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**The Dissertation Committee for Mikyung Kim Certifies that this is the approved  
version of the following dissertation:**

**GLOBALIZATION, URBAN TRANSFORMATION  
AND LIVABILITY**

**Committee:**

---

Bryan R Roberts, Supervisor

---

Gideon Sjoberg

---

Penny Green

---

Wei-hsin Yu

---

Emily Skop

**GLOBALIZATION, URBAN TRANSFORMATION  
AND LIVABILITY**

**by**

**Mikyung Kim, B.A.; M.A.**

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## **Dedication**

This dissertation is dedicated to my family  
who provides me with unconditional love and support.

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# **GLOBALIZATION, URBAN TRANSFORMATION AND LIVABILITY**

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Mikyung Kim, Ph.D.

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Supervisor: Bryan R. Roberts

Economic globalization in the 1980s and 1990s gave birth to a new type of city, called a 'global city', which is assumed to perform critical functions to facilitate the contemporary global economy and which share the same characteristics. Cities, however, have different histories, economies, politics and demographics and these different local conditions do not lend themselves to the construction of a general model of a global city even though they have characteristics.

First, I explore the historical path of urban development in Seoul since the 1960s. Seoul is very unique in that its economic growth was mainly planned and implemented by the authoritarian Korean national government while civil and political freedom of citizens to participate in the decision making process were strongly suppressed. However, the forces of globalization from the 1980s significantly altered the economic and political

context in which the Korean state had successfully operated in the previous decades. The role of state in regulating and planning the market was significantly weakened as well as the national political system became democratized and decentralized from the 1980s. These changes caused by the forces of globalization have made significant impacts on the organization of urban development in Seoul.

Secondly, thus, I examine the social and political impacts of the globalization on the lives of the inhabitants in Seoul and I found that Seoul's becoming a global city is closely related to the growing gap in the condition of living between the poor and the rich in Seoul. It is mainly caused by the restructuring of the urban labor market toward producer service sector orientation away from manufacturing sector. The expansion of the producer service sector has produced new trends in Seoul's urban labor market: professionalization of regularly employed people at the top and increasing informal and low-skilled laborers and/or illegal foreign workers at the bottom.

Moreover, it is found that increasing social inequality has its spatial consequence: a growing residential segregation. In Seoul, the southeast sub-region has emerged as an exclusive residential area for high-income professionals with much better living conditions, including spacious houses, easier access to health-care facilities, more green space and educational institutions. The most important cause of the spatial concentration of professionals in this region is the concentration of the producer service sector jobs there. Yet, high price for housing in this area reinforces the clustering of the rich in the area and shuns lower-income people from moving into the area. However, the role of the national government cannot be under-estimated because the government urban policies



produced the new development of residential and commercial development in the area in the 1980s.

However, it is argued an opportunity to mediate the degrading economic living conditions for citizens in a global city has been created by the same force of globalization, yet in a different social system: urban politics. With particular emphasis on political democratization and decentralization under the current global economic system, it became possible for citizens to be directly involved in the public-policy making process. In theory, this situation implies that citizens are now empowered to create public policies that would minimize the negative consequences of economic globalization on their daily lives.

My case study on Cheonggye Stream Restoration Project shows the opportunities and challenges of new urban political context in Seoul. The analysis of the Cheonggye Restoration Project suggests that more room has been created in the course of policy planning and the policy-making process, caused mainly by global political change toward direct democracy. However, the project also suggests that these changes at an institutional level did not lead to changes at an operational level, failing to produce an outcome that really reflects the demands of the actors.

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## **CHAPTER 1: INTRODUCTION**

### **1. Statement of the Problem**

To many older people in the Western countries, Seoul is still remembered with the dreadful scenes of the Korean War which devastated the whole country during 1950-53 and left it divided as the north and the south. With almost all urban infrastructure destroyed by the war, more than half of the urban population in Seoul lived in absolute poverty and Korea was one of the poorest countries in the world. Yet, four decades later, it became known as the host city of the world largest sport event, the Summer Olympics, in 1988, showing off its miraculous national economic development for the previous decades from the 1960s to the world. Until then, however, Seoul was better known as the capital city of South Korea (hereafter Korea), a newly industrialized economy in Asia, than as an international center. In the end of the 2000s, it is widely recognized as a major center for the global economy as it is home for a number of Korean transnational corporations such as Samsung and Hyungdai as well as a major destination for growing international investment and migration. There is no better word to describe the living experience of people in Seoul than ‘change’ in the last century as the city has transformed itself from the capital of Chosun Dynasty, the ‘Hermit Kingdom’, in the beginning of the 20<sup>th</sup> century, to a power plant of the national economic development during the 1960s and 1990s, and to a global city of the contemporary international economy. There is no other city in the developing world that has grown as rapidly and as successfully as Seoul has experienced.

However, often too excited about the remarkable economic success of Seoul and too much focused on the emerging similarities that it shares with other global cities that appears outwardly, not many have paid attention to the internal dynamics of how a simple administrative and political center of the Hermit Kingdom with a little more than 100,000 residents has become a focal point of global control and management capacity in the current global economy as a response to changes inside and outside of the nation.

There have been different stages through which Seoul has gone in the transformation process. At each stage, different elements have shaped different aspects of Seoul as an urban center in different ways like any other cities. Yet, what is particularly interesting about Seoul is that the transition process has happened in a remarkably short period compared to other global cities and the economic and political conditions in which the changes have taken place are very different. Particularly, with such a short history of adopting modern capitalist economic system, the role of the Korean state, which was determined to achieve a rapid economic development by focusing on the development of Seoul as a strategic growth point, has been more important in organizing urban lives in Seoul than any other factors until recently.

However, it is assumed that the present economic and political changes at a global scale, called 'globalization', cause international urban centers in different regions and nations to play similar roles that are necessary for a proper operation of the global economy and, thus, to make them similar to each other. Yet, a different economic and political path in the past shapes different opportunities in the present. In other words, when the common global forces intersect with local conditions shaped by different

history, they produce a very unique outcome which cannot be reduced to a generalized form. Thus, it is important to know the unique history of the urban development of a city in order to fully understand its current changes.

Moreover, the defining characteristics of a global city are closely associated with the economic functions that a city performs for a regional and/or the global economy rather than with social and political factors. For this reason, the fact that a global city is a place not only for international capital to be managed and organized but also for ordinary people need to make a living is often forgotten in many scholarly discussions. Thus, the social and political consequences of the significant changes that the process of economic globalization brings to a global city do not get enough attention. The issue of social and political consequences of the globalization on a global city becomes particularly important given that a global city status has become something to pursue actively as a public agenda in developing countries focusing on its economic advantages rather than on its social and political impacts on the living experience of the residents.

The question of social and political impacts of the globalization on the living experience of people in a city is related to a concept of 'livability' or a 'quality of living'. Among several people who defined the concept, Evans (2002) and Roberts (2007) focus on the social and political conditions to have a satisfactory life in a city. Evans defines livability as an ecologically sustainable urban environment that assures jobs close enough to decent housing and access to the services for a healthful habitat with wages commensurate with those expenses (Evans, 2002). To him, it is essential for citizens to have economic and social means to live a satisfactory life. He emphasizes collective

actions of urban communities to realize those economic and social conditions. Moreover, Roberts (2007) also argues that livability depends on people having an effective say in the control and management of their urban environment, despite its complexity. Thus, livability has two inseparable parts: economic and social means for a decent living and political power to realize them.

Thus, my dissertation research has two principal objectives. Firstly, it provides a careful historical analysis of the urban development of Seoul, focused on the period from the 1960s when it began to quickly grow as a capital city of the most quickly developing country in the world to the present when it serves as one of the global cities, a star of the current global economy. A particular emphasis will be placed on the reduced roles of the Korean developmental state coupled with increasing influence of the global economic system in organizing the urban economy and politics of Seoul. Secondly, it explores how Seoul's transformation into a global city as a result of economic globalization has affected the social and political conditions of living, for the ordinary citizens in Seoul. In other words, it seeks to answer whether the current economic and political changes in Seoul both driven by internal and external forces has contributed to improving the livability of the ordinary people in Seoul. By fulfilling the two objectives, it eventually aims to show how forces of globalization interact with the specific local conditions and what kind of social and political consequences are produced from the complicated interaction.

My dissertation contributes to the literature of 'global city' in three ways. First, it will contribute to recognizing the diversity within global cities. Even though economic globalization is a powerful force that homogenizes global cities in different nations and regions, the general force would have different articulation depending on the different context in which it is adopted and global cities in the world are very different from each other in terms of its history, economy, polity and demography. It is argued that major cities, such as New York, London and Tokyo, came to perform critical functions in operating the contemporary global capitalism as a nodal point for global finance that controls and manages the global economy (Sassen, 1991). With the increased volume of transnational economic activities and transactions, more and more cities came to perform specialized functions of global cities either by the necessity of the global market itself or by intentional efforts of a national or local government to promote their large metropolis to one of the kind (Douglass, 2000; Olds and Yeung; 2004; Wang, 2003). Having same roles in the global economy leads to an argument that global cities share more characteristics with global cities in other countries than with cities within the same country (Sassen, 1991; Friedmann, 1986; Friedmann and Wolff, 1982).

However, the argument is largely based on the evidence from global cities, such as New York, London and Tokyo, from developed countries which have long history of being world major cities with strong and well-developed national economy and, thus, it is questionable whether economic globalization affects cities in developing countries, such as Seoul, which have different economic, political and cultural conditions in the same way as it has affected cities in developed countries (Smith, 1996; 2003).

Seoul is ranked as a second-tier global city in the literature following New York, London, and Tokyo in the first rank (Friedman, 1986; Bearstock et al 1999). But, Seoul is a global city outside developed countries and, thus, is very different from other global cities in western developed countries in terms of the historical development of economic and political conditions. Although it has served as a capital of the nation for more than 600 hundred years being the center of national economic, administrative and political power, its importance in the world economy was recognized only recently from the late 1980s. The rapid emergence of Seoul as a global city was mainly made possible by the remarkable economic success of the nation under a strong authoritarian central government during 1960s and 1980s. The Korean government which had exclusive control over policy planning and resource allocation aggressively sought economic development by focusing on labor-intensive manufacturing sector for exports. Thus, the economic development of Korea with Seoul as its growth pole was largely based upon the expansion of manufacturing sector. More importantly, the rapid economic growth driven by the success of manufacturing sector resulted in relatively equal distribution of wealth among people. Therefore, the detailed discussion on the current economic and political changes in Seoul with different historical path of economic development will expand the scope and depth of global city theory because most of global city studies are focused on cities in the western developed countries despite global cities in developing nations currently receive more attention than in the past (Gugler, 2004; Smith, 1996, 2003).

Secondly, my dissertation focuses more on the social consequences of the globalization for the inhabitants of global cities than on economic changes in those cities. Even though Sassen (1991) and Freidman and Wolff (1982) point out growing social and spatial polarization is a defining feature of global cities, there are few studies discuss how a city's close integration into global economy influences the daily living experience of citizens and their capacity to improve the qualities of living. Yet, most global city literature gives too much attention to the organizing capacity of economic globalization and the advantages of a global city, regarded as 'a star' in the current global capitalism, so the disorganizing effects are largely forgotten and under-estimated. It is, however, argued that the organizing functions of global cities in the global economy have direct consequences on the urban economy: simultaneous expansion of producer service sector on the top and personal service at the bottom of urban labor market at the expense of manufacturing sector jobs (Sassen, 1991). Moreover, this change in the urban labor market produces growing social and spatial inequality. Thus, faced with the question of 'livability' in a global city, it is important not only to know new patterns of economic development in Seoul caused by global economic changes but also to examine what kind of social consequences it they bring to the lives of inhabitants in Seoul.

Finding out the social consequences of globalization becomes also crucial given the wide-spread sentiment among many national and city governments in developing countries that the status of global city is something to obtain in order to be successful in an increasingly competitive world economy. Global cities have certain advantages in generating economic growth as they are the centers of international finance but it is



highly doubtful whether the economic advantages of having a global city convert into the improvement of social and conditions for most of ordinary citizens, who are not a part of the elite population. In fact, it is documented that the social gap between the poor and the rich is rapidly increasing in global cities due to a polarization process in the urban labor market having expanding producer service sector at the top on as well as growing informal sector at the bottom. The social and physical wall between residential areas for white-collar professionals and those of the urban poor is also growing in the global cities.

Thirdly, my dissertation also looks into how political opportunities and/or limitations have been created by economic globalization in a global city because livability not only depends on the economic conditions for livelihoods but also on the people's capacity to influence important public policies. It seems that growing social and spatial inequality is an unavoidable side effect when a city becomes a global city and this implies worsening socio-economic conditions for a considerable number of people in the middle of social class in a global city. However, the same process of globalization, which is closing a door to improved livability in economic terms, has opened a door toward increasing political opportunities for citizens to maintain their livelihoods in a global city. With particular global emphasis on the political democratization and decentralization under the neo-liberal global economic system, roles of citizen participation and popular movement became important in shaping and in determining public policies.

This external push for democratization and decentralization has profound impacts in the national and urban politics in Korea. Having an authoritarian national government that dominated the national and urban policies and strongly prohibited any organized

movements of people, citizens in Seoul did not have any sense of control over their living experience. Policies regarding the urban development were almost exclusively determined by elite bureaucrats in the government organizations. However, Korea has undergone a significant political change during the last two decades from a strong authoritarian government to a democratic regime that has restored electoral democracy and local autonomy. This implies that citizens are granted with more political power in the decision making process of important public policies that are directly linked to their lives. However, it is still an open question whether the political change has really empowered the ordinary citizens to the degree that they can control and manage their own livelihood in Seoul, considering the long and powerful legacy of undemocratic and top-down way of governance in Korean social and political environment.

Therefore, this dissertation discusses how the world-wide process of democratization, the other face of economic globalization, created openings for diverse actors to be involved in the urban politics and, thus, made the process of urban policy making much more complicated than before. This is important because there is little study that discusses political factors that facilitate and/or hinder the formation of a global city and even less study that examines the role of politics in minimizing the adverse social consequences of economic globalization on a global city.

In short, the past history of urban development in Korea shows that the livability of citizens in Seoul as well as in other cities in Korea was largely determined by the elite bureaucrats in the authoritarian government. Although it strongly suppressed people's

freedom to participate political processes, which is the major channel for citizens to express their interests in public issues, the Korean authoritarian government were successful in promoting national economic development and, thus, improving the economic parts of livability for the majority of citizens during 1960s and 1980s.

However, this simple situation has been critically changed under the influence of current globalization. And, this dissertation aims to answer how economic and political changes at a global level influence the current urban economic and spatial development as well as patterns of urban policy making in Seoul. At the same time, it also examines how the unique historical path of economic and political development at local level responds to those global forces. Thus, this research explores the complicated interactions between the general and broad social changes from above and the specific local context of Seoul where they are adopted from below and see how it produces an extraordinary type of economic and political environment in which livability of citizens of Seoul is determined.

## **2. Organization of Dissertation**

In the following chapters, the question of urban livability and economic globalization will be addressed in four parts.

The first part provides a brief summary of existing studies on the current globalization process and its social and political consequences in urban centers and description of data and methodologies. Chapter 2 offers a literature review focusing on 1) economic globalization, global cities and urban livability, 2) social consequences of

globalization, and 3) political consequences of globalization. Chapter 3 describes the data and methodologies used to analyze the relationship between globalization and urban livability.

The second part explains the historical accounts of Korean urban development focusing on the period between 1960s and 1990s, and it also introduces the how Korea responded to the global economic and political changes caused by the globalization after 1990s. Thus, chapter 4 describes the historical path of urban development and economic growth in Korea, typically characterized by extraordinary speed and strong and almost exclusive role played by the central state. The role of the Korean developmental state in fostering rapid economic growth as well as in shaping urban policies will be discussed in detail. Thus, it shows how the embedded autonomy of the Korean state was also effective in the urban political-economy in Korea as the developmental state utilized urban centers as growth poles for a rapid national economic development. Chapter 5 describes the changing context of economic and political development in Korea: national economic restructuring with its focus from manufacturing industries toward service sector as well as political democratization and decentralization. It emphasizes on the critical shift taken place in the role of the Korean developmental state as well as on the rising new actors, including private corporations, civil society organizations and local governments, under the new economic and political environment.

The third part specifically deals with how the living experience of citizens in Seoul has been changed since 1990, being influenced by fundamental transformations in the global economy with a strong Neo-liberal ideological emphasis on a free market.

Chapter 6 examines newly emerging patterns of spatial development in Seoul and its surrounding area of Kyunggi Province. It also analyzes the process of Seoul's transformation into a global city and corresponding urban economic restructuring toward producer service sector orientation. Chapter 7 and 8 examines the growing tendency toward social and spatial polarization in Seoul as a reflection of the urban economic restructuring.

Having examined the changing economic conditions, largely to a negative direction, for the ordinary livelihood in Seoul, the third part will explore the possibilities of the political democratization, spurred from externally and internally, create opportunities and/or limitations to mediate the negative effects of economic restructuring in Seoul. In order to do it, the planning and decision-making process of Cheonggye Stream Restoration (2003-2005) will be discussed in detail as a case study.

## **CHAPTER 2: GLOBALIZATION AND SOCIAL CHANGES**

In the literature review that follows, I attempt to cover the existing discussions of globalization and urban livability in three ways. First, I will provide a general discussion of the fundamental changes that happened in the world economy and of the rise of a new form of urban development, a global city. I will also define what ‘livability’ means and how it is subject to changes in the global economy. Then, I will review the changing living experience of urban residents in a global world with a particular focus on growing social and spatial polarization as a consequence of urban labor market restructuring. Thirdly, I will introduce three major theories in urban politics and discuss how the nature of urban politics has been changed under current globalization providing new opportunities and challenges to overcome the problems produced by globalization. Finally, I will provide a brief summary of the literature review and explain how my dissertation contributes to the existing body of literature on global cities.

### **1. Globalization, Global Cities and Urban Livability**

#### **1) CHANGING ENVIRONMENT IN THE WORLD ECONOMY**

In the period of industrialization, the traditional focus of urban system analysis was on territorially and politically bounded urban systems. It is argued that, however, the current pattern of economic globalization gave rise to a new system of cities, called ‘global cities’, that is organized without respect for national boundaries (Friedmann, 1986; King, 1990, Sassen, 1991; 1994). In order to understand the new global urban

system, it is important to identify a set of significant changes occurred in the world economy since 1970s because it provides the contextual background from which a new global urban system has emerged.

There is little disagreement over the fact that fundamental changes have happened in the world economy even though the political, social and cultural consequences brought by these economic changes are highly controversial (Held and McGrew, 2000). Current alterations in the global economy can be characterized in three ways: the rise of new global production systems, considerable increase in international trade and the liberalization of world financial markets (Stalling, 1995, Waters, 1995, Gereffi, 1994, McMichael, 2000).

First is a development of globalization of production. Rapid improvement in information, communication and transportation technology in the 1980s made it possible to connect people in the different parts of world together and it also reduced the cost of traveling and communicating substantially. Thus, it became much easier and cheaper to relocate production facilities from one country to another, typically to countries where cheaper labor is available and less restrictions are applied to economic activities, while maintaining the coordination and organization capacity over spatially dispersed production process through advanced communication technology. Gereffi describes this redistributed process of production capacity over a number of developing as well as industrialized countries as an emergence of a 'global commodity chain'. It is also argued that the formation of global commodity chains leads to the division of labor at a global scale because it encourages developing nations to participate in the world economy by

specializing in different branches of manufacturing or in different stages of production within a specific industry while developed nations are more concentrated in higher level service industries (Gereffi, 1994; McMichael, 2004).

Secondly, international trade increased considerably with the rise of more functionally integrated global production. International trade in merchandized goods increased spectacularly from \$ 130 billion in 1960 to \$6,414 billion in 2002. Exports of services also rapidly expanded from \$385 billion in 1980 to \$1,610 billion in 2002 (UNCTAD, 2004). This generally involved increased participation of developing countries in world trade as their share in total world exports of merchandise and services has grown at a higher average growth rate than that of developed countries over the last four decades (Ibid, p. 48). However, it is important to notice that trade varies considerably among countries in its extent and composition. In fact, most developing countries did not see their exports increase significantly except East Asian and Central American economies. The share of developed countries in world exports even fell from 0.7% in 1980 to 0.4% in 1990 and reached only 0.6% in 2000. Moreover, developed countries dominate international trade in services as their share in total service exports is more than 73 per cent while that of the least developed countries is only 0.4 per cent (Ibid, p. 50). This means that most countries with weak economies do not take advantages of rapidly expanding international trade.

Thirdly, international financial markets were also reorganized with the liberalization of financial markets at both the national and international levels, which is closely linked with the collapse of the Breton Woods System in 1970s (Cohen, 1996;



Strange, 1994). Increase in international trade accompanies an increase in international capital flows. Moreover, foreign direct investment (FDI) became the most important form of international capital flows among other forms. Growth in world FDI flows over the last three decades has been phenomenal as it increased from \$12 billion in 1970 to \$1,393 billion in 2000 (UNCTAD, 2004). As a result, multinational corporations and banks, which are by far the major actors in global financial markets, came to play a critical role in the management and organization of money and credit in the global economy (Walters, 1993; Germain, 1997). In 1997 there were 53,000 MNCs worldwide with 450,000 foreign subsidiaries selling \$9.5 trillion of goods and services across the globe (UNCTAD 1998).

In short, current globalization can be summarized as the neo-liberal principles of 'free markets', the elimination of regulations and barriers that interfere with the proper operation of markets and the increased mobility of goods, capital and people across regions and nations.

## **2) RISE OF GLOBAL CITIES**

Urban sociologists began to focus on the relationship between changes in the nature of the world economy and the dynamics of the urban system: economic globalization is taking place most intensively in cities, particularly large metropolises. With economic globalization based on the free movement of goods, capital, and to a lesser extent, people, the organizing capacity of business activities became concentrated in a few major urban centers. This resulted in specialization of the urban economies of

large cities and functional interdependence among them. In this context, a hierarchy of 'global cities' came into being as an urban system that is critical to the operation of the global economy (Friedmann, 1986; King, 1990; Sassen, 1991; 1994; Fu-chen Lo and Yue-man Yeung, 1998: 9-11; Hall, 1998). Thus, cities, once growth poles for national economic development, now perform a 'starring role' in modern global capitalism (Taylor, 2003).

