

Global Perspective on Foreign Trade in the Works of Art in: Medzinarodne Vzt'ahy 2007, Vydateľ'stvo Ekonom, Bratislava 2007, ISBN 979-80-225-2437-7 and electronic version CD rom.

JOANNA BIALYNICKA-BIRULA
Cracow University of Economics, POLAND

Global Perspective on Foreign Trade in the Works of Art

Abstract

The paper discusses the problem of international trade in art. The works of art are very specific objects of international trade, because – recognised as cultural goods and part of the national heritage - they are protected against export. Most countries of the world have laws that protect their cultural property. The legal regulations concern different types of the works of art and apply different instruments of art export controls. The paper discusses the import and export of art worldwide. The analysis is based on OECD international trade data Harmonised System 1996 (ITCS International Trade by Commodities Statistics) on the import and export of the works of art (section 97) in the recent years. The relations between export and import are also analysed. On the basis of the collected data it would be possible to identify the countries which have a significant share in the international trade in art. Special attention is given to foreign trade in art in European Community countries as well as in the United States. The UK, France, Germany, the Netherlands, Belgium, Spain and Switzerland are discussed in the European context, while Japan, China, Hong Kong give insights into the Asian environment, with Canada and Mexico representing the Americas and Australia.

Key words: cultural goods, unique art, national heritage, foreign trade, trade analysis.

JEL clasiffication: Z1, Z11

1. Introduction

Few economists have investigated trade in cultural goods in professional writings. The issue of international trade in cultural goods has been discussed by the following authors: Schulze G. G.(1999), Francois P., van Ypersele T. (2002), Janeba E. (2004), Marvasti A., Canterbury E.R. (2005), Hanson G. H. and Xiang Ch. (2006)¹. The first study conducted by G.G. Schulze verifies the implementation of trade theories, with special attention given to the gravity approach to explain international exchange in reproducible art (recorded music, books, movies), and unique art (paintings, sculpture).

¹ Marvasti A., *Internatinal Trade in Cultural Goods: A Cross-Sectorial Analysis*, Journal of Cultural Economics 18/1994, pp.135-148, Schulze G. G., *International Trade in Art*, Journal of Cultural Economics, 1-2/1999, s. 109-136, Francois P., van Ypersele T., *On the Protection of Cultural Goods*, Journal of Cultural Economics, 56/2002, pp. 359-369, Janeba E., *International Trade and Cultural Identity*, National Bureau of Economic Research Working Paper 10426, 2004, Marvasti A., Canterbury E.R., *Cultural and Other Barriers to Motion Pictures Trade*, Economic Inquiry 43/2005, pp. 39-54; Hanson G. H., Xiang Ch., *International Trade in Motion Picture Services*, NBER, October 2006.

P. Francois and T. van Ypersele use the example of movie pictures to analyse the protection of cultural goods. E. Janeba develops a new framework to study the effects of trade liberalization in the area of cultural identity, and formulates the conclusion that the consumers of imported cultural goods tend to gain, while the consumers of exported cultural goods tend to suffer losses as a result of trade liberalization. A. Marvasti and E.R. Canterbury explain the American film motion picture trade on the basis of the US export gravity model. G. H. Hanson and Xiang Ch. examine the determinants of US motion picture export to Europe using a modified version of the gravity model. The above writings discuss a wide range of cultural goods including films, books, newspapers, records and unique art. The empirical analysis on the flows of the works of art, in the narrow sense of this word, appeared only in G.G. Schulze study (1999).

Unique works of art are very specific objects of trade, especially in the international context. They represent cultural property and national heritage, and they are protected against export². Most countries of the world have laws that protect their cultural property. The legal regulations concern different types of the works of art and apply different instruments of art export controls. Moreover, the traffic of art is restricted on the basis of cultural property agreements between countries - bilateral and international.

The paper presents the results of an economic analysis of the export and import of the works of art. The analysis is based on OECD data on international trade (Harmonised System) (ITCS International Trade by Commodities Statistics) 1996 for the period 1996-2006³. The dynamic analysis shows the changes in values in the export and import of the works of art (section 97). The relations between export and import are also investigated. On the basis of the collected data it is possible to identify the countries which have a significant share in the foreign trade in art. The analysis focuses on the most important countries in this industry. Special attention is given to the art flows between the United States and European Community countries.

