



The location of creative industries in a developing country: The case of Indonesia



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ABSTRACT

This study examines the occurrence and spatial patterns of creative industries in the context of a developing country, specifically Indonesia. Our findings show that, in the context of Indonesia, it is crucial to distinguish between 'innovative' creative industries and 'traditional cultural' industries. The first category represents those that exploit new knowledge and intellectual property. The latter industries tend to preserve heritage values as selling points and, in Indonesia, they are actually much more significant in economic terms than creative industries and therefore should be taken into account. The spatial patterns of the two industries also differ. Creative industries are likely to concentrate in large urban regions, where innovation and cross-fertilisation of ideas can take place with the support of talent pooling and relatedness among niche producers. The Indonesian case is no exception. Meanwhile, traditional cultural industries are much less dependent on human capital and urbanisation economies. The results of this study suggest that policy strategies aimed at creative industries would be applicable in reasonably advanced regions provided they have sufficient human capital and economic diversification. In comparison, regions specialising in traditional cultural industries can adopt a different strategy to optimise the impact of these industries. Currently, the creative industry policy does not make this distinction.

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1. Introduction

The idea of creative industries is built upon particular contexts and phenomena that are found in 'developed' countries, most notably in North America, Europe and Australia. Today, many countries outside these contexts have also started adopting the idea as a tool for national and local development. However, it is unclear as to what extent this idea is appropriate for these different settings (see Fahmi, McCann, & Koster, 2015). We argue that understanding the regional setting of creative industries beyond the context of developed countries is important. The development of creative industries in these contexts might reflect different patterns and, thus, policy narratives adopted from developed countries might not be applicable in such contexts.

Existing conceptual and empirical contributions have established that regional social and economic settings are critical for creative industries, and that these place-based characteristics create conditions that may boost creativity and entrepreneurial behaviour (Clare, 2013; Florida, 2002; Lee, Florida, & Acs, 2004). Creative industries usually form geographical clusters, often in large cities, where they can benefit from large markets and a variety of activities and people. Urbanisation

economies help creative industries develop through new knowledge creation and cross-fertilisation among different specialties (Feldman & Kogler, 2010; Potts, 2007; Rosenthal & Strange, 2004). However, this premise, based on the situation in developed countries, might not always be valid elsewhere.

In line with this argument, this paper aims to examine the degree to which regional economic settings in Indonesia, a developing country, are suitable for creative industries. Indonesia is regarded as a 'developing' country based on its lower-middle level of GNI per capita (\$3630 in 2014), its mid-range HDI (0.684) and its underdeveloped industrial base.¹ Indonesia has adopted the notion of encouraging creative industries as an instrument for economic development through policy transfer, an idea built especially on the UK concept (see Fahmi et al., 2015).

Given the specific context of the Indonesian situation, this study provides insights into the development of creative industries in a developing country. Although we use the 'developing country' shorthand to classify the Indonesian context, it is clear that 'developing countries' consist of a heterogeneous group of nations with a range of levels of socioeconomic development, and that this might be reflected in the characteristics of their creative industries (De Beukelaer, 2014). Indonesia clearly has a different context to higher income countries in Asia that

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¹ See <http://data.worldbank.org/country/indonesia> and <http://hdr.undp.org/en/countries/profiles/IDN>.

have gone further in the development of creative industries, such as South Korea, Japan and also China, which is still categorised as a developing country, but it is actually the largest exporter of creative products in the world (De Beukelaer, 2014, 2015). Despite the specific aspects of the context, there are at least two aspects shared between Indonesia and other similarly ranked countries that will enable this study to extract lessons for other lower-middle income countries that are currently implementing a creative economy policy.

First, 'creative industries' in developing countries often have distinct characteristics from those in developed countries: they are largely craft-based and frequently not associated with intellectual property and innovation (UNESCO and UNDP, 2013). Here, the Indonesian government promotes long-established traditional businesses embedded in particular regions (e.g., batik, handicrafts) as creative industries, even though these do not emphasise the creation of new knowledge (Fahmi et al., 2015). Although such traditional crafts are classified as creative industries in several countries, including the UK, their share of the craft sector is much lower. In comparison, crafts dominate 'creative industries' in Indonesia (see Table 3).

