

Industrial clusters and the creative economy: The case for CCI clusters in South Africa

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Abstract

This paper explores the question of the institutional promotion of Cultural and Creative Industries (CCI) in South Africa, arguing for formal, systematic CCI clusters. Firstly, it examines the revived international emphasis on industrial clusters in economic and industrial development strategies. The paper suggests that the growing interest in cluster approaches is linked, in part, to the increased acknowledgement of institutional and social factors in new economic and planning theory and policy. Secondly, the more specific application of such cluster approaches to the CCIs and the creative economy is inspected. This includes the integration of CCI clusters within smart specialization and place-based approaches to economic and industrial development. Thirdly, the paper examines the case for formal CCI cluster interventions in South Africa. The uneven, and predominantly technical application of industrial cluster analysis and policy in the post-1994 era is analysed. The need for systematic incorporation of industrial clusters in contemporary South African industrial policy is considered. The merits of the case for the establishment of formal CCI clusters are then examined alongside select CCI clustering trends. While CCI clustering appears to have increased in recent years, these developments tend to be more organic and/or modest with little articulation within policy and institutional structures. Finally, the paper outlines potential policy measures. A formal CCI cluster initiative is proposed, on a multi-agency and public-private partnership basis, with the South African Departments of Trade, Industry and Competition (DTIC) and of Sports, Arts and Culture (DSCAC) as central players. The initiative will look to reinforce the international trade and leverage existing and new incentives.

Keywords: Clusters, Creative and Cultural Industries, Industrial Policy, Public-Private Partnership, Trade.

1. Introduction

This paper considers the contextual dimension of current and future industrial policy regarding the creative economy, informed by the increased interest internationally in industrial clusters related to the creative and cultural industries (CCIs). It focuses on selected theory, policy and practice. Recent years have seen a reworked and expanded deployment of industrial clusters. This includes newly emerged discourses and applications in regard to CCI clusters as part of broader industrial and economic policy advocacy. The increased interest in clusters intersects with efforts to develop new and more reflexive forms of industrial and regional policy. In a number of cases such efforts are influenced by perceived de-industrialization and/or a consideration of ways to re-industrialize. For example, a study of the renewal of industrial policy in the Flanders region, triggered by accelerated de-industrialization in the wake of the 2008 economic crisis, notes that ‘(n)ew industrial policy has the potential to capitalize on the spill-overs and synergies for the knowledge driven economy by a new integrative and strategic approach at cluster level’ (Larosse 2012: 111). Furthermore, the Brookings’s Africa Growth Initiative sees clusters as central aspects of efforts to revive industrial development in African economies (Brookings Institute, 2018). As Dani Rodrick (2015: 23) argues, ‘premature de-industrialization’ in developing and even middle-income economies is socially and politically unsettling.

Historically, industrialization played a foundational role in Europe and North America in creating modern states and democratic politics. Its relative absence in today’s developing societies could well be the source of political instability, fragile states, and illiberal politics (Rodrick 2015: 23).

The growing interest in processes of de-industrialization and accompanying prescriptions has conditioned relevant policy debates in South Africa. This is exemplified in a recent report by a DTIC think tank. Entitled *Structural Transformation in South Africa: Moving Towards a Smart Open Economy for All* (Bell, J. *et al*, 2018), the report emphasizes that unlike its middle-income counterparts in recent decades, South Africa has not managed to diversify its economy structurally (2018). South Africa, it is argued, needs to aim for ‘re-industrialization and inclusive growth’ which would be based on ‘a broad coalition which focusses on productive investment and widening economic participation’ (*ibid.*). What is surprising, however, is the lack of attention

accorded the creative economy and the CCIs, given comparative international and economic policy exercises in recent years, especially given the relatively high labour multipliers.

Since the 2008 global financial crisis, there has been a quickening of interest globally in the CCI sector and its growth potential. EY (2015) verified this trend in the first global survey quantifying the CCIs (EY 2015). This study showed that CCI in 2015 accounted for 3% of the world's Gross Domestic Product (GDP) (USD 2.25 trillion) creating 29.5 million jobs (1% of economically active people). This is verified by other national studies. The contribution to the GDP of the sector does vary – from under 2% in Chile to over 10% in Brazil and the USA (Oxford Economics, 2014).

In 2014, just under 3% (or an estimated 450 000 jobs) of working South Africans are employed in the creative economy, in either creative occupations or in the creative sectors (Hadisi and Snowball, 2017). This is slightly more jobs than the mining sector in South Africa and about two-thirds that of agriculture (*ibid.*).

At a more abstract and structural level there has been a global paradigmatic shift from an industrial economy to a knowledge economy; and through to a creative economy (Araya and Peters, 2010; Neelands *et al.*, 2015). While land, labour and capital were key factors in an industrial economy and its variants, the world of ideas and intellectual property is increasingly important in understanding the dynamics of economic growth, prosperity and even well-being (Neelands *et al.*, 2015; Florida, 2014; NESTA, 2016). Such a shift provides the rationale for a well-integrated CCI sector that supports innovation, and ideally export-led activities and local beneficiation.

2. Charting the Creative Economy

Although there is convergence in thinking regarding the nature and scope of the creative economy, there is fluidity in the understanding and classifications of the sector. The traditional classification systems used in national accounting (United Nations *et al.*, 2009; United Nations *et al.*, 1993) or other classifications systems (World Customs Organization, 2017) did not reflect the sector nor was it suitable for policy purposes.

A short set of historical snap-shots are illustrative. In the 1930s, certain scholars linked to the Frankfurt School such as Adorno, used the term 'cultural industries' to designate firms and organizations which harnessed culture for new forms of production and consumption, and thus facilitated new modes of

societal persuasion and control. In the early 1970s, the interest in the cultural industries grew both from academic and policy perspectives (Adorno, 2001).

The concept of creative industries was first documented in 1994 in the Australian government's new cultural policy termed 'Creative Nation'. (DCA, 1994).

While supposedly a cultural policy, the document had a strong economic core, which explored new IT opportunities and the growing pervasiveness of global cultural forms underpinned by digital media. In 1998, in the UK, a now seminal 'Creative Industries – Mapping Document' was produced by the newly-formed Department for Culture, Media and Sport (DCMS, 1998). Thirteen areas of activity were listed¹ – a reflection more of reporting lines² than a bespoke selection of particular industries.

