

Global watch on culture and digital trade

TRANSFORMATIONS IN CULTURAL GOVERNANCE: FAIRNESS, TRANSPARENCY, AND DIGITAL PLATFORMS

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Analytical report, February 2024

The February report begins with the new resolution adopted by the European Parliament toward cultural diversity and the conditions for authors in the European music streaming market. The resolution addresses the imbalance in revenue allocation from the music streaming industry and seeks to ensure authors and performers are paid and promoted fairly. It also calls for European music works to be visible, prominent, and accessible. In addition, the report also deals with the Code of Practice on transparency in music streaming released by the UK Intellectual Property Office and the debate around the new music streaming tax to be adopted in France. In addition, the report highlights the clash between Apple and Spotify around the implementation of the Digital Markets Act and the ways both platforms intend to comply with the Act. Moreover, the report emphasizes new partnerships and business plans, focusing on the decision of Universal Music Group to remove music from TikTok, as well as on the investment in content from Amazon and Netflix. Finally, the report turns to the struggle for subscribers and geographical expansion among streaming services, with those of Netflix and Spotify.



Regulation issues, digital trade and culture


European Parliament for fairness in the music sector

Mid-January, a resolution to address concerns regarding inadequate streaming royalties for artists and biased recommendation algorithms was adopted by the European Parliament. The [resolution](#) is called “On Cultural Diversity and the Conditions for authors in the European music streaming market” and focuses on the creation of a sustainable ecosystem for authors and performers. The [resolution](#) explicitly mentions that the current imbalance in revenue allocation in the music streaming market disfavours both authors and performers and put the sustainability of their professional careers at risk”. The [resolution](#) calls on the industry to explore new models for allocating streaming revenue in order to ensure the most equal and fairest distribution possible for authors and performers, revising “pre-digital royalty rates” to bring authors into line with fair and modern rates. At the same time, the resolution condemns the existence of schemes, such as the so-called payola, that would force authors to accept lower or no revenue in exchange for greater visibility, “thereby further reducing authors’ already very low streaming revenue”.

In addition, the resolution deals with the prominence and discoverability of European musical works, considering “the overwhelming amount of content constantly growing on music streaming platforms and the lack of Union rules to regulate them in a harmonised manner”. As such, it calls on the European Commission to reflect on “the possibility of imposing concrete measures, such as quotas for European musical works on music streaming platforms”. [TechCrunch](#) mentioned that “at the heart of this push is a desire to ensure that European artists are given fairer visibility and prominence on music-streaming platforms, similar to efforts in other markets such as Canada which has passed the Online Streaming Act to support Canadian artists”. The European Parliament’s resolution was adopted by 532 votes to 61 and 33 abstentions.

Transparency and music streaming services

End January, the UK Intellectual Property Office has published a [Code](#) of Practice on transparency in music streaming, following a [UK](#) Parliamentary inquiry. There are three main strands to the work: data, transparency, and remuneration. The Code is intended to act as a stimulus for companies and organizations to provide ever better communications with each other and with Music Makers, by encouraging parties to be transparent.



The Code sets out standards of good practice between labels, distributors, digital service providers (DSPs) and music creators. It mentions that artists should have a contractual right to audit financial information, including royalty accounting, related to the streaming of their music. It has been signed by 12 music industry bodies, including the British Phonographic Industry (BPI), Featured Artists Coalition (The FAC), Independent Society of Musicians (ISM). The Code will come into force on 31 July and a formal review of the code will be convened two years after the date it becomes effective to consider its impact and check whether the industry has complied.

Toward a music streaming tax in France

Mid-September, the French Ministry of Culture announced that streaming platforms' earnings will be taxed to promote the French music industry. The new tax will directly finance the National Center for Music (CNM) founded in 2020 to support stakeholders across the French music industry. The tax specifications have not yet been disclosed. In April, the report presented to the Culture Ministry suggested a 1.75% tax on streaming platforms' earnings. Following this decision, representatives from Apple, Deezer, Spotify, YouTube, Meta and TikTok released a joint press statement against this policy initiative, supporting a voluntary funding initiative instead. They mentioned in the statement that they had agreed to a scheme that would raise over 14 million USD in 2025. A Spotify spokesperson told AFP that this tax is "a real blow to innovation, and to the growth prospects of recorded music in France. We're evaluating the follow-up to be given to the implementation to this inequitable, unjust, and disproportionate measure". In addition, end of December, Spotify pulled support for two music festivals in France, Francofolies de la Rochelle and the Printemps de Bourges, both it had supported financially and via other on-the-ground resources.

Civil society organizations against big tech companies over digital trade

According to Inside US Trade, more than 40 public interest, labor and religious groups are praising the US administration and US Trade Representative for withdrawing support for "extreme" digital trade proposals that would benefit "Big Tech" companies at the expense of workers and citizens. In October the Biden administration announced it was pulling US support for proposals on data flows, data localization, source code, and non-discrimination in the plurilateral World Trade Organization e-commerce talks. In their letter, the groups said the decision was "an important first step to ensuring that Big Tech interests cannot commandeer trade negotiations to undermine the important platform accountability policies being developed by Congress and the administration". The letter is signed by several unions and civil society organizations, including Media Alliance, Public Citizen, Center for Digital Democracy.