According to 'global city' theory, global cities perform specialized functions in the globalized world economy. First of all, the central capacity of control and management of the global economy is concentrated in global cities. The production of commodities is being dispersed all over the world through sub-contracting, joint ventures etc with the help of advanced technology. However, the economic activities of controlling and managing spatially dispersed factories, offices and markets requires a centralized place with highly developed infrastructure such as high level telecommunication facilities. Moreover, it is necessary to have access to a vast range of specialized business services such as financial assistance, insurance, legal services and advertising in order to successfully coordinate a geographically dispersed array of economic operations. These business services tend to cluster as their activities are highly innovative and often based on face-to-face interaction and, thus, they benefit from close proximity to other specialized services. It is global cities that provide the locations, well-educated labor force and communications for trans-national corporations to control their global operations. Thus, global cities host disproportionate number of the headquarters of the core transnational corporations as well as the firms that provide specialized services

such as legal advice, real estate and advertisement (Smith and Feagin, 1987; Short and Kim, 1999).

Global cities are also major sites for the concentration and accumulation of international capital (Friedmann, 1986). The flow of international capital has been substantially increased in terms of scale and speed and the role of financial markets has become increasingly significant in decisions as to investments. However, financial institutions such as bank head offices, stock markets and security firms tend to be geographically concentrated since financial activities require high-levels of infrastructure, disciplined markets, highly trained labor pool and well-defined and market-favoring legal systems (Noyelle, 1989; Thrift 1994). Thus, cities like New York, London and Tokyo that are already economically developed have a considerable advantage over other cities in attracting international investment, which maintains and reinforces the concentration of international finance in a limited number of cities.

It is also important that global cities work as points of destination for large numbers of both domestic and/or international migrants. Large cities have always served as major destinations for rural migrants but there has been a considerable growth in international migration recently as more and more people, particularly in developing countries, are directed toward major urban centers in the advanced countries in search for economic security where they can find job opportunities in the service sector without high-level of skills and language ability (Massey, 2003; Portes and Benton, 1989).

In short, the functions that global cities carry out in the world economy give rise, it is argued, to a set of common characteristics. I reconstruct the characteristics in four main criteria mainly following the world city discussion by Friedmann (1986), Friedmman and Wolff (1982), King (1990) and Sassen (1991, 1994):

1. Global cities have specialized functions in a world economy.
2. The structural changes within global cities directly reflect the specialized functions of global cities.
3. Global cities are 'basing points' for international capital.
4. Global cities are points of destination for large numbers of both domestic and/or international migrants.

The theories about the 'global city' have provided a foundation to link urban systems and a new global economy. They have been, however, criticized on several important points. First, the validity and utility of the world city hierarchy is often put into question, despite the depiction of this hierarchy being seen as a major contribution of global city theory. Thus, global theorists have put an enormous effort into building a concise map of the global urban network and there has been a consensus in the literature of world cities on the primacy of London, New York and Tokyo as global cities at the top level in the system (Beaverstock et al 1998; Friedmann, 1986; Lo and Yeong 1997; Smith and Timberlake, 1995). However, little consensus has been achieved on which cities should be included in the next tiers of the hierarchies. This is partly because different sets of cities can be identified as global cities depending on what kind of functions are used to define them. For example, Seoul is ranked high in the global control function while it is scored relatively low in the number of branch offices of international producer service

corporations (Beaverstock et al 1998; Hill and Kim, 2000). The question of how accurate is the hierarchy that has been mapped is also associated with the issue of data availability and measurement. Comparable data on cities around the world are usually not available (Short et al, 1999) and relational data among cities are even more limited (Smith and Timberlake, 1995; Smith, 2003).

A second criticism is that the world city debate places too much emphasis upon the homogenizing effect of the world economy through technological progress and flows of international capital, commodity and people (to a lesser degree) in shaping different urban centers around the world, assuming that world major cities in different countries are becoming more like each other. According to Sassen (1991), New York, London and Tokyo are converging on a similar urban model due to the new functional role they play in the globalization process. However, it would be seriously wrong to assume the patterns of urban development in developing countries or poor regions are based on those of developed countries. The impacts of economic globalization are uneven among cities and economic globalization largely leaves out cities in less developed countries. Cities may have trends in common but they have major differences, and do not lend themselves to the construction of some generally applicable model of the 'global city' (Marcuse, 2000). Roberts, for example, differentiates the modes of incorporation into global economy that produced different patterns of urbanization in terms of the timing of incorporation and the intensity of restructuring of the internal market (Roberts, 2003). Moreover, we should remember that cities with different local and national historical conditions respond differently to the pressures from the new economy (Gugler, 1996,

1997; Portes, Dore-Cabral, and Landolt, 1997; Smith, 2003). For example, many Asian cities that have a tradition of strong authoritative state government, such as Singapore and Seoul, obtain the status of global city with the active role of the state (Hill and Kim, 2000; Yeoh, 1999). The problem is that little is known about how economic globalization affects cities in developing and less in developed countries (Smith, 2003). Thus, careful studies on the interaction between economic globalization and patterns of urbanization in less development regions are urgently required to understand the whole picture.

Lastly and most importantly, the world city literature is too much oriented to the organizing power of the economic functions centered in cities so it underemphasizes their disordering effects. Being a global city and performing certain roles in the global economy involves social and political consequences, but little attention has been paid to those consequences, particularly the negative ones. And, one of the most salient disordering effects is the sharpened divide between the rich and the poor (Castells, 1991; Friedmann, 1986; Habitat, 2001; Roberts, 2003; Sassen, 1994, 2001, Smith 2003). With the rise of Neo-liberal principles with its emphasis on free market efficiency as a dominant rule in the global economy since the 1970s, growing social inequality has become a major issue among sociologists. However, the degree of wealth polarization is most severe in the major large cities. The great metropolises at the top of the hierarchy of global cities are home, simultaneously to enormous wealth and power concentration of the rich, and marginalization and poverty of the poor. Growing class and income inequality and related social problems such as growing crime rates call our attention as

sociologists to the livability of great urban centers, a theme which I develop in the next section.

### **3) GLOBALIZATION AND URBAN LIVABILITY**

What kind of impact does it have on the lives of ordinary citizens for a city to play a 'starring role' in a global economy? Does this mean improved quality of living and greater social and economic opportunities? Do global cities become more livable for the citizens? To answer these questions, we need to define what a 'livable city' is.

The definition of 'livability' has two components according to Evans (2002). Livelihood is one of them. Ecological sustainability is the other. Livelihood means jobs close enough to decent housing with wages commensurate with rents and access to the services that make for a healthful habitat. Livelihoods must also be sustainable. He opposes attempts to solve jobs and housings in ways that degrade the environment of a city (Evans, 2002, p.1). Thus, to be livable, a city must provide a decent level of social and economic conditions, particularly jobs and housings, for its citizens in ways that preserve the natural environment.

Roberts (2007), however, argues that livability in a city is largely dependent upon the ability of citizens to control and to manage their own living environment. It is important in two ways. First, people may be satisfied with material conditions that are not appropriate to outsiders when they have some sense of control over their living environment and of personal and social security. Secondly, with economic globalization, the roles of outside forces rather than local residents and/or governments in the local decisions making process that shapes the socio-economic organizations of a city,

particularly urban employment. Combining the arguments of Evans (2002) and Roberts (2007), 'livability' is defined as a decent level of socio-economic conditions that is satisfactory to its citizens as well as their capacity to manage the living environment in order to realize the material conditions.

Then, do global cities, the stars in the global economy, provide enhanced livability to the ordinary citizens? There are not many studies done on this topic of urban livability and its relationship with economic globalization. Many urban sociologists raised concerns of worsening conditions of living in large cities, particularly in mega-cities with more than 10 million habitants. Rapid population growth in mega-cities, often in developing countries, has produced serious problems of housing shortage, longer commuting hours and pollution (Gilbert, 1994). Others focused on the role of community participation in solving these problems and, thus, in promoting sustainable livability in cities in developing countries (Evans, 2002). However, those studies do not make a clear relationship between the urban problems and the changes in the global economy.

Global city literature suggests a handful of case studies of increasing social and spatial polarization in global cities due to the rapid expansion of high-paying jobs in the producer service sector (Sassen, and Freidmann). Van Kempen and Logan (2001) also document the trend of growing social inequality in terms of urban occupational structure as well as of residential organizations in their collection. Yet, they only emphasize the changes in the economic structure and their spatial reflections and not connect them with any local collective responds to them.



The issue of urban livability has become much more complicated with contemporary globalization that not only reshapes the physical, economic and social organizations of cities but also affects the political context for governmental as well as for citizens organizations. However, there is little known about how these changes on a global scale have affected the conditions of living for ordinary citizens on a local level and their capacity to organize to gain some control of their environment.

## **2. Globalization and Its Social Consequences**

### **1) CHANGES IN URBAN LABOR MARKET AND GROWING SOCIAL POLARIZATION**

According to global city theorists, the most fundamental change that economic globalization brought to the organization of economic activities in global cities is the growing importance of the producer service sector as it takes up the role of the command and control functions of the global economy (Castelle, 1991; Sassen 1991, 1994). It has a direct connection with changes in labor force characteristics. Firstly, it caused decreased employment in the manufacturing sector and an increased employment in the service sectors, both producer services and personal services. Secondly, the shift in economic activities from manufacturing to the services is also closely linked with the increasing informalization of the labor market. Thirdly, the importance of foreign labor migrants, both short-term and long-term, in the urban labor market, particularly in the informal sector, is greater than ever before in global cities. The social consequence of these

changes in the urban labor market is the increasing social polarization between the rich and the poor.

The concept of social polarization became one of the most contentious issues in the literature of global cities (Castelle, 1994; Sassen, 1991, Hamnet 1994, Baum 1997; Tai, 2006). Social polarization debates started from the seminal work of Friedman and Wolff (1982) on the formation of world cities as they argue that the specialized functions of the global city requires concentration of multinational elites on the one hand and also people who cater the demands of those elites on the other hand. Later, this point is supported and confirmed by the influential work of Sassen (1991) with empirical evidence on New York, London and Tokyo. She argues that the growth of the producer service sector generates low-wage jobs directly, through the structure of the work process because it also requires a large number of low-level clerical jobs with little education, and indirectly, through the structure of the high-income life styles of the elites which raise the demands for maintenance, cleaning, delivery, restaurants and other types of low-wage workers (p. 286). This tendency toward the growing importance of the producer sector in the urban economy is also noticeable in global cities in the developing countries in Latin America and Asia (Lo and Yeong, 1996; Roberts, 2005).

Yet, others do not accept the causal relationship between a growing producer service sector employment and social inequality. Even though cities in Western capitalist countries witness growing social inequality with economic globalization, some European and Asian cities are generally going through “professionalisation” or “upgrading” of the

labor force rather than polarization (Hamnet 1994, Baum 1997; Tai, 2006). Moreover, refusing an automatic link between economic globalization at a global level and social polarization at a local level, they focus on various local factors that interact with global changes and produce unique local consequences such as local culture and custom as well as the role of gender and migration in the local labor market. Particularly, special attention was paid to the role of the state in mediating social inequality in Asian cities (Hill and Kim, 2000, Wang, 2003, Tai, 2006). Yet, most urban sociologists do not deny the general tendency towards increasing social inequality in large global cities despite the different forms and different degrees in which it takes place in different cities depending on their unique cultural, political and historical paths.

Another reason for growing the social inequality in global cities is closely linked with the increasing informalization of the urban labor market. The informal sector is largely related to survival activities, often on a small scale, of social groups marginalized by the larger formal economy. Thus, the informal sector is considered as the root of poverty, particularly in urban settings, and expected to disappear with economic development in the formal sector. However, macroeconomic changes in the international economy in the 1980s and 1990s that accompanied trade liberalization, the increasing importance of privatization as well as the reduction of government protection over the domestic market brought a reinforcement of informal economy as cost-effective income-generating activities because they are not regulated by the state (Portes, Castells and Benton, 1989).

In a global economy with fierce competition, the informal economy results from the strategies of capitalists to avoid state regulation and to lower the production and labor cost. Furthermore, informalizing part of production and labor became a way for formal firms to increase their flexibility toward quickly changing consumer demands in the competitive global market (Deyo, 2001). Increased pressure for flexibility in the global market hardly left any industries freed from subcontracting and outsourcing of their production parts, even including the auto and semi-conductor industries (Deyo and Doner, 2001; Eanst, 2001). Therefore, the informal economy became systemically linked to the formal economy and is an integral part of the international economy under contemporary global capitalism (Portes, Castells and Benton, 1989).

Viewing the informal economy as effective income-generating activities rather than a cause of poverty, some studies argue that there is little evidence that the expansion of the informal economy in global cities contributes to growing social polarization (National Research Council, 2005). They realized that there is great heterogeneity within the informal sector itself from low-end jobs to high-paying jobs and the informal sector sometimes does provide better income-generating opportunities than the formal sector, for example, in Mexico and in Brazil (Maloney, 1999; Telles, 1993). Thus, it is hard to conclude that the informal sector serves as the source of urban poverty.

However, Appelbaum and Smith (2001) make it clear that the increasing adoption of an informal mode of employment by formal large firms, under the name of 'flexible production', has a dark side of labor exploitation including no constant working contracts in a sweatshop-like working conditions, no working benefits and aggressive

anti-union practices. This casualization of working conditions certainly suggests the further vulnerability of socially marginalized groups (Roberts, 2003).

The global city literature demonstrates that economic globalization is closely related to increasing volume of international migration in search of better occupational opportunities and these international migrants end up picking jobs in lower end service sector jobs that the native nationals refuse to take in the economically advanced countries. And, it is 'global cities' that attract a disproportionate share of international migrants in the core receiving nations (Friedman, 1986; Portes and Walton, 1981; Sassen, 1991). Moreover, informal economic activities are largely concentrated in immigrants communities, for example in New York, in London and, to a lesser extend, in Tokyo (Sassen, 1991). This intersection between the informal economy and international migration is one key to understanding the nature of increasing social polarization in global cities.

However, when examining social polarization, the role of immigrants and foreign workers in world large cities is largely excluded mainly because these people exist out of official statistics. Particularly, countries with a relative short history of receiving international migrants, such as newly industrialized countries in East Asia including Korea, have not developed a system of collecting data on international migration yet (Massey et al. 1998).

## **2) CHANGES IN URBAN SPATIAL ORGANIZATION**

The global city literature argues that an increase of socio-economic polarization, resulted from the employment shift away from manufacturing sector toward service sector with a particular focus on producer service sector, has a spatial impact: the increasing residential segregation between the rich and the poor (Friedmann, 1986; Castells and Mollenkopf, 1991; Sassen, 1991). This new spatial order has basic features even though it varies substantially from city to city based on differences in the historical development of the built-up area of a city, on national political and economic structures, on the role of the international economy and so on. Those basic features include a spatial concentration of a new urban poverty on the one hand, and of high-income people engaged in specialized economic activities in the global economy on the other hand. Spatial division within the 'middle class' is also increasing (Habitat, 2001). Boundaries between divisions have become higher and more apparent, reflected in social and physical walls between social groups such as separate residential space with electronically managed gates.

In addition, the degree and complexity of spatial segregation in current global cities are higher and more complicated than before, particularly in the rise of 'small-scale' segregation (Sabatini, 2004). This implies that the physical distance between the wealthy and the poor becomes narrower but social distance grows wider. The wealthy and the poor are economically dependent upon each other as suppliers and consumers of low-level services such as catering, cleaning and personal service (Sassen, 1991). However, when they converge into one area, people with higher income usually isolate

their residence in gated communities and minimize social contacts with the poor residential areas (Sabatini et al, 2001).

Thus, under current globalization, restructuring of manufacturing and service and widening social polarization resulted in the dividing of urban space into 5 categories along the lines of income, class, race and ethnicity: the citadels of elites, gentrified areas for high-income professionals, suburbs for the middle class, inner city working class area, and ghettos of the socially excluded groups (Marcuse and van Kempen, 2000; UNCHS, 2001).

Yet, others argue that producer service sector only represent a small part of urban employment and, thus, even though there is an ongoing process of geographic concentration of the global wealthy in certain areas, the diversity of the social structure and complexity of its spatial distribution continue to grow (Preteceille, 1988). Moreover, Marcuse and van Kempen (2000) argue that it is hardly a new phenomenon that spatial divisions among different classes or ethnic groups exist in large cities. Large cities always attracted diverse groups of people and it is usual to have differentiated residential areas among different groups. In addition, even if we accept that new patterns of urban spatial organization have been developed in global cities, the role of globalization in shaping it is unclear, at best. There are several factors that influence the spatial orders of cities such as the pattern of migration and other demographic developments, race and ethnicity, and the role of the public sector. Globalization is only one of them. Particularly, the role of the state is important in shaping the spatial development of urban centers. It is suggested that global cities like Singapore and Tokyo have maintained relatively lower level of residential segregation in terms of class, and also of race in case of Singapore, through strong state policies and regulations (Grunsven, 2001; Waley; 2001).

Another issue related to globalization is the changing patterns of urban land use. With the rapid development of the producer service sector in global cities, which often serves to manage and control internationally dispersed economic activities, global cities are now the most favorable places for international capital to invest. Higher level of living standards for global business elites and well-developed consumerism in global cities also create huge demands for luxurious shopping malls and restaurants, and lavish housing. All of these contributed to an expansion of commercial land development on a large scale (Waley, 2001). Sometimes, the public sectors play an important role in commercializing the urban space, particularly when they are involved in redevelopment projects of deteriorated inner-city areas as in the case of London's East Dock Redevelopment (Thornley, 2000).

It is important to meet the needs of newly created demands of the global wealthy as well as to improve the image of a city to the world through redevelopment projects. However, increasing commercial land use raises the concern that urban land use appears to increasingly become subordinate to the interests of transnational corporations and global elites at the expense of local citizens. Waley (2001) shows that the conversion of residential land area to commercial use in central Tokyo results in displacing of old neighborhoods and in a draining of local economic dynamism.



### **3. Globalization and Urban Politics**

The issue of livability in large global cities becomes more challenging when political changes that economic globalization brought to the practice of urban policy making is considered. The way that urban problems are treated has changed both at the local and the national levels with globalization that emphasizes ‘free market’ principles as well as democratization of governments that opened ways, at least at an institutional level, through which various groups of people express their voices in public discourse. Thus, the general consequences in the urban policy fields are two fold: first, growing importance of market and private sector and changing responsibilities of national governments through decentralization, second, greater awareness of urban livability problems and effort to correct them on the part of local governments, civil societies and citizens.

#### **1) THEORIES OF URBANPOLITICS: PLURALISM, ELITE, AND REGIME THEORY**

##### **a) Pluralism**

Pluralists believe that power and resources to influence important urban decisions are dispersed in all groups and individuals even though they are unequally distributed. It is a fact and also a desirable feature of a modern liberal democracy. Thus, important urban decisions are made through interactions of groups and individuals with different degrees and types of power and resources (Jordan, 1990). In other words, a plurality of actors including political institutions, elites, organized interests, individuals and voters is

involved in decision making. Despite the fact that they are aware of some groups or individuals' having more power and resources than others such as private business groups, pluralists argue that no one group dominates all issues in urban politics: different influential groups make different decisions in different issue areas (Judge, 1998).

Pluralism rejects the elitist view of the urban decision making process. It emphasizes the power of voting and argues that electoral politics is still of significance in determining urban policies. It also assumes the existence of relatively autonomous groups and organizations in urban political arenas as it treats the public and private sectors as politically distinct. Moreover, pluralism emphasizes 'who' is involved in the 'process' of decision making at issue (ibid).

However, the concept of power in pluralism is narrowly defined as it focuses on the power that has direct consequence on decision making such as voting. Power is not only exercised directly at the site of decision making but also employed before the decision making process. Bachrach and Baratz (1970) named this as 'second face of power'. They raised the possibility that many issues in a community do not become the site of public contestation. Instead, 'bias' within the political system is mobilized making sure that vitally important issues do not reach the public agenda, and so do not become 'decision'.

Moreover, there is third face of the power that arises from socially structured and culturally patterned behavior of groups and practice of institutions (Judge, 1998).

Whether a certain issue reaches public decision making or not and how public decisions are made can be largely shape by broader social structure such as types of economy

(capitalist economy or command economy) and/or degree of autonomy of local government.

Another problem of pluralism is that it overlooked the growing complexity between and within groups and institutions and their inter-linkages, while it fully recognized the inevitable diversity of actors and interests in large cities.

### **b) Elite Theory**

In contrast to pluralism, elite theory starts from the fact that a few groups of people dominates the control over crucial resources such as capital, political influence, expert knowledge and so on regardless the type of economy and/or the form of government (Harding, 1998). Elite theorists consider the concentration of power as an inevitable result of bureaucratization in complex modern societies. Following Weber's argument, elite theory argues that modernization brought the extended division of labor and more complex patterns of institutionalization which requires more efficient mechanisms of control: bureaucratization. Under a bureaucratic system, power becomes concentrated in the managerial and commanding positions in government organizations and in business corporations.

Within elite theory, the growth machine thesis particularly focuses on the predominant role of local land owners ('rentiers' in Logan and Molotch's term) in shaping the urban system as it investigates the actions of, and interrelationship between the main actors that produce significant physical urban changes (Molotch, 1990; Logan and Molotch, 1987). In order to increase the exchange value of their asset, the land, that cannot be shifted from place to place, rentiers need to attract investment that is more

mobile by creating the sort of business climate that will attract investment. Thus, rentiers are very active in influencing urban policies in ways that will increase their own wealth and it often results in large-scale urban development projects. However, given that it is very difficult for rentiers to achieve their aims alone, they need to make strategic allies with other interests groups. Among them, both local and non-local business is the staunch ally of the rentiers because they also directly profit from the development projects. Logan and Molotch view local government as a strong supporter of urban developments because it is primarily concerned with increasing growth even though they do not discuss concrete roles that a local government play in the decision making process.

Under elite theory, the decision making system works to the advantage of the most powerful and to the detriment of the least powerful (Harding, 1998). Urban development and growth disproportionately benefits groups who already have enough resources at the expense of low income communities and marginal local businesses which are often physically displaced by urban development projects.

Despite many criticisms of elite theory and the growth machine thesis, including the ignorance of the role of national government in shaping urban development, simple strategies of rentiers to attract investment capital, and methodological difficulty to identify the elites in real life, its main argument has become more relevant within an increasingly globalized economic, political and cultural system. Global economic changes which enabled easier movement of capital and people reinforce the importance of the regional economy as a 'place' to attract mobile international capital and labor (Cox, 1997). Moreover, increasing tendencies toward decentralization coupled with

reduced capacity of a national government to control economic changes within its boundary leaves individual cities in a fiercer competition with other cities in the world for survival and their ability to provide favorable environment for national and international investment has become more important than ever before.