The partial semantic shift from a narrower cultural perspective to a more inclusive creative industries approach was indicative of the impact of new digitally-oriented technologies. It was also an extension, popularization and monetization of cultural and artistic endeavour, especially creativity and innovation. Debates emerged as to where CCIs belonged from a policy angle. By the late 1990s the idea of the creative industries had gained traction in countries such as Australia and the USA. For some scholars such developments were indicative of the forging of a neo-liberal consensus. As Ben Eltham (2010) points out, 'the keystone cultural policy of all three nations, the USA in particular, has been the maintenance and extension of strong copyright and intellectual property regimes, especially in international trade negotiations'. Other national definitions emerged, again reflecting either policy requirements or departmental structure (Dubina *et al.*, 2012). Internationally, UNESCO's Institute for Statistics, the United Nations Development Programme (UNDP) and the United Nations Conference on Trade and Development (UNCTAD) collectively and individually played a central role to come closer to common definitions; so too did collaboration between the European Statistical System Network for Culture (ESSnet-Culture) and Mercosur's cultural statistics agency (*ibid.*). The UNDP, in certain of their publications and Human Development Reports (e.g. UNDP, 2004), stressed the fundamental relationship between culture and sustainable growth and development. The United Nations' first Creative Economy Report

¹ These were advertising, architecture, the arts and antiques market, crafts, design, designer fashion, film, interactive leisure software, music, performing arts, publishing software, television and radio. These fields had to 'have their origin in individual creativity, skill and talent and have a potential for wealth generation through the generation of intellectual property' (DCMS 1998)

² Personal communication, Prof Richard Miller, 7 March 2018.

published by UNCTAD (2008) included the description of economic creativity as a dynamic process leading towards innovation in technology, business practices and marketing. UNESCO's subsequent Framework for Cultural Statistics formalized the shift to CCIs (UNESCO, 2009). The concept of 'cultural and creative industries', though now widely accepted, is giving ground in some quarters to a wider 'creative economy' as a more incorporative signifier (e.g. NESTA, 2016); and in certain policy circles, the question of a separate category and focused support for 'cultural industries' has been raised (Lee, 2017).

3. The international experience: Economic development policy, cultural capital, clusters and the creative economy

The move to more reflexive forms of industrial and economic policy, such as smart specialization and place-based approaches, have been informed by a set of developments, discourses and debates predominantly from the late 1990s onwards. For economists, new theoretical challenges have been stimulated by the critique of World Bank orthodoxy on economic development; the partial reworking and updating of neo-classical economic theory; the expansion of more heterodox economic perspectives; and efforts at reworking and updating neo-classical economic theory to take greater cognizance of societal and institutional factors. Important too, were contributions from a range of related and intersecting fields including the new economic geography, economic sociology, and interdisciplinary local and regional planning scholarship. The themes run from the regulation of capitalism and the play of institutions through to the workings of social and cultural capital and the dynamics of place, past and present (Haines and Hurst, 2011).

In such writings the discourses on social capital and social networks are important touchstones – both for economists and social scientists more generally. In regard to social capital there is an increased conceptual awareness of its potential within the public and private sectors. As David Skidmore (2001) points out, social capital provides a contextual understanding and practical and local knowledge that official planners usually do not possess. Social capital expressed via networking and clustering permits smaller firms to benefit from economies of scale while allowing flexibility (Cooke and Morgan, 1999). Also influential is the idea of locale or territory as dynamic and multi-dimensional, as opposed to a passive 'space' or 'site' (e.g. Svaccek, 2008; Elden, 2010), conditioning the processes of innovation and production and accumulation (Harvey, 2009). This line of thinking was informed in part by the 'new economic geography'

which emerged in the 1990s, in which Paul Krugman was one of the leading protagonists (Krugman, 1997 and 2010)³.

Related to the increased invocation of social capital within the social and economic sciences, and policy circles, is a related interest in cultural capital (Weininger & Lareau, 2007). There are different theoretical strands. The work of David Throsby helped ground the sub-field of cultural economics (Throsby, 1999). But more generally, in the social sciences, are the writings of Pierre Bourdieu (1977, 1986; 1990a; 1990b). He argues that different kinds of capital can be encountered in immaterial forms of social or cultural capital as opposed to economic and physical capital. Non-financial social assets (including education) enable social mobility beyond limits usually defined by the limits of wealth and class. In his later writings he saw cultural capital becoming a kind of ‘informational capital’ suggesting that culture in a wider sense is a source of power for certain groups (Bourdieu, 1990a; and 1990b). Another form of capital, heritage capital, considers the ways in which value and meaning is attached to experiences, activities, structures and objects, which should fall into heritage categories. The associated exercise involves processes of historical inquiry. Heritage capital is more than knowledge processed in the present through accessing the past (Graham, 2002), as heritage-constructed value can reside in cultural practices or ways of being as well as physical capital such as places and buildings (Graham, 2002; Haines and Hurst, 2011). In efforts to engender creative economic production, there is some irony perhaps, in the importance of reconnecting with the past. The emerging study of ‘development history’ has relevance here with its stress on the role of human agency within economic and social development processes past and present. Within its scope is the discovery and recording of initiatives and social and cultural capital networks that could articulate with present efforts to develop creatively-oriented forms of production (Haines 2014b).

Of relevance too, is the extension of the work of Granovetter (1985) on the question of ‘embeddedness’ – the ways in which economic outcomes are constrained and conditioned by social structures, relations and agency. As Kristina Anderson (2011) puts it: ‘Embeddedness signifies that trust established through social interaction, experience, previous collaboration or mutual collaboration partners affects economic action’. Recent scholarship has provided

³ 'What you have to understand is that in the late 1980s mainstream economists were almost literally oblivious to the fact that economies aren't dimensionless points in space – and to what the spatial dimension of the economy had to say about the nature of economic forces' (Krugman, 2010: 1).

strategic insights into the process by which creative economic production is constructed (Montanari, Scapolan & Mizzau, 2016; Jones *et al.*, 2015). One can distinguish between (i) social embeddedness which takes cognizance of the cultural, institutional and historical origins of agencies and actors; (ii) network embeddedness which reinforces collaboration, competition and improved information exchange; and (iii) territorial embeddedness which explores how creative firms are 'anchored' in particular places (*ibid.*). Interacting with the above discourses is an increasingly sophisticated body of interdisciplinary inquiry into the ways in which institutions influence the processes and trajectories of economic growth and development at supra-, national- and sub-national levels (e.g. Lane and Wood, 2013).

4. The international experience and the question of industrial clusters

The late 1980s and 1990s saw the emergence of new perspectives regarding the working and spatial construction of contemporary industrial economies. Among these, was that of business clusters popularized by Michael Porter in his seminal text *The Competitive Advantage of Nations* (1990). Porter's definition is widely cited:

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate (Porter 2000: 15).