2. An analysis of the value of the import and export of the works of art in the United States and the EU

The United States and EU countries are major players on the international market of art. In 1998-2004, the US had the largest share in the global art auction market estimated at 41.5% - 46.9%. The other major players include EU countries, especially the UK - 24.8% - 30.48%, France (7.2% - 9.6%), followed by Germany and Italy⁴.

Considering the results of the author's previous research it may be stated that the countries which have the largest share in the arts market also record the highest import

² See: Białynicka-Birula J., *Ochrona narodowych dóbr kultury przed wywozem w krajach Wspólnoty Europejskiej*, Papers of Cracow University of Economics nr 739, Cracow 2007, pp. 21-37; Białynicka-Birula J., *Zasady wywozu dzieł sztuki z Polski w kontekście regulacji państw Wspólnoty Europejskiej* in: „Polski konsument i przedsiębiorstwo na jednolitym europejskim rynku”, Uniwersytet Szczeciński, Międzyzdroje 2005, pp. 381-386; Białynicka-Birula J., *Instrumenty oddziaływania na przepływ dzieł sztuki w ramach zintegrowanego rynku Unii Europejskiej*, opracowanie cząstkowe badań statutowych 47/KARiBM/2/04/s/157 in: „Modelowanie zachowań podmiotów rynkowych w kontekście wejścia Polski do Unii Europejskiej”, Cracow University of Economics, Cracow 2004.

³ Section 97 HS (*Harmonized Commodity Description and Coding System*) 1996 includes works of art, collectible pieces and antiques.

⁴ See: Białynicka-Birula J., *Analiza tendencji na światowym rynku dzieł sztuki na przełomie XX i XXI wieku*, Papers of Cracow University of Economics nr 756, Kraków 2007.

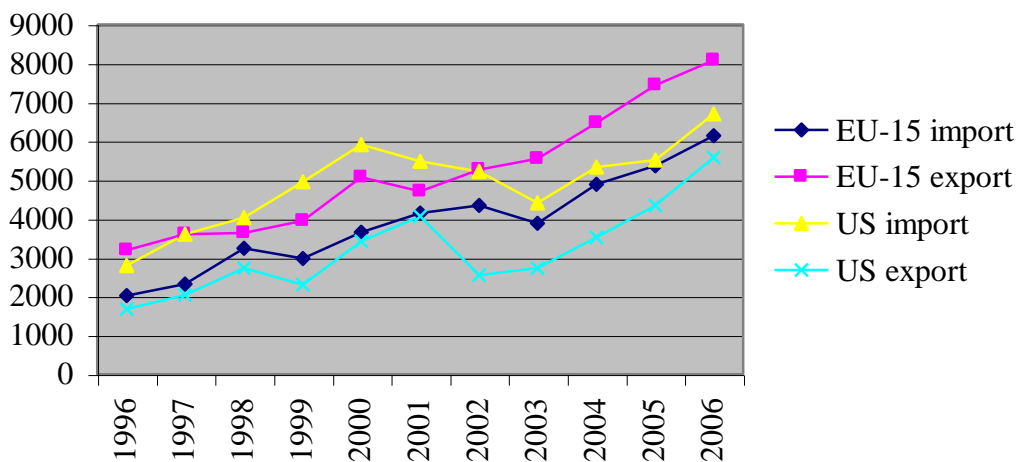
and export volumes in this area⁵. It is justified, therefore, to discuss, in the first place, import and export values in the United States and EU countries. The data for 1996-2006 are presented in Table 1.

