

DECEMBER 2019



# Lessons for Building Creative Economies

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Daniel F. Runde

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A Report of the CSIS Project on Prosperity and Development

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# Acknowledgments

The authors would like to express their sincerest gratitude to all the individuals representing sectors of the creative economies in Taiwan and Indonesia who participated in interviews for this report. A special thank you to Bonnie Glaser, Ambassador James Michel, Shanti Jagannathan, and Thangavel Palanivel for reviewing early versions of the paper.

The authors would to pay special tribute to CSIS interns Rachel Abrams, Janele Partman, and Sam Rasmussen for their research support. A special thank you to Shannon McKeown for her help during the review process.

This report was made possible with generous support from Ministry of Culture of Taiwan.

# Contents

Acknowledgments	III
Executive Summary	VI
1   Introduction	I
2   Taiwan, A Success Story	4
3   Indonesia, A Work in Progress	10
4   Opportunities for the International Community	15
5   Lessons for Developing Countries	19
Annex	22
About the Authors	23

# Executive Summary

Many countries around the world have large populations of impoverished people and high unemployment rates. In order to improve conditions in these countries, national governments must develop effective economic growth strategies with strengthening the creative industries at the forefront. The international community is only just beginning to recognize the socioeconomic potential of creative and cultural industries (CCIs), such as film, fashion, and music. The creative economy represents the trade of creative goods and services and grew at an average rate of 14 percent between 2002 and 2008, even during the 2008 global financial crisis.<sup>1</sup> CCIs are more resilient to economic shocks and were not damaged by the 12 percent drop in global trade to the same degree as other sectors, such as manufacturing.<sup>2</sup> Creative industries also produce non-rival goods that can be consumed locally or exported. Developing and developed countries around the world should invest further in creative industries to diversify their economies, reduce poverty, and create jobs for young people.

The creative economy has not received enough attention from governments in low- and middle-income countries over the years, overshadowed by other parts of the economy. Over 100 countries have national plans for their creative economies, but few have made significant progress toward creating the enabling environment for creativity to thrive.<sup>3</sup> John Howkins, in his book *The Creative Economy: How People Make Money from Ideas*, stresses the importance of freedom in order for people to exercise their imaginations, yet many developed and developing nations still fail to provide freedom of speech and the opportunities needed to foster entrepreneurship.<sup>4</sup> The countries with the largest creative economies in 2013 were the United States, China, Britain, Germany, Japan, France, and Brazil.<sup>5</sup> Spurred by these countries, the global creative economy grew from \$2.3 trillion in 2003 to \$3.6 trillion in 2013, representing 5 percent of the global GDP.<sup>6</sup> These numbers have continued to grow since then, with the evolution of creative hubs like Bollywood and Nollywood. Countries that are implementing policies to boost their CCIs are already

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1. UNDP and UNCTAD, *Creative Economy: A Feasible Development Option* (New York: 2010), xx, [https://unctad.org/en/Docs/ditctab20103\\_en.pdf](https://unctad.org/en/Docs/ditctab20103_en.pdf).

2. Ibid.

3. John Howkins, *The Creative Economy: How People Make Money from Ideas*, 2nd ed. (London: Penguin Books, 2013), ix.

4. Ibid., 11.

5. Ibid., 145.

6. Ibid.

reaping the benefits, and the longer countries wait, the more difficult it will be to create the enabling environment needed for CCIs.

The region with the most growth and largest creative industries is the Asia-Pacific. Through the launch of the Free and Open Indo-Pacific Strategy under President Donald Trump's administration, the United States is rapidly expanding its engagement in Asia.<sup>7</sup> Similarly, Taiwan launched the New Southbound Policy (NSP) in 2016, aiming to expand its development impact among its neighbors. Taiwan has been able to establish itself as a creative hub in Asia through its open and democratic society, which has produced world renowned film directors and fashion designers, such as Ang Lee and Jason Wu. Both the United States and Taiwan have booming creative industries but more importantly offer potential markets for creative products from developing countries.

In contrast, Indonesia is just beginning to see the value of its creative industries and has enormous potential for growing both its creative imports and exports. Indonesia has the largest population among ASEAN countries and is a primary focus of both Taiwan's NSP and the United States' Indo-Pacific Strategy. According to the latest figures, the creative economy accounts for over 7 percent of Indonesia's annual GDP, and the government is working to grow this number.<sup>8</sup> In order to keep up with its growing youth population, Indonesia should look to the creative economy as a major driver of job creation. Some of the most promising creative industries in Indonesia are film, music, and radio. Additionally, many of the challenges to strengthening the creative economy in Indonesia, such as weak intellectual property rights and a lack of higher education opportunities, also appear in other countries in the region and can be overcome. There is not a single strategy for growing the creative industries that can be applied to every country, and rapid growth takes time.

This report will look at ways developed and developing country governments can support efforts to strengthen the creative economies in Asia, using Taiwan and Indonesia as case studies. Chapter 1 provides a brief introduction to the creative economy, creative goods, and creative services. Chapter 2 focuses on Taiwan's creative economy, its most promising sectors, and its government-led approach to supporting the creative industries. Chapter 3 is focused on Indonesia's creative economy, its most promising sectors, and the strategies that its government is employing to strengthen the country's creative industries. Chapter 4 discusses opportunities for the international community to engage with developing countries to strengthen creative economies through intellectual property rights (IPRs) and educational exchanges. Chapter 5 discusses recommendations for strengthening creative economies in developing countries, including:

1. Strengthen intellectual property rights through archiving and authentication processes.
2. Make national creative economies more attractive to outside investment.

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7. "President Trump's Administration is Advancing a Free and Open Indo-Pacific Through Investments and Partnerships in Economics, Security, and Governance," White House, November 18, 2018, <https://www.whitehouse.gov/briefings-statements/president-trumps-administration-advancing-free-open-indo-pacific-investments-partnerships-economics-security-governance/>.

8. Badan Ekonomi Kreatif Indonesia (BEKRAF), *OPUS - Creative Economy Outlook 2019 (English Version)* (Jakarta: 2019), <https://www.bekraf.go.id/berita/page/21/84-opus-creative-economy-outlook-2019-english-version>.

- a. Increase economic, political, and religious freedoms.
  - b. Open film promotion offices and provide tax incentives for filming television shows and movies.
  - c. Reduce censorship.
3. Develop culture funds that provide grants and subsidies to small- and medium-sized enterprises (SMEs) in creative industries.
4. Provide educational exchange opportunities.

# 1 | Introduction

Each country likes to define the creative economy slightly differently, typically based on their strongest industries and sectors. In his 2001 book *The Creative Economy: How People Make Money from Ideas*, John Howkins defines the term “creative economy” as “the transactions of creative products that have an economic good or service that results from creativity and has economic value.”<sup>9</sup> This definition covers products from a wide variety of sectors, including advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, leisure software, toys, TV and radio broadcasting, and video games. Howkins also defines a creative product as “an economic good, service or experience resulting from creativity whose main economic value is based on creativity.”<sup>10</sup> There is often a cultural component to creative industries, but the two do not always go hand in hand.

One of the most promising aspects of the creative economy is its ability to withstand economic shocks and create jobs, particularly for vulnerable groups like young people and women. Global CCIs also provided 29.5 million jobs in 2013, with the top three employers being visual arts (6.73 million), books (3.67 million), and music (3.98 million).<sup>11</sup> With the global population set to increase to 8.5 billion by 2030, large youth populations are already putting pressure on job markets around the world especially in developing countries.<sup>12</sup> According to the United Nations Development Programme (UNDP), jobs in the creative economy tend to favor youth and women more than other sectors.<sup>13</sup> With sustained investment from national governments and exchanges with the international community, creative industries in developing nations can grow local economies and provide jobs for these key demographics.

Overtaking Europe and North America, the Asia-Pacific is now the world’s leading region in CCIs, producing \$743 billion in revenue in 2013.<sup>14</sup> With the rise of Bollywood and

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9. John Howkins, *The Creative Economy*, 1st ed., 8.