Industry clusters represent more than a grouping of firms within a particular industry or sub-sector. The cluster model is synergistic; it embodies a dynamic relationship not only between the constituent firms but also a broader partnering and networking (Andersen, T. *et al.*, 2004, 17-18). The agglomeration of industries in itself is thus not sufficient evidence of clustering. For meaningful clustering social networks and embedded ties are critical to locational decisions (Flew and Cunningham, 2010). Porter (1990) argues that economic activities are embedded in social activities; that 'social glue binds clusters together'. As he sees it, clusters provide three kinds of competitive advantage to the firms involved therein, namely:

- to increase productivity and efficiency;
- to stimulate and enable innovations; and
- to facilitate commercialization and new business formation (Porter, 1998 and 2008).

While clusters differ significantly globally, common features underpin

successful clusters. These factors include ‘softer’ elements such as leadership efficacy and an entrepreneurial culture. Other factors include access to finance, specialist services and markets (DTI, 2004: 5). More generally, the dynamics of the region would have a conditioning effect on the nature and development of particular clusters. There are of course differing ways of categorizing such factors. The 2012/13 cluster policy report of the European Creative Industries Alliance (Kind and zu Kölker, 2012), for instance, identifies five key factors in the sustainable stimulation of clusters:

- i. long-term involvement and commitment of participants;
- ii. financing;
- iii. innovation dynamics and innovation management;
- iv. prioritization and expansion of sectors; and
- v. regional development.

The exploration of macro-regional, national and sub-national clusters constitutes a central aspect of contemporary economic and development policy (Interreg, 2016; Mills, Reynolds and Reamer, 2008). Although clusters are dynamic, responding to the shifts in the markets, there is scope for institutional interventions and support. This is where policy interventions can facilitate the development and diversification of clusters – particularly for the arts, culture and heritage (ACH) sectors and the CCIs.

While many clusters have evolved organically, there is nevertheless, a strong rationale for public policy (Porter, 2007). Clusters bring to bear a range of externalities across firms within a particular location, as well as accompanying public goods. Public policy helps negate market failure, by providing incentives and infrastructure. Secondly, state agencies can work closely with cluster participants in understanding constraints to productivity and address shortcomings of existing policy. There is also the question of public investments in assets which would benefit cluster participants and also leading to collective investment by cluster participants. Thirdly, at cluster level, rather than industry or firm level, public policy is more likely to avoid the inefficiencies and possible distortions of more narrowly defined interventions (ibid.).

But the terrain of public policy has shifted noticeably in recent decades. Roles and responsibilities within the development policy process are transitioning. Porter sees a shift from a model based on ‘policy decisions and incentives’ to one where there is ‘a collaborative process involving government at multiple levels, companies, teaching and research institutions and institutions for collaboration’

(Porter, 2008:27). In addition, in certain extra-national regional economies the promotion of globally competitive clusters has become a sizeable enterprise. This is particularly the case in the European Union (EU) since the 2000s (Mills, Reynolds and Reamer, 2008: 22). For example, to promote national cluster initiative programmes in its member states, the European Cluster Observatory was created to collect and provide data on EU clusters and policies for policy circles, practitioners, business and researchers. Furthermore, the European Cluster Alliance was instituted to facilitate transnational cooperation at policy level.

Clusters have become more strategic at sub- and supra-national levels (Interreg 2016), particularly in developed economies and regions. The evolution of the post-knowledge economy, new forms of economic inquiry and policy advocacy has seen a heightened awareness of the applicability of clusters to economic development. The reasons for this include a growing recourse to place-based development approaches, and more emphasis on the ways in which institutions and networks can enhance or impede economic performance, and more sophisticated conceptualization of the workings of state and non-state actors and agencies in productive learning regions and locales. Key intersecting themes in the increased invocation of clusters in development policy discourses are those of innovation enablement and smart specialization (Chapain and Comunian, 2010; OECD, 2013; Interreg, 2016). Evidence shows that firms and inventors located in clusters are markedly more innovative. Clusters contribute to effective learning where firms even benefit from the experimentation and research inputs of other firms. They also encourage synergies between multinational corporations, SMEs and research institutions. Furthermore, knowledge flows and spill-overs from industrial clustering facilitates innovation (Chen 2011). On a conceptual level, cluster approaches and frameworks help highlight the ‘missing middle’ between the state and firms. They also help focus attention on the ‘black box’ of innovation (Munro and Katz, 2010).

The question of innovation is central to the growing articulation between ‘smart specialization’ and cluster development policies. Smart specialization, a place-based approach, provides a framework for economic transformation building on regional competencies and locates new areas of opportunity (OECD 2013; RDA Hunter 2016). Its most thoroughgoing application to date has been in the EU and has attracted interest and pilot programmes in developed and transitional economies (e.g. RDA Hunter, 2016). The smart specialization framework has its intellectual origins in the ‘Knowledge for Growth’ expert group (Foray, David and Hall, 2009). The group argued that specialization in

R&D and innovation was imperative in regions and countries that were not dominant in the main science and technology domains. They contended that spreading research thinly across many domains risked minimal returns. An alternative strategy was identify complementing a country or region's existing productive assets (ibid.). The notion of smart specialization does not entail the imposition of specialization through a 'top-down' industrial policy and 'picking winners'. Rather there would be an 'entrepreneurial process of discovery' that would uncover the domains of economic activity in which a country or region excelled (ibid. 2; OECD, 2013: 13). In this learning process entrepreneurial actors are expected to play a central role in identifying potential areas for future specialization (ibid., 2009: 2; OECD, 2013: 13) given their understanding of local skills, expertise and uncodified knowledge.

Government's role is less interventionist, more enabling and with greater emphasis on multi-level coordination, working with a range of stakeholders, and setting up new forms of smart governance (OECD 2013). The process of selecting areas of specialization is decentred with government's responsibilities limited to:

- Providing incentives to become involved in the discovery of the specializations of the region.
- Establishing a reflexive process of evaluating and monitoring capability formation in a disinterested fashion and ensuring that incentives are provided for capabilities with potential but not wasted on non-viable enterprises.
- Locating and developing complementary investments linked with emerging specialisations (Foray, David and Hall, 2009: 4).