Table 1. Import, export in USD millions, and the relation between the export and import of the works of art in the EU and the United States in 1996-2006

Year	EU-15			USA			relation import USA/import UE	relation export UE/export USA
	import	export	relation exp/imp	import	export	relation exp/imp		
1996	2028.58	3196.60	1.58	2798.34	1671.36	0.60	1.38	1,91
1997	2316.69	3608.88	1.56	3605.17	2044.51	0.57	1.56	1,77
1998	3242.65	3635.75	1.12	4031.40	2737.18	0.68	1.24	1,33
1999	2984.72	3951.84	1.32	4945.04	2297,83	0.46	1.66	1,72
2000	3649,58	5068,08	1.39	5899.40	3424.96	0.58	1.62	1,48
2001	4139.21	4702.70	1.14	5485.59	4070.16	0.74	1.33	1,16
2002	4347,41	5271.14	1.21	5218.81	2557.54	0.49	1.20	2,06
2003	3882.28	5538.85	1.43	4414.90	2735,46	0.62	1.14	2,02
2004	4884.35	6468.23	1.32	5338.16	3514.58	0.66	1.09	1,84
2005	5363.54	7443.47	1.39	5516.40	4347.90	0.79	1.03	1.71
2006	6144.89	8077.60	1.31	6692.00	5570.70	0.83	1.09	1.45

Source: author's own research on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996.

Fig 1. Import and export of the works of art in EU-15 and the USA in USD millions



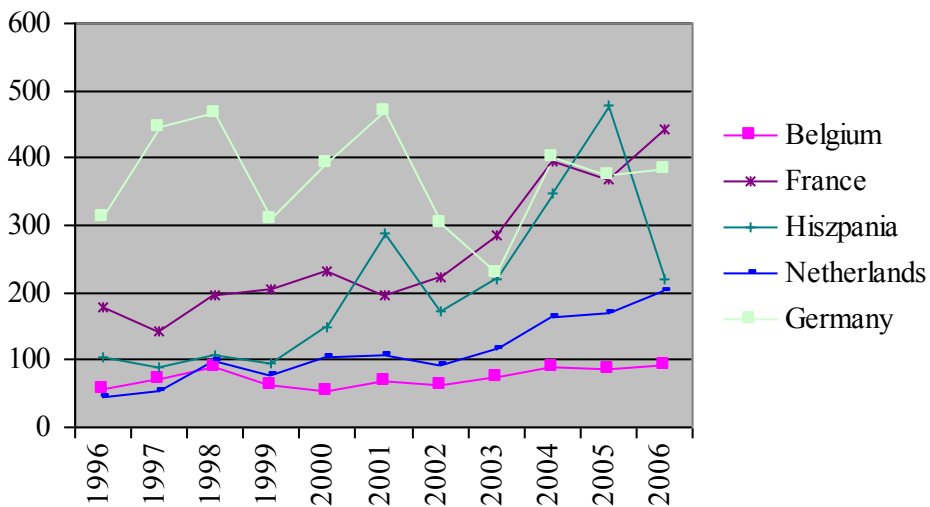
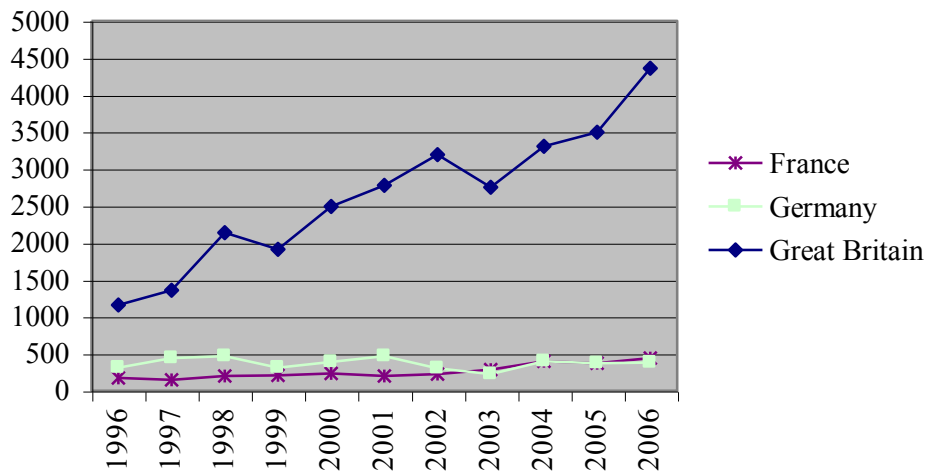
Source: author's presentation on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

