

청계천로변 전문상가의 신산업집적체형성과 사회적 자본의 특성

Emerging New Industrial Cluster along the
Cheonggyecheon-ro and Its Social Capital

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요약

일반적으로 클러스터는 첨단기술의 제조업, 특히 IT기반 산업이나 수직적으로 통합된 장인산업 등으로 이루어지며, 대개 벤처자본과 엔젤자본 등과 함께 다양한 정부의 지원과 사업 인프라를 통해 빠르게 성장하는 특성을 보인다. 대부분의 클러스터연구는 이러한 지식기반산업의 군집과 혁신의 특성을 연구한다. 이 연구는 서울 중심부에서 발달한 새로운 형태의 산업클러스터의 특성을 분석한다. 서울의 전형적인 도심주변부로서 지역의 쇠퇴와 교통혼잡, 환경문제가 심각한 청계천로상의 전문상가로는 지식기반산업이 아니라 의류와 패션산업의 군집으로 인해 가장 역동적이고 혁신적인 지역으로 변모하고 있다. 이러한 새로운 형태의 산업클러스터의 특성과 사회적 자본의 형성에 대한 연구는 클러스터이론과 내부도시의 변화에 대해 새로운 시각을 제시할 수 있을 것이다. 이 글에서 먼저 청계천로 전문상가로의 성장에 대해 간략히 고찰한 후, 새로운 형태의 클러스터의 제도적, 공간적 특성을 살펴본다. 또한 생산-분배-판매-장소소비 등이 한 곳에서 이루어지는 청계천 클러스터의 핵심 구성요소들의 발달과정을, 지역적 네트워킹, 사회적 자본, 제도화, 장소성에 기반한 사회 문화경제적 기제 등의 개념으로 설명한다. 마지막으로 서울의 새로운 산업 클러스터 발전에 대한 전망과 향후 연구과제를 제시한다.

1. Introduction

Changes in the world economy since the middle of the 1970s have led economic development analysts to argue that locally networked firms are replacing vertically integrated corporations as the mainsprings of economic change (Piore and Sable, 1984). Industrial cluster theorists emphasize interconnected transformation in the organization of industry. These include social process (from

mass production to flexible specialization), spatial process (the emergence of regional industrial districts as the centers of dynamism), institutional process (formation of social capital and institutional thickness), and political process (the rise of local developmental states).

The development of industrial clusters, especially high-tech industrial clusters is seemingly based upon the paradoxical relationship between the globalization of central

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control and the localization of production. As Harrison argues, Asian companies exemplify the new dualism in their ability to concentrate economic power and decentralize production to promote flexibility in the face of competition. (Harrison, 1994) On the other hand, recent Korean economic recovery from the IMF bailout program is mainly due to the development of innovative new small firms', largely knowledge-based industrial and producer service firms', collaborations in industrial clusters, like Seoul Venture Valley (formerly named Teheran Valley) and Tongdaemun Valley at Cheonggyecheon region, which is the study area of the paper, in Seoul. They continually innovate new products and respond rapidly and flexibly to changing market opportunities.

Knowledge industry and learning region are buzzwords in this rapidly changing world. Theorists argue that knowledge transmission and learning process in innovative milieu can be working with high skilled workers, high-tech provisions, institutional thickness, and networking, just list a few. Another type of industrial clusters, however, can emerge from traditional mature industrial or commercial region. This paper introduces a new type of industrial cluster developed at the CBD of Seoul. Conventionally, clusters are said to be consisted of hi-tech, often IT activities, manufacturing industries or artisan craft industries with

increasing vertical integration and performance usually supported by venture capitals and favorable business infrastructure, not to mention governments', be it central or local, incentive plans. As Park (1996) and Park and Markusen (1995) argue, all the industrial clusters do not always follow the Marshallian type developmental path, based on 'flexibly specialized', indigenous, high-tech, innovative small firms. In another setting, especially East-Asian economies, both the central and local governments policies, large, multinational firms, local boosters, and locational advantages are important in the cluster-building process. The study area, Cheonggyecheon region has long been a traditional CBD frame of Seoul, Korea, being troubled by deterioration, traffic jams, and environmental degradation as most inner cities experience. Recently, this region has developed the most dynamic and productive area not by IT industries but by apparel and fashion activities. The study of the developmental trajectory and key characteristics for this kind of industrial cluster can give us insight both for the transition of inner city and for the cluster theory. This transition process is what the paper deals with.