Given how cluster development drives industrial, economic and technological specialization, particularly at regional levels, they are core components of a smart specialization strategy. Logically, public policies would look to promote cluster infrastructure and knowledge-based investments. This reinforces knowledge spill-overs within and outside of clusters (OECD, 2013: 21). In addition, linking cluster development directly to accelerated structural change would see the deepening of existing capabilities and building new capacities (ibid.). There are significant synergies between strategic specialisation and cluster-based interventions. For instance, both work well with place-based approaches, and foster cross-sectoral collaboration. Such complementarities allow governments to mesh policy considerations with regional and cluster-based programmes.

Additionally of relevance is the recent and growing academic and policy interest in 'place-based' economic development approaches at sub-national

levels stimulated by the Barca Report (2009). In the place-based perspective, there is a greater emphasis on how the well-being of a person is conditioned by the context in which they live (Barca, 2011; Hildreth and Bailey, 2014). The central arguments are two-fold:

First, the place-based approach argues that no actor knows in advance ‘what should be done’. It posits that sensible and reasonable decisions can emerge as the innovative result of a process of interaction and even conflict between endogenous and exogenous forces, i.e. between the knowledge embedded in a place and external knowledge. Secondly, in conjunction with this assumption, it also stresses the role played in producing under-development by the failure on the part of local elites, even when democratically elected and their innate tendency to seek rents from public interventions. For these two reasons the place-based approach, while sharing with the communitarian approach, the emphasis on the knowledge, preferences and values of local agents, assigns a much greater role to exogenous institutions – their knowledge, preferences and values – and therefore advocates multi-level governance (Barca, 2011: 223).

Multi-level governance helps address institutional weaknesses which inhibits the exploitation of the potential of different places. This approach advocates that all economic actors⁴ collaborate to develop the sub-national economy. These activities and collaboration often occur in the ‘missing space’ between the national and the local, a space which development policy in many developed and developing economies tends to neglect (Barca, 2011; Hildreth and Bailey, 2014). In a place-based perspective, knowledge about places is central to the design of regional economic and industrial strategies. Such strategies and policies need to locate, ‘discover’ or generate new knowledge and thinking. One needs to take cognisance of the ways in which a community idea is embedded in the workings of a local institutional context and forms social capital. This process entails interaction the various endogenous and exogenous economic actors. Rather than starting from a clean slate or having an ‘off the shelf’ set of policies, region-specific assets should be invoked (Hildreth and Bailey, 2014; Barca, 2009).

4. Clusters and the CCIs

The uptake of interest in industrial clusters globally, has been accompanied since the post-2008 period by a burgeoning of CCI cluster policies and applications,

⁴ Various endogenous and exogenous economic agents–public and private sector and other relevant actors or organizations.

most especially in OECD and high performing economies. CCI cluster policies and programmes are seen not only as serving the CCIs, but as integrating with new economic and industrial development strategies. Porter (1990) stresses the importance of the firm structure and rivalry in a cluster for its competitiveness. The CCIs cross-cutting and complex with each sub-sector heterogeneous (Power, 2010: 21). Business structures range from freelance contractors to multi-national corporations, with the bulk being small or micro firms (Kind and zu Köcker, 2012: 25). These CCIs confront various specialized market conditions (European Creative Cluster Lab, 2018). The diversity of business models and structures makes it more difficult to attract investment (ECIA and CICC, 2014:5). With large numbers of self-employed workers the risk profile in the sector is somewhat higher than most other sectors (Moore, 2014: 741); and there is a need for more bespoke business support for the CCIs (HKU, 2010; Kind and zu Köcker, 2012). Project finance is still relatively rare in the CCI sector and finance is often secured primarily as debt (Masalin, 2015). In addition, innovation is not particularly well demarcated which provides challenges for policy makers to realize the innovation potential of creative enterprises (Kind and zu Köcker, 2012:28). Value chains and enterprises within the value chain vary greatly. CCI production is usually regionally concentrated near consumers. One exception is retail bookselling (Power, 2010:27).

The cross-cutting and diverse nature of CCIs, empirical evidence suggests, provide opportunities for substantive institutionalized forms of clustering (Kind and Meier zu Köcker, 2012; EICA & CICC, 2014). In this context, cluster management groups are strategically suited to promote dialogue within and without CCI clusters including with non-CCI clusters. Institutionalizing cooperation should lead to the strengthening and broadening of networks, the discovery of synergies and the development of transdisciplinary projects. In addition, more coherent identity and business culture is established. This in turn provides more opportunities for lobbying. Also, such processes help construct a setting for productive cooperation with knowledge institutions and other industry partners. CCI cluster management should be able to remedy the relative lack collaboration between CCIs. Finally, improved access to finance facilitates new commercialized work and new start-ups (EICA & CICC, 2014; Kind and Meier zu Köcker, 2012).

Recognition of the above factors mean CCI clusters are becoming more integral to new industrial and economic development planning, including smart specialization and place-based initiatives (Chapain and Stryjakiewicz, 2017).

There is an increased invocation of CCI clusters in national level industrial and economic policies, with the majority of CCI applications having a regional or sub-national orientation. For example, the Emilia-Romagna High Technology Network accords a prime position for CCI clusters and cultural resources such as heritage assets in its smart specialization strategy to reinforce high-tech manufacturing growth (Emilia-Romagna High Technology Network, 2014). The Wallonia Creative District, an EU-funded programme (Creative Europe, 2013) looks to consolidate and diversify the creative economy in the Wallonia region of Belgium within a smart specialization approach to counter de-industrialization. The venture helps develop cooperation between creative and traditional industries and organizations. In turn, cross-sectoral and inter-industry cluster institutionalization is stimulated. Clusters are central to the initiatives looking to synthesize the competencies of the stakeholders via cross-sectoral value chains. The overall aim is to develop a large-scale creative ecosystem as a catalyst for innovation in the overall economy and thereby the sustainable development of the region (WECD, 2015).

Especially in the EU, certain CCI initiatives draw on a growing number of agencies and initiatives that have an extra-national regional dimension. The EU ChiMERA programme, for instance, aims to enhance RIS3 (Regional Smart Specialization Strategies – 3 ‘S’s) at local and sub-national level by strengthening innovative CCI clusters within regions through cooperation in a transnational network (Interreg-MED, 2016). Recent scholarship on the broad question of the embeddedness of CCI clusters reveals that the construction, expansion and maintenance of CCI and industrial clusters more generally, is far more than a technical exercise (Chapain & Stryjakiewicz, 2017). The locational patterns of CCIs sectors display a heterogeneity not usually found in traditional industries, with some sectors exhibiting a greater tendency to cluster. Policy makers need to take care not to overlook spatial aspects even when the spatial context appears of little importance (Tomczak & Stachowiak, 2015: 25). Even in cultural work which is human-capital intensive and seemingly portable, it is often a sense of place and socio-cultural influences that condition the choice of location. This is why creative professionals often opt for urbanscapes (*ibid.* 15) and are often leveraged for urban regeneration (Florida, 2005).

