

The Cultural Trade Index

An Introduction

Patrick Kabanda



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Abstract

The Cultural Trade Index aims to shed light on cultural trade and stimulate interest in how this little-known area can contribute to economic diversification, boost shared prosperity, and reduce extreme poverty. As the first index of its kind, the Cultural Trade Index would gather cultural trade data scattered across different sources, place them in one place, and show how countries are performing. The key objective is to help inform decision making

to advance cultural trade for development. Since culture is not restricted to monetary gain, a Cultural Exchange Index could also be created to complement the Cultural Trade Index. The Cultural Exchange Index would rank countries according to their participation in international cultural exchanges. Comprehensive research efforts would be needed for these ideas to make meaningful contributions to cultural trade and development policy.

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The Cultural Trade Index: An Introduction*

Patrick Kabanda

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[Patrick Kabanda](#) is a consultant for the Office of the Senior Vice President and Chief Economist at the World Bank. He received a Master of Arts in Law and Diplomacy from The Fletcher School at Tufts University and his Bachelor and Masters of Music degrees from The Juilliard School. He is currently writing a book based on his working paper called *The Creative Wealth of Nations* (with a Foreword by Amartya Sen). The author welcomes your feedback. Contact: pkabanda@musikaba.net; www.musikaba.net.

I. Introduction

Trade in cultural goods and services is among the most opaque areas in economic statistics. What is the contribution of cultural tourism to Colombia's economy? How much do art crafts contribute to Ghana's gross domestic product (GDP)? Who knew that since 2010 Vietnam has been among the fastest-growing piano exporters, reaching more than 400 percent in 2014?¹ If the United States is the largest global music market, how much do its music imports add to employment in places where the music is imported? Answers to such questions are not easy to find, nor are they the easiest to begin to tackle. Cultural commerce feeds into the GDP and the gross national product (GNP),² even though questions about sampling and the treatment of intangibles abound. Yet its contribution to economic development is less understood. What is more, although GDP is a key economic indicator — and improvements in capturing investment in “artistic originals” mean that GDP could be a better measure for such investments anyway — it does not measure services well, and, needless to repeat, it falls short on capturing wellbeing.³ Such limitations have in part encouraged other indices to crop up. These include the Human Development Index (HDI), the Gross National Happiness (GNH), the Global Innovation Index (GII), and the Social Progress Index (SPI). There is also the Measure of Economic Welfare (simply called MEW), the Genuine Progress Indicator (GPI), the Better Life Index (BLI), and so on.

What is common among these indices is that they attempt to enrich the development debate. Along those lines, it is worth exploring the creation of a Cultural Trade Index (CTI), an index that would gather data to show and rank how countries perform in aspects of international cultural trade. The prime aim is to inform policies that promote cultural trade for development. As will be shown later, a Cultural Exchange Index (CEI) that shows cultural exchanges between countries could compliment the CTI. Like other indices, the CTI would not account for the true cultural contribution to development — especially the non-instrumental aspects, which enrich human welfare in countless ways. It could, however, be useful in evaluating global cultural trade, and thereby stimulate debate, enrich public knowledge, and inform decision-making on the diverse role the arts can contribute to sustainable development.

Creative or Cultural Economy? A Word on Definitions

With respect to definitions, a 2008 United Nations creative economy report has this to say: “There is no single definition of the creative economy nor is there a consensus as to the set of knowledge-based economic activities on which the creative industries are based.” With that in mind, the terms “creative” and “cultural” economy here mean the same thing, as are the terms cultural or creative trade index. “At the heart of the creative economy lie the creative industries. Loosely defined, the creative industries are at the crossroads of the arts, culture, business and technology. In other

¹ Workman 2015.

² The following notes are intended for non-specialists: “Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. Put simply, GDP is a broad measurement of a nation's overall economic activity.” — Investopedia. See also Callen 2012. GDP is different from GNP. “GNP includes, and GDP excludes, income owned by residents but generated abroad, and GNP excludes, and GDP includes, incomes generated domestically but owned by foreigners. The difference is usually small, but it is important for some countries.” — Deaton 2013, pp. 30-31.

