

Industrial Cluster Policies of the Korean Government in the 2000s: Retrospect and Prospect

Prepared for the Conference of
the 2nd Cluster Day
Seoul, Korea
June 7-8, 2007

Dong-Ho Shin
Dept of Urban & Real Estate Studies
Hannam University, Korea
Phone: +82-42-629-7857
Fax: +82-42-629-7656
dhshin@hnu.kr
<http://ris.hannan.ac.kr>



South Korea

Pop: 48 Million

GNP: \$16,000

Land: 99,000Km²



Economic and Industrial Growth

1945 : Liberated from Japan

1948 : New government

1950 – 1953: Korean War

1962 – 1996: Economic Development Plans

**1972 – 2020: Comprehensive Land Development
Plans**

The Success

1960s

1970s

1980s

1990s

2000s

Resulting Problems

1. Widening Regional Gaps

between the Capital and the Rest

between the East and West

between Urban and Rural

between old core and new areas within cities

2. Widening Social and Economic Gaps

3. Environmental Pollution

4. The Lack of Social Infrastructure

Past Approaches to the Problems

Rural Development: New Community Movement

Growth Control in Seoul

**Construction of Industrial Estates Mainly in the
South**

**Coordinated Development by Spatial Planning:
CNLDPs**

Decentralization

New Approaches in the 2000s

Regional Innovation Policies

Industrial Cluster Strategies

New Administrative Capital

Innovative Cities and Enterprise Cities

RIS Programs by Ministries

Ministry in Charge	Projects	Main Actors	Beneficiaries
Ministry of Commerce Industry & Engergy	Techno-Park Project	Universities Governments	Universities Local Governments
	Regional Technology Innovation Center(TIC)	Universities	SMEs outside of Seoul
	New Technology Business Incubator Center (TBI)	Universities (29)	University Professor, Engineer, Research Staffs
	Growth Engine for the Next Generation	Companies, Local Governments	Companies
	Pilot RIS Project	Universities, Research Institutes Companies	Universities, Companies
	Regional Research Center (RRC)	Universities	Universities, Companies

RIS Programs by Ministries

Ministry in Charge	Projects	Main Actors	Beneficiaries
Bureau of Small & Medium Enterprises	Business Incubator Assistance Project	Corporation of Promoting SMEs	Individuals
	Business Incubator Assistance Project	Corporation of Promoting SMEs Local Governments	Individuals
Ministry of Science & Technology	Science Research Center (SRC)	Universities(26)	University Professors and Students
	Engineering Research Center (ERC)	Universities (35)	University Professors and Students
	Center for High-Tech Commercialization	KAIST	University Professors and Students
	Center of New Technology Start-ups	KAIST	Individuals

Source: Revised from Kwon and Hur (2000: 177).

Daejeon: a Science City

Pop: 1.5 Million

Land: 537 Km²

Characteristics:

Science City

Transportation Hub

Administrative Centre

Educational Centre

Regional Centre

Modern Economy: Science & Administration

Traditional Economy: Leather, Textiles

History: 1905 Railway Station









Daeduck Science Town



Changes in the DST

Time	Major Activities
1973	Area Designated (24.7 Km²)
1974	Master Plan (Ministry of Science & Technology)
1974	Construction Started
1978	Location of Research Institutes Began
1983	Daejeon Was Expanded to Include DST
1992	Land Development Completed
2002	Renamed as “Daeduck Valley”
2004	Renamed as “Special R&D District”
2005	Area Expanded, Governing Structure Changed

Growth in the DST

Year	1979	1985	1990	1997	2002	2005
Gvt. Institutions	0	0	3	7	9	12
Private Res. Ins.	0	0	0	0	7	6
Res. Institutions	8	11	27	49	54	64
- Gvt	5	8	19	16	17	20
- Private	3	3	8	25	26	33
- Semi-gvt	0	0	0	8	11	11
Universities	1	2	3	3	4	6
SMEs	0	0	na	na	111	152
Total	9	13	33	59	185	239