⁵ See: Białynicka-Birula J., *Analiza rynku dzieł sztuki w Unii Europejskiej w układzie czasowo-przestrzennym*, opracowanie częściowe badań statutowych 60/KARiBM/2/2005/S/232 in: „Badania postępowania konsumenta na rynku zintegrowanym”, Cracow University of Economics, Cracow 2005; Białynicka-Birula J., *Foreign Trade in Works of Art in the United States – A Legal and Economic Approach* in “U.S. Foreign Policy: Theory, Mechanisms and Practice”, Jagiellonian University, Cracow 2007.

The import of the works of art to EU countries in 1996-2006 ranged from USD 2bn to USD 6.1bn, while the value of export from USD 3.1bn to USD 85bn. In the same period the import of the works of art to the United States amounted to USD 2.8bn - USD 6.7bn, while the values of export amounted to USD 1.7bn – USD 5.5bn. An analysis of export-import relations of the works of art indicates that in the investigated period EU countries always record export values exceeding import, while in the case of the US the export value is below import. In the EU, unlike in the United States, export values exceed those of import values. The value of imported works of art to the United States exceeded the respective value for the EU by 9%-66%. In turn, EU export values always exceed US figures (even twofold in 2002-2003).

The values of the import of the works of art in EU member states are presented in Fig. 2.

Figure 2. Import of the works of art to selected EU countries, in USD millions, 1996-2006

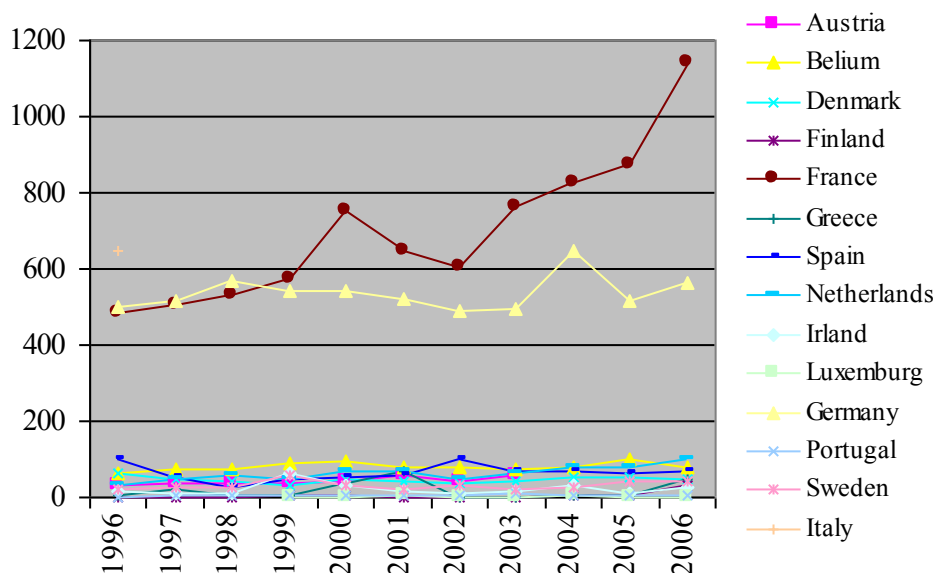


Source: author's presentation on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

In 1996-2006, the import of the works of art to EU countries ranged from USD 2bn to USD 4.9bn, showing a steady growth. In the investigated period the highest values of the import of the works of art were recorded in the UK (USD 1.1bn – USD 4.3bn), and the share of this country in the total import to the EU amounted to 57%-73.3%. It should be noted that there is a considerable difference between the import values for the UK and the remaining EU countries. Germany ranks second (USD 227.6m – USD 468.7m, and its market share amounts to 5.7% - 19.2%), followed by France (USD 143m – USD 443m with its market share amounting to 4.7% - 8.7%). In terms of the volumes, the above countries are followed by Spain, the Netherlands and Belgium. Low volumes, in turn, are recorded by Finland, Greece, Ireland, Luxembourg and Portugal.

Values of the export of the works of art in EU countries are presented in Fig. 3.