³ See Coyle 2010, p. 93.

words, they comprise the cycle of creation, production and distribution of goods and services that use intellectual capital as their primary input. Today's creative industries involve the interplay of traditional, technology-intensive and service-oriented subsectors. They range from folk art, festivals, music, books, paintings and performing arts to more technology-intensive subsectors such as the film industry, broadcasting, digital animation and video games, and more service-oriented fields such as architectural and advertising services. All these activities are intensive in creative skills and can generate income through trade and intellectual property rights."⁴

In a broader context, "the interface among creativity, culture, economics and technology, as expressed in the ability to create and circulate intellectual capital, has the potential to generate income, jobs and export earnings while at the same time promoting social inclusion, cultural diversity and human development. This is what the emerging creative economy has already begun to do as a leading component of economic growth, employment, trade, innovation and social cohesion in most advanced economies."⁵ The contribution of cultural trade cannot be underestimated in the mandate to promote economic diversification, boost shared prosperity, and to reduce extreme poverty in a sustainable manner. This because even low-income countries have a wealth of cultural diversity that could be a viable source of export earnings.⁶

II. Why the Cultural Trade Index?

At the outset, one big caveat deserves attention: indices incorporate tradeoffs. And these have to be made explicit. In this case, for instance, if country X's total movie trade is divided by X's GDP or population, the two methods might render totally different results. GDP's great merit is that since trade-offs are measured by market prices, we know the terms at hand. That noted, the immediate purpose of this index is to achieve the following objectives:

- 1) To shed light on patterns of cultural trade effectively. The index would assemble cultural trade data in one place where they can easily be studied. And as a database, it could function as a public good (for anyone who wishes to learn about patterns of international cultural trade).
- 2) Policy action: To pursue policy action that may help promote effective cultural trade policies for development. Ranks and comparisons are not often golden gates to truth. But, in our context, if country X is number one in attracting global cultural tourism, that rank might serve as a proxy for country X to stay competitive in this sector. This is not new. And indeed policy makers elsewhere could consider what allows X to succeed while others, with more or less similar features, have not.
- 3) Improve research on cultural data: Anyone who has done research on the cultural or creative economy perhaps faces the same challenge that inspired the creation of this index: the paucity of data. This can be a major challenge in convincing skeptics and policy makers to allocate scarce resources to promote the creative sector — although, of course, data availability does not automatically lead to policy priority; nor does availability necessarily lead to access, better

⁴ Panitchpakdi and Kemal Derviş 2008, pp. iii-iv.

⁵ *Ibid.*, p. iii.

⁶ See Kabanda 2014.

interpretation, and practical usability.⁷ If you dig deeper you can find numbers (on cultural data) here and there — and one huge step forward would be to simply update the Standard Industrial Classification and the Standard Occupational Classification to truly account for services and culture. While the CTI will not solve the major challenges in cultural calculus — especially since it would mostly be concerned with curating and ranking information — it could become a useful research portal, one that compliments other resources concerned with patterns of global cultural trade. Ultimately, the CTI could play an important role as the ‘to go place’ for cultural trade analysis, thereby inducing the need to allocate research funds for cultural data. It could even fuel the impetus for countries to develop their cultural statistical accounts.

- 4) To fuel competition: To return to the cultural tourism example above, country Y might be inclined to improve its rank in cultural tourism as it competes to beat country X for the first spot. But let us consider another example: arts education. If country A is the leading destination for enrolling international students in dance, this might make countries B and C ask what they can do to attract more dance students. This kind of competition is also not new, and it can be a good thing, even as Adam Smith noted.⁸
- 5) To help provide information that could be useful to advocate for fair pay for artists: Except for some exceptions, ordinary artists rarely make the money; it is the superstars and the companies such as those in today’s digital space.⁹ The CTI could help advocates for artists’ fair pay gather trade information and how this relates to artists’ compensation. Let us say country A is leading in music exports. The information on why country A is doing well in music exports while creators of the content are “starving,” could be useful. It could be applied as a bargaining tool for artists. And in this bargaining, it could simply help artists negotiate better tax arrangements,¹⁰ medical insurance, and other benefits.¹¹

What to Include

It is impossible to include everything there is in a cultural trade index. But, at the outset, data on the following items could be considered: Architecture, Arts Education Services, Books — literary works, Carpets, Crafts, Cultural Tourism, CDs, DVDs (and digital versions of film and music), Music books and scores; Live performances, Musical Instruments, Paintings, and Sculpture.¹² (Obviously, commerce of the above items is captured in GDP where data suffice.)

⁷ For related discussion see Shah, Shvetank, Andrew Horne, and Jaime Capellá 2012.

⁸ For more on this see Murray 1961.

⁹ More generally see Timberg 2015.

¹⁰ On this issue, at least in the United States, see “How the Tax Code Hurts Arts.” Sohn 2015.

¹¹ Indeed, it must be remembered that, like GDP, while there might be a correlation, higher GDP does not mean that the country has solved its most basic welfare and equity challenges.

