

## DEPARTMENT FOR INTERNATIONAL TRADE EXPORT STRATEGY WRITTEN SUBMISSION FROM THE PUBLISHERS ASSOCIATION

### **Executive summary**

The UK exports more books than any other country in the world, 70% of this to countries outside of the EU. Our authors and publishers are the source of many other highly valuable cultural and creative properties, including the three largest grossing film franchises of all time: James Bond, Harry Potter and Lord of the Rings. Publishing outputs and skills also underpin other highly valuable export sectors including science and research, higher education, technology and professional services. In order for this genuinely world leading success story to continue and to drive further export growth for the publishing industry in future, we believe the Department for International Trade should do the following:

1. Reverse the reduction in Tradeshow Access Programme funding available for the industry to ensure publishers can continue to grow their export businesses into new markets.
2. Use the upcoming bilateral and multilateral trade negotiations to ensure improved access to international markets by tackling non-tariff barriers such as piracy or censorship, ensuring access to public procurement markets and supporting the global IP framework overseen by WTO.
3. Ensure the industry is actively consulted on decisions about which markets and sectors to support and that the UK's local offices and long-standing connections with other governments (many of whom are customers) are used to the full by the UK in the course of any trade delegations and negotiations.

### **Introduction**

1. The Publishers Association is the leading trade organisation serving book, journal, audio and electronic publishers in the UK, spanning fiction and non-fiction, academic and educational publishing. Our members include global companies such as Elsevier, Wiley, Pearson, Penguin Random House, Hachette and the University presses, as well as many independent publishing houses.
2. The Publishers Association is delighted to respond to the Department for International Trade's Export Strategy. Our response initially offers an overview of the sector, including key statistics, and then outlines current barriers to trade and areas where DIT can support publishers.

### **Overview**

3. The UK book and journal publishing industry was worth £5.1 billion in 2017, with revenues from digital contributing 35% to this and exports of physical and digital books making up 57% (2.9bn) of total revenues.
4. The UK is the largest exporter of physical books in the world, with a 17% share of world exports, more than the United States (16%), Germany (10%) and China (8%). The industry's exports generate a £1.1bn trade surplus annually, reducing the UK's trade deficit by 2.2%.

5. The publishing industry directly employs 29,000 people in the UK and supports up to 70,000 jobs indirectly. The GVA figure per worker in publishing stands at £112,800, more than twice the national average of £49,100 and more than professionals working in newspaper publishing (£51,500) and IT software and services (£81,400).
6. Since 2012, UK publishing gross value added (GVA) has increased by 19% - faster than the growth of the UK economy as a whole (15%). UK publishing companies play a critical role in supporting British bookshops, which employ 12,000 people and generate £1 billion in turnover.
7. Academic publishing is becoming increasingly important to the sector's overall performance, generating the majority of the industry's turnover growth since 2010. More than £1.1 billion of export revenues are derived from academic book and journal sales, up 5% from 2015.
8. Publishing and books are also important to the wider creative industries, inspiring films, TV shows, plays and games. UK books are behind the top three grossing film franchises of all time – James Bond, Harry Potter, Lord of the Rings.
9. Academic publishers are at the forefront of research, playing an important role in investing in innovation, helping academics build on and scrutinise the work of others and helping them share and refine their own work, helping the UK to produce world class research.
10. Education publishers play an important role in producing high quality learning resources which are crucial in helping pupils achieve great results as well as [reducing teachers' workload](#). According to a recent report by Frontier Economics, textbooks pay for themselves if they save teachers just 4 and a half minutes each day. Survey evidence suggests textbooks save teachers 18 minutes a day, suggesting that they pay for themselves four times over.

## **Opportunities for trade outside the EU:**

11. The UK publishing industry has a significantly more diverse export spread than the UK industry average. While 53% of all UK exports across all industries are destined for the European market, only 30% of the publishing industry's exports (by value) are exported to Europe. The international success of the UK publishing industry has helped turn the English language into a great export story.
12. Many UK publishers have had offices and staff on the ground in non-UK countries for decades and in some cases for more than a century. These deep local roots have given publishers access to markets and local contacts, including with many overseas governments and their education ministries. We think that with appropriate UK government focus and support, this strong platform could be used as a basis for further growth, in particular in the education, ELT and academic sectors.
13. After Europe, the next biggest markets for publishing exports in 2016 were North America, which accounted for 24% of publishing revenues, and East/South Asia which accounted for 21% of export revenues.
14. The fastest growing markets for publishing over the past five years are the Other Americas, where exports have risen 38%, the Middle East/North Africa, where exports have increased by 12% and East/South Asia, where exports are up by 21%.

