Creative economy policy in developing countries: The case of Indonesia

Fikri Zul Fahmi
University of Groningen, Netherlands
Institut Teknologi Bandung, Indonesia

Philip McCann
University of Groningen, Netherlands

Sierdjan Koster
University of Groningen, Netherlands

Abstract
This paper investigates how the creative economy discourse is interpreted and implemented in the context of Indonesia as a developing country. Our main conclusion is that the discourse is interpreted differently across localities. Bandung appears to be the only locality whose interpretation aligns with the general understanding of a creative economy that emphasises knowledge creation and innovation. This was made possible by the strong support from academia and communities who wanted to experiment with this policy idea. Our study also provides an insight into a creative economy developing not only as a discourse, but also as a workable framework for development policies, in this city. Conversely, other cities seem to pragmatically use the policy idea without considering the local context in a rebranding exercise in order to drive economic development, whereby traditional cultural industries are relabelled as creative despite performing hardly any innovation activities. Despite this, Bandung illustrates that there are possibilities for a developing country such as Indonesia to adopt the vision of a creative economy by reshaping local institutions to support successful experimentation with this new idea.

Keywords
creative economy, creative industries, cultural economy, discourse, economic development, governance, Indonesia

Received July 2014; accepted November 2015

Introduction
The creative economy idea has flourished in industrialised countries, and its influence has
spread around the globe. Despite its apparent popularity, its merits are still hotly debated. On the one hand, the creative economy offers new imaginations of urban development. On the other hand, there are many critiques: for example, that a policy focused on the creative economy and the creative class may only benefit the middle classes, thereby contributing to social exclusion (Peck, 2005). Reflecting this discussion, there is considerable literature on the conceptual arguments for and empirical analyses of the dynamics of creative cities (Andersson et al., 2011; Geenhuizen and Nijkamp, 2012). This debate is overwhelmingly situated in the context of the developed world, and little is to be found in the context of Asia and developing countries elsewhere (Yusuf and Nabeshima, 2005). Many such countries do have a policy goal of stimulating the creative economy, and several Asian countries, such as Korea, Singapore and China, have long been home to leading creative industries (UN, 2004). Overall, it is fair to say that the role of creative industries in the economic development of developing countries, as well as the interpretation of the concept, remains unclear.

We argue that it can be difficult in developing countries to adopt the original concept of a creative economy. First, the motivation for applying a creative economy policy is different. In North America, Australia and Europe, the creative economy is mainly used as a tool for regenerating the economy and revitalising derelict neighbourhoods, especially in de-industrialised regions, as well as for developing innovation strategies (Gibson and Homan, 2004; Hall, 2000; Pratt, 2008a, 2009b). Meanwhile, developing countries tend to prioritise the use of their comparative advantage in the production costs of cultural products rather than the generation of new knowledge (Evans, 2009). In many cases, they also tend to emphasise traditional values, and efforts to manage innovation are few and far between (Kong et al., 2006). Second, regional economies in these countries are often less advanced, and this can hinder creative and intellectual processes since these require technological innovation (Yusuf and Nabeshima, 2005). Finally, cultural values and societal contexts vary. In many developing countries, intellectual property rights (IPRs) are not treated as private goods, as demonstrated by the frequent piracy and the lack of awareness of and respect for copyrights (Howkins, 2001; UNCTAD, 2010). Therefore, it is not unreasonable to expect a creative economy policy to work differently in such countries, and to not necessarily result in the same outcomes.

In terms of these issues, this paper aims to examine how the creative economy, as a tool for urban development, is interpreted and implemented in a developing country, namely Indonesia. We go beyond simply documenting different interpretations of the creative economy by explaining how policy actions are shaped by the lessons absorbed from the conceptual ideas. In this paper, the creative economy is viewed as a discourse – as a set of thoughts, notions and categories through which meaning penetrates social life and becomes embedded in practice (see Hajer and Versteeg, 2005). This definition is relevant since we observe how the discourse travels from specific settings to become a development strategy in others (McCann, 2008). As such, it is possible that the discourse does not automatically work in the way it is narrated. Social preferences, complementarities between institutional components and differences in institutional arrangements all influence the way this policy idea is institutionalised (Rodrik, 2008). Here, this paper contributes to filling the knowledge gap on how different economic, geographic and institutional factors affect the way creative industries are stimulated (Chapain et al., 2012). From this, we will gain insights into whether this idea can
effectively reshape local institutions and be operationalised through actions, or whether it is just refashioned as a narrative and a branding exercise (see Rodrik, 2014).

The contribution of this study is also related to the fact that Indonesia represents specific contexts. First, Indonesia illustrates a lower-middle income country that is currently looking for a best model with which to develop a creative economy. Second, Indonesia is one of the largest countries to be experiencing massive decentralisation, which allows for place-based development with various experimentations and interpretations of policy ideas (such as the creative economy). This study provides empirical evidence on the practice of place-based development beyond the dominant context of high-income countries (OECD, 2014).