¹² For a related list see UNDP and UNESCO 2013, p. 162.

III. Method

The CTI would initially be web-based, and the website could be maintained by an international organization or an academic institution. As the first index of its kind, the data could be fed annually or biennially. Nonetheless, improvements in data collection could mean that it might be possible to consider shorter time periods in the future.

Working with statistical agencies, trade ministries, and cultural and media organizations, the web-based system could allow self-reporting data where necessary. Some data may come from UNESCO’s Institute for Statistics, the United Nations Conference on Trade and Development, the World Trade Organization, the International Monetary Fund, the World Integrated Trade Solution, the United Nations Comtrade Database, Fair Trade Organizations, and other sources.

With respect to ranks, in addition to the global rankings, ranking could also be regional and economic group classifications (for example low income, mid income and upper income countries). The CTI could look like this:

Table 1 **Version 1**¹³

| Country | Exports of cultural services - contribution to GDP ^a | Exports of cultural goods - contribution to GDP ^a | Percentage of people employed in the cultural sector | Cultural contribution and related sectors to GDP (%) | Government Expenditure on cultural trade promotion ^b | Population Expenditure on imports of cultural services ^c | Population Expenditure on imports of cultural goods ^c | Rank |
|----------------|---|--|--|--|---|---|--|-------------|
| A | E.g. 2 % | E.g. 4% | 15% | 8% | USD\$5 M | USD \$10 M | USD\$15 M | #1 |
| B | 1% | 3% | 14% | 7% | USD\$3 M | USD\$10 | USD\$15 M | #2 |

¹³ This version was first discussed in “Creative Trade for Human Development,” the author’s paper that was commissioned by UNDP for the 2015 Human Development Report, *Work for Human Development*. It is unlikely that any one country would lead in all the indicators provided. So this version could be the most tasking to construct.

^a Since GDP is often used to measure economic activity, these figures may shed light on the contribution of the cultural goods and services to a given country’s economy, where data are available.

^b The percentage of the government’s expenditure on promoting cultural trade is likely to help show the administration’s interest in promoting this area.

Version 2

Table 2 | **Art Crafts Trade**, 2011 | USD at current prices and exchange rates in millions

| Art Crafts^a Values and shares of creative industries related goods exports and imports, (annual, 2011) | | | | Total Trade in All Creative Goods^b (2011) | | | Total Trade in All Goods and Services (BPM6) ^c (2011) |
|---|-------------|-------------|--------------|---|---------|----------------|---|
| Country | Exports (E) | Imports (I) | Total E + I | E | I | E + I | |
| Egypt, Arab Rep. | \$628 | \$131 | \$759 | \$1 153 | \$641 | \$1 794 | \$47 053 |
| South Africa | \$20 | \$155 | \$175 | \$364 | \$2 170 | \$2 534 | \$126 798 |
| Ghana | \$116 | \$10 | \$126 | \$152 | \$ 155 | \$307 | \$14 596 |

^aIncludes Carpets, Celebration, Other, Paperware, Wickerware, and Yarn. ^bIncludes Art Crafts, Audio Visuals, Design, New Media, Performing Arts, Publishing, and Visual Arts. So ‘goods’ here probably implies goods and services given the composition of the items included. ^cBPM6 = Balance of Payments and International Investment Position Manual Sixth Edition.

Source: UNCTADstat

Table 2.1 | **Art Crafts**, 2011 | Total Trade analysis in millions (USD)

| Country | Egypt, Arab Rep. | South Africa | Ghana |
|---|---|---|-------------------------------------|
| Art Crafts Trade/Trade in all Creative Goods | $759 \div 1794 = \sim 0.423077$ | $175 \div 2\ 534 = \sim 0.069061$ | $126 \div 307 = \sim 0.4104235$ |
| Percentage of Art Crafts Trade in Total Trade in Creative Goods | $\sim 42.3077\%$ | $\sim 6.9061\%$ | $\sim 41.04235\%$ |
| Art Crafts Trade/Total Trade in all Goods and Services | $759 \div 47\ 053 = \sim 0.0161307$ | $175 \div 126\ 798 = \sim 0.00138015$ | $126 \div 14\ 596 = \sim 0.0086325$ |
| Percentage of Crafts Trade in Total Trade | $\sim 1.61307\%$ | $\sim 0.138015\%$ | $\sim 0.8633\%$ |
| Trade in all Creative Goods/Trade in all Goods and Services | $1\ 794 \div 47\ 053 = \sim 0.03812722$ | $2\ 534 \div 126\ 798 = \sim 0.0199846$ | $307 \div 14\ 596 = \sim 0.0210332$ |
| Percentage of Creative Goods in Total Trade | $\sim 3.8123\%$ | $\sim 1.99846\%$ | $\sim 2.10332\%$ |

