

## **CHAPTER II**

### **CREATIVE ECONOMY DEVELOPMENT IN SOUTH EAST ASIA**

In this section, the author gives brief explanation about creative economy value chain, and history of creative economy. Furthermore, after explaining about history of creative economy then, the researcher will be focusing on creative economy, development and condition among ASEAN members such as creative economy in Indonesia, creative economy in Thailand, creative economy in Malaysia, creative economy Philippines, creative economy in Vietnam and creative economy in Myanmar.

#### **A. Definition of Creative Economy**

The term creative economy is indeed new. No wonder if it can't be clearly defined. But at the core of the creative economy, it is an economic activity that is carried out with the production, distribution, exchange and consumption of goods and services whose creations are cultural, artistic, intellectual and high value (Kidd & Teagle, 2001). John Howkins in the Creative Economy (2001) explains that the creative economy comes first time in 1996 to realize that the United States copyright has great export opportunities that far surpass exports of other economic sectors. After that he proposed 15 categories as the creative industry sector.

Creative economy consists of a broad group of professionals, especially those in creative industries. Creative economics is often interpreted as a system of supply and demand transactions originating from the economic activities of the creative industry carried out by creative intelligence (Miller, Lerner, Schiamburg, & Anderson, 2003). Creative intelligence includes artists, writers, actors, artists, students, and educators.

#### **B. Creative Economy Value Chain**

Creative economy, especially the creative industry prioritizes design in product creation. This is what distinguishes the manufacturing sector and other conventional industry. In

creative economy, creativity and ideas are needed in the process of value creation. The value chain/ cultural cycle includes five stages, which are presented slightly differently in a cyclical rather than hierarchical model to reinforce the idea. (UNESCO, The 2009 UNESCO Framework for Cultural Statistic (FSC), 2009). The chain of values that are the main concern of developing creative economics include:



**Figure 2. 1 Creative Value Chain defined by The UNESCO cultural statistic**

Source: (UNESCO, The 2009 UNESCO Framework for Cultural Statistic (FSC), 2009)

1. Creation is the original and authorized content and ideas. Creation consists of education, innovation, confidence, expression, experience and project
2. Production consists of Technology, Outsourcing Network Services, schemes and financing (e.g. TV Programs)
3. Dissemination or Distribution consists of negotiating rights to distribution, internationalization and infrastructure. Distribution is the activity to bringing mass-produced cultural products to exhibitors and consumers
4. Exhibitors refers to cultural place of consumption and unmediated cultural experiences to audiences by granting or selling access to consume/participate in cultural activities (e.g. organized festival, opera house, theaters and museum)
5. Consumption/Participation refers to some activities where people/audiences can consume the cultural product and take part and experiences in some cultural activities (e.g. participating in carnivals, listening to radio, book reading and visiting galleries)

### **C. History of Creative Economy**

There is a shift in economic orientation in human life. This shift was initiated by the agricultural era into an era of

industrialization accompanied by the development of communication. This causes a change in people's mindset and increasingly human interaction. The human mindset produces discoveries in various fields such as technology and information that make it easier for humans to be more productive in producing a work.

Industrialization began in England in the late 18th century. The cause of industrialization developed in Europe, especially Britain, was the large amount of massive unemployment and the abundance of raw materials. The industrial revolution took place in England because there was no country in Europe that had a more advanced capital company than England, besides that, England had the best bank system in Europe.

Industrialization utilizes steam engines that replace human roles. Industrialization began with the use of steam engines in the cotton spinning process for the production of clothing. However, after the development of technology and communication created a pattern of work that was more efficient and profitable for industrialization. The Industrial Revolution was a major change that occurred in the West. This creates a more developed human civilization. The effects of industrialization are not only in Europe, but also in other parts of the world.

