

CREATIVE ECONOMY IN THE DEVELOPING WORLD – THE DEVELOPED and THE DEVELOPING CITY

Introduction

“... much remains to be done in both the developed and developing world to really harness the so-far unexploited potential of creativity for the benefit of urban populations” *Creative Cities, UNESCO*

Globalization has opened economic and social prospects for developing countries, while imposing tremendous pressures of crossing the economic divide that exists between the developed and developing world. This paper explores the integration of a creative economy in the sustainable development of economically disparate regions, where culture and creative industries can be conducive to the regeneration of developed and developing regions.

India, now among the forerunners of the global economy, is experiencing a development rate faster than has ever been observed since its independence. A major role in this growth is that of India's liberalization of its economy and the wave of globalization that followed. In this way India is representative of developing nations around the world that are striving to cope with the demands of global integration. This paper discusses the role a creative economy can play in the development of a country like India, while its economy adjusts to the imbalances of globalization.

The impact of India's rapid growth is seen in the proliferation of new urban centers¹ in the last two decades. In spite of its increasing development, India's socio-economic realities place it at two extremes of the economic spectrum, and its landscape epitomizes the concerns of the pro- and anti-globalization lobbies. The paper focuses on the conception of a creative economy as a bridge to cross this increasing economic divide between developed and developing regions. Through a discussion of the factors that contribute to the disintegration of cities, this paper explores the capitalization of resources and creative activities for the regeneration of developed cities like Bombay, and the economic diversification of developing cities like Bangalore.

Further, the predominant phenomenon of informal sectors in developing nations is also addressed and strategies proposed to empower and cultivate this sector to the economic benefit of the overall economy.

1. Globalization: Economic Divide between the Developed and Developing World

“we fundamentally think that globalization is a good thing. However we need to find ways to make it work for the benefit of all” David Robinson, International Monetary fund.

1.1. Global Implications

Globalization is the process of increasing connectivity and interdependence of the world's markets and businesses. While the World Trade Organization and the World Economic Forum view globalization as an opportunity for all, the anti-globalization lobby concerns itself with those sections of people who are deprived in terms of resources and are not currently capable of functioning within the increased competitive pressure that is brought about by integrating economies.

Developing economies, such as those of East and South Asia are now experiencing tremendous transformation and faster growth than most other developed economies – at an

average rate of 7% per year (World Bank). The last few decades have witnessed major developments in the world economy leading to a shift of focus from the US and Europe, to India and China. The highly educated, highly skilled workers in developing countries such as India and China have enjoyed massive wage increases as economic liberalization has created an ever-greater demand for their services.

The Indian Economy Review notes, the share of India, in world GDP is expected to rise from 6 per cent to 11 per cent in 2025, hence emerging as the third pole in the global economy after the US and China. With the recent figures² released by the World Bank for 2004, India seems to be well on its way to achieving this position. By 2025 the Indian economy is projected to be about 60 per cent the size of the US economy. The transformation into a tri-polar economy will be complete by 2035.

While this paints a very progressive picture of globalization and is undoubtedly true, there exists an inherent effect - widening disparities of income among countries. Gardner, Assadourian and Sarin note that between 1960 and 1995, the disparity in GDP per capita between the 20 richest and 20 poorest nations more than doubled. This inequality between countries and the impact on essentials such as health and education lends even more urgency to reducing the gap between the developed and developing world.

1.2. National Implications: India in Review

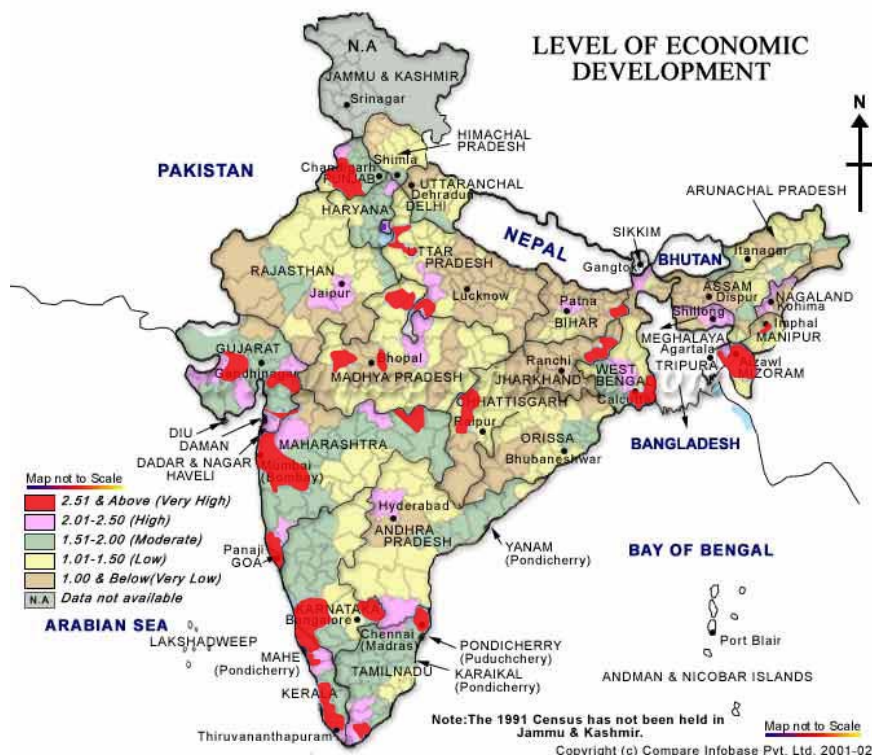
While India is developing as a giant only second to US and China, this development can only ignorantly be assumed as prosperity across the nation. A slightly closer look at the economic and social structure of the country unravels the bizarrely contradictory nature of this predicted superpower. The latest census information, illustrated in figure 1 below, shows the concentration of high economic development around major centers, while a majority of the country shows a very low rate of development.