The creative economy has been particularly embraced as a local policy instrument in Indonesia since a cluster of creative industries emerged in the late-2000s in Bandung, West Java. The progress of Bandung became a barometer, with other localities gradually starting to formulate similar policies. However, they appear to be struggling to interpret the concept of creative industries and adopt it to their local economic context, which sometimes includes existing traditional cultural industries such as crafts. As an illustration, Yogyakarta and Surakarta are designated by the national government as creative cities with a specialisation in traditional crafts. This generates several questions. How and by whom is the creative economy interpreted in these different contexts? Do these interpretations align with current international views? How does the interpretation relate to the success and bottlenecks in implementing this idea through policy? To answer these questions, we examine how the creative economy is interpreted and embodied in development policies, as well as how local actors contribute to this process. A case study approach is employed since the formulation of local development policies is devolved to localities, and the creative economy policy is implemented in different ways in these localities, making it necessary to compare these developments at the local level.

To construct guidelines for comparing Western and Asian concepts of the creative economy, the next section reviews the literature on cultural and creative economies. The following section develops a framework for examining how and by whom the creative economy is institutionalised. Next, the methodology is briefly explained, followed by a general overview of creative economies in Indonesia. The following three sections present the individual case studies, assessing the situation in Bandung, Yogyakarta and Surakarta respectively. In each, we examine by whom, in which direction, and how the creative economy is interpreted and implemented. This will be followed by a discussion and conclusions.

Interpretations of cultural and creative economy concepts

There are various understandings of how culture, creativity and the economy are interrelated. This section initially reviews these different understandings, while the latter part discusses this issue in the particular context of Asian and developing countries.

The cultural and creative economy debates

The literature offers two opposing views that pervade the value orientations towards the creative economy. The first view has a culture-centric orientation, and emphasises cultural values, arts and community well-being (Andres and Chapain, 2013; Smith and Warfield, 2008) – or the ‘culturalization of economies’ (O’Connor, 2015). Generally speaking, this view aligns with a focus on the ‘cultural economy’ and ‘cultural industries’,
although this is not to say that there is no economic motivation in these notions. The cultural economy comprises all economic sectors that serve the consumers with ‘amusement, ornamentation, self-affirmation and social display’ (Scott, 1997). This view is not the same as Adorno’s (1991) conceptualisation of the ‘culture industry’, which suggests a negative image of culture that has been commodified and lost its capacity in social life. The cultural economy, and so cultural industries, represents positive metaphors of ‘complex, ambivalent and contested’ values in modern life that can have useful impacts on the economy (Hesmondhalgh, 2002: 17; Pratt, 2009b). Cultural industries attach specific attributes, intellectual properties and symbolic meanings derived from cultural values to products (Galloway and Dunlop, 2007; O’Connor, 2000), irrespective of the economic value that might arise from their production (EU, 2010). In this paper, we use the term ‘cultural economy’ to refer to this view.

The second view has an econo-centric orientation and lays greater emphasis on economic values (Andres and Chapain, 2013; Smith and Warfield, 2008) – or the ‘economization of culture’ (O’Connor, 2015). We use the term ‘creative economy’ to refer to this view, and this represents the ‘discourse’ discussed in this paper. The creative economy can be explained as the concept of ‘how people make money from ideas’, and includes both the production of creative products – or ‘creative industries’ – and their transactions (Howkins, 2001). In this view, the definition of creativity is not only limited to cultural creativity, but also includes technological and economic creativity (Florida, 2005, 2012). This view can be associated with the ‘creative class’ – measured as people – and ‘creative industries’ – measured as firms.

Florida states that regions will be economically successful if they attract the creative class – that is, people who use knowledge and intellectual capital in their jobs, ‘whose function is to create meaningful new forms’ (Florida, 2012: 38). To attract such people, regions should have an advanced technology, sufficient amenities and a socially friendly environment – or ‘technology, talent, tolerance’ (the 3Ts). Attempts to attract the creative class are, however, often viewed as a form of neoliberalism: as exclusively targeting a certain group or social class, or of ‘picking winners’. In reality, strategies are often the other way around: regions tend to make use of and sustain cultural resources, including social tolerance, as economic assets (Peck, 2005). A criticism also levelled at Florida’s view is that the presence of these creative people is not sufficient to sustain creative economic activities in a city. Rather, ‘[c]reativity needs to be mobilized and channelled for it to emerge in practical forms of learning and innovation’ (Scott, 2006: 11). Further, others argue that Florida exaggerates the role of creative capital and diversity, and that the impact of human capital is more significant (Glaeser, 2005). In fact, the relationship between amenities and creativity could be the opposite: ‘skilled cities are growing because they are becoming economically productive … not because these cities are becoming more attractive places to live’ (Glaeser and Saiz, 2003: 1).