Figure 3. Export of the works of art in the EU, in USD millions, 1996-2006



Source: author's presentation on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

In 1996-2006, the export of the works of art from the EU ranged from USD 3.2bn to USD 8bn, showing a growing trend just like in the case of imports. The highest values in this period are recorded in the UK (USD 1.8bn – USD 6.7bn), and its share in the total export from the EU amounts to 56.1% - 70.9%. The UK is followed by France (USD 485m – USD 1.2bn with the market share of 11.4% - 15.2%) and Germany (USD 489m – USD 648m with the market share of 8.9% - 15.7%). There is a considerable difference between the export values in the above countries and the remaining EU countries (Fig. 2). Switzerland, again, records a high value of art exports – USD 635m – USD 1.2bn. Low export values are recorded in Finland, Greece, Ireland, Luxembourg and Portugal.

A comparison of the value of exported and imported works of art in EU countries in 1996-2004 makes it possible to identify the major market players in terms of the international trade in the works of art. The highest import and export values (and the largest market share) in the EU are recorded by the UK, Germany and France. Low

import and export values are recorded in Finland, Greece, Ireland, Luxembourg and Portugal. It should be noted that high or low volumes refer both to exports and imports. The traffic in the works of art (import and export) concentrates in several EU member countries. Also, those countries hold the largest share in the art market – the UK's share in 1998-2004 amounted to 24.8% – 30.48%, France's share ranged from 7.2% to 9.6%, followed by Germany or Italy⁶. It may be concluded that the highest export and import values are recorded in the countries which have the highest concentration of trade in the works of art.

The further considerations focus on the relations between the export and import of art in EU-15. An analysis of the values of arts import and export in 1996-2006 indicates that in the investigated countries export volumes exceed their imports. In terms of the export-import relations, EU countries may be divided into three groups: the countries with export volumes exceeding import levels, the countries with greater import values, and the countries in which this relation is variable during the investigated period. The first group of countries includes Denmark, France, Germany, the UK and Italy.⁷ The second group comprises Greece, Spain, the Netherlands and Luxembourg, and the third group includes Austria, Belgium, Finland, Ireland, Portugal and Sweden. The export-import relations for the EU as a whole range from 1.12 to 1.58, indicating higher export volumes.

An analysis of the relations between export and import volumes indicates that France records the widest gap – exports are two or three times as high as imports. A considerable gap is also recorded in Denmark – the respective ratio in 1996-2004 ranges from 1.7 to 3.3. In the second group of countries Luxembourg records considerable differences in import to export volumes (more than six times as high in 2000 and 2002, more than 10 times as high in 2003). Spain recorded the greatest gaps in 1998 (import volumes were 4 times as high as exports) as well as in 2001 and 2004 (5 times as high).

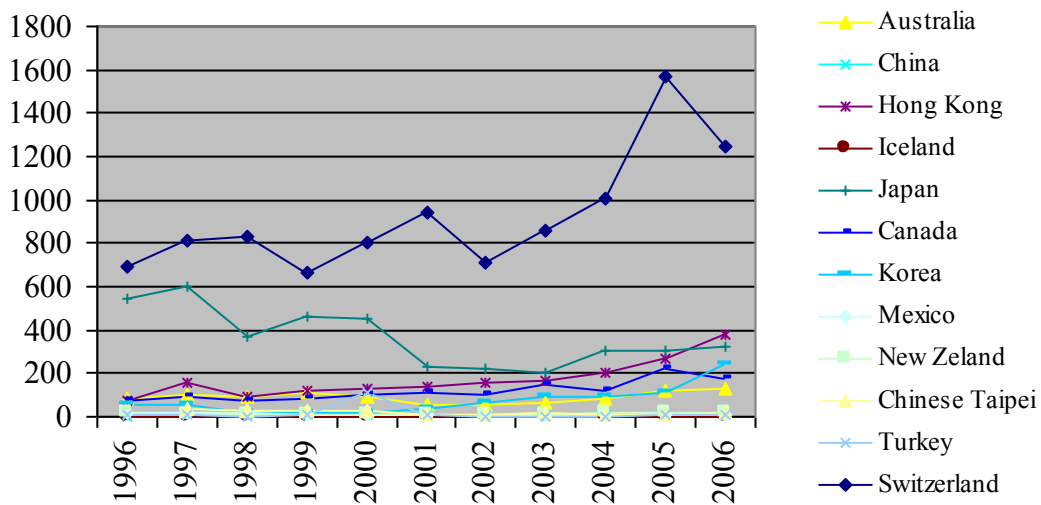
3. An analysis of the value of arts import and export in the world's selected countries

