

UNCTAD/WIPO JOINT PROJECT

**DEVELOPING COUNTRIES BECOMING
A GLOBAL PLAYER:
OPPORTUNITIES IN THE MUSIC INDUSTRY**

**Expanding Economic Potential of Developing Countries: the Music Sector
in the Caribbean Region**

**Cuban Music Industry
Development and Marketing Plan**

October 2001

All Figures and Other Material Subject to Checking

CONTENTS

	Page No.
1. INTRODUCTION AND BACKGROUND	1 - 2
2. ECONOMIC ISSUES IN DEVELOPING THE CUBAN MUSIC INDUSTRY	3 – 4
3. ECONOMIC ELEMENTS OF THE CUBAN MUSIC	5 - 19
4. INTERNATIONAL MARKETS FOR MUSIC	20 - 27
5. TOURISM IN CUBA AND ITS POTENTIAL LINKAGES WITH MUSIC SECTOR	28 - 31
6. RECOMMENDATIONS FOR A PLAN TO EXPAND INTERNATIONAL REVENUES FROM THE CUBAN MUSIC INDUSTRY TO INCREASE ACCESS TO FOREIGN MARKETS	32 - 57

References

Glossary/Abbreviations

APPENDICES

Appendix 1: Programme for Consultants Visit to Cuba in September 2000

Appendix 2: Selected Illustrative Examples of Individuals Interviewed during Programme

Appendix 3: Details re ABDALA Recording Studio

Appendix 4: Details re EGREM

Appendix 5: Official Database on the Economic Significance of the Cuban Music Industry

1. INTRODUCTION AND BACKGROUND

This report on the Cuban Music Industry makes recommendations for a development and marketing plan for this important sector of the Cuban economy. The Cuban Development and Marketing Plan Report is part of the UNCTAD/WIPO research/study project entitled, *Developing Countries Becoming a Global Player: Opportunities in the Music Industry: Phase I of Part I: Expanding the Economic Potential of Developing Countries: The Music Sector in the Caribbean Region.*

Within the framework of this wider study the objectives of this report are as follows:

- (i) To review the available information concerning the development of the Cuban music sector, its international marketing and current policies towards the sector;
- (ii) Based on the above and the field work carried out in Cuba in September 2000, to prepare the international marketing plan for the Cuban music industry;
- (iii) Following the mission to Cuba, this report has been prepared and encompasses a plan to expand international revenue from the sector and includes recommendations on how to increase access to foreign markets.

The study is of particular importance given the unique talents in the Cuban music sector which is evident (See Table 1.1). Cuba has developed an impressive international reputation in many forms of music including rhythmic dance music such as Mambo, Changui, Rumba, Chachacha, Son and Danzon as well as in the area of classical music and opera.

Table 1.1 Indication of Scale of Musical Talent in Cuba
<ul style="list-style-type: none">• 12,000 – 15,000 Professional Musicians• 4,000 Subsidised Classical Musicians• 2,300 Musical Groups• 7,000 Registered Composers
<i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming, Full Reference (Title of Project) to be added. <i>Sources Include:</i> The Institute of Music (Instituto de la Musica), The Ministry of Culture and Information obtained from UN Field Interviews September 2000

Despite the success of Cuban music, major questions remained over its economic significance and ways in which Cuba and the sector could expand international revenues. This is the focus of this report.

The report is structured as follows: Section 2 reviews some economic issues in developing the Cuban music industry and in the following section for the first time an overview is presented of the economic elements of the Cuban music sector. This is essential in preparing a marketing plan for the industry which would maximise its economic significance. Section 4 offers a review of aspects of the international markets for music. In the following section a review of tourism in Cuba and its potential linkages with the music sector is presented. This is of particular importance given the analysis of the various areas of market opportunity for the Cuban industry. Finally, section 6 proposes recommendations for consideration by the Cuban authorities for a marketing development plan to expand international revenues.

Cuba has historically provided significant support for the music sector. This was part of large investment in the arts and culture which was seen as a public good for the people of Cuba. Support for the arts and culture has historically represented an important share of Cuba's national budget. Until recently the economic potential of the music sector was not the focus of policy but this has been changing slowly.

2. ECONOMIC ISSUES IN DEVELOPING THE CUBAN MUSIC INDUSTRY

The economic issues which are relevant to the development of the Cuban music industry relate to the challenge of developing a high skilled international export oriented services sector. The practical and marketing issues are dealt with in subsequent chapters but it is necessary to present this within the framework of a wider economic context.

The main economic issues in developing such sectors has been examined within the analytical framework of UNCTAD 2001 paper dealing with the expansion of audio-visual services in developing countries.¹

Developing countries could better reap the benefits offered by growing cross-border flows of trade and capital by the development of new trading opportunities based on the development of dynamic comparative advantage. Many of the activities that bring such competitive advantage, tend increasingly to be located in the *service sector*, and within that, on activities that rely heavily on intellectual property. Among these, the share of cultural industries generally, and the music industry in particular, is growing.

Cultural industries sector represent a major new trading opportunity for many developing countries, with new challenges and opportunities for strategic integration into the global economy.

The music sector represents a case of a high value, knowledge-based industry, with low initial entry barriers, where developing countries could expand relatively rapidly on a global basis. There are, however, significant barriers to market penetration. The purpose of this report is to assist the Cuban industry to implement policies and initiatives to overcome these barriers.

¹ See Expanding Audio-Visual Services in Developing Countries Through the Copyright with special reference to The Music Industry in the Caribbean Region by Dr. Zeljka Kozul-Wright of DITE, UNCTAD and Mr. Varius James.

It is also important to develop sustainable employment and income in “linked” industries that rely on the use of music products, such as tourism, dance festivals, restaurant selling local cuisine, information technologies, radio, television and other broadcasting activities etc. and some backward linkages could also be strengthened in the supply chain to complementary industries that supply resources for the music industry, including the information technology sector. The marketing plan for the sector presented in this report takes account of such linkages particularly in relation to the tourism sector and implicitly in relation to IT sector.

In developing a marketing plan for the Cuban music industry it is necessary to take account of the economic characteristics of music which is characterised by the following features:

- (i) Music is an intangible: the music product is based on musical ideas relying on creativity and talent as the basic resources but its expression is tangible (in sound, recordings, films);
- (ii) Music is a joint product; it is produced collectively and can be consumed collectively;
- (iii) The production of music involves significant fixed costs;
- (iv) The music products have a very short product cycle, implying higher degrees of innovation and hence instability, (UNCTAD,2001).

The marketing and development plan presented in this report recognises the need to design institutional approaches which accommodate these special product characteristics.

3. ECONOMIC ELEMENTS OF CUBAN MUSIC SECTOR

In designing ways to expand international revenues from the Cuban music industry it is essential that all of the components of the sector are identified and that the inter linkages between the sub-sectors of the industry are recognised and are developed.

An outline of the main economic components or elements of the Cuban music sector is presented below (See Table 3.1). This focuses on existing and potential sources of foreign exchange. The proposed analytical framework may be of value in developing on-going marketing plans and in planning ways to expand international revenues from the Cuban music sector. A too limited consideration of the economic value of the music sector and its linkages would result in a failure to maximise the economic contribution of this sector.

Table 3.1 Summary of Main Existing and Potential Economic Components of Cuban Music Sector	
1.	REVENUE FROM COPYRIGHT MUSICAL WORKS BY CUBAN WRITERS AND COMPOSERS
2.	INCOME FROM OVERSEAS RECORD COMPANIES
3.	REVENUE FROM EXPORTS OF CUBAN RECORDED MUSIC
4.	MUSIC RELATED INCOME FROM TOURISTS
5.	MUSIC RELATED MANUFACTURING INCOME
6.	OVERSEAS PERFORMANCE INCOME FOR CUBAN MUSICIANS
7.	OVERSEAS INCOME EARNED BY CUBAN MUSIC CONTRACT WORKERS
8.	RENTAL INCOME FOR USE OF CUBAN STUDIOS/FACILITIES
9.	OVERSEAS EDUCATIONAL AND TRAINING INCOME
<i>Source:</i> UNCTAD/WIPO Project, 2001, Forthcoming	

Each of the main economic components of the Cuban music sector are reviewed in some detail as this is the foundations for any effective marketing development plan for the sector.

Revenue from Copyright Musical Works

An important untapped source of foreign exchange for the Cuban economy is the revenue from copyright musical works by Cuban songwriters, lyricists, composers, publishers and performers. The value of IPR-related income has grown significantly for Cuba but is still relatively modest. Consensus holds that there is significant potential for a rapid expansion in this source of revenue. An example of the potential growth in this revenue can be seen from table 3.2 below which shows the growth in intangible royalty income from two markets over a very short period. This shows that royalty income from Spain grew by 743 per cent between 1996 – 1999 and by 303 per cent from Japan over this period.

Table 3.2 Growth in Royalty Income Received by Cuba from Two Overseas Markets US\$				
	1996	1997	1998	1999
From:				
Spain	7,885	9,703	25,226	66,500
Japan	9,125	2,857	15,520	36,791

Source: UNCTAD/WIPO Project, 2001 Forthcoming: Data Provided during UN Field Interviews, September 2000

An important part of the plan to expand potential sources of foreign exchange for Cuba arising from revenue from copyright musical works will be to ensure that attention is paid to each of the potential elements of this income. If the focus is restricted to some of the more obvious sources of foreign exchange then the economic benefits for the Cuban people of this important sector will not be realised. Table 3.3 therefore presents a review of the main elements of this revenue which should be targeted by the Cuban authorities and agencies.

Table 3.3 Elements of Potential Copyright for Cuban Music Sector	
(A)	PERFORMANCE ROYALTIES FROM PUBLIC PERFORMANCE OF CUBAN MUSIC
(B)	PERFORMANCE ROYALTIES FROM RADIO/TELEVISION BROADCASTING OF CUBAN MUSIC
(C)	MECHANICAL ROYALTIES
(D)	SYNCHRONISATION ROYALTIES FROM USE OF CUBAN MUSIC IN FILMS, VIDEOS OR MULTIMEDIA
(E)	PERFORMANCE ROYALTIES FROM USE OF CUBAN MUSIC IN OPERA, BALLET, THEATRE PRODUCTIONS (GRAND RIGHTS)
(F)	REVENUE FROM PRINTED MUSIC SALES
<i>Source:</i> UNCTAD/WIPO Project, 2001, Forthcoming	

An indication of the potential significance of revenue from copyright music works can be seen from the figures in table 3.4 which shows the domestic turnover of UK music publishing companies in 1997. While comparison with a market economy such as the UK may not immediately appear valid, this comparison is interesting given the unique strengths of Cuban music and the popularity of Cuban music in international markets.