Second, as in other developing countries, the characteristics of regional economies and technology in Indonesia are not as advanced as elsewhere, and this could be an obstacle to the creation of new knowledge (Yusuf & Nabeshima, 2005). In general, developing countries are still industrializing, although the service sector is often playing an increasing role. Further, the institutional settings and entrepreneurial environment in such contexts are clearly different in that entrepreneurship often appears as a necessity rather than as an opportunity (Singer, Amorós, & Arreola, 2015). Given these issues, the existing conceptual arguments regarding the clustering of creative industries might not fully be evident in the Indonesian case. As described, tradition-based businesses – which we will refer to as 'traditional cultural industries' – reflect a specificity in the creative industries in Indonesia and they may have distinct development patterns. In this regard, we argue that, in the context of Indonesia and perhaps other developing countries, it is necessary to distinguish between 'traditional cultural industries' and 'creative industries'. This will help us to better understand their specific characteristics and design more appropriate policy strategies. If both types of industries have the same development trajectories, one would expect them to be interrelated, and perhaps either substitute or complement each other. In contrast, if they have different development paths, they are likely to be located in different regions, and require different policy strategies. This will challenge the current government's perspective that leads to implementing the same strategies for both creative and traditional cultural industries (Fahmi et al., 2015).

This paper complements the existing publications on the regional locational patterns of creative industries, which are mostly descriptive (e.g., Boix, Lazzeretti, Capone, De Propriis, & Sánchez, 2013; Power, 2002; Pratt, 2004) but much less focussed on explaining factors that determine the pattern (e.g., Lazzeretti, Capone, & Boix, 2012). In order to achieve the aim of this paper, we identify the characteristics of regions where these industries are clustered, and reflect these findings on the current conceptual and empirical contributions on this issue. A regional level analysis is appropriate for several reasons. First, we can compare the concept of creative industries, imported from the developed world, with the actual potential in the regions of Indonesia. Second, our research findings will allow us to identify which regions specialise in creative and/or traditional cultural industries, so that development strategies can be designed to respond better to local potentials. Third, and related to this, as decentralisation is of growing factor in Indonesia, a good understanding of place-specific characteristics is essential to steer regional development processes and policies.

This article is organised as follows. First, in the next section, given the distinct nature of creative industries beyond the developed world, we revisit the definition of such industries in Indonesia. This is followed by a conceptual foundation for examining the factors affecting the location of creative industries. The methodological

framework is then presented, followed by a national-level overview of creative industries. The factors associated with the spatial distribution of these industries are then examined, followed by discussion and conclusions.

2. Defining creative industries in the context of Indonesia

The term creative industries first emerged in Indonesia when young creative people established *indie* music and clothing industries ('distro') in Bandung in the first decade of the new millennium. These youngsters, supported by the British Council, then attempted to develop Bandung as a 'creative city'. Later, the national government had the idea that creative industries could also be established in other localities. In response, President Yudhoyono issued Presidential Instruction 6/2009 on the development of the creative economy, which obliges all local governments to promote creative industries in their own localities, and this was followed by the formation of the Ministry of Tourism and Creative Economy (MTCE).²

In practice, the Indonesian government's classification of creative industries predominantly follows the British (DCMS and John Howkins) model (MTCE, 2014). This British understanding was transferred through the bilateral cooperation between Indonesia and the UK on creative industries (Fahmi et al., 2015). Notwithstanding this standardised definition by the central government, the creative industry notion is interpreted differently across regions. In some localities, such as Bandung, creative industries are considered to encompass 'innovative' activities, whereas, in other cities, local governments promote the long-established tradition-based activities embedded in many regions, such as batik and traditional crafts, as creative industries (Fahmi et al., 2015). This suggests that, in practice, the single, albeit broad, national definition of 'creative industries' does not correspond to the regional economic realities.

The creative economy masterplan (MTCE, 2014) does not explicitly explain why the British classification is embraced. Rather, the DCMS list of creative industry subsectors is used, and existing industries are positioned within one of these subsectors. The subsectors cover architecture, advertising, antiques, design, crafts, fashion, film, video and photography, interactive games, music, performing arts, publishing, research and development, software, and television and radio.³ Nevertheless, the DCMS definition appears to work in Indonesia because these sectors are present in the Indonesian economy. Conceptually, however, the positioning of the existing sectors in the DCMS model is less straightforward. In particular, the craft industry in Indonesia, which is large in terms of firms and employment, does not meet the conceptual definition of a creative industry as advanced in the literature. The notion of creative industries is understood as economic activities that use individual creativity, skill and talent, and potentially yield economic values, through the exploitation of intellectual property (e.g., DCMS, 2013). As such, there are several characteristics that a creative industry should demonstrate. First, these industries should continuously seek to generate new ideas by conducting research and development around their products and services, an aspect in which individual creativity plays a crucial role. Second, as these industries are focussed on generating original and novel values, this intellectual property needs to be protected. Third, these industries usually need to adapt to recent technologies that support their creative processes (see Banks & O'Connor, 2009; Flew, 2013; Galloway & Dunlop, 2007; Garnham, 2005; O'Connor, 2009).

² Since 2015, creative economy affairs in Indonesia have been coordinated by the Creative Economy Board.

³ In a later version, 'culinary' is added to the creative industries classification. However, this subsector is not included in our analysis since it does not fit with most of the conceptual models in the literature. Further, 'creative culinary' is not captured well by the Indonesian industrial classification.

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