The notion of creative industries is also controversial in that others argue that it is not a new idea – that artists and cultural industries have long existed (Andersson et al., 2014; Markusen, 2006). The creative industry notion is sometimes seen as no more than a ‘substitute’ for the term ‘cultural industries’, and used as a ‘more friendly’ term within the debate on the commodification of culture (Hesmondhalgh, 2008; Pratt, 2009b). In the classification of creative industries, some activities do indeed overlap with the cultural industry category, such as
crafts, performing arts and music (see DCMS, 2013). Creative and cultural industries certainly have similarities in that they involve creativity and symbolic meaning, as well as use-value and certain methods of production (Galloway and Dunlop, 2007). Without doubt, digitalisation, originality and copyrights have become more important in creative industries and in the creative economy (Banks and O’Connor, 2009; Galloway and Dunlop, 2007; Hartley, 2005). These features are needed to develop market value so as to provide sources of wealth and continuous learning (Scott, 2006; UN, 2004).

These various definitions are not mutually exclusive in that creative and cultural economies can be strongly interrelated. Hartley (2005: 5) notes that the idea of creative industries actually embodies ‘the conceptual convergence of the creative arts (individual talent) with cultural industries (mass scale), in the context of new media technologies (ICTs) within a new knowledge economy’. Further, culture has intrinsic values, as embedded in cultural amenities, which can become a magnet to attract the creative class and ‘buzz’ innovative milieu for these activities (Pratt, 2008b).

Given the ambivalent and overlapping definitions, it is no surprise that creative and cultural economy concepts are interpreted normatively (Gibson and Kong, 2005; Kong et al., 2006). We argue that it is equally important to pay attention to the policy strategies since each requires a different approach. Strategies for a cultural economy appear to be somewhat ‘top-down’, with the government positioned to play a strategic role in maintaining identities, local knowledge and culture (Smith and Warfield, 2008). Direct subsidies are delivered to cultural industries to sustain livelihoods (Hesmondhalgh, 2008; Smith and Warfield, 2008). In comparison, strategies for a creative economy are designed to encourage an expansion of creative industries with little governmental intervention (Smith and Warfield, 2008), simply to nurture preferably conditions that support value creation mechanisms (Costa, 2008).

The creative economy flies to Asia

Given the different interpretations of the creative economy in Western countries (Evans, 2009), it is unsurprising that similar differences are found in Asian and other developing countries. The idea of utilising culture and creativity for economic development is nothing new in Asia. In Singapore, Korea, Taiwan and China, cultural industries have long traditions of cultural protectiveness and highlight conservative values as key success factors (O’Connor, 2005). When the creative economy is introduced, there are various interpretations and reactions towards the discourse. Some start to value innovation and creativity (O’Connor, 2005), while others mix the somewhat contradictory aspects of new knowledge creation and cultural conservativeness.

Several reasons can explain these differences. The first reason is that institutional contexts differ, ‘the trajectories and lived experiences may vary and, critically, causalities may be unproven or be very different from case to case’ (Evans, 2009: 1006–1007). As such, the creative economy cannot be simply copied and pasted from the West, that is, ‘Xerox policies’ (Kong et al., 2006; Pratt, 2009a: 15). Second, ‘traditional barriers’, and especially ‘language limitations that cause misinterpretation’ (Kong et al., 2006: 191), remain despite advances in IT and knowledge exchange between scholars. Third, there is the conscious movement within Asian countries against ‘cultural homogenisation’, that is against culture becoming globally similar because of intense knowledge penetration primarily brought about through Western creative products (Jaguaribe, 2008).
As a result, although the creative economy is cited in the policy documents of Asian countries, its essential meaning is taken for granted, and the influences of foreign values are minimised (Kong et al., 2006). Creative economy policies in developing countries are often connected with other development priorities, such as poverty alleviation, cultural heritage protection, social inclusion, and also to tourism since creative products can be additional attractions in tourist destinations (UN, 2013; UNCTAD, 2010). At the same time, efforts to govern innovation and IPRs are few and far between (Kong et al., 2006).

However, this does not mean that it is impossible for such countries to successfully adopt the creative economy. The huge expansion of multinational companies (MNCs) provides developing countries with an opportunity to rapidly learn new technologies. As a result, they are not only locations for mass-production activities, but also growing as economic systems with sociocultural and institutional features (Potts, 2009). If developing countries want to develop a creative economy, they need to deal with poor technology and infrastructure challenges, and also compete with Western creative products (Barrowclough and Kozul-Wright, 2008; UNCTAD, 2010). On the other hand, if these countries wish to highlight exotic and heritage values – that is, the cultural economy – policy strategies can be designed differently, in a way that cultural protectiveness will not hinder the creation of economically competitive products.

Policy transfer and intermediaries in the creative economy

As ‘a global phenomenon and quasi scientific policy rationales’, the creative economy travels to developing countries through policy transfer (Evans, 2009: 1005). Policy transfer is the process through which a discourse is brought from one particular setting and applied in others (McCann, 2008). Developing a framework for analysing policy transfer is valuable as this process continues with further stages of structuration and implementation. The literature on policy transfer, both in general and specific to the creative economy, notes that this process involves at least three important aspects: (a) who is involved in this process; (b) what is transferred; and (c) how the idea is transferred (Dolowitz and Marsh, 2000; Dzudzek and Lindner, 2015; McCann, 2008; Prince, 2010).