Table 3.4 Domestic Turnover of UK Music Publishing Companies 1997							
	Royalties PRS (a) (£m)	Royalties MCPS (£m)	Synchro- nisation fees (£m)	Grand right fees (£m)	Printed music (b) (£m)	Others (c) (£m)	Total (£m)
Responding companies	38.5	96.4	10.4	3.4	25.6	10.7	185.0
Others (d)	5.1	12.9	1.4	0.5	-	1.4	21.3
TOTAL	43.6	109.3	11.8	3.9	25.6	12.1	206.3
<i>Source:</i> MPA Survey							
(a) PRS royalties received by music publishing companies are substantially less than the total royalties payable by the PRS due to payments made directly to writers and composers by PRS.							
(b) The invoiced trade value of domestic sales of printed music.							
(c) Includes turnover for a number of companies which did not provide a split of domestic turnover.							
(d) Data taken from published accounts, etc.							
<i>Source:</i> KPMG (1999), A Sound Performance, The Economic Value of Music to the United Kingdom, Researchers Cliff Dane, Andy Feist, Kate Manton, Co-Ordinator Jennifer Goodwin, Published by National Music Council, Francis House, London, ISBN 0952974312.©							

Information on music publishers overseas income and payments for the UK as presented in table 3.5 highlight the potential economic significance of copyright income.

Table 3.5 Music Publishers Overseas Income and Payments, 1997		
	Overseas Income (in millions of UK pounds)	Overseas Payments (in millions of UK pounds)
Total	250.7	94.6
PRS	57.1	34.2
MCPS	50.0	58.0
TOTAL	107.1	92.2
<i>Source:</i> KPMG (1999), A Sound Performance, The Economic Value of Music to the United Kingdom, Researchers Cliff Dane, Andy Feist, Kate Manton, Co-Ordinator Jennifer Goodwin, Published by National Music Council, Francis House, London, ISBN 0952974312. ©		

An analysis of copyright income on Cuban music is presented in table 3.6. The figures indicate that Cuban copyright revenues is relatively modest at present but consensus is that there is potential for rapid growth.

Table 3.6 Cuban Copyright Revenue and Music Publication Income (‘000)		
	Foreign Currency (thousands of US Dollars)	National Currency (pesos)
Copyright	736.1	8,172.2
(a) Inside Cuba	-	-
(b) Outside Cuba	736.1	8,172.2
Music Publication	160.7	148.7
(a) Inside Cuba	0	0
Sale of Musical Publication		
(b) Outside of Border	160.7	148.7
Exports of Music Publications		
Publishing Rights	160.7	148.7
<i>Source:</i> Official Cuban Government Sources, May 2001		

Income from Overseas Record Companies

There are various channels for potential income for the Cuban economy which could be obtained from overseas record companies including direct payments to musicians and composers and other music business participants including income via strategic alliances with local record companies and licence fees. Licence fees from overseas record companies are a source of some revenue for the Cuban economy. There are various forms which these may take including copyright payment to composers and musicians (as referred to above) but these may also include licence fee payments to musicians or to local record companies in the context of joint ventures. There is potential for future growth in this area if an effective marketing and development plan is put in place.

Revenue from Exports of Cuban Recorded Music

A key source of revenue for the Cuban music industry is income from the direct exports of recorded music. A number of important markets for Cuban music as indicated below, currently are the following:

Important Markets for Cuban Music
United States and Canada
Europe: Spain, France, Germany
Latin America: Columbia, Venezuela, Argentina, Chile
<i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming. Information supplied During Field Mission, September 2000

An analysis of the profile of Cuban CD sector is presented in table 3.7 below. The figures highlight the importance of domestic sales, primarily to the tourism sector as well as the significance of exported CDs by the largest Cuban record company EGREM.

Table 3.7 Compact Discs Data 1999							
Record Company	Sold Discs	In Cuba	Exported	Sold Titles	Own	Others	Price
EGREM	163,702	71,865	80,600	755	334	421	1,448,648.01
ARTEX	154,372	12,4676	29,700	511	192	315	1685,800.00
RTV Commercial	19,845	9,344	10,501	73	11	62	129,159.00
WSP	5,696	-	-	294	-	-	91,136.00
TOTAL	343,615	205,885	120,801	1,633	537	798	3,272,779.00
<i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming: Data Provided during UN Field Interviews, September 2000							

Some alternative figures for the year 2000 on the recorded music sector were provided by the Cuban expert group as indicated in table 3.8. These figures suggest comparatively small levels of foreign currency sales of exported CDs outside of Cuba.

Sectors	TOTAL	
	Foreign Currency	National Currency
1. Recorded Music	7,943.6	1,526.3
(a) In Cuba	6,156.0	1,526.3
Records	177.2	0
CDs	3,648.1	2.3
Cassettes	1,490.8	1,274
Video Cassettes	805.6	0.0
Other Income	34.3	250
Concert Sales	34.3	250
(b) Outside Cuba	1,612.2	0
Exports	1,083.1	0
CDs	1,083.1	0
Cassettes	0	0
Video Cassettes	0	0
Royalty	529.1	0
Royalty by Sales	0	0
Licensing	529.1	0
<i>Source:</i> Ministry of Culture and Cuban Institute of Music, Information Supplied to UNCTAD 2000		

Details of revenues from sale of Cuban cassettes are presented in table 3.9. The figures show that a large volume of Cuban music cassettes are produced, that are mainly focused on the domestic Cuban market.

Table 3.9 Revenues from Sales of Cassettes (1999)						
Record Company	Units Sold	US\$	Cuban Pesos	Value US\$	Sales Cuban Pesos	Titles Sold
EGREM	181,172	20,983	160,189	55,285.84	2,270,230.00	432
ARTEX	93,943	46,171	47,772	177,491.70	467,779.20	260
RTV Commercial	488	400	88			
TOTAL	275,603	67,554	208,049	232,777.54	2,738,092.20	692
<i>Source: UNCTAD/WIPO Project 2001, Forthcoming</i>						
<i>Data Provided to UN during Field Mission to Cuba in September, 2000</i>						

While comparisons are somewhat problematic (due to the issue of whether retail or wholesale prices are used as well as estimation errors and exchange rate factors etc.) it is useful to consider the revenue from exports of Cuban recorded music compared with the value of music sales internationally. The overall scale of music sales internationally is presented in section 4 of this report.

It is useful to consider a comparison with European sales because this is one of the most important international markets and one where trade with Cuba is not restricted. The figures in section 4 show that European sales of sound recorded music alone accounted for over €11 billion Euros and this represented only about a third of the overall value of international record sales. It is clear that Cuban exports represent only a very small share of the value of sales in the key international markets despite the universally recognised quality, diversity and reputation of Cuban music.

Initiatives to expand the exports of Cuban recorded music represent a key requirement in expanding international revenues from the overall Cuban music industry. The main elements which should be introduced to expand revenues from this source include the following:

- Enhancement of Marketing and Commercial Human Resource Skills within Cuba.
- Major Investment in Market Research and Promotion of Cuban Music in Key Markets.
- Development of Direct Marketing Initiatives.
- Integration with the Film Producing Sector.
- Co-ordination of Overseas Performances.
- Facilitation of Co-operation with Record Companies.

The main marketing initiatives required are discussed in more detail in Section 6 of this report which presents the key recommended elements for a marketing development plan for the Cuban music sector.

Music Related Income from Tourists

There are a number of channels through which the interaction of music and tourism could potentially benefit the Cuban economy and which should be included in marketing planning. These are identified in table 3.10 below and are discussed in more detail in section 5 of this report. Domestic market sales to tourists represents one of the most important areas of potential for the Cuban music industry and one which represents an important element of our proposed marketing development plan for the sector. The analysis previously discussed dealing with exports also highlighted the fact that domestic market sales of music to tourists was even more significant. (See Section 5 for further details)

Table 3.10 Ways in which Tourism and Music can Contribute to Economic Impact in Cuba	
(A)	SALES OF RECORDED MUSIC TO TOURIST
(B)	INCOME FROM LIVE PERFORMANCES IN CUBA
(C)	DEVELOPMENT OF MUSIC RELATED TOURISM
(D)	SALE OF PRINTED MUSIC
(E)	EXPANSION OF TOURISM DUE TO ATTRACTION OF CUBAN MUSIC
<i>Source:</i> UNCTAD/WIPO 2001, Forthcoming	

Apart from the very significant existing sales of recorded music from the tourism market in Cuba, yet another important source of revenue for the music industry is derived from income earned from live performances in Cuba. While not all of this is from tourism, tourism represents the main source of foreign exchange income. Details of the economic significance of income from live performances in Cuba is presented in table 3.11.

Table 3.11 Income from Live Performances 2000 ('000) (thousands)		
	Foreign Currency US\$	National Currency (pesos)
Live Performances	15,100.5	75,131.9
In Cuba	7,900.1	75,131.9
Outside Cuba	7,200.4	0
Revenue from live performances	4,094.8	12,074.5
Other income associated	794.2	7,633.4
Rental of Technical Services	140.4	3,586.6
Transport Rental	0	774.2
Sale of Entry Tickets to Venue	0	172.5
Services Gastronomic	99.7	416.6
Promotional Articles	90.0	0
Services of lodging and food	186.4	77.7
Other income	110.4	828.0
Income from tourist Cabarets	167.7	1,777.8
Other		
Revenue in Cultural and Other Facilities	0	15,807.8
<i>Source: Official Cuban Govt. Sources, May 2001</i>		

Music-Related Manufacturing Income

A potential source of music-related income for Cuba relates to income from the manufacturing sector primarily in terms of manufacturing of recorded music, and manufacturing of musical instruments/equipment. An evaluation of the potential for manufacturing income for Cuba related to music is outside the scope of this study. Such skilled manufacturing is, however, subject to very large economies of scale and high investment and quality requirements. There may therefore not be significant potential for Cuba from this area. This conclusion is supported by the evidence on the sale of music instruments as indicated by table 3.12 which demonstrates that only a relatively small value for exports of musical instruments from Cuba and that even in the domestic market most purchases are of imported musical instruments.

Table 3.12 Sales of Musical Instruments 2000 ('000) (thousands)		
	Foreign Currency	National Currency (pesos)
Domestic Market Sales in Cuba	739.5	166.5
Musical Instruments Produced in Cuba	71.6	166.5
Imported Musical Instruments	667.9	0
Exports Sales	15.5	0
<i>Source:</i> Official Cuban Govt. Sources, May 2001		

Overseas Performance Income for Cuban Musicians

There are approximately 15,000 musicians in Cuba and on average the main professional groups tour overseas on 3 or 4 occasions per year. The breakdown of income from live overseas performance activities for Cuban musicians is presented in table 3.13. With effective marketing of Cuban music and a growing tourism sector there will be potential to grow revenue from this source.

Table 3.13 Overseas Performance Income from Cuban Musicians 2000 ('000) (thousands of US dollars)	
	US\$
Revenue from Overseas Live Performances	7,027.7
Technical Assistance	169.9
Donations	2.8
<i>Source:</i> Official Cuban Govt. Sources, May 2001	

Of perhaps equal importance to the direct overseas performance income from Cuban musicians is the impact of these overseas performances on the export sales of recorded music. The integration of these two factors should be addressed in the marketing planning for the Cuban music sector if the economic potential of the sector is to be realised.