10. John Howkins, *The Creative Economy*, 2nd ed., 5.

11. Ernst and Young (EY), *Cultural Times: The first global map of cultural and creative industries* (London: December 2015), p. 8, [https://en.unesco.org/creativity/sites/creativity/files/cultural\\_times\\_the\\_first\\_global\\_map\\_of\\_cultural\\_and\\_creative\\_industries.pdf](https://en.unesco.org/creativity/sites/creativity/files/cultural_times_the_first_global_map_of_cultural_and_creative_industries.pdf).

12. “Population,” United Nations, <https://www.un.org/en/sections/issues-depth/population/>.

13. Thangavel Palanivel, “How cultural and creative industries can power human development in the 21st century?” UNDP, January 23, 2019, <http://hdr.undp.org/en/content/how-cultural-and-creative-industries-can-power-human-development-21st-century>.

14. EY, *Cultural Times*, 32.

Korean pop music (K-pop), CCIs in the Asia-Pacific also supplied 12.7 million jobs in 2013, and that number has increased significantly since then.<sup>15</sup> The Asia-Pacific, Europe, and North America account for around 90 percent of all the revenue generated by CCIs globally, with Latin America and the Caribbean, Africa, and the Middle East lagging far behind.<sup>16</sup> One explanation for Asia's success is the growth of its middle class over the past 50 years. According to a 2017 report by the Brookings Institution, almost 88 percent of the next billion people to join the middle class will live in Asia.<sup>17</sup> Each year, the global middle class grows by 140 million people, and this number could rise to 170 million over the next five years.<sup>18</sup> The growing middle class in countries such as Indonesia wants smart phones, tablets, and computers, all of which offer easier access to CCI products, including newspapers, television, movies, books, music, and gaming. The CCIs with the highest revenue in 2013 in the Asia-Pacific were visual arts (\$191.5 billion), newspaper and magazines (\$141.6 billion), and television (\$118 billion).<sup>19</sup> These three industries could grow significantly if they expanded beyond China, Japan, Australia, and India to include other large, fast-growing markets in Southeast Asia.

Due to China's Belt and Road Initiative, as well as a number of military and economic interests, the world's leading powers are focusing a lot of diplomatic attention on Asia. The Trump administration's Free and Open Indo-Pacific Strategy does not focus on any specific countries but links American security and prosperity to free and open access to the Indo-Pacific.<sup>20</sup> According to the White House, the United States has already made foreign direct investments of \$1.4 trillion in the Indo-Pacific region, more than China, Japan, and South Korea combined.<sup>21</sup> The United States also hopes to play a role in the prevention of state-sponsored theft of intellectual property, which would benefit many of the small- and medium-sized enterprises (SMEs) that make up Asia's creative economy.<sup>22</sup>

Taiwan's NSP looks to strengthen its engagement with: the 10 countries of the Association of Southeast Asia Nations (ASEAN), which includes Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam; six South Asian countries, including India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan; Australia; and New Zealand. A key part of this engagement should be centered around supporting the development of creative economies in these countries. Taiwan is leading in many areas at the nexus of technology and creative industries, such as music, gaming, and design. The government has been able to support these industries by offering grants and subsidies to support SMEs operating in these areas. Developing nations around the world, and especially in Asia, can learn from Taiwan's story and should try to replicate its approach at home.

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15. EY, *Cultural Times*, 32.

16. *Ibid.*, 17.

17. Homi Kharas, *The Unprecedented Expansion of the Global Middle Class: An Update* (Washington, DC: Brookings Institution, February 2017), 2, [https://www.brookings.edu/wp-content/uploads/2017/02/global\\_20170228\\_global-middle-class.pdf](https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf).

18. *Ibid.*

19. EY, *Cultural Times*, 32.

20. "President Trump's Administration is Advancing a Free and Open Indo-Pacific Through Investments and Partnerships in Economics, Security, and Governance," White House.

21. *Ibid.*

22. *Ibid.*

The global creative economy is made up of both creative goods and services. The United Nations Conference on Trade and Development (UNCTAD) defines creative goods as art, crafts, audiovisuals, design, digital fabrication, new media, performing arts, publishing, and visual arts.<sup>23</sup> Creative services are services with a significant creative component: (1) advertising, market research, and public opinion services; (2) architectural, engineering, and other technical services; (3) research and development services; (4) personal, cultural, and recreational services; (5) audiovisual and related services; and (6) other personal, cultural, and recreational services.<sup>24</sup> Many creative products benefit people in their origin countries and have great potential for export to other countries. Examples are wide ranging, from Indonesian dresses called batiks to virtual reality games developed in Taiwan. Many creative products, such as broadcast television, are non-rival goods—goods that when consumed by one person do not reduce the ability of another person to consume the same good. These products both bring national pride and stimulate economic growth.

An increasing number of countries whether rich or poor are beginning to recognize the potential of the creative economy. All countries should look to create the enabling environment for the creative industries to succeed in order to spur economic growth and create jobs for vulnerable members of their populations. Asian countries should look to expand their creative exports to both their neighbors and large markets in Europe and North America. In order to expand the creative industries in developing countries, governments should look to partner with multilateral institutions and countries with thriving creative economies.

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23. UNCTAD, *Creative Economy Outlook: Trends in international trade in creative industries*, 2018, 13, [https://unctad.org/en/PublicationsLibrary/ditcted2018d3\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ditcted2018d3_en.pdf).

24. Ibid.

## 2 | Taiwan, A Success Story

Over the past 10 years, Taiwan has established itself as one of the most democratic, free, and diverse societies in Asia. In 2016, President Tsai Ing-wen became the first female president of Taiwan, and 38 percent of legislators were women at the time.<sup>25</sup> For comparison, the international average of women in government was only 22 percent in 2016.<sup>26</sup> In May 2019, Taiwan legalized same-sex marriage, the first government in Asia to do so.<sup>27</sup> Taiwan has also made it easy for people to come to the island for education and tourism, allowing people from all backgrounds to feel welcome. Taiwan is blessed with a rich cultural heritage, combining the influences of its indigenous population, Japan (from the colonial era), and mainland China. In addition, many of China's most skilled artisans fled to the island because of the Chinese Civil War, bringing with them many precious artifacts. Further, 87 percent of Taiwan's population has access to and uses the internet, according to We Are Social and Hootsuite's Global Digital 2019 reports.<sup>28</sup> In stark contrast to mainland China, the government of Taiwan has been able to secure intellectual property rights and greatly reduce the censorship of creative materials. Developing the enabling environment for creative industries and entrepreneurship has helped Taiwan emerge as a world leader in the creative economy.

Given its relatively small population compared to mainland China and the United States, Taiwan through its creative economy is punching above its weight. Taiwan's CCIs contributed over \$27 billion to its economy in 2017 or 4.8 percent of total GDP.<sup>29</sup> Taiwan defines creative industries as those that “originate from creativity or cultural accumulation, with the potential of using intellectual properties to create wealth and job openings, on top of enhancing the aesthetic level of local people and improving their living environment.”<sup>30</sup> The creative economy is not limited to television, fashion, and music but also includes

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25. Cindy Sui, “Taiwan, the place to be a woman in politics,” BBC News, May 20, 2016, <https://www.bbc.com/news/world-asia-36309137>.

26. Ibid.

27. “Taiwan gay marriage: Parliament legalizes same-sex unions,” BBC, May 17, 2019, <https://www.bbc.com/news/world-asia-48305708>.

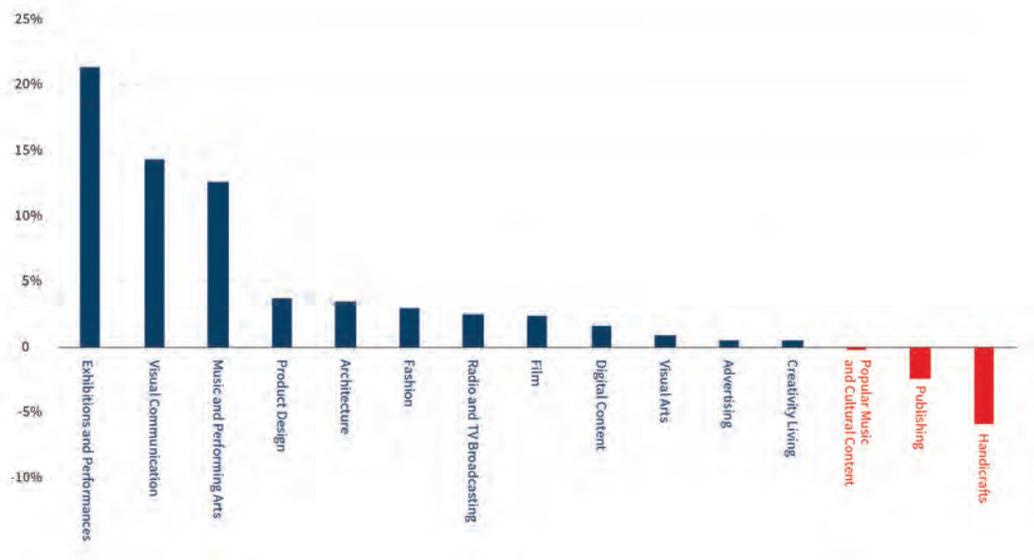
28. Simon Kemp, “Digital 2019: Global Internet Use Accelerates,” We Are Social and Hootsuite, January 30, 2019, <https://wearesocial.com/blog/2019/01/digital-2019-global-internet-use-accelerates>.

