



## **The World Today**

### **Cluster Development: policy conceptualisation and formulation**

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The concept of cluster formulation has been examined by many writers and institutions. These characteristics have been effectively summarised by the United Nations Industrial Development Organization (UNIDO) with regards to small developing countries, they are:

- 1) that clusters are naturally evolved
- 2) that their potential is unrealised
- 3) that they are underachieving; and
- 4) they require economies of scale and scope

It may be argued that the orientation and aim of a cluster policy in small developing countries should be; to maintain the open character of supply chain linkages for every sector, while increasing the value added activity of locally undertaken activities. What needs to be realised is that the major draw back to the development of competitive activity in small developing countries is not necessarily an issue of a lack of efficient scale, it is in fact a matter of a lack of value added and knowledge based economic activity that is based on unique innovative capacity

#### The realisation of cluster potential

An approach for the realisation of cluster potential can be found in a strategy for the development of a sector's cluster relations. How can this be done? One approach has been implemented by The European Commission Enterprise Directorate-General; which was not a comprehensive appraisal of cluster policies. It was instead, a mechanism used in evaluating those policies that have been implemented in European Union member states in order to produce a list of generic indicators.

The types of cluster policy initiatives identified in the report are as follows:

- 1) The use of Science Park and Incubator Development as cluster policy (for instance, the UK Regional Development Agencies include this in their regional cluster strategies, Hungary, Latvia and Israel consider these green-field type of investments as the start of cluster development);

- 2) Cluster policy which focuses more narrowly on R&D cooperation between companies and between companies and research organizations; and
- 3) A cluster initiative which focuses on encouraging co-operation between companies and which is focused on R&D.

The design of cluster policy according to this study is based on certain key assumptions:

- a) The notion that clusters stimulate a concentration of expertise and knowledge in a limited geographical area, thus acting as 'hubs of innovation';
- b) The rationale that they enhance competitiveness of the firms involved as clusters can increase economies of scale, as well as economies of scope, facilitate; dissemination of knowledge and learning, address common bottlenecks, and stimulate a culture of learning from external partners;
- c) In cases where technology based clusters are encouraged it is a strategic policy decision to build strength in certain domains that are generally regarded as potential growth poles; and
- d) Cluster approaches help the development of common visions to guide the launch of certain actions or to achieve common goals.

The approach outlined in a) above assumes that clusters are still required to be geographically isolated. The trend of modern research into the nature of clusters suggests that the correct approach would be to stimulate a concentration of expertise and assets under the control of a small nation state. This does not necessitate geographically isolated clusters.

To achieve success based on this approach, a small developing country would need to institute an active policy of investing in the acquisition of ownership and or access to these resources. The resources referred to here would be; educational, technical and infrastructural.

In the context of small developing countries, what is also recommended is a policy of niche industrial development. Clusters, like products, have a life cycle. In context, the life cycle of a cluster can be said to progress along:

- 1) an embryonic stage, which can be generated by innovations, inventions, or inward investment;
- 2) a growth stage, where markets have developed sufficiently to spin off and attract imitators and competitors and to stimulate entrepreneurship;
- 3) a mature phase, which is when the processes or services have become routine, more imitators enter the market, and costs become a key competitive advantage; and
- 4) a decay phase, when the products become fully replaceable by lower cost or more effective substitutes.

These phases are similar to Porter's Competitiveness Cycle and with regards to Trinidad and Tobago the competitive sectors are at varying stages along a continuum that constitutes the local 'Competitive Cycle.' This ranges from

an Innovation Driven Stage in the Alcoholic Beverage Sector to an Investment Driven Stage in the Non-Alcoholic Beverage Sector. What these observations indicate is that the varying degrees of development within these competitive sectors necessitate a cluster strategy that would be unique to each of these sectors as determined by their positions along the Competitiveness Cycle.

The key components of a cluster policy for small developing countries should be, therefore:

- 1) to facilitate the development of new clusters that are not based on geographic isolation models but which are unique to a nation's historically open economic environment; while expanding opportunities that can be gained from already existing open cluster relationships;
- 2) to facilitate the development of advanced knowledge based factors required for the competitive advantage of local industrial sectors;
- 2) to emphasise the unique history and economic culture of successful local industry as key components of clusters;
- 3) to facilitate the creation among the local labour force of an orientation towards advanced knowledge based economic activity; and
- 4) to expand the product and market scope of Trinidad and Tobago's manufacturing sector.