### **c) Regime Theory**

Regime theory differs from elite theory in the way it approaches the growing social diversity and complexity. While elite theory argues increased social complexity leads to the concentration of power in the hand of a few at the top of the organizations including government and business corporations, regime theorists focus on the need for cooperation and coordination among different organizational actors in order to accomplish public purpose. Regime theory argues that the growing importance of private sector competition between cities for investment in a globalized world and decentralization and changing responsibilities within the state are directly associated with multiplication of actors in urban politics. Moreover, an increased number of institutions and actors are involved in an extremely complex web of relationship which makes it impossible for a single actor, even a government, to dominate a wide scope of urban activities. Thus, the study of regime politics focuses on how actors with limited power and resources on their own come to form a coalition in order to produce a publicly significant result (Stoker, 1998). Under the process of establishing a coalition among different actors, the state with a relatively reduced capacity is required to mobilize and to coordinate the resources rather than to control them.

A unique contribution of regime theory in urban politics is that it shifted the notion of power from 'who has the power over whom' to 'how power to accomplish goals is achieved'. So, power is a matter of social production rather than social control. For this reason, regime theory considers electoral power as insignificant because governments are more likely to respond to groups on the basis of their resources essential to achieving a range of policy goals rather than to groups on the basis of their voting power (ibid.).

Moreover, it differentiates four different types of power: systemic power, command power or social control, coalition power, and pre-emptive power (Stone, 1980). Systemic power is available to certain interests because of their position in the socio-economic structure. For example, in a capitalist economy, business is seen as having a privileged position in policy making due to their control over resources crucial to social production. Command power or social control refers to actor's capacity to achieve compliance and to resist the opposition of others. The state used to have this power relatively in abundance in the past. However, command power of the state and/or of any other actors in a changed urban political environment is limited in terms of its degree and also of its duration. For this reason, coalition power to build coalition among different actors for greater power and resources is necessary. Pre-emptive power emerges when certain interests with systemic power and other interests with command power come to build a regime and, thus, to achieve a capacity to produce socially significant results. The key to obtain pre-emptive power rests on the need for leadership in order to maintain the coalition.

Even though regime theory recognizes the diversity of actors and their complex inter-relationship and suggests the blending of these multiple actors through coalition building, it also largely excludes the possibility of other actors than business and government officials in the process of regime formation as it argues that certain interest groups with systemic power and/or command power have advantages in becoming regime partners. Thus, it leaves little room for actors like community organizations and civil society to play significant roles in urban politics. Moreover, the scope of analysis of regime theory is mainly focused on the local level and overlooks the possibilities and constraints derived from national and international level events on the capacity of local actors. For example, the capacity of local actors including the government, business and other citizen groups can be considerably enhanced by their access to non-local power and resources such as international capital and international non-governmental organizations.

## **2) GLOBALIZATION AND CHANGING NATURE OF URBAN POLITICS**

As useful as they are in understanding the nature of policy making process in cities, above theories also have shortcomings. First of all, these theories are largely based on the experience of Western industrialized countries and this makes it difficult to apply them in less developed countries where the principles of democracy are often violated and private enterprises and local governments do not have as much autonomy from the central state as those in developed countries. Democracy in many developing countries in Latin America and in Asia has not been mature enough for local interests to be realized in important public policies. Moreover, many Eastern European countries had command economic and political system until the 1980s. In fact, even scholars in Great Britain find

it hard to relate some aspects of these theories to a more centralized political economy in their cities than in U.S. cities (Judge, Stoker and Wolman, 1998).

More profoundly, these theories do not reflect the fundamental changes that have taken place in global politics since the 1980s: a world-wide trend of democratization and decentralization, as they mostly focus on the functional relationship between government and business enterprises leaving the role of citizen participation out of the discussion. Economic globalization pursued under a strong Neo-liberal ideology, which advocates the reduced capacity of the state to control the economy and society by fiscal austerity, privatization and market liberalization, vigorously encourages mature democracy and decentralization as its political agenda. Political democratization implies improved transparency and citizen participation in the governing process as necessary for a market to function properly. Decentralization refers to the shift in the responsibilities of providing public service from the national government to local governments, to the private sector and, also, to NGOs and community organizations and it is regarded as a more cost-effective way of administering services (Roberts, 2007). For this reason, political democratization and, particularly, decentralization has been strongly promoted by international agencies such as the World Bank as a way to improve the conditions of the national economy and to enhance the quality of public services in developing countries, and, accordingly, national governments have also responded to the policy with various degrees of enthusiasm (Habitat, 2001; Roberts, 2007).

Democratization and decentralization under strong market-centered ideology have several critical consequences for the urban political context in developing countries.



Firstly, there is more room for private enterprise to develop local initiatives and to be active in local development than before (Roberts, 2007). The important role of private enterprises in developed countries is already well recognized in the major theories as discussed earlier. Yet, private businesses in developing countries, once under the strong control of authoritarian state as in Korea, are only now facing opportunities to be influential in the policy making process as they begin to be recognized as more effective deliverers of public service under neo-liberal economic principles.

Secondly, the institutional relationship between the central and local governments has been altered. Away from centralized, top-down way of local administration, local governments have more autonomy in determining local social issues and in allocating crucial resources within their locality than before even though they are still largely dependent upon the central government in terms of financial subsidies and transfer of administrative expertise.

Lastly, direct participation of citizen organizations and non-governmental organizations in initiating and deciding local public policies has increased (Appadurai, 2000; Habitat, 2001). Participation refers to the right of citizens to be involved in the processes of government to express views, to have them listened to, to be informed of decisions and the reasons behind them, to criticize and to complain (Prior et al., 1993). Even though the concept of democracy is originally based on the Athenian model of 'direct democracy' which involves wider citizen participation in the processes of formulation and implementation of public policies, direct popular participation in urban politics was often considered as impractical and even detrimental in modern nation states

and cities with a large population and, thus, elected representative political system was believed to be the most ideal type of politics (Lowndes, 1998). However, the current democratization wave coupled with decentralization revitalizes the importance of direct citizen participation in public policy arena empowering citizens as agents of livability to determine the issues of their lives and own neighborhood as in the case of participatory budgeting in Porto Alegre (Santos, 1998).

Over all, the democratization and decentralization tendencies have resulted in the proliferation of actors involved in the urban politics and brought a change in the mode of urban policy making from ‘the government of cities to urban governance.’ While the term ‘local government’ is associated with a formal description of the powers and responsibilities of urban authorities, usually national and/or local government, ‘urban governance’ is more focused on the ‘relationship’ between various actors including the national and local governments, business groups and civil society, as the urban context within which governments operate has become more broad and complex. In contrast to the traditional ‘state-centered’ approach to urban management, the concept of urban governance incorporates business groups and citizen groups as strategic partners in policy development and implementation. Particularly, it emphasizes citizen participation in the process of urban management. According to the current definition by the United Nations Development Program (1997):

*Governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms,*

*processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.*

A number of case studies also support the growing influence of local citizen organizations in close relationships with national and international NGOs in local development initiatives (Evans, 2002; Tandler, 1997) Thus, the concept of urban governance brings the interdependence and intersection of state, business and civil society to the heart of the urban politics debates.

Yet, we should not be excessively positive about a political movement from 'government' to 'governance'. Some people argue that the increase in the number of actors suggests cities became the strategic sites in which different social groups compete fiercely in order to realize different interests rather than take one another as partners (Ducci, 2000). These interests include representatives of global capital that use cities as an organizational commodity to maximize profit, but they also include disadvantaged local population groups who need the city as a place to live.

The role of citizen participation and its effectiveness in influencing urban policy outcomes is also in question. In fact, Gilbert (1998) points out that many urban social movements in Latin America in the 1980s were ineffective in changing urban power structures and in securing a better quality of life for urban residents. It means that the power of citizens in decision-making has not been increased in a real sense even when the numbers attending official meetings has gone up (Roberts, 2005).

Moreover, the existing literature on the ‘general tendency toward more citizen participation’ in fulfilling public needs is largely focused on experiences in Latin America and little on less developed countries where national governments have almost never developed the ability to provide public services and goods that are essential for a decent livelihood. In this latter circumstance, citizen participation is often encouraged by governments as a means to mobilize resources, both human and material, without much spending on the part of national governments. Besides, Latin American countries have relatively strong history of urban social movements, for example the fight for land and housing in the 60s and 70s (Gilbert, 1994). This history partly made the transition toward citizen participation relatively easy in Latin America. On the other hand, much less is known about how political democratization affected the practice of urban planning in countries like Korea where strong authoritarian governments were more effective in delivering public goods and in suppressing social movements.

#### **4. Summary**

A weakness of current urban studies is the lack of empirical studies that carefully analyze the role of economic globalization in organizing the economic, social and political fabrics of urban centers, especially in developing countries (Smith, 2001). The global city literature is heavily criticized because it makes numerous assumptions and generalization about the urban development patterns of global cities, particularly in developing countries, without paying a proper attention to the differences in the historical paths of political, economic and cultural developments. Yet, there are few studies that

show how specific historical events have facilitated a city to become a global city. Even though global cities outside of Western developed countries began to receive more interests from the urban sociologists recently, most of them simply intend to show the similarities in their current economic structures that they share with other global cities, thus, to confirm the assumptions rather than to explore the complex interactions between the homogenizing global forces and the local responses specifically shaped by its unique historical, political and cultural context.

Another problem is that the literature on the global city has given too much power and emphasis to the force of globalization in changing the economic structures of global cities and, thus, overlooked the social consequences of those economic restructuring on the daily lives of urban residents. Growing social and spatial inequality is one of the defining features of a global city as its urban economy is restructured toward the service sector orientation away from the manufacturing sector. However, it is largely ignored that the social and spatial impacts of economic changes can be mediated by many political and social factors. And, one of the most important factors is the role of the state in regulating urban labor market as well as in planning urban spatial development. Thus, knowing the different history of economic, social and political development of a city becomes critical to fully understand how specific social consequences have brought to the lives of the residents in the city and what they mean to them.

Moreover, there are few studies that recognize that a new political context has been also created by current economic globalization which emphasizes political democratization and decentralization. This new environment for urban politics involves

an increased number of actors in the decision-making process in urban politics, and, thus, makes it more complicated than before. Yet, in general, it encourages more citizen participation in public policy arena and provides citizens with more political power to mediate the social changes caused by the economic globalization. This political change has particular significance in understanding the changing roles of the states in the developing countries, which often have an authoritarian regime.

Thus, my dissertation seeks to fill gap in the existing literature on global cities and, thus, aims to explore the complicated process of a city outside of the Western World, Seoul, has become a global city by closely examining the interactions between economic and political changes at a global level and the corresponding responses at a local level. It also shows the social and political consequences of these global changes on the lives of ordinary citizens in Seoul.

## **CHAPTER 3: RESEARCH QUESTIONS, DATA AND METHODS**

### **1. Research Questions**

My dissertation research aims to answer following research questions.

1. What are specific historical factors that were most important in shaping Seoul's transformation from a capital city of the 'Hermit Kingdom', to a center of a rapidly industrializing country in Asia, and to one of the global cities that control and manage the international economic activities that take place across the world?

- 1) Cities are different with different history, economy, polity and demography and these different local conditions do not lend themselves to a construction of general assumptions about a global city even though some common characteristics are found among them. Then, what are the social, economic and political forces that have shaped the urban development in the past that are specific to Seoul and to Korea? How does the unique historical development of Seoul respond to the general force of the contemporary economic globalization? How does the interaction between the two affect the current urban development of Seoul, particularly the organization of the urban space and the urban labor market?
  
2. How does economic globalization affect the livability, defined as citizens' ability to have a decent job and housing coupled with political power to realize them, in Seoul?
  - 1) What are the social consequences of the changes in the urban system in Seoul on the socio-economic conditions of living for its residents, particularly in terms of social and spatial inequality? In other word, does Seoul's transformation as a global city increase the social and residential gap between the rich and the poor? If so, what are the mechanisms?

2) What are the political consequences of economic globalization? What kinds of changes have been brought to the urban political context in Seoul? Does it created more opportunities for citizens to exercise more power in shaping and determining important urban policies in ways that can improve their living experiences?

3) Taking the ‘Cheonggye Stream Restoration Project’ as a case study to examine the impacts of the globalization on the urban policy making process, how did economic globalization influence the urban planning process as a broader socio-economic structure to shape a public agenda?

ii) What kind of roles did citizens play in the planning process of the Cheonggye Stream Restoration Project in contrast to other organizations, particularly to the city government? What kind of organizational machinery was developed in order to empower citizens in the project planning process? Did roles played by citizens produce meaningful outcome in the project?

## **2. Data and Method**

This dissertation project attempts to show a continuous transforming process of Seoul from a small capital city of a poor underdeveloped country, to a growth pole of the



most rapidly developing country and, to a global center for the global economy and to find out what are the most important factors that shaped this transformation as well as what are its social and political consequences on the living experience of people in Seoul.

Thus, first of all, I explore the characteristics of urbanization process in Seoul and Korea during the rapid economic development period, particularly between 1960 and 1990. Data from the Korean Census (1949-1990) are utilized in order to examine the process of urban growth in Korea. International comparisons with major cities in other developing countries are also made in order to show the distinctive characteristics of the Korean urban growth, using international urbanization data from UNDP (World Urbanization Prospects). Since the Korean urbanization is closely linked with rapid industrialization of the nation that enabled the remarkable national economic growth, changes in the nation's economic structure is also examined using basic economic data from United Nations Statistical Data Base, World Bank Development Data Base, World Development Reports and UNCTAD Handbook of Statistics.

Secondly, I need to examine how economic globalization at an international level has affected the urban economic development of Seoul, particularly focusing on the specialized functions that Seoul came to perform as a global city. It is hard to prove empirically whether a city performs global city functions or not since it requires a selection of categories such as city's functions (e.g. national and multinational corporate headquarters), labor market characteristics (e.g. growth of producer services) and

importance of foreign investment (e.g. increase in FDI). Moreover, there is a practical problem of data unavailability. The study of global cities needs at an international-level analysis, comparing cities in many countries, but statistics or annual reports collected by international organization (e.g. U.N.) only provide national level information, not down to a city level. Despite these difficulties, this dissertation shows the status of Seoul as a global city using empirical data available from various sources, including the government offices of Korea, international business magazines and journals, and ‘Globalization and World Cities Study Group and Network’, which has the best inter-city data set.

I also need to explore the social consequences of Seoul’s performing the specialized functions, particularly in the urban labor market as well as in urban spatial organizations. In order to examine the changes in the urban employment structure in Seoul, this research utilizes the employment data from the Korean Census, from the Korean Census on Basic Characteristics of Business Establishments, and from Survey on Economically Active Population. Data on short-term registered foreigners from the Korean Immigration Service are also employed to examine the growing informal activities taken by foreign laborers in Korea. I also investigate growing spatial inequality in Seoul using housing and land price data from the Korea Housing Corporation, the Korean Ministry of Construction and Transportation, the Seoul Metropolitan Government, and Kookmin bank

Lastly, I also study the impact of global economy on local urban politics. Literature on this subject suggests that expansion of electoral democracy and decentralization at global level generates positive movements toward more citizen participation in local urban planning process. Thus, I take ‘Cheonggye Restoration Project’ as a case study to examine whether the urban policy making process has been changed in the way that encourages and empowers citizens, using official documents from the Seoul City Government. Moreover, the role of citizens in the project decision making process through the Citizens Committee is closely examined by analyzing the contents of ‘White Paper of the Cheonggye Citizens Committee’ that documents the discussion of the Citizens Committee at every meeting.

## **CHAPTER 4: HISTORICAL BACKGROUND OF KOREAN URBANIZATION AND URBAN POLITICS**

As the first step to understand how economic globalization has affected the living experiences of urban residents in Seoul, it is critical to know the specific history of Korean urbanization and the unique forces that shaped the process including an extraordinary rate of urbanization as well as a strong role played by the Korean government.

Therefore, in this chapter, I will first summarize the history of Korean urbanization divided into 3 broad categories: urbanization before the modern period, urbanization in colonial period, urbanization in a rapid industrial period (1960-90). Secondly, I will describe the characteristics of Korean economic development and industrialization and the strong role of the Korean state during 1960-90. Finally, I will discuss the government policies that guided Korean urbanization and the impact of strong, developmental state in the process of urbanization and in the area of urban politics before 1990.

## **1. Korea's Urbanization**

### **1) URBANIZATION BEFORE THE MODERN PERIOD**

Seoul's accessibility to the Yellow Sea through the Han River and broad fertile lands around the river made the city a center of national importance since the creation of the nation almost 2000 years ago. So, it was formalized into an urban area as early as 18 BC when the Kingdom of Baekche built its capital in the area where Seoul now lies. Yet, Seoul was not a major center of the country until 1394 when it was established as a capital of a unified Korea by the Chosun dynasty. The Chosun dynasty established and developed Seoul as a capital city based on the concept of ancient Chinese spatial principle (the Fengshui Principle) which insists that a capital city has to be bound on the north by mountain ranges and encompassed on the south by a river. Thus, Seoul, called Hanyang then, covered approximately 16.5 square kilometers surrounded by various mountain ranges to the north and the Han River to the south. The total population of

Seoul fluctuated between 100,000 and 120,000 and did not show any significant changes for almost 500 years (Son Jeong Mok; 1998).

During Chosun dynasty, almost all political, economic and administrative activities were heavily centralized in the capital, Seoul, because Korean society under the Chosun dynasty was deeply rooted in the tradition of Confucianism in which the presence and role of a king is most valued. For this reason, other urban centers in the nation simply served as local bridge centers of commerce and administration of the central government (ibid.).

In the 19<sup>th</sup> century, cities picked up more diverse functions as centers for commerce and craft development and this resulted in the population growth in the cities. For example, it was estimated that Seoul's population grew to 200,000 by the end of the 19<sup>th</sup> century.

Despite the steady urban growth, cities under Chosun dynasty, including the capital city of Seoul, remained largely pastoral, pre-industrial compared to other cities in the world. The reasons can be found in the fact that the dynasty employed economic policies that encouraged agriculture and prohibited commercial and industrial development influenced by 'Confucian' teachings. In addition, Korea pursued very strong isolationist policies keeping itself almost intact from contact with the outside world until 1876 when it was forcibly opened to the outside world (ibid). This makes an interesting comparison with the considerable economic growth that took place not only in European cities but also in Latin American cities in the 19<sup>th</sup> century by actively engaging

in the world economy even though the levels of economic productivity varied (Roberts, 1995).

## **2) URBANIZATION UNDER JAPANESE COLONIZATION**

From 1876 to 1910, Korea was forced to make a number of treaties to allow foreign residency in a number of cities, particularly in port cities. During this period, cities in Korea began to gain aspects of a modern city as business people from outside initiated industrial activities and also encouraged the governing body of Korea to invest in basic infrastructure such as transportation and communication systems. Streetcars began to run in Seoul in 1899. Railroads that connected Seoul with Pusan and other port cities were laid and the system of modern postal service was introduced and expanded to all parts of the nation between 1900 and 1910 (Son, 1998). More vibrant economies and better infrastructure in Seoul and other port cities resulted in the population relocation from rural areas to these cities.

However, when Japanese took control of Korean government in 1910, the pace of population movement to urban centers slowed down. Japanese policies focused on keeping the whole country of Korea as an agricultural reserve for the mainland as many European imperial powers did in their colonies. One of the most contentious policies that Japan employed to discipline the rural population for better productivity was a cadastral survey followed by land reform in 1910-18 that granted property rights to the small

numbers of the Korean landlord class but confiscated a great deal of farm land (Kang, 1994).

Yet, this policy didn't work as it was intended. It drove many small-scale land owners and peasants out of countryside as they were deprived of land. In the year 1925 alone, more than 150,000 left the countryside (ibid.). Cities in Korea were not developed enough to absorb the migrants from rural areas and they had to find their way out to Japan and to Manchuria. According to Wagner, 400,000 Korean peasants migrated to Japan during 1921-1931 (Wagner, 1951).

An important change was brought in the pattern of urbanization in Korea in 1930s: a focus of Japanese colonial policies shifted from agricultural exploitation to industrial development as a part of war preparation. Japanese began to invest in modern heavy industries such as steel, chemicals and hydroelectric facilities from 1930. As a result, the importance of manufacturing industry in the national economic structure increased rapidly. Net value of mining and manufacturing grew by 266 percent between 1929 and 1941 as well as the share of the chemical industry in the gross industrial production more than doubled from 9.4 percent to 22.9 percent between 1930 and 1936 (Cumings, 1987; Kang, 1994). The urban basic infrastructure including transportation and communication facilities were also improved (Son, 1998). All these changes helped Korea to be equipped with the best industrial infrastructure among countries of the Third World by 1945, although it was sharply skewed toward Japanese military interests (Cumings, 1987).

It is industrialization that led a rapid urbanization of cities for the first time in Korea in the period of 1930-50. Until 1930, only 4.5 percent of the whole population lived in the urban areas. Yet, the urban population quickly increased after 1930 and its share grew to 17.2 percent in 1950. Particularly, after liberation from Japanese Rule in 1945, urban growth was largely caused by the international return migrants from Japan and Manchuria who were displaced from their native lands in the 1920s. With no place to go back to in the countryside, they headed to cities in search of employment opportunities.

Population concentration in Seoul also became intensified. Seoul's population increased more than three times from 394 thousands to 1446 thousands between 1930 and 1950 (Table 4.1). This constitutes one of the factors that lead to the physical expansion of the city of Seoul in 1936.

Korean urbanization under Japanese occupation is particularly important in three ways. First, Korea, so detached from the world that it was known as a 'Hermit Kingdom', became integrated into a regional division of labor centered on Japan and began to take on peripheral characteristics (Koo, 1987) and, thus, the internal process of urban development became dependent on the external demands from Japan. The role of Korea in this Japan-centered regional economy was to provide commodities, especially rice at the beginning and military products later, needed by the center and to produce them as cheaply as possible as well as to provide a consumer market for goods produced in the center (Kang, 1994).



With the change in the nature of the national economy, cities picked up new functions and this led to a reorganization of the urban structure. Cities before the Japanese invasion served simply as administrative bridge points linking locals with the center. However, cities began to be more specialized under Japanese control in terms of their functions. Port cities such as Pusan and Mokpo were particularly important since they served as nodal points for international trade and travel between Korea and foreign countries, mainly Japan. Industrial cities such as Najin, Haeju emerged in Korea for the first time in Korean history during this period. In contrast to the emergence of new cities, it is noticeable that traditional administrative cities such as Kangneung and Kyungju, mostly located in the interior parts of the country, began to decline (Son, 1998). The role of Seoul became even more prominent as the colonial government was located in Seoul which controlled the whole country in a very authoritative manner.

