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**Electronic Commerce and
Music Business Development in Jamaica:
a Portal to the New Economy?**



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PREFACE

This paper emerged out of the findings of the Jamaican Science, Technology and Innovation Policy STIP Review (UNCTAD, 1999), which examined the National System of Innovation (NSI) in Jamaica. One important element of the STIP Review was the Jamaican music industry. Although the Jamaican music sector represents a vibrant and dynamic sector of the Jamaican economy, it does not currently possess the technological assets or capabilities required in order to produce and export the final product at competitive market prices. Electronic commerce presents a critical opportunity for expansion and development of the commercial dimensions of this sector at relatively low cost, particularly with regard to the promotion and marketing of music-related products and services. For many developing countries, including Jamaica, UNCTAD has identified electronic commerce and music as an important new trading opportunity that provides one of the fastest means of penetrating global markets.

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**Electronic Commerce and Music Business
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INTRODUCTION

The music industry offers important new trading opportunities for developing countries. Trade in recorded discs and tapes has quadrupled over the last 10 years, overtaking trade in many manufactured goods. In the age of knowledge-based international competitiveness, services are assuming a greater share of output of all economies. The *music sector* is among the fastest-growing export sectors of the *global service economy*. In many developing countries, the significant export earnings potential of music is increasingly recognized, in addition to employment creation and promotion of national culture. Furthermore, there are strong complementary links to other sectors, most notably tourism (a leading source of income for many countries) and the entire multimedia spectrum. This can also become a reality in the Caribbean region.

Not only is the basic resource, musical talent, abundantly available in the Caribbean region, but also regional musical tastes offer significant opportunities to establish markets for producers in the region. However, talent alone is not sufficient to build a competitive music industry, and in most developing countries this sector has suffered from weak institutional and political support, low levels of entrepreneurial capability, low value-added, overdependence on foreign manufacturing and distribution, and massive copyright infringement. But in industries where ideas and specialized assets give rise to rents, effective organization requires a variety of specialized institutions. This is particularly true of music, where the volatility of demand adds to the sizeable risks involved. Indeed, creating a successful music industry is as much related to institutional and technological capabilities as to music potential or talent (UNCTAD, 2000).

Undeniably, there are institutional and cultural constraints on the development of this sector. However, through the right mixture of policies, market incentives and specialized collective institutions, these have been successfully overcome in several developing countries, such as Brazil and India. Policies specifically aimed at the development of the music sector need to focus on the strengthening of collective institutions responsible for copyright and related rights as well as related specialized institutions (collective management societies), capacity-building (training in entrepreneurship), institutional clustering, provision of business development services, access to finance and to new technologies, as well as to electronic commerce channels of distribution, democratization of decision-making, investment and assistance with marketing promotion. The music industry can be in the vanguard of the transformation process of the Jamaican economy, bringing it into the new digital economy, loosely known as the "New Economy".

I. MUSIC AND ELECTRONIC COMMERCE

In developed market economies (DMEs), information and communication technologies (ICTs), with e-commerce¹ and the Internet, are perceived to be the main engines of economic growth in the "*New Economy*".² This trend is emerging only slowly in developing countries. Broadly defined, electronic commerce, or *e-commerce*, refers to all aspects of business that is

conducted over the Internet. This includes all goods and services delivered over the Internet, including music, as well as goods delivered in more traditional ways.

Internet and e-commerce will certainly transform traditional business and consumer life. Internet-based sales were estimated to total some US\$43 billion in 1998. Many analysts expect online business to be worth more than US\$300 billion in the early part of this decade, while the more optimistic projections range between US\$1 trillion and US\$ 3 trillion.

The large majority of developing countries, particularly least developed countries (LDCs), are still on the fringes of the new digitally based technological and productive economy and will not be able to compete unless they are brought into the Internet-based New Economy. E-commerce could provide these countries with a portal to the New Economy. For many developing countries, including Jamaica, UNCTAD has identified e-commerce and music as the fastest means of penetrating global markets. E-commerce offers the possibility of improving company competitiveness and reaching, communicating and interacting with global consumers at greatly reduced cost. This is truer for music than for many other activities, in particular because music, like the Internet, is global in character, and can be easily transmitted in a narrow-band environment (Kern, 1999). This option is currently possible and within the reach of most developing countries at relatively lower entry costs than for many other traditional exporting activities.

Some of the key expected benefits from electronic commerce in the global music business are the following: lower transaction costs of doing business, greater numbers of buyers and sellers, larger purchases per transaction, integration into business cycles, larger catalogues and improved customer interactions. The distribution of music over the Internet represents for developing countries a rare opportunity for technological leapfrogging and a portal into the new knowledge-based global economy.

E-commerce will not only enable developing countries to buy goods and services from around the world at advantageous prices to support their production process, but more importantly, it will also allow them to participate as vendors in the global market place in ways that were earlier impossible. New export opportunities should attract new foreign and domestic investment enhancing national economic growth.

In addition to private sector initiatives, Governments in most developing countries are actively developing programmes aimed at supporting the digital economy (ITU, 1999). This is

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