Clash between Spotify and Apple around the Digital Markets Act


Spotify announced that following the implementation of Digital Markets Act (DMA) it will update its iPhone app across the European Union to allow users to buy subscriptions and audiobooks with the app. In most regions, Apple's App Store rules prohibit companies such as Spotify from billing users directly inside the app. This means app developers must pay up to 30% of any in-app transactions to Apple. The entry into effect of the DMA will require companies called "gatekeepers", such as Apple, to open up their online services to allow smaller competitors access. However, the changes that Apple plans to implement in App Store rules to comply with the DMA do not at all satisfy Spotify.

As TechCrunch pointed out, even though Apple is complying with "the letter of the law, it's not complying with the spirit of the law, meant to foster greater competition". Apple's new terms involve a new "Core Technology Fee, which requires developers to pay 0.50 euro for each first annual install per year over a one million threshold regardless of their distribution channel. It will also take a commission on digital goods and services sold on a developer's website within seven days of a user tapping through an in-app link for external purchases". Spotify CEO Daniel Ek called Apple's plan "extortion" and a "complete and total farce", adding that the DMA would give creators the ability to download the Spotify app directly from its website.

Worldwide activities of online platforms

New partnerships and business plans

End of January, TikTok failed to "reach a deal to renew licensing rights with Universal Music Group (UMG) leading to millions of songs from UMG's library being suddenly removed from the platform". UMG said in a statement that it would pull its tracks from TikTok because of a lack of compensation for artists and songwriters. According to the statement, "TikTok proposed paying our artists and songwriters at a rate that is a fraction of the rate that similarly situated major social platforms pay". UMG added that TikTok accounts for "only about 1% of our total revenue, which shows how little TikTok compensates artists and songwriters, despite its massive and growing user base, rapidly rising advertising revenue and increasing reliance on music-based content". The UMG's catalog contains almost four million songs. TikTok, owned by the Chinese company Bytedance, allows users to make short-form videos, the majority of which are soundtracked with licensed music; TikTok became progressively one of the key platforms for music discovery and visibility.



It accused the music company of putting “its own greed above the interests of artists and songwriters”. As [The Guardian](#) mentioned, TikTok holds similar agreements with music companies, such as Sony and Warner Music, but “whether they share any of UMG’s concerns remains to be seen”.

Amazon’s total video and music expenses last year were 18.9 billion USD, representing a 14% increase from 16.6 billion USD in 2022. [Variety](#) pointed out that “while other media companies have been paring back content spending, Amazon shelled out more than two billion USD more in 2023 for TV shows, movies and music that it did a year earlier”. Approximately seven 7 billion USD was spent on [Amazon](#) originals and live sports, while Amazon spent a high share of content investment on music licensing in addition to TV and movies. For 2023, Netflix reported 12.6 billion USD in spending on content, down from the previous year, largely because of the [strikes](#).

Geographical expansion and struggle for subscribers

[Netflix](#) registered its third-consecutive quarter of accelerating subscriber growth in the final three months of 2023. As such, “it closed out a comeback year that included a crackdown on viewers freeloading on the video-streaming service and a smattering of price hikes”. After attracting 8.76 million new customers in the third quarter, Netflix added 13.1 million worldwide subscribers during the October-December period, its strongest final quarter ever for net additions and well above analyst projections. Membership climbed by 5.1 million to 88.8 million subscribers in [Europe](#) and Middle East. The company now has [260.8](#) million paid subscribers.

By gaining ten million Premium subscribers in the last quarter of 2023, Spotify now boasts 236 million Premium subscribers, a 4% increase over last quarter. At the same time, Spotify added 28 million monthly active users and its total number of monthly active users rose 5% to 602 million. As [The Verge](#) mentioned, “the results cap off a year that included both cost-cutting and price increases for the world’s largest audio streaming service”. In December 2023, [Spotify](#) announced that it was slashing 17% of its workforce, “a round of layoffs cutting about 1500 jobs from its global headcount of 9000”.



Additional readings for the February report:

Spotify playlist: algorithms don't just react to your music taste, they shape it, *The Conversation*, 5 February 2024, [Link](#).

Four ways AI will impact music, from Elvis holograms to interactive soundscapes, *The Conversation*, 22 January 2024, [Link](#).

Indicative sources :

- Music streaming sector: EU must ensure just pay for artists and fair algorithms, *European Parliament*, 17 January 2024, [Link](#).
- EU calls for laws to force greater algorithmic transparency from music-streaming platforms, *TechCrunch*, 17 January 2024, [Link](#).
- Music streaming platforms must pay artists more, says EU, *The Verge*, 17 January 2024, [Link](#).
- UK Voluntary Code of Good Practice on Transparency in Music Streaming, *Intellectual Property Office*, 31 January 2024, [Link](#).
- Spotify reports record growth in a year of layoffs and price hikes, *The Verge*, 6 February 2024, [Link](#).
- Spotify starts 'disinvesting' in France in response to new music-streaming tax, *TechCrunch*, 22 December 2023, [Link](#).
- Spotify to begin in-app sales on iPhone in Europe after new EU law requires Apple to allow it, *CNBC*, 24 January 2024, [Link](#).
- Universal Music Group threatens to pull song catalog from TikTok in furious open letter, *The Guardian*, 31 January 2024, [Link](#).
- Amazon content spending rose 14% in 2023 to nearly 19 billion USD, *Variety*, 2 February 2024, [Link](#).

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