The first aspect relates to the actors and their motivations in carrying the creative economy to the different contexts. These actors, who have specialist knowledge and play a role in introducing the discourse, are seen as ‘expertise’ (McCann, 2008), or referred to as ‘intermediaries’ in the creative economy literature (O’Connor, 2015). These intermediaries play crucial roles in introducing new ideas, transforming local cultures, providing an opportunity for new practices and acting as agents of change in connecting the discourse with the local contexts and interests to which the idea is being transferred (O’Connor, 2005, 2015). As such, the intermediaries may become important actors who direct others in interpreting the creative economy and guide the further discourse structuration process. In many Asian situations, these intermediaries are international mediators and transnational cooperations (Kong et al., 2006), as well as academics and professional consultancies (Ren and Sun, 2012). Similar intermediaries can be anticipated in the Indonesian creative economy given the concept is imported from global experiences. Academics can act as intermediaries if they are able to help translate academic concepts into policy recommendations and develop dialogues with decision-makers (Gibson, 2014). In many cases, epistemic communities play more aggressive roles than
government assemblages do in structuring the discourse (O’Connor, 2015; Ren and Sun, 2012). These communities often influence government policies on the creative economy. For example, in the UK, cultural policy experts and cultural industry workers formed the Forum on Creative Industries (FOCI) and introduced the term ‘creative industries’, and later influenced policy direction (O’Connor, 2015; Prince, 2010).

The second aspect relates to the ideas that are transferred in the process. Here, one should note that the actual ideas might be not fully transferred, and that, instead, biased or distorted information could be adopted and implemented in further actions. This only partial understanding is not only the result of the actors who help interpret the discourse, it also depends on the setting, the available resources and the audience to which the idea is transferred (Dzudzek and Lindner, 2015). Subsequently, this understanding may influence the policy actions and strategies formulated by the actors (Dolowitz and Marsh, 2000). As outlined in the preceding section, such partial understandings are common in many Asian countries and, therefore, likely to be found in the Indonesian situation.

The third aspect concerns how the idea is transferred and translated into policy actions. Policy transfer occurs when experts travel and distribute policy materials, such as speeches, reports and PowerPoint presentations (McCann, 2008). Following the transfer, the idea will be communicated among institutions, although this might not be in such a way that it shapes concrete policy actions (Dzudzek and Lindner, 2015). Policy transfer and the institutionalisation process involve various stakeholders in different roles. In examining this process, it is necessary to pay attention to the power and influence of these stakeholders, as they not only need the ability and specialist knowledge to communicate the discourse, they also need power and social relationships to shape governmental actions and influence other assemblages (Prince, 2010).

To conclude, these three aspects can be used as the basis for a framework for analysing how the creative economy is interpreted and implemented. That is, our framework will consist of: (a) intermediaries, that is, the actors who help transfer and structure the creative economy ideas; (b) interpretation, that is, the lessons which are learnt from the conceptual ideas of the creative economy; and (c) institutionalisation, that is, how the ideas are transferred and how this process influences further actions.

Methodology
To examine how the creative economy travels as a policy strategy across different contexts, we observe intermediaries, interpretations and the institutionalisation process of this policy idea in three localities: Bandung, Yogyakarta and Surakarta. These are the first cities in Indonesia to have explicit creative economy policies, and thus represent the arrival of the discourse in Indonesia. It is difficult to determine whether the interpretation of the discourse in each case aligns with the creative economy view, or whether it is mixed with the cultural economy. We eventually come down to reflecting on which industrial sectors are endorsed by the local governments. In line with the DCMS classification adopted by the Indonesian government, the creative economy is represented by those sectors that, by definition, use individual creativity and aim to produce innovative values and designs. This compares with traditional crafts, which have been employed for generations and which focus less on new knowledge creation, that better align with the cultural economy view.

Policies on the creative economy at the national and local levels were analysed, and semi-structured interviews were conducted
to obtain the perceptions of relevant actors about how the creative economy was communicated by these stakeholders and embodied in development frameworks. These interviews were conducted in 2013 with 20 key informants from organisations involved in the institutionalisation of creative economy policy, including representatives of a directorate general in the Ministry of Tourism and Creative Economy (MTCE), related local government bodies, universities and associations of creative and cultural industries. Key informants were first identified through a study of policy documents and newspapers, and further found through recommendations from earlier interviewees (snowballing).

**The Indonesian creative economy**

Singapore, Taiwan, Korea and China refer to both ‘creative’ and ‘cultural’ industries or economies in their policies – but only Singapore carefully clarifies the distinction between them (Kong et al., 2006). Compared to these countries, Indonesia seems to have a stronger preference for the term ‘creative economy’. This reflects the fact that the government has made reference to the British concept in developing its policies: as Minister Mari Pangestu said, ‘we have somewhat followed their examples, especially the UK’. The bilateral cooperation over creative industries between Indonesia and the UK has thus been an important facilitator in the transfer of this policy idea.