Table 2.2 | **Example of Index Computation** | Art Crafts Total Trade, 2011
Figures in millions (USD) Total Trade Base Country: Ghana

| Country | Egypt, Arab Rep. | South Africa | Ghana | Rank (Based on Result in Step 3) | |
|--|--|--|---|----------------------------------|-----------|
| Step 1: Art Crafts Trade/Total Trade between the 3 countries (Egypt, South Africa, and Ghana i.e. $47\ 053 + 126\ 798 + 14\ 596 = 188\ 447$) | $759 \div 188\ 447 = 0.0040276576$ | $175 \div 188\ 447 = 0.0009286431$ | $\$126 \div \$188\ 447 = 0.000668623$ | Egypt, Arab Rep. | #1 |
| | | | | Ghana | #2 |
| Step 2: Base Country Chosen: Ghana ∴ Country's Total Trade/Ghana's Total Trade | $47\ 053 \div 14\ 596 = 3.2240339819$ | $126\ 798 \div 14\ 596 = 8.6871745684$ | $14\ 596 \div 14\ 596 = 1$ | South Africa | #3 |
| Step 3: Outcome in Step 1 divided by outcome in Step 2. | $0.0040276576 \div 3.2240339819 = \mathbf{0.0012492603}$ | $0.0009286431 \div 8.6871745684 = \mathbf{0.0001068982}$ | $0.000668623 \div 1 = \mathbf{0.000668623}$ | | |

Table 3 | **Royalties and License Fees Trade, 2011** | USD at current prices and exchange rates in millions

| Royalties and license fees ^a International trade in related services, (annual, 2011) | | | | Total Trade in All Creative Goods ^b (2011) | | | Total Trade in All Goods and Services (BPM6) ^c (2011) |
|---|-------------|-------------|----------------|--|---------|-----------------|---|
| Country | Exports (E) | Imports (I) | Total E + I | E | I | E + I | |
| Thailand | \$177 | \$3 119 | \$3 296 | \$6 496 | \$4 457 | \$10 953 | \$260 692 |
| Indonesia | \$79 | \$1 778 | \$1 857 | \$6 085 | \$1 463 | \$7 548 | \$212 997 |
| Malaysia | \$149 | \$1 638 | \$1 781 | \$2 851 | \$1804 | \$4 655 | \$254 007 |

^aIncludes Franchises, Similar Rights, Other Royalties, and License Fees. ^bIncludes Art Crafts, Audio Visuals, Design, New Media, Performing Arts, Publishing, and Visual Arts. So 'goods' here probably implies goods and services given the composition of the items included. ^cBPM6 = Balance of Payments and International Investment Position Manual Sixth Edition.

Source: UNCTADstat

Table 3.1 | **Royalties and License Fees, 2011** | Total Trade Analysis in Millions (USD)

| Country | Thailand | Indonesia | Malaysia |
|---|--|--|---|
| Royalties and license fees /Trade in all Creative Goods | $3\,296 \div 10\,953 = \sim 0.300922122$ | $1\,857 \div 7\,548 = \sim 0.24602544$ | $1\,781 \div 4\,655 = \sim 0.38259936$ |
| Percentage of Royalties and license fees in Total Trade in Creative Goods | $\sim 30.0922122\%$ | $\sim 24.602544\%$ | $\sim 38.259936\%$ |
| Royalties and license fees /Total Trade in all Goods and Services | $3\,296 \div 260\,692 = \sim 0.012643273$ | $1\,857 \div 212\,997 = \sim 0.0087184$ | $1\,781 \div 254\,007 = \sim 0.00701162$ |
| Percentage of Royalties and license fees in Total Trade | $\sim 1.2643273\%$ | $\sim 0.87184\%$ | $\sim 0.701162\%$ |
| Trade in all Creative Goods/Trade in all Goods and Services | $10\,953 \div 260\,692 = \sim 0.042015099$ | $7\,548 \div 212\,997 = \sim 0.03543712$ | $4\,655 \div 254\,007 = \sim 0.018326267$ |
| Percentage of Creative Goods in Total Trade | $\sim 4.2015099\%$ | $\sim 3.543712\%$ | $\sim 1.8326267\%$ |