This paper firstly briefly profiles the growth of the Cheonggyecheon region over the past decade. It then shows the current spatial and business structure of the new industrial cluster, focusing on the fact that transactions costs are reduced.

the creation and flow of information improves, and the local institutions are prone to be most responsive to the new cluster's specialized needs. The third section presents the key components of the customized production-distribution-shopping cluster development process, emphasizing the localized networking, social capital, spontaneous institutionalization of associational economic climate, and cultural economy based on place-specific inertia. The paper concludes with some comments about the prospects and perils of the new industrial cluster of Seoul.

2. Clusters in a Metropolitan Setting

The "current" of a working production system (is) less easily detected and is often embedded in trade, professional, . . . and civic associations, and in informal socialization processes. . . [such] . . . that a cluster is a "geographically bounded concentration of interdependent businesses with active channels for business transactions, dialogue, and communications, and that collectively shares common opportunities and threats (Rosenfeld 1997, p. 10)."

1) The New Industrial Districts and Clustering of Industries

The recent changes in macro economic atmosphere, like the weakening of raw material prices, rapid technological development,

shortening of product life cycle, and market segmentation, lead to vertical disintegration and mushrooming of innovative small firms (Zeitlin, 1989). As Sabel(1989) summarizes succinctly, firms in the new industrial districts continually alter goods in response to changing taste and attempt to change tastes to open new markets. Skilled workers produce wide range of goods by shifting from one to another in variety of operations they perform. Local institutions attempt to balance cooperation and competition among firms to encourage innovation and discourage wage and price competition. Small firms are entering business alliances to secure cheap credit, buy raw materials, commercialize products, conduct research, and exchange information. Some industrial districts are able to hold their own against the world's most powerful enterprises. All in all, Sabel concludes that an area-based matrix of small, specialized firms is a viable development alternative to the vertically integrated large firms.

This kind of spatial clustering of firms and other organizations in related industrial sectors has synergetic benefits to accrue from the combination of geographic and technological localization, labeled variously as 'external economies of agglomeration' (Scott, 1988; Krugman, 1991), or 'dynamic relative advantages' of a territory (Heraud, 1994) which support the cooperative and competitive

relationships. Storper(1992) argues that traded interdependencies may be based on upstream and downstream linkages between buyer and supplier firms, and untraded interdependencies include resource base, skills, technologies and governance agencies. As Amin(1994: 23-4) notes:

Proximity is said to provide the social solidarity and trust, the face-to-face contact, the pool of skills and know-how, the easy access to input and output markets ... (together with) the growth of specialist services and other inputs as well as institutional support for what amounts to a central industrial cluster for a locality.

Other studies highlight the importance of linkages between firms and other organizations in order to promote benefits from geographic clustering. For example, the regional innovation systems analysts see 'governance' structures or institutions as an essential element for supporting innovation (Storper 1995, Hallin and Malmberg 1996). Others see the important role of links between industrial firms and universities, as well as other higher education institutes or public research establishments. The geographic clustering of technological activities has been described in various ways including: 'technology districts'; industrial 'clusters', often based on 'high technology' activities such as electronics (Porter, 1998a); innovation 'networks'; other types of 'innovative milieu' involving networks of

small and medium-sized enterprises or as some form of local or regional innovation system (Cooke, et al. 1998, Callon 1995).

According to Lundvall (1988: 360), economic and innovation benefits may arise for firms that belong to the same national system owing to short geographical distance, common language and social organization, and cultural proximity. There may be an important role for national 'governance' institutions such as national state structures and strategies, as well as other organizations such as networks of national research organizations and universities. This may support and enhance local innovative activities and capabilities, but as part of the 'national system of Innovation'. Lastly, globalization reinforces the presence of geographic clustering, where regional economies represent important areas of specialization. This idea is present in Storper's (1995) view of the existence of a 'global necklace' of regional economies. The possibility has been raised of high technology industry, such as software industry, as a key emerging sector acting as a 'regional motor' both derived from and driving a global economy.

