

Global watch on culture and digital trade

DIGITAL TECHNOLOGIES, ARTIFICIAL INTELLIGENCE AND CULTURE: POLICY, ECONOMIC AND INDUSTRIAL ISSUES

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Analytical report, June 2023

The June report begins with the debates around the US-led Indo-Pacific Economic Framework (IPEF) and the strong concerns expressed by US-based interest groups about the digital trade priorities of the Biden administration toward the IPEF. The report also highlights the ongoing discussions in the European Union (EU) regarding the Artificial Intelligence (AI) Act. In addition, the report deals with the Global Music Report 2023 published by the International Federation of the Phonographic Industry (IFPI) and the sustained growth of streaming consumption in the global music market. The report also emphasizes a new thorny problem related to AI, music industry and streaming services: fake listeners. Finally, the report turns to new partnerships and business plans of transnational streaming services, focusing on Netflix and Disney+.



Regulation issues, digital trade and culture

Concerns from interest groups toward the digital trade priorities of US administration

In late May, trade ministers from 14 countries parties to the US-led Indo-Pacific Economic Framework ([IPEF](#)) completed a deal to make supply chains more resilient. However, powerful US business groups expressed strong concerns about trade priorities of the US administration and Biden's approach toward the IPEF. More than 30 interest groups sent a [public letter](#) to the administration, explicitly stressing that the administration's proposals are endangering "US trade and economic interests in the Indo-Pacific region and beyond". According to [Inside US Trade](#), the letter states "it is unclear why some traditional U.S. trade priorities that could deliver meaningful benefits for American exporters are being sidelined in the IPEF talks. For example, the United States has long pursued trade rules that seek to address standards-related and other technical barriers to trade, measures that discourage (...) inadequate intellectual property protections, and sector-specific regulatory barriers that impede exports of (...) ICT products".

In addition, the [groups](#) mention they are "deeply concerned about statements from U.S. officials and reports from the third IPEF round that suggest the administration is wavering in its promotion of high standard rules for digital trade". The letter stresses that "rules in recent U.S. trade agreements seek to ensure that data can flow freely across borders, businesses and entrepreneurs are not compelled to relinquish proprietary data, and the digital output of creative industries is not disadvantaged by the mere fact that it is owned by Americans or produced in the United States".

The groups say that U.S. trade deals, including the U.S.-Mexico-Canada Agreement, do not inhibit governments' ability to "regulate in the interest of privacy, protection against bias, pursuit of fair market competition, or other public policy objectives. These rules are integral to U.S. political and economic values. (...) The United States should use the IPEF talks to build on the outcomes achieved in past negotiations and address evolving challenges to U.S. trade. (...) If IPEF derogates from these outcomes and abandons the core principle of non-discrimination, the U.S. economy will be harmed by emboldening restrictive foreign trade and data practices, undermining the efforts of like-minded allies to promote high standard global norms, and ceding U.S. leadership on rulemaking for the digital economy". Signatories include the App Association, the Computer and Communications Industry Association, the Global Data Alliance, the Coalition of Services Industry and the Information Technology Industry Council.

Artificial Intelligence: toward new regulations

According to [EURACTIV](#), the European Parliament's leading parliamentary committees have green-lighted the AI Act in a vote mid-May, "paving the way for plenary adoption in mid-June". One of the deputies leading the legislation, Romanian Dragos Tudorache, stressed that "it's the first legislation of this kind worldwide, which means that the EU can lead the way in making AI human-centric, trustworthy and safe". According to [Science Business](#), the law, opposed by the mostly-American [tech companies](#) leading the AI field, is expected to "intensify trans-Atlantic conflicts over the regulation of digital technology, which with the advance of generative AI models such as ChatGPT in the past year has burst into global public debate".

Worldwide activities of online platforms

Streaming services and global music market

Thanks to "sustained growth in streaming", in 2022, global recorded music revenues have reached their highest level since 1999 and the global music industry has succeeded in doubling its global revenues, that reached 13.1 billion USD in 2014, when revenues saw the market bottom due to piracy and declining physical sales. According to IFPI, global music sales grew for the seventh consecutive year in 2022, with total revenues rising 9% to 26.2 billion USD. The [Global Music Report 2023](#) shows that the growth has been driven by streaming (including both paid subscription and advertising), which grew 11.5% year-on-year to 17.5 billion USD and now represents 67% of total global revenues (see Table 1). Within that, the number of paid subscription streaming revenues increased by 10.3% to 12.7 billion USD, with in total 589 million users of paid subscription accounts. According to the study, downloads and other (non-streaming) digital revenues, which represent only 3.6% of total global revenues, were once again the only format category to see a decline in 2022 (- 11.7%) as the trajectory of digital music consumption continued to move from an ownership to an access model and streaming continued "increase its foothold as the dominant digital format". Instead, physical revenues – including CDs, vinyl and other physical formats - remain resilient, growing for a second consecutive year running 4% year-on-year and representing 17.5% of the overall market. [Vinyl](#) revenues increased by 17.1%. Physical revenue saw its strongest performance in Asia once again, with the region accounting for almost half the global revenues for physical sales (49.8%).

Among the world's regions, Sub-Saharan Africa became the fastest-growing region, with a remarkable growth of 34.7%, “driven by a significant boost to revenues in the region’s largest market, South Africa (+ 31.4%)”. Latin America saw gains of 25.9%, followed by Middle East and North Africa (+ 23.8%), which represented the highest rate for streaming of any region globally (95.5%). Finally, there was overall revenue growth of 5% in the United States and Canada – the world’s largest region in revenue terms -, as well as 15.4% revenue growth in Asia. The Top10 music markets in 2022 include the United States, Japan, the United Kingdom, Germany, China, France, South Korea, Canada, Brazil, and Australia.


