

The Status of Creative Industries in Japan and Policy Recommendations for Their Promotion

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The creative industries concept and the “Creative City” urban revitalization project have gained attention worldwide.¹ Creative industries, as initially proposed by the British government, are defined as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.”

The present trend in creative industries originated from a keyword in the Labor Party’s 1997 election campaign, “Cool Britannica.”² After the Blair government was formed, the Department for Culture, Media and Sport designated thirteen creative industries based on the above definition in 1998: (1) advertising, (2) architecture, (3) art & antiques market, (4) crafts, (5) design, (6) designer fashion, (7) film & video, (8) interactive leisure software, (9) music, (10) performing arts, (11) publishing, (12) software and computer services, and (13) television and radio.

The British government conducted a basic survey of creative industries in 1998, and again in 2001. Similar surveys have been conducted in countries around the world. In September, the Centre for Cultural Policy Research at the University of Hong Kong released a survey entitled “Baseline Study on Hong Kong’s Creative Industries,” in which the author participated as a consultant.³

Based on the approach and insights gained from that study, this paper examines the present status and policies for creative industries in Japan, and considers ways to further promote their development.

¹ The movement, which aims to revitalize declining industrial cities and vacant factory sites through arts and creative activities, is particularly strong in Europe. In addition, a recent book by Richard Florida entitled *The Rise of the Creative Class* has popularized the term “creative class” to describe a new social class of persons employed in creative industries.

² Mark Leonard, then only 23 years old (currently the foreign policy brain of the Blair administration), wrote a report entitled *Britain TM* (Trademark Britain) that is supposed to be the origin of the term. The intent was to replace Britain’s stodgy image with a new “cool” image.

³ Centre for Cultural Policy Research (CCPR), University of Hong Kong, *Baseline Study on Hong Kong’s Creative Industries for the Central Policy Unit, HK Special Administration Region Government*, September 2003.

1. Present Status of Creative Industries in Japan

1. Scope and Size of Creative Industries—Growth Amid the Recession

While the Hong Kong survey generally adopts the British definition of creative industry categories, difficulties with data collection prompted a revision into eleven categories: (1) advertising, (2) architecture, (3) art, antiques and crafts, (4) design, (5) digital entertainment, (6) film and video, (7) music, (8) performing arts, (9) publishing, (10) software & computing, and (11) television and radio.

To grasp the characteristics of creative industries in Japan, we need to consider the compatibility of proposed creative industry categories with the industry sub-categories used in various statistics. Referring to the mapping of creative industries for the U.K., we mapped Japan's creative industries into twelve categories, as shown in Figure 1.

Figure 1 Preliminary Mapping of Japan's Creative Industries

Proposed industry category	Classification used in the 2001 Establishment and Enterprise Census	Corresponding British category
① Advertising	831 Advertising agencies 839 Miscellaneous advertising services	Same as ① Advertising
② Architecture and engineering services	845 Engineering and architectural services (design supervision, architectural design, land survey, etc.)	Wider than ② Architecture
③ Antiques market	598 Secondhand stores, (antique sales, sales of other used goods)	Narrower than ③ Art & antiques market
④ Lacquer ware	346 Lacquer ware	Narrower than ④ Crafts
⑤ Design	846 Design (industrial design, craft design, interior design, apparel design, textile design, etc.)	Roughly equivalent to ⑤ Design, and ⑥ Designer fashion
⑥ Film & video	761 Motion picture theatres 801 Motion picture, video production and distribution 802 Motion picture and video services	Narrower than ⑦ Film & video
⑦ Production, sales & rental of audio & video recordings	34C Information recording materials, except newspapers, books, other printed products, etc. (music CDs and audiotapes, video disks and videotapes, television game cassettes, etc.) 59C Musical instrument stores 79A Audio and visual recordings rental, exc	Part of ⑦ Film & video, and ⑧ Interactive leisure software, and ⑨ Music
⑧ Music, performing arts	762 Legitimate theatres and performances, except otherwise classified 763 Theatrical companies, (theatre, music, dance) 84F Music professional services	Narrower than ⑨ Music, and ⑩ Performing arts
⑨ Publishing	191 Newspaper industries 192 Publishing industries	Same as ⑪ Publishing
⑩ Computer software	821 Computer programming and other software services (software development, packaged software, game software, etc.)	Roughly equivalent to ⑧ Interactive leisure software, and ⑫ Software and computer services
⑪ Television and radio	811 Public broadcasting, except cablecasting 812 Private broadcasting, except cablecasting 813 Cablecasting	Same as ⑬ Television & radio
⑫ Artists, academic & cultural organizations	847 Authors and artists professional services 943 Non-profit cultural, science and art organizations	None

Notes: "598 secondhand stores" includes used utensils, furniture, musical instruments, etc., and is thus treated as antiques. Artwork retail sales cannot be extracted because it is classified in 5999 other retail sales together with seals, pets, gravestones, used stamps and used coins.

