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Abstract:

Industrial sector in Indonesia has been dominated by small and medium enterprises (SMEs). Many of them are clustered in particular areas. Unfortunately, most of them are passive cluster industries. As a consequence, they only enjoyed external economies. They will be active clusters when they are able to carry out joint action in overcoming their common problems. This paper argues that in order to develop SMEs, we can apply cluster approach that supports the existence of an active cluster. Therefore, SMEs would be able to compete in international market.

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