Not dissimilarly, a study of the Mongolian circus industry (Chuluunbaatar, *et al.* 2014) suggests that CCI development is also contingent on the ‘social aspects of creative talents’ which are important in the reproduction of a creative industry sector. A further interesting study which examines the implementation

of creative industry clusters in China, the *chuangyi chanye jijuqu* (CCSQs,) finds that despite functional and state-supported clustering, the CCSQs have not been particularly successful in fostering small creative firms and individuals. More open and critically-edged interventions taking cognizance of the ‘creative commons’ are recommended (Zheng and Chan, 2014: 9). Chapain and Communian (2010) argue for a ‘knowledge pool’ perspective to supplement cluster models and approaches. Closer attention thus is accorded ‘the wider system that enables and supports the development of creative individuals in a specific urban and regional context’ (ibid. 11).

5. The South African policy context

5.1. The question of the state and the creative economy in South Africa

The promotion of CCIs by state agencies in South Africa has been generally episodic during the period 1994-2010. In recent years there is more focus, but policy slippage in regard to the CCIs and the creative economy is still evident. From 1994 onwards, arts and culture were the purview, though not exclusively, of the then Department of Arts, Culture, Science and Technology (DACST) which was ideally placed to develop CCIs. Indeed, government, through the 1996 White Paper on Arts, Culture and Heritage (DACST, 1996) sought to ‘bring about the transformation of the Arts, Culture and Heritage and redress the legacy of apartheid in the sector’. The emphasis was on four sectors (film, music, craft and publishing) which were seen as most likely to contribute to South Africa’s socio-economic goals (GDP, employment, distribution and exports). Today it is still the default strategy for the Arts, Heritage and Cultural (AHC) sector development and by association that of the CCIs⁵. It however has lagged international best practice, and a long-overdue review process is currently underway. In addition to the White Paper, DACST initiated a Cultural Industries Growth Strategy (CIGS) that sought to construct strategies for the development of the cultural industry and to stimulate dialogue within government. To flesh out such a strategy DACST appointed a multi-disciplinary Cultural Strategy Group to conduct the accompanying study. The resultant document *Creative South Africa: A Strategy For Realizing The Potential Of The Cultural Industries* was completed in 1998, along with four sectoral reports on the Film and Video, Music, Craft and Publishing sectors (DACST, 1998). The emphasis was partly informed by the UK categorization of creative industries (Van Graan, 2006;

⁵ Government has revised the WP and is in the process of adopting it as its policy.

DCMS, 1998). This sub-sectoral emphasis was institutionalized in subsequent years by a variety of support measures by the DTI, the Industrial Development Council (IDC) and DACST (later DAC). However, of these four core sub-sectors it was film and TV that received the greater part of policy input (CAJ, 2007).

A central recommendation of the Creative South Africa document was the establishment of a public-private structure – the Cultural Industry Development Agency (CIDA) – focusing on the development of the cultural industries. The emphasis on a public-private partnership (PPP) was aligned with the Growth Employment and Redistribution (GEAR) economic strategy and related Treasury guidelines, but the initiative never gained momentum. GEAR and its attendant productions was downplayed in subsequent years, and in 2005 was supplement by the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) which was tasked to combat ‘jobless’ growth and enhance innovation and competitiveness. It identified creative industries (specifically crafts, film & TV, content, and music) as part of a set of second order priorities (CAJ and HSRC, 2008). The newly-formed Department of Arts and Culture (DAC) policy advisors observed optimistically that ‘[t]he recognition of the creative industries in the AsgiSA programme ... [would] remedy the neglect of this important sector from mainstream trade and industry policy (CAJ, 2007).

At sub-national level mapping studies of the creative industries – part of a British Council initiative – were undertaken by the Western Cape and Gauteng provinces (CAJ, 2007; Gouws 2016). This national study was finally undertaken in 2013/14 as an outcome of the 2011 Mzansi Golden Economy (MGE strategy). The MGE was a DAC controlled spin-off from the 2010 New Growth Path of the Department of Economic Development, which sought to tackle structural unemployment in South Africa. The MGE promised a more overarching approach to the creative economy, and aimed inter alia to align the 2010 National Growth Plan with the periodic Industrial Policy Action Plans (IPAP) of the prevailing national industrial policy framework which was formally outlined in 2007. The IPAP programme linked to the national industrial strategy does identify certain creative industries but within a broader process of sectoral targeting (Kaiser and Kea, 2013:91) as a means of diversifying the current industrial economy. Again, film and television took pride of policy place.

The 2011 MGE tactically improved on the research and statistical understanding of the CCIs, and in 2014 commissioned the South African Cultural Observatory (SACO). However, overall there was a lack of specificity regarding the ways and means of achieving a more integrated and inter-institutional approach for

the ACH sectors and CCIs. The National Development Plan (NDP) introduced in 2011-12 has become the touchstone for socio-economic strategy in South Africa, but it is a philosophical document with no clear pathways for achieving its long-term view. Though broader in scope than GEAR or AsgiSA, the NDP does not specifically list the creative industries (Kaiser and Kea, 2013: 91); rather emphasizing the potential of the ‘knowledge intensive economy’ which is innovative and creative, and capable of supporting a spectrum of small and medium business. Among other developments in recent years, has been the establishment of a CCI desk in the DTI, but it seems to have played a muted role in terms of inter-agency work on the CCIs. More generally, however, within the higher echelons of the national state, the institutional response to the creative economy appears under-theorized and inadequately articulated and understood.

Although the revised draft White Paper on Arts Culture and Heritage (2016) devotes an entire chapter to cooperative governance, it deals only with ‘cooperation between national, provincial and local governments’. It does however advocate the establishment of CCIs by ‘incentivising networks and cluster development, working with the private sector to secure access to finance, facilitation of creative business incubation, and provision of physical infrastructure where necessary’. There is a lack of precision regarding the CCIs, with an ancillary conflation of cultural precincts, organic clustering with formal clusters with cluster management; and the relationship with new industrial policy is not yet clearly articulated.