"5953 musical instrument sales" is added here because it includes sales of records, CDs, and music tapes.

Source: Compiled from Japan Standard Industry Classification (JSIC). To draw on existing data, the 1993 version (rather than 2002 version) was used.

Applying our proposed classification to data from the *2001 Establishment and Enterprise Census*, we found the creative industries to contain 176,000 establishments and 1.878 million employees, comprising 2.8% and 3.2% respectively of the total for all industries. Since 1996, creative industries have expanded despite the recession by 3.8 percentage points in number of establishments and 7.9 percentage points in employment, compared to declines of 5.5 and 7.9 percentage points respectively for all industries (Figure 2).

Figure 2 Present Status of Creative Industries in Japan

	No. of establishments		No. of persons engaged	
	2001	1996	2001	1996
All industries (excluding government services)	6,304,431	6,671,446	58,280,751	60,931,256
① Advertising	11,833	12,252	154,381	149,996
② Architecture & engineering services	63,545	64,917	517,131	568,481
③ Antique sales	14,293	9,886	45,166	26,041
④ Lacquer ware	2,837	3,458	10,762	14,814
⑤ Design	10,010	10,210	46,861	47,068
⑥ Film & video	4,813	4,651	75,288	65,153
⑦ Production, sales & rental of audio & video recordings	13,496	16,383	119,002	134,842
⑧ Music & performing arts	24,296	22,734	77,542	76,948
⑨ Publishing	7,305	7,926	169,395	177,569
⑩ Computer software	19,658	13,128	584,253	397,886
⑪ Television & radio	1,795	1,953	67,438	69,782
⑫ Artists, academic & cultural organizations	2,136	2,037	10,810	11,704
Total	176,017	169,535	1,878,029	1,740,284

Source: Ministry of Public Management, Home Affairs, Posts & Telecommunications, *2001 Establishment and Enterprise Census*.

According to the *1999 Survey on Service Industries*, creative industries accounted for ¥35.35 trillion in revenue, comprising 17.5% of the total for all service industries.⁴ In the decade since 1989, while service industries as a whole increased revenue by 69.1%, creative industries grew even more at 88.5%. Two creative industries—architecture and engineering services, and music and performing arts—outperformed the service industries, while computer software tripled in size (Figure 3).⁵

⁴ As mentioned in the notes to Figure 3, the revenue amount shown here does not cover all creative industries.

⁵ The market size of the content industry, which consists of film, music, game software, animation, broadcasting, publishing, and newspapers, amounted to ¥10.6 trillion in 2000. Due to its maturity, though, the market has not grown for the past five years. (METI, *Present Status and Future Issues of the Content Industry*, January 2003).

Figure 3 Revenue of Creative Industries (Services Only)

	Revenue (million yen)			
	1999	1989-99	1994	1989
Service industries	201,715,241	69.1%	...	119,311,683
① Advertising	10,189,829	42.0%	7,610,666	7,174,991
② Architecture & engineering services	7,137,727	97.5%	5,527,142	3,614,428
⑤ Design	665,150	47.8%	461,616	450,116
⑥ Film & video	1,806,595	70.5%	1,188,145	1,059,630
⑦ Rental of audio & video recordings	445,131	65.4%	405,276	269,166
⑧ Music & performing arts	1,099,409	81.2%	683,354	606,856
⑩ Computer software	10,334,381	221.1%	5,206,322	3,217,981
⑪ Television & radio	3,436,257	63.6%	2,817,444	2,100,981
⑫ Artists, academic & cultural organizations	236,986	-10.1%	7,935	263,487
Total	35,351,465	88.5%	23,907,900	18,757,636

Note: Excludes ③ antique sales, ④ lacquer ware, and ⑨ publishing. Also, ⑦ rental of audio & video recordings excludes production and sales.

Source: MPMHAPT, 1999 Survey on Service Industries.

2. International Comparison

By comparison, the total revenue of creative industries in the U.K. is approximately ¥21 trillion. Japan's creative industries are thus relatively small, considering that Japan's GDP is three times larger (Figure 4).⁶

Figure 4 Size of Creative Industries in the U.K.