2) Innovation and Learning Region

As capitalism is entering into a new stage of knowledge creation and continuous learning, it takes the form of an increasingly integrated

economic system, requiring a new kind of region (Florida, 1998). This region can be seen as a learning region that has a basic set of ingredients to facilitate the flow of knowledge, ideas, and learning. Continuous improvement of human resources and continuous education and training create knowledge workers out of low-skill, low-cost labor, formerly characterized by Taylorist work force and education and training. Domestically oriented physical infrastructure becomes obsolete, at the same time, mutually dependent relationships and network organization replace the physical and communication infrastructure these days. Above all, the command and control regulatory framework of mass production system gives way to the flexible regulatory framework.

The agglomerations of small and medium-sized firms can have competitive advantages to huge hierarchical firms. These research topics are much studied by economic geographers and economist, among others. Though the idea traces back to Marshall, it can be confined to the latest explanations. Legendijk (1997) summarized these approaches as new industrial space thesis, district theory, 'milieux innovateurs', Porter's cluster concept, and lastly, systems of innovation thesis. Some of them just illustrate the agglomeration phenomena based on the economic change to deal with transaction costs both within and between firms. Thanks to the wealth of

research efforts, however, the secret of the success in the agglomeration of small and medium sized-firms has been exposed. Many researchers agree that institutions, collective actors and social rules are the founding factors for the successive agglomeration of the local districts (Belussi, 1996). Brusco (1982) describes it as 'productive disintegration and social integration'.

3) Industrial Clusters

Industrial clusters are usually defined as 'a critical mass of firms in a region of the same, closely related or complementary sectors (Rosenfeld, 1997)'. Such clusters typically consist of very similar types of firms selling similar consumer or household design-intensive products. Italian industry clusters often consist of commodity or raw material inputs that are transformed by cooperating producers employing similar production technologies and cooperative cultures.

As Porter(1998b) pointed out, traditional advantages of industrial agglomeration based on urbanization economies such as cost minimization due to proximity to inputs or markets have been undercut by the economic globalization process, and the nature of economies of agglomeration has shifted toward the cluster level and away from either narrower industries or urban areas per se. Clusters can emerge from traditional industrial or

Table 1. Networks or clusters?

Networks	Clusters
Networks allow firms access to specialized services at lower cost	Clusters attract needed specialized services to a region
Networks have restricted membership	Clusters have open membership
Networks are based on agreements	Clusters are based on social values that contractual foster trust and encourage reciprocity
Networks make it easier for more firms to engage in complex business	Clusters generate demand for more firms with similar and related capabilities
Networks are based on cooperation	Clusters take both cooperation and competition
Networks have common business goals	Clusters have collective visions

Source: Rosenfeld, 1997

commercial urban areas and do not necessarily consist of hi-tech, often IT activities, manufacturing industries or artisan craft industries with increasing vertical integration and performance usually supported by venture capitals and favorable business infrastructure, not to mention governments' incentive plans.

Compared to the characteristics of industrial networks, such as 'access to specialized services at lower cost', 'restricted membership based on agreements', 'synergies from complex business agglomeration', and 'shared common business goals', clusters often attract needed specialized services to an area with open membership for migrants and new start-ups, which share common vision. Clusters are based on social values that contractual foster trust and encourage reciprocity and generate demand for more firms with similar and related capabilities (Rosenfeld, 1997) (see Table 1).

These characteristics of clusters can give rise to competitive advantages, which is reinforced by easy and convenient access to specialized employees, information, institutions and public goods. These kinds of resources are rich in traditional and metropolitan urban area where long-established business conventions rather than isolated locations. The next section deals with the transformation process of Cheonggyecheon region of Seoul from traditional market area into a dynamic industrial cluster.

3. The Transformation of Cheonggyecheon Region in Seoul, Korea

Cheonggyecheon region may be one of the largest unplanned shopping clusters in the world. About 3.5km of long 8-lane high street near CBD of Seoul is consisted of metal tools, fire-fighting

tools, machine tools, lighting appliances, electrical/electronics devices, motor parts, shoes and toys, jewelry and watch shopping centers, printing/publishing activities, and finally, Tongdaemun (East Gate) clothes and apparel shopping centers, which is the focal point of Cheonggyecheon region, and customized production houses for all of these activities (see figure 1).