Growing Employees in the DSP

Year	1979	1985	1990	1997	2002	2005
Gvt Institutions	0	0	244	420	426	726
Private Comp.	0	0	0	0	54	55
Res. Institutions	4,698	6,848	10,218	14,220	12,036	14171
- Gvt	3,879	6,129	6,920	7,473	6,277	7217
- Private	719	719	1,432	4,475	3,224	4399
- Semi-gvt	0	0	0	2,272	2,535	2555
Universities	1,146	1,257	2,084	2,423	2,385	2,707
SMEs	na	na	na	na	1,919	3097
Total	5744	8105	10,680	17,063	16,820	20756

Spin-offs form the ETRI























Business Portfolio

- Animal Healthcare Products
- Bioenvironmental Products
- Bioagricultural Products
- Biopharmaceuticals
- Pharmaceuticals

A Biotechnology Network

INDION Commercial Biotechnology Innovator















Problems of the DST

Unclear Role Definition

- Public vs Private**
- R vs D and B**

Limited Local Economic Impacts

- Problems in Local Economic Structure**
- Problems in its Governing Structure**

Lack of Internal Linkages

- Poor Advanced Services in Daejeon**
- Low Political Commitment & Poor Strategies**

Limited Resources

NURI: Concept

BK21 and NURI, Created by MEHRD

NURI focuses on forming industrial clusters

Aims to supply trained graduates and applied knowledge

Improves the quality of university education

Strengthens university-industry relationships

Creates mutual support between universities and industry

Plans investing 260 million dollars annually for 5 years

Constituted of 3 types: large-, medium-, and small-scale

In 2004, 111 projects have been selected

NURI: Evaluation

Daejeon hosts 11 NURI projects

According to the BK21-NURI Evaluation Committee

Initial success by downsizing the number of college students

Improved ratio of teaching staffs versus students

Increased No of intern & OJT students

Increased No of special lectures by corporate managers at universities

No clear signs of creating new jobs and better trained people

RIS Pilot Program: Concept

Designed by MCIE

Aims to create start-up activities,

Aims to assist the existing firms by supplying R&D activities

Using universities and other research institutions

Aims to generate jobs by commercializing existing technologies

Assists networking activities among universities and businesses

Using commercializable technology

Provides each area with 2.5 million dollars per year for 3 years

In 2004, 39 projects were selected

RIS Pilot Program: Daejeon

Six proposals submitted

DRIA, KAIST, and HNU, CNU, etc.

Two were selected: merged one, and another

Merged one: material design, tech-transfer

Another: logistics cluster based on chemical tests

RIS Pilot Program: Evaluation

At the National Level

Too many programs with little diversity

Too much investment, leading confusion & budget waste

**Unreasonable and rigid regulations: budget and
accounting, Lack of Trusts**

Poor coordination among agencies

Long communication channels

Delayed budget

Irrational selection process

RIS Pilot Program: Evaluation

At the local level:

Lack of coordination and cooperation

Lack of professional ethics:

Lack of technological competence

Poor coordination among project sub-teams

Daedeok Valley Innovative Cluster Management Plan

Conducted a Major Survey in the Late 2005

Designed the Program by DRIA Director

To Create Forums for Technology-intensive SMEs

To Share Information, Knowledge, and Technologies

Expected to Create Industrial Clusters

Constituted of 8 Clusters and 14 Mini-clusters

Held Meetings with Popular Supports in the early 2006

Not Active Any More Since then, because of Political Reason

Industrial Complexes in Korea

Operate 30 industrial complexes
- total size : 265,960,000 sq. meter

Host 26,768 companies

Employ 679,335 workers

Produce 280 billion dollars per year

Export 120 billion dollars per year



Innovative Cluster Strategy of KICOX

Strategy

	Industrial Complex
Main Body	Company
Relationship	Vertical
Inducement	Physical Location
Competitiveness	Mass Production Eco



Innovative Cluster
Company+Univ+Re. Institute
Horizontal
Using network
Technology Innovation