One might wonder why a developing country like Indonesia wants to develop a creative economy. In 2010, agriculture still created 42% of employment, and manufacturing industries contributed 23.9% of GDP. Nevertheless, the government claims that creative industries have created 8.6 million jobs (7% of the workforce) and generated 468.1 trillion rupiah (7% of GDP), and that their growth is expected to increase (MTCE, 2014). With this goal, President Yudhoyono issued Presidential Instruction 6/2009 on the development of the creative economy, which encourages local governments to include the creative economy as part of their development agendas, and created the Ministry of Tourism and Creative Economy (MTCE) in 2011.2 The ministry’s name could be seen as indicating that the national government has an ambivalent interpretation of the creative economy. On the one hand, it wishes to facilitate the generation of novel ideas and innovation. On the other, by utilising cultural potentials that are spread across 1340 ethnicities, there are attempts to link creative industries with tourism. As such, traditional cultural industries, such as batik and crafts, are included as creative industries.

Policies on the creative economy at the national level include the above-mentioned Presidential Instruction as well as long-term and mid-term action plans for the creative economy (MTCE, 2014). At the local level, the creative economy is used as a tool for urban economic development and usually included in local development plans (RPJPDs and RPJMDs). Some local governments have conducted policy studies and formulated specific policies for the creative economy, especially those on the island of Java, where the level of economic development and urbanisation is relatively advanced. Here, tertiary sectors are not only growing in metropolitan areas but also in small and medium-sized cities (Fahmi et al., 2014). Each of these cities has its own internal structure and institutional setting, and this is reflected in how the creative economy policy is implemented and the effectiveness of this process.

**The Bandung case**

Bandung is the third largest city in Indonesia, located 180 km from the capital
Jakarta. The service sector has been growing in Bandung following the development of the Purbaleunyi highway that connects Jakarta and Bandung, making it easier for people from Jakarta to visit Bandung for leisure, shopping and a gastronomic experience. Along with this, creative industries are growing, especially in the areas of fashion, music and design, which generated 15% of local income in 2007.

**Intermediaries**

The term creative industries first emerged in Bandung in the mid-2000s when young entrepreneurs increasingly opened clothing firms and sold their products in ‘distribution outlets’ (distro). These entrepreneurs formed so-called ‘creative communities’, that is, associations of creative entrepreneurs – which clearly have a different meaning from that mentioned in the literature (cf. Florida, 2012; Markusen, 2006). The British Council, which at that time was developing projects on the creative economy in East Asia, was attracted by this development. Together with university actors, especially from the Institut Teknologi Bandung (ITB), the British Council helped the communities develop their networks and organise events in 2007 (e.g. KickFest and HellarFest) where they displayed their products. The British Council also invited a delegation of creative communities to attend the ‘UK–East Asia Creative Cities Forum’ in Yokohama, in July 2007, in which Bandung was selected as one of its creative city pilot projects. The outcomes of this meeting were carried back to Indonesia and distributed not only to creative communities but also to the public. This milestone also encouraged the creative communities and the university actors to strengthen their grassroots movement and to realise the idea of developing Bandung as a creative city. They later formed the Bandung Creative City Forum (BCCF) in 2008, an alliance of creative communities that is similar to FOCI in the UK context (O’Connor, 2015; Prince, 2010). The BCCF in turn played an important role in structuring the creative economy discourse in Bandung and directing the interpretation of the discourse by local government officials.

**Interpretation**

As directed by those intermediaries, the creative economy is defined in Bandung in accordance with the DCMS list of creative industries. Nevertheless, the local government did not immediately grasp this definition. As one member of the creative communities put it, ‘the government progress [in formulating the policy] was rather slow… They were confused and did not understand what the creative economy really is.’ As such, there was a gap between the grassroots movement and the policymakers. The local government admitted that it had limited resources in attempting to comprehend the creative economy concept. A local official mentioned that this was ‘because the national government did not give clear directions’.

The HellarFest and KickFest events in 2007 were crucial in the formulation of later policies because the local government and the creative communities first engaged at these events. In the wake of these events, the dialogue continued and the communities helped the government determine the direction of the creative economy policy. As a result of this communication process, the local government slowly grasped that creative industries have different characteristics/tradition-based economic activities that aim to preserve culture. As a consequence, in the local development policy (RPJMD 2009–2014), there are distinct strategies for the creative and for the cultural economies. The development of the creative economy aims at ‘supporting creative businesses based on science and technology that potentially
deliver added value and are environmentally friendly’ (pp. III–8). In comparison, traditional cultural industries are regarded as part of the effort to preserve culture and traditions, and thus they are supported by ‘enhancing partnerships with the local production centres’ (pp. III–9).

Institutionalisation

Following the creative industries ‘boom’ of the mid-2000s, the Bandung government was still not playing a role in promoting the creative economy. The BCCF thought that the government should have played a role because of its legal authority to govern. Although at first the local government took the creative industries for granted, the BCCF, following up on the HellarFest and KickFest events in 2007, attempted to establish deeper communication with some governmental boards. The local government was required to formulate a mid-term development plan (RPJMD) for 2009–2013, and recognised that the creative economy boom could potentially deliver positive impacts on local development. The RPJMD noted that ‘those economic sectors based on sciences, technology, creativity and innovation have not been utilized yet by far’ (pp. II–48), and these sectors were consequently included as one of the strategic development agendas for the coming period. The local government also started to support the community activities in an effort to implement its creative economy agenda. This involved conducting policy research, integrating the government’s and the communities’ programmes, and providing a subsidised co-working space that also functions as the BCCF office.