The history of Cheonggyecheon shopping cluster was started in 1905 when a traditional private market named Gwangjang market opened. At

that time, the boundary of Seoul is very limited and this region was a kind of an outer area of Seoul. Gwangjang market was a big general market competing with the small and specialized markets in inner Seoul. After liberation from Japanese ruling in 1945, several specialized tools shopping centers, such as machine tools, lighting appliances, electrical/electronics devices, started businesses in this region. Since the 1960s, when the 1st 'Five-Year Economic Development Plan' was initiated by the central government, Cheonggyecheon region has formed a specialized shopping cluster to be equal in worth to its name.

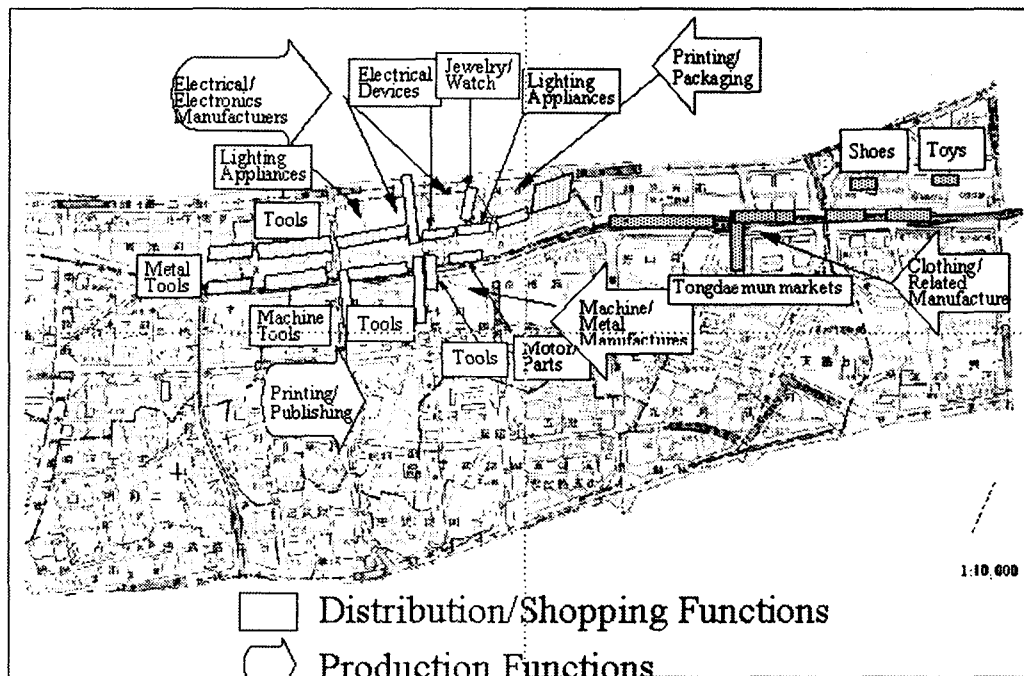


Figure 1. Cheonggyecheon region and specialized clusters

Gradually, motor parts, printing and packaging activities, Jewelry and watch, shoes and toys markets and production facilities are agglomerated in the region. Later, the spatial boundary of Gwangjang market was expanded and it is gradually specialized in fashion, clothes, apparels, and clothing materials market. The Gwangjang market is consisted of more than 20 specialized shopping centers comprising about 1.7km of street strip. This region is called 'Tongdaemun (East Gate) market', because there is 'East Gate', a remnant of Yi dynasty, near the market.

The market areas or sales network of the Cheonggyecheon cluster is not confined to the city of Seoul. It is the biggest and oldest wholesale and retail market serving not only for the whole nation, but also Russian, Japanese, Chinese, and even Southeastern countries' clothes retailers. Foreign retailers purchase at the Cheonggyecheon cluster in a regular base, such as once a week, fortnightly, or monthly basis. The cluster's vertical linkage comprises almost all of the way of the production-purchase chains, namely designing/planning, fabricating (including customized production), warehouse, wholesale, retail, and after-sales tune-ups. Small and medium sized firms and shops in this cluster are continually recruited by new start-ups and spin-offs, which are interconnected with multi-layered subcontracting networks.