The Process

Jan. 2004: The Strategy was Designed

June 2004: Selected 7 pilot areas

Jan. 2005: Approved by MOCIE

**Apr. 2005: Launched 7 Cluster Development Agency
(Budget US\$ 30M)**

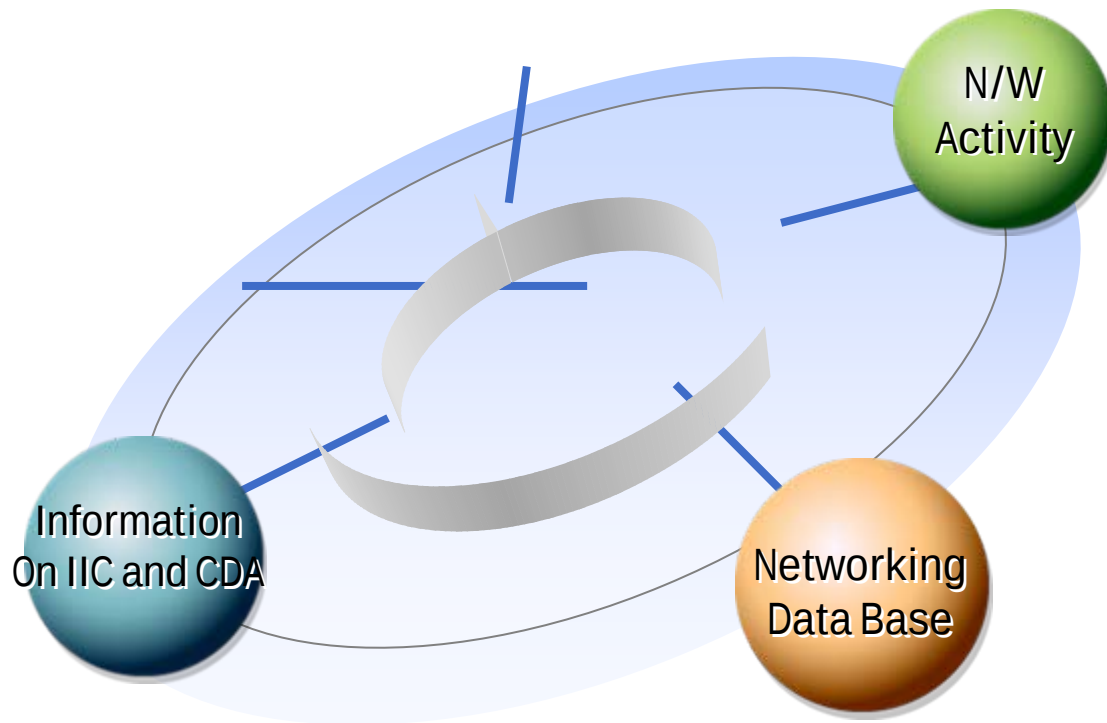
**Apr. 2006: Evaluated the 1st year's ('05.4~'06.3) performance
& Start the 2nd year project (Budget US\$ 46M)**

Seven Pilot Project Areas

7 Complexes



Complex Name	Strategic Industry	Development Vision
Changwon	Machinery	Advanced Machinery Global Cluster (strong presence of heavy industry already)
Gumi	Electronics	Advanced Digital & Electronic Cluster
Ulsan	Automobile	Global base of Advanced Automotive Component Supply
Banwal Sihwa	Components & Material	Global base of Advanced components & Material Supply
Gwangju	Optical Electronics	Global Cluster of Photonics Industry
Wonju	Medical device	The Core of Advanced Medical Device Industry
Gunsan	Automobile Machinery	Global Cluster of Auto & Machine parts Industry



Outcomes of the Strategy



 Non participant Co.  Participant Co.

Changes in Innovative Capacity

Innovation Capability ('04.3)



Innovation Capability ('06.9)



Changes in Firm Relationships

Exchange information on policies and networking

Exchange know-how in technology commercialization

**Cooperate with technology, commercial trade
and inward investment**

Participate and run entrepreneurship programs

Participation in related conferences and seminars

Conclusion:

The Industrial Cluster Strategy

Positive Side

Right choice to tackle the problems

Succeeded in orienting concerns to applied R&D

Negative Side

Too much focus on high-tech & manufacturing, i.e., BT, IT

Considerable expenses for learning effects

Alternative

Creative industry: culture and technology

Need flexibility and diversity to create jobs

Use local resources: cultural, material, and technological

Focus on services as well