29. Taiwan Ministry of Culture, “2018 Cultural and Creative Industry Development Annual Report,” 2018, <https://stat.moc.gov.tw/Research.aspx?type=5>.

30. Ministry of Justice, “Development of the Cultural and Creative Industries Act,” Laws and Regulations Database of the Republic of China, January 7, 2019, <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?p-code=H0170075>.

new industries like gaming and virtual reality. Some theater production companies, such as Story Works, have been very successful in Taipei and are expanding their performances beyond Taiwan to include mainland China and Singapore. The cultural and creative sector has grown an average of 2.7 percent over the period of 2009-2017, just slightly below the 2.9 percent growth rate for the economy as a whole.<sup>31</sup> By comparison, the U.S. creative economy generated \$804.2 billion (around 4.3 percent of U.S. GDP) in 2016, according to the National Endowment for the Arts.<sup>32</sup> Likewise, Chinese creative industries produced \$383 billion in revenue (around 4.6 percent of GDP) in 2015.<sup>33</sup>

Figure 1: Taiwan’s Average Annual CCI Growth Rate, 2012–2017



Source: Taiwan Ministry of Culture, “2018 Cultural and Creative Industry Development Annual Report,” 2018, <https://stat.moc.gov.tw/Research.aspx?type=5>.

Taiwan’s approach to supporting the creative economy has been largely government driven. The creative economy in Taiwan has gained recognition through its inclusion in the NSP and the establishment of a culture fund. Under President Tsai Ing-wen, the NSP aims to leverage Taiwan’s cultural, educational, technological, agricultural, and economic assets to deepen its regional integration.<sup>34</sup> Through the NSP, Taiwan hopes to reduce Taiwan’s dependence on mainland China, stimulate economic growth by creating new markets throughout the Indo-Pacific, and promote its standing in the region.<sup>35</sup> While previous administrations have attempted similar strategies to strengthen engagement

31. Taiwan Ministry of Culture, “Cultural Statistics Network-Investigation and Research,” <https://stat.moc.gov.tw/Research.aspx?type=5>.

32. “Latest Data Shows Increase to U.S. Economy from Arts and Cultural Sector,” National Endowment for the Arts, March 19, 2019, <https://www.arts.gov/news/2019/latest-data-shows-increase-us-economy-arts-and-cultural-sector>.

33. Si Si, “A Report on Beijing’s Cultural and Creative Industries Media Clusters,” *Global Media and China* 1, no. 4 (2017): 415, <https://journals.sagepub.com/doi/pdf/10.1177/2059436417692073>.

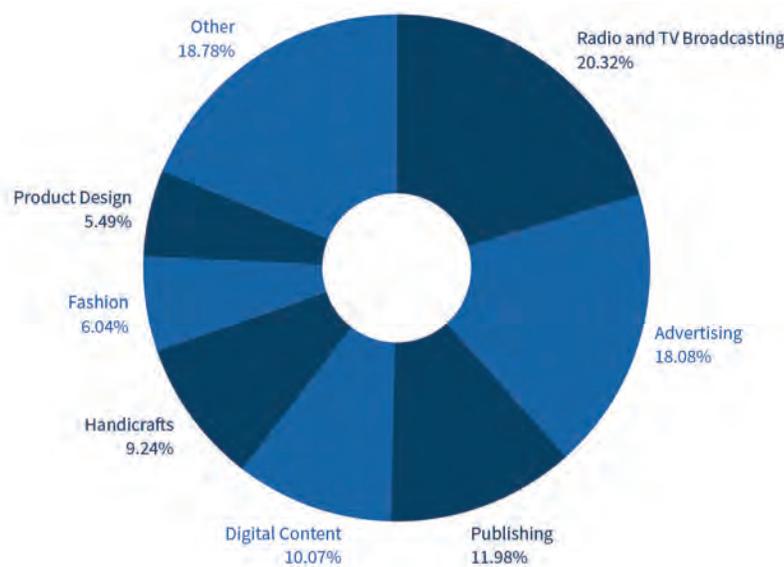
34. Bonnie S. Glaser et al., *The New Southbound Policy: Deepening Taiwan’s Regional Integration* (Washington, DC: CSIS, January 2018), viii, [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180613\\_Glaser\\_New-SouthboundPolicy\\_Web.pdf?AcoayLFliB9\\_iAvbmYvP\\_jm27mEXw5xL](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180613_Glaser_New-SouthboundPolicy_Web.pdf?AcoayLFliB9_iAvbmYvP_jm27mEXw5xL).

35. Ya-chen Tai, “Cabinet Launches Plan to Promote ‘New Southbound Policy’ | Politics | FOCUS TAIWAN - CNA ENGLISH NEWS,” Focus Taiwan, September 5, 2016, <http://focustaiwan.tw/news/aipl/201609050009.aspx>.

in the region, the NSP is the most ambitious yet and more comprehensively builds structures that spur regional integration through exchanges and periodic dialogues and negotiations. Currently, China purchases 28.5 percent of all Taiwanese exports and 50 percent of Taiwanese semiconductors, an area where it would be nearly impossible to find a replacement buyer at such a scale.<sup>36,37</sup> This puts further pressure on Taiwan to diversify its economy away from both the Chinese market and from industries China has signaled its intention to dominate, such as semiconductors.

The new “Cultural Content Investment Project,” announced in 2018, and the existing “Cultural and Creative Investment Program” have a combined budget of around \$341.6 million, demonstrating Taiwan’s commitment to building CCIs.<sup>38</sup> The executive branch has identified CCIs as a key sector of the economy alongside some of its leading industries, such as aerospace, biotechnology, semiconductors, and telecommunications. The new culture fund will provide grants and subsidies to a number of creative industries with a particular focus on anime, comics, and games.<sup>39</sup> It also aims to spur private investment in the production of cultural content through regulator reforms and partnerships with e-commerce platforms, distributors, and financial holding companies.<sup>40</sup>

Figure 2: Taiwan’s Creative Economy by Industry, 2018



Source: Taiwan Ministry of Culture, “2018 Cultural and Creative Industry Development Annual Report,” 2018, <https://stat.moc.gov.tw/Research.aspx?type=5>.

36. “TW’s Top 10 export destinations,” Ministry of Economic Affairs Bureau of Foreign Trade, November 2, 2018, [https://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=94&pid=651991&dl\\_DateRange=all&txt\\_SD=&txt\\_ED=&txt\\_Keyword=&Pageid=0](https://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=94&pid=651991&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=&Pageid=0).

37. Matthew Fulco, Taiwan Business TOPICS Magazine, “Taiwan, Still a Semiconductor Success Story,” The News Lens International Edition, September 14, 2018, <https://international.thenewslens.com/article/104177>.

38. Ministry of Foreign Affairs, Republic of China (Taiwan), “MOC Commits US\$341.6 Million to Promoting Taiwan’s Cultural and Creative Industry,” Taiwan Today, March 8, 2018, <https://taiwantoday.tw/news.php?unit=2&post=130585>.