Overseas Income Earned by Cuban Music Contract Workers

Based on the superb quality of the Cuban music educational sector there are a significant number of Cuban's who are employed in other countries on a contract basis working in orchestras and in music training and educational agencies or institutions. Ways to increase revenue from this source should also be accommodated in the marketing plan. This is considered further in the recommendations section.

Rental Income for Use of Cuban Studios/Facilities

There are a number of music recording studios in Cuba including the impressive Abdala studio which involved an investment of approximately \$7 US million. (Specifics re the facilities of this studio are presented in appendix 3). Despite the achievements of this studio it has a fairly modest annual overseas revenue from rental. Increased revenues from Cuban studios are possible although these are likely to be limited compared to some of the other sources of revenue identified in this report. (For example, in the one European economy recording studios have only an estimated overseas earnings of approximately £4m Sterling and this is based on income from over 60 studios). It is also important that studios do not focus priorities exclusively on foreign musicians.

The breakdown of income from Cuban Recording Studios is presented in Table 3.14.

Table 3.14 Income from Cuban Recording Studios 2000 (‘000) (thousands)		
	US\$	Pesos
Recording Studios		
Inside Cuba	1,060.7	189.6
Service of Recording	390.5	149.9
Other Income	670.2	39.7
Services gastronomic	649.8	39.7
Lodging services	20.4	0.0

Source: Official Cuban Govt. Sources, May 2001

Overseas Educational and Training Income

The reputation of music education in Cuba and the overall recognition of Cuban music represents an important potential opportunity to secure overseas revenue by attracting overseas students as fee paying students in specified Cuban musical educational training institutes. The potential significance of this can be seen from the fact that in some European countries the number of non national overseas students of music amount to over 1,000 students per year. The economic significance of this source of revenue has characteristics similar to that of long stay visitors in the tourism sector.

Cuba has an impressive and extensive music school system based on its free schools focused on developing excellence in music with a classical European tradition. In more recent years this education has included danzón, son, salsa and folklore music.

Significance of Musical Education
<p>“A musical education is one of the best things Cuba offers. It gives the cultured base the artist requires, while leaving room for working with Cuba roots.”</p> <p>- Giraldo Piloto: composer and percussionist for the Klunax Salsa band.</p>
<p><i>Source:</i> Quoted in The Christian Science Monitor International, 2 Oct 1997, ‘The World Dances to a Cuban Beat’</p>

The three main features of the data and analysis presented in this section of the report are as follows:

- The Cuban economy is benefiting from a wide range of sources of income from the music sector and it is only by considering this in an integrated manner can the full economic significance be identified.
- The importance of sales of music within Cuba to the tourism sector in the economic analysis of the Cuban music sector is striking and is greater than some may have thought in the past. (In view of its importance this is discussed in more detail in section 5).
- Despite the success and inherent quality of the sector the task of realising the full economic potential of the Cuban music industry is only beginning. This is evident when one considers the scale of international markets as discussed in section 4.

4. INTERNATIONAL MARKETS FOR MUSIC

In planning to increase the market penetration of Cuban music it is important to review the relative size of different geographic markets. Figures for world soundcarrier sales in percentage terms are presented in table 4.1. The figures highlight the importance of two main blocks name Europe and North America. It is interesting to note that Europe is more significant in value terms than all of the rest of the world excluding North America which includes Asia, Latin America and non-EEA European countries. Also of significance is the fact that Europe is the biggest market in the world for music singles and the second largest market for CD albums.

Table 4.1 World Soundcarrier Sales 1998 (percentage)					
	Singles	LPs	MC	CD	Value
EEA	49	22	9	32	33
North America	19	21	13	39	37
Rest of World	32	57	78	29	30
<i>Source: IFPI (The International Federation of the Phonographic Industry) (www.IFPI.org)</i>					

It is useful as background context to examine the size and trends in each of the top 40 music markets. The figures for the United States are presented in table 4.2. This is the largest single international market for music and has also shown significant growth. The current restrictions on trade and investment between Cuba and the United States due to the embargo even with the cultural exemptions has important implications for the appropriate marketing plan for the sector.

Table 4.2 Largest Music Market by Value 1993 – 1997						
	1993	1994	1995	1996	1997	1993-1997 % Growth
United States	9,833.1	11,836.9	12,100.0	12,297.7	11,906.0	21.1%
<i>Source: IFPI (The International Federation of the Phonographic Industry) (www.IFPI.org)</i>						

Despite the significance of the US market it is essential in the short term given the current restrictions that Cuba's music industry also focuses on other key markets.

Details re other non-US markets are presented in table 4.3 and it is interesting to stress that non-US markets are much larger in aggregate and many have shown very rapid growth.

Table 4.3 Top Non US Music Markets by Value 1993 – 1997						
Country	1993	1994	1995	1996	1997	1993-1997 % Growth
Japan	5,454.4	5,708.7	6,317.8	6,421.5	6,613.8	21.3
Germany	3,126.3	3,213.8	3,227.6	3,054.0	3,099.5	-0.9
United Kingdom	2,200.0	2,583.3	2,706.7	2,895.0	2,775.2	26.1
France	1,802.8	1,879.5	2,022.9	2,023.7	2,188.2	21.4
Brazil	391.3	700.4	875.1	1,147.5	1,199.1	206.4
Canada	744.9	886.7	955.1	900.4	980.7	31.7
Australia	596.1	617.2	683.7	777.5	725.4	21.7
Netherlands	596.9	586.2	588.7	570.8	600.1	0.5
Spain	433.3	485.2	473.2	504.7	598.3	38.1
Italy	487.1	509.4	564.2	579.3	594.9	22.1
Mexico	641.6	550.6	286.6	369.5	472.3	-26.4
Taiwan	253.2	321.0	320.4	409.8	443.3	75.1
Argentina	298.1	288.4	252.7	285.3	385.7	29.4
Sweden	313.3	335.4	353.2	350.6	368.3	17.5
South Korea	366.2	437.2	439.6	468.0	361.3	-1.3
Austria	311.0	322.4	339.6	343.7	356.0	14.5
Belgium	365.8	376.6	389.5	362.8	346.2	-5.4
India	179.0	222.8	267.1	294.9	338.2	89.0
Switzerland	335.2	344.1	364.7	342.1	309.4	-7.7
China	237.3	233.6	245.3	240.0	280.0	18.0
Denmark	187.8	255.5	259.2	269.2	272.8	45.3
Norway	205.8	247.9	252.1	234.7	252.8	22.8
Russian Federation	127.4	131.4	224.3	230.0	249.8	96.1
Colombia	52.5	82.6	138.1	205.7	236.1	349.7
South Africa	148.5	148.3	180.4	207.3	226.6	52.6
Thailand	90.2	154.3	131.6	240.8	206.7	129.1
Turkey	9.6	23.8	28.7	87.4	187.6	1,847.5
Indonesia	112.0	177.9	228.8	216.6	176.6	57.6
Portugal	98.6	102.6	119.7	138.8	162.2	64.5
Poland	37.6	75.0	79.2	110.4	161.2	329.3
Hong Kong	145.4	163.7	182.9	166.9	148.4	2.0
Finland	103.0	113.0	120.8	119.8	127.2	23.5
New Zealand	85.1	99.0	114.7	120.3	117.4	38.0
Greece	79.3	89.3	110.7	110.1	116.0	46.3
Malaysia	74.0	77.8	80.0	99.8	114.8	55.0
Ireland	68.8	71.8	73.9	90.9	108.8	58.1
Saudi Arabia	70.7	76.5	92.2	102.1	101.2	43.1
Chile	47.7	53.9	76.7	95.3	99.9	109.4
Czech Rep.	40.5	45.1	63.9	82.8	89.6	120.9
Others	286.1	339.6	425.0	443.4	555.8	54.9

Source: IFPI (The International Federation of the Phonographic Industry) website: www.ifpi.org

In view of the difficulties with the trading relationship between Cuba and the United States and in the light of the significance of the European markets in the top 40 markets it is important in considering the marketing of Cuban music to examine the European market in some more detail. The figures in table 4.4 highlight the fact that in 1998 sales of pre-recorded discs and cassettes in these countries had a retail value of over €11 billion (Euros). There has also been very strong growth in a number of key markets such as Spain.

Table 4.4 Soundcarrier Sales 1998 (in millions of units)						
	Singles	LP	MC	CD	Value (Euro millions)	Annual growth (per cent)
Austria	3.1	0.02	0.9	19.2	311.8	-1
Belgium	8.7	0.05	0.3	22.4	330.9	+8
Denmark	1.1	0.001	0.2	16.9	236.1	-3
Finland	0.5	0.01	1.3	10.5	125.9	+14
France	40.9	0.3	14.5	108.9	1,920.0	+4
Germany	51.8	0.5	25.0	193.3	2,709.8	-1
Greece	-	0.03	0.5	8.3	104.0	+7
Ireland	1.9	0.02	1.5	5.6	101.2	+11
Italy	3.5	0.1	14.1	34.2	542.6	+4
Netherlands	6.6	0.2	0.4	34.2	505.1	-6
Norway	1.9	-	0.3	14.9	234.1	+13
Portugal	0.6	-	3.8	15.3	164.5	+16
Spain	1.5	0.03	12.9	50.3	611.3	+16
Sweden	4.7	0.02	0.9	23.2	354.0	+10
Switzerland	3.4	0.08	1.5	22.5	295.6	+6
UK	79.4	2.2	32.2	175.7	2,568.2	+4
EU Total	221.6	3.48	110.7	718.0	10,585.4	+3
EEA Total	225.4	3.56	112.5	755.4	11,115.1	+3

Source: IFPI (The International Federation of the Phonographic Industry) website: www.ifpi.org

As Europe is one of the largest markets for music for which trade with Cuba is not restricted it is interesting to note that the figures below indicate that the most important European markets in value terms in order of importance were as follows: (See Table 4.3)

- Germany
- UK
- France
- Spain
- Italy
- Netherlands.

In addition to considering the overall size of the markets it is important to also review the distribution structure in the various markets in order to prepare an effective retail strategy for the Cuban music industry.

For illustrative purposes it is useful to consider the retailing structure of different European markets as this has important implications for the development strategy of the Cuban music industry. In a number of markets direct mail including internet sales had by 1998 captured a significant share of the market. For example, it was estimated that 17per cent of the German market, 12per cent of the UK market, and 15per cent of the Spanish market was supplied via direct marketing channels. This indicates that subsequent to agreeing the overall marketing and development plan for Cuban music it will be necessary for the agencies and the industry to develop specific plans for each targeted geographic market which takes account of the specific structure of retail music sales in each country or region.