In the 1990s, Tongdaemun market was totally renovated and redeveloped with twenty-six shopping malls, most of them are more than 20-story buildings surrounded by numerous raw materials, accessories, bags, shoes stores and production houses (see figure 2). There are about 27,000 shops are located in this cluster with more than 250,000 customers' visiting, including 2,000 local and foreign buyers, per day. It is estimated that the revenue of the cluster would be more than two trillion won (1.6 billion dollars) (Kim, Y.H. 2000). Most of the shop owners are also designers who are responsible for design, planning, and sales, supported by more than 20,000 nearby-located small-sized production houses. Thus each shop is an indeed independent firm, which takes risks by its own and operates in multi-layered subcontracting or collaborating networks. These innovative and creative entrepreneurs are the very assets for the further development of Cheonggyecheon cluster.

4. Key Elements for the Development of Cheonggyecheon Cluster

1) Key Characteristics

The development process of Cheonggyecheon cluster is a typical enlarged reproduction system of artisan industries. Mature and technically grown employees of the existing shops and

industries open new start-ups and spin-off businesses at just nearby location, which are interconnected with subcontracting, sub-subcontracting, and collaborating networks. These subcontractors and collaborators are mutually benefited by technological upgrading and knowledge transmitting. The key characteristics for the success of the cluster are the following:

Flexibility: Fast adaptation for the changing consumer needs and fragmented tastes in style and design/ aiming at the niche market/ very short product life cycle/ shorten distribution chains and time/ persistent product innovation/ customized small-scale production in various format and design

Entrepreneurship: Each shop and firm is owned privately by a creative and innovative entrepreneur/ most of owners are very young (in their twenties and thirties) and dynamic/ not fear from failure/ fierce competition for survival/ Informal associations for transmitting information, know-hows, and know-wheres

Networking: Taking advantage of 'economies of scale' and 'economies of scope' / dynamic and efficient networks for design, planning, production, and sales within the limited area/ quick response system

Social Capital: Trust, cooperation, collaboration, and inter-dependent community-building based on long-standing history as commercial and industrial area, started from

urban market transformed into production-distribution-shopping-after sales services cluster

Socio-economic mechanism: Fusion place for working, leisure, and consumption/ vertical networking of planning, production, and distribution/ place-making by continuing and upgrading from tradition image of urban area

The owners and designers acquire new information and knowledge through searching magazines, TV, fashion shows, galleries, and even foreign study tours (learning by searching) and interacting with customers and intermediaries (learning by interacting). They evaluate these information based on their own know-how and technology, and accumulate new knowledge through individual cognitive process. The individually recognized knowledge is adopted or rejected and reformulated through social individual cognitive process, which in turn becomes innovative ideas and projects for new concepts and new designs. The new products which are produced only a small amount (sample production) at first, are tested by customers and retailers responses. The whole process is learning by feedback in the Cheonggyecheon cluster.

In fact, Cheonggyecheon region is also suffering from the usual urban diseconomies and disadvantages. Our pilot survey indicates that the disadvantages of locating Cheonggyecheon clusters include 'Very limited parking space

(78%)', 'High rent (55%)', 'Dilapidated buildings and scanty working space (40%)', 'Traffic congestion (22%)', and finally 'Environmental degradation and noise (20%)'. Whereas the advantages are 'easy information exchange among related businesses (80%)', 'Long-established place image (65%)', 'Easy customized production because of the proximity of production/services units (63%)', 'Easy acquiring raw materials and intermediate goods within the region (35%)', 'Very limited loading space (35%)', 'Highest accessibility (25%)', and

lastly 'Large labor pool (4%)' (see Table 2). This result suggests that even though Cheonggyecheon region is an emerging cluster of Seoul and possesses much virtue of CBD location, it needs persistent improvement, upgrading, and public attention for infrastructure renewal.