The true driving engines of the country have been the four metropolitan regions, Bombay (Mumbai), Delhi, Calcutta (Kolkata) and Madras (Chennai). For the past 6 decades, they have been the employment magnets, education centers, industrial hubs and the trade cores, making them the most developed cities in the nation as well as the most diverse economies. These developed cities have historically attracted migrants from varying backgrounds, eventually leading to overpopulation of these cities, low levels of education and extreme poverty only resulting in disintegrating social and physical structures.

While India has strived hard in the direction of socio-economic reforms to overcome institutional and infrastructure bottlenecks, its cities are lagging far behind their global competitors. Where even urban India is yet to achieve its aspired status, rural India comprising of over 60% of the country's population, experiences an absolute absence of basic amenities and infrastructure. This triggers patterns of rural-urban migration into developed cities, in search of better standard of living and employment.

This trend of migration, to the already overpopulated cities, contributes heavily to elevated levels of poverty, illiteracy and crime. As such, some of the pressing challenges³ faced by the Indian economy, as enumerated in the Indian Economy Overview, include sustaining growth, controlling population, expanding industry and providing education and healthcare.

Figure 1: Economic Development in India



Source: e-censusIndia, N 2 of 2001

1.3. The Developed City: Bombay, The Economic Engine

Bombay continues to have an undisputed significance in the Indian economy. Now home to nearly 12 million⁴ people, it contributes to 3 % of the country's GDP. Bombay is the financial capital of India and probably the best-known face of India to the international community. Nearly one-third of the country's foreign trade, in terms of value, is handled here, and a similar proportion of India's software exports originate from Bombay. Soman describes Bombay's socio-economic structure as radically changed from its time as an immense manufacturing based economy.

For reasons discussed above, Bombay continues to generate rural-urban migration owing to its diverse economy and opportunities. However it has been observed that while migration rates into Bombay have progressively decreased (appendix 1), statistics suggest that population influx may have been diverted to neighboring cities within Bombay's sphere of influence (appendix 2). This implies a continued outward expansion of Bombay beyond its formal geographical limits, imposing severe pressure on the city's infrastructure.

Another aspect of rural-urban migration is observed in the comparatively low sex-ratio⁵ within the city. Workers migrating from rural areas are forced to take up informal sector jobs due to their lack of skills and education (discussed in detail in section 3), which translates into lower wages and standard of living, contributing to the proliferation of slums in the city. The uncertainty of employment and living situations compel these workers to leave their families behind.

Thus, while the economy of the city flourishes, the social and physical aspects of the city suffer degeneration. These trends clearly indicate that while infrastructure upgrades and amenities are crucial in the large cities, simultaneously, opportunities need to be created in small-towns and rural areas that will generate employment for the potential migrant.

1.3.1. Employment Trends

Although the employment generating capacity of Bombay attracts migrants to this city, the bulk of new jobs created in recent years have mostly been in the unorganized service sector (discussed in informal economy). While formal sector jobs in the services sector have been on the rise, they have been unsuccessful at counter-balancing the loss of formal sector jobs, caused by the exiting manufacturing industry. This results in rising employment opportunities in the informal sector with a corresponding decrease in the formal sector (appendices 3 and 4).

1.3.2. Shift in Economic Sectors

While the above indicates a significant shift in the employment sector, Bombay has undergone a parallel shift in the economic sectors as well. Manufacturing activities of the past, like the textile industry, have gradually given way to higher value added services, mainly the financial services (appendix 5). The closure of textile mills and subsequent large-scale relocation of engineering, chemicals and pharmaceutical industries, due rising real estate prices and high wage costs, accelerated the decline of the industrial sector. The services sector now contributes 64% to Bombay's net domestic product and equivalent to 25% of the state of Maharashtra.

1.3.3. Income Disparities

A study by the Business Intelligence Unit (BIU) concludes that Bombay has the highest purchasing power among major Indian cities. However, statistics also show that there is a contradictory economic fact, which illustrates the skewed income distribution in Bombay as compared to other cities. As compared to other cities, Bombay has a significantly high percentage of households (34%) in the high-income⁶ bracket earning more than \$2600 annually. Conversely, the percentage of households (18%)⁷ in the low-income bracket earning less than \$850 annually is also among the highest in Bombay.

This disproportionate income distribution, a gaping hole in the formal sector jobs, the ever-expanding edges of the city and an unending inflow of uneducated and unskilled slum dwellers are the most serious socio-economic problems in Bombay that demand immediate attention. These conditions call for strategies to capitalize on the available resources in terms of manpower, and direct it towards creative activities making use of the available infrastructure and Bombay's position as a global platform, thus dispersing its economic and social advantages through all crosssections of its population.

1.4. The Developing City: Bangalore, the new face of the economy

In Dateline Bangalore: Third World Technopolis, Stremmler has described Bangalore as 'a gateway to new global frontiers'. Now Asia's fastest growing city, Bangalore's population is projected to increase by 38% by the year 2015 (appendix 6). This steep population growth in the city is directly attributable to the thriving software industry.

With a history as a vital electronics city, Bangalore's existing resources and competitive advantages provided the perfect setting for the advent of new-technology. Bangalore is now home to subsidiaries of IT multinationals like Texas Instruments, Motorola among others⁸, providing high-end services in research and development. The city also houses several Indian owned firms operating at the lower end of the software value chain. In its evolution as Asia's silicon valley, Bangalore is also emerging as a key hub in the new trend of Global Software Testing Outsourcing⁹. According to the Times of India, this industry is growing at a rate of 90% annually and is estimated by the Bangalore Development Authority to generate 100,000 jobs in the next 3 years.