The Yogyakarta case

Yogyakarta, or Jogja, is well known for its traditional Javanese and Sultanate identities as well as for its universities, which attract potential artists and creative entrepreneurs. The presence of Kraton (a sultanate palace) has influenced societal values. However, not everybody is attached to Kraton traditions. The public enjoy a range of arts and cultural performances, including both folk arts and contemporary arts. This situation makes Jogja both traditional and cosmopolitan at the same time.

Intermediaries

The creative economy was applied to Yogyakarta by the national government since the MTCE wanted to replicate the ‘success’ of Bandung in other cities. This was executed by developing ‘creative city pilot projects’ that attempted to build a brand image from the local cultural potentials. The local government also included the creative economy as part of its development agendas in the 2012–2016 RPJMD.

Interpretation

The MTCE designated Yogyakarta as the ‘city of crafts and folk arts’ (MTCE, 2014). The RPJMD indicates that ‘the government focuses on delivering subsidies and assistance [only] to the associations (paguyuban) of crafters’ (pp. VII–16). As confirmed through interviews, the craft subsector was prioritised because the local officials thought that ‘Presidential Instruction 6/2009 obliges us to promote existing (creative) industries, and thus we should focus on crafts’. Although the growing creative industries, such as animation and clothing, were acknowledged (see RPJMD pp. IV–18), traditional cultural industries were eventually prioritised. The RPJMD also mentions that ‘stakeholders still do not understand the concept of creative
industries, there is yet no study on the development patterns of these industries and their impacts on the Yogyakarta economy …’ (pp. IV–18). Therefore, although the ‘creative economy’ was used in the local development policy, its actual meaning and the development strategies to support it were not further exemplified.

**Institutionalisation**

This interpretation of a creative economy shaped the policy strategies taken by the local government. The creative economy seemed to be imposed as a support system and by relabelling existing programmes. The interviews confirmed that the creative economy was linked with other development agendas, especially tourism, since ‘creative products’ were expected to strengthen touristic attractions. Further, it was linked with poverty alleviation, and to subsidies and prioritisation given to small and medium-sized enterprises. Such subsidies had actually been delivered before the creative economy was included in the RPJMD. Meanwhile, the rise of creative entrepreneurs, in areas such as animation, clothing industries and contemporary performing arts, was simply assumed, with only the traditional cultural industries being prioritised.

**The Surakarta case**

Surakarta, or Solo, is located in Central Java Province and crossed by the Semarang-Yogyakarta regional highway. As in Jogja, the presence of Kraton has influenced urban spaces and cultural identities, and can be seen in the batik (dyed textile) clusters, the cultural heritage and the social systems.

**Intermediaries**

As with Yogyakarta, the creative economy reached Surakarta through MTCE creative city pilot projects. As part of this, a policy study was conducted by the Surakarta Office of the Bank of Indonesia and the University of Muhammadiyah Surakarta that helped identify the development focus for the local creative economy: namely, crafts, fashion and performing arts (Kompas, 2010). At the same time, there was growing interest among local communities in revitalising some old batik clusters, that is, kampongs where people lived and worked as batik creators. For instance, Kampong Batik Laweyan and Kampong Kauman were transformed into tourist destinations. This effort was initiated by a university lecturer who lived in the neighbourhood (Adi, 2012). These revitalisation movements did not particularly wish to promote the creative economy but rather aimed at reinventing heritage values. Nevertheless, the local government believed that the creative economy agenda could benefit from this grassroots initiative, in that the agenda would focus on the existing cultural industries.

**Interpretation**

The local government believed that ‘there are many potentials of cultural diversity in Surakarta that can be shown off in the outer world’ (RPJMD pp. IV–6). As such, batik, as part of the local cultural heritage, should be the focus of creative economy development. The philosophy of batik was selected as the basis for the creative economy as it was seen as not only aesthetic motifs and economically valuable commodities, but also as a way of life. In this respect, Surakarta’s interpretation of the creative economy is closer to the cultural economy view. Such a strong attachment to culture has been found to be a barrier to the development of more ‘contemporary’ creative industries. As a community member explained: it is rather difficult ... That we now awaken [i.e. redevelop cultural activities] is, to me, already good. But, for creating something
new, that takes some time. Besides, not all people would take risks, while creativity is to take risk.

**Institutionalisation**

Policy strategies for the ‘creative economy’ in Surakarta were embodied in the city branding itself as ‘Solo Kreatif Solo Sejahtera’ (Creative Solo, Wealthy Solo). This was designed to build the city image and to attract visitors to cultural festivals and batik clusters, where cultural products would be distributed. Given that the local government focused on batik and other cultural industries, the policy strategies seem to focus on promoting traditional culture. In this regard, the local government supported batik businessmen and the clusters by providing subsidies, including training, equipment and promotions. In line with the city branding strategy, cultural festivals have also been organised to promote cultural products and the revitalised clusters.