Secondly, urban planning law in the modern sense was first adopted by the Japanese colonial government in June, 1934 (Yeom, 2005). Although there had been attempts to restructure the urban space of the capital, by the last king of the Chosun dynasty as a part of national modernization process at the end of 19<sup>th</sup> century, the scope of the urban restructuring project in that period was limited to improving the road system and relocating royal palaces (Lee, 1998). For this reason, urban planning law by the Japanese colonial government in 1934 was qualitatively different from the previous effort. It expanded the physical territory of Seoul more than three times, divided it into four functional categories, and developed a vast network of roads to integrate the expanded area more effectively (Yeom, 2005). More importantly, this law provided the

essential foundation which a number of urban planning laws that <sup>1</sup>came after Korean liberation in 1945 were based upon.

The third and most important feature of urbanization under Japanese colonialism lies in the fact that a dominant role of centralized and bureaucratic government in managing national affairs was established. The Japanese colonial state possessed a comprehensive, autonomous and penetrating quality that no previous Korean state could possibly have had (Cumings, 1981). Thus, it was remarkably successful in organizing, mobilizing and exploiting Koreans in the interests of Japan and it effectively excluded Koreans including the elite class from the affairs of the state in general (ibid.). Henderson even characterized it as ‘totalitarian’ (Henderson, 1968). Maintaining authoritative and coercive control over Korean society despite the vehement opposition of that society was possible through effective use of a bureaucratic government system and military force. For example, Japanese colonial government had almost twenty times more administrative personnel in Korea than had the French government in colonial Vietnam (Cumings, 1981).

The field of urban planning is not an exception in terms of comprehensive and decisive involvement of the Japanese colonial government. Korean cities were planned and controlled by almost exclusively Japanese bureaucrats to meet the imperial needs. Moreover, all the decisions regarding urban planning were made by the colonial governor with no requirement to consult any outside committee or local congress (Yeom, 2005). It is needless to say that demands of local residents were hardly reflected in the urban

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<sup>1</sup> In fact, it lasted until the Korean government passed a new urban planning law in 1962.

policies. Thus, cities were expanded and, sometimes, created to perform certain functions that were needed by the colonial government.

In short, it was during the Japanese colonial period when Korea experienced the first large-scale population movement from rural area to urban centers in Korean urbanization history. It was made possible through the strong and centralized Japanese colonial government which forcefully integrated Korea into the Japan-centered regional economy and began industrialization in Korean cities. Thus, the physical and institutional foundation for rapid industrialization and urbanization which came later in the 1960s through 1980s was laid during this period.

### **3) URBANIZATION AND INDUSTRIALIZATION DURING 1960-1990**

#### **a) Patterns of Urban Growth**

Unfortunately, the Korean War that broke out in 1950 and went on for three years almost completely destroyed the entire country and its infrastructure established under Japanese control. The demographic consequence of the devastating Korean War was a greater resettling of rural population in urban areas. Left with nothing on their hands in the aftermath of the war, a massive population fled from rural areas to a number of larger cities. A large number of war refugees from North Korea during the war also constituted a great influx into cities in the 1950s. As a result, the urban population share in total population increased from 17.2 percent to 28 percent from 1950 to 1960 (Table 4.2). Seoul among other cities absorbed the most rural migrants. Almost a million people were

added to Seoul's population in the 1950s. Given the fact that the nation as a whole only gained 4 million people at the same period, it is a substantial increase.

In the 1960s, Korean urbanization came to face a totally new phase in terms of its scale and speed. Although Korea experienced a relatively high level of urban growth since 1940 when rapid industrialization took place under Japanese colonial government, the pace of urban population growth during 1960 -1990 is so fast that urbanization before 1960 is not even comparable.

As Table 4.2 shows, the urban population increased almost exponentially every ten years from 6,997,000 in 1960, to 13,118,000 in 1970, 21,421,000 in 1980, and to 32,309,000 in 1990. The share of the urban population in the nation's total population also increased substantially. In 1960, 28 percent of the population was urban. By 1980, the figure had doubled to 57.2 percent and, by 1990, it increased to 73.8 percent. More than 45 percentage points was increased in the share of urban population and this means that almost half of the whole population moved away from rural areas to urban centers within three decades. As a natural result, rural population declined not only in relative terms but also in absolute terms during this period.

Comparison with other countries shows the extraordinary magnitude of Korean urbanization more clearly. According to Data from World Urbanization Prospects by UNDP, the world's urban population increased by only a little more than 10 percentage points from 32.8 to 43 during 1960-1990. Countries in Asia experienced 12 percentage points on average during the same period (UNDP, 2005 revision). Thus, it is undeniable

that Korea had exceptionally rapid urbanization from 1960 to 1990 by any standards. This is why one scholar describes the Korean experience as “compressed” urbanization (Kang, 1998).

There are several demographic sources of urban population increase; urban natural increase, national population growth, extension of city-limits into the surrounding areas, and net in-migration (Preston, 1979). And, it is argued that urban growth in most of the developing world results primarily from the natural increase of urban populations and also from rural-urban migration (*ibid.*). Yet, rural-urban migration has contributed more to urban growth for countries in Asia than for countries in Latin America or in Africa (Guest, 2003).

Sharing similarity with other countries in the region, Korea’s dramatic increase in the rate of urbanization between 1960 and 1990 was mainly led by rural-urban migration. As we can see in Table 4.3, the annual rates of urbanization for Korea during 1950-90, which indicates the contribution of rural-urban migration in the urban population growth, is much higher than total population increase rate. International comparison also shows the great role of rural-urban migration in Korean urbanization as urbanization rates for Korea exceed those of any other developing countries in the world. The table indicates that urban population growth due to natural increase during 1950-90 only accounts for 38.3 percent for Korea while it accounts for 69.6 percent for South American countries. It is also interesting that urban population in Korea increased most rapidly during 1960-80 when the Korea national economy began to grow quickly.

Net migration among cities and provinces, mostly from rural areas, also clearly shows the process of population movement away from rural areas to cities (Table 4. 4). From 1966 to 1990, all major cities gained considerable net migrants while almost all provinces experienced a huge loss in population except for Kyunggi province which has a number of small and medium-sized cities close to the capital city, Seoul. It is also noticeable that the two largest cities received the majority of the migration flow into urban areas as more than a million people were added to Seoul and some 300,000 people to Pusan every five years from 1966-1980.

However, we also need to know that, in 1980, there was a reclassification of administrative districts that created 33 more cities and, thus, 2.8 million rural residents were incorporated into urban areas without any physical movement (Lee, 1998).

There are several factors that spurred rapid and large-scale population movement from rural areas to cities in Korea during 1960 and 1990. The single more important factor of rapid urbanization in Korea is found in the rapid growth of the national economy through successful industrialization. It is the expansion of employment opportunities in industrial and service sectors in urban centers that brings people out of the countryside to cities (Lim, 1993). In many cases, the process of urbanization is strongly related to industrial development as industrialization requires a large number of workers within a limited area as well as a large market for consumption. This is particularly true of the Korean case. In Korea from the 1960s and until the late 1970s, labor-intensive light industries were strongly encouraged and promoted as a national government strategy to achieve national economic development, and this resulted in considerable concentration

of job opportunities in urban centers compared to rural areas. Moreover, industrialization caused a substantial growth in the business service sector such as finance, real estate service and in social services such as health and education to a lesser degree. As a main cause of rapid urbanization in Korea during 1960-90, rapid economic development and export-oriented industrialization will be discussed in the next session in more detail.

Perpetuating rural poverty also stimulates rural resident to urban centers for better economic opportunities (Guest, 2003). In Korea, with rapid industrialization taking place mainly in urban centers, the household income differential began to widen significantly after 1965 despite the Park Jung Hee regime launching a rural development program called 'Saemaul Undong'. By 1980, rural household monthly income was only 80 % of the urban household income (Table 2 in Boyer and Ann, 1981). In addition, with the failure of many government sponsored rural development programs to promote rural productivity, the debt of farm households increased and this aggravated the living conditions in rural areas. Indebtedness of farm households increased eleven times from 1978 to 1983 (ibid.). As Findley (2003) argues that market failure is more important than market success in motivating migration, persistent rural impoverishment was one of the major reasons for mass population outflow from rural areas in Korea.

Better educational opportunities available in cities along with more sophisticated urban amenities and lifestyle also played an important role in attracting people from the countryside, given the enormous emphasis on education in the Korean society. Thus, the better quality of life in urban centers, whether it is a true reality or it is only the

perception of migrants, was a major factor that influenced Korean rural residents' decision to move to cities (Boyer and Ann, 1981).

## **b) Urban Primacy**

Korean urbanization during 1960-90 can be also characterized as uneven and unbalanced. Several large cities, predominantly Seoul and Pusan including their surrounding areas in Kyunggi and Kyungman provinces, led the urban growth at the expense of other medium-sized cities. In fact, 26 cities out of total 37 cities in Korea showed lower growth rate than the annual average urban growth rate of 10.1 % during 1960-80 while the share of 6 large cities in the total national population in 1970 reached 77.7% (Lee, 1989).

Among those cities which experienced a rapid growth, it is Seoul that received most migrants from rural areas and went through an explosive population growth. More than 4.5 million people took Seoul as their migration destination while only one fourth of them headed to Pusan from 1960-90 (Table 4. 4). As a result of massive population influx in addition to natural population increase, the population of Seoul increased from 2.4 million to more than 10 million in three decades from 1960 to 1990 while that of Pusan grew from 1.1 million to 3.8 million (Table 4.5). It also shows that the proportion of Seoul's population in the national total also rapidly increased from 9.8 percent in 1960 to 24.4 percent in 1990. Not only had Seoul substantially more population than the second largest city, but also it had more population than the combined population of the second, third, and fourth largest city. Thus, by 1990, the problem of high urban primacy of Seoul became acute having a quarter of the nation's population in one city.



Against the widely shared concern over the level of population concentration in Seoul and the unevenness in the urban system in Korea, some argue that the level of urban primacy of Seoul is not as serious as it appears (Kim and Mills, 1979). The problem of urban primacy is not unique to Korea. Most other developing countries share the same problem. So, Roberts (2003) identified ‘urban primacy’ as a characteristic feature of the urban systems of less developed countries as they industrialize and urbanize. Statistical evidence also supports this point as it is not extraordinary that the percentage of largest city of total urban population exceeds 40 percent among developing and less developed countries according to UN reports (World Urbanization Prospects, 2001).

Moreover, Henderson (2002) argues that it is almost necessary to have a high degree of urban concentration in the early stages of economic development for efficient management of limited national resources. It is assumed that, after national economic development becomes stabilized and it reaches the highest point, medium-sized urban centers will gain more importance and it will naturally lessen some negative consequences of the high primacy of the major city.

However, this optimistic view on urban primacy is problematic for the Korean urbanization process in a couple of ways. First of all, urban primacy solely measured by demographic indices can be misleading. Primacy is more than the concentration of population in one place. It refers to “a structural characteristic of the urban system in which economic relationships among lower order cities and between these cities and their hinterlands are so weakly developed that economic transactions and population

concentrate in one major city (Roberts, 2003)". Thus, analysis of urban primacy should incorporate multi-faceted dynamics of urban economies as well as demographic changes between urban centers. In this regard, it is necessary to examine urban primacy of Seoul based on diverse socio-economic indicators to reach more accurate conclusions.<sup>2</sup>

Secondly, even though the rate of population growth within the administrative boundary of Seoul started to slow down since the 1980s, population influx to the surrounding cities of Seoul increased resulting in the greater demographic concentration in the capital region (Kim, 2003). Seoul's primacy over economic, political, and social resources as well as the new pattern of population growth in the capital region will be more extensively discussed in the next chapter.

In summary, Korea experienced an exceptionally high-level of population growth in the urban centers during 1960 and 1990 in the aftermath of the Korean War. Unlike other developing countries, this rapid process of urbanization in Korea was mainly caused by rural-to-urban migration rather than natural population growth within urban centers. Moreover, Seoul received the most of rural migrants in search for job opportunities and this reinforced the primacy of Seoul in the national urban system to a much greater degree. The extraordinary scale and speed of Korean urbanization and the highly-skewed development of Seoul can only be explained by the specific type of industrialization and

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<sup>2</sup> There is more detailed discussion on urban primacy of Seoul in chapter 6 and it shows that urban primacy of Seoul including its neighboring cities, in fact, continued to increase even after the 1990s based on various social indicators such as gross regional product, the amount of local tax as well as the number of educational facilities.

national economic development as well as by the role of the Korean national government in adopting and implementing these industrial policies.

## **2. Economic Development and the State in Korea (1960-1990)**

The single most important factor that shaped the process of Korean urbanization during 1960 and 1990 is the strategic industrialization and economic growth of the nation. The economic performance of Korea during the time was so remarkable that it received a great deal of attention from scholars and policy makers. Therefore, in this session, I will briefly describe the economic development and industrialization in Korea during 1960-90, and also talk about the various factors influencing that economic growth with special focus on the role of the state in promoting a specific kind of industrialization. Thus, the domestic and international political economy which produced the rise and survival of the strong and authoritarian government in Korea will also be discussed.

### **1) ECONOMIC DEVELOPMENT AND INDUSTRIALIZATION**

It is helpful to look at basic macro economic indicators as the first step to examine Korean economic development. The economic indicators in Table 4.6 show the spectacular growth of the Korean economy from 1960 to 1990. The Gross Domestic Product of Korea increased 30 times in two decades from US\$ 8.9 billion in 1970 to US\$ 263.8 billion in 1990. Average annual growth rate is more than 8 percent throughout 1960s to 1990s while that of developing countries in Latin America including Argentina, Brazil and Mexico shows much lower rates of growth, particularly in the 1990s. The increase in GNI per capita from 1970 to 1990 is also stunning. Korea's GNI per capita in

1970 was US\$ 282.5 which is a little more than a third of Argentina's GNI per capita in the same year. However, it increased so rapidly that it reached US\$ 6148 in 1990 which exceeds GNI per capita for Argentina.

It is the economic restructuring which focused on export of manufacturing goods that made for the impressive economic growth of Korea, whose GDP per capita was comparable with levels in the poorest countries of Africa and Asia in the 1950s. There is little disagreement about the benefit of the Export Oriented Industrialization strategy in facilitating Korea's successful participation in the world economy and in leading to national economic growth. The economic sector composition in terms of the proportion in GDP reveals a rapid change in the economic structure of Korea away from agriculture to manufacturing. From 1970 to 1990, the share of manufacturing increased from 21 percent to 30 percent while that of agriculture in GDP declined from 29 percent to 9 percent (Table 4.7). Even though the proportion of the manufacturing sector in GDP in Korea is not very different from that of two Latin American countries, Argentina and Brazil, the pace of manufacturing sector expansion is much faster in Korea than in those countries as the rate of manufacturing growth in Korea exceeded 15 percent in 1960 and in the 1970s (Table 4.7 and 4.8).

The growing importance of the manufacturing sector in the Korea economy was coupled with the increasing value of exports. As shown in Table 4.9, in the 1960s, the value of Korea's merchandise exports was the least of 6 selected developing countries in East Asia and Latin America. Yet, the value of merchandise export began to increase so rapidly since 1970s that it became one of the major exporters to the world market in

1990, leaving three Latin American developing countries far behind. And, it is manufacturing goods that lead the sharp increase of Korea's merchandise exports. In 1960, a mere 14 percent of merchandise exports was manufactured goods but the share increased to 80 percent in 1975 and reached 90 percent in 1982.

Moreover, another key strategy for Korean economic growth beside heavy emphasis on exports is to promote labor-intensive manufacturing activities. Having a high-quality labor force as the only resource for economic development, the Korean government strongly encouraged labor-intensive manufacturing activities such as food and textiles industries and those industries functioned as a means to jump start the growth of all the national industrial activities. Labor-intensive light manufacturing activities including food process and textile and garment industries experienced the greatest increase in the total manufacturing sector as their share increased by 16 and 8 percentage points respectively from 1963 to 1975 (Chowdhury and Islam, 1993, Table 5.4). Moreover, their share accounts almost 40 percent of the total manufacturing sector in 1973-5 (ibid.). Therefore, it is clear that these labor intensive manufacturing activities were the real engine that started the miracle of Korean economic growth. Besides, it was the main factor that pulled people out of countryside to urban centers where these manufacturing employments were widely available.

The rapid economic development of Korea greatly contributed to reducing the urban poverty rate as well as to decreasing social inequality. In the early 1960, almost 55% of the total urban population was estimated to be living in poverty in absolute terms. In this period of time, not having recovered from the aftermath of the Korean War, much

of Seoul's physical infrastructure was still in dire state and public services lagged well behind population growth. Many rural-urban migrants took up residence in squatter settlements on the outskirts of the city. Moreover, rapid industrialization in the cities accompanied with urbanization increased the Gini-coefficient by 17.6 point between 1970 and 1976 widening the gap between the poor and the rich (Moon and Lee and Yoo, 1999).

Yet, poverty began to be reduced rapidly both in absolute and relative terms with the national economic growth in the 1970s. According to Suh (1979), in 1965, the absolutely poor households accounted for 41 percent of total households but the rate went down to 4.5 percent in 1984. Moreover, the rate of poverty reduction was even faster in urban areas. The proportion under poverty in urban area in 1965 was 54.9 percent but it was reduced to 4.6 percent in 1990. Income inequality was also greatly reduced in the 1980s. At a national level, the Gini-coefficient in 1980 was 0.39 but it gradually and steadily decreased to 0.30 in 1993. Enhancement in income inequality in urban areas is more impressive, the Gini-coefficient declining from 0.41 in 1980 down to 0.31 in 1993 (Kim, 2003).

## **2) CONDITIONS FOR ECONOMIC DEVELOPMENT AND THE ROLE OF THE STATE**

Korea's successful economic development through a rapid industrialization that focused on exports of labor-intensive manufacturing goods was a unique outcome of an interaction between external and internal conditions of the nation. As an important external factor, the strong cold war ideology in international politics worked favorably for

Korea as it resulted in massive foreign aid to Korea. As a matter of fact, the amount of foreign aid that Korea received from America since 1945 surpassed any other country (Cumings, 1987. p.67). In the 1950s, dependence of Korea on foreign aid, particularly from the United States, is so high that the nation's economy was based on American aid. After the war, Korea pursued import-substituting industrialization (ISI) until it changed the industrialization strategy to export-oriented industrialization in the 1970s. During ISI period, it was foreign aid that supplemented domestic capital formation and allowed increased imports (Haggard and Cheng, 1989). For example, foreign aid financed nearly 70 percent of total imports between 1953 and 1962 and equaled 80 percent of total fixed capital formation (Cole, 1980). The short postwar phase of ISI sustained by foreign aid allowed the foundation for the existing and new firms in Korea to consolidate strong domestic positions free from competition, from imports and from foreign investment.

Moreover, there was an important shift in the international economy from the end of the Second World War which opened a way for less developed countries to enter the world market to compete with other countries on the basis of their comparative advantages of low wages in labor-intensive industries. This created significant opportunities for Korea which moved from ISI to export oriented industrialization (EOI) focusing on labor intensive manufacturing such as textiles in the late 1960s (Chu, 1995; Stallings, 1995). Japan's penetration of the world market in the beginning of the 20<sup>th</sup> century and Korea's involvement in Japan-centered regional division of labor also provided advantages as Japan furnished a substantial market for Korean exports as well as provided high-tech technology transfer (Chu, 1995).

There are also domestic factors that contributed to the rapid and successful industrialization and economic development (Amsden, 1989). Even though Korea is not endowed with any significant natural resources, its human resources were well-educated and motivated for success. Being deeply influenced by Confucianism, Korean society invested heavily in education and it resulted in a well-educated workforce both at a managerial level and a production level. Thus, when foreign technologies were transferred, this well-trained workforce was capable of producing high technology products with much lower wages.

Yet, among many other factors, the predominant one is the institutional ability of the Korean state to plan the right industrial strategies and to carry them out. The most interesting feature of the Korean state is that it worked as an entrepreneur in promoting economic growth since there was not any significant group that can be called as industrial capitalist class in Korea. Working as an entrepreneur implies that the state, not the market, planned and decided what, when, and how much to produce. Thus, the timing and sequencing of industrial diversification from ISI to the EOI of light industry, to heavy industry, to high tech industry were determined by the state.

During 1950s when economic policy in Korea was practically under foreign control, Korean industry was largely focused on producing goods such as cement, fertilizers and textiles to substitute imports. However, in the 1960s, the military regime under the president Park Jung Hee placed great emphasis on the export of labor-intensive industrial goods as the most important strategy for the nation's economic development. Park's regime plan for economic development was realized and became concrete through



the '5-year Economic Development Plan' which started in 1962. The state was very effective in promoting exports from the private sector as it subsidized private corporations based on their export performance.

The transformation from labor intensive light industry to heavy industry came also at the state's behest in the late 1960s in the form of iron and steel mills. Korean government invested in Pohang Iron and Steel Company Ltd. (POSCO) against the World Bank leaders and Western experts' advice to focus on light industry. Yet, POSCO's productivity was one of the world's best and its high quality and low cost steel was crucial to the emergence of heavy industries like shipbuilding and autos which the Korean state was also enthusiastic to promote. Industrial restructuring toward more complicated industrial production was supported and accelerated by the Third 5-Year Economic Development Plan in 1972 that created a number of government policies to promote heavy industry. Later, the state played a major part in information technology development in the late 1980s. Thus, major milestones in Korea's industrialization have been decided by the state.

The Korean government not only planned the national economy thoroughly but also managed investment capital effectively for its own purpose. Managing capital in the case of the Korean government entails two distinctive roles: disciplining domestic capital, and directing and limiting the impact of foreign capital in the local economy. Park's regime employed several tactics to persuade Korea's domestic capital to invest in the areas with high risk. As the first step, the military regime passed the Law for Dealing with Illicit Wealth Accumulation in 1961, only a month after it came into power, and

arrested domestic capitalists who accumulated wealth under the auspicious of the previous government and threatened them with confiscation of their assets. The government exempted most businessmen from criminal prosecution. In exchange, they were required to establish new industrial firms in basic industries (Jones and SaKong, 1980). Secondly, the military government nationalized the banks in the same year. As the government had control over the banks, it was able to allocate the limited capital only to targeted firms and industries. Bank credit was only given to the firms with an excellent export record and/or to firms engaging in the industry that government was eager to promote even though most of the time the state appointed certain firms which had close personal relationships with the president or with the government bureaucrats in the target industry. Government also kept the domestic interest rate low in order to increase private capital investment (Amsden, 1989).