The industrial revolution initiated the creative economy in United Kingdom. In the 1990s in Australia and United Kingdom the concept of economy increasingly developed towards creative economy. Creative economy emphasizes on creativity and presents it as a machine innovation, technological change and as a comparative advantage in business development. This results in the introduction and use of provisions "Creative industry" in the circle of policy development. These industries are defined in the UK as "industries that originate in individual creativity, skills and talents that have the potential for job creation and (UNESCO, The 2009 UNESCO Framework for Cultural Statistic (FSC), 2009) wealth through generation and exploitation of intellectual property. (UNESCO, What do we Mean by the Cultural and Creative Industries?, 2001)

Creative economy was born indeed with the development of communication and creativity. The concept of a creative economy is where the use of resources is unlimited. This includes ideas, thought, talent and creativity. In 1990, British Prime Minister Tony Blair and the New Labor Party established the National Endowment for Science and the Art (NESTA) in order to fund the development of young talents in the UK. After he was elected as a prime minister, he established the Creative Industries Task Force under the Department of Culture, Media and Sports (DCMS), which aims to raise awareness of the British public about the contribution of the creative industry to the economy in the UK.

Despite experiencing economic problems, the creative industry in the United Kingdom is growing. After leaving European Union, the exchange rate of pound sterling has decreased which has caused concern about the future of the United Kingdom economy. However, from the beginning creative industry has been a promising sector in the United Kingdom. These industry actors who are artists and business people donate 84 billion pounds to the State. This proves that the release of Britain from the European Union did not reduce the strength of the British economy as the originator of the creative economy in Europe.

The wave of industrial revolution 4.0 brought great changes in the various settings of global human life characterized by the development of human creativity, global competition and the advancement of communication and the development of technology. Industrial revolution 4.0 makes creative economy become one of the strategic issues of every country that is required to win global competition in order to increase economic added value.

With the existence of industrialization in Europe, it inspires and gives a spread effect to Asia, such as East Asia, South Asia and Southeast Asia. The most prominent East Asian countries with creative industries are Japan, South Korea, Singapore, and China. In addition, the development of industrialization also occurred in South Asia such as India.

## **D. Creative Economy Development in ASEAN**

Some similarities in their economic characteristics in the industrialization process seem to influence the same problem of economic development. In addition, many things have become factors in the development of the creative economy in ASEAN countries. Almost all ASEAN countries are developing countries, except Singapore. It is associated with raw materials, the price of production and services cheaper. Cheap raw materials will make it easier for players to create a variety of items, besides the low production price makes it possible to get high profits if an item is successfully exported and entering the free market. Cheaper services make it easier for industry players not issuing a high budget so that the budget can be transferred to production. Because the creative industry is very concerned with information and communication technology, Internet access is very much needed to support creative industry players to market and sell their products.

### **1. Economic Creative in Indonesia**

The condition of Indonesia with more than 2 million young people with the composition of the population of about more than 40% resulted in a base of abundant human resources to develop the creative economy. Our former president, Ir. Sukarno, had long ago laid the foundation of the nation's economic development that relies on ideas and human resource-based. Ir. Soekarno formulated the Economic Declaration (DEKON) on March 28, 1963. He emphasized and laid the foundation of a creative economy in national building. Indonesia's strength lies in the combination of creative economy, human resources and the ability of the nation itself. In addition, the creative economy is a new source of power in the era of globalization.

The Indonesian creative industry began to revive during the administration of President Susilo Bambang Yudhoyono (SBY). SBY developed a creative economy in his two periods of leadership. SBY realized that bringing Korea creative economy brings tremendous country's foreign exchange. In 2005, SBY attended the APEC meeting in

Fusan, South Korea, which was attended by 21 countries. At the meeting, Korea introduced creative industries in their countries, which eventually infected President SBY who had an interest in the technology-based creative economy to develop a creative economy in Indonesia. In 2006, SBY made regulations relating to the creative economy. Through the ministry of trade formulating one of the rules about the economy and creative industry in Indonesia. Through Mari Elka Pangestu, the Indonesian government launched the Indonesia Design Power program. Indonesia design power is a government program that can increase the competitiveness of Indonesian local products so that they can be marketed domestically and exported. The Indonesian Design Power program focuses on developing services and providing space for creative industry players. The program continues to run up to launch a mapping study book creative industry in Indonesia in 2008.