5.2. Industrial policy and clusters in South Africa

The South African experience with clusters is an uneven one. Post-1994 industrial policy saw an enthusiastic uptake of a cluster approach in which Michael Porter’s consultancy, Monitor Company, played a central role (IDC, 1992; Monitor Company, 1995; Haines, 2014a). Both the DTI and IDC undertook a number of cluster projects within selected industries, and a host of accompanying cluster studies were undertaken. In South Africa, the Monitor Company undertook various studies and advised government on cluster development. Although CCIs as such were not included in clusters to develop, it did recognise South Africa’s cultural and knowledge capital. A few sub-national governments also attempted to develop clusters (Haines, 2014a; Rogerson, 2008)⁶. However, with the growing appeal of Industrial Development Zones (IDZs) and the evolution of the IDP (Integrated Development Planning) approach, linking national

⁶ The Tshwane (Pretoria) Automotive Cluster is an example of a successful clusters that was developed during this period.

to sub-national planning, there was a declining interest in deploying cluster approaches (Leipzig and Dimitrov, 2015; Haines, 2014a; Pisa, Roussouw and Viviers, 2015). Furthermore, the institutional context and the importance of social capital in cluster development were underplayed (Haines, 2014a). A few ‘clusters’ have emerged organically such as in mining (e.g. the South African Mineral Processing Equipment Cluster (<http://www.saceec.com/sampec>) and in software (Chanda *et al.*, 2017).

Regional and sub-national industrial strategy has seen some modest invocation of cluster approaches but there has not been much traction. The focus of these industrial strategies has been spatial. These range from establishing incubators (Khuzwayo, 2015) to special industrial parks (such as the Innovation Hub in Pretoria that aimed to establish a high-tech cluster) to Special Economic Zones (SEZs). Part of the problem has been with the implementation and effects of spatial and institutional aspects of sub-national development strategies (Harrison and Mathe, 2010; Madell, 2015; Haines, 2014a).

Spatial Development Initiatives (SDIs), which at times took the spatial form of corridors, were seen as spearheading sub-national economic development in the 1990s and early 2000s (Haines, 2014a). However, these did not evolve into an integrated development strategy and tended to remain as sectoral concerns. Over time the SDIs have been overtaken by more a more selective focus on IDZs and SEZs. The latter were in part an update and extension of IDZs (Harrison and Mathe, 2010). Both IDZs and SEZs have been linked with cluster development but more at a conceptual level with little formal empirical evidence available. In addition, the decade saw a number of failed attempts to produce a nationwide spatial framework. In 2003 and 2006 draft versions of a National Spatial Development Perspective (NSDP) were completed (*ibid.*). The NSDP was accorded cabinet approval but was not able to generate a broad-based support. This was due in part to the perception that certain areas would be disadvantaged in the implementation process (*ibid.*). A Regional Industrial Development Strategy (RIDS) was publicized in 2006 and linked to the National Industrial Development Framework which was released in 2007. The RIDS was in part a reworking of the RILS (Regional Industrial Location Strategy) that the IDC worked on in the later 1990s and early 2000s. Both the Regional Industry Development Plan or RIDP and RILS strategy exercises saw regional policy as both sub-national and supra-national (Haines, 2014a). By contrast the macro-regional aspect is downplayed in the RIDS strategy which is essentially national in focus (DTI, 2004).

The DTI and IDC subsequently maintained a watching brief in regard to clusters. In recent years, however, there has been a something of an upsurge of interest nationally in clusters influenced by the revival of international thinking and practice on the subject. For instance, in a 2014 meeting of the DTI's Economies of Learning Network ran a workshop on Regional Industrial Clusters (DTI, 2014). The core presentation used the RIDS as the policy touchstone emphasizing that a more broad-based and decentralized process of industrialisation should have as one of its key principles the building of value chains and clusters (ibid.). In addition, the DTI established a Cluster Development Programme (CDP) as one of its incentive programmes with the aim of promoting 'industrialisation, sustainable economic growth and job creation needs of South Africa through cluster development and industrial parks'. A key objective is to improve the competitiveness of enterprises within a cluster or industrial parks. The first phase of the programme was a pilot one, where a limited number of clusters will be selected. In addition, there was to be an emphasis on industrial parks in former homeland areas or townships (DTI, 2018). In 2018, however, the DTI declared that it would not be considering any new proposals for the immediate future.

In addition to selective signs of a more substantive interest in clusters, there has a recent measure of renewed academic work on the subject. For instance, a 2015 study of cluster development in the South African tooling industry suggests that the underdeveloped state of this sub-sector would benefit from a formal cluster initiative and state funding (Leipzig and Dimitrov, 2015). In identifying industrial clusters in the North-West Province, Pisa, Roussouw and Viviers (2015) argue that the application of a cluster approach in resource-dependent sub-national regions would diversify economic activity and enhance competitiveness. They urge government at national and provincial level to assess its current capabilities and look to play in the future a catalytic and supportive role in terms of facilitating cluster development.

Creative industry clusters differ somewhat to other clusters in the sense that the businesses are concerned both with the creation and exploitation of the CCI as well as normal profit motives. The proximity of enterprises and creative practitioners in creative clusters therefore improves the competitiveness in the commercial sense and also the quality of creative products and services.

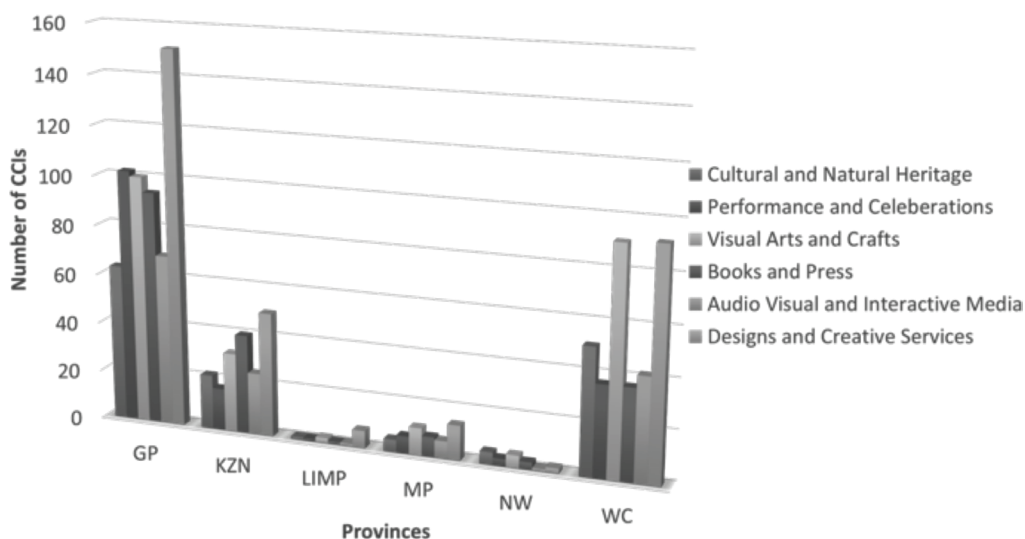
Entrepreneurship is not as strong as it should be in South Africa. It is therefore understandable that firms are often conditioned by government programmes and incentives. Therefore the current literature on clusters in South Africa pertains

essentially to government-led government initiatives (Herrington, Kew, and Mwanga, 2017). CCIs and CCI clusters have the potential to contribute to socio-economic development, however, except for the examples discussed above, little has been done in this regard.