The reasons why the role of foreign capital in Korea during rapid economic development was much less significant than in other developing nations such as in Mexico or in Brazil can be found in the role of Korean state as well as in the nature of foreign capital itself. Korea was much less attractive for foreign capital to invest than were other developing nations in Latin America in the 1960s as its industry was still in a very primary stage and the political situation was also unstable (Evans, 1995). Therefore, in order to encourage lending to Korea, the government amended the Foreign Capital Inducement Law in 1962 and provided government guarantees to lenders which decreased the risk of market failure. Yet, even after Korea established a solid economic development record, foreign direct investment never played an important part. The

amount of foreign direct investment never reached a significant level compared to other developing countries in Asia and Latin America during 1970-90 even though it began to increase considerably from the end of the 1980s (Table 4.10). Moreover, Haggard and Cheng argue that patterns of foreign investment in Korea are different from those in Latin America in the way that the Korean government prohibited foreign capital in the nation's leading economic sectors such as steel and ship building while it allowed foreign firms to invest in import substituting sectors such as chemicals (Haggard and Cheng, 1987). Instead, the Korean government encouraged and protected the activities of the national corporations, often owned by the state, in the leading sectors. Thus, Korea has industrialized on the basis of strong national enterprises in the strategic sectors, limiting the role of foreign capital.

Thus, among many factors, the roles of the Korean government in planning the right industrial policies, controlling and allocating domestic resources to the strategic industries, and taming domestic capital were most critical for the rapid economic growth of Korea.

### **3) THE RISE OF DEVELOPMENTAL STATE AND EMBEDDED AUTONOMY**

There is no doubt that state intervention was crucial in the course of economic development and industrialization in Korea during 1960-80 as discussed earlier. It is not unusual that the state takes an important role in the economy. The state is required to provide clear sets of rules for economic activities and basic infrastructures even under the neo-liberal economic tradition. However, the Korean government was more than just a market regulator. In contrast, it actively took the role of corporation or entrepreneur

planning industrial transition, mobilizing and allocating the necessary capital, and channeling the activities of private corporations in certain ways. Thus, the Korean state was qualitatively different from other states and this led many scholars to name the Korean state along with other states in East Asia as 'Developmental States' (Evans, 1995; Gordon, 1988; Wade, 1990; Woo-Cuming, 1999). Then, it is crucial to know how this strong and active state came into being and what the institutional characteristics of the Korean developmental state are.

Amsden argues that "a strong state in Korea was the outcome not of policy choice but of a long process of social change" (p. 63). What constitutes the long process of social change? Three dimensions of social change can be identified: historical, political and institutional. The key historical bases of the strong, developmental state in Korea were the legacy of a centralized state under Japanese colonial control (Cumings, 1987). Japanese colonial government was characterized as highly centralized and efficient in extracting natural and labor resources through the means of the coercive force of police and bureaucracy. Moreover, postwar American occupation reinforced the authoritarian and anticommunist state in Korea. The historical event of colonization and the Korean War followed by American military presence also left a physical trace, the excessive number of military and police forces<sup>3</sup> (Choi, 1993; Cumings, 1989). This gave the Korean state sufficient coercive capacity to silence other social groups that had different interests from the state.

The political base for the emergence of a strong state can be found in the

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<sup>3</sup> The Korean military after the Korean War was ranked as sixth or seventh largest in the world having one of the highest civilian-military ratio (Cumings, 1989).

weakness of social classes in Korea. Korea had a landlord class that lasted for centuries through Japanese colonialism. In fact, Japanese land reform enabled the landlord class to maintain their position more firmly. Yet, the Korean landlord class was particularly rice-based, backward-looking and non-entrepreneurial and, thus, they remained small scale and did not develop extensive plantation agriculture as in Latin America (Cumings, 1989). In addition, land reform under American occupation redistributed the farming land to peasants who were faced with economic hardship after the liberation. This prevented the formation of powerful landlord class only creating a vast number of peasants who held a small lot of land. There were a small number of industrial capitalists, but they were heavily dependent upon state subsidies. The number of industrial workers grew rapidly in the cities but they were not able to mobilize themselves to work against the state until 1980s. There are several reasons: industrial workers didn't have enough experience and knowledge to consolidate themselves as a class due to the pace of industrialization; real wages increased fast reconciling workers to state policies; and the state preemptively prohibited any working class movements (Deyo, 1987; Koo, 1987). Students and radical factory workers were the only social groups who confronted the state. Yet, their capacity to affect the central government was very limited.

Some scholars find the cause of a strong and effective state in Korea in its institutional characteristics (Evans, 1989; 1995; Johnson, 1987; Koo, 1987). The institutional characteristics of the Korean state can be summarized in the term "embedded autonomy", which Evans coined. The concept is approximately close to that of a Weberian bureaucracy. Highly selective meritocratic recruitment and long-term career

rewards create a high level of organizational capability and a sense of commitment among the members of the organization. This gives the state apparatus a certain kind of “autonomy”. Yet, it is not “autonomy” that is separated from the rest of the society. In contrast, the state is to be embedded in a set of social ties that provided institutionalized channels for the continual negotiation of goals and policies.

Indeed, Korea had meritocratic civil service examinations for recruiting incumbents into the Korean state for over a thousand years (since 788) and this made sure that the most educated and brightest were preserved for the bureaucratic career (Kim, 1987). Even though the civil service exam was largely bypassed from Japanese colonial period until 1960, it was revitalized when the military regime come into power. Under the military regime, the state apparatuses were filled with bureaucrats who graduated from the military academy and the best universities in the nation. Particularly, the Economic Planning Board (EPB) was reserved for the most talented bureaucrats as it was responsible for most of the nation’s economic policies including the Five-Year Economic Plan. Following the Japanese example of the Ministry of International Trade and Industry (MITI), EPB played the single most important role in the process of Korean industrialization (Johnson, 1987).

Yet, EPB and the state also established close relationships with the other social group that was essential for economic development, the private business group, called ‘*Chaebol*’. State bureaucrats and business elites were connected through personal ties largely based on educational and hometown background. Thus, the Korean state’s institutional capability on its own and the organic connectedness to powerful social

groups earned the title of “archetype of developmental state” (Evans, 1995).

The effective planning and control of the state for economic development based on its autonomy embedded in a relatively broadened social context resulted in rapidly increased national wealth as well as in improved conditions of living for the people in general. Thus, the positive role of the state in the success story of Korea cannot be exaggerated. Yet, the dark side of it should not be understated in that the autonomous government was made possible by subordinating the popular sector, often by repression. Even though the economic policies planned and implemented by the state in this period mostly produced positive outcomes, the processes of policy making were almost neither discussed in public nor negotiated with other social groups. It is true that the state had a close relationship with major business groups but the nature of relationship was more one of ‘top-down’ than of ‘equality’ as they were dependent upon the state in terms of financial subsidies and economic policies.

Moreover, the state’s embeddedness in the Korean case only includes links not with society in general but specifically with industrial capital. As a matter of fact, any attempts from other social groups including labor and students to make their voices heard were strongly prohibited and effectively silenced by the state. Thus, the other side of economic development led by the state was the deepening of the top-down, authoritative relationship between the state and the society.

In short, the development state of Korea was born in the very unique context of Korean history and politics: the formation of strong and centralized state under Japanese

colonial control and American military presence at the expense of weakening social classes including capitalists and laborers. In addition, it was equipped with high-level of organizational capacity with highly-educated and talented bureaucrats and, thus, continued to enjoy autonomy in planning and implementing economic policies. The organizational autonomy of Korean state was also maintained and supported by its close relationship with domestic capitalist class. However, the ‘embedded autonomy’ of Korean developmental state was built largely upon the exclusion of ordinary citizens from participating in the policy making process.

### **3. Urban Policies and Politics**

The fast industrialization and economic development in Korea during 1960-90 had profound spatial effects. Generally speaking, urban and regional development in Korea was almost exclusively shaped by the central government as means to achieve economic development. Thus, resources were disproportionately concentrated on a limited number of cities and it was legitimated under the ‘development first ideology’ of the Korean developmental state. Moreover, discontented people who were excluded from development benefits didn’t have any official channels to express their opinions on the urban planning process. Local governments didn’t have any local autonomy either. In this section, I will summarize the government policies concerning urbanization and urban planning in Korea and also will discuss the influences of the central government on them.



## **1) GOVERNMENT URBAN POLICIES: 1960-90**

Before a discussion of Korean urban development policies, it would be useful to divide urban policies into two groups for an analytical purpose: policies to manage urban development between different cities and regions and policies to plan urban development within an individual city. According to Kwon (1989), the former refers to ‘urbanization policies’ and the latter refers to ‘urban planning policies.’ In Korea, generally speaking, there have been few ‘urban planning policies’ but a number of ineffective ‘urbanization policies’ which tried to control the population concentration in Seoul during 1960s through 1990s. This peculiar situation can only be explained by the goal of Korean developmental state and its means to achieve it.

As Table 4.11 shows, policies after policies were introduced to disperse people and economic activities away from Seoul to other urban centers since 1964 when special decentralization measures were announced by the cabinet. The fast rate of population growth in Seoul didn’t stop throughout the 1960s and a more comprehensive decentralization plan, the First Comprehensive Land Development, was formulated in 1972. The First Comprehensive Land Development Plan addressed the necessity of large-scale government investment in providing industrial estates as well as basic infrastructure such as water, electricity, roads and communication facilities in strategic areas other than Seoul. In addition, the local industrial promotion Act (1970) and Industrial Base Development Act (1973) were legislated and provided low tax incentives for industrial establishments outside of the capital region. Despite being successful in promoting several new industrial cities such as Changwon and Kumi in the south-east part of the

nation, these policies were regarded as ineffective, unrealistic and, even, counter-effective (Park, 1981).

The government decentralization efforts continued with the change in the ruling region in 1981 and the Second Comprehensive Land Development Plan (1982-1991) and Capital Region Management Law (1982) were adopted. The key concept of new policies was to build counter magnets that would be strong and attractive enough to curb the excessive concentration in the capital. Moreover, the concept of co-operation with other government organizations and non-government sectors was incorporated in the planning procedure since Capital Region Management Committee, which consisted of cabinet members, a mayor of Seoul and private representatives, was to be created. Yet, new policies also failed to a considerable extent because counter magnets to the capital city were never created in reality. On the contrary, government resources were actually spent on large-scale development projects within the boundary of Seoul including new towns in Mockdong and Sanggaedong district and the 1988 Seoul Olympic-related projects (Ha, 1998).

In contrast to the great deal of work by the government to manage urbanization at a national level regardless of whether they were effective or not, the government paid much less attention to urban planning policies within an individual city. The first urban planning law in the modern sense was legislated in 1934 during the Japanese colonial control. It covered the issues of laying out city-wide urban development plans, operating development projects and designing land use according to their functions (Choi, 1998; Yeom, 2005). The basic frame and contents of the urban planning law have not altered

significantly until the 1990s even though there were serial modifications and amendments of the law.

Despite the general consistency in the urban planning law, there are a couple of noticeable changes. Firstly, law amendments in 1981 first introduced the concept of ‘urban fundamental planning’ which provides basic and long-term visions of urban development. Thus, previous urban management planning and any other planning, which are more related to short-term urban construction projects, should conform to the ‘urban fundamental planning’. Under the new law, moreover, public hearings in the decision making process of ‘urban fundamental planning’ became mandatory for the first time. Secondly, in 1991, as the direct election of local councils was revived for the first time since 1961, the role of central government to prepare urban planning was decentralized to the local level to a limited degree.

## **2) DEVELOPMENTAL STATE AND URBAN POLITICS**

During 1960-90, the growth and development of urban centers in Korea precisely reflects the ‘growth-first-ideology’ and patterns of state-led economic development of the nation (Kim, W.B. 1998). The Korean developmental state was so focused on economic development that it used selected number of urban centers as ‘growth machines’ for the nation as a whole, providing a prime example of the ‘growth machine’ approach of Logan and Molotch (1987). However, in the Korean case, it is the developmental state, not the private interests (*rentiers*) that promoted ‘growth first’ ideology and utilized cities as tool to generate national economic development. For this reason, Cho (1998) characterizes the Korean large cities as ‘developmentalist metropolis’.

Thus, under the developmental state, the economic policies of the government came to a serious conflict with the urbanization policies and the logic of economic growth almost always won. This explains why decentralization policies were hardly effective in changing the pattern of government infrastructure investment that favored the national's two largest cities, Seoul and Pusan and their neighboring cities. Accordingly, most other cities had to suffer from a lack of necessary resources. Under this situation, population movement to a city with the most resources is almost an unavoidable consequence (Lee, 1998; Choi, 1998).

The creation of a 'developmentalist metropolis' was only possible because of the existence of a strong authoritarian state which suspended the implementation of Local Autonomy Law and prohibited any political dialogues and compromise in national resource allocation as they were considered as obstacles to achieving rapid economic growth and to maintaining political stability. As a result, the predominant mode of urban management under the authoritarian Park Jung Hee regime was top-down. Most policies concerning urban development were determined by the government elites and bureaucrats under the Economic Planning Board and Ministry of Construction. Local government officials simply took the policies from above and implemented them in their locality (Kwon, 1989; Kang, 1998).

The ability of local government in initiating and developing urban policies as an important agency of urban politics shown in cities in more developed countries were almost absent in Korean cities, even in the capital city of Seoul, during this period. This is

closely related to the shortage of urban planning policies in Korean cities. Under the authoritarian regime of the developmental state, no elections for local officials were held and all governors and mayors were appointed by the president. Most of the staff in local governments was also hired by the state government. For some cases, experts with specialized knowledge in architecture and civil engineering were involved in the policy making process but their role was very limited to legitimating the policies and plans already prepared by the bureaucratic elites in the national government (Kang, 1998). Moreover, the fiscal system of the governments were highly centralized which implies the financial resources of the local government were largely dependent upon the national government (Kwon, 2003 fiscal decentralization). As the local government didn't have the capacity to determine local policies nor to mobilize financial resources, the role of local government in determining local affairs was very limited so it largely remained as a mere deliverer of public services from the state to local residents.

The role of local business in urban development is ambiguous. On the one hand, there was little room for local business interest to be directly involved in the urban policies decision making process because the planning process is centralized at the national government level. Thus, it is more useful to see the relationship between large corporation and the state in urban development during 1960-90. It was the bureaucratic elites who decided the major urban development policies but the implementation of those policies were not possible without the help from large private corporations, *chaebol*, especially in the area of providing social infrastructure, land and housing. As the large corporations were deeply involved in supplying land and housing during the rapid

urbanization process, they also could make great profit because of a serious housing shortage in the period. Often, large corporations, which usually have construction companies within their business branches, rather than local construction companies took over the responsibilities of constructing housings in most cities in Korea from the state and made a great deal of money. The close relationship between the state and large corporations in industrial development was replicated in the urban development process. Thus, the role played by local business groups and local governments in urban development in cities in the United States was mainly performed by the national government and large corporations in Korea.

On the other hand, though largely restricted, local business groups still organized themselves and were able to find a way to influence public policies in their locality: present themselves as neighborhood organizations which are supposed to reflect the voices of ordinary local residents but, in fact, impose their business interests in the policy implementation process through close relationships with local bureaucrats in local governments. They were often co-opted by the local governments to legitimate the local policies planned by the state government as they strongly support them in return for material profit from local development projects of which they could be a part (Kang Myung Gu, 1996).

Role of civil society in local politics in Korea is almost non-existent. Historically, the state in Korea has maintained a dominant position over civil society. After Korean War and during Cold War period, the Korean state in the 1950s established on illegitimate basis used anti-communist ideology to demobilize any social movements that

strongly challenged the undemocratic nature of state (Choi Jang Jip, 1993). Citizens' demands for political democracy and economic redistribution grew more serious during 1960s and 1970s as the nation quickly became wealthy and Park Chung Hee's usurped power through military coup and established a strong development state. During his regime, there were numerous students and labor movements and the response from the state was strong military suppression. Even though some argue that civil society in Korea have been considerably active and combative in challenging the strong and authoritative state, it is hard to deny that it was weak in relation to the state (Hagen Koo, 1993).

Moreover, throughout history, the primary concern of diverse groups in Korea civil society, particularly students groups and labor unions, chiefly remained at a national level: breaking down of strong and oppressive state and accomplishing democratic transition (Sunhyuk Kim, 2003). Under a situation in which the national government tightly controlled local administrations, it is quite natural that the immediate efforts of civil society were focused on the democratization at a national level.

The chief reason that many Koreans could tolerate the developmental authoritarian state is that rapid economic growth had greatly enhanced the living standard of most Koreans who suffered the absolute poverty after the Korea War. Another reason is that the state strongly repressed any expression of political opinions against the works of the national state by means of strong police and military actions. The prime example of civil rights oppression by the military regime is the "Emergency Decree" during 1974-1979, which strongly prohibited any civil associations and activities against the ruling government, seriously suspending the civil rights of citizens (Kim In Gul, 1998).

However, strong social and political repression of expressing citizen demands created a great deal of discontent toward the undemocratic government, particularly raising mistrust of its close relationship with large corporations. The discontents grew greater among the working class who received a relatively short end of the national economic growth and university students and intellectuals who sought legitimate democratic government system.

In summary, urban policies of the Korean government during 1960 and 1990 were mostly concerned with diverting population concentration in Seoul. However, these population decentralization policies were in a serious conflict with the national economic policies and, thus, didn't produce any significant changes in the highly uneven urban system. In contrast, the developmental state knowingly selected a limited number of cities as growth poles, 'the developmentalist metropolis' to promote national economic development.

The unequal distribution of resources and investment in the selected cities was chiefly made possible through the strong authoritarian state which effectively prohibited the political dialogues at a local level by suspending the Local Autonomy Law in 1961 and dominated the urban policy making process. Local governments were simply lower-level branch offices which took orders from the national state and deliver them at the local level. Local business enterprises were also too weak to have power over urban planning procedures, which took place at a national government level. Under this situation, there was virtually no channel for ordinary citizens to express their daily



concerns and demands and to make them listened to by the state techno-bureaucrats who were in charge of making urban policies. Accordingly, interests that were specific to a certain locality and/or to a certain group were almost completely ignored in order to meet national development priorities. In other words, public policies in Korea were exclusively the business of the state and large corporations without serious consideration of the role of civil society or local governments who could bridge the state and ordinary citizens.

#### **4. Summary**

Under the Japanese colonial government between 1910 and 1945, urban centers in Korea became equipped with modern infrastructure and began to receive a large number of migrants from the countryside for the first time in its urbanization history. Yet, it is during 1960 and 1990 that Korea experienced an explosive population growth in urban centers involving almost half of the total population moved from the rural areas to the cities, mainly to Seoul. In this period, Seoul, which had already served the nation as a center for political and administrative power, also came to take on enormous economic importance. The unusually rapid process of urbanization with high primacy of Seoul in the national urban system during this period can only be explained by the successful national economic development resulting from industrialization that promoted labor-intensive manufacturing industries.

Several external and internal conditions facilitated the labor-intensive industrial policies of Korea to emerge as a great national economic success. Yet, it would not have been possible without the critical roles played by the Korean developmental state in planning and implementing the right economic policies. This effective and strong institutional ability of the Korean state was based on the “embedded autonomy” that the

Korean state enjoyed through a highly competitive recruitment process for government bureaucrats, as well as through a close relationship with domestic capitalists. Rapid national economic growth reduced urban poverty to a great extent, thus contributing to improved economic living conditions in Korean cities in general.

Despite the impressive roles by the Korean state in fostering national economic success, the top-down mode of decision making coupled with a strong motivation toward economic growth had a negative side in the urban policy area. First of all, urbanization policies, mainly focused on decentralization of people and economic activities away from Seoul, were not put into practice because of economic policies that preferred Seoul over other cities as a strategic site for economic growth. Thus, urban centers were planned and organized exclusively by elite government bureaucrats in ways that promoted national economic growth rather than improving the quality of life for the residents. Moreover, the authoritarian state vehemently suppressed civil and political freedom of people and/or organizations both governmental and non-governmental to express concerns against any public policies. It is needless to say that there was no institutional channel for citizens to make their individual interests be known to the government bureaucrats. Yet, political oppression under the authoritarian developmental state was endured by most citizens due to considerable enhancement in economic conditions in their livelihoods, despite strong struggles against the military government by groups of college students and laborers.

Therefore, it was the economic success of Korea that caused rapid population growth and raised the economic importance of Seoul in the national urban system to a much greater degree than during 1960-1990. In this sense, the increased significance of Seoul in this period should be understood as an outcome of deliberate efforts by the Korean developmental state exercising almost unlimited economic and political power to focus on national economic growth, because Seoul was chosen as the principal growth

pole in which the necessary resources for labor-intensive industrialization came to be concentrated.

The external and internal conditions helped the rapid economic development of Korea focused on the labor-intensive manufacturing industries planned and implemented by the developmental state. These conditions began to change from the mid-1980s. The next chapter will discuss how these changes in the global economy and politics affected the Korean national economic and political contexts.

Table 4.1: City Growth and % of Urban Population: 1920-50 (thousands)

	1925	(%)	1930	(%)	1940	(%)	1949	(%)
Seoul	343	2.6	394	2.8	935	5.2	1446	7.2
Pusan	106	0.8	146	1.0	249	1.4	474	2.3
% of urban population	3.3		4.5		11.6		17.2	

Source: Korean Statistical Office

Table 4.2: Urbanization in Korea: 1949-1990

Population in Korea	Total Population	Urban Population	Rural Population	% of urbanization
1949	20188	3474	16714	17.2
1960	24989	6997	17992	28
1970	30882	13118	18317	42.4
1980	37436	21421	16028	57.2
1990	43411	32309	11102	74.4
Rate of changes (%)				
1949-1960	23.8	101.4	7.6	
1960-1970	23.6	87.5	1.8	
1970-1980	21.2	63.3	-12.5	
1980-1990	16.0	50.8	-30.7	

Source: Korean National Statistical Office

Table 4.3: Annual Rates of Urbanization in the Developing World: 1950-1990

Rates of Urbanization	Temperate south America <sup>a</sup>	Tropical & Middle America <sup>b</sup>	China	North Africa <sup>c</sup>	Southeast Asia <sup>d</sup>	Korea
1950-60	1.2	2.1	5.5	2.0	1.7	2.6
1960-70	0.7	1.8	0	1.9	1.4	3.8
1970-80	0.6	1.4	1.7	1.1	1.7	3.3
1980-90	0.4	1.1	2.9	0.9	1.8	2.4
Total population growth, 1950-1990	1.6	2.5	1.8	2.3	2.2	1.9
% urban growth due to natural increase 1950-1990	69.6	63.1	45.8	63.1	57.2	38.3

<sup>a</sup>Temperate south America includes Argentina, Chile and Uruguay.

<sup>b</sup>Tropical and Middle America are the other countries of South America, Central America and Mexico.

<sup>c</sup>North Africa includes Algeria, Egypt, Libya, Morocco, Sudan and Tunisia and Western Sahara.

