

CHAPTER I

INTRODUCTION

A. Research Background

The era of economic globalization today was shifted from agricultural era to the industrialization era which was followed by information era and supported by a number of new discoveries in the technology field. Besides, with the advent of modern technology that supports work productivity and effectiveness in the economic sector, in particular, these triggers make the competition becomes tougher. Not only in the areas of production that required to produce with lower cost and efficiency, but also the implications for the human resources needed in this industry should have the competency and creativity supported by special skill in a related field. Human resources that creative, innovative and dynamic are mostly needed because the development and market trends in today globalization era is very fast. The beginning of creative industry era was started in 1990s. In this era, the information, technology, and creativity are very advanced and served as the main propulsion. The propulsion tools that used in this creative economy sector itself is the creative industry (Studi Industri Kreatif Indonesia, 2008).

Indonesia's creative industries started to get serious attention by the government during the tenure of President Susilo Bambang Yudhoyono. In the era of the leadership of President Susilo Bambang Yudhoyono, INACRAFT was held as evidence of Indonesian government's seriousness in developing

creative industry in Indonesia. In his speech at the event INACRAFT in 2005, Susilo Bambang Yudhoyono expressed about the development of creative industries in Indonesia, which was followed by the establishment of the Indonesian Design Power to assist in the development of creative industries in Indonesia under the auspices of the Ministry of Trade.

In the following years, government support for the creative industries is shown by the convening of the cultural exhibition Indonesian Cultural Week (PBBI) in 2007. In 2009, former Minister of Trade, Maria Elka Pangestu drafting a blueprint of creative industries in Indonesia from 2009 to the year 2025. In 2009 also, the former President of Indonesia, Susilo Bambang Yudhoyono issued Presidential Instruction No. 6 of 2009 concerning the development of creative industries. Later, the Ministry of Tourism and Creative Economy was formed after the Presidential Decree of President No. 92, 201. Further in the era of Joko Widodo presidency established new non-ministerial agencies that are directly responsible to the president, the Agency Creative Economy Indonesia (BEKRAF) by the President of the Republic of Indonesia Regulation No. 6 of 2015 on the Creative Economy Agency. President Joko Widodo optimistic that the creative economy sector through creative industries as a driving power, capable of being the backbone of the economy of the country.

The creative economy through creative industries have the potential to be developed as one of the sectors that can support the national economy in 2013, the contribution of the creative economy to national GDP at 7.05% (Rp

641.81 billion), or ranked 7 out of 10 sectors contributor to the national GDP. There are five creative industries sector that contributed the largest GDP, namely: (1) Culinary (32.51%); (2) Fashion (28.29%); (3) Crafts (14.44%); (4) Publishing and printing (8.11%); and the last is Design (3.90%). The 5.4 million creative effort that has absorbed 11.8 million workers. In addition, the creative economy has also proven able to contribute to foreign exchange through exports of total US\$ 3.2 billion (Deputi Bidang Koordinasi Ekonomi Kreatif, Kewirausahaan, Dan Daya Saing Koperasi Dan Usaha Kecil Menengah, 2016).

Regarding the competitiveness of Indonesian creative economy according to the Ministry of Tourism and Creative Economy in 2014 stated that based on GCI (Global Creativity Index) or the Global Creativity Index in 2015, Indonesia was ranked 115. The results of the GCI calculation using three factors:

1. Index of Technology: the proportion of expenditure on research and development of the total GDP, the proportion research per capita, and innovation of a country which is calculated using the number of patents issued in the period of assessment.
2. Talents Index: net enrollment in the higher education and the creative class variable, that is, people who work in jobs that are considered to have high-level problem-solving.
3. Tolerance: the acceptance of minorities. (Hamdan, 2016).

Table 1.1

Global Creativity Index Year 2015

| Rank | Country | Technology | Talent | Tolerance | Global Creativity Index |
|------|-------------|------------|--------|-----------|-------------------------|
| 1 | Australia | 7 | 1 | 4 | 0.970 |
| 2 | US | 4 | 3 | 11 | 0.950 |
| 3 | Malaysia | 24 | 69 | 101 | 0.455 |
| 9 | Singapore | 7 | 5 | 23 | 0.896 |
| 52 | Phillipines | 54 | 65 | 53 | 0.487 |
| 80 | Vietnam | 45 | 104 | 73 | 0.377 |
| 82 | Thailand | 38 | 84 | 105 | 0.365 |
| 115 | Indonesia | 67 | 108 | 115 | 0.303 |
| 139 | Iraq | 110 | - | 130 | 0.032 |

Source: Deputi Bidang Koordinasi Ekonomi Kreatif, Kewirausahaan dan Daya Saing Koperasi dan Usaha Kecil Menengah, 2016.

According to Presidential Decree No. 72 of 2015 there are 16 sub-sectors within the scope of the creative industries, namely: architecture; interior design; visual communication design; product design; fashion; films, animation and video; photography; crafts; culinary; music; application and game developers; publishing, advertising, performing arts, visual arts, as well as television and radio (Deputi Bidang Koordinasi Ekonomi Kreatif, Kewirausahaan, Dan Daya Saing Koperasi Dan Usaha Kecil Dan Menengah, 2016).

There were 7 sub-sectors from this industry that give the largest contribution to the National GDP, namely: fashion; craft; advertising; television and radio; architecture; music; publishing (Simatupang).