If one applies the percentages for direct marketing sales for even the three markets of Germany, UK and Spain to the value of sales of recorded music in these three markets this highlights the potential significance of direct marketing channels. The estimated value of direct marketing of music in these three markets based on the above methodology is of the order of 861 million Euros in 1998. If one assumes a 30per cent increase in value in the period to 2001 to take account of increased value of overall music sales and an increase in the share of direct marketing this would suggest a figure for direct sales of one thousand one hundred million Euros.

In considering direct market channels it is important to note that some internet sales provide for ‘downloading’ of digitalised music and while internet sales overall are currently small they are expected to expand significantly. In considering the distribution structure it is noteworthy that there has been a marked decline in the share of the market held by independent stores and the emergence of hypermarkets and supermarkets. These outlets are likely to be only interested in carrying the very small number of Cuban artists who have international hit recordings and are therefore likely to be of less relevance to the overall marketing of Cuban music. While independent specialists with their specialist knowledge represent a potentially very suitable vehicle for stocking Cuban music their decline implies the need for the marketing of Cuban music to also focus on the main chain retail groups. Also relevant in some markets such as Greece is the significance of what are known as premium sales which means offering music at low prices or even free with other products.

Another way of looking at markets for music is to consider the source of royalties. Detailed data on this is included in table 4.5 for Europe.

Table 4.5 Composer and Music Publisher Royalties 1998 (millions of Euros)							
	Live Music	Other Performances	Radio and TV	Mechanical Royalties	Private Copying	Other	Total
Austria ⁽¹⁾	*	27.6	23.2	29.5	2.1	10.3	92.7
Belgium	6.4	26.3	38.7	21.7	0.6	18.0	111.7
Denmark	2.1	10.4	13.8	19.4	2.3	2.3	55.2
Finland	1.3	7.5	15.2	9.0	7.9	2.6	43.6
France	88.4	94.3	173.4	140.9	20.2	89.8	542.0
Germany	62.2	87.3	176.3	312.9	15.5	98.0	751.3
Greece ⁽¹⁾	0.7	4.1	0.8	9.6	N/a	1.7	16.9
Ireland	*	7.9	10.3	n/a	n/a	2.1	20.4
Italy ⁽¹⁾	77.4	75.2	62.2	69.6	26.3	51.2	361.9
Luxembourg ⁽²⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	•	•	75.1	64.5	•	n/a	139.6
Norway ⁽¹⁾	*	6.2	12.1	13.5	n/a	1.9	33.7
Portugal	•	•	13.7	11.2	•	n/a	24.9
Spain	8.4	40.8	58.3	44.6	10.2	35.4	197.7
Sweden	7.7	7.9	20.2	41.0	n/a	20.1	96.9
Switzerland ⁽¹⁾	5.3	16.5	23.7	16.8	2.1	8.1	72.4
UK*	4.6	41.1	53.0	131.8	n/a	46.4	402.3

Source: KPMG (1999), A Sound Performance, The Economic Value of Music to the United Kingdom, Researchers Cliff Dane, Andy Feist, Kate Manton, Co-Ordinator Jennifer Goodwin, Published by National Music Council, Francis House, London, ISBN 0952974312.

In addition to composers and music publisher rights revenues from the sale of printed music can also be significant. In Europe income from printed music sales have been estimated to be in excess of 380 million Euros.

Comparative figures for Cuba are presented below in Table 4.6.

Table 4.6: Composer and Music Royalties (US\$ millions) – 2000	
Live Music	3.2
Other Performance	0.5
Radio and TV	0.5
Mechanical Music	7.1
Other	0.1
Total	11.4
<i>Source: Official Cuban Government Sources, Sept 2001</i>	

The analysis in this sector highlighted the scale of the international tourism market. It also highlighted the significance of two main markets namely Europe and the United States. Given the difficulties which Cuba have in securing the economic benefits from music sales to the US the significance of Europe is likely to be even more important than would otherwise be the case.

5. TOURISM IN CUBA AND ITS POTENTIAL LINKAGE WITH MUSIC SECTOR

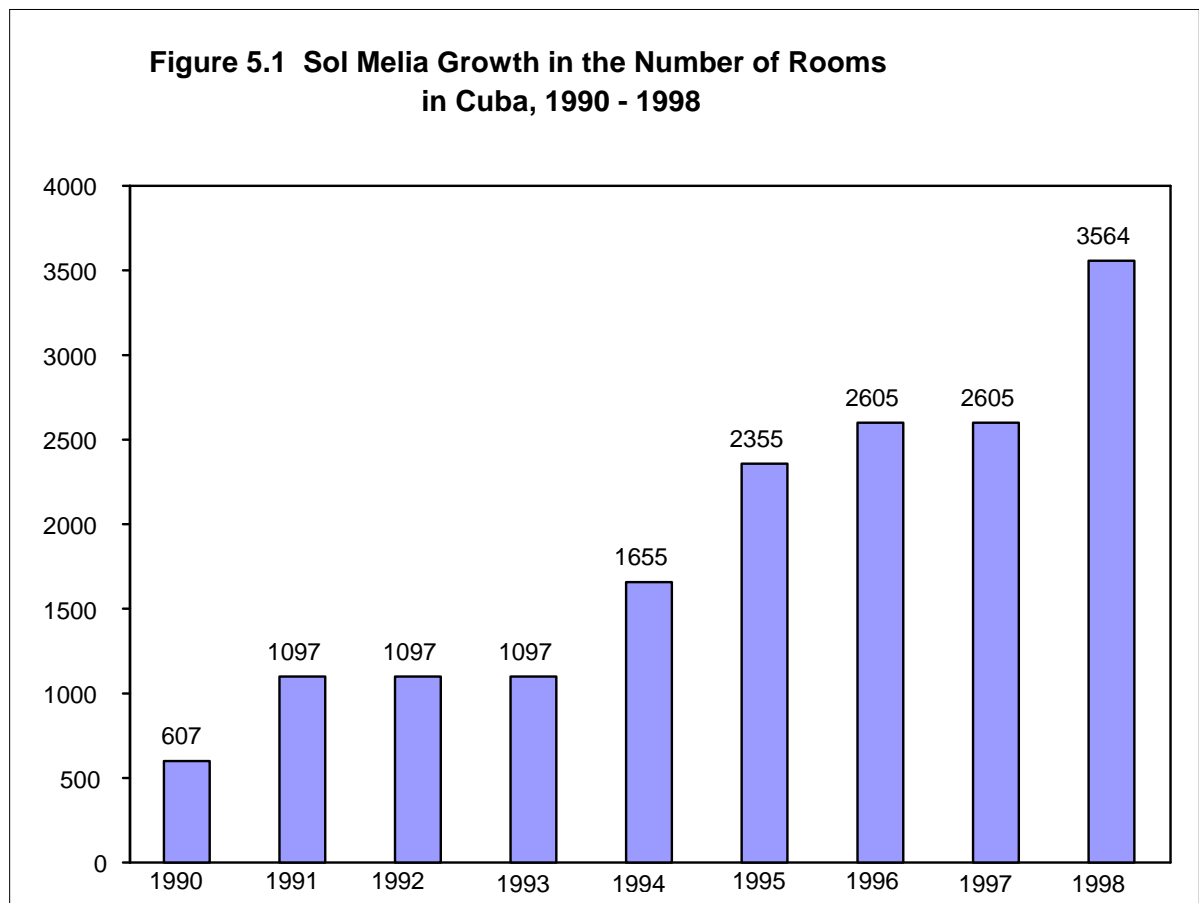
In considering the marketing of Cuban music and ways to enhance the economic contribution of Cuban music it is important to consider the potential role of tourists as purchasers of Cuban music. In order to evaluate the role of tourists as purchasers of Cuban music it is essential to examine some aspects of tourism in Cuba.

Since the legislation of the dollar sector of the economy in 1993 tourism numbers have expanded dramatically from 546,000 in 1993 to a projected 2m in 2000 and a target of 5m by 2010 as can be seen from table 5.1 below.

Table 5.1 Tourism Numbers to Cuba		
1993	2000⁽¹⁾	2010⁽²⁾
546,000	2,000,000	5,000,000
Source: (1) Forecast quoted in Financial Times; (2) Projection attributed to Jose Luis Rodriguez, the Economic Minister.		

The unique attractions of Cuba as a tourism destination and the numbers of agreements between foreign companies and Cuban partners suggest that a continued growth in tourism is likely. Examples of foreign joint ventures include the joint venture between Cuban Canadian Resorts International and Grand Caribe and the joint venture between Leisure Canada and Gran Caribe. One of the most significant overseas operators in the Cuban market is Spain's Sol Melia. It is interesting to look at the growth of this company's involvement in Cuba in some more detail as an indication of the overall development of the Cuban tourism industry.

In figure 5.1 below details of Sol Meliá's growth in Cuba is presented in terms of the number of rooms. The dramatic growth in the number of rooms since 1993 is evident in observing the growth in the number of rooms in one of Havana's top hotels, Sol Meliá.



Source: Cuban's Tourism industry: Sol Meliá as a Case Study. Félix Blanio Godinez, 1997.

Also of interest is the issue of the revenue per room received in Cuba compared with other destinations as this has implications for whether high spend tourists visit Cuba or whether as is perceived by some in the music industry, tourists represent relatively low income consumers. As this issue has implications for the potential of the tourism market as a source of revenue for the Cuban music industry it is useful to compare some figures for one of the largest overseas hotel investor in Cuba namely Sol Meliá. The figures in table 5.2 discount the commonly held view that tourists to Cuba are universally low income visitors which is not convenient with available evidence. (See Table 5.2).