<sup>d</sup>Southeast Asia includes Brunei, Cambodia, East Timor, Indonesia, Kampuchea, Laos, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Source: Roberts (1995, Table 1.2)

Table 4.4: Net Migration by Cities and Provinces: 1966-1990

	1966-70	1971-1975	1976-1980	1981-1985	1986-1990
Major Cities					
Seoul	1307281	1266354	1068143	585183	285784
Pusan	299141	410177	423419	81416	43801
Daegu		0	0	138422	83191
Incheon		0	0	161865	306226
Kwangju		0	0	0	103771
Daegjeon		0	0	0	59642
Ulsan		0	0	0	0
Provinces					
Kyunggi Province	17155	520332	754231	977475	928286
Kangwon Province	-123194	-211040	-213162	-167573	-236683
Chungbook Province	-169250	-222568	-284818	-202196	-143798
Chungnam Province	-237462	-242722	-216761	-248892	-231361
Jeonbook Province	-271187	-373580	-417800	-315412	-301458
Jeonnam Province	-339940	-403367	-407332	-358507	-493972
Kyungbook Province	-219834	-206631	-274056	-455141	-325132
Kyungnam Province	-259156	-362628	-263632	-107619	-64247
Chejoo Province	-306	-21656	-31274	-14121	-5256

Source: Korean Statistical Office

For 1966-70, Kang (1989, Table 3)

Table 4.5: Population Growth in Selected Cities and Urban Primacy (in thousands)

	Seoul	Pusan	Taegu	Inchon	Total	Primacy
1960	2445	1163	676	402	24989	<b>1.09</b>
	9.8%	4.7%	2.7%	1.6%	100.0%	
1970	5443	1842	1063	634	30882	<b>1.54</b>
	17.6%	6.0%	3.4%	2.1%	100.0%	
1980	8364	3160	1605	1084	37436	<b>1.43</b>
	22.3%	8.4%	4.3%	2.9%	100.0%	
1990	10613	3798	2229	1818	43411	<b>1.35</b>
	24.4%	8.7%	5.1%	4.2%	100.0%	

Source: Korean Statistical Office

Table 4.6: Basic Economic Indicators in Selected Countries: 1970-1990

	GDP (in \$U.S. billions)			Average annual GDP growth rate (%)			GNI per capita (\$U.S.)		
	1970	1980	1990	1960-70	1971-80	1981-9	1970	1980	1990
Hong Kong	3.8	28.8	76.9	10.0	9.5	8.9	967.0	5703.3	13362.4
Korea	8.9	63.8	263.8	8.5	8.7	9.2	282.5	1646.0	6148.7
Singapore	1.9	11.7	36.9	8.8	9.0	6.9	922.9	4678.7	12567.3
Taiwan	6.2	41.4	160.4	9.2	9.7	8	399.7	2407.5	8346.0
Argentina	23.7	75.5	141.4		2.6	-1.1	1100.6	1960.1	4274.6
Brazil	42.3	227.6	438.2		8.5	2.3	439.9	1871.2	2850.6
Mexico	39.6	207.7	262.7		6.6	1.5	770.4	2959.3	3015.6

Source: United National Statistical Data Base  
World Bank Key Development Data  
World Development Report (various issues)

Table 4.7: Share of Major Sectors in GDP in Selected Countries: 1970-1990 (%)

	Agriculture			Manufacturing			Others		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
Hong Kong	2	0.81	0.25	33.1	24.4	19.18	64.9	74.79	80.57
Korea	29.25	16.17	8.94	20.91	28.55	30.24	49.84	55.28	60.82
Singapore	2.29	1.19	0.27	23.13	30.48	27.44	74.58	68.33	72.29
Argentina	9.6	6.33	8.03	34.09	32.48	31.22	56.31	61.19	60.75
Brazil	7.59	8.29	5.99	26.49	33.41	27.84	65.92	58.3	66.17
Mexico	11.46	8.11	7.76	19.74	23.02	24.22	68.8	68.87	68.02

Source: United Nations Statistical Data Base

Table 4.8: Growth of Manufacturing Production in Selected Countries: 1970-1989

	Average annual growth rate (%)			
	1960-70	1970-80	1980-9	
Hong Kong	13.6	10.2		
Korea	17.6	16.6		3.1
Singapore	13	9.8		5.9
Taiwan	20.1	12.8		8.1
Argentina	5.7	1.3		-0.6
Brazil	9.7	8.7		2.2
Mexico	9.4	7		0.7

Source: Chowdhury and Islam (1993: Table 6.1)

Table 4.9: Growth of Merchandise Export and Share of Manufacturing in Selected Countries: 1960-1990

	Merchandise Export (in \$U.S. billions)				Shares of manufactured goods in merchandise exports		
	1960	1970	1980	1990	1960	1975	1982
Hong Kong	0.7	2.5	19.8	82.2	80	73.7	97
Korea	0.03	0.8	17.5	65.0	14	80	90
Singapore	1.1	1.6	19.4	52.7	26	38.1	56
Taiwan	0.1	1.4	19.8	67.1		79.4	89
Argentina	1	1.8	8.0	12.4			
Brazil	1.3	2.7	20.1	31.4			
Mexico	0.8	1.4	18.0	40.7			

Source: UNCTAD Handbook of Statistics

Chowdhury and Islam (1993: Table 5.4)

Table 4.10: Foreign Direct Investment in Selected Countries: 1970-1990

(in millions U.S.\$)

	1970	1975	1980	1985	1990
Hong Kong	49.8	377.4	710.2	-267.2	3275.1
Korea	66.0	6.0	16.5	217.9	759.2
Singapore	93.0	291.8	1235.8	1046.8	5574.7
Taiwan	62.0	34.0	166.0	342.0	1330.0
Argentina	89.8	55.6	678.0	919.0	1836.0
Brazil	391.7	1202.8	1910.2	1418.4	988.8
Mexico	312.1	458.4	2099.3	1983.6	2633.2

Source: UNCTAD Handbook of Statistics

Table 4.11: Summaries of Government Policies and Law for Urbanization in Korea

Year	Policies and Laws
1964	Cabinet's resolution against population concentration in large cities
1969	Establish presidential advisory committee for the capital region problems and decentralization measures for population and facilities
1970	Local Industrial Promotion Act
1972-1982	First Comprehensive National Land Development Plan
1973	Industrial Base Development Act
1977	Industry Distribution Law
1982-1991	Second Comprehensive National Land Development Plan
1982	Capital Region Management Law

Source: Kim and Choe (1997, Table 2.10) and Park (1981, Table 3 and Table 4)



## **CHAPTER 5: GLOBAL CHANGES AND KOREAN RESPONSE: CHANGING DEVELOPMENTAL STATE**

There have been fundamental changes in the nature of the international political economy since the 1980s as the Cold War ended and Neo-liberal economic ideology with a special focus on free market came forth. This process of economic globalization has had a profound impact on Korea's national economy as well as political environment. Korea's economy was reorganized away from labor-intensive manufacturing sector toward a more capital-intensive heavy manufacturing sector as well as toward a high-end service sector. Korea also went through a critical political change: a successful movement from authoritarian regimes to democratic regimes. These changes both external and internal also caused an important alteration in the role of the Korean developmental state.

Therefore, in this chapter, I will first describe the changing context of economic development in Korea since the 1990s in response to the external pressure from the international economy and explain how it created constraints on the role of the Korean developmental state in controlling the national economy at the same time it produced more room for large corporations to have greater influence. Secondly, I will discuss Korea's political democratization as an outcome of a global wave of third-world democratization as well as continuous struggles of Korean citizens for civil and political freedom and how it brought changes in national and local politics, involving diverse actors other than the central state, such as civil society organizations, local governments and private capitals, in the planning and decision making process.

# 1. Korea in the Global Economy

## 1) GLOBALIZATION AND ECONOMIC RESTRUCTURING OF KOREA

The international economy has gone through profound alterations with the end of the Cold War since the 1980s. All those changes including the rise of new global production systems, a considerable increase in international trade and the liberalization of world financial markets, work in one direction: deeper integration of national and/or regional economies into the global economy.<sup>4</sup> Accordingly, changes in the global economy have made significant impacts on the Korean economy. They are continuing economic development driven by increased dependence upon global economy as well as national economic restructuring toward a service sector orientation.

The Korean economy continued to perform strongly in the 1990s and the early half of 2000s as basic economic indicators in Table 5.1 show, despite profound changes in the domestic and international economy that made the 'Korean Economic Miracle' possible since the 1980s. The scale of Gross Domestic Production in Korea continued to grow substantially from \$ U.S 263.8 billions in 1990 to \$ U.S. 787.6 billions in 2005. The speed of economic growth of Korea was faster than those of developing countries in Latin America during 1990-2005 as the average annual GDP growth rate for Korea was 6.1 percent during 1990-2000 and 4.5 percent during 2000-2005 even though these are the lowest GDP growth rates since 1960. National income per capita also considerably increased from U.S. \$ 6,148 in 1990 to U.S. \$ 16,456 in 2005. Although Korea enjoyed

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<sup>4</sup> See Chapter 2 for detailed discussion on the current changes in the global economy.

continued economic growth throughout the 1990s in general, it also experienced the most difficult economic problems in its history including bankruptcies of some of the nation's largest corporations and the East Asian financial crisis.

Even though Korea managed to continue its economic growth, it would be misleading if 'continued development' is seen as an outcome of the same modes of economic development as those in the past. Alterations in the global economy have resulted in significant changes in Korean economy. First of all, the process of integration of the Korean economy into the global market became intensified to a much greater degree than in the decades before. It happened mainly through further increasing volume of imports and exports in international trade. Table 5.2 shows the increased dependence of the Korean economy on the world market. Both exports and imports increased four times from 1990 to 2005. This is the second biggest increase in the volume of merchandise trade among the selected developing countries in Asia and Latin America, from 135 billion dollars in 1990 to 546 billion dollars in 2005. Participation of Korea in international trade increased not only in merchandised goods but also in services (Table 5.3). Total amount of trade in services increased more than five times from \$ U.S. 20 billion in 1990 to \$ U.S. 104 billion in 2005. In fact, in 2005, Korea became the biggest consumer of service activities among the selected developing countries in the global market.

Moreover, the Korean financial market that had strongly prohibited direct foreign investment became deregulated in the 1990s, mainly, as a response to increased international pressure for an open market and it resulted in the soaring amount of FDI to

the nation. As Table 5.4 shows, the amount of FDI in Korea in 1990 is the lowest among developing countries in East Asia and Latin America. Yet, it began to grow so rapidly that it increased ten times in ten years from \$ U.S. 759.2 million in 1990 to \$ U.S. 8,650.6 million in 2000. In fact, it is not only Korea which experienced a considerable increase in the amount of FDI. Other developing countries also received much increased volume of FDI during the same period because FDI became the most important form of international capital flows among other forms since the 1980s (UNCTAD, 2004). What is interesting is that the amount of FDI in Korea still remains at a relatively low level compared with other developing countries despite the rapid increase after 1990s.

Economic globalization not only opened Korea's market to the world but also gave opportunities for Korean large corporations to invest overseas. Korea's large corporations, *chaebols*, began to invest abroad since the beginning of the 1980s and the amount of outward foreign direct investment substantially increased in the 1990s. The amount rose from \$ 1.6 billion in 1990 and to \$ 6.2 billion in 1996, just before the financial crisis (Kim, 2000, Table 5.1).

More importantly, there has been a slow and steady change in the structure of the national economy from labor-intensive industries toward more capital-intensive industries. Changes first came about in the manufacturing sector. The process of industrial deepening from light-manufacturing to heavy manufacturing started in the late 1970s and almost finished in the end of 1990s. During the 1970s, the Korean government launched a new phase of industrialization with shifted emphasis to development of heavy and chemical industries. As a result, the production of basic metal and machinery

increased at an accelerated rate while that of labor-intensive food and textile slowed down substantially during the 1970s. The value of manufacturing production in chemicals, basic metals and machinery almost accounts for 40 percent of the total value of manufacturing production in 1983-5 (Table 5.5). With the rising importance of heavy manufacturing industries in the national economy, Korea became a leading producer of steel and ships as well as electronics and automobiles in the global market in the 1980s.

In addition to a maturing manufacturing sector, the service sector is moving toward high-value added activities. According to Table 5.6, the share of producer service sector including finance, insurance, real estate and business related service in gross domestic production rose from 13.9 percent to 19.5 percent during 1970-2005. Transportation and communication services also increased from 3 percent to 8.3 percent during the same period. Thus, the combined share of these two categories almost accounts for one third of the total national product. The growing importance of producer service in the national economy is also associated with the fast growth of producer service sector in service exports from 17.8 percent to 30 percent during 1980 and 2005 (Table 5.7).

## **2) WITHERING ROLES OF THE STATE AND THE RISE OF LARGE CORPORATIONS**

The changes in the international economy that caused a series of hard times and continuous important changes in Korean economic structure also heavily impacted the nature of Korean political economy. Among the many changes that took place in the Korean political economy, the most important one is the decreased role of the

developmental state in controlling the national economy and the rise of private enterprise as a major agent of the Korean economic development.

The miracle of Korean economy during 1960-90 was very much the achievement of the 'developmental state' that played a critical role in mobilizing and allocating the resources. Export-oriented-industrialization, with focus on labor intensive light manufacturing in the early stage and heavy and chemical manufacturing in the later stage, was the primary strategy employed by the state to earn the foreign exchange necessary for economic independence and national security. The formula for the success is largely found in the 'embedded autonomy' of the Korean state that enabled the state not only to enjoy a dominant role in making economic policies but also to maintain close relationship with large private corporations in Korea, leaving other social groups, i.e. laborers, completely out of the relationship.

By the early 1980s, however, both international and domestic environment which had been favorable to the formation of the developmental state started to alter and the developmental state began to face serious challenges. Firstly, the challenge came from the outside. As the Cold War was coming to an end, the benefits that Korea enjoyed due to the importance of its geopolitical location fade away. This is especially true in the relationship with the U.S., Korea's chief export market as well as the main donor of foreign aid. It was no longer needed for the U.S. to support the Korean economy as an important military ally against communism. Instead, U.S. began to view Korea as a competitor in the world market as the U.S. trade deficit with Korea rapidly increased, from \$ U.S. 4.2 billion in 1985 to \$ U.S. 9.6 billion in 1987. In response, the U.S. took a

great number of trade actions against Korean exports during the 1980s and the deficit turned to a surplus in 1991 (Kilwhan Kim, 1993). The negative consequence of various restrictions by the U.S. on the Korean exports was enormous due to Korea's high export dependency in the U.S. market (Chong Hyun Nam, 1993).<sup>5</sup>

Yet, the more important factor to challenge the state-led Korean economy was the emergence of Neo-liberal principles as the main economic ideology of the world market under Reagan administration because they advocate the work of "free market" with minimum intervention from the state. Accordingly, the U.S. began to pressure Korea to liberalize its highly regulated domestic markets. It was inevitable that Korea agreed to open its market, from agriculture and fishery markets, and also to reduce tariffs on products from those markets. This resulted also in a rapid balance shift in the trade between Korea and the U.S (Kang, 2000).

Financial markets were not exceptions to these pressures for liberalization. However, the Korean government was cautious about opening its financial market because it implied much greater consequences for the ability of the developmental state to plan and to control the national economy than trade liberalization. Financial market liberalization suggests that Korea's financial market would be internationalized: foreign capital is allowed to enter domestic banking, insurance and capital market and also Korean financial institutions can participate in the international capital market. In order for the domestic and foreign firms to compete with each other, they need to follow the same principles, Neo-liberal rules of the international market, free from state control.

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<sup>5</sup> In 1970, 47.3 percent of Korea's total export was headed toward the U.S. market but the dependency decreased to 29.8 percent in 1990.

This would significantly threaten the capacity of the Korean developmental state which controlled the activities of markets by effectively monopolizing the financial resources, the banks.

Knowing the consequences that the opening of financial market would bring, the Korean government took several steps to make the process smoother. The first tentative step was taken in 1992 which allowed foreign investors to purchase Korean stocks but no more than 10 percent of a company's shares. Further capital account liberalization was made when Korea joined the OECD in 1996 (Park, 2002).

Yet, the most critical incidence which dismantled the developmental state in Korea occurred at the end of 1997: the East Asia Crisis. The currency crisis that took off in Thailand and Indonesia in the summer of 1997 reached Korea in the end of the year. The crisis caused by an acute short-term credit crunch as mobile capital rapidly fled from Korea suddenly turned into a full-scale financial crisis, revealing deep structural problems in the banking and corporate sectors. In response, the Korea government asked IMF for \$55 billion bailout, the largest amount of money in history, and it had to give up a large part of its economic sovereignty in return as it was forced to adopt a package of economic restructuring reforms. The heart of the restructuring reform was privatization of the government sector and complete liberalization of financial markets based on Neo-liberal principles because the Western experts pointed out the main cause of the crisis as incompetence and ineffective resources allocation of the financial institutions in Korea controlled by the government (Corsetti, Pesenti and Roubini, 1999; Krugman, 1998;



Radelet and Sach, 1998).<sup>6</sup> As a result, Korea's financial market was dramatically liberalized in accordance with the IMF agreement: the ceiling on foreign stock ownership has been completely removed, allowing hostile mergers and acquisitions by foreign investors, and the bond market has also been opened to foreign investment (Park, 2002).

As much as the external conditions placed serious limits on the capacity of Korean government, internal demands for a changed role of the state became clear from the end of 1980s. First, the Korean state itself was aware that the extensive roles that it had played in the beginning of the economic development were no longer necessary as it had already accomplished its primary objective. As the national economy becomes strong, the capacity of private sectors increases and the roles required to perform by the state decreases. This internal contraction within the developmental state intensified with the successful economic development and pushed the Korean state to restructure itself. Thus, the government under president Chun promoted "Economic Stabilization and Economic Liberalization", which began to shift the roles of the state away from an 'entrepreneur' toward more of a 'market regulator' since the beginning of the 1980s, giving up important market-controlling policy tools (e.g. state-owned domestic banks, policy loans and industrial targeting) (Kim, 1997).

Moreover, the relationship between the state and business has fundamentally changed. Large private corporations emerged as a major competitor of the state, increasing their influence in the market. In the 1970s, the state dominated state-business

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<sup>6</sup> However, Stiglitz (2000) argues that the single most important cause of the crisis is immature financial and capital market liberalization in the East Asian region and heavily criticized the IMF reform package focused on further liberalization of financial market exacerbated the situation.

relationship. In the 1980s, the business, especially the large corporations, called *chaebol* in Korean, became a major partner of the state as the state pushed heavy-chemical industrialization which was considered as impossible or immature at best at the time and it needed domestic capital to invest in the heavy industries. Regardless whether it was either voluntary or involuntary, some corporations, such as Hyundai and Daewoo, participated in the heavy industrial activities while some, such as Samsung, refused to. Thus, the necessity of business cooperation for state's heavy industrialization policy transformed the nature of state-business relationship toward more one of interdependence than of state domination (ibid.).

The result of providing cooperation to the state was an unusually fast rate of economic growth for the corporations which participated in the heavy industrialization policies enjoying various measures of state protection in the area including low-interest loans from state-owned banks. For instance, the average annual growth rate of total assets of Hyundai was 38 percent and that of Daewoo was 53.7 percent while the annual growth rate of GDP was 8.7 during the 1970s. As a result, their name was listed as the nation's largest corporations.<sup>7</sup>

Once they were positioned in the place that was much advantageous than medium and small enterprises with their scale of economy grown under the state protection, they didn't have much difficulty in maintaining their rapid growth rate even after the removal of the state supports in the 1980s. In addition, they expanded their business area into related as well as unrelated sectors so rapidly that the share of sales from the five largest

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<sup>7</sup> Other large business (i.e. Samsung and L.G.) also experience fast growth during the same period even though the degree is much less than Hyundai and Daewoo as they received the most favorable conditions from the state.

corporations reached 75.2 percent of total manufacturing GDP. Thus, in the end of the 1980s, the dominance of '*chaebol*' in Korean economy reached the point that it impedes the proper working of the market and they were also largely out of the state control by that time.

Besides the rapidly increasing power in the national economy, *chaebols* eagerly sought for ways to be less dependent from the state.<sup>8</sup> The most illustrative example of the Chaebol's vigorous efforts to get out of the hands of the state is their rapid expansion in the non-banking financial service sector in the 1980s and 1990s. In Daewoo's case, the share of financial service in total asset jumped from 7 percent in 1980 to 38.7 percent in 1988 and Samsung's share in financial service doubled from 21 percent to 44.9 during the same period (Kim, 1997). *Chaebol*'s investment in financial services not only eased their capital mobilization but also put them in the direct competition with the state.

There was, also, a problem with the institutional ability of the state. The embedded autonomy of the Korean state that had produced discreet decisions over economic development policies was hard to maintain over the long period time. The state, the most ingenious entrepreneur of Korean economy, started to invest in non-productive areas. Commercial banks in Korea, which had functioned almost like development banks, ended up being saddle with huge nonperforming loans equal to almost 20 percent of GDP in the beginning of the 1990s (Stiglitz and Yusuf, 2001). Moreover, a close, but relatively

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<sup>8</sup> Strong intervention of the state in the market not only implies there is less freedom of the private corporation to pursue their own marketing strategies but also suggest it is extremely expensive to stay on the side of the state. In order to get favors from the state, they had to donate an astronomical amount of money to the ruling political party. The full amount of political contribution might never be known but a glimpse can be seen in the confession of the founder of the Hyundai Group as he admitted that his group donated close to \$2.5 million "Ilhae foundation," president Chun Doo Whan's private organization and he paid to the ruling party "in the amount asked, always" (Woo, 1991).

autonomous, relationship between the state and business over an extended period time turned into rent-seeking opportunities for both parts. As discussed, a large amount of money was handed over to government officials and politicians from private enterprises in return for the state subsidies and protections. Class distinction between government officials and business class that gave the state autonomy relatively freed from class interests became blurred as the number of marriages between the offspring of the state officials and business leaders increased (Kim, 1997).

In response to international pressure to liberalize domestic market to the world as well as growing internal demands for less state intervention in the national economy, the strong developmental state of Korea had to shift its role from comprehensive market planner to more limited market regulator. Instead, the power of private sector, especially of large business corporations, increased substantially.

## **2. Korea in the Global Politics**

### **1) GLOBAL DEMOCRATIZATION AND KOREAN EXPERIENCE**

Changes in the global economy didn't happen alone even though it often seems so to many people. Economic globalization has been pursued under a strong Neo-liberal economic ideology, which advocates the reduced capacity of the state in controlling the economy by fiscal austerity, privatization and market liberalization. And, these neo-liberal principles can only be fully realized under a democratic political system. Political democracy suggests improved transparency in the governing process and this is critical to

the proper functioning of a market. Thus, economic globalization vigorously encourages mature democracy as its political agenda. Particularly, decentralization of the national government is strongly promoted by international organizations such as the World Bank as it involves dispersal of public service responsibilities from the central government to local governments, to private sectors and to other social organizations such as NGOs.