In line with the government, the sub-sector of the fashion ranks first in giving the largest contribution to GDP of Indonesia. There are subsectors of

craft in the second rank, then followed by sub-sectors of advertising, design, architecture, publishing, and music (Studi Industri Kreatif Indonesia, 2008).

Table 1.2

GDP Contribution of Creative Industry's Sub-Sectors in 2006

| Sub Sectors | Percentage | Rank |
|-----------------------------|------------|------|
| Fashion | 43,71% | 1 |
| Craft | 25,51% | 2 |
| Advertising | 7,93% | 3 |
| Design | 5,88% | 4 |
| Publishing & Printing | 4,09% | 5 |
| Architecture | 3,95% | 6 |
| Music | 3,65% | 7 |
| TV & Radio | 2,04% | 8 |
| Computer & Software Service | 0,99% | 9 |
| Research & Developer | 0,93% | 10 |
| Art & Antique Goods Market | 0,65% | 11 |
| Interactive Games | 0,32% | 12 |
| Movie, Video, Photography | 0,24% | 13 |
| Performance Art | 0,12% | 14 |

Source: Departemen Perdagangan Republik Indonesia, 2008.

In 2011, after culinary entered the creative industry sub-sector, culinary sub-sector contributed 32.2% of the total GDP of the creative industries. Then followed by sub-sector of fashion with a contribution of 28.1% of GDP creative industries. While the crafts sub-sector ranks third after culinary and fashion sub-sector that is equal to 15.1% from total GDP contribution of the creative industries (Studi Industri Kreatif Indonesia, 2008).

Creative economy in developing countries was often associated with other development priorities, such as poverty eradication, cultural history and basic infrastructure, sustainable development, gender equality, social inclusion

and global cooperation. To produce an impact of economic growth, the creative industries are also often associated with tourism, where the product from creative commodities become an attraction in a tourism destination (Cunningham; UNCTAD, 2010).

In line with it, tourism is widely recognized as an important driving power in the development of the national economy (Brida and Risso, 2009; Tang and Tan, 2013). This was because in tourism, activity or types of tours are offered not only travel the roads, nature and historical attractions, but the tourism sector also offers another type of activity, which is shopping. Where in the shopping itself, a commodity from creative products to attract tourists, the majority comes from fashion, culinary and craft sub-sector which is often preferred by the tourists who are used as a gift or souvenir. Besides, culinary-became an activity that done by the tourists when they come, usually the traditional cuisine or typical culinary of the region chosen by the tourists to try, which is the culinary itself is the one of sub-sector in the creative industry.

In Indonesia, Special Region of Yogyakarta (DIY) was known as a tourism city. The geographical condition, historical stories, and cultural potentials that owned by DIY was given big opportunities to expand in economy sector. The creative industry is one of the sectors which use the potentials that owned by DIY. The response of creative industry also quite good, moreover if linked with the tourism sector. Even there are many opportunities that can be taken from potentials that owned by DIY especially to support the development of creative industry in this province, but there are

also challenges that must be faced. To solve the problems or challenges exist, firstly we have to know about the index competitiveness position of each sector, then we can prepare appropriate strategies to make improvements in this industry and make this industry more developed.

The development of globalization was given an impact on the competition among industries which more competitive. Thus, in order for the industrial sector to can stay compete in the middle of the condition which more competitive, it requires a high competitiveness ability. Competition was not only with the domestic industry, but also comes from abroad. Facing the fierce competition, the businessmen were required to make products that fit the market needs and have good quality with competitive prices. Therefore, the development of industry requires not only the need attention from the entrepreneur, but need support from another party such as government and other related industries (Wiyadi, 2005).

Industrial competitiveness was the ability of an industry to gain a competitive advantage based on factor conditions; demand conditions; firm strategy, structure and rivalry; and also related and supporting industries. To know the industries that are able to compete in an increasingly competitive market, it is necessary to analyze the competitiveness. The analysis of the creative industry competitiveness in this research is based on the Porter diamond model.

This thesis focus on the analysis of creative industry in DIY which has a relationship with the tourism sector, namely sub-sector of fashion, culinary

and craft based on the Porter diamond model. From these things would definitely be found the obstacles or shortage in supporting the development and competitiveness of creative industries in DIY, furthermore it need strategies to stimulate and encourage the development of creative industry on sub-sectors of fashion, culinary and craft.

B. Research Limitation

In order to conduct the research that is consistent with the linked objects, the writer sets boundaries issues, namely:

1. The writer only focus on the creative industries in sectors linked to the tourism sector, such as fashion, culinary and craft.
2. Samples were taken from some of the creative industry on sub-sectors of fashion, culinary and craft in DIY.

C. Research Question

In this study, the writer wrote some research question, such as:

1. How does the competitiveness of creative industry on subsectors of fashion, culinary and craft in DIY?
2. What are the obstacles to the development of creative industries in DIY and what the development strategies in creative industry on sub-sectors of fashion, culinary, and craft in DIY?

D. Research Purpose

The writing of this research aims to:

1. Knowing about the competitiveness of creative industry on sub-sectors of fashion, culinary and craft in DIY.

2. Figure out the obstacles in this industry and can give strategies recommendation for the development of creative industry on sub-sectors of fashion, culinary, and craft in DIY.

E. Research Benefits

1. Knowing the creative industry competitiveness subsectors of fashion, culinary and craft in DIY.
2. Optimizing the development of creative industry sub-sector of fashion, culinary and craft in DIY that relates with tourism industry sector.