	Revenue (¥ billion)	No. of employees
① Advertising	570	93,000
② Architecture	323	21,000
③ Art & antiques market	665	37,000
④ Crafts	76	24,000
⑤ Design	5,073	76,000
⑥ Designer fashion	114	12,000
⑦ Film & video	684	45,000
⑧ Interactive leisure software	190	21,000
⑨ Music	874	122,000
⑩ Performing arts	95	74,000
⑪ Publishing	3,515	141,000
⑫ Software & computer services	6,916	555,000
⑬ Television & radio	2,299	102,000
Total	21,375	1,322,000

Note: Calculated at an exchange rate of £ 1 = ¥190.

Source: Dept. for Culture, Media and Sport, *Creative Industries Mapping Document 2001*.

The Hong Kong survey compares employment in creative industries across countries (Figure 5). While differences in data coverage and aggregation methods prevent strict comparisons, Japan's creative industries rank lowest in employment as a ratio to total employment (3.2%).

⁶ However, we must note that Japan's total does not include important industries such as publishing.

Figure 5 International Comparison of Employment in Creative Industries

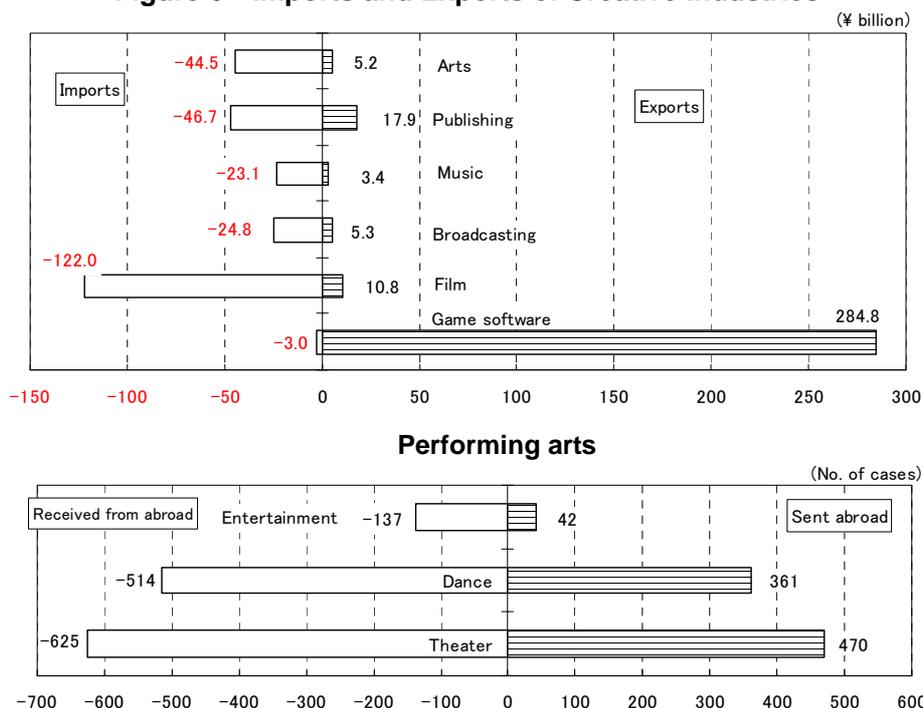
	No. of persons employed	Ratio	Survey year, creative industries concept
Japan	1,878,000	3.2%	2001, CI
U.K.	1,300,000	4.6%	1997-98, CI
U.S.	8,000,000	5.9%	2001, CR
Hong Kong	170,000	5.3%	2002, CI
Singapore	72,000	3.4%	2000, CR
Taiwan	337,000	3.6%	2000, CCI
Australia	345,000	3.8%	1999-00, CR
New Zealand	49,000	3.6%	2000-01, CR

Notes: CI = Creative industries; CR = Copyright industries; CCI = Cultural creative industries.
 Source: CCPR, HK University, *Baseline Study on Hong Kong's Creative Industries, 2003*, data for Japan is from Figure 2.

3. Creative Industries are Net Importers

Of the creative industries for which trade data is available, we found that imports exceed exports in all genres except game software (for the performing arts, exports refer to performances abroad by domestic groups, and imports refer to performances in Japan by foreign groups; Figure 6).