6. Towards CCI Clusters in South Africa

Despite the lack of a comprehensive and coherent policy to develop CCI clusters, an analysis of the location of various cultural and creative firms, and comparative advantages in the various municipalities, it is clear that some CCI clusters have developed organically. SACO researchers, drawing a national sample of CCI firms from the DAC (2014) Mapping Study, show that Gauteng contains the highest number of CCIs, but that institutional and place-based explanations help explain differences in the levels of CCI sector development (Sanqo and Litvine 2016). Although KwaZulu-Natal, with a much higher population than the Western Cape, contains fewer formal CCIs than the latter. If one compares the demography of the Gauteng and Western Cape provinces, the later has a greater relative density in its CCIs. This is because the Western Cape has a longer history of layering of social and cultural capital, combined with life-style opportunities (Haines, 2017).

FIGURE 1: NUMBER OF CCIs PER PROVINCE FROM NATIONAL SAMPLE INVOLVED IN SELECT CULTURAL DOMAINS



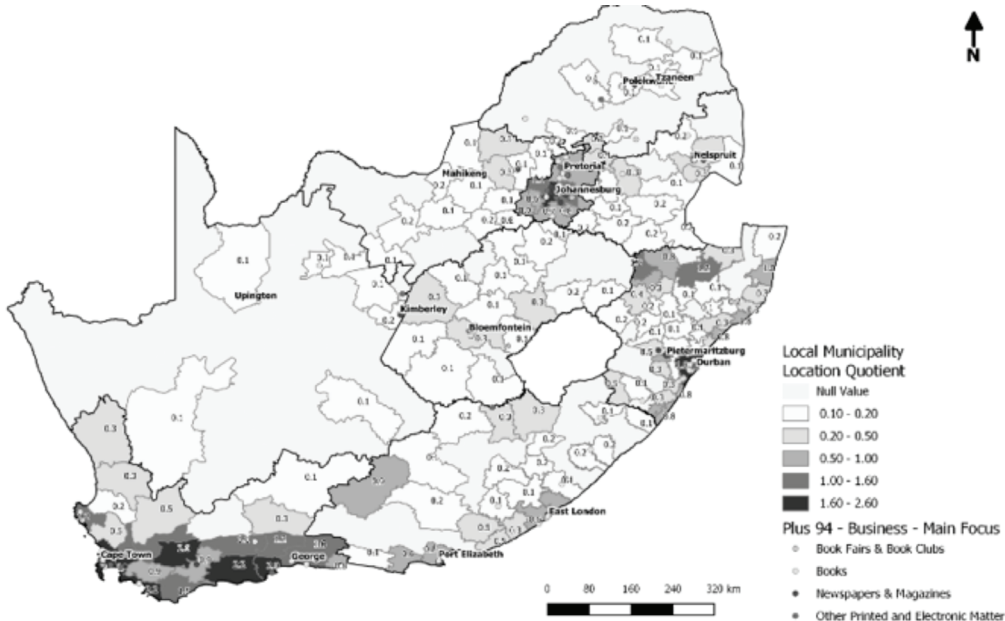
While much of the prevailing literature suggests that the use of CCIs to promote broad scale regeneration activities is only viable in larger cities or metropolises. Crozier and Parsons (2016: 66) argue that there is South African evidence that CCIs can also function as a driving force for the regeneration of rural or peri-urban areas and towns. Drummond and Snowball (2016) find a direct relationship between the number of CCIs and the degree of socio-economic development within a municipal region. They argue that the ‘establishment and/or expansion of CCI clusters has a great chance of occurring if appropriate hard and soft infrastructure is in place, and members of the creative class are present and/or are moving into the centre or area in question’ (2016; 33).

Using South African data⁷, the location quotient was calculated for the books and press domain to verify the findings above. As was found by studies cited above, the areas with a comparative advantage in printing and recorded media are generally in the metropolitan areas. The areas in Figure 2 white and light grey have a comparative disadvantage. It is interesting to note that municipalities in northern KwaZulu-Natal have comparative advantages.

The two maps (Cape Town and Gauteng) below show the location quotient together with the location of firms in the publishing sector. As a case study, books and press is used to verify findings above. As was found by other studies, the areas with a comparative advantage in printing and recorded media are generally in the metropolitan areas. The areas in Figure 2 white and yellow have a comparative disadvantage. It is interesting to note that municipalities in northern KwaZulu-Natal have comparative advantages. The two maps (Cape Town and Gauteng) below show the location quotient together with the location of firms in the publishing sector.

⁷ Using Quantec data—GVA at basic prices to calculate the location quotient, which is an indicator of comparative advantage.

FIGURE 2: MAP SHOWING THE LOCATION QUOTIENTS FOR PRINTING AND RECORDED MEDIA PER LOCAL SOUTH AFRICAN MUNICIPALITY



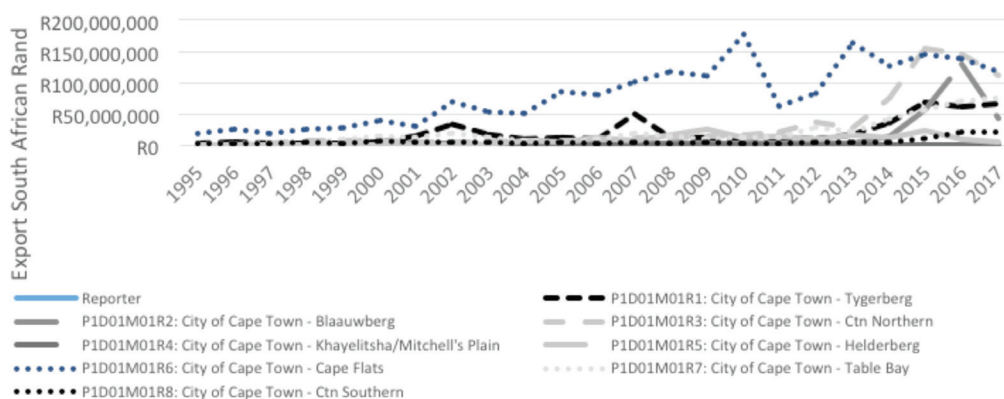
Source: Own calculations using QUANTEC.