SBY once said that the creative economy is one of the three factors that drive the Indonesian economy while the world economy is slowing down and unstable. Other sectors are reliable labor and tourism. With a reliable workforce, this will make it easier to master various areas controlled. Besides that, tourism will encourage foreign tourists to come to Indonesia to get high foreign exchange opportunities.

In 2008, the government launched a book on the analysis of creative industries in Indonesia in 2008. This book is to map the creative economy in Indonesia and the calculation of the economic contribution of the creative industry sub-sector in Indonesia. The program was carried out in tandem with the launching of Inpres No.6 / 2009 as the year of Creative Indonesia and the implementation of varied activities on the Indonesian creative industry such as the holding of creative exhibitions covering 14 sectors of Indonesia's creative industry and this activity was supported by SMEs throughout Indonesia.

It turns out that the impact of the creative industry in Indonesia is very significant on labor absorption and industrial output. In 2008, Indonesia's creative industry

could absorb a workforce of 7.6 million with a labor participation rate above 7.5%. In addition, the high productivity of labor also has an impact on industrial output. Apart from within the country, it turns out that industrial output is also used abroad where the export value of the industry can reach Rp 114.9 trillion with an average export growth of 12.2% per year and the total contribution of exports of 9.23%

In 2010, a digital platform was created for Indonesian creative industry players named *industri kreatif.net*. This is a platform created for the success of the creative industry in Indonesia so that the creative industry players take part and to succeed the blue print of the "2025 National Creative Industry Development Plan"

In 2009, SBY also held the "Pekan Produk Kreatif dan Pameran Ekonomi Kreatif Exhibition" and SBY also set up a special ministry of creative industries in the Ministry of Tourism and Creative Industries so that this industry received special attention and more from the Indonesian government. Some creative industry sectors that still have good prospects are film, animation and video. An example is the *Laskar Pelangi* (The Rainbow Troops) film that took place in Bangka Belitung. This film has made great profits both in Indonesia and abroad. Because this film is not only played in Indonesia, it has recorded nearly 5 million domestic and foreign audiences. In addition, this film also helps introduce Indonesian tourism, namely Bangka Belitung, which is rarely known by tourists.

Creative economy in Indonesia is very dependent on creative capital, namely human resources behind the scenes. Creative capital can be in the form of individuals and groups. Creative capital in Indonesia mostly comes from Small Middle Enterprises (SMEs). SMEs become economic drivers Indonesia, contributing 54% to GDP and average growth of 12.2% per year that are likely in 2025 can be realized.

## **2. Creative Industry in Thailand**

Thailand is a country famous for its authenticity and unique ornament details in architectural and artistic works.

Thailand has developed its creative economy in its 2012-2016 development plan. Thailand established the Thailand Creative and Design Center (TCDC) as a facility to facilitate the creative industry sector that contains rooms for seminars, research centers and libraries. In addition, visitors can conduct research related to production matters such as materials, textiles, digital technology, and the development of expertise and comfortable libraries that can be visited on terms of library membership with different prices for students and the public. Thailand remains as a country that focuses on raw materials and details of a product. TCDC is the concrete role of the government to increase the capacity of Thai designers and entrepreneurs in the global market. Thailand also set up a place that provides a collection of design materials called Material ConneXion. In addition, the government also provided training on how products can be exported, markets their products through the trade department and improve product quality. One example of Thailand's creative industry is the advertisement product. Thailand inarguably is the king of advertisement. Ads in Thailand are considered good because it always has a moral and life lessons that can be taken. Themes and unexpected story has always been a mainstay in every ad in Thailand as an example of advertising companies Thai Life Insurance.

### **3. Creative Industry in Singapore**

Basically, Singapore chose to develop chemical industry, electronic devices and agricultural products. Chemical and agricultural industries Singapore will be marketed to countries of ASEAN, but in December 2001, Singapore formed the Economic Review Committee (ERC), which served to produce a formulation and a blue print for the economic future of Singapore. In the formulation, there was the Creative Industries Working Group (CIWG). CIWG categorizes creative industries into three groups, namely Art and Culture, Media and Design. CIWG realizes that the creative industry will boost Singapore's economic growth and can open up workforce. The advantage that Singapore has is the fact that Singapore is a developed country so it is



very easy for Singapore to develop its business because of the many expatriates and capital owners. It is evident that Singapore's creative industry is also increasing the country's GDP and bilateral cooperation between Singapore and other ASEAN countries. Several favorable industries are animation, design, music and the property.