Note that IFPI represents more than 8 000 record companies worldwide, including all three major labels, Universal Music Group, Sony Music Entertainment and Warner Music Group.

Table 1

Revenues (in USD) / Year	1999	2004	2009	2012	2014	2016	2017	2019	2021	2022
Total physical revenues	22.3	18.0	9.6	6.9	5.4	5.0	4.7	3.9	4.4	4.6
Total streaming	-	-	0.4	0.9	1.8	4.4	6.2	10.7	15.7	17.5
Downloads and other digital revenues	-	0.3	3.5	4.2	3.9	3.1	2.5	1.4	1.1	0.9
Performance rights	-	0.8	1.2	1.4	1.7	2.1	2.2	2.4	2.3	2.5
Synchronisation revenue	-	-	-	0.3	0.3	0.3	0.4	0.5	0.5	0.6
Total revenues in USD	22.3	19.2	14.6	13.8	13.1	14.8	15.9	18.9	24.0	26.2

Music industry and Artificial Intelligence

According to Forbes, in early May 2023, Spotify, the largest audio streaming business, removed 7% of songs created with AI-generated music service Boomy, following complaints from Universal Music of suspicious artificial streaming on Boomy tracks. The issue doesn’t appear to have been the songs themselves, but Spotify was “concerned about the listeners”. Universal Music warned that robots had been used to inflate audience statistics on Boomy tracks. As such, in addition to fake music, AI has created a huge “new problem for streaming services: fake listeners”.




Boomy started two years ago and allows users to pick from various music styles to create AI-generated songs. “Users can change the tempo, arrangement and instruments used and can record vocals to add to their songs”. California-based [Boomy](#) mentioned its users have created more than 14.5 million songs or 14% of the world’s recorded music. In comparison: [Spotify](#)’s entire catalogue is about 100 million songs.

Lucian Grainge, Universal’s chief executive, stated that “the recent explosive development in generative AI will, if left unchecked, both increase the flood of unwanted content on platforms and create rights issues with respect to existing copyright law”. As [Variety](#) explicitly stressed, AI by way of machine learning “is the latest existential threat to the music business, and unlike the precedent of Napster-era piracy, which opened the door to illegal downloads, the industry has mobilised quickly to respond”. However, while copyright infringement is an obvious reason why different stakeholders seek to create a framework for how to license music used by AI generators, another key reason for such concerns is related to consumption issues. “The market share of major-label music on streaming platforms has been declining slowly but steadily over the last five years” and the generative [AI](#) is expected to boost this trend exponentially. “The big companies care because they earn billions of dollars of royalty income that is directly tied to their proportion of streams”.

Struggle for subscribers and new business plans

Disney+ lost four million subscribers in the first quarter of 2023, bringing the total to 157.8 million subscribers, compared to 161.8 million subscribers in the previous quarter, and marking the streamer’s second consecutive quarterly drop. According to [TechCrunch](#), “the main reason behind the decline was Disney+ Hotstar”, the version of the service offered in India and parts of Southeast Asia, which “shed 8% of its subscriber base”; in fact, many viewers are disappointed with Disney’s decision “to not retain streaming rights for the Indian Premier Cricket League”. In the US/Canada, [Disney+](#) lost about 0.3 million subscribers (to reach 46.3 million). In addition, according to [Deadline](#), Disney plans to “roll out a single streaming service with programming from Hulu and Disney+ by the end of this year”.



In addition, at the end of May, Netflix began its crackdown on users who share passwords in the United States. According to [CNN](#), Netflix estimated that more than 100 million households worldwide share an account. The company is “sending out emails to all US-subscribers who share passwords with people outside their household, as part of a long-planned move to limit password sharing”. In addition, according to [Quartz](#), between November 2022 and May 2023, Netflix's ad-supported plan has garnered nearly five million global monthly active users” and it will be interesting to see if Netflix’s number changes with “the upcoming password-sharing crackdown”.

Additional readings for the June report:

Online Streaming Act: As we revisit Netflix support for Canadian content, it's about more than money, *The Conversation*, 18 May 2023, [Link](#).

Generative AI is forcing people to rethink what it means to be authentic, *The Conversation*, 1st May 2023, [Link](#).

Indicative sources :

- AI's disruptive forces are rapidly reshaping the music industry, *Financial Times*, 12 May 2023, [Link](#).
- Biden administration announces Indo-Pacific Deal, clashing with industry groups, *The New York Times*, 27 May 2023, [Link](#).
- IFPI Global Report 2023: Music Revenues Climb 9% to 26.2 USD Billion, *Billboard*, 21 March 2023, [Link](#).
- Disney+ loses subscribers for second quarter in a row, drops 4M subs, *TechCrunch*, 10 May 2023, [Link](#).
- Netflix revealed how many subscribers are paying for its ad-supported plan, *Quartz*, 18 May 2023, [Link](#).
- AI vs. the Music Industry: With the Internet full of Fake Drakes and Eminems, who gets paid? *Variety*, 3 May 2023, [Link](#).
- World's first artificial intelligence law moves closer to passage in European Parliament, *ScienceBusiness*, 11 May 2023, [Link](#).
- The Global Music Report 2023, *IFPI*, [Link](#).

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