Table 3.2 | **Example of Index Computation**, Royalties and License Fees Trade, 2011
Figures in millions (USD) Total Trade Base Country: Indonesia

| Country | Thailand | Indonesia | Malaysia | Rank (Based on Result in Step 3) | |
|---|---|---|--|----------------------------------|-----------|
| Step 1: Royalties and license fees Trade/Total Trade between the 3 countries (Thailand, Indonesia and Malaysia, i.e. $\$260\,692 + \$212\,997 + \$254\,007 = \$727\,296$) | $3\,296 \div 727\,296 = 0.004531855$ | $1\,857 \div 727\,296 = 0.0025532933$ | $1\,781 \div 727\,296 = 0.0024487966$ | Thailand | #1 |
| | | | | Indonesia | #2 |
| | | | | Malaysia | #3 |
| Step 2: Base Country Chosen: Indonesia ∴ Country's Total Trade/Indonesia's Total Trade | $260\,692 \div 212\,997 = 1.2239233416$ | $212\,997 \div 212\,997 = 1$ | $254\,007 \div 212\,997 = 1.1925379231$ | | |
| Step 3: Outcome in Step 1 divided by outcome in Step 2 | $0.004531855 \div 1.2239233416 = \mathbf{0.0037027278}$ | $0.0025532933 \div 1 = \mathbf{0.0025532933}$ | $0.0024487966 \div 1.1925379231 = \mathbf{0.0020534329}$ | | |

The items and figures indicated above are provided merely as examples. And such an exercise could be used for various cultural goods and services in global, regional, and economic groupings, as noted earlier. In this case, according the figures in Table 2, at \$759 million, the Arab Republic of Egypt leads the selected group of African nations in art crafts trade — it is followed by South Africa (\$175 million), and Ghana (\$126 million). That result, however, changes when looking at the percentages of art crafts trade in each country’s total trade. See Table 2.1. Ghana takes the second place and South Africa comes third. Under the index computed in Table 2.2, Egypt still leads, and again followed by Ghana, then South Africa. Ghana’s total trade is used in Table 2.2 as a base for illustrative purposes. (But even if the total trade by Egypt or South Africa were used, the variations would not shift the ranking as such.)

The tables on royalties and license fees focus on Thailand, Indonesia, and Malaysia in Southeast Asia. In this case, the result is similar — Thailand leads in all the three instances (as tables 3, 3.1, and 3.2 indicate). What must be noted, however, is that the data support the hypothesis that has been said about the intellectual property rights: that developing countries are likely to pay more for rights than they earn from them. This shows that developing countries need to find ways to better earn from their creative intellectual capability.

The next example considers trade in musical instruments. China “reached over 40 billion yuan (\$6.5 billion) in 2012, surpassing the United States for the second year to become the largest musical instrument market in the world.”¹⁴ Statistics released by the China Musical Instrument Association “showed that, in 2012, the total world output of pianos was 500,000, with China accounting for 80 percent. Of the two million Western orchestral instruments in the world, 60 percent of them were made in China, and the country produced 80 percent of the 1.3 million violins made worldwide in 2012.”¹⁵ On just piano exports, consider Box 1.

It must be noted nonetheless that just as the Human Development Index (and other indices) may correlate with GDP in some areas, the Cultural Trade Index, and the Cultural Exchange Index may also do the same. For example, China’s economic rise in recent years may explain why China has become the largest instrumental music market in the world. Yet that might not be the case. A culture that celebrates certain aspects of artistic excellence may also more or less help

Box 1 | Top Piano Exporters in 2014 by Country

| Country | Amount in US Dollars | Percentage of total Piano Exports | Rank |
|----------------------|-----------------------|-----------------------------------|------|
| China | \$150,625,000 | 19.9 percent | 1 |
| United States | \$134,090,000 | 17.7 percent | 2 |
| Germany | \$60,176,000 | 7.9 percent | 3 |
| France | \$35,777,000 | 4.7 percent | 4 |
| Canada | \$30,416,000 | 4 percent | 5 |
| Japan | \$27,668,000 | 3.7 percent | 6 |
| United Kingdom | \$27,118,000 | 3.1 percent | 7 |
| Australia | \$23,760,000 | 3.1 percent | 8 |
| Switzerland | \$21,197,000 | 2.8 percent | 9 |
| Russian Federation | \$20,962,000 | 2.8 percent | 10 |
| Korea, Rep. | \$15,438,000 | 2 percent | 11 |
| Hong Kong SAR, China | \$15,331,000 | 2 percent | 12 |
| Singapore | \$14,102,000 | 1.9 percent | 13 |
| Malaysia | \$13,778,000 | 1.8 percent | 14 |
| Italy | \$13,604,000 | 1.8 percent | 15 |
| Vietnam | \$13,390,000 | 1.8 percent | 16 |
| Total | \$ 617,432,000 | 81 percent | |

Source: Workman 2015/World’s Top Exports

¹⁴ Xinhua 2013.