The discussion on the export and import of the works of art in the United States and the EU is followed by an analysis of OECD countries. Import values are presented in Fig 4.

⁶ See: Białynicka – Birula J., *Analiza rynku dzieł sztuki w Unii Europejskiej w układzie czasowo-przestrzennym*, opracowanie cząstkowe badań statutowych 60/KARiBM/2/S/232/2005/S in: „Badania postępowania konsumenta na rynku zintegrowanym” Cracow University of Economics, Cracow 2005.

⁷ In Italy – exceptional data for export-import relations in 2002.

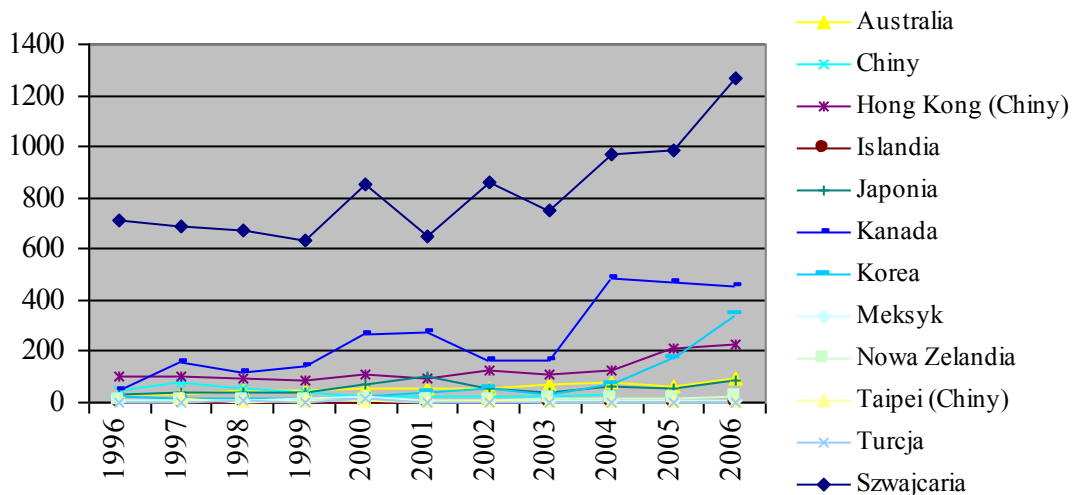
Fig. 4. Import of the works of art in USD millions in 1996-2006 in selected countries



Source: author's presentation on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

The collected data indicate high values of the import of art to Switzerland. In 1996-2006, the value of such import stood at the level USD 666m – USD 1.2bn. In terms of the value of import, this country is followed by Japan (USD 205m – USD 596m), Hong Kong (USD 76m – USD 380m). It should be noted that the ordering of these countries in the investigated period is the same. Fig. 5 presents the value of exports in selected countries.