A closer look at the social and physical configuration of Bangalore, explains the concentration and fierce growth of this high-end industry in the city. Bangalore's most precious resource is the abundance of skilled, but low cost software programmers and

engineers. The ability of these young professionals to produce quality software and deliver it on time has attracted and retained business in the software industry. The relatively low real estate pressures and the advantages of its geographical location along with the increasing cosmopolitan culture, make this city a coveted destination for both employers and professionals. Lateef notes that developmental changes also reflect the "Westernized" tastes of the expatriates and the Indian educated elite, who have come to Bangalore to set up software development firms.

At this stage of rapid economic development, the city requires a re-assessment of its growing dependence on the software industry and lack of a multi-faceted economy. In order to promote sustainable growth, Bangalore needs to establish a diverse economy to support and provide for its growing population. The increasing number of highly educated professionals, the rising economic abundance, and the urgent need for a diverse economy are factors that are favorable and conducive to generating and promoting a creative economy.

2. Creative Economy: Luxury or Necessity

As Monika Wulf-Mathies (EC) observes, culture is not merely a public occupation creating extra costs. Instead, it is an increasingly important part of the private economy with considerable growth potential, fostering creative, innovative and productive effects for the regional and local economies.

Creative Cities points out the failure of society to apply the accepted attributes of creativity to the urban level and to work out a system in which all sectors are working creatively together. Regeneration, is more than simply physical and infrastructure improvements alone, and involves the human dimension to a large extent. If regeneration is to be self-sustaining, people need to feel engaged, have the opportunity to give their best and be empowered.

Contrary to old thought, the arts and culture are no more a luxury for the affluent societies. Creative activities play an important role in an economy as the demand for cultural and creative goods and services grows, and technology opens up new opportunities in the global marketplace. Based on the belief that culture is more than just an expensive public good but can play an important role in urban renewal as well, the concept of 'creative cities' has been most thoroughly tested so far in response to the economic decline of industrial cities in Europe, the US and Australia over the last two decades. Similarly, developed and developing cities like Bombay and Bangalore are equally in need of urban regeneration through culture. Be it with the objective of redevelopment or to generate a diverse economy, exploring the benefits of a creative economy may counter social and economic decline within and around these centres.

2.1. New Thinking

The Creative Economy Initiative illustrates the factors that warrant a new approach to economic vitality;

- The models we have long relied on to define industry sectors, competitive factors and occupational demand are constantly changing. The new economy favors knowledge, communication and innovation when it comes to assigning economic value.

- Demographic shifts have created niche audiences and new markets in response to increased wealth and leisure time. This means opportunity related to arts, recreation and tourism activities, as well as greater emphasis on quality and design of products and services.

- The digital economy makes it possible to do what we want from wherever we want, which means people are more likely to locate in the community of their choice. This increases the importance of quality of life issues.

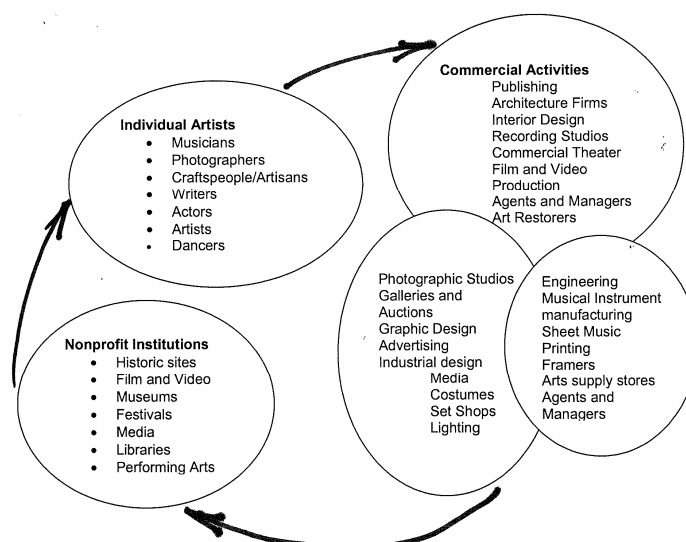
2.2. Lessons from around the World

2.2.1. The Creative Economy Initiative

In the case of New England's Creative Economy Initiative, a study restructuring the economic entirety was conducted in an effort to recognize and leverage the growing role of arts and culture in the local economy. This research provided proof and a comprehensive measure of the creative sector's economic significance and potential growth.

An investigative study of the Indian economy reveals the absence of a defined creative sector. Traditionally India's economy has been defined by three sectors that encompass all economic activity. Where Agriculture, Industry and Services are the 3 sectors of the Indian economy, a further breakdown of these will show that each sector has a dominant presence of several creative activities that contribute to the economic structure as a whole. In order to understand the role of existing creative activities within the Indian economy, the various components of such an economy need to be recognized.

Figure 2: The Creative Cluster



Source: New England Council Report, June 2000

The New England Council Report lists three key components of this Creative Economy, and their role in the competitiveness of a region (appendix 7);

- **Creative Cluster** – those enterprises and individuals that directly and indirectly produce cultural products (figure 2).
- **Creative Workforce** – thinkers and doers trained in specific cultural and artistic skills who drive the success of leading industries.
- **Creative Community** – the geographic area with a concentration of creative workers, creative businesses and cultural organizations.

A similar study in the Indian context will reveal the presence of arts and culture in every strata of society. Independent of economic abundance, the arts and culture have a resounding presence in the most affluent areas, the middle-income neighborhoods as well as the low-income areas. Identifying the creative sector and its potential contribution to the economy must be the logical next step towards unlocking and promoting the growth of an existing core competency of India – arts and culture - at the local, regional and national level.