**Discussion**

The creative economy is interpreted differently across countries (Evans, 2009). It is thus unsurprising that the discourse is interpreted in different ways in individual localities in Indonesia. We identified two different interpretations of the creative economy in Indonesia. Of the three localities investigated, Bandung is the only one whose interpretation aligns with the generally accepted understanding of a creative economy. Yogyakarta and Surakarta, on the other hand, seem to have pragmatically adopted the term but use it to refer to existing traditional businesses. In the latter two, efforts to manage innovation and knowledge are very limited compared to those devoted to preserving heritage and traditions. As such, their interpretation is closer to the cultural economy view.

Below, we explain how these interpretations are able to differ and how they shape the policy actions regarding the creative economy (see Table 1).

**The role of intermediaries**

Intermediaries have played an important role in determining in which direction the creative economy discourse was interpreted. The discourse arrived in Indonesia through a two-stage inter-referencing process. First, as in other Asian countries, it was transferred from abroad, and here especially from the British context, to Bandung by international agents and epistemic communities (see Kong et al., 2006; Ren and Sun, 2012). Second, the developments in Bandung became a benchmark for application in other cities, and were to some extent enforced by the national government. These actors in turn influenced the discourse structuration processes that differ from case to case.

Creative communities in Bandung facilitated policy transfer and helped restructure the local institutions to align with their understanding of the creative economy. It is notable that these communities were much influenced by academic thinking, with local university actors directly helping to establish these communities. As such, universities played not only formal roles in educating potential creative entrepreneurs and fostering spinoffs, but also participated in the grassroots movement to realise their aim of developing a creative economy in Bandung.

In comparison, there were no such intermediaries in Surakarta and Yogyakarta. The local actors did not learn of the conceptual ideas behind the creative economy directly from experts. Rather, the discourse was handed down by the national government in an effort to repeat the policy development seen in Bandung, which had been evaluated as successful and applicable in other cities. However, the national government failed to provide a sufficiently clear direction, and local governments eventually chose their own understanding of this concept. The best
option, it was thought, was for these cities (Yogyakarta and Surakarta) to promote their traditional cultural potentials as the source of a creative economy. This eventually led the local governments to pick a focus for their creative economies that is rather different to that intended in that innovation is assumed rather than actively stimulated.

**Institutionalisation: Bottom-up versus top-down**

We have identified two distinct approaches to the structuration of the creative economy in development policies in Indonesia. Firstly, the discourse was introduced in a bottom-up way by creative communities in Bandung who directed the interpretation towards the creative economy view. Secondly, in Surakarta and Yogyakarta, the discourse was applied by the national government in a top-down way through creative city pilot projects, which resulted in a situation resembling the cultural economy view. The structuration approaches adopted, and also the way in which the discourse was embodied in local policies, influenced the policy actions formulated to stimulate a creative economy.

In Bandung, the initiatives by creative communities triggered interactions among

---

**Table 1. Comparison of cases.**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Bandung</th>
<th>Yogyakarta</th>
<th>Surakarta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>~2.4 m</td>
<td>~600,000 (~2m in the greater area)</td>
<td>~500,000</td>
</tr>
<tr>
<td>Social diversity</td>
<td>Diverse</td>
<td>Diverse</td>
<td>Limited diversity</td>
</tr>
<tr>
<td><strong>Intermediaries/actors Initiative</strong></td>
<td>Communities, academics, The British Council</td>
<td>National government</td>
<td>National government</td>
</tr>
<tr>
<td><strong>Interpretation</strong></td>
<td>Creative economy</td>
<td>Cultural economy</td>
<td>Cultural economy</td>
</tr>
<tr>
<td>Types of creative/cultural industries</td>
<td>Fashion, design, music</td>
<td>Crafts, performing arts (animation and fashion acknowledged)</td>
<td>Crafts, design (batik), performing arts</td>
</tr>
<tr>
<td><strong>Institutionalisation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Embodiment of the ‘creative economy’ in development policies</td>
<td>Assumed as an important factor in urban development</td>
<td>Supporting system for tourism and other development agendas</td>
<td>Part of city branding</td>
</tr>
<tr>
<td>National government pressure</td>
<td>Limited; rather the national government learnt from Bandung</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>Role of communities</td>
<td>Directing interpretation, influencing policy, advocacy</td>
<td>Developed their own networks, but not connected to the government’s agenda</td>
<td>Initiating kampong revitalisation projects</td>
</tr>
<tr>
<td>University role</td>
<td>Educating potential creative entrepreneurs, spinoffs, structuring and introducing the discourse</td>
<td>Educating potential entrepreneurs (animation, traditional arts)</td>
<td>Participating in policy studies and formulation</td>
</tr>
<tr>
<td>Subsidies provided</td>
<td>Specific grants for creative events, the lease for co-working space</td>
<td>Direct subsidies to crafters</td>
<td>Direct subsidies to batik creators and crafters</td>
</tr>
</tbody>
</table>
stakeholders in which the creative economy was discussed in the policy arena, studied and then included in the local development plan. The creative economy was positioned as an important factor in economic development, and there has been growing awareness that policy strategies for developing the creative economy differ from those required for traditional cultural industries. Although the further implementation of this policy action is still uncertain, this finding shows that the discourse structuration process, involving related stakeholders, did, in turn, help shape formal and informal institutions as well as encourage the discourse not only to stay on the discourse level but also to be converted to policy strategies.