## **Barriers to trade:**

15. Although formal trade barriers and differing approaches to issues such as VAT can present a problem for publishers in some markets, often the most significant barriers to trade are non-tariff barriers such as piracy, regulation of the media and/or direct censorship.

## ***Formal tariff and non-tariff barriers***

16. Whilst the WTO framework is designed to preclude tariffs on books or journals, there are some countries which do impose tariffs which the government should work to remove. For example in India there is a 10% customs duty applied to books and in Zimbabwe non-educational books are charged a 40% import duty.
17. In other markets publishers can face non-tariff barriers when operating overseas. In particular market access poses a problem for publishers in China, where international publishers are prevented from operating publishing companies in the country.

## ***Copyright regimes***

18. Copyright is the cornerstone of the publishing industry. Without it, authors are not free to own their work and publishers are not able to publish. The UK has a world leading copyright framework that has been pivotal to ensuring that this country is home to many of the world's leading publishers.
19. However, in a number of export markets, publishers are seeing moves towards weakening copyright laws, particularly in the educational space. For example, Canada's 2012 Copyright Modernisation Act has had disastrous consequences for education publishers. Meanwhile Indian courts in Delhi have recently granted a broad copyright exemption for university students, which will equally hurt higher education publishers exporting to India. Additionally, reviews have been undertaken in Brazil, Hong Kong, South Africa, Singapore and Australia which could lead to a weakening of copyright laws, particularly in an educational context.
20. This is an issue for all creative industries. But it is a particular threat to publishing because so much of our product is created solely and specifically for the educational market. If there is no copyright for educational products, then there will be no market. And if there is no market, then publishers cannot operate.
21. To help combat this the UK should do two things. Firstly, it should use its upcoming bilateral trade discussions with those countries thinking of proposing changes to their copyright models to promote the UK copyright framework and ensure that the book market in these countries remains not just viable but also vibrant. Secondly, the UK should use its independent seat at the World Trade Organisation (WTO) and World Intellectual Property Organisation (WIPO) to drive a positive internationalist agenda that champions the international intellectual property (IP) framework and hold other countries to their international law obligations.

## ***Piracy and enforcement***

22. Piracy and a lack of copyright enforcement can also pose barriers for UK publishers, and in extreme circumstances a lack of appropriate regimes for copyright protection can require substantial re-appraisal of publishers' approaches to existing markets.

23. For example, in China, which is one of the key growth markets for publishers, book piracy is prevalent. Meanwhile many digital piracy sites often base their servers in Russia, and in Egypt state-sponsored book fairs often do not take action against illegitimate vendors.

### ***Global taxation barriers***

24. Double taxation regimes can present a significant barrier for publishers, as well as presenting an administration barrier when exporting to particular countries.
25. For example in Germany, if any income from a co-edition or sub-rights contains a proportion described as a 'royalty', the entire income is treated as taxable. In addition, in countries such as Brazil, where no double taxation treaty exists, publishers can face difficulties with withholding tax.

### ***Censorship and freedom of expression***

26. In a number of countries censorship and curbs to freedom of speech present a trade barrier for publishers. This could mean that books featuring maps of disputed borders or territories (e.g. Tibet/Taiwan or Israel/Palestine) cannot be sold in those regions, and books featuring religious or culturally significant animals or symbols or 'morally inappropriate' book covers are censored. In countries such as China and Turkey it means that civil servants will not import or translate books by controversial figures or which criticise the political regime. In India both libel and criminal law is used to prevent the publication of books, with this forcing several of our members to withdraw books from India.

### ***Different local and international compliance regimes***

27. This can present a fairly significant barrier for publishers as it touches a wide variety of areas from product safety to data protection, bribery and corruption. For example in Australia data protection in respect to young people is more stringent than in the UK which can impact on publishers' marketing factions.
28. Furthermore, whilst UK publishers are strong supporters of the UK Bribery Act and the principles that underpin it, they do find significant push back in certain markets with partners unwilling to support compliance with a law emanating from another country.

### ***Unsustainable open access policies***

29. UK publishers are strong supporters of the principles behind open access. However, for open access policies to work, they need to provide a sustainable environment within which research outputs can be professionally published and produced. Additionally the government should also be mindful that the approach to OA that works in one subject area may not work well for others, for example in the humanities and social sciences.
30. The government also needs to be aware that the UK has been a world leader in the development of open access policy globally and therefore any changes to open access domestically are likely to be copied internationally.
31. If the UK moves towards an open access policy which is no longer sustainable for publishers in this country, this could put at risk the £1.1bn of export revenues the academic publishing industry currently generates overseas.