2.2.2. The Huddersfield Creative Town Initiative

The Huddersfield Creative Town Initiative was based on a clearly identified quarter of the town- an emerging media center. The Kirklees media center seemed to come together and grow at a time when commercial establishments in the surrounding business area were crumbling under disinvestment. The proponents of the project hypothesized that from the core of this media quarter the creativity of the town can grow indefinitely, replenished by the constant release of human capital. The goal was, to get into motion, a cycle of creativity which would continue to drive the sustainable growth of innovation long after the funding for this pilot project was expended.

This idea, which is primarily based on utilizing abundant human capital, and the potential of an area's budding specialty, has all the makings of a strategy that a country like India should explore. Such creative town models can be applied and executed all over a city, region or nation-much like a franchise. A streamlined approach is required towards identifying one region at a time to set up such franchises-'creative towns'- which would then serve as a model for the next generation of creative towns to be included in the initiative and implemented around the country.

Each of these centers would need to be customized for their existing expertise, local resources and talent and social structures, yet following the base idea that starts with 'Enhancing the Ideas' and ends at 'Dissemination and Distribution'¹⁰.

India, a country with a rich cultural heritage, upcoming centers of design excellence, specialty areas of media, a thriving film industry, wealth of handicraft centers, sculpturers' and painters' workshops and other arts oriented setups, has plenty of parallels to the Huddersfield media center. This inherent nature of the country's diverse culture, where the arts play a vital role in the daily functioning of society makes for the perfect laboratory to expose and highlight the creative economy which already exists but has been curtailed by the factories and slums of cities.

2.3. Leveraging Existing Initiatives to Foster a Creative Economy

India has a rich tradition of handicrafts and artisanal production. Unlike other countries where industrialization has displaced most handicrafts, the government of India has followed a deliberate policy to promote artisans. With the liberalization of India's economy many of its artisans were able to take advantage of global markets. The small-scale sector doubled in size between 1991-98. Presently there are 10 million skilled craftspersons in the country, contributing \$5.6 billion to India's GDP. The artisanal is also a major contributor to India's export earnings.

The policies to encourage small-scale sector took the form of preferential excise tax rates, easing of restrictive labor laws, and reservation of scarce market items. Targeted policies have been introduced to promote and strengthen small, tiny and village enterprises, including acquiring technology, assistance to unemployed youth, and assurance of access to raw materials.

With such initiatives promoting creativity, are well underway in India, below is a discussion of some new trends that may prove beneficial towards the development and progress of a mushrooming creative economy.

2.3.1. New Urban centers

The emergence of new towns as manufacturing, service and trade centers all over India, indicates the divergence from the traditional urban centers. Either as part of regional policy or purely by virtue of their local resources, these towns are attracting businesses and becoming generators of employment.

The National Capital Region Planning Board set up in 1985 has formulated plans for developing satellite towns around the metropolis of Delhi. Plans include education and housing institutes of world-class standards along with diverting industries from the capital into these towns. Business Process Outsourcing is now expanding from Bangalore and Bombay, to other towns of equal potential like Pune, New Bombay, Calcutta, Hyderabad and Secunderabad, Gurgaon, Noida, and Chennai. Experiences with creative economy initiatives have shown that industries in fields such as TV, cinema, multimedia, music, books and festivals can flourish in cities that provide efficient transport, communications and social protection infrastructure, combined with coordinated public policies that encourage innovation and small businesses in the creative field. The emerging new economic centers in India need to be exploited to discover and establish them as creative centers where creative communities can thrive without the financial and geographic pressures of the developed cities.

2.3.2. Special Economic Zones

Special economic zones are a controversial economic tool, being implemented by several developing nations. While it is speculated whether SEZs are an economic asset or a liability, these zones, when implemented in conjunction with the creative and informal sector, can prove extremely beneficial, and through mutual exchange these can generate tremendous economic activity.

Thirty years ago, 80 special economic zones (SEZs) in 30 countries generated barely \$6 billion in exports and employed about 1 million people. Today, 3,000 SEZs operate in 120 countries and account for \$600+ billion in exports and 50 million direct jobs. By offering privileged trading terms for manufacturing-based exports, SEZs can attract investment and foreign exchange, spur employment, and boost the development of improved technologies and infrastructure. Due to this, critics¹¹ believe that costs of maintaining zone privileges do not benefit the rest of the economy and, instead, lead to enclaves of prosperity.

With initiatives like the Special Economic Zone (SEZ), an adept economy such as India has a proven track record of developing a system of economic activity that lies outside the purview of state controls. In other words, such a setup of economic activity will become an umbrella for an informal but crucial activity zone. This informal economy, owing to its inherent qualities, will only prove profitable to an already subsidized SEZ. Further, the integration of the creative sector can enhance the capabilities of SEZs in terms of diversity of manufacturing-based export production. Thus, in establishing SEZs, the creative sector and the informal economy need to be acknowledged and policies formed to formalize these sections, which may be the much-needed economic boost to make the SEZs viable.

2.3.3. Infrastructure Investment

In the effort to cope with the new global environment, availability of both physical and social infrastructure is central to sustainable economic growth. Viable infrastructure will ensure the connection of regions to emerging creative economic centers thus providing an increasing market for creative activities. Local and regional agencies are making considerable investments in new and upgraded infrastructure. Large cities are investing in establishing viable connections between developed areas and remote regions to enhance exchange and benefit. Such connections are crucial in the effort to disperse the advantages of economic development across regions.