		Occupancy (per cent)	Revenue/ Room	Average Daily Rate
European Resort	1997	80.41	4.905	6.100
European City	1997	63.14	5.724	9.065
America	1997	65.77	9.316	14.168
Asia	1997	57.97	4.009	6.967
Cuba	1997	69.02	7.276	10.542

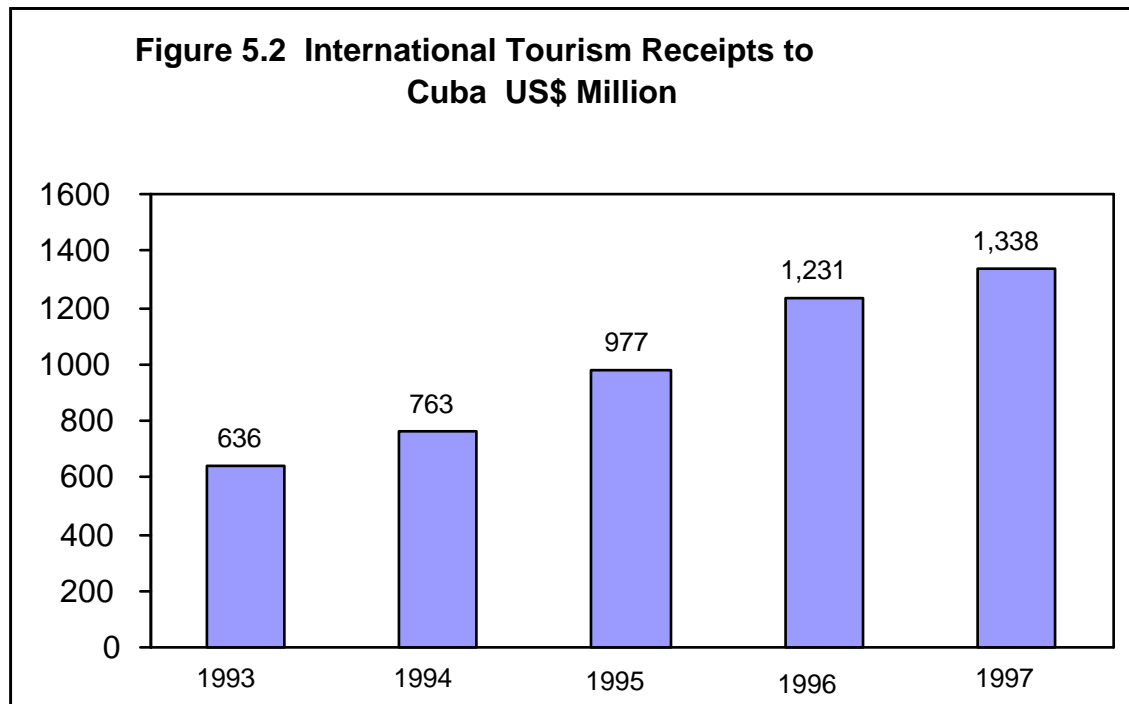
Source: Cuban's Tourism industry: Sol Meliá as a Case Study. Félix Blanio Godinez, 1997.

Projections by the Cuban Society of Tourism Professionals confirm an expected rapid growth in tourism in the period to 2007. (See Table 5.3) These projections suggest a growth in tourism number to between 4 – 5 million visitors. Even if these ambitious targets are not fully realised it is still evident that tourism is a very important potential market for the Cuban music industry.

	First Scenario	Second Scenario	Increase in Units	Percentage Increase
Rooms	69,000	69,000	-	-
Annual Visitors	4 million	5 million	1 million	25
Tourism Revenue	\$7.50 billion	£11.25 billion	£3.75 billion	50
Annual Room – Nights Available	25.185 million	25.185 million	-	-
Annual Room – Nights Occupied	16.798 million	21.004 million	4.206 million	25
Annual Occupancy	66.7%	83.4%	16.7%	25
Average Number of Days of Stay	4.2 days	4.2 days	-	-
Expenditure per Visitor	\$1,875	\$2,250	\$375	20
Direct Number of Employees	138,000	103,500	-34,500	-25
Indirect Number of Employees	130,000	180,000	50,000	39
Total Number of Employees	268,000	283,500	15,500	6

Source: Cuban Society of Tourism Professionals, 1999 Havana

The trends in international tourism receipts for Cuba in the period since 1993 (See Figure 5.2) demonstrate that over this period there was a percentage annual growth of over 20per cent.



Source: WTO - Website: www.wto.org

The issue of the economic linkages between the music sector in Cuba and tourism was discussed in section 3 of this report that indicated that there were a number of potential channels through which the interaction of music and tourism could potentially benefit the Cuban economy as follows:

- (A) SCALES OF RECORDED MUSIC TO TOURIST
- (B) INCOME FROM LIVE PERFORMANCES IN CUBA
- (C) DEVELOPMENT OF MUSIC RELATED TOURISM
- (D) SALE OF PRINTED MUSIC
- (E) EXPANSION OF TOURISM DUE TO ATTRACTION OF CUBAN MUSIC

It is important to develop each of these areas in implementing a marketing plan for the Cuban tourism industry.

6. RECOMMENDATIONS FOR A PLAN TO EXPAND INTERNATIONAL REVENUES FROM THE CUBAN MUSIC INDUSTRY

A summary of the main strategic recommendations to enhance the economic contribution of Cuban music include the following recommendations for a marketing/development plan for the Cuban music sector. (See Table 6.1).

Table 6.1 Main Strategic Recommendations to Enhance the Economic Contribution of Cuban Music to the Cuban Economy	
1.	ADOPT AN INTEGRATED SECTORAL APPROACH TO THE DEVELOPMENT OF INCREASED FOREIGN EARNINGS FROM CUBAN MUSIC.
2.	IMPLEMENT A PROGRAMME TO UPGRADE HUMAN RESOURCE SKILLS IN MARKETING AND COMMERCIAL ASPECTS OF THE MUSIC INDUSTRY.
3.	GIVE A VERY HIGH PRIORITY TO DEVELOPING A WORLD CLASS E-COMMERCE PROJECT FOR THE SALE OF CUBAN MUSIC.
4.	INTRODUCE MEASURES TO DRAMATICALLY INCREASE SALES OF CUBAN MUSIC TO INCOMING TOURISTS.
5.	INVEST IN ON-GOING MARKET RESEARCH AND PROMOTION OF CUBAN MUSIC.
<i>Source: UNCTAD/WIPO, forthcoming 2001</i>	

RECOMMENDATION 1: Adopt an Integrated Sectoral Approach to the Development of Increased Foreign Earnings form Cuban Music

A key element of our proposals for a plan to expand international revenues from the Cuban music industry is for the authorities to adopt an integrated sectoral marketing approach to the sector. This should inter alia involve specific initiatives to expand revenue from each of the main components on the sector as identified in table 6.2 below, but within the context of an overall marketing plan for the sector. It is particularly important that the impact of marketing initiatives for one component of potential foreign exchange is considered within the context of maximising overall revenues from the sector. Some issues arising from this as well as some specific marketing recommendations are presented in the analysis below.

Table 6.2 Main Marketing Priorities for Cuban Music Sector

1. REVENUE FROM COPYRIGHT MUSICAL WORKS BY CUBAN WRITERS AND COMPOSERS.
2. INCOME FROM OVERSEAS RECORD COMPANIES.
3. REVENUE FROM EXPORTS OF CUBAN RECORDED MUSIC.
4. MUSIC RELATED INCOME FROM TOURISTS.
5. OVERSEAS PERFORMANCE INCOME FROM CUBAN MUSICIANS.
6. OVERSEAS INCOME EARNED BY CUBAN MUSIC CONTRACT WORKERS.
7. RENTAL INCOME FOR USE OF CUBAN RECORDING STUDIO FACILITIES.
8. OVERSEAS EDUCATIONAL AND TRAINING INCOME.

UNCTAD/WIPO Study 2001, Forthcoming

Revenue from Copyright Musical Works by Cuban Writers and Composers

Initiatives to increase foreign revenue from copyright musical works for Cuban writers and composers should include the following:

- Easing of international market access to sources of information about Cuban music in order to increase demand for works of Cuban writers and composers.
- Promotional and other initiatives to increase international awareness of Cuban music.
- Institutional development in application of the Cuban IPR Regime and more effective management of copyrights to ensure that Cuba benefits from international copyright revenues.

Easing of International Market Access to Sources of Information about Cuban Music

There are two main marketing tasks required to ease the access of international markets to sources of information re Cuban music as follows:

- Development of a major Catalogue of Cuban Music
- E-Commerce investment to facilitate access to global markets.

The development of the catalogue of Cuban music will require a major investment but this is an important longer term element in any plan to expand copyright revenues.

The issue of electronic-commerce investment to facilitate access is considered later in this chapter.

Promotional and Other Initiatives to Increase International Awareness of Cuban Music

The issue of the need to invest in on-going market research and promotion of Cuban music is considered later in this section.

Institutional Development to Ensure that Cuba Benefits from Copyright Revenues

In maximising copyright revenues the Cuban authorities should pursue a twin marketing strategy consisting of the following initiatives. First to focus on ensuring there is the greatest promotional efforts in those markets where there is the largest potential for Cuba to secure copyright revenues. Second to ensure a concerted strategy aimed at continuing the institutional development of the Cuban copyright agency and to take urgent measures to ensure that overseas payments are transmitted to Cuba. A number of initiatives involving WIPO have already been taken in this direction in Cuba. Further investment in personnel and infrastructure is recommended to facilitate the expansion of this source of revenue. This will require an experienced team which will be responsible for:

- Developing reciprocal relationships with overseas copyright organisations.
- Ensuring timely and accurate securing of overseas royalties.
- Monitoring overseas document and distribution calculations.
- Targeting efforts on most important markets from a revenue perspective.

Income from Overseas Record Companies

Increasing income from overseas record companies is likely to be a necessary component of any effective marketing strategy for the Cuban music industry.

The key challenges for Cuba are therefore to:

- encourage increased interest from overseas record companies
- ensure that appropriate deals are undertaken which maximise the benefits for Cuba and for Cuban musicians
- develop human resource skills in business development to ensure effective negotiation with foreign companies.

There are some cases of involvement by or between Cuban musicians and companies with the major record labels and some majors are seeking to establish in Cuba. Encouragement of increased interest from overseas record companies can be achieved by general initiatives to promote Cuban music and also by reducing any unnecessary or inappropriate administrative difficulties for investment by overseas record companies. In this context it may be appropriate to review the restriction on investments by establishing branch offices by overseas record companies.

The second major challenge is to ensure that appropriate deals are undertaken with the major record companies which maximise the benefits for Cuban musicians and for the Cuban economy. This is an important challenge which we discuss under the section dealing with the proposed implementation of a programme to upgrade human resource skills. This initiative will also assist in encouraging strategic alliances with overseas record companies.

Revenue from Exports of Cuban Recorded Music

Increasing revenue from export of Cuban recorded music will require an integrated programme including encouragement of greater involvement of record companies with international market contacts. Also essential will be to develop a world class e-commerce project for the sale of Cuban music and on-going market research and promotion of Cuban music. These are discussed later in this section.

Music Related Income from Tourists

The analysis of the Cuban music industry and its marketing aspirations includes the recommendation that a very high priority is given to increase sales of Cuban music to tourists. (See discussion below).

Overseas Performance Income from Cuban Musicians

Overseas performance income could be increased by targeting performances in potential high income earning markets and by investing in targeted marketing in selected markets. Encouragement of linkages with internationally recognised musicians from other countries would also be appropriate. One of the most important marketing initiatives (if the total overseas revenue from Cuban music is to be realised) is to ensure that there is a co-ordinated targeted plan for overseas performance in line with the market areas of greatest potential for recorded music sales.

The extent of overseas tours by Cuban musicians is impressive with up to 20 groups performing abroad over a given period.

