

Indonesia's Creative Industry in the Trade Balance Index A Preliminary Case Study

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ABSTRACT

The trade balance illustrates the economic condition of a country related to its export and import activities. Export and import activities in Indonesia cover Oil and Gas and Non-Oil and Gas commodities, where the Non-Oil and Gas sector is of greater value than the Oil and Gas sector in both types of international trade, exports and imports. Part of the Non-Oil and Gas sector include the creative industry sector. This study aims to analyze the position of the creative industry in the International Trade Balance, as a reference material for further research regarding creative industry and its role in international trade. This study uses a literature review approach from various international journals, news, reports, and other secondary supporting data.

Keywords: industry creative, economy creative, international trade, trade balance

1. INTRODUCTION

Indonesia is a country where its economy is supported by creative economy or creative industries. Creative industries grow in various regions to form unique clusters, where they have the same characteristics of the products/services made. Indonesia has a great potential in the development of the creative industry. This is driven by a diverse culture and a large population. The role of the government both at the central and regional levels is participating in its development, where the majority of active players in the creative industry are MSMEs (Chan & Jaja Raharja, 2018). The growth of the creative industry in Indonesia has also influenced the development of Indonesia's Trade Balance. The growth of the creative industry also enlivened international trade, where several commodities in the creative industries became the mainstay in the export market. Creative industry is an industry that will never run out, because it involves elements of creativity and innovation. These elements make the creative industry a dynamic industry, because the changes follow the development of existing markets. Their

participation in international trade helped revitalize the country's economy in addition to the export and import activities of raw/non-processed commodities.

The large role of SMEs in the domestic and international markets has made the Indonesian Government pay their attention to various programs for the development of creative industries. A measure that can be seen from the growth of the creative industry is to analyze the trade balance. Therefore, this study focuses on analyzing creative industries based on the trade balance analysis approach.

2. LITERATURE REVIEW

2.1. Creative Industry

Talking about creativity, it will never end. As referred to in Skavronska's (2017) study, creativity is an endless resource based primarily on ideas and cultural characteristics. Creativity is born from knowledge, emotions, imagination, talent, spontaneity which are not visible to the eye. Creativity can be called as the ability to generate new and original ideas or it can be called as the ability to solve problems.

Meanwhile, creative industry is an industry that involves many inherent elements of art which is commercialized as an economic activity and promoted innovatively (Kontrimienė & Melnikas, 2017). Creative industries are activities of the creative economy where the industry is the most dynamic and provides many new opportunities for developing countries to grow and be creative. The concept of creative industry is a concept related to culture, technology, and creativity wrapped in economic activity. The creative industry is increasingly developing along with the dynamics of the global economy. The creative economy sector is able to create new jobs by involving higher work skills. Therefore, this sector grows more in Small and Medium Enterprises (SMEs) (Muftiadi, Un, & Raharja, 2018). Indonesia is one of the countries where the economy is supported by creative industries. Thus, there are many creative industries born and grown in various regions in Indonesia, along with their characteristics. Referring to Fleischmann, Welters, and Daniel (2017), the creative industry is an industry that involves innovation in its activities, especially in commercializing their ideas. Therefore, the creative industry can support economic development. This can be seen how the creative industries grow in groups in certain regions to form their own creative industry clusters. As in Indonesia, many creative industry clusters have been born with various uniqueness, even playing a role in international trade directly and indirectly.

Creative people become an important foundation behind the development of creative industries, because they are pioneers in the development of creative and innovative products or services. However, in a study by Astuty, Rahayu, Disman, and Adi Wibowo (2018), the creative industry workforce in Indonesia is still weak in its ability to compete in the profitability of the company. This means that many creative industries are weak in maximizing corporate profits. This is also of concern to the Indonesian government, where the Indonesian Government supports the development of creative industries through various entrepreneurial programs. The growth and development of the creative industry led to the formation of creative industry clusters that are in the same geographical scope. Therefore, the creative industries have become popular in urban and rural development strategies and can even further become new tourist attractions. Communities involved in creative industry clusters participate with one another and result in the development of branding strategies and expanding networks (Rustiadi, Kusumahdinata, Rahman, & Arsandid, 2018).