India's steps in this direction of improvement include, upgradation of all major international airports around the country to provide capacity and world-class facilities. New plans include 41 airports around the country. Similarly ports on both the eastern and western seaboard are being upgraded. The proposed Golden Quadrangle Highway and the North-South and East-West corridors will connect the vast subcontinent of India, not only making distances shorter, but also overcoming the lack of a crucial network in the country. Established cities

like Bombay, Delhi and Hyderabad are improving transportation corridors and opening the mainland to surrounding areas, much like the Sewri-Uran overseas bridge in Bombay. This counter magnet to the mainland is expected to absorb development pressures in the city, and reduce migration into cities by allowing workers to commute to Bombay on a daily basis for employment. Such extensive efforts will undoubtedly make distant markets more reachable and bring the business community into an ever-decreasing circle.

2.3.4. Redevelopment in Bombay

Several redevelopment efforts are underway in Bombay in an effort to provide more housing and infrastructure. The most striking and unique of these is the redevelopment of the textile mill lands that have been subject of heated controversy. The closure of the textile mills has made prime land available for redevelopment in central Bombay. Availability of such vast contiguous land, measuring 600 acres¹², right in the heart of the city is a rare occurrence and must be capitalized on to provide those amenities that are deficient in the city.

An opportunity such as this is ideal to spur redevelopment efforts, which have the potential to affect surrounding areas due to its central location. Considering the heritage of textile mills and their central location, these lands present an opportunity for establishing a unique cultural core in the city. Development plans for this area need to consider the integration of creative activities, within a creative community along with cultural amenities for the general public. Artists' villages, creative arts and media centers and multifunctional public open spaces are some uses that can revitalize this area and bring regeneration through culture.

However such is not the intention of the redevelopment plans drafted for this area. On the contrary, the lands are being sold to isolated developers for residential development. As noted by Correa, if the development is undertaken unilaterally by different developers, without any coordination or provision for city amenities, this opportunity will be frittered away. Bombay has the lowest ratio in the world of open land of 0.003acre per person and this demands consideration in all future real estate development. As Knight comments, there has to be a comprehensive master plan, which would take into account, environmental and social issues as well as those relating to the economic growth and infrastructure needs of the city.

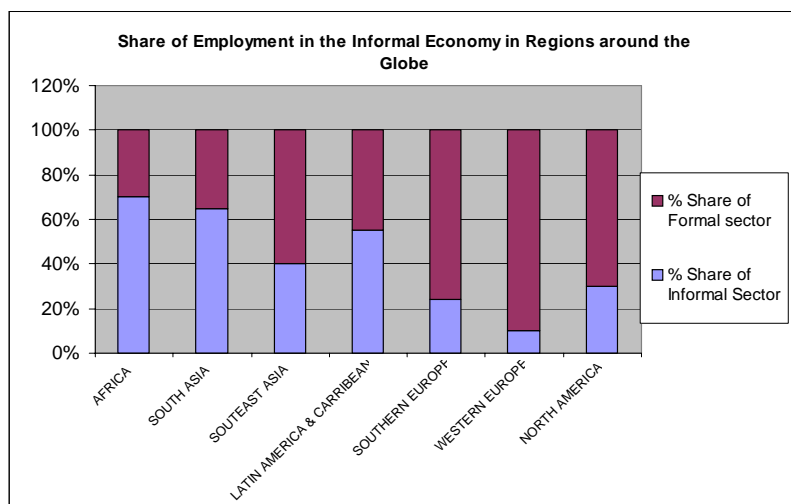
3. The Informal Economy: Vice or Virtue

An underlying phenomenon experienced by urban centers is the evolution of dichotomous economies where, an informal economic sector is created by low-income groups. This section discusses the empowerment of this informal sector, thus harnessing its potential for economic development that benefits all.

3.1. Trends and Issues

Srivastava describes an informal economy as the survival of the poor whose individual economic transactions do not ever rise to the taxable limit and who occupy a grey zone of commercial exchange. Mainly by offering cheap labor, the informal worker allows the mainstream economic practice to subsidize itself, resulting in the proliferation of this economy. This phenomenon is prevalent around the world, and as figure 5 illustrates, it is evident that regions like Africa, Asia and Latin America are highly dependant on the informal sector for employment generation.

Figure 3: Informal Economy in Regions of the World



¹³Source of data: CPRN, Charnes, US Department of Labor

An absence of regulations and non-existent social security forces the urban poor, mainly rural-urban migrants, to provide labor for insignificant wages, resulting in abysmal living conditions. Although migrating for better opportunities in cities, these migrants lack skills and knowledge to enter the formal sector. Bhowmik and More describe this migration as a move from one level of poverty, at their place of origin, to another level of poverty, at their destination.

3.2. Rural and Urban Poverty: Cause or Effect

Breman describes the realities of the informal sector as vividly expressed in the existence of slums. In developed cities like Bombay a major reason is traced to the scarcity of land and unrealistic real estate prices, while in other towns, where land costs are not under equal pressure, the uncertain working conditions of the informal economy manifest themselves in the rise of slums, which prove most cost-effective for an informal worker. Developing countries, marked by vast poor populations, see a rising trend of abysmal living conditions and a divided urban social landscape.

A trend observed in all developing countries is that of such long standing issues, of reducing unemployment, promoting education and eradicating poverty, get passed on from one administration to the next – however the poverty line maintains its mark and the abysmal living conditions get passed on from one generation to the next.

It is only prudent to assume at this juncture of the third world evolution, that a shift in thinking is inevitable. A new approach to bring the developed metropolis, the new urban center and the remote rural, to aid each other towards the advancement of the nation as a whole, is an impending demand of the global movement. The development of creative economies, in these resourceful but untapped regions, may provide that platform where the internal economies can flourish through arts and culture, and simultaneously form a global network with other creative economies.