Table 6.3 Extent of Overseas Tours	
No. of Group involved over 6 Month Period	15-20 groups
Average number of overseas visits	3 –4
<i>Source:</i> UNCTAD/WIPO 2001, Forthcoming, Data provided during UN Field Interviews, September 2000	

Even under current restrictions due to the US embargo the figures show there are significant overseas tours organised by Cuban musicians. Example of countries where overseas tours have been organised are presented in figure 6.4 below. In the case of Spain, we were informed that Cuban musicians have toured on numerous occasions and that there are many Cuban musicians living and earning in Spain and in many Spanish speaking countries including Venezuela, Colombia, Dominican Republic, Mexico, Panama and other Latin American countries. In the case of Greece, Cuban musicians are now entering the market. In Guatemala we understand there is a permanent band and at the time of our visit to Cuba plans were being discussed to organise concerts in Peru.

Table 6.4 Countries where Recent Tours by Cuban Based Musicians
Spain
Greece
United States
Mexico
Guatemala
<i>Source:</i> UNCTAD/WIPO 2001, Forthcoming

In organising the overseas touring schedule the relevant Cuban agency sometimes work with record labels but in other cases tours are organised independently. As part of the proposed marketing plan for the sector there is a need for very close co-ordination of touring schedules with targeted markets for recorded music sales. In other words in deciding on where to tour, account should be taken of market potential and tours should be co-ordinated with promotional campaigns and PR/media initiatives.

Overseas Income Earned by Cuban Music Contract Workers

Further increased revenue for the Cuban music industry could be obtained by a special initiative to further assist potential overseas employers recruit Cuban musicians, performers and teachers on contract and also by assisting the individuals to identify overseas employment opportunities. What is required is an employment 'match-making' service involving highlighting potential skills to overseas employers and assisting Cubans with placements. A database of potential opportunities and potential recruits should be developed if maximum income from this source is to be realised. These placements could subsequently represent an important source of market intelligence and contacts which could be of benefit to the marketing of the Cuban music industry. This could be undertaken by one of the existing specialised music agencies in Cuba or by Cuban diplomatic missions. It might also be feasible for this to be undertaken as a consultancy assignment.

Rental Income for Use of Cuban Recording Studio Facilities

There is potential for increased revenue from the rental of Cuban recording studio facilities although this is limited and we would not wish to overemphasise its economic significance. It is, however, recommended that a specific marketing budget is allocated on an annual basis for the promotion of Cuban recording facilities. Such marketing budgets could be used to purchase advertising and PR and also to promote the studios through the internet, participation in international trade fairs and through direct mailing of targeted brochures.

Overseas Educational and Training Income

The Cuban music system is unique in developing countries both in terms of the combination of investment in the national arts schools, the quality of the teaching and the system of testing at 7 years of age for various kinds of talents including music. Those who receive high scores are eligible to attend the national arts schools to study music. Such students often subsequently advance to music conservatories and orchestras, that are considered first rate by international standards.

Table 6.5 Role of Cuban Education

“One thing most of these musicians have in common...is that they are graduates of Cuba’s system of National Arts Schools. These institutions more than anything else, are the reason why the musicians who make Cuban popular music are so outrageously skilled”

Source: Extract from “In Cuba, Rhythm and Dues; The Music Scene, Throbs with Vitality, but will the Vibrations Translate to US Dance Floors”, Eugene Robinson, Washington Post, 4 June 2000

There are significant opportunities to attract overseas students as fee paying students in specified Cuban musical educational and training initiatives. A specially designed marketing programme would be required and if revenues are to be maximised this should concentrate on the high income developed countries. If it is decided to pursue this recommendation a case study should be undertaken of how some of the major educational institutions in other countries have internationally marketed their services and contacts should be facilitated with some of these institutions perhaps under the confines of the United Nations.

**RECOMMENDATION 2: Implement a Programme to Upgrade
Human Resource Skills**

If the full economic benefits of the Cuban music industry are to be realised it is essential that a programme is implemented to upgrade human resource skills in the marketing and commercial aspects of the music industry.

This should include enhancing of music industry specific skills in:

- market research
- marketing strategy
- market promotion
- sales and merchandising
- public relations
- entertainment law
- financial and commercial negotiations
- copyright-related training courses for musicians
- general business skills
- internships in private record companies in advanced market economies.

A number of specific initiatives should be supported by the international community including the following:

- Organisation of Training Programmes in each of the above areas in Cuba by international experts.
- Facilitation of participation by Cuban music industry representatives in training programmes in developed markets.
- Secondment of representatives of Cuban musicians to experienced international record companies, music distributors and in advertising agencies who specialise in the music industry.
- Secondment to international copyright and to music industry promotional agencies overseas

- Participation in international training schemes such as MIDI - (Music Industry Development Initiative: UNCTAD).

RECOMMENDATION 3: Give a VeryHigh Priority to Developing a World Class E-Commerce Project for the Sale of Cuban Music

Internet and e-commerce sales represent an important potential distribution channels for Cuban music. A small scale initiative in this areas is, however, unlikely to be of any real value and an effective e-commerce marketing plan for Cuban music should involve the following elements:

- A comprehensive catalogue of Cuban music to be developed in digital format.
- Major investment in design and technology to encourage ease of access and increased sales.
- Facility for very easy on-line payments and logistical support to ensure speedy delivery arrangements.
- Market credibility for the site(s) and extensive market promotion.

It may not be feasible in the short term for the scale of what is required to be organised independently in Cuba and it is recommended that a priority is given to negotiating joint venture agreements with one or more of the largest international operators in e-commerce of recorded music. The recent decline in investment in e-commerce companies may make this a difficult task to achieve.

Internet sales of Cuban music represent an important potential element in any major marketing plan for the Cuban music industry. The current lack of a significant presence for Cuban music in many of the developed distribution channels would suggest that this may represent an important vehicle for increased sales.

An attempt to develop internet sales was made by one music company, BISMusic based on a proposal by a Canadian entrepreneur whereby shipments

were to be made from Cuba. Due to the specialised nature of Cuban music and the very large number of artists this is likely to have required a very sophisticated website design and development.

In the initial development of internet sales by BISMUSIC there appeared to be a lot of interest particularly from the United States however, the volume of sales were very low (of the order of 500 CDs in the first 7 months). In September 2000 (during the UN Mission to Cuba) internet sales had been stopped due to logistic problems but we understand that BISMUSIC is currently working on a new website and were preparing an extension of the catalogue to be included. A number of perceptions regarding the existing barrier to internet sales of Cuban music were identified (see table 6.6).

Table 6.6 Existing Barriers to Internet Sales of Cuban Music
<ul style="list-style-type: none"> • Investment requirements in website design and development • Technological difficulties • Internal logistical issues • Shortage of skilled human resources • Marketing obstacles • Obstacles re on-line payment systems
<p><i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming: Data Provided during UN Field Interviews, September 2000</p>

The internet is also an important promotional vehicle for example the ability to see and hear Cuban and other Caribbean music via the internet was evident when LiveOnTheNet.com webcasted the 1999 Caribbean Music Festival live from Cuba.

There are some Latin American internet sales from specialised providers. For example, the New York based EZCD.com custom compilation CD website which has a Latin and world music deposit. Websites need to include pictures and biographers of musicians, details re touring dates as well as information

on record labels and individual tracks. It may also require live cybercasts of bands etc.

E-commerce would also assist in developing international revenues for Cuban sheet musicians by providing direct access to catalogues. At present it is not feasible for the international market to easily and comprehensively access and purchase most Cuban sheet music on-line. The issue of creating a sizeable catalogue which was referred to under strategic alliances is also relevant here. It is likely that significant investment will be required to create a sufficiently large catalogue of Cuban music and in some cases this may involve re-negotiation of rights which have been given to overseas producers. Even more important is the deficiency in payment infrastructure.

A range of challenges, however, exist in developing the Cuban music sector via e-commerce. A summary of the issues which need to be addressed in the marketing plan are presented in the table below.

Table 6.7 Challenges Facing Music Industry E-Commerce	
(a)	Regulation of the Internet (i.e. international licensing); E-Commerce, while being market led, needs to be protected, against copyright infringements and piracy.
(b)	Appropriate payment systems: provision of credit card support systems, e.g. credit card transaction, alternative mechanisms for credit card-holders transactions (through government banks or providing loan guarantee schemes, etc.); Banking transactions: offering viable supportive infra-structure to E-commerce by government banks or by offering insurance to E-commerce costs, through public sector guarantee schemes or insurance incentives, favourable tax regimes, Security – data protection: on-line payment systems in relation to the security and privacy of transactions.
(c)	Financial and fiscal policies, taxation policy.
(d)	Market Access issues: universal Internet access, reducing cost of access, regulatory trade framework of a regional character (import tariffs, taxation, import duties); Facilitating access to and training for personal home computers throughout the society, not just the privileged who can afford it privately; Training & entrepreneurship in E-commerce and music.
(e)	Legal Regime: legal implications of electronics commerce and music transmission (i.e. international licensing); or IP protection on copyright protection, credit card arbitration; Enforcement issues.
(f)	Content regulation in relation to the protection of language and local culture (content regulation is designed to foster cultural identities and stimulate the growth of indigenous industries).

Source: UNCTAD, 2001, 'Electronic Commerce and Music Business Development in Jamaica : A Portal to the New Economy Report', Forthcoming

In any plan to develop a significant e-commerce initiative for Cuban music the potential for music transmission via digital downloading to new recording technologies needs to be taken into account.

There may also be potential to co-operate with specialist music companies. For example, it was reported that private equity fund Merrill Lynch Global Emerging Markets Partners and Universal Music Group took a minority stake in Latin music internet company Eritimo. The company was reported to have indicated that the money will be used to build up its online digital library and support international marketing efforts.

RECOMMENDATION 4: Introduce Measures to Dramatically Increase Sales of Cuban Music to Incoming Tourists

An important challenge for the Cuban music sector will be to continually adjust marketing and promotional investments to concentrate on market areas of greatest potential. This will require significant on-going investment in market research as discussed later in this chapter. However, even on the basis of the limited research feasible within the context of this overview study it is clear that one of the most important markets for Cuban music in terms of its economic returns is the domestic tourism markets. The other two key markets are likely to be Europe and the United States. The economic benefits of the latter will only be realised if there is a change in current trading restrictions. As indicated previously in this report one of the areas of greatest immediate potential for the marketing of Cuban music in terms of revenue for the Cuban music sector is the potential to increase sales of Cuban music to incoming tourists. We believe that as much or even more attention should be given to this source of revenue in any marketing plan compared to other direct export initiatives.

Currently too little emphasis is placed on domestic market sales compared to export sales, even though domestic sales to tourists are equivalent to or indeed superior in economic terms to other categories of export sales as the difference between wholesale and retail prices remain as value added to the Cuban economy. Indeed in economic terms such domestic sales should be considered as ‘export sales’ which are sold in US dollars in Cuba.