39. Ibid.

40. Ibid.

Though mainland China may seem like the most likely export market for cultural and creative products given the overlap in language, Taiwan is looking to expand its CCI exports to other regional neighbors with large Mandarin-speaking populations, such as Malaysia, Singapore, and Indonesia. Taiwanese companies such as CATCHPLAY, a Netflix-like streaming platform, have already taken steps to move into these large markets in the region.<sup>41</sup> CATCHPLAY now owns exclusive distribution rights to over 2,000 films in Taiwan, China, Hong Kong, and Macau, offering a cheaper alternative to global streaming platforms like Netflix, Apple TV+, and Amazon Prime.<sup>42</sup> In Indonesia, its basic package (“Movie Lovers Basic”) is half the price of Netflix’s basic service; it also offers a free version where you can watch 10 titles a month.<sup>43,44</sup>

Besides the Cultural Content Investment Project and the Cultural and Creative Investment Program, the government of Taiwan has launched other programs to support CCIs, including Creative Taiwan, the Cultural and Creative Industry Development Project, the Forward-looking Infrastructure Development Program (FLIDP), and other initiatives by the National Development Fund.<sup>45</sup> The Ministry of Culture spearheads much of Taiwan’s efforts to promote and develop its creative industries. Besides the culture fund, Taiwan has promoted “culture and creative parks” in Taipei, Hualien, Chiayi, and Tainan and hosted expos such as the Creative Expo Taiwan. Taiwan has also quickly established an international audience for its award shows, such as the Taipei Golden Horse Film Festival Awards, the Golden Melody Awards, and the Golden Bell Awards. The Ministry of Culture and Taiwan Creative Content Agency also help young entrepreneurs enter foreign award competitions in film and music.<sup>46</sup>

Based on average annual growth over the period of 2012-2017, Taiwan’s three most promising CCIs are cultural exhibits and performances (21.26 percent), visual communication design (14.33 percent), and music and performing arts (12.52 percent).<sup>47</sup> The majority of the growth in Taiwan’s music and performing arts sector is because of the rapid growth of China’s middle class, which is increasing demand for entertainment products. For example, the Chinese behemoth behind WeChat, Tencent, has launched music platforms that now reach over 800 million monthly users (several times more than Spotify’s 207 million monthly users).<sup>48</sup> As part of its NSP, the Taiwanese government has also launched significant programs to expand the market for Taiwanese music beyond the Mandarin-speaking world. This not only diversifies the market for Taiwanese music but also taps into one of the world’s fastest growing regions. Even if Taiwanese music is unable

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41. Patrick Frater and Patrick Frater, “Taiwan’s Catchplay Launches OTT Movie Service in Singapore,” *Variety* (blog), August 16, 2016, <https://variety.com/2016/digital/asia/catchplay-launches-ott-movie-singapore-1201837919/>.

42. “Distribution,” CATCHPLAY, <https://corporate.catchplay.com/>.

43. Ardiansyah Lubis, “CATCHPLAY: Price, features and content,” *Finder Indonesia*, October 16, 2019, <https://www.finder.com/id/internet-tv/catchplay>.

44. *Ibid.*

45. Ministry of Culture, “Creative Industries | Overview,” accessed October 18, 2019, [https://www.moc.gov.tw/en/content\\_152.html](https://www.moc.gov.tw/en/content_152.html).

46. “Taiwan’s VR films rank among the best in the world,” Taiwan Creative Content Agency, August 30, 2019, <https://taicca.tw/news/13>.

47. “Taiwan Cultural Creative Industries Annual Report 2018,” Ministry of Culture, p. 26, 2018 <https://stat.moc.gov.tw/Research.aspx?type=5>.

48. “Is C-Pop the next K-Pop? Chinese Music Could Crack Global Charts,” *South China Morning Post*, February 27, 2019, <https://www.scmp.com/culture/music/article/2187843/c-pop-next-k-pop-how-chinese-music-could-crack-global-charts-if-bands>.

to make significant inroads in the West, Southeast Asia and the countries in the NSP provide plenty of opportunities for growth.

Visual design has offered Taiwan the opportunity to move up the production value chain. Taiwan's government has invested significant resources toward helping companies move into the design space through programs run by the Ministry of Culture and the Ministry of Economic Affairs, as well as by partnering with city governments across the island.<sup>49</sup> Examples include the government spending \$17.4 million to bring the International Design Alliance Congress to Taiwan in 2011 and sponsoring Taiwanese design companies to go abroad to compete in leading international design competitions, such as the iF Design Awards and Red Dot awards in Germany, G Mark in Japan, and the International Design Excellence Awards in the United States.<sup>50</sup> Taiwan's progress has been recognized internationally, being named 2016's World Design Capital and breaking into the top 10 of World Design's annual rankings for the first time in 2016, at number eight.<sup>51</sup> Because of its rich and diverse cultural history, Taiwan is likely to continue to innovate in the creative design space and take advantage of both rapidly growing economies close to home and an ever-expanding reach into faraway markets.

Taiwan's museums and cultural spaces have flourished since the end of martial law in the 1980s. The National Palace Museum is the most recognizable example, home to many priceless Chinese artifacts brought to the island when the Kuomintang (KMT) retreated to Taiwan in 1949. Taiwan has also attempted to increase tourism around the island—and not just in Taipei—by opening a branch of the National Palace Museum in southern Taiwan that celebrates the “interconnectedness of Asian cultures.”<sup>52</sup> Taiwan also expanded its vision of cultural spaces and exhibitions beyond just museums and traditional theatre. A series of initiatives have sought to highlight local cultures on the island with historic districts and preserved areas, such as the woodcarving district of Sanyi, the mountainous village of Jiufen, and the old street of Daxi, with its famed dried tofu.<sup>53</sup> Additionally, the government has taken an active role in converting old industrial buildings into creative spaces where people can come to innovate, experiment, and discover, adding an exciting twist to the more conventional concept of museums.

The creative economy in Taiwan will continue to benefit from government investment and attention. On November 8, 2019, the Ministry of Culture and a new affiliated institution, the Taiwan Creative Content Agency (TAICCA), announced that they would launch two expansion plans for next year, each around \$329 million, to promote the development of Taiwan's film, television, and music industries.<sup>54</sup> These investments, along with Taiwan's

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49. “Ministry of Foreign Affairs, Republic of China (Taiwan), “Rising Design Power,” Taiwan Today, September 1, 2011, <https://taiwantoday.tw/news.php?unit=20&post=26328>.

50. Ministry of Foreign Affairs, Republic of China (Taiwan), “Envisioning a Creative Future,” Taiwan Today, May 1, 2011, <https://taiwantoday.tw/news.php?unit=8&post=13900>.

51. Jules Quartly, “Good Design Is More Than Good Business,” Taiwan Business TOPICS, March 19, 2019, <https://topics.amcham.com.tw/2019/03/good-design-is-more-than-good-business/>.

52. Chris Horton, “A Taiwan Museum Featuring All of Asia,” *New York Times*, October 6, 2016, <https://www.nytimes.com/2016/10/06/arts/international/a-taiwan-museum-featuring-all-of-asia.html>.

53. “10 Can't-Miss Museums and Historic Districts Across Taiwan,” Smithsonian, accessed October 28, 2019, <https://www.smithsonianmag.com/sponsored/taiwan-museums-small-towns-heritage-culture-museum-day-180972645/>.

54. Sabine Cheng and Elizabeth Hsu, “Taiwan to inject NT\$20 billion into cultural investment,” Focus Taiwan, November 8, 2019, <http://focustaiwan.tw/news/aall/201911080020.aspx>.

commitment to strengthening intellectual property rights, will help propel Taiwan's economy forward.

Taiwan is a good example of a government that is heavily investing in its creative industries. Through its government-led approach to the creative economy, Taiwan is providing financing in the form of grants and subsidies to companies operating in the creative industries, as well as technical expertise on how to grow these businesses. Taiwan has recognized the opportunity to increase economic growth through building a strong creative economy and is now looking to expand the market for its creative exports to its neighbors in the region. Many Asian countries who are just beginning to develop their creative economies should try and replicate the success of Taiwan by reducing censorship, enabling freedom of speech, and protecting intellectual property rights.