Globalization, and the movement of the developing country towards the developed world, warrants a simultaneous introspection – a creative approach to treating those ills that erode an emerging economy.

3.3. Harnessing The Power Of The Informal Sector

Given the available information on the informal sector, the foremost economic strategy would be to identify and acknowledge the workings of this sector in a developing country, where

the sheer size of the sector surpasses any logic, which may prevail, to ignore its role in the local and regional economy.

There may well be several business lessons that the formal sector can learn from this much-ignored 'informal' sector. Over the history of several developing nations, the informal sector has proven its resilience to the ever-changing market. Its constant mutation and swift response to morph, into whatever the current needs of the market may demand, makes this sector an undeniable force in the economy.

A key to encouraging and finally formalizing the existing informal sector is 'educating' and empowering the vast population (appendix 8). Such education efforts exist in India, as in other developing nations, however continually falling short of catering to creative enhancement and awareness. The training in India as well as in many developing countries are focused towards the manufacturing sector, with a strong resistance against the needs of the non-manufacturing sectors, including services and trade sectors. Vocational training is often equated with technical training/education confined to the formal sector, and further yet, is far removed from local, cultural, social, and market realities.

In looking for a solution to control the rural-urban migration into the informal sector, another aspect of these education efforts needs to be revisited. There is currently little or no attempt to cater to the needs of those who wish to continue living in rural areas, compelling them to join the urban informal sector because of their shortage of skills. Mitra emphasizes that while basic education needs have to be met in rural areas, urban and rural areas alike need modern technical training that complements, rather than replacing indigenous work techniques. The critical purpose of these training efforts needs to be focused on converting social capital that the informal sector workers possess into economic benefits.

Several countries have recognized and are creating policies to capitalize and encourage the informal sector. WIEGO categorically acknowledges and enumerates the efforts in Kenya and India and the formulation of national policies in this direction.

In 1972, a mission of the International Labor Organization discovered the many small-scale enterprises operating as innovative and productive centers of African trade. Recognizing the microenterprises of artisans and traders and the link of this informal economy to the economic prosperity, the government of Kenya has incorporated it into the national economic policy. In 1986, policy makers detailed direct assistance to individuals and small businesses that led to a policy identifying this sector as having the greatest potential for employment creation. Flexible credit schemes, encouragement of graduates to establish businesses, encouraging culture of enterprise, and reorientation of training institutions to produce entrepreneurs and risk takers were some forms of assistance¹⁴.

As discussed in section 2.3, India has formulated similar policies to promote and strengthen small, tiny and village enterprises, and followed a deliberate policy to promote artisans.

Conclusion

The above discussion has described the persisting economic rifts on global, national, regional and local levels. This paper has attempted to illustrate the potential of a 'creative economy' to generate widespread economic activity in the arts and culture, creating opportunities for the economic benefit of all.

An important step suggested in this paper is recognizing the existing creative potential of a region, and enhancing it by providing training, facilities and platforms for cultural production. The cycle of urban creativity, once mobilized, can stimulate regeneration in those sections of developing regions that are experiencing major shifts in local economies and striving to

compete in the global environment. While allowing economic independence, a creative economy has the potential to spur harmonized social and economic development in developing countries. Finally, the incorporation of the informal sector in policy making, can prove to be the added stimulus in urban and rural regeneration.

The paper concludes that in the event of globalization and the increased competitive environment, a 'creative economy' can build a robust and diverse economy, reducing the disparity among developed and developing regions around the world. As such, the strategies discussed in the paper are summarized below:

- a. Identify regional zones specializing in, or possessing the potential to specialize in specific creative stream;
 - segregate by available physical and geographical resources
 - classify by developed institutional knowledge and expertise as a result of industry specialization
- b. Recognize the creative industry in economic impact studies;
 - uncover overlaps in the private and non-profit sector
 - identify creative production within established industries
- c. Identify creative-cluster, creative-workforce, and creative–communities.
- d. Employ cluster-analysis to understand competitiveness and collaborative potential within a concentration of interrelated activities;
 - Correlate pool of skilled labor and corresponding shared markets
 - Connect products and available platforms for dissemination
- e. Identify competitive regions that are characterized by the ability of enterprises to work together, using public-private partnership, proximity economies of scale to improve innovation and access to markets.
- f. Employ existing educational institutions in imparting managerial and marketing skills, apart from technical skills, to small enterprises, paid and unpaid establishment workers, and independent and casual workers.

End notes

¹ Bangalore, Hyderabad, Secunderabad, Madurai, Cochin in the South, Baroda, Ahmedabad, Pune, New Bombay in the west and Faridabad, Ghaziabad, Gurgaon, Ludhiana in the north.

² India jumped 2 points from 12th to 10th place in world GDP. India's GDP in 2004 stands at \$691.9 billion, up from its 2003 figure of \$598.9 billion

³ Challenges in India;

- Sustaining the growth momentum and annual average growth of 7-8 %
- Population growth; India is the second highest populated country in the world after China, with a density twice that of China.
- Expanding industry by at least 10% per year to integrate surplus labor in agriculture and unprecedented number of women and teenagers joining the labor force.

- Developing world-class infrastructure for sustaining growth
- Empowering the population through universal education and health care.

⁴ Census 2001 – Bombay's population is 12 million (20% increase from 1991). Population Density – 550 sq ft per person, which is 62 times the average for India. 44% decadal growth during 1961-71, declines progressively to 20% during 1981-91 and 1991-2001. Mumbai (Bombay) Metropolitan Regional Development Authority (MMRDA) projections for 2011 AD indicate 13 million population.

