

# We Are The World...

## Reviewing The Industry's Global Scope

**T**he World Trade Organization was founded in 1948 on the belief that trade and economic cooperation between nations was the most effective way to prevent armed conflict. The WTO has pursued this goal through seven rounds of multi-lateral treaty negotiations that have resulted in reduced trade barriers. The fact that there have been no global conflagrations on the scale of World War II over the past six decades also lends support to the theory that economic integration fosters peace. On a less grandiose level, the efforts of the World Trade Organization have also contributed to our efforts to measure the scale of the global music products industry.

It's hard to improve what you can't measure, so logic dictated that the WTO had to create a system for accurately tracking global trade. Their staff of technocrats responded first by persuading just about every nation on earth to adopt a standardized numeric code for every conceivable product, from airplanes to x-ray machines, and then requiring companies to include these codes with all their export paperwork. Over the past two decades, this framework has enabled the WTO to collect data at shipping points around the world, sort it by product code, and then produce a remarkably detailed picture of world trade.

The WTO's global compilation of trade data is produced annually and is available for purchase either on nine DVDs or as a single file that takes close to an hour to download. Like most other governmental products, it's about as user-friendly as an IRS manual. The time we have spent mastering the codes, translating confusing terminology, and navigating bizarre page layouts, although frustrating to the extreme, has given us a newfound understanding of how the global industry functions. These insights are passed along in the report that begins on page 60 of this issue.

There are about 20 countries in the world that produce music products in significant volumes. These include the usual suspects: China, Japan, Taiwan, Korea, Indonesia, the U.S., and most of the European Union. Using WTO data to track the volume and destination of their exports makes it possible to quantify the size of music products markets in countries around the world, from Argentina to Venezuela. This data provides a numeric portrait of music products sales worldwide. It also offers valuable insights into just how complex and integrated our industry has become.

The music products industry, with global retail sales of \$16.9 billion, is a tiny component of the world's economy. How tiny? Less than the value of a day's worth of oil production, about 1/15 the value of global beer production, and smaller than about 450 individual companies. Despite this limited scale, the industry still has an exceedingly far reach. 160 of the world's 196 nations are WTO members, and music products are exported to every one of them. The numbers may be

small—Turkmenistan imported four acoustic guitars from the U.S. last year, valued at \$3,150, and Equatorial Guinea brought in 47 electronic keyboards from China with a value of \$3,379—but they indicate both the far-reaching interest in music making and industrious export efforts.

Although the WTO data tracks the volume of trade, it fails to fully capture the value of this global integration. About \$26 million worth of drum hardware was shipped from factories in Taiwan to drum makers in the U.S., Japan, and Europe, where it was incorporated in products that were re-sold around the world. Drum makers procuring this Taiwanese hardware do so for one reason: they think it's the best way to build a product that will win customers. We suspect they're right. This is just one of many examples of integration.



Export volumes around the world are also highly volatile, indicating that no single company, country, or region has a permanent lock on business. In the past decade U.S. acoustic guitar exports have soared, Korean piano exports have tanked, Taiwanese guitar production has

all but disappeared, and Vietnam has emerged as a source for violins, reflecting changes in the effectiveness of individual companies, currency valuations, and governmental policy. It's a pretty safe bet that a decade from now, the lineup of top producers will be different.

Finally, for all the complaints about the state of the U.S. economy, WTO data indicates that we are an oasis of stability in an extremely volatile world. To cite one example, currency devaluations and misguided governmental policies in Argentina and Venezuela halved the value of music exports to both countries last year. Compared to those precipitous collapses, modest sales growth in the U.S. market looks like something worth celebrating.

Numbers are useful in quantifying economic activity and charting trends. However, they don't tell the whole story. Our numerical tally of the industry wouldn't be complete without paying tribute to the ingenuity and artistry of the hardworking people who make it all happen. Their efforts can't readily be reduced to a column of numbers, but can be measured in the emotional satisfaction music brings to the world.

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