¹⁵ Ibid. This implies that these trade patterns could also be evaluated in terms of volume and percentages.

explain why the Chinese are keen at buying pianos once they are able to do so. It may also be a sign of status.

At any rate, Box 2 provides another way to look at this. Here, the share of each country's piano exports is computed by the total piano exports in this sample (column three).¹⁶ An indicator of the country's relative size (column four) is then used to normalize this share. The result in column five is the rank.

Deriving the relative size of a country can be an issue, and common choices are GDP or population. All the same, this "index" is constructed by dividing each country's GDP by that of a reference country. (The purpose is to have a relative size that does not have a unit, but this is not necessary.) Here Vietnam is the reference — it does not matter which country is chosen; the ranking will remain unchanged — so Vietnam's relative size is one. Using this method, the ranking is totally different from Box 1 (where each country was ranked based on its piano export earnings). In Box 2 Vietnam, which was number 16, is now number one, and China, which was leading is now number nine.

But more immediately, as cultural statistics get improved, it would be helpful to know, which country leads in the exportation of traditional instruments like drums. Is it Senegal or Mali? How about the ukulele? Is it Zimbabwe or Brazil? Even more important, what is the contribution of such sectors, to the employment of women, the young and the old formally and informally? In an attempt to consider how cultural commerce might better contribute to sustainable development, such questions deserve attention.¹⁷ Also, since the issue of measuring the quality of life is

Box 2 | Top Piano Exporters in 2014 by Country

| Country | Exports in US Dollars | Share in World Piano Exports | Country size | Normalized Share ^a | Rank |
|-----------------------------|-----------------------|------------------------------|--------------|-------------------------------|------|
| Vietnam | 13390000 | 0.021686599 | 1 | 0.021687 | 1 |
| Hong Kong SAR, China | 15331000 | 0.024830265 | 1.56403074 | 0.015876 | 2 |
| Singapore | 14102000 | 0.022839762 | 1.645202758 | 0.013883 | 3 |
| Malaysia | 13778000 | 0.022315008 | 1.815764628 | 0.01229 | 4 |
| Switzerland | 21197000 | 0.034330906 | 3.764874427 | 0.009119 | 5 |
| Canada | 30416000 | 0.049262105 | 9.579651007 | 0.005142 | 6 |
| Australia | 23760000 | 0.03848197 | 7.812240225 | 0.004926 | 7 |
| Germany | 60176000 | 0.097461745 | 20.77440693 | 0.004691 | 8 |
| China | 150625000 | 0.24395399 | 55.58997372 | 0.004388 | 9 |
| France | 35777000 | 0.057944843 | 15.19399217 | 0.003814 | 10 |
| Korea, Rep. | 15438000 | 0.025003563 | 7.579477226 | 0.003299 | 11 |
| Russian Federation | 20962000 | 0.033950297 | 10.90720634 | 0.003113 | 12 |
| United Kingdom | 27118000 | 0.043920626 | 16.05868266 | 0.002735 | 13 |
| United States | 134090000 | 0.217173713 | 93.16669174 | 0.002331 | 14 |
| Italy | 13604000 | 0.022033196 | 11.48489512 | 0.001918 | 15 |
| Japan | 27668000 | 0.044811412 | 24.6833604 | 0.001815 | 16 |
| Total | 617,432,000 | 1 | - | - | - |

^aShare normalized with country size.

Source: WDI 2014 GDP (US\$)/Workman 2015/Kemoe and Aymele 2016

¹⁶ (I) The figures in column 3 are achieved by dividing the country's piano exports figures by the total (piano exports) of the 16 countries provided (bottom of column one). E.g. for Vietnam, $\$13,390,000 \div 617,432,000 = 0.021686599$. (II) The country size is calculated by dividing the country's 2014 GDP with that of a reference county (in this case, Vietnam's 2014 GDP). E.g. Vietnam's 2014 GDP ($\$186.205 \text{ billion} \div \186.205 billion) = 1, Honk Kong SAR, China ($\$291.23 \text{bn} \div \186.205 billion) = ~ 1.56403 , etc. (III) The normalized share, which provides the rank, is the result of Step I divided by Step II. E.g. for Hong Kong SAR, China $0.02483 \div 1.56403$, = ~ 0.0158756 , etc. (NB: The Excel GDP/Country size rounding might differ from that of a calculator, as is in this case.)