⁵ Bombay has a lower sex ratio of 811 females per 1000 males against the national average of 932 (Census 2001).

⁶ 52% of Bombay's purchasing power originates from households with an annual income above \$2600.

⁷ This proportion is close to that of Delhi and Kolkata.

⁸ among the 20 leading IT companies in Bangalore are international companies such as Texas Instruments, Sun Microsystems, Phillips Software, HP Global, SAP, Novell, Accenture, DELL, Motorola.

⁹ Globally, software testing is a \$14 billion business, over 30% of the \$48 billion Global Outsourcing market.

¹⁰ The Cycle of Urban Creativity as formulated by the Huddersfield Creative Town Initiative.

¹¹ 'Do the benefits of Special Economic Zones outweigh their costs?', *Knowledge Services for Private Sector Development*, July 2004.

¹² Mill land area part of redevelopment plans;

- 5.49 million sq ft of space earmarked for residential use - development is taking place only on 0.24 million sq ft of land.
- 4.2 million sq ft available for commercial use - development is taking place on 1.98 million sq ft of land.
- Private textile mill lands – 13million sq ft of land available for development;
 - Existing development - 1.9 million sq ft (commercial).
 - Development under construction – 1.2 million sq ft (commercial).
 - Balance development potential – 1.27 million sq ft (commercial).
 - Development under construction – 2.51 million sq ft (residential).
 - Existing development – 0.25 million sq ft (residential).
 - Balance development potential – 2.75 million sq ft (residential).

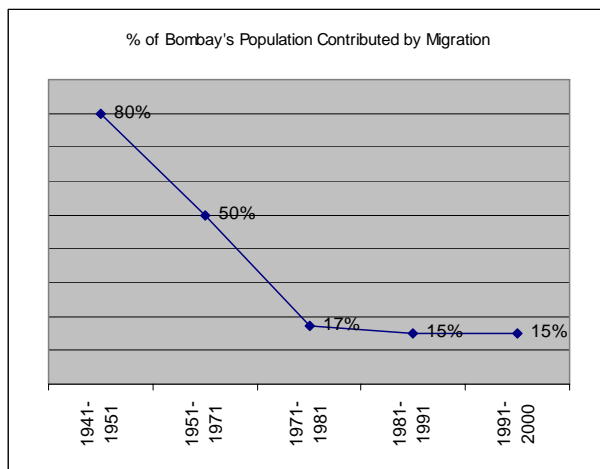
¹³ The statistics for North America refer to share of employment in terms of Self Employment, Temporary Employment and Part-time Employment

¹⁴ A Policy Response to the Informal Economy, Women in Informal Employment: Globalizing and Organizing

Appendices

Appendix 1

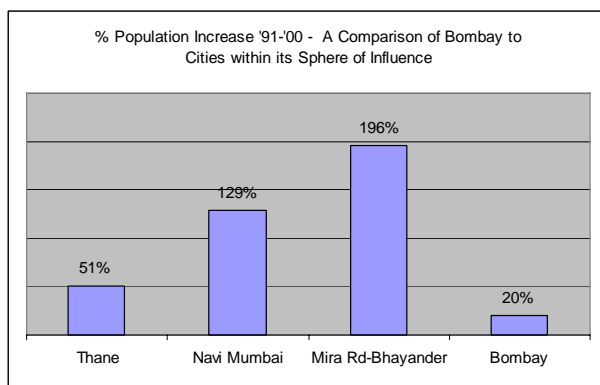
Contribution of Migration in Bombay's population



Source of statistics: Census 2001 and Indian Economic Review

Appendix 2

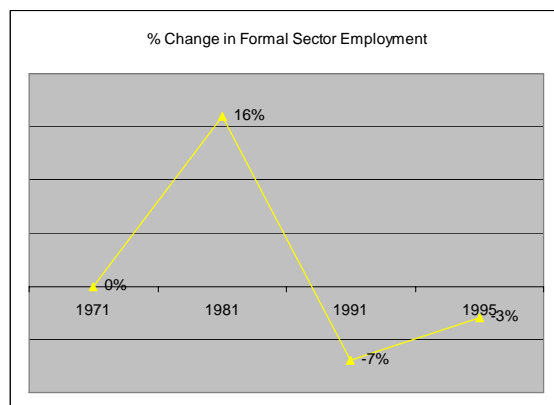
Population increase in Bombay and neighbor cities



