

BILATERAL TRADE OF CULTURAL GOODS

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NON-TECHNICAL SUMMARY

One of the most contentious issues of current multilateral trade negotiations relates to liberalization of trade in cultural goods and services. On the one hand, countries such as the United States would like to see cultural goods and services subjected to the same requirements for national treatment and non-discrimination as standard commodities. Opposing this, countries such as France and Canada have advocated a “cultural exception.” Therefore, it is essential to identify the determinants of flows of cultural goods and to understand their insertion in international trade.

The first difficulty of such a study is the absence of a consensus about the definition of cultural goods and services. Consequently, these products are often defined by what they are not, rather than what they are. However, a report published in 2005 by the UNESCO suggests a new definition based on the notion of cultural content and a list of cultural goods and services identifiable in the current international and production classifications. We follow this definition, which will undoubtedly become the standard reference. The UNESCO report draws a distinction between “core” and “related” cultural goods and services. The purpose of the analysis is to be able to distinguish between “content products” and those products that make possible their creation, production and distribution. Our study focuses on the first ones. Furthermore, the international comparison of export performance of different producing countries involves to have data on bilateral flows of cultural products. However, due to the unavailability of consistent statistics on bilateral trade in cultural services, we restrict our analysis to goods. Besides, the “nationality” of the imported cultural good is not always obvious because of the outsourcing strategies of firms. Thus, statistics including the production place of the cultural content rather than the export place of the cultural good would be more reliable. However, such statistics are now available only for the cinema’s industry. All in all, it is important to use different statistical sources, each of them having advantages and drawbacks.

Up to now few studies have been carried out on trade in cultural goods and the question arises what is the best suited theoretical background to study such peculiar goods. However, the new trade theory provides a suitable framework for analyzing trade flows of reproducible cultural goods (like recorded music, books and movies). This sector is characterized by scale economies and differentiated goods. Gravity equation is the standard tool for studying trade determinants

of such goods. This equation, in its simplest form, explains bilateral trade between two partners by their respective economic sizes and the geographic distance separating them. Different variables are usually included in the estimation to account for countries' adjacency, shared languages, belonging to a preferential trade agreement, past colonial links, etc. This theory has recently received extensive theoretical foundations. We first study the determinants of flows of cultural goods. Our results suggest that trade in cultural goods presents some specific characteristics. Besides, common language fosters exchanges of cultural goods with a written support. It raises flows of books by a factor of 4.6, everything else equal. On the other hand, past colonial relationships seem to influence consumers' preferences for cultural heritage goods. Having had past colonial links multiplies countries' bilateral trade in cultural heritage goods by nearly 4. This strong influence of past colonial links on heritage goods also shows that networks effects could reduce information asymmetries.

A related issue is how cultural proximity and the associated exchange of cultural information actually impact trade in other categories of goods. Existing works proxy countries' cultural proximity with traditional and indirect measures (shared language for example). Unlike these studies, we use trade in cultural goods as a direct measure of this cultural proximity. These data will help us describe the "impact factor" of cultures in terms of their spread and the evolution of these revealed preferences. We show that cultural flows influence significantly all trade relationships. A 10% increase in cultural exchanges raises overall trade by 3.2%. Thus, the evaluation of policies supporting culture should also include these more global effects.

J.E.L. Classification: F10, Z10

Keywords: Cultural tastes, international trade, gravity