## 3 | Indonesia, A Work in Progress

In 2011, the government of Indonesia changed the Ministry of Tourism to the Ministry of Tourism and Creative Economy, representing a shift in government policy toward fostering and building the country's creative economy.<sup>55</sup> Built around the nexus of culture and technology, Indonesia's creative economy involves inventing and creating products and strategies that solve real-world issues. This creative economy is composed of 16 sub-sectors: apps and game development; architecture; interior design; visual communication design; product design; fashion; movies, animation, and video; photography; crafts; culinary arts; music; publishing; advertising; performing arts; fine art; and television and radio.<sup>56</sup> In 2017, the craft, fashion, and culinary industries had the largest contributions to Indonesia's creative economy.<sup>57</sup> Having the largest population and GDP of all the ASEAN countries, Indonesia is a leader in the region, and countries hope to replicate Indonesia's high economic growth over the past few years and build creative economies of their own.

The Indonesian government hopes that the creative economy will offer a way to diversify its economy away from natural resources such as gas and palm oil and increase economic equality across its 13,000 islands. Indonesia's creative economy has consistently grown since 2015, going from \$60.4 billion to \$70 billion in 2017.<sup>58</sup> Indonesia's creative economy contributed 7.38 percent toward the country's GDP in 2016, demonstrating its growing importance.<sup>59</sup> According to McKinsey, Indonesia will need to produce an additional 113 million jobs by 2050 in order to keep up with its growing population. Indonesia's economic future will be determined by whether it can provide sufficient jobs to its rapidly expanding population. The number of people employed in CCIs grew by 5.95 percent to almost 17 million people in 2016.<sup>60</sup> As a sector of the economy that is resistant to many external shocks, creative industries offer tremendous opportunities for job growth, especially among young people.

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55. Ar R T Hidayat and A Y Asmara, "Creative Industry in Supporting Economy Growth in Indonesia: Perspective of Regional Innovation System," *IOP Conference Series: Earth and Environmental Science* 70 (June 2017), <https://doi.org/10.1088/1755-1315/70/1/012031>.

56. BEKRAF, OPUS - *Creative Economy Outlook 2019*.

57. Hidayat and Asmara, "Creative Industry in Supporting Economy Growth in Indonesia."

58. BEKRAF, OPUS - *Creative Economy Outlook 2019*.

59. *Ibid.*

60. *Ibid.*, 14.

On January 20, 2015, the Creative Economy Agency (BEKRAF) was created in response to President Joko Widodo's belief that the creative economy could be the strong foundation Indonesia needs to prosper.<sup>61</sup> BEKRAF is focused on creating, establishing, and implementing policies within the creative economy that will contribute to growth. Its mission includes incorporating all of Indonesia's creative assets, building a beneficial development climate, encouraging innovation, raising awareness of legal protections for art and innovation, and developing strategies that will advance Indonesia's economy. It pursues these goals through funding projects, domestic and international marketing, and educational resources and courses.<sup>62</sup> In November 2018, Indonesia hosted the first World Conference on the Creative Economy in Bali, with 2,000 participants from over 50 countries, to celebrate its successes so far and outline national strategies for supporting the creative industries moving forward.<sup>63</sup>

The lack of IPRs continues to impede growth in the creative industries, especially those dependent on emerging technologies. A report by We Are Social and Hootsuite found that 56 percent of Indonesia had access to, and used, the internet—only 1 percent below the global average.<sup>64</sup> The e-commerce industry in Indonesia grew by 20 percent from 2017 to 2018, reaching \$20.3 billion.<sup>65</sup> Through the influx of new technologies and the development of new apps, Indonesia has produced four “unicorns” (companies valued at over \$1 billion): Go-Jek, Tokopedia, Traveloka, and Bukalapak.<sup>66</sup> Many of these unicorns like Go-Jek offer flexible jobs for unskilled workers.

*“Indonesian’s current method of intellectual property collection is primitive.”*

*- A high-level Indonesian government official*

Many of the sectors of Indonesia's creative economy could use further investment and domestic and international governmental support. The culinary sector was responsible for 41.6 percent of the creative economy's growth in 2018, with fashion and crafts accounting for an additional 16 and 15.7 percent, respectively.<sup>67</sup> The adaptation and development of streaming services, mobile device usage, and the growing number of screens in Indonesia are all contributing factors to this rapid growth. Indonesian films are also gaining traction internationally, which will drive growth in the sector for years to come.

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61. “Tonggak Baru Ekonomi Kreatif Indonesia,” BEKRAF, <https://www.bekraf.go.id/profil>.

62. BEKRAF, OPUS - Creative Economy Outlook 2019.

63. BEKRAF, Manifesto of Inclusively Creative: The Proceeding of WCCE 2018, <https://www.wcce.id/manifesto/>.

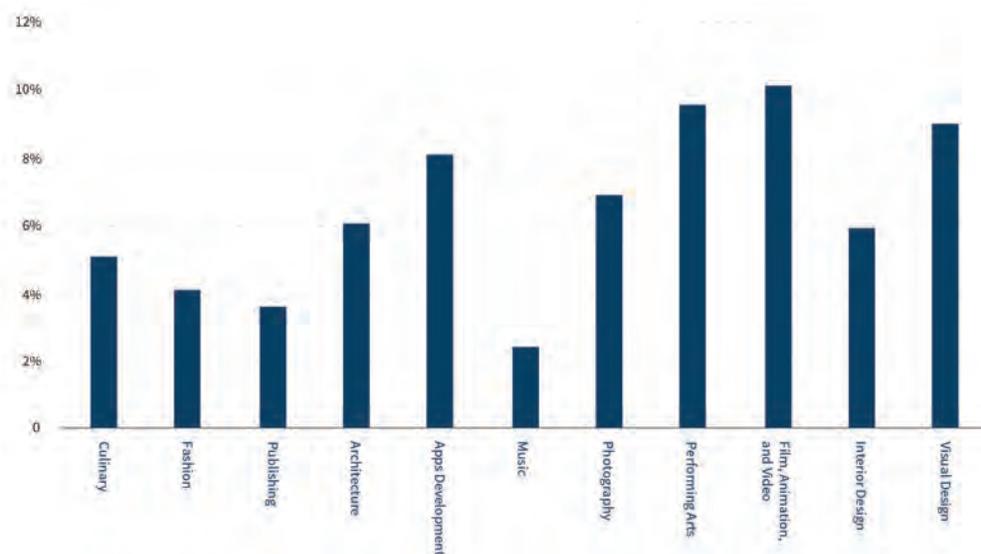
64. Kemp, “Digital 2019: Global Internet Use Accelerates.”

65. Simon Kemp and Sarah Moey, “Digital 2019 Spotlight: Ecommerce in Indonesia,” We Are Social and Hootsuite, September 18, 2019, <https://datareportal.com/reports/digital-2019-ecommerce-in-indonesia>.

66. BEKRAF, OPUS - Creative Economy Outlook 2019, p. 15.

67. “Indonesia's Creative Industry,” GBG Indonesia, [http://www.gbgingonesia.com/en/manufacturing/article/2018/indonesia\\_s\\_creative\\_industry\\_set\\_to\\_become\\_the\\_next\\_economic\\_powerhouse\\_11835.php](http://www.gbgingonesia.com/en/manufacturing/article/2018/indonesia_s_creative_industry_set_to_become_the_next_economic_powerhouse_11835.php).

Figure 3: Annual Growth in Indonesia’s Creative Economy by Sub-sector, 2016



Source: BEKRAF, *OPUS - Creative Economy Outlook 2019 (English Version)* (Jakarta: 2019), <https://www.bekraf.go.id/berita/page/21/84-opus-creative-economy-outlook-2019-english-version>.

UNDP and UNCTAD, *Creative Economy*, xxiii.

Developing countries in Asia should shift their creative economic policies and strategies away from just preserving or protecting culture and move toward creating an environment that fosters creativity and entrepreneurship. Furthermore, government policies toward the creative economy should recognize the economic, social, cultural, technological, and environmental linkages of the industries.<sup>68</sup>

The film industry offers enormous opportunities in countries such as Indonesia. From 2015 to 2017, the number of movie tickets sold in Indonesia skyrocketed from 16 million cinema tickets to 43 million.<sup>69</sup> Over the next decade, the total number of screens in Indonesia is projected to rise from 1,700 to 7,500.<sup>70</sup> With the film industry receiving a large amount of investment, the government should look to strengthen the production of Indonesian films. Indonesian film studios should look to partner with Hollywood to improve the quality of production and make its films more appealing to international audiences. Hollywood companies will only be interested in filming and releasing movies in Indonesia if IPRs are protected. One example of this is a movie titled, “Wiro Sableng 212” (or “212 Warrior”), which came out in 2018 and was co-produced by 20<sup>th</sup> Century Fox and Lifelike Pictures, a local Indonesian producer.<sup>71</sup> Most theaters in Indonesia still show Hollywood movies, but streaming services like Hulu, Netflix, and Amazon Prime are looking to make or buy local content.<sup>72</sup> For example, Netflix backed an Indonesian crime drama, “The Night Comes for

68. Karlis Salna, “New Golden Age of Cinema in Indonesia,” Bloomberg, March 4, 2019, <https://www.bloomberg.com/news/features/2019-03-04/hollywood-finds-a-new-golden-age-of-cinema-in-indonesia>.