## Areas where DIT can support publishers

### ***Tradeshow Access Programme***

32. The Department's Tradeshow Access Programme (TAP) grant scheme has been extremely important in terms of helping smaller publishers start their export journey and open new markets.
33. Given its importance to building publishers exporting business, we are concerned that at this important time for international trade, that the number of grants allocated to publishing has decreased quite substantially, despite the overall funding for TAP remaining the same.
34. Whilst publishers received a total of 88 grants in 2016/17 and 2017/18 publishers received 108 grants, this was cut to just 50 for 2018/19. This has led to total funding available to support publishing SMEs exporting reduced from £250,000 in 2017/18 to £100,000 in 2018/19, a 60% reduction in support.
35. Book fairs are a central hub for rights negotiations and sales, bringing publishers from all over the world to do business together.
36. For example, TAP funding helped open-up the Chinese market to the independent publisher Kogan Page, leading to a 300% increase in licencing revenues from this territory.
37. For Leicester-based Sweet Cherry Publishing, TAP funding enabled them to attend Shanghai International Children's Book Fair in 2013, which allowed them to build up an agent network in China. Sweet Cherry signed its first co-edition through the book fair and the company said that without TAP funding they would not have been able to grow their export market as much as they did.
38. For independent children's publishing sales agency MMS, TAP funded trips to Chinese book fairs over the past three years enabled them to acquire 584 books, with 160 others still in negotiation. In the first year the company negotiated \$40,000 worth of deals, \$250,000 in the second year and \$300,000 in the third year.
39. Given the importance of book fairs and TAP funding it is crucial that this cut in grants is reversed.

### ***Support for mid-tier publishers***

40. Although DIT provides important support to SME publishers, there is a concern that publishers which do not fit within this category do not feel well supported by the current system.
41. Stronger collaboration with UK agencies such as the British Council and more proactive opportunities to market and communicate to industry are potential areas where DIT could extend its support to medium publishers.
42. For example, DIT could build upon the 'Exporting is Great' website to create more tailored information. Additionally, publishers would benefit on greater access to information about doing business in particular markets, such as on the tax regimes in different countries.

## ***Consultation with industry***

43. When deciding which markets and sectors to support, it is essential that these decisions are made in consultation with industry. In the past this has not always been the case, meaning that DIT has overlooked providing support for publishing in key markets.
44. For example, when DIT chose China as a priority market for the creative industries, publishing was not identified as a priority sector. This is despite strong interest from UK publishers in the Chinese market, and physical book export revenues to China doubling in 2011-15 from £14.4m to £22.5m. We would have liked the opportunity to have been able to demonstrate the relevance of publishing in advance and therefore to have been included.

## ***Trade Challenge Partner***

45. The PA is the Trade Challenge Partner for the publishing industry, enabling us to run a department dedicated to helping publishers grow their export business.
46. Within this department we have an experienced team who have been organising stands at overseas book fairs and leading publishers on trade missions for well over 35 years. As part of our role as a Trade Challenge Partner we provide strategic advice to companies, particularly assisting new exporters when building their export strategy providing insight into the different markets. We also provide logistical support, assist publishers in planning their book fair attendance, help organise meetings and provide onsite advice and introductions.
47. The PA's role as a DIT approved Trade Challenge Partner adds great value to publishers' export journeys, enabling them to break into new markets or to attend book fairs they might not otherwise have the resources to go to. Therefore we would encourage DIT to make sure this scheme and relationship continues.

## ***Invest more in IP attachés***

48. The UK's existing IP attachés in China, India, Brazil and SE Asia have proved incredibly useful in helping UK publishers navigate foreign markets and in bringing revenue and investment back into the UK.
49. Given the success of existing attachés, we believe UK should expand its network of IP attachés both by creating larger teams in the most important markets and by widening their geographical reach. Steps should also be taken to secure the future of the existing IP attachés so that continuity is maintained throughout this critical period.

## ***Long term approach to funding***

50. Budgets for government funding should be agreed earlier so that the Publishers Association and our members are able to fully take advantage of it. This is a particular issue with TAP funding for SMEs, where publishers have to plan a long time in advance which book fairs they will attend, and often by the time publishers can start bidding for TAP funding it is too late for them to attend certain fairs.
51. If DIT were able to take a longer-term approach to funding this would help the industry more broadly in taking advantage of the available support and would help the PA in planning for high impact activities in key export markets.