Compared to the typical industrial clusters based on high-tech R&D rich environment, with increasing vertical integration and performance usually supported by venture capitals and favorable business infrastructure, not to mention

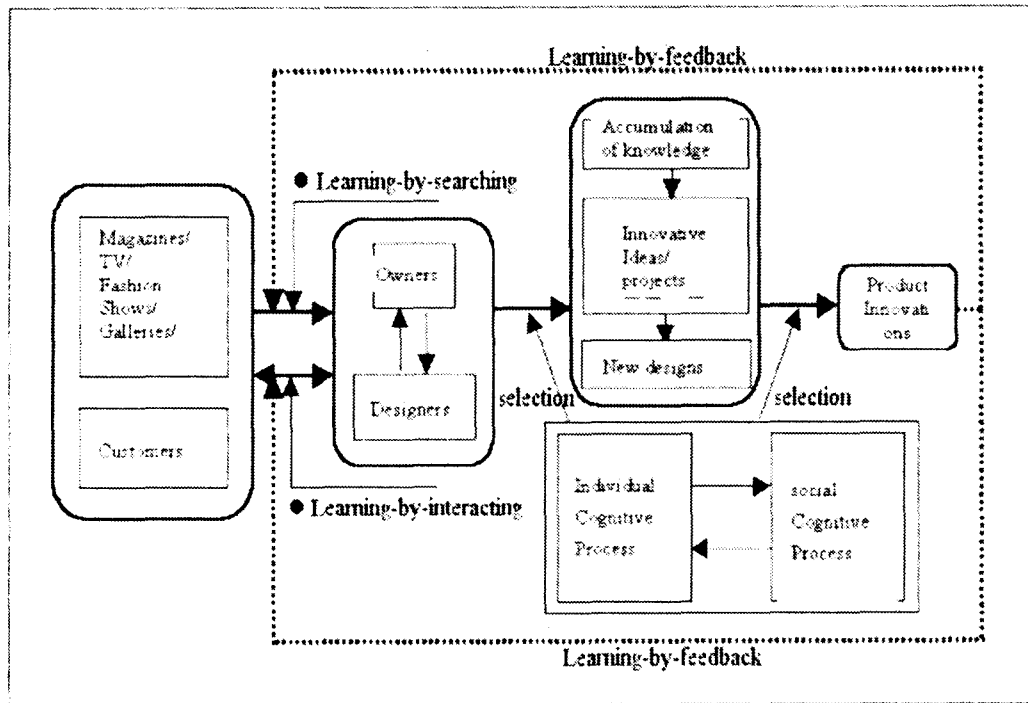


Figure 2. Learning Process in Cheonggyecheon Cluster

Source: Kim, Kwangsun (2000)

Table 2. Advantages and Disadvantages of Cheonggyecheon Cluster in view of business owners

Advantages	Disadvantages
Easy information exchange among related businesses (80%)	Very limited parking space (78%)
Long-established place image (65%)	High rent (55%)
Easy customized production because of the proximity of production/services units (63%)	Dilapidated buildings and scanty working space (40%)
Easy acquiring raw materials and intermediate goods within the region (35%)	Very limited loading space (35%)
Highest accessibility (25%)	Traffic congestion (22%)
Large labor pool (4%)	Environmental degradation and noise (20%)

Source: pilot survey for 50 sample

governments', be it central or local, incentive plans, like Silicon Valley, the competitiveness of the mainstream businesses of Cheonggyecheon cluster are based on intermediate technologies. Usually, the funding sources of Cheonggyecheon firms are private capitals. This emerging type of cluster region has long been a traditional CBD frame of Seoul, Korea, being troubled by deterioration, traffic jams, and environmental degradation as most inner cities experience.

Notwithstanding these difficulties, Cheonggyecheon region has transformed to the most dynamic and productive area in Seoul (see Table 3).