69. Karlis Salna, “New Golden Age of Cinema in Indonesia,” Bloomberg, March 4, 2019, <https://www.bloomberg.com/news/features/2019-03-04/hollywood-finds-a-new-golden-age-of-cinema-in-indonesia>.

70. Ibid.

71. Patrick Frater, “Fox International Productions to Make Its First Movie in Indonesia,” Variety, February 9, 2017, <https://variety.com/2017/film/asia/fox-international-first-movie-production-in-indonesia-1201982157/>.

72. Salna, “New Golden Age of Cinema in Indonesia.”

Us” in 2018, which was released in 190 countries.<sup>73</sup> Partnerships between donor countries and developing countries will go a long way to strengthening creative industries.

BEKRAF data show that the visual design sub-sector had the fourth highest growth rate as a percentage of the overall creative economy from 2011 to 2016, and in 2016, the sector had a growth rate of 8.98 percent.<sup>74</sup> This trend is not limited to Indonesia, with much of the world seeing a growing need for visual communication and learning methods. This is another sector that will likely grow as technology advances. The more ways businesses, education systems, and other industries find to incorporate visual design into their strategies, the more growth the creative economy will experience.

TV and radio broadcasting have seen the highest growth rate over the last five years, experiencing a total of 50 percent growth from 2013 to 2017.<sup>75</sup> As of 2016, the sector employed 71,000 workers. With the rise of digital streaming and technological advances, many are concerned about the lifespan of radio and television, but the data in Indonesia suggest otherwise. In 2016, the Central Bureau of Statistics found that 91 percent of the Indonesian population watched television, and a Nielsen report found that 57 percent of radio listeners were young adults.<sup>76</sup>

Indonesia is a critical part of the United States’ Indo-Pacific Strategy, and the United States should look to engage with Indonesia on issues related to the creative economy. Indonesia had the sixteenth largest economy in the world in 2018, with a GDP over \$1.04 trillion, and is expected to steadily grow in the coming years.<sup>77</sup> According to McKinsey, Indonesia will be the seventh largest economy in the world by 2030, with 135 million consumers.<sup>78</sup> Indonesia’s highest growth CCIs in 2016 were TV and radio, film, performing arts, and visual communications.<sup>79</sup> The fashion, craft, and culinary sectors were Indonesia’s biggest exporting CCI sub-sectors.<sup>80</sup> Indonesia should partner with American and Taiwanese companies to facilitate technology transfer, learn how to more efficiently export creative goods, and expand into international markets.

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73. Ibid.

74. BEKRAF, OPUS - *Creative Economy Outlook 2019*, 38.

75. Mohammad Benny Alexandri et al., “Creative Industries.”

76. “Indonesia,” Media Landscapes, <https://medialandscapes.org/country/indonesia>.

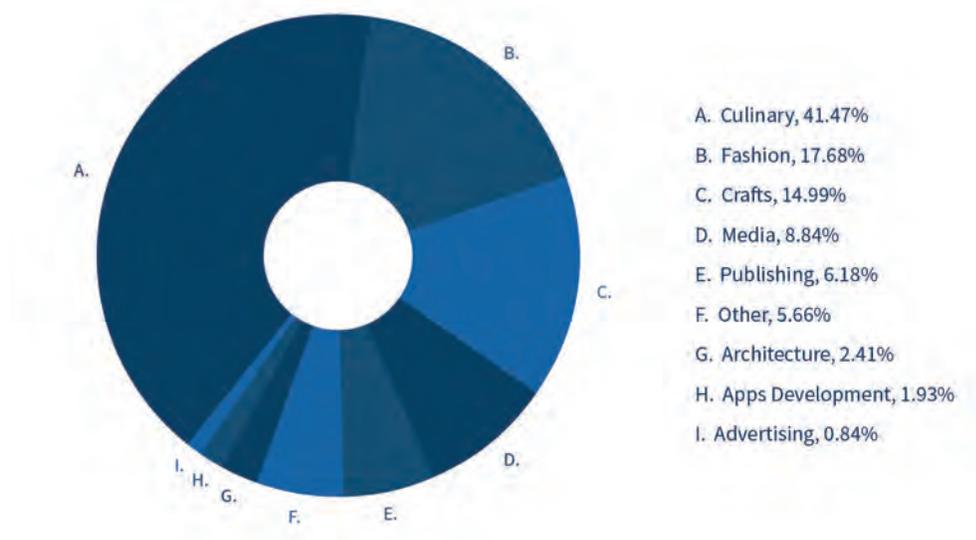
77. “GDP Ranking,” World Bank, <https://datacatalog.worldbank.org/dataset/gdp-ranking>.

78. Raoul Oberman et al., *The Archipelago Economy: Unleashing Indonesia’s Potential* (New York: 2012), [https://www.mckinsey.com/~media/mckinsey/featured%20insights/asia%20and%20pacific/the%20archipelago%20economy/mgi\\_unleashing\\_indonesia\\_potential\\_executive\\_summary.ashx](https://www.mckinsey.com/~media/mckinsey/featured%20insights/asia%20and%20pacific/the%20archipelago%20economy/mgi_unleashing_indonesia_potential_executive_summary.ashx).

79. BEKRAF, OPUS - *Creative Economy Outlook 2019*, 14.

80. Ibid., 14.

Figure 4: Percentage of Indonesia's Creative Economy by Sub-sector, 2017



Source: "Getting Creative in Indonesia," *The ASEAN Post*, July 17, 2019, <https://theaseanpost.com/article/getting-creative-indonesia>.

The development of a robust creative economy has been impeded by several factors, many of which are the result of insufficient financing. One of the major issues is that there are not enough entrepreneurs in Indonesia. In 2015, only about 1.65 percent of the total population were entrepreneurs.<sup>81</sup> The creative industry is built on individuals that create innovative and unique ideas and market them, so the lack of such individuals is a major concern. This also has a direct effect on employment rates since almost all businesses in Indonesia are micro-, small-, and medium-sized enterprises (MSMEs), encompassing 97 percent of employment.<sup>82</sup> Another crippling factor is that many MSME owners do not have the necessary business education to continue their success after industries lose popularity. This lack of education often causes businesses to fail, contracts to be terminated, and the economy to weaken.

81. "On making our entrepreneurs less entrepreneurial," *Jakarta Post*, May 26, 2015, <https://www.thejakartapost.com/news/2015/05/26/on-making-our-entrepreneurs-less-entrepreneurial.html>.

82. *Ibid.*

## 4 | Opportunities for the International Community

Strengthening creative industries supports economic growth in both developed and developing countries. Over 100 countries have national plans for their creative economies, but few have made significant progress toward creating the enabling environment for creativity to thrive.<sup>83</sup> The experiences of South Korea, Singapore, Hong Kong, Taiwan, and Indonesia show that rapid growth in the creative industries is not automatic. Success is determined by countries ability to create the enabling environment for the creative economy to succeed by introducing regulatory, technology, education, labor market, gender, and other reforms. There is not one strategy for strengthening the creative economy in every country, but there are a few areas where the international community can partner with developing countries in order to support creative industries, such as intellectual property rights and educational exchanges.

### *Intellectual Property Rights*

A key part of building the enabling environment for creative industries is refining global standards for IPRs. As more and more people gain access to the internet, it becomes harder for governments to monitor piracy and protect IPRs on digital platforms. With the proliferation of smartphones, it is easier than ever for people to produce digital content. The system for protecting people's rights, especially in relation to the content they create, however, has not evolved at the same pace, leaving many people unprotected.