Figure 6 Imports and Exports of Creative Industries



Notes: Shows data for 2000, except for broadcasting (1996) and film (2001). Bottom graph compares foreign productions performed in Japan (left) and Japanese productions sent abroad (right); because such performances vary widely each year, aggregate numbers are shown for 1990 to 2000.

Sources: For publishing, music, broadcasting, film and game software, METI, *Present Status and Issues of the Content Industry*, January 2003; for entertainment, dance, and theater, NLI Research Institute (commissioned by ACA), *Survey on the Status of International Cultural Exchanges*.

2. Present Status of Policies to Promote Creative Industries

In the U.K., a task force was set up in 1998 to nurture creative industries. Today, many of the thirteen creative industries are overseen by the Department of Trade and Industry, while the Department for Culture, Media and Sport provides support to the film and music industries, and also coordinates overall policies to promote creative industries.

By comparison, in Japan, the promotion of many creative industries is left up to private enterprises. Of the twelve creative industries, industry cooperation is nurtured through foundations and other means for ① advertising, ② architecture and engineering services, ⑤ design, and ⑨ publishing, but the actual initiatives are led by private enterprises.

1. Promotion of Arts & Culture by the Agency for Cultural Affairs

The Agency for Cultural Affairs conducts of two main types of policy: protection of cultural properties (development and use of historical sites, promoting conservation of national treasures and important cultural properties, maintaining traditional performing arts, and development and operation of national museums), and promoting arts and culture (the New Century Arts Plan, holding arts festivals and similar events, development of the New National Theatre, promoting regional culture, and development and operation of national art galleries). For a long time, most of the agency's budget had been dedicated to the protection of cultural properties. However, in recent years, the agency has expanded its programs and budget for creative activities such as contemporary performing arts, music, and visual arts.

In particular, the New Century Arts Plan has been significantly expanded in scope and budget since its launch in 1996.⁷ The program has become vital to the promotion of performing arts and music in Japan, and as a result, is also playing a growing role in nurturing creative industries.⁸

However, the agency's policies do not constitute an industrial policy, but are focused instead on support and subsidies for artistic activities in the private sector, operation of national cultural facilities, and promotion of cultural policies at the local government level. The basic policy stance is to support and nurture performing arts and (classical) music, visual arts, and other activities that are not commercially viable as industries in the market.

This makes the current fiscal year's new beefed-up policy to promote film all the more

⁷ In fiscal 1996, the agency reorganized its arts support programs and launched what was initially called Arts Plan 21. In 2000, the program was renamed the New Century Arts Plan, and the budget and support of creative artistic activities was expanded drastically.

⁸ The agency's budget for fiscal 2003 grew 1.9% from the previous year to ¥100.3 billion, with the allocation to the New Century Arts Plan doubling to ¥1.91 billion. The New Century Arts Plan provides extensive support to leading arts groups and cultural facilities over several years, as well as support for film production, and scholarship programs for young artists.

noteworthy. In the past, due partly to the existence of a commercial movie industry, the agency had not seriously addressed the development of film. But last fiscal year, the Advisory Committee to Promote Film was set up, and the committee promptly issued a 12-point proposal in April 2003. As a result, ¥1.87 billion was allocated in the current fiscal budget for programs to promote movies, including for movie production and domestic screening, entry of movies in domestic and foreign film festivals, and support for new directors and scenarists. Moreover, for the next fiscal year, the agency plans to start a new program to promote Japanese film and video, and is requesting a budget of ¥3.8 billion including new projects. Thus plans are underway to develop the infrastructure for the creation and dissemination of movies.

2. METI Promotes the Content Industry

Since the late 1990s, the Ministry of Economy, Trade and Industry has targeted the content industry—which includes movies, music, game software, and animation—as a promising industry, and has been analyzing the issues and studying promotion policies. In January 2003, METI released a report entitled *Present Status and Issues of the Content Industry*, which raises three structural issues: that the oligopolistic tendency among content distributors will make content producers dependent on distributors; that content producers will resort to subcontracting as a result, leading to a possible brain drain; and that the lack of content will seriously threaten the development of the immature broadband market into a new distribution route.

In addition, two policies are presented to promote the content industry: development of the distribution infrastructure and promotion of competition between routes, and development of a vital market environment. The first policy involves the development of an EDI system⁹ necessary to launch broadband and expand distribution, the establishment of copy protection technology, and the eradication of piracy to expand into overseas markets. The second policy involves ensuring fair competition by revising anti-monopoly guidelines and establishing model contracts, creating an environment that facilitates financing, and developing human resources.