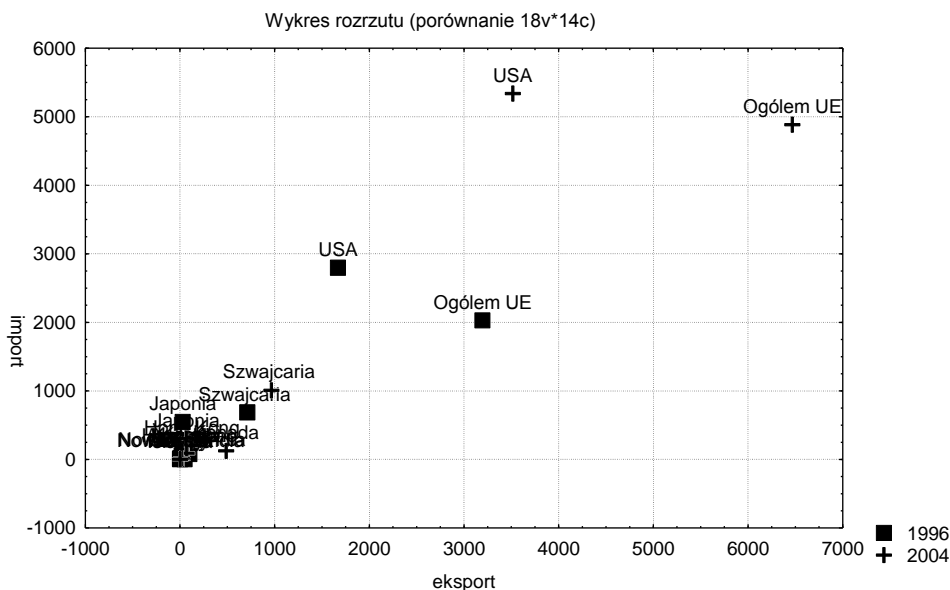
Fig 5. Export of the works of art in USD millions in 1996-2006 in the world's selected countries



Source: author's presentation on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

Similarly to imports, Switzerland recorded high export values in the investigated period (USD 635m – USD 1.2bn). Switzerland is followed by Canada (USD 50m – USD 488m) and Hong Kong (USD 89m – USD 229m). Fig. 6 summarises the identification of the world's major exporters and importers of the works of art, presenting the respective figures for 1996 and 2004.

Fig. 6. Export and import of the works of art in the world's selected countries in 1996, and 2004.



Source: author's presentation in Statistica on the basis of OECD ITCS International Trade by Commodities Statistics, Harmonized System 1996

Fig. 6 shows considerable differences between export and import volumes in the United States and the EU as compared with other countries. The above countries are followed by Switzerland and Japan. The graph also presents growth trends in the export and import of the works of art in those countries in 1996-2004.

Considering export-import relations on the arts market, countries may be identified in terms of their considerable differences in export and import volumes. For example, China's export of the works of art considerably exceeds its imports. In 1996-2004, the relation ranges from 2.97 to 14.79 (on average the difference of 5 times). Japan, in turn, records a reverse trend – its import of the works of art is much greater than its export, and the respective relation ranges from 2.2 to 18.08 (on average, the difference of 8 times).

Conclusion

The paper presents the results of the analysis of the export and import of the works of art on a global scale. The first part of the discussion focuses on the dynamics of the trade in arts in the EU and the United States – the major players on the market. In 1996-2006, the import of the works of art to the EU ranged from USD 2bn to USD 6.1bn while its export – USD 3.1bn - USD 8bn. In this period US import values amounted to USD 2.8bn – USD 5.9bn, while its import stood at the level of USD 1.7bn - USD 5.5bn. An analysis of export-import relations indicates that EU countries in the investigated period record greater values of export, while in the USA the trend is reverse – the values of imported goods exceed the value of exports. The values of imports to the United States exceeded the respective values in the EU while EU exports of the works of art exceeded the value of US exports.

The analyses make it possible to identify major exporters and importers. High volumes of imported goods are recorded in Switzerland, Japan and Hong Kong; Switzerland, Canada and Hong Kong, on the other hand, record high volumes of arts exports. Considerable differences between the value of exports and imports are recorded in China and Japan. China's exports exceed its imports (more than 5 times in 1996-2004), while in Japan the trend is reverse – its imports considerably exceeds its exports (on average more than 8 times in the investigated period).

It should be noted that the presented results are based on official statistical data reflecting the legal trafficking in the works of art. A different area of problems relates to the illicit trafficking in the works of art, the measures preventing such procedures and the possible restitution of cultural goods to the countries of origin.

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Address:

DR JOANNA BIALYNICKA-BIRULA
University of Economics in Cracow
Department of Market Analysis and Marketing Research
Rakowicka Street 27, room 217, building A
31-510 CRACOW, POLAND
e-mail: babiarzj@ae.krakow.pl