2.2. Creative Industry within the International Trade

There have been many studies discussing market internationalization in the SME sector. Competition in the domestic market is almost as competitive as in the international market. Therefore, even though the company is small and has just entered the market, it can directly compete in the international (Felzensztein, Deans, & Dana, 2018).

Based on a variety of literature, the creative industry in Indonesia is dominated by SMEs. Even though the companies are only small and medium scale, they also have the opportunity to export as large as large companies. The role of SMEs in the international market is supported by technological developments, regional economic cooperation agreements, and freedom of trade across countries, so that they gain new experience to increase their competitiveness and presence in the international market (Hashim, 2015).

Despite having great opportunities to enter the international market, all types of companies also have the same export constraints, covering internal and external constraints. Internal constraints include knowledge of export/marketing, human resources, finance, inability to adapt products, and inability to meet international market expectations with quality standards. Meanwhile, external obstacles include the inability to understand customers, and government regulations in the country of origin and destination, complex buyer requirements, raw material suppliers, and also other external constraints (Gebrewahid, 2016; Rivani, Raharja, & Arifianti, 2018).

In Carayannis, Acikdilli, and Ziemnowicz's (2019) study, the role of developing countries is increasingly developing in international markets, this is due to the low-cost factor and the ease of trade traffic which cause mutual integration in the world economy. Further, in R. Eftekhari Targhi, Ramezani Rad, and Rezaeezadeh's (2017) study, government programs related to SMEs have a large impact on the development of SME exports, but they still experience difficulties in pricing strategies. SMEs are a company that has a simple organizational structure, thus saving time and costs in its business operations.

Indonesian products are able to compete in the Indonesian market with their creativity. Therefore, many creative industries both individually and in clusters have entered the international market. The Government, through the Indonesian Creative Economy Agency (Bekraf), gives more attention to the development of creative industries in both the domestic and international markets (Badan Ekonomi Kreatif, 2017). Basically, the creative industry is an industry that will never die, because creativity will continue to develop. The creative industry is one of the solutions in the Indonesian Trade Balance outside the Oil and Gas sector or the raw material sector which is exported abroad. This is because creative industries are not exported based on quantity and raw prices, but they are exported at value added prices.

3. METHODOLOGY

There are many studies related to the creative industries in Indonesia, but only few studies have discussed the creative industries through the Trade Balance Index approach. Therefore, this research focuses on the analysis of the Trade Balance Index in general, to see the position of the creative industries in Indonesia in terms of the Trade Balance Index. This study uses a desk research approach or based on literature studies from various international journals, news, government reports, and other qualitative

secondary supporting data (Creswell, 2007). The purpose of this study is expected to be one of the reference materials for conducting further research on the development of the competitiveness of the creative industries. The TBI calculation used is $TBI = \text{net trade}/\text{total trade}$ (TBI values, -1 to 1).

4. ANALYSIS AND DISCUSSION

4.1. Indonesia's Trade Balance

The value of exports and imports seen from the trade balance is quite volatile. It can be seen in Table 1 that the value of the Non-Oil and Gas sector is always greater than the Oil and Gas sector in both exports and imports. Table 1 illustrates the condition of Indonesia's trade in the international market which still shows a minus or deficit position for the oil and gas sector from 2015 to 2020. However, it is different from the non-oil sector which shows a surplus. This means that the Non-Oil and Gas sector is a sector that supports the economy in Indonesia and plays an important role in the trade balance (Kementerian Perdagangan Republik Indonesia, 2020)