#### **4. Creative Industry in Malaysia**

The Malaysian government ratified the Basic Creative Industry Country (DIKN, National Creative Industry Policy) issued in 2009. DIKN is one of the articulations of comprehensive creative industrial policies launched by former minister Rais Yatim. DIKN will protect the entire creative industry based on creativity and innovation in Malaysia so that it can contribute to the State and show off state revenues and uphold Malaysian national culture. Moreover, in the same year Malaysian government also established the Performance and Management and Delivery Unit (GUIDE) as an agency under the auspices of the Prime Minister of Malaysia with the duty to report to the creation of high-income economy by 2020. Both DIKN and PEMANDU also emphasized the role of nation-building and creative industries to foster harmony and cooperation among nations found in Malaysia's developed country 2020 vision.

The government expects DIKN to open up opportunities for the younger generation to work in multimedia, art and culture in producing creative things and getting markets inside and outside the country. Indirectly, products that get markets will increase higher state revenues. This policy will encourage younger generation to export products to the markets of ASEAN countries.

The coverage of creative employees in Malaysia is divided into several categories, they are multimedia creative industry, creative arts and culture industry and creative industries of cultural heritage.

1. Multimedia creative industry: Publishing TV and TV shows, advertisements, design, animated and digital content

2. Creative Arts and Culture Industry: Craft, Visual Arts, Music Art, Performing Arts, Creative Writing and Textile and Fashion
3. Creative industries of cultural heritage: museum exhibition, archives, restoration and conservation activities.

#### **5. Creative Industry in Philippines**

The creative economy in Philippines is not very developed. But efforts were made in 2010 to map and measure the creative industry and determine the roadmap for initial growth. Philippines has many advantages that support the potential of creative industries, such as diverse demographics and large consumer markets. People's creativity in film and music can attract the attention of foreign tourists. But the challenge is for the Philippine government to develop a creative industry in order to be able to help domestic economy through the Department of Trade and Industry (DTI). DTI Philippines carries out actions related to the economy and creative industry in Philippines. In April 2018, Philippines hosted the 30th ASEAN Leaders Summit, which coincides with the 50th Anniversary of the ASEAN. Coinciding with this event, the Ministry of Trade and Industry will host the first ASEAN Creative City Exhibition & Forum at the BGC Arts Center from April 24 to 27. All ASEAN countries attended this event.

#### **6. Creative Industry in Vietnam**

Vietnam is very rich with varied culture and traditional heritage of handicraft, contemporary fashion, textiles and architectures. Now Vietnam is busy to establish creative hubs in several potential cities in Vietnam. Besides, it has been around 10 years for the British Council to collaborate with the Ministry of Culture, Sport and Tourism in developing creative industries in Vietnam. UK government invested in Vietnam Creative hub from the beginning, starting from capacity-building programs, loans, and other financial incentives. Besides that, UK Government also facilitates them with skilled professionals who can facilitate dialogue among practioners, local economic players,

government policymakers, and the public as well. Through the British Council, UK Government also built strong relationships with local industries in Ho Chi Minh City and supported their network and relations with another creative entrepreneurs outside Vietnam. Through existing programs, UK government mobilizes creative industry players in Vietnam to collaborate with UK Entrepreneurs to develop creative industries in Vietnam.

## **7. Creative Industry in Myanmar**

Myanmar will become a new Asian economic power. Myanmar's economic growth has experienced a significant increase. The increase that occurred in Myanmar was due to changes in the political regime that took place in Myanmar. In 2011, Myanmar began a democratic and economic revolution. Democracy has been running in all business sectors and given space to develop, competitors by other ASEAN countries. The superior export product in Myanmar is Fashion and garment. The government has begun to intensify these two industries so that they can compete in the global market.