Source of statistics: Census 2001 and Indian Economic Review

Appendix 3

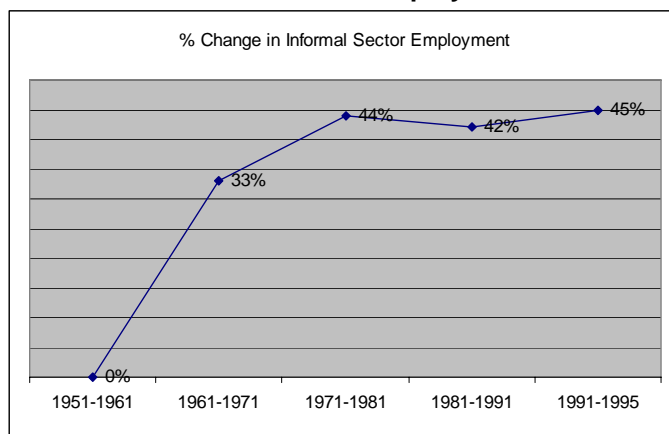
Formal Sector Employment



Source of statistics: Census 2001 and Indian Economic Review

Appendix 4

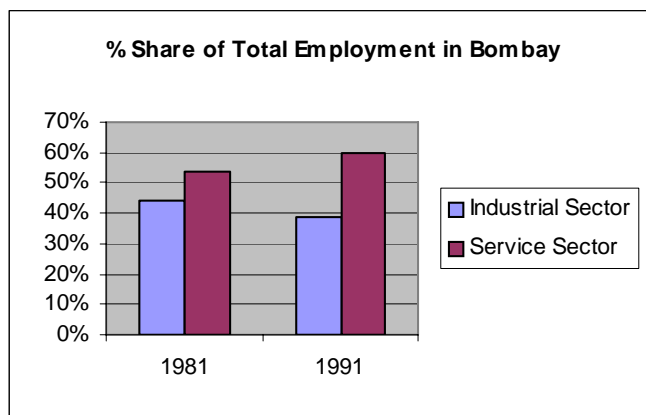
Informal Sector Employment



Source of statistics: Census 2001 and Indian Economic Review

Appendix 5

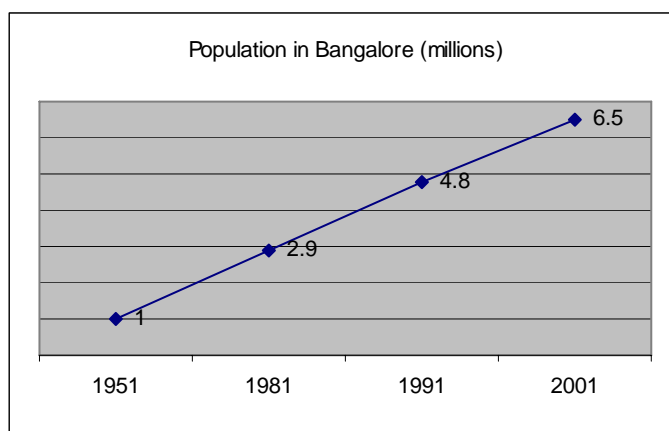
Employment by sector in Bombay



Source of statistics: Indian Economic Review

Appendix 6

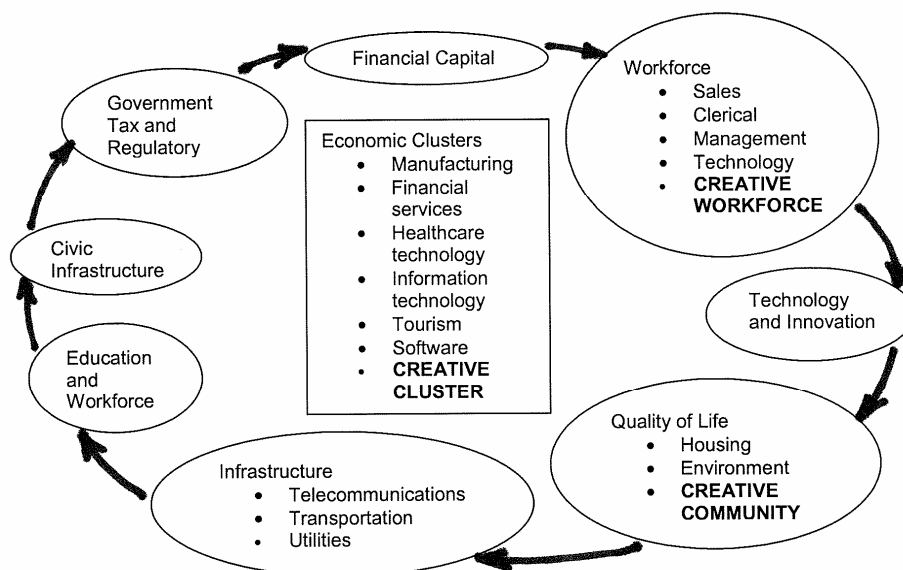
Population rise in Bangalore



Source: Department of IT and Biotechnology, Gov't of Karnataka
 Source of statistics: Harlarnkar, S. et al., TECSOK, FEER

Appendix 7

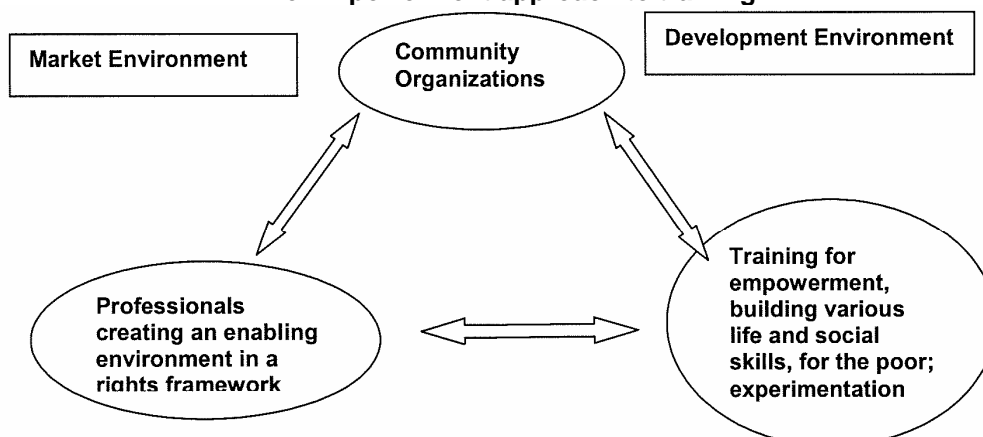
Factors effecting competitiveness



Source: New England Council Report, June 2000

Appendix 8

The Empowerment approach to training



Source: Informal Economy, Training and Skill Formation for Decent Work in the Informal Sector: Case Studies from South India

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Acronyms

CPRN, Canada Policy Research Network

EC, European Commission

FEER, Far Eastern Economic Review

SEZ, Special Economic Zone

WIEGO, Women in Informal Employment: Globalizing and Organizing