Table 1. Indonesia's Trade Balance

INDONESIA'S TRADE BALANCE 2015 – 2020									
US\$ Million									
DETAIL	2015	2016	2017	2018	2019	Trends (%) 15-19	2019	2020	(%) 20/19
TOTAL TRADE	293,061.1	280,839.0	325,813.7	368,724.0	338,958.7	5,79	140,307.1	124,521.1	-11,25
OIL AND GAS	43,187.5	31,844.7	40,060.3	47,040.1	33,673.7	-1,07	14,180.4	10,252.2	-27,70
NON-OIL AND GAS	249,873.5	248,994.3	285,753.4	321,683.9	305,285.1	6,79	126,126.7	114,269.0	-9,40
EXPORT	150,366.3	145,186.2	168,828.2	180,012.7	167,683.0	4,43	69,084.4	64,378.3	-6,81
OIL AND GAS	18,574.4	13,105.5	15,744.3	17,171.7	11,789.2	-6,19	5,001.8	3,399.1	-32,04
NON-OIL AND GAS	131,791.9	132,080.8	153,083.9	162,840.9	155,893.8	5,60	64,082.6	60,979.2	-4,84
IMPORT	142,694.8	135,652.8	156,985.6	188,711.4	171,275.7	7,20	71,222.7	60,142.9	-15,56
OIL AND GAS	24,613.2	18,739.2	24,316.0	29,868.4	21,884.4	2,34	9,178.6	6,853.0	-25,34
NON-OIL AND GAS	118,081.6	116,913.6	132,669.5	158,842.9	149,391.3	8,08	62,044.1	53,289.8	-14,11
TRADE BALANCE	7,671.5	9,533.4	11,842.6	-8,698.7	-3,592.7	0,00	-2,138.3	4,235.4	298,07
OIL AND GAS	-6,038.8	-5,633.8	-8,571.7	-12,696.7	-10,095.2	-20,20	-4,176.8	-3,453.9	17,31
NON OIL AND GAS	13,710.3	15,167.2	20,414.3	3,998.0	6,502.5	-24,61	2,038.5	7,689.4	277,21

Source: Kementerian Perdagangan Republik Indonesia (2020)

Referring to BPS 2020 data, there are 10 main categories of goods in the Non-Oil and Gas Export sector based on the FOB value, i.e. Mineral Fuels; Animal/vegetable fats and oils; Iron and steel; Precious metals, jewelry/gems; Electrical machinery and equipment; Vehicles and parts; Rubber and rubber goods; Footwear; Mechanical machinery and equipment; and Paper, cardboard and articles thereof. These ten main categories of goods are commodities that have fairly stable sales each year or are in the top 10 exports in Indonesia. The accumulation value exceeds half of the total export value of Non-Oil and Gas commodities. In fact, according to the statistics data for export from January to May in 2019 and 2020, it shows more than 90%, Non-Oil and Gas exports dominate the total export value (Badan Pusat Statistik Indonesia, 2020).

The Non-Oil and Gas sector also show contributions from the role of the creative industry in the surplus balance. Referring to the classification of creative industries based on the direction of Bekraf, there are 16 types of creative industries in various regions in Indonesia, including architecture; design interior; visual communication design; product design; film, animation and video; photography; craft; culinary; music; fashion; application and game developer; publishing; advertising; television and radio; performing Arts; and fine arts.

Based on statistical data in 2016, the highest export value in the creative industry sector by province of origin is West Java with an export value of US \$ 6.39 billion or 31.96% of the total exports (Badan Ekonomi Kreatif Republik Indonesia & Badan Pusat Statistik Indonesia, 2017). This reinforces the existing literature that West Java is one of the center of creative industries in Indonesia (Astuty et al., 2018; Dhewanto, Lantu, Herliana, & Anggadwita, 2015; Hartono & Sobari, 2016; Irreztia, 2017; Rustiadi et al., 2018)

4.2. Indonesian Creative Industry

According to data referenced from Badan Ekonomi Kreatif Republik Indonesia (2017) data, there are 7,842,348 creative industries with 1-4 employees. From the total creative industries in Indonesia, about 8,203,826, or more than 95% of the creative industries are dominated by SMEs. As discussed in the literature, SMEs have the advantage of participating in international markets. In addition, Indonesian SMEs' creativity has been widely recognized in the international market, one of which is in the fashion industry or footwear. Footwear entered the 10 main groups of exports in Indonesia. Based on the results of the analysis using the Trade Balance Index (Table 3), this supports the theory of the creative industry in terms of SMEs. This means that SMEs have great potential to be improved in the international market by taking into account all supporting aspects, such as product adaptation and regulatory matters relating to international trade.