Table 6.8 Comparison of Music Sales to Tourists in Cuba and Other Export Sales		
	Tourism Sales	Other Export Market Sales
Expectation For Growth In Demand	Exceptionally Rapid Growth Expected In Tourism Number	Moderate Growth In Recorded Music Markets
Value Added/Economic Contribution	Much Higher Due To Retail/Distribution Margin	Lower Due To Retail/Distribution Market
Ease Of Targeting Potential Purchasers	Very Easy To Target	Very Difficult
Access To Distribution Networks	Can Be Controlled Within Cuba	Very Difficult To Access
Current Value Of Existing Market Sales	Significant	Significant
<i>Source:</i> UNCTAD/WIPO Project, 2001, Forthcoming		

A summary of the barriers to the development of sales of Cuban music to the tourism sector are outlined in table 6.9 and addressing these barriers should be a key objective of the marketing of Cuban music.

Table 6.9 Barriers to the Development of Sales of Cuban Music to the Tourism Sector
<ul style="list-style-type: none"> • Shortage of Retail Outlets and Absence of Foreign Retail Stores • Lack of Sales Culture in Retail Outlets • Poor Merchandising and Promotional • Inflexible Product Pricing • Low Priority by Hotels and Tourism Outlets in Marketing of Sale of Cuban Music
<i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming: Data Provided during UN Field Interviews, September 2000

Preliminary observations on the absence of active marketing of recorded music to tourism in Cuba are presented in table 6.10.

Table 6.10 Comments on Non-Active Marketing of Music to Tourists
<p>“Very surprised at the level of interest by guests in CDs of Cuban Music”</p> <p>“Not that you persuade them but that the tourists ask for them”.</p>
<p><i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming: Views Provided during UN Field Interviews, September 2000</p>

An indication of the current position re marketing of Cuban music to tourists in Cuba is indicated by the comments presented in table 6.11 below.

Table 6.11 Comments on Marketing of Cuban Music within Cuba
<p>“Lack of sales culture”.</p> <p>“People not interested in selling”.</p> <p>“Prices very inflexible”.</p>
<p><i>Source:</i> UNCTAD/WIPO Project, 2001 Forthcoming: Views Provided during UN Field Interviews, September 2000</p>

Various estimates were provided during the UN field interviews of the breakdown between CDs sold on domestic and exports markets. One major company indicated an estimate of around 27,000. Interestingly, this estimate suggests that 12,300 CDs were sold in the domestic market primarily to tourists. Data provided by official Cuban government sources and referred to in Section 3 also indicates that the domestic market for tourists is the largest source of foreign income sales of CDs.

In order to realise the potential of music sales to tourists there is a need for the implementation of a tourism music marketing plan, the main components of which should include the following:

- Expansion of number of specialist retail outlets in prominent tourism locations selling Cuban music.
- Consideration of relaxing restrictions on foreign investment in retailing in Cuba by specialist music overseas retailers.
- Major upgrading of retail merchandising and distribution of Cuban music in tourism locations possibly involving overseas specialist merchandising skills.
- Enhancement of sales and retailing skills in music retail outlets by training programmes and by overseas secondments.
- Investment in merchandising and promotion of Cuban recorded music in all key tourism hotels.
- Introduction of flexible product pricing for Cuban music in retail outlets.
- Innovative advertising of Cuban music at all ports of entry and at other tourism venues.
- Improvement of information on live Cuban music performances.
- Development of special interest tourism products related to the music sector including expansion of festivals. (The Benny More Festival is a good example of the type of initiative which should be developed).

RECOMMENDATION 5: Invest in On-Going Market Research and Promotion of Cuban Music

There is a need to invest in on-going market research and promotion of Cuban music. The main elements of this aspect of the recommended plan should include:

- Significant Expenditure On Market Research.
- Significant Marketing Resource Budgets.
- Differential Pricing.
- Focus On Domestic And Regional Markets As Well As Export Markets.
- Encouragement Of Linkages With High Profile International Musicians.
- Encouragement Of Strategic Alliances With Major Record Companies.
- Promotion Of Cuban Music In Television Advertising.
- Promotion Of Television And Radio Coverage Of Cuban Music.
- Develop Potential Linkages With Film Sector.

Significant Expenditure on Market Research

If the economic potential of the Cuban music industry is to be fully realised there is a need for significant investment in on-going market research which would be used to effectively prepare appropriate marketing and promotional initiatives and to identify target markets. The size, trends and forecasts for growth in all aspects of overseas markets is essential. This should cover for both current and potential markets questions such as:

- What are the largest geographic markets for Cuban music and how are these expected to change over time?
- What distribution channels are the most important channels for Cuban music and what changes are expected?
- What is the profile of consumers of Cuban music and what are the most effective marketing channels to target these consumers?

Significant Marketing Resource Budgets

The effective marketing of Cuban music internationally will require the allocation of significant marketing budgets for:

- marketing personnel
- market research
- publicity
- merchandising
- video promotion
- promotional expenditure
- advertising.

The promotion of Cuban music should be based on the examination of detailed market research. Events such as international trade fair held in Cuba, 'Cuba Disco' are important. In 1998/99 for example, there were more than 200 overseas journalists and 35 non-Cuban record companies participating. There is a need, however, for a much larger scale of investment in marketing and promotion of Cuban music.

Differential Pricing

An important issue in the marketing of Cuban music in both the domestic market for tourists and also in terms of export markets is the issue of differential pricing. This is a key aspect of the market strategies of the international record industry which is used to encourage sales. The significance of this will vary by market area in the light of record industry's experience of the price elasticity of demand and in the light of competitor behaviour.

It is for example very common for the record company to use full pricing for newly made recordings or for very popular albums while mid-price and budget price are used for either older recordings or less popular artists. Also of importance in developing a plan for the Cuban music industry is that the lower prices are used to attract new listeners for certain types of genres of music.

There are large differences in comparative prices for newly recorded CDs in different markets. The prices achievable in different markets also has implications for the appropriate marketing plan for the Cuban music industry.

Focus on Domestic and Caribbean Regional Markets as well as Export Markets

Cuban music faces a problem common to a number of other Caribbean countries, namely the small scale of non-tourist domestic markets. This requires musicians to export internationally or to sell to the tourism sector without a significant domestic base. While this is undoubtedly a problem it also acts as an incentive to internationalisation and other countries such as Ireland with relatively small domestic markets have managed to develop very significant international export revenues from the music sector. It is, however, important that everything feasible is undertaken to encourage domestic Cuban music market as well as increasing the Cuban share of regional Caribbean markets. It is also essential that the inevitable constraints implied by the scale of current non-tourist domestic market demand is reflected in the introduction of specific measures to assist the Cuban music sector to secure market share of the tourism and other international markets.

Encouragement of Linkages with High Profile International Musicians

A potentially very useful vehicle to facilitate Cuban musicians to penetrate international markets is to explicitly encourage linkages with high profile international musicians. To this end we would recommend the following:

- targeted promotion of Cuban music to selected international musicians;
- introduction of a special programme to facilitate Cuban musicians to participate in live concerts as part of or as support to major international groups;
- to establish an annual joint music composition and recording event between a small number of the best Cuban musicians and international musicians;

- to ensure maximum exposure to Cuban musicians to international recording artists who use Cuban recording facilities.

Regardless of the views taken on the overall project the marketing and promotional benefits of the link between Ry Cooder and Buena Vista Social Club are well known and the benefits of international linkages have also been pursued by numerous other elements in the Cuban music industry. In some cases the idea of linking Cuban music with other locations has been initiated by record companies.

In other cases it has been a planned development. For example, the successful Fourth Havana International Record Fair Cubadisco 2000 began with a programme featuring music from the Dominican Republic and Rhumba. Even the Fair itself was organised by the Cuban Institute of Music in association with Spain's General Society of Authors and Editors and featured the Spanish guitarist Tomatito and the Canary Islands group Mestisay as well as leading Cuban musicians.

Encouragement of Strategic Alliances with Record Companies

An important marketing development challenge for the Cuban music sector is how to use strategic alliances with the record companies which have international market contacts and access in a way which enables the Cuban music sector to penetrate international markets and at the same time facilitate the maximum economic benefits feasible for Cuba. The development of the highest quality commercial skills will be necessary to meet this challenge and to make the correct choices re suitable strategic partners and the terms of any deals. It is for example essential that sufficient rights are provided to the major companies as part of any strategic alliances to ensure that they are committed to the international marketing of Cuban music, however, it is important that distribution or licensing rights are carefully evaluated.

Another important issue in developing any strategic alliances between Cuban record labels and the major international companies is the size of catalogues. During our interviews with Cuban record companies it emerged that in some cases the number of titles in their catalogues was very small and the issue of the minimum efficient scale of operation (in terms of the size of catalogues which would enable a label to be able to compete in international music sector) needs to be addressed as part of the Cuban music industry marketing plan.

Promotion of Cuban Music in Television Advertising

An interesting marketing initiative in other countries has been the development of workshops promoting the use of certain types of music in television advertising. For example, one initiative involves a half day entertainment and educational event involving record companies, advertising agencies and manufacturing and service companies to promote how to effectively use certain types of music in product monetary campaigns. Related to this is the sponsorship by companies of music performances (for example, Gitano jeanswear, a division of Fruit of the Loom sponsored Shania Twain's 40 city US concert tour).

Promotion of space Television and Radio Coverage of Cuban Music

A key factor in obtaining increased penetration of the main developed music markets is the extent of television and radio coverage. This can range from standard music networks such as MTV and VH1 to the main broadcasting networks. It can also include special music weeks on radio stations such as BBC Radio 2 in the UK which could include programmes broadcast live from Cuba or from other venues. Also potentially significant is the impact of featuring Cuban music in top-rated non-music shows which are known to have a significant impact on music sales.

In general it is the major record companies who market music coverage on such TV and record stations but in a number of cases particular associations have been formed to promote a type of music and have been critical in obtaining coverage. One of the most successful organisations which promote a particular type of music has been the Country Music Association. This association might be a useful organisational model to consider in the context of the promotion of Cuban music perhaps either as a Cuban Music Association such as Cuba Disco or via a Caribbean Music Association or a Latin American music initiative.

Promotion of Cuban Music in Wider Caribbean Region

The wider Caribbean market represents an important international tourism destination. There is potential for increased sales of Cuban music to tourists in other Caribbean countries. Appropriate marketing and distribution initiatives are required to realise this potential. Participant in Caribbean trade fairs, such as CME in Jamaica should be encouraged.

Develop Potential Linkages with Film Sector

Increasingly there is an integration between the music and film sectors with promotional and other aspects of each supporting the other. For example, Dreamworks Records Nashville is reportedly actively involved in several of its parent company's film products including the major animated feature The Prince of Egypt. In this case three soundtracks were being released to support the film with obvious benefits for the promotion and marketing of the music. As part of the marketing strategy for Cuban music it is strongly recommend that Cuban music is promoted to the leading international film companies and also that consideration is given to further initiatives to encourage the development of Cuba as a location for film production. This could in itself represent an important source of foreign exchange as well as assisting in the marketing of Cuban music and the marketing of Cuba as a tourism destination.