Surakarta and Yogyakarta share both similarities and differences in how the creative economy was institutionalised. In both, the discourse was similarly applied by the national government, and then incorporated into local development plans. However, the local governments did not fully grasp the characteristics of a creative economy and relabelled existing policies. Policies thus remained the same as before the discourse emerged, and focused on actions such as direct subsidies to stimulate cultural economic activities. As such, the creative economy was forcibly connected to other development agendas, such as tourism and cultural preservation, poverty alleviation and city branding. Nevertheless, there was a slight difference between the two cities in how the discourse was communicated between stakeholders before it was included in local policies. In Surakarta, the potential of a creative economy was communicated among local institutions, but the local government eventually chose traditional cultural industries as the focus of development. Since the local government and the communities shared the goal of revitalising their cultural heritage, one can conclude that this development focus was intentional rather than accidental. In comparison, in Yogyakarta, creative economy ideas were only communicated between governmental organisations. The presence of ‘contemporary’ creative economic activities was simply assumed, and there was no express intention to open lines of communication with them. At the end of the day, the ‘creative economy’ remained a government discourse. This finding strengthens the argument that local governments do have the authority to determine the development focus. This is clearly an implication of decentralisation and the local autonomy rights that they possess that allow them to experiment with new ideas and locally rooted development processes.

Place contexts

Our findings show that the different interpretations correspond to specific nuances in the institutionalisation process. In particular, this relates to the attachment to local traditions and place-specific contexts. Despite being in the Sundanese region, Bandung appears to have a relatively cosmopolitan culture that made it easier to support a creative economy agenda focused on popular contemporary culture. In comparison, Yogyakarta and Surakarta are strongly attached to Javanese traditions, which made them reluctant to support the development of contemporary culture. Despite this reluctance, the term creative economy was used, but with little attention given to the actual concept. Instead, existing cultural industries were relabelled as creative, although ‘genuine’ creative industries have nevertheless increasingly appeared. This finding is consistent with other cases in Asia where the discourse is similarly used only normatively to strengthen the local economy image (Gibson and Kong, 2005; Kong et al., 2006).
Conclusions

Indonesia, as other developing countries, has reinterpreted the ‘Western’ idea of a creative economy to fit the different socio-economic contexts. A resistance to IPRs coupled with a strong attachment to traditions inhibits an interpretation that is close to the original concept. This is aided by the ongoing trend of decentralisation in the country enabling different implementations and understandings of such a policy idea across localities. The Bandung situation provides the insight that the creative economy works not only as a discourse but also as an operationalised framework that guides policy experimentation. In this case, intermediaries played crucial roles in introducing the discourse, in directing the interpretation so that it remained close to the creative economy perspective and in reshaping formal and informal institutions such that the discourse was translated into policy actions. Given this situation, we argue that it is possible for lower-income countries such as Indonesia to implement a creative economy policy, although not in all regions. In the other cities, the interpretations show a closer adherence to the cultural economy view, encouraged by the fact that these regions have a potential based on traditional cultural industries. As such, we suggest that the policy expectations regarding a creative economy need to be carefully formulated, and should be tailored to local specific contexts.

Our findings also have important implications for academic and policymaking worlds, including in other Asian and developing countries. First, in many Asian countries, traditional businesses are often promoted as creative industries. However, as traditional and creative businesses have different characteristics and potentially different outcomes, we should treat the two types of businesses differently. In this sense, they each require different sets of policy strategies. Second, it is worth giving attention to the presence of, and the potential collaboration with, intermediaries, especially universities and expert fora, who can proactively shape local institutions according to their informed interpretations. Third, and related to the previous aspect, we should reconsider the ways in which the creative economy is adopted at the local level. Most central governments seem to apply the creative economy idea by providing guidance to local governments. However, as we saw in Bandung, grassroots movements can sometimes structure institutions more effectively and, thus, participatory actions should be enabled that encourage collaboration between local stakeholders. Local governments should also be encouraged to better identify local development potentials so that a creative economy can be built on place-based considerations.

Acknowledgements

The authors thank three anonymous referees for their constructive comments.

Authors’ note

An earlier version of this paper was presented at the 54th ERSA Congress, St Petersburg, 26–29 August 2014.

Funding

This research is funded by Ubbo Emmius Fund, Faculty of Spatial Sciences, University of Groningen. The fieldwork for this study was also partially funded by Beasiswa Unggulan Luar Negeri, Directorate General of Higher Education, Indonesia.

Notes

2. The creative economy has been excluded from the Ministry of Tourism and, from 2015, is coordinated by the Creative Economy Board, see: http://www.thejakartapost.com/news/2015/01/20/govt-sets-creative-economy-body.html.


6. Further, these pilot projects are intended to prepare these cities so that they can be registered as part of the UNESCO Creative Cities Network (MTCE, 2014).


References