The creative economy is powered by entrepreneurs with new ideas; it is difficult to have flourishing creative industries if these ideas are not protected. People are discouraged because it is very easy in many countries to illegally download movies, TV shows, and music. High-quality legal alternatives, such as Netflix, which offer movies and TV shows for only around \$10 a month, can help reduce the market for pirated films and TV shows. The costs may still be too high for people in low- and middle-income countries, leading many countries to develop their own cheaper streaming services.

IPRs remain crucial to supporting innovations like these new streaming platforms. As a

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83. John Howkins, *The Creative Economy*, 2nd ed., ix.

2008 CSIS report stated, “[t]he extent to which countries protect intellectual property will determine how well they perform in the new economic environment,” and this remains true today.<sup>84</sup> For IPR systems to succeed, they must be in compliance with international standards and effectively enforced by national governments.<sup>85</sup> While the World Trade Organization’s (WTO) 1995 Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement is mainly targeted toward the medicine and pharmaceutical sector, it introduced global minimum standards for protecting and enforcing nearly all forms of IPRs in 148 countries.<sup>86</sup> The intellectual property covered under the TRIPS agreement includes copyright and related rights; trademarks; geographical indications; industrial designs; patents, including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information, including trade secrets and test data.<sup>87</sup> All of these remain crucial to creative industries.

*“Developing countries are under increasing pressure to strengthen their national intellectual property regimes, in order to harmonize them with those of developed countries.”*

*- Emmanuel Hassen, Ohid Yaqub, and Stephanie Diepeveen<sup>88</sup>*

Since TRIPS was introduced in 1995, there has been a debate over whether the benefits of IPRs outweigh the costs for developing countries.<sup>89</sup> Some developing countries believe that the TRIPS agreement favors developed countries and transnational corporations and imposes increased costs on developing countries and their citizens.<sup>90</sup> Others argue that strong IPR protections attract further trade and investment in developing countries and support the development of local creative industries.<sup>91</sup> A 2010 study by RAND Europe found that stronger IPRs lead to more foreign direct investment and exports, particularly in countries where the risk of imitation is high.<sup>92</sup> Stronger IPRs in developing countries encourage international technology transfer through market-based channels, particularly licensing, at least in countries with strong technical absorptive capacities.<sup>93</sup> Further, stronger IPRs encourage domestic innovation, at least in emerging industrialized economies.<sup>94</sup>

IPRs will grow in importance as more and more people gain access to the internet.

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84. James A. Lewis, *Intellectual Property Protection: Promoting Innovation in a Global Information Economy* (Washington, DC: CSIS, January 2008), vii, <https://www.csis.org/analysis/intellectual-property-protection>.

85. *Ibid.*, ix.

86. “WTO and the TRIPS Agreement,” WTO, [https://www.who.int/medicines/areas/policy/wto\\_trips/en/](https://www.who.int/medicines/areas/policy/wto_trips/en/).

87. “Overview: the TRIPS Agreement,” WTO, [https://www.wto.org/english/tratop\\_e/trips\\_e/intel2\\_e.htm#geographical](https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#geographical).

88. Emmanuel Hassen, Ohid Yaqub, and Stephanie Diepeveen, *Intellectual Property and Developing Countries* (Cambridge, United Kingdom: RAND Europe, 2010), viii, [https://www.rand.org/content/dam/rand/pubs/technical\\_reports/2010/RAND\\_TR804.pdf](https://www.rand.org/content/dam/rand/pubs/technical_reports/2010/RAND_TR804.pdf).

89. *Ibid.*

90. Graham Dutfield, “TRIPS and its impact on developing countries,” *SciDevNet*, January 10, 2001, <https://www.scidev.net/global/policy-brief/trips-and-its-impact-on-developing-countries.html>.

91. *Ibid.*

92. Hassen, Yaqub, and Diepeveen, *Intellectual Property and Developing Countries*.

93. *Ibid.*

94. *Ibid.*

According to a 2016 report from Google, Southeast Asia—Indonesia, the Philippines, Vietnam, Thailand, Singapore, and Malaysia—is the fastest growing internet region in the world, with more than 260 million people having access to the internet.<sup>95</sup> This number is expected to rise to 480 million by 2020, a staggering 84 percent increase in the space of four years.<sup>96</sup> As a result, the internet economy in Southeast Asia is expected to grow to \$200 billion by 2025, and all Southeast Asian countries are expected to have e-commerce markets of over \$5 billion each.<sup>97</sup> These numbers are driven in large part by the growing youth population in Southeast Asia, where 70 percent of the population is under 40 years old.<sup>98</sup> For CCIs to flourish, high-speed broadband could play an equalizing role for people living in remote areas where online services and businesses would benefit greatly from reliable, affordable, and high-speed internet. The introduction of technology transfer and licensing among developed and developing countries would enable increased trade in global creative products.

### *Educational Exchange*

Another way that donor countries can support the development of creative economies in developing countries is through education exchange. Many ASEAN countries are struggling to provide quality universities for their populations. Most countries have one or two high-quality universities, and lack schools focused on CCIs. Even the best university in Indonesia, Universitas Indonesia (UI), only ranks as the 57th best university in Asia and 296th in the world.<sup>99</sup> Additionally, most UI programs are focused on medicine, with very few CCI majors (only architecture and literature). Taiwan and the United States should allow students from Southeast Asian countries to showcase their cultures in Taiwan and the United States and also learn from Taiwanese and American experts in the creative industries. Between September 2014 and May 2015, there were 8,200 students from Indonesia enrolled at American universities, the highest in a decade but still far behind other neighbors in the region, such as Vietnam, Japan, and Taiwan.<sup>100</sup> Similarly, there are around 6,000 Indonesian university students in Taiwan.<sup>101</sup> These education exchanges offer a unique opportunity to exchange ideas and to help strengthen the creative industries in developing countries in Asia.

One positive step that Indonesia has taken is allowing foreigners to have leadership positions in their universities. In August 2019, Jan Youn Cho, a South Korean, became the chancellor of Siber Asia University, the first private Indonesian university to be led by a foreign chancellor.<sup>102</sup> This is a step in the right direction and will help improve the quality

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95. Rajan Anadan et al., “e-economy SEA: Unlocking the \$200B Digital Opportunity,” Google and Temasek, May 2016, 3, <https://www.thinkwithgoogle.com/intl/en-apac/trends-and-insights/e-economy-sea-unlocking-200b-digital-opportunity/>.

96. Ibid.

97. Ibid.

98. Ibid.

99. “Universitas Indonesia,” QS Top Universities, <https://www.topuniversities.com/universities/universitas-indonesia#888193>.

100. Megan Herdon, “Indonesian Student Enrollment at US Universities Reaches Record High in Last Ten Years,” *Jakarta Globe*, July 18, 2016, <https://jakartaglobe.id/context/indonesian-student-enrollment-us-universities-reaches-record-high-last-ten-years/>.

101. Sheany, “Indonesian Students in Taiwan Say Reports of ‘Forced Labor’ Are False,” *Jakarta Globe*, January 3, 2019, <https://jakartaglobe.id/movement/indonesian-students-taiwan-say-reports-forced-labor-false/>.

102. Ari Supriyanti Rikin, “First Foreign Chancellor Leads Siber Asia University,” *Berita Satu*, August 27, 2019, <https://www.beritasatu.com/nasional/571801/rektor-asing-pertama-pimpin-universitas-siber-asia>.

of education in Indonesia. If an Indonesian student is interested in art or music, there are very few options besides studying abroad. Having students leave their home countries and be exposed to new and different mediums of expression will allow them the opportunity to follow their passions and celebrate their heritage at the same time. One country that has recognized this opportunity is Australia, where more than 20,000 Indonesian students were enrolled in education institutions, from universities to vocational training centers, as of 2017.<sup>103</sup>

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103. "More Indonesian Students Studying in Australia," Australian Embassy: Indonesia, September 6, 2017, [https://indonesia.embassy.gov.au/jakt/MR17\\_059.html](https://indonesia.embassy.gov.au/jakt/MR17_059.html).