**2) Social Capital in Cheonggyecheon
Production-distribution-shopping cluster**

The term 'social capital' is conventionally recognized as sources of community development

Table 3. Key Characteristics of Silicon Valley and Cheonggyecheon Cluster

	Cheonggyecheon Cluster	Silicon Valley
Main Industries	Fashion/Clothes/Apparels — Design/planning/production/sales	IT/Internet/Bio — R&D/production/marketing
Knowledge	Know-hows and know-wheres of existing business owners	High-techs developed in Universities, Institutions, and Labs
Labor	Merchants/Small and medium sized businessmen	Technical labor of universities and firms
Capital	Private capital	Angel capital/venture capital
Organization of firms	Private firms	Venture firms
Networking	Self-contained/international sales	Global networking of R&D/production/marketing

and integration and a kind of growth apparatus for mature society in a broader sense. The most successful industrial cluster in the world, Silicon Valley, is, however, a world of strangers. It shows very weak ties among individuals, scarce historical tradition, and community-forming efforts are hardly found. Rather, strategic alliances, associations, competition and collaborations based on rational choice are the essential elements for a new type of social capital in Silicon Valley (cf., Cohen and Fields, 1999).

In this highly competitive post-industrial society, the real meaning of social capital is not consisted in 'moral resources', 'civic engagement', and 'deep trust' (Coleman, 1990; Fukuyama, 1995; Putnam, 1993), rather a productive interactions among social institutions, which are the sources of economic advantages obtained from sharing resources and exchanging

information and tacit knowledge within industrial cluster (Cooke, Uranga and Exebarria, 1998; Gertler, 1995; Scott, 2000).

The social capital for the promotion and development of urban cultural economies is not the 'network of common trust and tacit norms based on mature civil society, which stems from relatively closed community', rather a kind of 'networks of tacit information diffusion by exchanging technical know-how, know-where, specialized production method, innovation, frontier spirit, and other valuable knowledge, which is reinforced by open competitiveness and performance' (Gertler, M., 1997; Porter, 1998b; Sandefur and Laumann, 1998; Scott and Paul, 1990).

As <Table 5> indicates, the differential economic bases and developmental paths

Table 4. Characteristics of Social Capital in Industrial Cluster

Social Capital in General	Social Capital in Industrial Cluster
Sources of community development and integration; Growth apparatus for mature society in a broader sense	Very limited parking space (78%) ^a Worlds of strangers, weak ties, weak historical tradition, weak community-forming; Rational choice, strategic alliances, associations, competition and collaborations
Ethical resources, civic engagement, deep trust	Sources of economic advantages by sharing resources and exchanging information
Networks of common trust and tacit norms based on mature civil society	Networks of tacit information diffusion by exchanging technical know-how, know- where, specialized production method, innovation, frontier spirit, and other valuable knowledge
Stems from relatively closed community	Reinforced by open competitiveness and performance

between IT-based clusters and Cheonggyecheon cluster resulted in somewhat differences in social capital formation between them in terms of placeness, socio-economic mechanism, cultural economic mechanism, performance.

IT-based clusters have relatively short history and mainly developed from office districts (or greenfield investment like Sophia Antipolis) to become high-tech venture capital and new firm district. Whereas, Cheonggyecheon cluster, an intermediated tech-based and market-based cluster, is rich in long-standing history as commercial, industrial area. They usually started from urban market transformed to become a production-distribution-shopping-after sales services cluster. The socio-economic mechanism for IT-based clusters is rooted in trust, cooperation, inter-dependent **partnership** and cultural economic mechanism is generally dependent on lateral networking through informal diffusion of tacit knowledge. Their place-making is performed by cutting-off or differentiated from traditional urban area. On the other hand, Cheonggyecheon cluster is embedded in trust, cooperation, collaboration, interdependent **community** and cultural economic mechanism is of the cluster is based on the nature of fusion place for working, leisure, and consumption. It is specialized in vertical networking of planning, production, and distribution, with place-making by continuing

and upgrading from tradition image of urban area.

Global R&D networking, deeply embedded by local labor recruiting mainly related universities, institutions, and laboratories exerts the performance of IT-based clusters. Its performance is continually improved and institutionalized aided by national government and organizations' supports. Whereas, Cheonggyecheon cluster is functioning through self-contained local networking. This cluster improves its performance by institutionalization mainly triggered by local needs and cluster-wide associations.