CONCLUSION

If the marketing and development initiatives recommended in this report are implemented that there is very significant potential for the Cuban economy and the Cuban music industry to benefit. The ideas presented will assist in the expansion of international revenue from the sector. The analysis suggests that exports and domestic market sales of music to tourists represents a major economic trading opportunity for Cuba.

Glossary/Abbreviations

ABDALA:	Cuban Recording Studio
Chachacha:	Form of Cuban Music
Changui:	Form of Cuban Music
Cuba Disco:	Cuban Music Trade Show
Danzan:	Form of Cuban Music
EGREM:	Cuban Record Company
EU:	European Union
IFPI:	The International Federation of the Phonographic Industry
Instituto de la Musica:	The Cuban Institute of Music
Mambo:	Form of Cuban Music
RIAA:	Recording Industry Association of America
Rumba:	Form of Cuban Music
Son:	Form of Cuban Music
UN:	United Nations
UNDP:	United Nations Development Programme
WIPO:	World Intellectual Property Organisation

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APPENDIX 1: Programme for Consultants Visit to Cuba in September 2000

Programa de la visita de la delegación de la UNTACD a nuestro país del
25 al 30 de septiembre del 2000

25 de septiembre

Reunión inicial

Lugar: Ministerio de Cultura 2 e/11 y 13 Vedado

Encuentro con el grupo de expertos

Lugar: Estudios Abdala 5ta Avenida esq 32 Playa

Encuentro con directivos del Instituto Cubano de la Música

Lugar: ICM 15 esquina F Vedado

26 de septiembre

Visita al Museo Nacional de la Música

Lugar:

Encuentro con directivos de agencias del derecho de autor en Cuba

Lugar: Agencia de Derecho de Autor Musical Calle 6 e/13y 15 Vedado

Encuentro en la EGREM. Visita a los estudios

Lugar: 3ra e/10 y 12 Playa

27 de septiembre

Visita a los estudios Abdala

Lugar: 5ta Avenida esq 32 Playa

Visita a la casa discográfica Bis Music

Lugar: 86 entre 5taF y 7ma Playa

Visita a la agencia Musicalia

Lugar: 5ta Avenida e/82 y 84 Playa

28 de septiembre

Encuentro con Eurotropical-Recsa

Lugar: 158 e/3b y 3d numero 318 Reparto Náutico

Encuentro con Caribe Productions-Recsa

Lugar: 158 e/3b y 3d numero 318 Reparto Náutico

Encuentro con Lusafrica-Recsa

Lugar: 158 e/3b 3d numero 318 Reparto Náutico

Encuentro en el Hotel Nacional

29 de septiembre

Encuentro en la UNEAC

Lugar: 17 esquina H Vedado

Encuentro en RTV-Comercial

Lugar:

Encuentro resumen con el grupo de expertos

Lugar: EGREM 3ra e/10 y 12 Miramar

Reunión de conclusiones de la visita

Lugar: Ministerio de Cultura 2 e/11 y 13 Vedado

**APPENDIX 2: Selected Illustrative Examples of Individuals Interviewed
during Programme**

Appendix 2: Illustrative Examples of Individuals Interviewed during Programme

Lic. Orlando Hernández Guillén	Vigeministro Primero, Ministerio Del Comercio Exterior, Republica de Cuba.
Dra. Celia Labora Rodriguez	Ministry of Foreign Trade, International Organisations Division.
Lic. René Hernández Quintero	J'Dpto. Atención al Socio, ACDAM, Agencia Cubana de Derecho De Autor Musical.
Ciro D. Benemelis	Presidente, Feria Internacional Cubadisco.
Ileana Martinez Zuazo	Asesora Juridica, BIS Music.
Néstor Proveyer Derich	Vice Presidente, EGREM.
Minerva Mallo Mesa	Artex, Gerente de Comercio Electrónico.
Prof. Alicia Perea Maxa	Presidenta, Instituto Cubano de la Musica.
Lic. Nidia Banos Ojeda	Especialista, Ministerio Del Comercio Exterior.
Lic. Marvilia Carracedo González	J'Dpto. Relac. Internacionales, CENDA
Ismael González	Viceministro, Ministerio De Cultura.
Mr. Gorge Alfonso Garcia	Ministry of Culture
Mr. Robert Verner Castro	President ANEC

APPENDIX 3: Details re Abdala Recording Studios

Studio 1

Abdala largest studio is Studio 1, with an area of 153 square meters, and a volume of 1,25 cubic meters, can accommodate a symphony orchestra. It also has three isolation booths and a live room with a brand new Hamburg Steinway & Sons D series Concert Grand piano.

Studio 3

Medium sized studio with an area of 53 square meters, and a volume of 190 cubic meters. It also has three isolation booths, one of them a live area, and a brand new Hamburg Steinway & Sons B series Baby Grand Concert piano.

Rehearsal Studio

48 square meter for medium and small format groups.

Project Studio

A combination of the Rehearsal Studio linked to the MIDI Studio for recording small groups and voice. It is ideal for the preparation of demos and for radio and TV spots.

APPENDIX 4: Details re EGREM

Details re EGREM

The record company EGREM (Estudios de Grabaciones y Ediciones Musicales) is the major Cuban firm producing records, cassettes, compact discs, and through its agency PROMUSIC organizes international tours for the artists it represents.

Rumba, Cha-cha-cha, Guaracha, Son, Salsa, Bolero, all Cuban music genres have been recorded in forms of records, cassettes and CDs. ERGEM manages the recording studios “Areito” in Ciudad de la Habana and “Siboney” in Santiago de Cuba, producing annually over 200 titles of cassettes and publishing some 100CDs titles, and markets the musical instruments (conga drums, bongo drums, bata drums, guitars, tres, claves, maracas) produced by the “Fernando Ortiz” factory.

Among the EGREM titles produced include recordings of artists such as Beny Moré, María Teresa Vera, Bola de Nieve, Chucho Valdés e Irakere; popular dance music is represented by the Orquesta Original de Manzanillo, Dan Den, Paulo y su élite, Aragón Rumbavana, Grupo Raison, Manolito Simonet y su Trabuco among others. In its archives EGREM owns more than 10,000 master tapes that represent Cuban music history.

PROMUSIC is the agency that represents all the artists listed in the EGREM catalogue, among others, La Calle Karachi, Ritmo Oriental, Son 14, Anacaona, Grupo Perspectiva, Original de Manzanillo, Dan Den. PROMUSIC is responsible for the international promotion of these artists, and specialises in fostering Cuban music all over the world.

**APPENDIX 5: Official Database on the Economic Significance of the Cuban
Music Industry**

**Ministerio de Cultura
Instituto Cubano de la Musica
Año 2000
Informacion Para La Unctad**

SECTORES	TOTAL	
	Divisa	M. Nac
<i>INDUSTRIA DISQUERA</i>	7943,6	1526,3
DENTRO DE FONTERA	6156	1526,3
Venta de soportes materials de la música	6121,7	1276,3
Discos	177,2	0
Discos compactos	3648,1	2,3
Cassettes	1490,8	1274
Videos cassettes	805,6	0
Otros ingresos	34,3	250
Venta de entradas a instalaciones con música grabada	34,3	250
Servicios Gastronómicos en Instl. Con música grabada	0	0
FUERA DE FRONTERA	1612,2	0
Exportaciones de soportes materials de la música	1083,1	0
Discos compactos	1083,1	0
Cassettes	0	0
Videos cassettes	0	0
Royalty	529,1	0
Por venta de soportes	0	0
Por cesion de matrices	529,1	0
<i>ESTUDIOS DE GRABACION</i>	1060,7	189,6
DENTRO DE FRONTERA	1060,7	189,6
Servicios de grabación	390,5	149,9
Otros ingresos	670,2	39,7
Servicios gastronómicos	649,8	39,7
Servicio de hospedaje	20,4	0
FUERA DE FRONTERA	0	0
Royalty	0	0
Por cesion de matrices	0	0
Otros conceptos	0	0
<i>EDITORA MUSICAL</i>	160,7	148,7
DENTRO DE FRONTERA	0	0
Venta de Ediciones Musicales	0	0
FUERA DE FRONTERA	160,7	148,7
Exportaciones de Ediciones Musicales	0	0
Derechos Editoriales	160,7	148,7
<i>PRESENTACIONES ARTISTICAS EN VIVO</i>	15100,5	75131,9
DENTRO DE FRONTERA	7900,1	75131,9
Ingresos por presentaciones artisticas	4094,8	12074,5
Para Entidades Artisticas	2424,3	22847,3
Para los artistas	1670,5	39127,2
Otros ingresos asociados	794,2	7633,4
Alquiler de Servicios Tébcucis	140,4	3586,6
Alquiler de transporte	0	774,2
Venta de entrada a las instalaciones	0	172,5
Servicios gastronómicos	99,7	416,6
Venta de articulos promocionales	90	0
Servicios de alojamiento y alimentación	186,4	77,7
Otros ingresos	110,4	828
Ingresos en Instalaciones Turisticas (principales cabarets)	167,7	1777,8

Ingresos en Instalaciones Culturales y Recreac. (principales)	0	15807,8
FUERA DE FRONTERA	7200,4	0
Ingresos por presentaciones artísticas	7027,7	0
Para las entidades astísticas	1103,9	0
Para los artistas	5923,8	0
Asistencia técnica	169,9	0
Para las entidades	169,9	0
Para el autor	0	0
Donaciones	2,8	0
<i>DERECHO DE AUTOR MUSICAL</i>	736,1	8172,2
DENTRO DE FRONTERA	736,1	8172,2
Para la entidad	227,4	351,1
Para el autor	298,8	7821,1
FUERA DE FRONTERA	0	0
Para la entidad	0	0
Para el autor	0	0
<i>COMERCIALIZACION DE INSTRUMENTOS MUSICALES</i>	755,0	166,5
DENTRO DE FRONTERA	739,5	166,5
Ventas de instrumentos musicales de producción nacional	71,6	166,5
Venta de instrumentos musicales y accesorios importados	667,9	0
Souvenir	0	0
FUERA DE FRONTERA	15,5	0
Export de instrumentos musicales de producción nacional	15,5	0
<i>COMERCIALIZACION DE EQUIPOS DE AUDIO Y LUCES PROFESIONALES IMPORTADOS</i>	4142,5	0
<i>COMERCIALIZACION DE EQUIPOS REPRODUCTORES DE MUSICA Y VIDEO</i>	5802,1	0
<i>FESTIVALES INTERNACIONALES DE MUSICA</i>	0	0
DENTRO DE FRONTERA	0	0

NOTA: Las Fuentes de esta informacion son resultado del los informes vendidos por las entidades directamente ejecutorias y otros informes del Instituto Cubano de la Música.

NOTE: The sources of this information are a result of selling reports taken from direct executive entitles and other Reports from the Cuban Institute of Music.