In fact, a global trend toward democracy began on its own, with no apparent relationship with economic globalization, in the mid 1970s when the dictatorial regime in Portugal was overthrown in 1974. Since this event, a number of states in developing countries experienced transitions from authoritarian (predominantly military) to democratic rules. Thus, Samuel Huntington (1993) defined this post-1974 period the 'third wave' of global democratic expansion. Even though this third wave of global democratic expansion started with its own logic, it is not difficult to see the pace has been intensified by the expansion of global capitalism as the number of countries that went through democratic transition rapidly increased in the 1980s with the collapse of the Soviet Union (Diamond, 1996).

The external pressure of global democratic expansion was responded by growing internal demands for political democratization when another military regime seized the power in 1980 after the assassination of president, Park Jung Hee, who was the founder of the Korean developmental state and severely suppressed the civil and political rights of the citizens by the means of strong police and military actions. As discussed in the previous chapter, the Korean state, strongly influenced by authoritarian Japanese colonial state, as well as by Confucian values which emphasizes social hierarchy, was

undemocratic and suppressive of civil participation in political arena since the establishment of the republic in 1948 and there were continuous struggles of the civil society, particularly from college students and laborers, against the authoritative state. Yet, the political suppression was largely endured and legitimated by the rapid economic growth which improved the quality of living so rapidly. Thus, the authoritative developmental state in Korea was sustained by its successful economic development along with strong military coercion to the groups that opposed it.

However, the citizens' discontents and opposition toward the authoritative government reached its highest point when their hope for political democratization was met with a continuation of the military regime under president Chun Doo Hwan in 1980 which continued to rule the nation based on military power. During Chun's rule between 1980 and 1987, street rallies of college students for democracy didn't stop and always met with violent police and military oppression. The collective actions of industrial workers grew strong particularly in this period. Interestingly, it was the economic growth that contributed to the formation of class consciousness of the working class as they found out they were largely excluded from the benefits of national economic growth, suffering from low-wages and inhuman working conditions.

As they became more conscious about their identity as a working class, they took actions collectively to correct their disadvantages and their main objective was to break down the authoritative developmental state. As a result, the number of labor unions steadily grew and so did the labor disputes despite even stronger repressive measure taken by Chuns' regime during 1980 and 1987. They culminated in the spring of 1987 as

a violent wave of labor conflicts erupted and spread swiftly across the country. Between July and September of 1987, about 3,500 labor conflicts occurred, more than the total number of labor disputes during the entire Park and Chun regimes (Koo, 1993).

It was also during Chun's regime when diverse civil society groups which were already in substantially contention with the state sought to build a grand alliance incorporating college students, workers, churches and an opposition political party. And this great alliance earned the support from the middle class who had chosen to stay silent under Park's regime. Once the middle class participated in the wave for democracy, it became impossible for the ruling authoritarian regime to resist it (Sunhynk Kim, 2003). Finally, the presidential candidate from the ruling military regime agreed to restore the electoral democracy in 1987.

During the first decade of democratic rule, Korea has successfully carried out a large number of electoral and other reforms to transform the institutions and procedures of military-authoritarian rules into those of a representative democracy. Unlike many of its counter-parts in Latin America and elsewhere, Korea has fully restored civilian rule by extricating the military from power as the first civilian leader in three decades, Kim Young Sam, was elected in 1992 and he decisively acted to disorganize the military power in national affairs (Samuel Kim, 2003; Shin do chul, 2003). Moreover, Korea achieve another political milestone in the end of 1997 as it became the first developing country in East Asia to peacefully transfer power to an opposition party even under the economic hardship caused by the Asian Economic Crisis (Samuel Kim, 2003). According

to Freedom House's 1999-2000 survey (*Freedom in the World*), Korea was ranked as one of eighty-five 'free' countries (liberal democracies) in the world (ibid.).<sup>9</sup>

Korea, one of the developing countries that rode on the third wave of global democracy from authoritarian control three decades ago, is now widely regarded as one of the most remarkable and influential democratic nation in developing world with a relatively high level of local autonomy (Diamond and Shin, 2000). This means that the political conditions necessary for the existence of the developmental state has been almost completely changed.

## **2) RISING ACTORS IN URBAN POLITICS IN KOREA**

Democratization of the national political system through social mobilization which embraced almost all sectors of the nation's population has profoundly altered the way Korean people views the national government. First of all, it became socially and politically easier and more acceptable to express individual and/or group interests in public arena. Even to criticize policies of the state is not only accepted but also common in public discourse. Moreover, people began to ask for more transparent policy making processes, such as greater access to public administrative information, and also to demand greater citizen participation in the decision making process. The direct consequence of these changes is the increasing number of actors in the public policy making arena, which used to be dominated by the authoritative developmental state.

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<sup>9</sup> Despite Korea's successful transition to democracy since 1987, it is still far from having a consolidated, mature and stable democratic system (Sunhyunk Kim, 2000).



### **a) Democratization and Civil Society Organizations**

It is civil society organizations, rather than labor unions or students organizations, that emerged as the major vehicle through which citizens express and realize their interests in public discourse after the event of political democratization in 1987. There are a couple of reasons for the rising importance the Korean civil society. First of all, civil society organizations played a crucial role not only in bringing democratization through alliance with other social groups but also in continuing democratic reforms after the democratic transition (e.g. *Monitoring the National Assembly Inspection of the Administration and Fair Election Movement*).<sup>10</sup>

Secondly, the civil society organizations successfully reformed themselves in order to reflect the changes in the demands and interests of ordinary citizens after democratization while other social groups were lagging behind as they remained the same as before democratization. Under authoritarian military regimes, the most urgent issue of social movements was to eliminate the military government and to achieve political democratization. Yet, once the ultimate goal was accomplished, other demands and interests rapidly emerged over the surface and required more attentions. Particularly, daily concerns for better living conditions such as better access to social service and to cleaner environment became one of the chief issues of public policies. Unfortunately, political parties, the primary mechanism through which citizens concerns should be addressed in a democratic political system, had difficult times in reforming themselves

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<sup>10</sup> Several civil society groups organized an organization for monitoring and evaluating the performances of national assemblypersons in 1999. Moreover, civil society groups launched a movement for fair election and it has contributed to changing the election climate in Korea, where a number of unqualified persons use to be able to run for many important government offices (Kim, 2003).

from the old practices of regionalism and boss politics and could not effectively deliver popular demands (Sunhyunck Kim, 2003).

Under this situation, people began to look for other channels to exercise their power in the public policies discourse and civil society organizations most actively responded to them. In reaction to the changed nature of people's interests and demands, the civil society organizations have gone through a major transformation in their organizational structure and objectives. The main participants of the civil society organization changed from blue-collar laborers, students and the urban poor to middle-class citizens, including white-collar workers, professionals and intellectuals. Also, they became more concerned with correcting and improving the negative aspects of existing socio-economic structure rather than seeking for fundamental structural changes. Moreover, civil society organizations are more focused on reflecting diversified interests of ordinary citizens after the democratization and on covering a wide range of social issues in the organizational agenda including consumers' rights, fair elections, environmental issues and gender inequality and many others. The creation of the 'Korea Council of Citizen's Movements' clearly demonstrated this trend since it encompassed a wide variety of non-governmental organizations such as the Citizens' Coalition for Economic Justice, the Korea Federation for Environmental Movement. It also included religious groups, women's groups, the consumer movement organizations, the reunification movement groups, the groups for educational reforms, and organizations for the disabled (ibid.).

Therefore, the imbalance between quickly transforming civil society organizations with wider support and more specialized knowledge and unchanging political parties has made the civil society organizations the principal mechanism through which citizens get their voices out into the policy arena. Consequently, these civil society groups achieved considerable success in pressing the national and local government and changing public policies.

### **b) Decentralization and Local Governments**

The most significant political change under the democratization process in urban context is the decentralization of political power and administrative responsibilities to a local level. Local Autonomy Act, suspended 1961, as the military government of Park Chung Hee came to power, was restored in 1988. Elections for local council members were resumed in 1991 and elections for chiefs of local governments at all levels were held in 1995. In fact, despite the fact that Local Autonomy Act in Korea was first introduced to the nation in 1949, it was not created to cater to the needs of local residents but to meet the political purposes of central government in power as it was frequently amended and distorted by the government (Yoo, 2002). Thus, the Local Autonomy Act restored in 1988, on which the current system of local autonomy is heavily based, truly marks the beginning in the history of local democracy in Korea and, currently, the system of local autonomy is fully developed and mature at an institutional level.

Even though decentralization was produced as a by-product of national political democratization in Korea, it picked up its own dynamics, once created, and became a major source of social and political issues. During the last 20 years, there have been

significant achievements in decentralization including devolution of administrative responsibilities and public services from the national government to local governments, most notably in the educational policy area, as well as increased citizen participation in planning the local budget and in determining local affairs through direct residents' vote (Jung, 2006).

However, local autonomy in Korea is far from being mature or complete. Some progressive intellectuals call Korean system of local autonomy as "local autonomy without a right to decide, without tax bases, and without human resources" (Kim, 2003). The greatest obstacle to mature local democracy in Korea is the long-lasting legacy of a strong central government. At a national level, the national government is still reluctant to transfer real power or financial resources to local governments. For example, under current law (the Local Autonomy Act, Article 15), local governments and councils are allowed to make local ordinance only within the scope of national laws and presidential orders (Seong, 1998). Moreover, the local governments' fiscal dependence on the central state has not been improved as the proportion of local tax only accounts for 21 percent and it has remained almost the same during the last twenty years (Osung Kwon, 2003). Moreover, authoritarian, boss-oriented political culture in the past is still lingering in local areas. The power that the leaders of local governments exercise is as strong as that of the president in central government during authoritarian regimes because councils and civil society at a local level are not as much developed as at a national level as a power-checking mechanism (Kang Myung Gu, 2003).

### **c) Reinforced Role of Market**

Decentralization and democratization also altered the relationship between the governments both national and local and the market. I have discussed the increased role of private corporations, especially large conglomerates (*chaebol*), in national economic development since 1980s in chapter 3. The importance of private sector in local development has been substantially increased with the reinstatement of local autonomy law. Decentralization created the environment in which local governments compete with each other in order to attract financial investment as well as subsidies from the central government. Moreover, economic globalization expands the inter-city competition beyond national boundaries according to global city theorists. Under this situation, local governments are expected to work as entrepreneurs to attract national and international investment in order to sustain the local economy. They also need more tax revenues in order to meet the local demands for public service with more restricted supports from the national government. Therefore, private corporations that have a strong leverage of material resources that local governments need are better positioned to influence local development policies than ever before. In fact, there is much evidence that shows the rising patron-client relationship between the local capitalist class and the head of local government in the local political arena in Korea (Park et al. 2001; Kang and Min, 1998)

In short, under the authoritarian developmental state, the public policies were predominantly planned by the elite bureaucrats of the national state, mostly focused on economic development. However, the environment for national and urban politics in

Korea has fundamentally altered since the historic event of national political democratization in 1987, led by the global wave of third-world democratization as well as long-lasting struggles of the citizens for democracy. It has opened greater space for diverse actors with different resources and capacity, beside the national government, to participate in public policy discourse including civil society organizations, local governments as well as national and international capital.

### **3. Summary**

The process of economic globalization has caused the Korean economy to be further integrated into the global economy. The dependence of Korea in the international market has significantly increased not only in terms of international trade but also in terms of international financial investment. Moreover, the structure of the Korean economy has shifted away from labor-intensive industries toward capital-intensive industries such as heavy and chemical manufacturing and producer services.

However, the changes in the global economy implied changes in the context in which the Korean developmental state had successfully operated with a high degree of “embedded autonomy.” Economic globalization placed great pressure on the capacity of the Korean developmental state to intervene in the market through active economic policies. The influence of large domestic corporations in the national economy also substantially increased. Thus, they didn’t need the extensive roles of the government anymore. As a result, the strong developmental state of Korea was limited from the comprehensive market planner to the market regulator from the mid-1980s.

The strong presence of the national government in the political arena has also been weakened by democratization of the national political system in 1986, as well as by

decentralization of the national government capacity in 1991, as part of the “third-wave” of global democratization. Instead, other actors such as civil society organizations, local governments, and private capitals began to see increasing opportunities for them to be involved in initiating public policies.

Korea’s deeper integration into the global economy and the corresponding changes in the national economic structure clearly suggest changes in the development of the national urban system, particularly in the urban economic structure of Seoul, which became the growth machine of the national economic development between 1960 and 1990. Moreover, a significant decrease in the capacity of the Korean developmental state both in the economy and politics since the late 1980s would change the mode by which the urban development of Seoul is determined. Thus, Part II will show the transformation of Seoul from a growth pole for national economic development to a center for organizing global economy, a global city. The social consequences of the city’s transformation will also be discussed. Part III will concentrate on the changed context for the urban-policy making process in Seoul.

Table 5.1: Basic Economic Indicators of Selected Countries: 1990-2005

	Average annual GDP								
	GDP (in \$U.S. billions)			growth rate (%)		GNI per capita (in \$U.S.)			
	1990	2000	2005	1990-2000	2000-2005	1990	2000	2005	
Hong Kong	76.9	168.8	172.6	4.5	3.7	13362.4	25595.7	24659.1	
Korea	263.8	511.7	787.6	6.1	4.5	6148.7	10890.4	16456.7	
Singapore	36.9	92.7	116.8	7.7	3.9	12567.3	22893.9	26869.0	
Argentina	141.4	284.3	183.3	4.1	2.0	4274.6	7504.2	4567.4	
Brazil	438.2	601.7	799.4	2.6	2.4	2850.6	3358.6	4146.6	
Mexico	262.7	580.8	768.4	3.5	1.8	3015.6	5662.9	7069.6	

Source: UNCTAD Handbook of Statistics 2006

Table 5.2: Total Merchandise Exports and Imports of Selected Countries: 1990-2005  
(in current \$ U.S. millions)

	Exports		Imports		Total	
	1990	2005	1990	2005	1990	2005
Hong Kong	82160	289337	82490	299533	164650	588870
Korea	65016	284419	69844	261238	134860	545657
Singapore	52730	229649	60774	200047	113503	429696
Taiwan Province	67079	197779	54831	182571	121910	380350
Argentina	12353	40106	4078	28693	16430	68799
Brazil	31414	118308	22522	77633	53936	195941
Mexico	40711	213891	43548	221819	84259	435710

Source: UNCTAD Handbook of Statistics 2006

Table 5.3: Total Service Exports and Imports of Selected Countries  
(in current \$ U.S. millions)

	Exports		Imports		Total	
	1990	2005	1990	2005	1990	2005
Hong Kong	n/a	62175	n/a	32384	n/a	94558
Korea	9637	45375	10252	58467	19889	103841
Singapore	12811	51308	8642	54260	21452	105568
Taiwan	7008	25827	14658	32480	21666	58307
Argentina	2446	6236	3120	7615	5566	13851
Brazil	3762	16095	7523	24243	11285	40338
Mexico	8094	16137	10323	21440	18417	37576

Source: UNCTAD Handbook of Statistics 2006



Table 5.4: Foreign Direct Investment in Selected Countries: 1990-2005  
(in current \$ U.S. millions)

	1990	2000	2005
Hong Kong	3275.1	61924.1	35897.5
Korea	759.2	8650.6	7198.0
Singapore	5574.7	16484.5	20082.7
Taiwan	1330.0	4928.0	1625.0
Argentina	1836.0	10418.3	4662.0
Brazil	988.8	32779.2	15066.3
Mexico	2633.2	17587.8	18054.8

Source: UNCTAD Handbook of Statistics 2006

Table 5.5: Structural Change in Manufacturing Sector in Selected Countries: 1963-1985

	Shares in manufacturing value added (%)		
	1963	1973-5	1983-5
Food, beverage, tobacco	2.3	18.2	15.3
Textiles, appliances, leather, footwear	13.5	21.4	16.8
wood, furniture	4.3	3.3	1.7
Paper, printing	7.9	4.2	4.7
Chemicals	7.5	9.7	9.1
Petroleum, coal, rubber, plastic	7.5	11	9.3
Non-metallic mineral production	8.5	5.5	4.8
Basic metals	6.1	10.1	12.1
Machinery	6.6	9.6	15.0
Transport equipment	1.3	4.3	8.4
Professional, scientific equipment	0.4	0.6	0.9
Other	4.2	2	2

Source: Chowdhury and Islam (1993: Table 6.4)

Table 5.6: Changes in the Sectoral Composition in GDP in Korea: 1970-2005

	1970	1980	1990	2000	2005
Agriculture, forestry, fishing & Mining	23.6%	14.5%	8.3%	5.3%	4.2%
Manufacturing	7.6%	17.4%	23.8%	29.4%	32.4%
Construction	7.1%	9.7%	11.5%	8.4%	8.0%
Electricity, gas & water supply	0.4%	1.0%	1.9%	2.6%	2.9%
Wholesale, retail, restaurants, hotels	10.2%	10.6%	11.5%	10.8%	9.4%
Transportation, storage, communication	3.0%	5.3%	5.2%	7.0%	8.3%
Producer service	13.9%	15.7%	18.1%	20.1%	19.5%
Social service, education	31.2%	23.0%	16.9%	13.1%	12.0%
Recreation, repair, personal service and others	3.0%	2.8%	2.9%	3.3%	3.3%
Total	100%	100%	100%	100%	100%

Source: UNCTAD Handbook of Statistics 2006

Table 5.7: Composition in Service Exports by Sector in Korea

	1980	1990	2000	2005
Transportation	60.1%	33.0%	44.8%	52.6%
Travel	14.4%	32.8%	22.4%	12.5%
Producer service *	17.8%	25.1%	28.4%	29.9%
Others	7.7%	9.1%	4.4%	5.0%

\* Producer service includes insurance, financial service, royalties and license fees and business services.

Source: UNCTAD Handbook of Statistics 2006

## **CHAPTER 6: NEW PATTERNS OF URBANIZATION IN KOREA AND THE TRANSFORMATION OF SEOUL AS A GLOBAL CITY**

Economic globalization and corresponding national economic restructuring are closely associated with changes in the urban system. Large cities are where changes brought about by economic globalization are taking place most intensely. The most significant changes in the Korean urban system under current economic globalization is a formation of Seoul Capital Region as one urban economic unit and the shifting roles of Seoul from a national capital to a global city.

### **1. New Patterns of Urban Growth**

#### **1) DECLINING RATE OF URBAN GROWTH**

After unprecedented growth in the urban population accompanied by rapid industrialization during 1960-90, Korea underwent a new phase of urbanization since 1990 in several ways. First of all, the pace of urbanization in Korea slowed down considerably after 1990. As discussed earlier, the proportion of the urban population increased by 46.4 percentage points from 28 percent to 74.4 between 1960 and 1990. However, during 1990-2005, the urban population increased only by 7 percentage points from 74.4 percent to 81.5 percent (Table 6.1). The rate of urbanization also dropped substantially from 3.3 during 1970-80, to 2.4 during 1980-90, to 1.04 during 1990-2000 (UNDP, 2001).

Secondly, the two largest cities, Seoul and Pusan, began to lose their population since 1990 after explosive urban growth during the three decades between 1960 and 1990. Table 6.1 shows this marked difference in the urban growth pattern from previous decades. Both Seoul's actual size of population and its proportion in the total national population began to decrease after they reached their highest in 1990. Pusan also shows a similar trend. This change is significant given the continued national population growth during 1990-2005, which is strongly related to the growth of an individual city (Preston, 1979). In contrast, Daegu maintains its share of the population and Incheon gained a slightly greater proportion in the national total during the same period. As a result, the urban primacy index of Seoul decreased from 1.35 in 1990 to 1.15 in 2005 (Table 6.2).

Moreover, an important shift occurred in rural-urban migration destinations. Even though the population movement away from rural areas continues, the major destinations have been changed. From 1960-1990, most rural migrants were channeled toward the nations' two largest cities, Seoul and Pusan, as they received the lion's share of rural-urban migration. However, these two large cities experienced negative net migration for the first time in 1990 and continued to lose their population until 2005 (Table 6.3). Instead, other large cities received more rural migrants in the 1990s. It is also important to notice that Kyunggi and Kyungnam province gained net migration while all other provinces experienced negative net migration.

The rapid decline in the rate of urbanization in Korea has diverse causes. Korea experienced a very rapid urbanization process since 1960 and reached a high level of

urbanization by 1990. This situation means that there is a much smaller supply of rural migrants who can maintain high rates of urbanization after 1990. Concentration of the older population due to an exodus of the young reproductive population to urban areas in the previous decades also contributes to a lower potential for rural-to-urban migration (Lee, 1998).

Diseconomies of overconcentration of resources in one or two cities also caused great concern over the quality of life in big cities by scholars and policy makers (Henderson, 2002; Gilbert, 1996; Gibert and Gugler, 1992). Concentration of people and economic activities is important to reduce the cost of transport and communication and to create high primacy necessary for the effective management of limited resources. However, when a city gets too big, the diseconomies of scale begin to override the economies of scale. Time and cost of transportation rise due to overcrowdedness, land and housing prices also increase too high for middle- and lower-income people to afford decent housing, and pollution and crime rate increases (Gilbert, 1996). These maladies of a big city were already serious in Seoul by 1990.

In responding to these concerns, the Korean government has eagerly pursued a number of policies to reduce the degree of concentration of both people and resources in Seoul from the 1960s. These included development control by a rigid zoning system and the establishment of green belts, industrial relocation, and dispersal of government offices and universities from Seoul (Hong, 1996; Kim, 2001; Kwon, 2001). Yet, these policies were only effective in distributing population and industrial activities to areas neighboring the large cities, particularly areas close to Seoul (Kwon, 2001). This partly

explains why only Kyunggi province, a neighboring region of Seoul, and Kyungnam province, a neighboring region of Pusan, gained net migration during 1990-2005, as shown in Table 6.3.

## **2) FORMATION OF SEOUL-CAPITAL REGION**

The new pattern of a declining rate of population growth in Seoul seems to be in line with a general trend of declining primacy of the largest cities in other nations in Latin American and in Asia (Cerutti, 2003; Roberts, 2003). However, determining where people head for instead of the primate city requires more careful analysis of an urban system in each country. In the case of Latin American cities, major gainers of population are intermediate-sized cities with populations roughly between 500,000 and 2,000,000 (Roberts, 2003).<sup>11</sup> In Argentina, Vapñarsky (1995) found that cities with more than 50 thousand inhabitants, excluding the metropolitan area of Buenos Aires, were the most dynamic in attracting migration from both rural areas and very small cities between 1950 and 1991. In Mexico, the growth of intermediate cities in the north and of cities in the fringe of Mexico City has been fastest in the 1980s and the 1990s (Oliveira and Roberts, 1996; Aguilar and Ward, 2003).