All in all, the characteristics of Cheonggyecheon cluster is the following:

1. Deeply rooted in local developmental history and resultant a long-lasting place image; production and reproduction are depend on innovation creating capabilities basically based on place-specific competitiveness
2. Designing, planning, and fabricating networks are based on local agglomeration, while sales and marketing are becoming more and more based upon global networks
3. Active learning process among cluster businesses are based on rational trust, competition and collaborations
4. Create local competitiveness utilizing the

Table 5. Similarities and Differences of Social Capital in IT and Cheonggyecheon Clusters

	Social Capital in IT Industrial Cluster	Social Capital in Cheonggyecheon Cluster
Placeness	· Relatively short history, mainly developed from office districts to high-tech venture capitals and firm district	· Long-standing history as commercial/ industrial area, started from urban market transformed to production-distribution-shopping-after sales services cluster
Socio-economic mechanism	· Trust, cooperation, inter-dependent partnership	· Trust, cooperation, collaboration, interdependent community
Cultural-Economic Mechanism	· Lateral networking through informal diffusion of tacit knowledge · Place-making by cutting-off or differentiated from traditional urban area	· Fusion place for working, leisure, and consumption · Vertical networking of planning, production, and distribution · Place-making by continuing and upgrading from tradition image of urban area
Performance	· Global R&D networking · Embeddedness of labor recruiting · Improving performance and institutionalization by national needs and supports	· Self-contained local networking · Global networking for distribution/sales · Improving performance and institutionalization by local needs and cluster-wide associations

networked production-distribution-consumption cluster

5. Dynamic and creative agents of the cluster are the quintessential element for the long-term success and development

6. Desirable model for CBD or inner city renewal, not being gentrified with office and high-class residential use (place for chosen people), but being revitalized with urban industries and civic consumption & interaction use (place for ordinary people)

5. Conclusions

This paper introduces a new type of industrial cluster developed at the CBD of Seoul.

Conventionally, clusters are said to be consisted of hi-tech, often IT activities, manufacturing industries or artisan craft industries with increasing vertical integration and performance usually supported by venture capitals and favorable business infrastructure, not to mention governments', be it central or local, incentive plans. The study area, Cheonggyecheon region has long been a traditional CBD frame of Seoul, Korea, being troubled by deterioration, traffic jams, and environmental degradation as most inner cities experience. Recently, this region has developed the most dynamic and productive area not by IT industries but by apparel and fashion activities. The cluster's vertical linkage of the Cheonggyecheon cluster comprises almost all of

the way of the production-purchase chains, namely designing/planning, fabricating (including customized production), warehouse, wholesale, retail, and after-sales tune-ups. Small and medium sized firms and shops in this cluster are continually recruited by new start-ups and spin-offs, which are interconnected with subcontracting and sub-subcontracting networks. The social capital for the promotion and development of the Cheonggyecheon cluster is networks of tacit information diffusion by exchanging technical know-how, know-where,

specialized production method, innovation, frontier spirit, and other valuable knowledge, which is reinforced by open competitiveness and performance. This cluster, however, should overcome the diseconomies of urban areas and be regularly upgraded to meet the changing customers' taste in order to become a distinct type of emerging cluster.

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Abstract

Emerging New Industrial Cluster along the Cheonggyecheon-ro and Its Social Capital

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This paper introduces a new type of industrial cluster developed at the CBD of Seoul. Conventionally, clusters are said to be consisted of hi-tech, often IT activities, manufacturing industries or artisan craft industries with increasing vertical integration and performance usually supported by venture capitals and favorable business infrastructure, not to mention governments', be it central or local, incentive plans. The study area, Cheonggyecheon region has long been a traditional CBD frame of Seoul, Korea, being troubled by deterioration, traffic jams, and environmental degradation as most inner cities experience. Recently, this region has transformed to the most dynamic and productive area not by IT industries but by apparel and fashion activities. The study of the developmental trajectory and key characteristics for this kind of industrial cluster can give us insight both for the transition of inner city and for the cluster theory. This paper firstly briefly profiles the growth of the Cheonggyecheon region over the past decade. It then shows the current spatial and business structure of the new industrial cluster, focusing on the fact that transactions costs are reduced, the creation and flow of information improves, and the local institutions are prone to be most responsive to the new cluster's specialized needs. The third section presents the key components of the customized production-distribution-shopping cluster development process, emphasizing the localized networking, social capital, spontaneous institutionalization of associational economic climate, and cultural economy based on place-specific inertia. The paper concludes with some comments about the prospects and perils of the new industrial cluster of Seoul.

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