FIGURE 3: MAP SHOWING THE LOCATION QUOTIENTS FOR PRINTING AND RECORDED MEDIA IN CAPE TOWN AND SURROUNDING MUNICIPALITIES



There is some clustering of printing and recorded media sector in Cape Town and surrounding municipalities, mainly along the City Bowl and the N2 Freeway. Despite the appearance of clustering the enterprises are not that close. These companies are, however, in an area where the location quotient indicates a comparative advantage. Historically exports were from firms located in the Cape Flats (i.e. adjacent to the N2 Freeway). This is more akin to a corridor than a cluster. In the past years however, there has been a significant increase in exports from the northern areas of Cape Town.

FIGURE 4: EXPORTS OF PRINTING AND RECORDED MEDIA



A similar exercise was done for Gauteng. It shows a similar picture although it would appear that firms in Johannesburg (central) are more closely grouped, rather than along a corridor. What this exercise shows is that even though there are the makings of clusters in the CCIs in both Cape Town and Gauteng, the groupings of companies cannot be called a true cluster. Nevertheless, there is potential for these groupings to continue developing organically or with the support of government. The return on investment from public investment into developing CCI clusters is potentially large and should therefore be pursued. As discussed above, South Africa needs an institutional framework and policies in which clusters in general but more specifically CCI clusters can be developed. The social capital that is required for clusters to work effectively must also be nurtured. National departments with sub-national government must provide the necessary support and incentives that will lead emerging CCI clusters to advance their competitiveness sustainably. Government must also strengthen its institutional – and local – frameworks first before attempting to develop a national institutional framework and the associated policies.

7. Conclusion, policy issues and recommendations

Although South Africa has a relatively long history in regard to the CCI sector and its variants, and has sought to provide institutional and fiscal support for the sector, it has not sufficiently stimulated the sector's growth. In addition, with a generally acceptable GDP contribution, the sectors have something of a Cinderella complex. The CCIs could and should be contributing more to GDP, if compared to the performance of the advanced emerging economies, considering the infrastructure and talent already in place. Part of the challenge lies with the state's management of the creative economy. Our discussion in this regard has shown that, almost by default, the development of the CCIs has been consigned to DAC and its institutional predecessors. While there have been some efforts at inter-governmental cooperation (across relevant government departments as well as across the three spheres of government) in regard to the sector, these have been modest. The promotion of the creative economy and CCIs needs to be centred within national and sub-national industrial policy. This is not to recommend a shift in regard to departmental responsibility, but rather to ensure that there is more horizontal and vertical coordination at state level in regard to policy and implementation processes for the CCI sector. In addition, current policy on the CCIs is insufficiently integrated and too top-down and statist in its application. A coordinated multi-agency approach involving the private and third sectors is suggested.

The development of the CCI sector should be one of the central pillars of a reworked national industrial policy taking note of the DTI's recent commitment to re-industrialization (DTI 2018). As argued earlier there is a range of international best practice with regard to national and regional industrial development which should inform comparative policies in South Africa. The OECD and EU experiences, can be applied fruitfully to the South African situation. These include a shift to 'smart specialization', Regional Smart Specialization Strategy (RS3), and 'place-based' approaches to enhance innovation. Also, such approaches emphasize the significance of place and space; the need to utilize the development history of a country or region. Other important themes are the centrality of partnerships and the multi-agency and multi-stakeholder governance. And as Egeraat and Doyle (2018: 107) point out, '(t)he importance of amplifying connectivity between cluster members is considered fundamental to future cluster performance across regional and sectoral boundaries'. Importantly, such resources can be cost-effective and often generated locally and regionally. The international experience suggests

that South Africa should look to a thoroughgoing industrial cluster programme as an integral part of a revised national industrial policy and regional economic development initiatives. Linked to this process should be the incorporation of a comprehensive CCI cluster intervention. Such cluster initiatives would mesh well with smart specialization and place-based approaches.

We have also highlighted the importance of cluster's embeddedness within a 'knowledge pool' or even more broadly a creative milieu. Clusters can enhance their situational aspects through developing and reinforcing social capital and networks. A specialized CCI cluster strategy would, in principle, meet the requirements of national Treasury's long-standing PPP model, and the current shift to increased fiscal restraints in certain quarters of government. Cluster initiatives are generally more effective than top-down models in the spread of funding and resources. In addition, CCI cluster strategy will need to address the variety of meso- and micro-level requirements by current South African CCIs. Such a strategy should thus be capable of nuanced and bespoke interventions. Crucial, however, is the efficacy of state coordination. As van Egeraat and Doyle argue the 'key to delivering impactful cluster policy are coordination and integration of approaches across relevant government departments and related agencies' (2018: 108).

As the Brookings Institute's Africa Growth Initiative suggests, clusters are a resource-friendly and strategic means of looking to address de-industrialization and stimulate re-industrialization in African economies. Clusters have a range of possible applications. This would include the increasing awareness of the role of clusters in fostering innovation at various levels within and without the CCIs. Such approaches take more cognizance of a series of theoretical developments in the realms of economic, economic sociology, economic geography and interdisciplinary planning theories.

The question of deploying a formal industrial cluster approach within the CCI sector, carries with it several substantive policy lessons in the case of South Africa. Post-apartheid South Africa has for over two decades looked to understand and develop the CCI sector, there has not been a sufficiently comprehensive and articulated institutional response. In terms of national industrial policy and regional economic development policy the CCI sector has not been the beneficiary of a comprehensive and focused set of policies. The sector has been stimulated primarily via a select set of sectoral interventions. There has also been a lack of articulation between the relevant departments and agencies at national and sub-national level.

Biographical Notes

Richard Haines is the academic director at the South African Cultural Observatory after serving for four years as its chief executive officer, where he played a central role in the establishment of the Department of Arts and Culture's national research arm. He has an MA in from University of Natal, and a PhD from the University of London. He is also Professor Emeritus of Development Studies in the School of Economics, Tourism and Development at Nelson Mandela University. Previously he was an Associate Professor in Sociology and Industrial Sociology, and Dean of Social Sciences at Rhodes University. Among his awards is the Victoria League Scholarship for overseas advanced graduate study.

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