Table 2 shows that the creative industries accounted for more than 10% of total exports since 2014, where growth was significantly increased. In 2016, of the 16 sub-sectors of the creative economy, there are 7 mainstays of Indonesia's creative economy subsector in the international market, i.e. fashion, crafts, culinary, publishing, music, fine arts, and film, animation, video. Of the seven subsectors in 2016, the export value of 90% was dominated by the fashion subsector (US \$ 10.90 Billion) and crafts (US \$ 7.79 Billion), 6% by the culinary subsector (US \$ 1.26 Billion), and the remainder is by the fine arts subsector (US \$ 3 Million), music (US \$ 14 Thousand), film, animation and video (US \$ 1.2 Thousand) (Badan Ekonomi Kreatif Republik Indonesia & Badan Pusat Statistik Indonesia, 2017).

Table 2. Comparison of export based on creative economic, non-oil and gas export, and total export in 2010-2016

COMPARISON OF CREATIVE ECONOMIC EXPORT, NON-OIL AND GAS EXPORT, AND TOTAL EXPORT 2010-2016								
(US\$ Million)								
DESCRIPTION		2010	2011	2012	2013	2014	2015	2016
EXPORT VALUE	CREATIVE ECONOMY	13,51	15,64	15,44	15,87	18,16	19,36	19,99
	NON-OIL AND GAS	129,74	162,02	153,04	149,92	145,96	131,79	132,08
	TOTAL OIL AND GAS AND NON-OIL AND GAS	157,78	203,5	190,02	182,55	175,98	150,37	145,19
THE ROLE OF THE CREATIVE ECONOMIC EXPORT	AGAINST NON-OIL AND GAS EXPORT	10,41%	9,65%	10,09%	10,59%	12,44%	14,69%	15,13%
	AGAINST TOTAL EXPORT	8,56%	7,69%	8,13%	8,69%	10,32%	12,87%	13,77%

Source: Badan Ekonomi Kreatif Republik Indonesia & Badan Pusat Statistik Indonesia (2017) based on the value of Goods Export Notification

Figure 1 is a comparison of the role of their exports in 2015 and 2016, it appears that fashion is a creative industry that dominates the export market, then followed by craft and culinary. The graph illustrates that the fashion commodity in Indonesia is in demand in the international market with a role of more than 50%. This means that the potential of the creative industry is so great in international trade, as illustrated in Table 2. More than 10% of total exports are contributions from the creative industry.

