannual Financial Framework budget), Cluster 2 as part of the Horizon Europe Programme, and minor funding opportunities from other EU programmes. There is also the Cultural and Creative Sectors Guarantee Facility, which mitigates risks for European banks associated with loans to creative SMEs, thereby facilitating debt financing. Additionally, the Audiovisual Media Services Directive allows member states to impose financial contributions on media service providers (streaming platforms) to fund the production of national cultural content. Other EU measures include promotional activities such as prizes, statuses, festivals, and events; however, they do not fully unleash the sector's economic potential.

According to the European Parliamentary Research Service, **each euro invested in the common EU action supporting or complementing existing funding for the creative and cultural sector could potentially generate a return of up to [€11 of GDP](#)**. For every euro invested in the European Capitals of Culture, there is a return of [€8-10](#).

High GDP multipliers make a compelling case for increased state support and private investment in CCSI, especially when compared to agriculture, which, while only contributing 1.4% to EU GDP, receives 19% of the combined EU budget through the Common Agricultural Policy.

Therefore, Culture Action Europe advocates for increasing the EU funding for the cultural and creative sectors and industries to 2%. If the EU were to increase its expenditure on culture to 2% (approximately €24 billion) of the MFF budget, the measure would generate €266 billion of additional GDP or €38 billion annually.

Moreover, it's not only direct funding but also the market ecosystem that matters.

CCSI generally [struggle](#) to access debt and equity funding. Consequently, **we welcome the intention to advance the Capital Markets Union and hope its design will attract venture investments in the CCSI and benefit creative SMEs, which hold intangible intellectual property as their main asset.**

The Digital Markets Act and the Digital Services Act represent the steps towards combating unlawful competition from big tech companies in the field of online creative content. However, supporting European businesses and initiatives is crucial beyond combating foreign competitors. **Enhancing the single market for services and providing fair remuneration for artists and CCS professionals will facilitate a better flow of ideas across Europe.**

A measure that would benefit CCSI includes ensuring the proper labelling of AI-generated content and disclosing the sources used to train AI models, in line with the implementation of the AI Act. Supporting CCSI in creating and monetising their data spaces and strengthening their collective bargaining efforts is also important to prevent big tech companies from exploiting cultural data without compensation.

In addition, Culture Action Europe urges the implementation of recommendations from several European Parliament resolutions, including:

- 1) European Parliament resolution of 21 November 2023 with recommendations to the Commission on an EU framework for the social and professional situation of artists and [workers in the cultural and creative sectors](#) (2023/2051(INL));
- 2) European Parliament resolution of 14 September 2023 on the future of the [European book sector](#) (2023/2053(INI)): recommendations concerning the label for independent bookshops in the EU; cultural vouchers for the purchase of books; interoperability obligations on e-readers so that consumers can read on any device; zero VAT for all books irrespective of their format;
- 3) European Parliament resolution of 17 January 2024 on cultural diversity and the conditions for authors in the [European music streaming market](#) (2023/2054(INI)): recommendations concerning the fair pay for authors; visibility of European works; transparency of streaming platforms' algorithms and recommendation tools; support for musical diversity.

Since 1994, Culture Action Europe has been calling on the EU to prioritise culture in its political vision and ambition, as demonstrated by our [Cultural Deal for Europe](#) campaign. Cultural and creative sectors and industries have many positive externalities by fostering European identity, enhancing social cohesion, and shaping visions of the future for societies. But apart from that, they represent a significant economic force with substantial growth and innovation potential.

Investing in the EU's CCSI competitiveness is a non-zero-sum game: member states stand to receive a high return on investment, increased labour productivity, and a favourable environment for innovation, while citizens benefit from the improved quality of life. We believe it is high time to celebrate and fully support not just the European cultural heritage but also our dynamic modern cultural and creative scene, which amplifies the voices of our artists worldwide.

We count on your leadership and partnership to recognise CCSI's potential and boost their global competitiveness.

Yours sincerely,

Lars Ebert
Secretary General