With regard to specific policies, several research groups have been established and are currently studying policy issues. Recently, the Study Group on International Strategic Expansion of Content has proposed measures to expand overseas markets for Japan's content industry, including movies and animation. One measure consists of setting up an

⁹ EDI (electronic data interchange) is a standardized format for exchanging transaction information among companies. The development and introduction of EDI systems is urgently needed to enable content transactions among copyright owners, content producers, and content providers because an integrated rights management system and fee settlement system are needed.

organization to seriously implement anti-piracy measures, as well as setting up overseas bases.¹⁰

3. Japan as an Intellectual Property Power

Another important trend in the promotion of creative industries is the government's concerted efforts in establishing Japan as a nation built on intellectual property. After the Strategic Council on Intellectual Property was set up in March 2002, a comprehensive strategy was adopted in July, and the Basic Law on Intellectual Property was implemented in March 2003.

Intellectual property is intimately connected to the creative industries because it consists of both industrial property (which includes patents, designs, and trademarks) and copyrighted property (which cover areas such as music, art, and literature). When the basic law was implemented, a headquarters for intellectual property strategy was also established, and in July 2003, a plan was formulated to promote the creation, protection and use of intellectual property. The plan contains policies to drastically expand the content business by enhancing the creative environment and protection system, and promoting distribution.

3. Developing Creative Industries—The NPO Market as Incubator

As we have seen, while Japan has no clear definition of creative industries, promotion policies do in fact exist in various forms, including the arts and cultural policy of the Agency for Cultural Affairs, and the Ministry of Economy, Trade and Industry's content industry policy and promotion policy for Japan as a nation built on intellectual property. Starting from these policy trends, below we consider ways to further promote creative industries.

Recently, attention has often focused on creative industries such as animation, TV games, and cartoon character merchandising as being representative of "Japan's Cool."¹¹ While these industries have enjoyed remarkable success internationally, they inevitably leave a biased impression when the creative industries are taken as a whole. The creative industries essentially need to be nurtured from a more diverse and broader scope of creativity.

From this perspective, we must note that some areas are not suited for nurturing as creative industries in the market economy. One such area is culture and the arts, including

¹⁰ The overseas market for the content industry is predicted to grow from ¥351.8 billion in 201 to ¥1.5 trillion in 2010. The present size of the pirate market in Asia's four largest markets is estimated at approximately ¥1 trillion. If half of the pirate market's predicted growth to 2010 could be prevented, it is estimated that the legal market would grow by approximately ¥800 billion.

¹¹ The term is from an article by Douglas McGray in *Foreign Policy* (May/June 2002) called "Japan's Gross National Cool."

performing arts such as theater and dance, music (classical and other genres that do not produce hit CDs), visual arts, and particularly contemporary art.

Another important issue is, even if an industry can eventually become established in the market economy, how will creative activity be supported during the initial stages when profitability has not been achieved? Some products, of course, can attract corporate R&D funding due to their commercial appeal. However, this is by no means characteristic of many of the creative industries.

We propose building an infrastructure for non-profit creative activity and related NPOs to be incubators for creative industries, and a profit circulating structure so that at the stage that works or goods start to generate a profit, they are sent out into the market economy, and the profit generated is reinvested in non-profit creative activity.

In the U.S., at least 40% of the theatrical productions on Broadway were originally created and performed in NPO theaters. These productions can play in commercial theaters only after successfully achieving long runs in off-Broadway and off-off-Broadway NPO theaters. Because of their non-profit status, NPO theaters cannot directly receive box office income from commercial theaters; but they can receive royalties. Moreover, a profit circulation structure exists between the non-profit and for-profit theater markets in the form of the Theatre Development Fund (TDF), a service NPO that provides programs that build audiences and support the performing arts,. The same type of structure exists with non-profit galleries, who do not buy and sell artworks but instead give new artists the chance to exhibit their works, so that artists can eventually be discovered by commercial galleries.

Experimentation and challenges are essential for the creative activity that underlies creative industries. If the premise is to achieve industrialization, the creativity that is the source of creative industries cannot be fully realized. Within the large framework of non-profit activity, the first priority should be to secure the spirit of experimentation and challenge.

As stated in the British government's definition, the source of creative industries is individual creativity. On the other hand, the driving force of industrialization is management of the company or organization. In this sense, policies to promote creative activity, which forms the "entrance" for creative industries, and industrialization, which represents the "exit," need to be approached from different perspectives. Herein lies the key to the sustained development of creative industries—building a successful circulation structure between the entrance and exit.