

# Chapter 10

## Transformation Requirements of Creative Clusters in Egypt to Competitive Agglomerations: Challenges and Opportunities

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### **ABSTRACT**

*This chapter discusses the issue of creative clusters in the Egyptian society and highlights the most important challenges and obstacles that hinder them from achieving a global competitive advantage. The present research is an exploratory research, following the methodology of re-analysis, literature review, and analysis of ready data. The research used the SWOT method to analyze strengths, weaknesses, opportunities, and threats. The data of the methodological methods used in the research were analyzed on three levels: Macro (Egyptian society), Mizo (creative clusters), and Micro (workers and stakeholders). The main question is: What are the transformation requirements of creative clusters in Egypt to achieve competitive agglomerations? The research came out with some recommendations to enhance and activate the performance of Egyptian creative clusters to compete globally.*

### **INTRODUCTION**

The global economy is moving towards alternative paths of the development and is taking steady steps towards the knowledge-based economy. This is evident through the exploitation and employment of local assets, knowledge, innovation, creativity, and establishment of competitive agglomerations integrated locally and globally. The developed countries have realized the importance of competitive agglomerations localization, and have absorbed the challenges imposed by globalization from increasing competition globally, no longer compete for traditional production inputs (cheap labor, natural resources, capital), but rather competition for knowledge intensification, technology localization, increased innovation capabilities, and the promotion of creative clusters. Today, creative clusters imposed themselves on research

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agendas, and captured the attention of planners, policymakers, economics, administration and social researchers. Many international organizations have also taken an interest in studying them (UNESCO 2013), developing initiatives to develop and support them (UNCTAD 2010/2019), or mapping them around the world (UNIDO 2010).

Agglomerations in the new economy are concentrated in specialized clusters. Examples: Silicon Valley, Hollywood, the City of London, le Sentier in Paris, the industrial districts of the Third Italy, as well as various parts of Asia and Latin America, as exemplified by the burgeoning craft industries of South China, the advanced electronics and software complexes of Beijing and Bangalore, or the telenovela production clusters in Bogota, Caracas, Mexico City, and Saõ Paulo (Scott, 2006). Creative clusters have achieved impressive success in the developed countries, as the value of exports of creative goods increased in 2014, China came at the forefront of the world, its exports (191.409.94) billion dollars, followed by the United States of America (41.521,87), Italy (30.512,13), Germany (29.158.17), United Kingdom (24.187,25), Spain (6.505,23) (UNCTAD, 2019). These massive exports reflect the efficiency and competitiveness of creative clusters in these countries.

For developing countries, a large number of clusters are lagging behind, and they are trapped in a vicious circle of intense competition. Although they represent large pockets of entrepreneurial activities, they provide a livelihood for entrepreneurs and workers. When clusters are unable to shift from stagnation to growth into competitive agglomerations, their potential to contribute to community development remains largely untapped (UNIDO, 2010).

The situation in Egypt is not very different, although there are (47) creative clusters, they are not active to the degree that they can form a critical mass, and do not compete globally (UNIDO 2015). Egypt, as a developing country, must overcome obstacles and take advantage of all available opportunities globally and locally to revive these clusters, transform them into competitive agglomerations to compete globally, integrate into the global economy, and achieve the desired development. This prompted us to study creative clusters in Egypt. The main objective of the study is determining the requirements for transformation of creative clusters in the Egyptian society to agglomerations that achieve a competitive advantage, revealing the most important requirements for establishing competitive creative agglomerations, and detecting the most important challenges facing them. Finally, the research came out with some recommendations to raise the efficiency and competitiveness of these clusters globally.

## **BACKGROUND**

The interest in the study of clusters is due to the early writings of Alfred Marshall (1898, 1920) on industrial areas in the United Kingdom; as well as the work in the 1980s by Giacomo Bianchini et al. (1986), who studied industrial clusters in Italy. But the real beginning in the study of clusters came with the appearance of Michael Porter's book "The Competitive Advantage of Nations" (1990), which incurred a qualitative shift on the level of research, application, and practice. With the emergence of the terms Creative Economy 2001- and before of it creative industries - creative clusters began to attract the interest of many researchers from different disciplines. Some researchers focused on the success factors of clusters, such as: the implicit skills and local knowledge (O'Connor 2004), the university research, knowledge base, and the quality of place (Wu 2005). Added to the success of clusters are factors such as the promotion of innovation and education, and the creative environment (Scott 2006/2010), with the availability of suppliers, local knowledge, and labor market (Lazzeretti et al. 2010), the talents, customer

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