¹⁷ Regarding the creative sector's contribution to green development see Throsby 2010, p. 29, for example.

becoming more and more relevant,¹⁸ how the arts contribute to quality of life could be another dimension that could be rigorously measured around the world. And here, we should not be surprised that even low income countries would score well.

The Cultural Exchange Index | The CEI noted earlier could look like this:

Table 4

| Global Cultural Exchange Sending (2015) | | | Global Cultural Exchange Receiving (2015) | | |
|---|--|----------|---|---|----------|
| Country | Number of Artistic Exchanges sent abroad | Rank | Country | Number of Artistic Exchanges received from abroad | Rank |
| A | 50 events | 1 | A | 40 events | 1 |
| B | 40 events | 2 | B | 30 events | 2 |
| C | 30 events | 3 | C | 20 events | 3 |

The above exercise could be weighed against population, or the percentage of government expenditure on cultural exchanges, or budgets of ministries of culture. It should, however, be noted that, as often the case, cultural exchanges may also promote commerce in other areas as countries learn more about each other’s cultures and build amity.¹⁹

IV. Some More Caveats

Since the goodness of the arts is beyond money, there are strong voices that maintain that culture is immeasurable.²⁰ These voices cannot be entirely rejected. This is because culture’s contribution to human welfare is surely far beyond monetary value. Moreover, in this day and age where it is as if everything has to be ‘marketized’ to have value, there is a danger that if we cannot put a number on something, that something does not count.²¹ But should we, for example, say that oxygen is not valuable as a public good because we cannot put a price on it? Culture is not oxygen per se. Yet it often plays an oxygen-like role in enriching people’s lives.²² It is a universal public good that serves a wider purpose beyond instrumental gain. For instance, culture helps people build social relations, promote cultural pride, and connect with their emotions.

Notwithstanding that acknowledgment, the arts play an instrumental role that contributes to economic welfare directly and indirectly, as discussed earlier. And practically speaking, that may be truer in practice than in theory. For many people who earn a living from creative work have diverse formal and informal arrangements that statistical analyses cannot easily capture — if capture is possible at all. Nonetheless, there are variations of this debate worth echoing:

First, on valuation: As “rigorous thinker and incisive essayist”²³ Marilynne Robison reminds us, “Scarcity is said to create value...” This is not news in economic theory. But “value

¹⁸ See Stiglitz, Sen, and Fitoussi 2010, p. 18.

¹⁹ See Throsby 2010, especially p. 52. Some countries may also use such exchanges to exert influence, be it political or otherwise.

²⁰ For related discussion see Basu 2011, p. 75; Throsby 2010, pp. 1-2, and Kabanda 2014, p. 5.

²¹ See Brueggemann 2010.

²² See Okeowo 2015.

²³ *When I was a Child I Read Books*. 2012. Fourth Cover.

is a meaningful concept only where there is a relationship, someone to do the valuing.”²⁴ We all do our own valuing, and we often attach other meanings to value. But as far as GDP is concerned, it must be remembered that this metric just measures ‘exchange value.’ And apart from intrinsic value, it does not measure public good aspects or externalities for that matter. There is a lot we cannot tell (to recall a useful phrase). As Herbert Simon argued, “people are not able to acquire and digest all available information about every topic, so their rationality is ‘bounded’ (limited).”²⁵ This condition is common. And it is alive and well in the arts and development debate, especially when it comes to the valuation process. What is more, there is a misconception that price equals value. There can be some relationship. Nevertheless, recall that this does not entirely mean that expensive things are valuable or that cheap things are not valuable.

Second, in the process of accounting, in the arts sector, piracy is a common problem. But just because this problem is common, it does not mean it is well understood. Moreover, as some have argued it does not mean that money lost via piracy is money lost all together in the economy.²⁶ People can spend this money elsewhere and still keep GDP humming. Nonetheless, artists and businesses that directly and indirectly generate income from such creative commerce are likely to be left at a startling disadvantage. At any rate, while revenues lost via piracy are significant, they are almost impossible to pin down.²⁷ And it must be remembered that many artists and creative businesses function in informal structures. While this informality is normally invisible in official statistics, it does not mean that it is illegal altogether (or, for that matter, that informality does not contribute to economic welfare).