## 5 | Lessons for Developing Countries

To harness the socioeconomic benefits of the creative economy, developing countries must start by identifying creative sectors with the most potential and develop a “creative nexus” that attracts investors, fosters entrepreneurial skills, and supports the production of creative goods for domestic and international markets.<sup>104</sup> Government strategies focused on strengthening the creative economy should also look to coordinate these strategies across government agencies since the creative economy impacts a broad spectrum of industries. In order to achieve many of the recommendations mentioned below, it is critical to engage with different parts of governments, from streamlining the visa process to offering grants and providing technical expertise for SMEs in the creative industries.

### **1. Strengthen intellectual property rights through archiving and authentication processes.**

One challenge for creative economies across the developing world is protecting intellectual property rights. If licenses, royalties, and copyrights are properly managed, IPRs can be a source of revenue for both developed and developing countries.<sup>105</sup> Protecting IPRs will support the knowledge economy and promote domestic entrepreneurship and creativity. Taiwan and the United States have both successfully developed IPR policies and could work with developing countries in Asia to build frameworks and strategies based off the WTO’s TRIPS global standards.

Another way to prevent piracy and preserve culture is through archiving. The creative economy cannot thrive without the preservation of artifacts and cultural heritage. Many cultural sites could be used for tourism or as filming locations. Recipes need to be saved so that traditional cuisines can survive. Designs from indigenous communities can be used to inspire fashion designs. Without records and archiving, the identity of countries can be lost. Archiving provides records that can be used to protect intellectual property. In order to authenticate works of art, art galleries or auction houses could use past auction catalogues or sale prizes to gauge the value of art.

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104. Ibid., xxiii.

105. Ibid., 169.

## 2. Make national creative economies more attractive to outside investment.

Many countries in Asia have beautiful landscapes that would prove to be ideal locations for movies. Thailand is a well-known destination for filmmakers because it offers a rebate of up to 20 percent for film and television production projects in the country.<sup>106</sup> In contrast, Indonesia also has a long history of censorship in television and film. There have been many examples of the government censoring closeups of female character's bodies or female characters in swimsuits.<sup>107</sup> Vietnam, Malaysia, and Indonesia have locations like those in Thailand, but the permits for filming are overly complicated and deter many international film producers. Filming offers both economic and employment opportunities, as most countries require international film companies to partner with local companies and film crews for the duration of the production.

**a. Increase economic, political, and religious freedoms.** Through the Indo-Pacific strategy, the Trump administration has explicitly tied the development of open and free societies in the region to U.S. military and economic interests. Open societies allow creativity to blossom and creative economies to expand quickly.

**b. Open film promotion offices and provide tax incentives for filming television shows and movies.** This would reduce the time it takes to get permits for filming and visas for members of the film staff. Navigating the different government agencies can make filming in some countries too expensive.

**c. Reduce censorship.** Some countries in Asia have outdated laws and regulations that censor creative industries. Some countries censor movies to remove any scenes that involve sex or LGBT references. Other movies may be censored for political reasons. In 2018, China banned a children's cartoon, Peppa Pig, because it "promoted a slacker lifestyle."<sup>108</sup> Reducing overall censorship would greatly benefit countries, as it would inspire further creativity and entrepreneurship in their populations.

## 3. Develop culture funds that provide grants and subsidies to SMEs in creative industries.

Following the example of Taiwan, countries in Southeast and South Asia should explore the idea of establishing national culture funds that provide access to capital for SMEs in creative industries. Lack of financing to grow businesses has been cited as one of the most pressing challenges facing SMEs in countries such as Indonesia. National governments are central to this approach because they would be the ones providing the capital for the fund. These funds could be housed under of the Ministry of Culture, as in Taiwan, or could be managed by a similar agency.

## 4. Provide educational exchange opportunities.

Developing countries in Asia should partner with Taiwan and the United States to help strengthen their education systems as well. Right now, very few developing countries have

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106. "Why Thailand?" Benetone Films, <https://benetonefilms.com/why-thailand/>.

107. Lauren James, "After Peppa Pig's ban in China, seven other cartoons censors have blocked," *South China Morning Post*, May 3, 2018, <https://www.scmp.com/culture/film-tv/article/2144561/after-peppa-pigs-ban-china-here-are-eight-other-cartoons-and>.

108. Amanda Siddharta, "Indonesian TV censorship: cartoons cuts, athletes blurred as conservative Islam asserts itself and broadcasters fear sanctions," *South China Morning Post*, December 31, 2017, <https://www.scmp.com/culture/film-tv/article/2126007/indonesian-tv-censorship-cartoons-cut-athletes-blurred-conservative>.

educational opportunities for young people interested in a career in a creative industry. Universities in developing countries should look to partner with Taiwanese and American schools to begin building academic programs in music, film, and visual arts.

# Annex A | List of Individuals and Entities Interviewed in Taiwan and Indonesia

AmCham Indonesia	Ministry of Foreign Affairs of Taiwan
Asian Development Bank Indonesia	Sabra Andre
Audrey Tang, Taiwan Minister without Portfolio	Sidharta Auctioneer
BEKRAF (Indonesian Agency for Creative Economy)	Sotheby's Jakarta
BeritaSatu Media Holdings	Story Works
BowerGroupAsia	Taipei Economic and Trade Office in Indonesia
Digital Economy Industry Promotion Office of Ministry of Economic Affairs of Taiwan	Taipei Film Festival
Joe Fang Studio	Taiwan Public Television Service
Ma Shifang, Music Critic and Radio Host	Taiwan Creative Content Agency
Mari Pangestu, former Indonesian Minister of Tourism and Creative Economy	USAID Indonesia
Ministry of Culture of Taiwan	US-ASEAN Business Council
Ministry of Finance of Indonesia	U.S. Embassy Indonesia

## About the Authors

**Daniel F. Runde** is senior vice president and holds the William A. Schreyer Chair in Global Analysis at Center for Strategic and International Studies (CSIS), where he focuses on challenges and opportunities coming from the developing world. He has been at the forefront of such issues as development finance, the future of the World Bank, good governance, fighting corruption the trade and aid nexus, and taxes in developing countries (“domestic resource mobilization”). Previously, he led the Foundations Unit for the Department of Partnerships & Advisory Service Operations at the International Finance Corporation. His work facilitated and supported over \$20 million in new funding through partnerships with the Bill and Melinda Gates Foundation, Rockefeller Foundation, Kauffman Foundation, and Visa International, among other global private and corporate foundations. Earlier, Mr. Runde was director of the Office of Global Development Alliances at the U.S. Agency for International Development (USAID). He led the initiative by providing training, networks, staff, funds, and advice to establish and strengthen alliances, while personally consulting to 15 USAID missions in Latin America, the Middle East, and Africa. His efforts leveraged \$4.8 billion through 100 direct alliances and 300 others through training and technical assistance. Mr. Runde began his career in financial services at Alex. Brown & Sons, Inc., in Baltimore and worked for both CitiBank and BankBoston in Buenos Aires, Argentina. He received an MPP from the Kennedy School of Government at Harvard University and holds a BA, cum laude, from Dartmouth College.

**Christopher Metzger** is a research associate for the Project on Prosperity and Development (PPD) at the Center for Strategic and International Studies (CSIS). He develops and implements five of PPD’s grants with private companies, foreign governments, U.S. government agencies, and non-profits. He maintains PPD’s research workstreams on the United Nations’ 17 Sustainable Development Goals, urban water finance, domestic resource mobilization, women’s economic empowerment, and youth, peace, and security. He was the lead organizer of the 2019 Global Development Forum, which had over 600 attendees and featured remarks from former Prime Minister Tony Blair of the United Kingdom and USAID Administrator Mark Green. While at CSIS, he has organized and participated in case study trips to Uganda, Kazakhstan, Liberia, Indonesia, Taiwan, and Italy. Before becoming a program coordinator in February 2017, he worked as an intern for PPD, as well as in a U.S. Senate office. He holds a bachelor’s degree in international politics from Washington and Lee University and studied at the University of London and Syracuse University’s campus in Florence, Italy.

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**COVER PHOTOS** (CLOCKWISE) INDIAN ACTRESS KRITI KHARBANDA, BEAWIHARTA/REUTERS; A MODEL AT THE INDONESIA MUSLIM FASHION FESTIVAL, JAKARTA, NARINDER NANU/AFP VIA GETTY IMAGES; WOMAN PLAYING GAMELAN, BALI, INDONESIA, BELART84/ADOBE STOCK

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