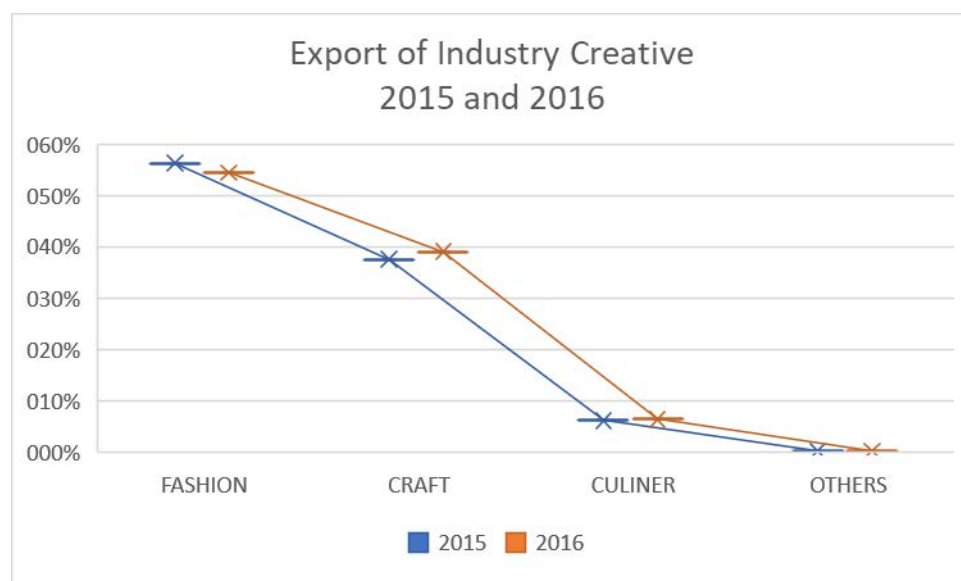


Figure 1. Graphic of the role of creative industries in the export sector based on the value of Goods Export Notification (Badan Ekonomi Kreatif Republik Indonesia & Badan Pusat Statistik Indonesia, 2017)

Table 3. Trade Balance Index of Indonesian Creative Industry

Category	HS Code	Product label	TBI 2015	TBI 2016	TBI 2017	TBI 2018	TBI 2019
Culinary	'16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	0.905	0.892	0.915	0.922	0.914
	'18	Cocoa and cocoa preparations	0.633	0.559	0.268	0.276	0.217
	'19	Preparations of cereals, flour, starch or milk; pastry cooks' products	0.380	0.443	0.467	0.430	0.368
	'20	Preparations of vegetables, fruit, nuts or other parts of plants	0.336	0.169	0.189	0.090	0.070
	TBI			0.563	0.516	0.460	0.429
Publishing	'49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, ...	-0.424	-0.634	-0.703	-0.698	-0.683
Fashion	'61	Articles of apparel and clothing accessories, knitted or crocheted	0.898	0.901	0.870	0.829	0.800
	'62	Articles of apparel and clothing accessories, not knitted or crocheted	0.894	0.884	0.858	0.824	0.826
	TBI			0.896	0.892	0.864	0.826
Craft	'64	Footwear, gaiters and the like; parts of such articles	0.830	0.809	0.778	0.745	0.669
	'68	Articles of stone, plaster, cement, asbestos, mica or similar materials	-0.397	-0.345	-0.435	-0.530	-0.530

	'69	Ceramic products	0.024	-0.059	-0.110	-0.300	-0.280
	'70	Glass and glassware	0.062	-0.032	-0.173	-0.158	-0.192
	'57	Carpets and other textile floor coverings	0.830	0.809	0.778	0.745	0.669
	'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	-0.721	-0.641	-0.765	-0.806	-0.839
	TBI		0.105	0.090	0.012	-0.051	-0.084
Photography	'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	-0.559	-0.626	-0.626	-0.661	-0.645
Music	'92	Musical instruments; parts and accessories of such articles	0.582	0.586	0.610	0.582	0.569

Source: International Trade Center (2019) calculated by authors

The TBI analysis in table 3 shows that not all creative industries in Indonesia are positive or have a surplus in the trade balance. TBI analysis is taken based on the two-digit HS Code. As seen in the TBI of Indonesian crafts, the value is minus in 2018-2019, due to the import value that is greater than the export value. Even though in terms of export value crafts are one of the mainstays of Indonesian exports, it can be seen from the statistical data that crafts rank the second largest export after fashion. Based on the results of TBI calculations, it can be seen that the fashion industry is a strong industry in terms of export value and in terms of TBI calculations, followed by music and culinary commodities.

5. CONCLUSION

From the results of analysis related to the creative industry in the international trade balance, it can be seen that the role of the creative industry in international trade is quite important. More than 10% of them contribute to total exports and are increasing every year. The Indonesian Government, both central and local governments, coordinate with each other to develop creative industries in Indonesia, with various creative industry development programs, where opportunities to enter the export market are open within the scope of the cluster. The results of the analysis and discussion of TBI in the creative industry sector show that the fashion industry has strength in terms of Indonesian exports with an average TBI value above 0.8. This means that the Indonesian fashion industry is a mainstay of exports and plays an important role in Indonesia's creative economy.

Although the majority of creative industries are SMEs, they are able to contribute to international trade with all the limitations they have. Relying on creativity, innovation, and networking makes them able to enter the international market. Of all types of creative industries, the fashion, craft, and culinary sectors are the mainstays of Indonesia's total exports.

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