Third, there is also the ethical dimension. In the creative or cultural economy, cultural tourism as one example can be rife with ironies and ethical dilemmas.²⁸ While this area has potential to contribute to development, the concerns of cultural exploitation and uneven prosperity can undercut its promise. Other sectors, from finance to housing, are not immune from ethical traps. But given the political and social sensitivity of culture, measuring cultural or creative tourism cannot be seen merely as a way to legitimize this sector. The accounting here is unlikely to winnow out the pitfalls that may cause cultural and social impairment.²⁹

Fourth, on satellite accounts:³⁰ In the cultural sector, satellite accounts are expanding. In the first-ever groundbreaking partnership in the United States, the Bureau of Economic Analysis teamed up with the National Endowment for the Arts to develop an “Arts and Cultural Production Satellite Account” (ACPSA). This new account would “identify and calculate the arts and culture sector’s contributions” to GDP.³¹ But inasmuch as political debates continue to focus on economic growth, accounts labeled ‘satellite’ might have a hard time becoming influential.³²

²⁴ Robinson 2013, p. 36.

²⁵ Kishtainy and others 2012, p. 52.

²⁶ See Plumer, 2012.

²⁷ Ibid; see also Kabanda 2016b, p. 5.

²⁸ See Kaul 2009, p. 6.

²⁹ Trask 2000. See also Chris Gibson and Connell, 2005; Kaul 2009, 6; and Harris and Moreno.

³⁰ “A Satellite Account is a term developed by the United Nations to measure the size of economic sectors that are not defined as industries in national accounts. Tourism, for example, is an amalgam of industries such as transportation, accommodation, food and beverage services, recreation and entertainment and travel agencies.” UNWTO, p. 1; see also Kabanda 2014, pp. 51-52.

³¹ NEA 2012. See also BEA 2016.

³² Coyle 2014, p. 138. Regarding the efficacy of such accounts, climate change is a perfect example. “Some countries have been publishing satellite accounts on the environment for a number of years.” Yet “it is hard to identify any direct influence they have had on economic policy debates.” — Coyle 2014, p. 138.

V. Conclusion

“There is no indicator that can capture something as complex as our society,” as Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi argue in Mismeasuring Our Lives: Why GDP Doesn't Add Up. “Even if we succeeded in constructing the perfect measure for today, changes in our economy and our society would necessitate” constant revisiting.³³ The Cultural Trade Index (the focus of this discussion) is a modest beginning, one that intends to consider one sliver of trade in our society. Moreover, the data feeding into this index will need to be improved. That said, the index could stimulate debate on how creative trade could better be harvested for development.³⁴ The complimentary index on cultural exchanges (even if pursued with great care) will also have limitations, and in both cases these indices must be interpreted with caution. Yet we cannot move forward by just focusing on limitations. We need to focus on possibilities.

In the intellectual space, moreover, the debates can be endless. For instance, it is not easy to tell where all the parts and even services that go into making a piano in China (or elsewhere) originate. Also, in distinguishing between goods and services, while it is plausible, there is no need to know how to play the piano to make or assemble the piano. Whereas to make a movie (as an actor) you need to act. Another issue is the measuring of the quality of goods and services, a task difficult to execute,³⁵ yet it can be a marker of progress.

In our constantly changing world, as Coyle accentuates, “we now have an economy dominated by services and intangibles, with *much* greater variety of products and closely linked across national boundaries.”³⁶ In the cultural context, according to the United Nations Conference on Trade and Development, global trade in creative goods and services reached a record 624 billion in 2011.³⁷ What is more, these billions do not include informal trade activities that directly and indirectly support livelihoods across the world.

Again, the CTI will not answer to all we need to know about cultural trade. But it may help explain what we understand and what we do not. This, among other benefits, is likely to encourage debate and inform policies that advance cultural activities in economic diversification and meaningful development. It may also help organizations and countries see the need to allocate scarce resources to develop national cultural statistics. On that end, sufficient resources have to not only be made available to collect data. They also have to be made available to analyze and to effectively use the data.³⁸

³³ Stiglitz, Sen, and Fitoussi 2010, p. xxvii.

³⁴ See Kabanda 2016a. This exercise could also lead to the development of the Cultural Commerce Index (CCI), or the Cultural Domestic Product (CDP). Unlike the CTI, the CCI (or the CDP) would account for not only the cultural exports and imports, but also for the country’s overall cultural economy. Think of it as GDP minus everything else except the commerce of cultural goods and services. The International Trade Index (ITI) may also be considered.

³⁵ For related discussions See Stiglitz, Sen, and Fitoussi 2010, p. 9; Coyle 2015, pp. 35, 130, 145; and Mwabu 2016.

³⁶ Coyle 2015, p. viii.

³⁷ UNCTAD 2013.

³⁸ See Mwabu 2016.

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