In Korea, it is the neighboring cities of Seoul in Kyunggi Province, including both small and intermediate, that experienced the fastest population growth. Before 1980, there were only 6 intermediate and small cities in Kyunggi Province, excluding Seoul. By

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<sup>11</sup> It is not easy to define what intermediate cities are. In Europe, intermediate cities refer to cities with 200,000 to 500,000 habitants, while, in Latin America, they refer to cities with 500,000 to 1,000,000 habitants. Thus, it is better to understand the concept of an intermediate city in terms of the functions performed in its immediate areas of influence.

1985, the number of cities increased to 12 including Incheon, which was reclassified as a large city. The number of cities continued to increase to 18 by 1995, and to 27 by 2003 (Kyunggi Province Government, 2007). Most of the newly established cities in Kyunggi Province are located within a distance of 50-60 kilometers from Seoul and closely connected to it through a subway system as well as through highways. As Table 6.4 shows, the increased number of cities in the surrounding province of Seoul is clearly reflected in the population growth in these neighboring cities. Population there almost doubled every ten years during 1980-2000 as it increased from 2,379,000 in 1980, 4,418,000 in 1990, and to 8,509,000 in 2000. As a result, the population size became almost the same as that of Seoul by 2005. Its share in the nation's total population also increased very fast from 6.4 percent in 1980 to 19.3 percent in 2005. The rate of population growth in the surrounding cities of Seoul during 1980-2005 is very similar to that of Seoul during 1960-90. In contrast to the rapid population growth in the neighboring cities of Seoul, Pusan slightly lost its population while other cities only grew moderately.<sup>12</sup>

Population growth in the cities around Seoul can be understood as a process of the territorial restructuring of Seoul and its surrounding area: increasing territorial specialization and functional integration between the core (Seoul) and the periphery (neighboring cities). Thus, a large city and its surrounding areas become more organically linked to each other, creating a new socio-geographical concept of city-region (Scott,

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<sup>12</sup> The share of other major cities in 1980 is as low as 4.3 percent because it doesn't include population of Daejeon, Kwangju and Ulsan which only classified as large cities after 1990. Thus, it significantly underestimates the population in other major cities.

2002). Scott argues that advance in transportation and communication technology allowed industrial activities to be relocated outside large cities to avoid the soaring cost of land and labor. At the same time, organizing functions have become more concentrated in the centers of large cities where they can have easier access to business-related services. Thus, this produces a larger urban unit where actual industrial activities take place outside a large city while they are organized and controlled within the city. He also argues that the clustering process of a large city and its neighboring cities is largely pushed by the growing global competition, economic uncertainty, and increasing importance of innovation under economic globalization as physical proximity between the manufacturing sector and the service sector certainly helps to respond to the changing economic environment as quickly as possible (Scott, 2001, 2002).

Clearly this is the case for Seoul. From 1970 to 1990, the share of manufacturing employment in Seoul substantially decreased from 33.9 percent to 17 percent, while Kyunggi Province's share (including Incheon) more than doubled from 12.1 percent to 31.8 percent. Moreover, 46.7 percent of the total increase in manufacturing employment in the nation accounted for the manufacturing employment growth in Kyunggi province (Hong, 1996). Inter-city migration between Seoul and Kyunggi also reveals that most out-migrants from Seoul headed to cities in Kyunggi Province (*ibid.*). At the same time, employment in the producer service sector rapidly increased in Seoul from 5.8 percent to 19.0 percent during 1980-2005, as I will show in the next section in more detail. The redistribution process of manufacturing employment in Kyunggi Province and the concentration of producer service sector employment in Seoul clearly indicates that



formation of city-region, as Scott named it, is taking place. Therefore, it is better to understand Seoul and its neighboring cities in Kyunggi Province as one unit of regional urban complex than to treat them separately. Hereafter, I will utilize this more inclusive unit to examine patterns of urban primacy in the Korean urban system, and refer them as the Capital Region.<sup>13</sup>

### **3) INCREASING SOCIO-ECONOMIC PRIMACY OF SEOUL-CAPITAL REGION**

When Seoul and Kyunggi Province is considered together as one unit of city-region, an important question rises about usefulness of the concept of urban primacy, when strictly measured within the administrative boundary of the largest city in a country, as an indicator of a balanced national urban system (Roberts, 2003). The primacy of Seoul in the Korean urban system has clearly diminished as its population share decreased from 24.4 percent in 1990 to 20.8 percent in 2005. However, it is hard to conclude that the Korean urban system has become more balanced in terms of population distribution. In contrast, the burgeoning of new cities outside Seoul and their rapid growth intensify the degree of population concentration in the Capital Region. The combined share of population in Seoul and its neighboring cities increased very fast, from 28.7 percent in 1980 to 40.1 percent in 2005 (Table 6.4). In fact, population in Seoul and its surrounding cities accounted for almost 50 percent of total urban population in Korea in 2005.

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<sup>13</sup> Strictly speaking, Capital Region should only include the neighboring cities of Seoul in Kyuggi Province, which are highly dependent upon Seoul's influence, but I will include all cities in Kyunggi Province due to the limitation of collecting data at the city level. Even though the measures for Capital Region might be over-estimated, they can still be useful indicators because more than 70 percent of the Kyunggi population resides in the surrounding cities of Seoul.

The trend in increasing primacy of the Capital Region exhibits not only in demographic terms but also in socio-economic terms. First of all, the share of the capital region in the national gross product grew significantly. As a matter of fact, the importance of Seoul in the national economy declined from 26.2 percent in 1985 to 21.7 in 2005, reflecting the decrease in population (Table 6.5). Yet, the share of Kyunggi rapidly increased from 15 percent to 21.7 percent during the same period. Thus, the share of Kyunggi in the gross national product accounts for as much as that of Seoul in 2005. As a result, the dominance of the Capital Region in the national economy slightly increased over the last two decades instead of declining.

Secondly, the concentration of wealth on the Capital Region is also intensified over the last decade, as shown in the amount of local tax collected in selected cities and provinces. In Korea, local taxes are levied on inhabitants, sales, automobile, entertainment and restaurant, property, registration and the like. The powerful state has been effective in collecting taxes, as more than 90 percent of predicted tax collection has been achieved (Kang, 1989). So the amount of local tax collected is a very indicative, though not perfect, measure to show the degree of concentration of wealth in cities. According to Table 6.6, it is easy to discern the increasing concentration of wealth in the Capital Region. Again, it is Kyunggi province that caused the increasing dominance of the Capital Region in the accumulation of wealth. The share of local tax of Kyunggi province in the national total increased 18.7 percent to 24.9 percent, while those of other cities and provinces have stayed the same or slightly decreased between 1993 and 2005.

Thirdly, the Capital Region also dominated educational opportunities, especially at a higher level, in the nation. Table 6.7 shows the number of colleges, universities, and graduate schools in the Capital Region and Pusan. Both Seoul and Kyunggi experienced considerable growth in the number of higher educational institutions between 1995 and 2005, from 220 to 418 in Seoul and from 82 to 214 in Kyunggi Province. In contrast, Pusan gained only 26 colleges and universities during the same period. Consequently, the percentage of higher educational institutions in the Capital Region increased from 42.7 percent to 45.2 percent. Yet, the percentage increase is less dramatic than the absolute number increase due to the overall expansion of educational opportunities in the nation as a whole.

In summary, a new type of urban spatial development has emerged in Korea from the 1990s: a formation of the Capital Region that incorporates Seoul and its surrounding province of Kyunggi as one functional unit. The process of this type of city-region formation precisely reflects a local response to changes in the global economy that promote the physical dispersion of production facilities over expanded areas, while at the same time concentrate coordinating and organizing capabilities in the center of major cities. As a result, the declining population in Seoul should be understood in close relationship with the increasing population in its neighboring cities in Kyunggi Province. And when Seoul and Kyunggi Province are considered as one urban unit, the Capital Region, its primacy in the Korean urban system did not decrease. Instead, it increased moderately on various socio-economic indicators such as gross regional product, the

amount of local tax, and the number of higher education institutions in addition to a demographic indicator.

In the next section, I will discuss the implications of this spatial restructuring of Seoul reflected in the population relocation from Seoul to Kyunggi Province on the changed functions of Seoul in the global economy as well as on the changed economic structure of Seoul.

## **2. Transformation of Seoul as a Global City**

The city-region is formed by increasing territorial specialization and the functional integration between the core city and the surrounding region. In other words, industrial activities are relocated outside of the core city to avoid the higher cost of land and labor, but at the same time organizing functions are concentrated in the center of the core city where access to business services is more convenient. This situation is precisely what happened to Seoul and Kyunggi Province, and it is closely associated with the fact that Seoul became a center for management and control not only for the national economy but also for the global economy during the last few decades. In other words, Seoul, the growth machine of the national economic development during the rapid industrialization period, has transformed itself as a global city that performs critical functions in the proper operation of the contemporary global economy. Thus, in this section, I will briefly analyze the specialized roles that Seoul assumed in the global economy and the restructuring toward the producer service sector in Seoul's urban economy as a result of becoming a global city.

## **1) SEOUL AND ITS FUNCTIONS IN THE GLOBAL ECONOMY**

I have showed the growth of Seoul during 1960 and 1990 and how it was worked as a strategic site to promote national economic growth by the developmental state in Korea. However, the Korean economy has been incorporated into the global economy to a much greater degree through an increased volume of international trade and foreign direct investment, contributing to the sustained economic growth of Korea over the last two decades. As the economy of Korea became much more closely integrated into the international market, the major emphasis in the functions of Seoul also has changed from the national market to the global market. Accordingly, the importance of Seoul in the global market has increased and it is now recognized as the second-tier global city in the global city hierarchy (Beaverstock, 1998)<sup>14</sup>

According to the global city literature, global cities are qualitatively different from other large and/or capital cities in the way that they perform specialized functions that organized the economic activities taking place in geographically dispersed locations. Three functions among many stand out as most critical: (1) It works as the central location for control and management of the global economy, (2) it provides easy access to a vast range of business-related services that facilitate the control and management capacity, and (3) it is the nodal point of international capital (Beaverstock and Taylor, 1999; Feagin and Smith, 1987; Friedmann and Wolf, 1982; Sassen, 1991; Short and Kim,

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<sup>14</sup> See appendix 1 for a hierarchy of global cities.

1999).<sup>15</sup> As an emerging global city, Seoul also came to carry out these specialized functions to varying degrees.

Seoul's importance as a key location for global control and management functions has increased significantly. As Table 6.8 shows, the number of headquarters of the top 500 global companies located in Seoul increased from 4 in 1984 to 11 in 2002. This number is quite impressive given that other cities in developing countries such as Mexico City or Rio de Janeiro host no more than one headquarters of global companies (Kim, 2003). The quickly increased importance of Seoul as a center for global control and management is driven largely from the nation's successful economic development, accompanied by more successful growth of the large Korean corporations, *chaebol*, such as Hyungdai and Samsung. Thus, the growing power of Seoul to manage and control the global economy is closely associated with the growing power of the national economy of Korea as a whole. For this reason, it is legitimate to doubt the validity of the number of headquarters of the top 500 largest companies as an indicator to show a city's global influence and connectedness, since most headquarters of large corporations are located in the major city of the country to which they belong. However, it is undeniable that a number of decisions are made in the headquarters of Korean large corporations located in Seoul, and they make great impacts on the flow of international capital and the working of the global market.

In response to concerns about the effectiveness of the number of global company headquarters as a global city indicator, one global city study network, "Globalization and World Cities (GaWC)," collected a comprehensive data set on the number of regional

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<sup>15</sup> See 'chapter2' for a full discussion on the global cities and their functions.

branch offices of transnational corporations specialized in business-related services including bank/finance, accountancy, advertisement, and law. Based on the GaWC data, it becomes a bit problematic to argue that Seoul is the center for global management and control functions as well as for producer service activities. Mexico City and Sao Paulo have more branch offices of these producer service firms than Seoul. Yet, the difference is negligible, as the total number of branch offices in Mexico City and Sao Paulo is 43 and 42, respectively, and in Seoul is 37 (Table 6.9). Moreover, it is the total absence of the transnational law firms in Korea that draws the number down for Seoul because the legal-service market in Korea has not opened yet. Thus, when law firms are taken out of consideration, there is really no difference in the number of branch offices of transnational companies between the Latin American cities and Seoul. As a matter of fact, this fact proves the rapidly growing ability of Seoul to manage and control the global capital because Mexico City and Sao Paulo have much longer histories of being involved in international trade with developed countries.

Even if we accept that there are a relatively small number of foreign producer service firms in Seoul than in other global cities, the national capacity for producer service activities is heavily concentrated in Seoul providing the necessary business services for corporations that operate both nationally and internationally. Almost 40 percent of the total firms specialized in producer services in the nation are concentrated in the Capital Region, mostly in Seoul, while less than 10 percent are located in Pusan (Table 6.10).

Seoul is also becoming the nodal point of international capital. In the previous chapter, the fast increase in foreign direct investment into Korea was discussed. The amount of FDI increased tenfolds in just one decade from US\$ 759.2 million to US\$ 8,650.6 million between 1990 and 2000. Even though the absolute amount of FDI in the Korean economy was low-level compared to other developing nations, the rate of increase was remarkable. Moreover, Table 6.11 shows that a lion's share of FDI in Korea went to the Capital Region. Seoul's share of total FDI was 45 percent in 1998 and increasing to almost 60 percent in 2000. Pusan received a little more than 1/20 of what Seoul had in 2000 while Incheon, which managed to receive the second largest share of FDI, could only attain about 1/10 of what Seoul received in the same year. This statistic indicates that the changes in Korean economy caused by economic globalization are directly related to the transformation of Seoul's economic structure, contributing to its emergence as a global city.

The empirical data in this section proves that Seoul is a global city on a functional level. Many other scholars who study geography and urbanization also document the increasing importance of Seoul both in the regional and the global economy, and categorize it in the second-tier global city group (Beaverstock and Taylor, 1999; Hill and Kim, 2000; Lo and Yeung, 1996; Lo and Marcotullio; 2000, 2001, Short and Kim, 1999). However, it is also true that Seoul's significance as an international economic center is far behind other major global cities, such as New York and London.

Moreover, it is important to know that the transformation of Seoul into a global city is closely associated with government policies unlike other cities. The single most



important factor helping Seoul become the stars in the global economy is the success of national economic development beginning in the 1960s. And, as discussed earlier, it is the Korean developmental state that planned and realized the economic miracle. In this sense, Seoul's successful transformation from an old capital city of Chosun Dynasty, to a growth center for the most rapidly developing nation, and onto a global city in the global economy, cannot be thought of as separate from the roles played by the Korean government.

More directly, it was the Korean government that recognized the necessity and advantages of having a global city within the nation to continue to promote national economic development in the 1990s. As a result, it put considerable effort into establishing favorable working conditions for international corporations and investors, as well as providing proper urban infrastructures such as a new international airport and high-tech parks in and around Seoul (Douglass, 2001; Hill and Kim, 2000; Kim, 2003).

## **2) ECONOMIC RESTRUCTURING OF SEOUL: RISE OF THE SERVICE SECTOR**

According to global city literature, the specialized functions that a global city takes on should be directly reflected in the structure and dynamics of both its economic sector and the urban labor market: a sustained decline of the manufacturing sector and the rapid growth of producer service sector in the share of urban employment (Sassen, 1991). For example, as New York and London emerged as the most prominent global cities in the world urban system, the manufacturing sector as a share of urban employment experienced a 30-percent decrease in New York during 1977-1985 and a 48-percent

decrease in London during 1981-1991, while the producer service sector increased 23 percent in New York and 36 percent in London (Sassen, 1991, Table 6.1B and Table 6.2).

It is clear that Seoul's industrial structure has adjusted to its new functions over the last two decades following the cases of New York and London. As a result of rigorous government effort to promote industrial activities in the 1960s and 1970s, 32.4 percent of the labor market in Seoul and 42.5 percent in Pusan was engaged in the manufacturing sector by 1980 (Table 6.12). However, its share began to decline rapidly during the 1980s. The manufacturing sector share accounts for 15.3 percent in Seoul and 20.3 percent in Pusan in 2005, only half of what they used to be in 1980. The rate of manufacturing decline in Kyunggi province is less dramatic than those in Seoul, as it decreased from 32 percent in 1980 to 24.3 percent in 2005. This picture is largely related to a general trend in decreasing importance of the manufacturing sector in the national labor market. The manufacturing share of employment in the whole country fell from 27.4 percent in 1990 to 19.7 percent in 2005.

The decline in the manufacturing sector is closely associated with the government policy that pushed heavy-chemical industrialization in the 1980s away from labor-intensive light industrialization. Heavy and chemical industries demand fewer human laborers than textile or machinery-assembly industries because the production process of heavy industries is usually automated. Yet, even taking into account that a nation as a whole moved away from the manufacturing sector, the rate of manufacturing decline in Seoul alone is much faster than in the nation. This fact is explained by the government industrial-decentralization policy away from Seoul in the 1970s and 1980s. The Korean

government strongly restricted the growth of manufacturing in Seoul to balance regional equity, and it played a key role in reducing employment within the boundary of Seoul. Moreover, more intense competition in the global market and the lowered cost of transportation and communication allowed a large portion of the manufacturing factories to move overseas, mostly to China and other developing nations in Southeast Asia away from Seoul where the cost of production is so high due to rising labor expense and the soaring price of land. However, despite considerable loss, the share of manufacturing employment in the Capital Region still remains slightly higher than the national average. This situation is due to the spatial restructuring between Seoul and Kyunggi Province as industrial activities moved away from Seoul but relocated in an area not far from the core center.

On the other hand, the share of producer services, including finance, insurance, real estate, and other business related services, in Seoul increased by 13 percentage points, from 5.8 percent in 1980 to 19 percent in 2005. This substantial increase is not as impressive as it appears when similar level of increase occurred in other regions and the nation as whole experienced a large gain in the share of service sector from 2.3 percent to 11.5 percent during the same period. However, Table 6.13 shows the high degree of producer service sector concentration in Seoul compared to other cities in 2005. While Pusan, Incheon, and other major cities in Korea have only 10-11 percent of producer service sector employment in their urban labor market, the share of producer service sector in Seoul is almost twice as large as that of other cities 19 percent in 2005. The number of people employed in the producer service sector in Seoul is seven times larger

than in Pusan. Also, Table 6.13 shows that almost one-third of the nation's total producer service sector employment is concentrated in Seoul and more than half in the Capital Region.

The degree of concentration of the producer service sector in Seoul is still remarkable, even when compared to other global cities in Latin America. In 2000, the share of producer service in Buenos Aires, Mexico City, and Sao Paulo was 11.3 percent, 11.2 percent, and 11.1 percent respectively, while that of Seoul and its neighboring cities accounted for 14.4 percent, 2 percentage points lower than in 2005.

Roberts (2005) suggests that a considerable growth of the producer service sector in Seoul is highly related to the continued increase in international economic transactions of the Korean economy. We have seen in the previous chapter that Korea did experience a consistent growth in international trade of merchandise and of service in the 1990s, even though the national economic growth rate was slower than in the decades before. Both inward and outward FDI in Korea also increased substantially and constantly over the last decade. Accordingly, more people are needed to organize these international economic activities. Thus, Seoul, as a national economic center with the most talented labor force, became the focal point of these business-related services.

Moreover, a closer look at the pattern of where inward FDI in Korea is invested provides us a better idea of how economic globalization with an increased volume of international capital shapes the development of the producer service sector in Korea, particularly in Seoul. First of all, a shift has taken place in FDI-receiving economic sectors. As a global trend, the flow of foreign direct investment in the service sector has

grown more rapidly from the 1980s than in manufacturing and extractive industries, as Sassen demonstrated for the case of New York, London, and Tokyo (Sassen, 1991). This also happened in Korea. FDI invested in the manufacturing sector accounted for 87 percent of the total FDI during 1962-1971, while the share invested in services accounted for only 12 percent in the same period, according to Table 6.14. However, this pattern has dramatically changed over three decades, particularly since 1990. The share of the manufacturing sector in total FDI was still 72.7 percent in 1990, but dropped rapidly to 26.6 percent in 2005. In contrast, the service sector proportion of total FDI remained less than 30 percent in 1990, but went up substantially to 71.8 percent in 2005. Moreover, decomposition of FDI within the service sector reveals that producer service is the leading area that attracts FDI within the service sector (Table 6.15). The proportion of producer service sector accounts for more than half the amount of FDI invested in the total service sector in 2005. We also need to remember that FDI in Korea is geographically focused on Seoul. Thus, a simultaneous dynamic is taking place between Korea's growing integration into the global economy demands for an expansion of producer service sector employment, notably in Seoul, while the development of the producer service sector reinforces Seoul's importance in the global economy. It is clear that the more Korea's economy is involved in international trade, both in commodity and in service, the more important and necessary the producer service industry becomes, and vice versa.

There is also an internal factor, yet highly influenced by the neo-liberal economic policies of the current global economic system, that caused an expansion of producer

service sector employment in Korea during the 1980s. The Korean government privatized the banking system, which had been under central-government control, in the 1980s resulting in the rapid growth of private financial institutions. The number of private financial firms increased rapidly. For example, the number of investment and finance firms increased from 20 in 1980 to 32 in 1987, and that of mutual savings and finance firms from 191 in 1980 to 239 in 1984 (Cho, 1988). These newly created firms produced considerable employment opportunities in the financial sector during the 1990s.

There is no doubt that the importance of Seoul in the global economy has greatly increased over the last few decades. It does perform specialized roles of a global city that facilitate the operation of the international economy, even though there could be disagreement over where it should be placed in the hierarchy of the global city network. This prospect means that Seoul serves the global economy as a central location of control and management capacity, with easy access to a vast range of producer services, effectively attracting international capital flow. Moreover, the urban economic structure of Seoul has been altered in accordance with its role as a global city.

The most important and distinctive change is the sustained decline of the manufacturing sector coupled with the rapid growth of the producer service sector in the share of urban employment. The restructuring of urban economy with the increasing importance of producer service sector is along the same line with the restructuring process of the national economy in Korea as discussed in an earlier chapter. Yet, the magnitude of producer service sector growth in Seoul is much larger than in the nation as a whole. This circumstance indicates that the forces of globalization are much more

powerful and profound in a large urban center than in any other place. We need to remember that the rising importance of Seoul in the global economy owes firstly to the sustained economic growth of the nation.

### **3. Summary**

In short, the forces of economic globalization brought two fundamental and inter-related changes in the Korean urban system: the rise of the Seoul-Capital Region as one economic unit and the transformation of Seoul into a global city. This suggests that Seoul and its neighboring cities, as a one unit, came to work as the economic center for the global economy, performing important functions that manage and organize international economic activities and transactions. Taking on those global city functions has a direct consequence on the urban employment structure for Seoul. The urban labor market there, once dominated by industrial workers, was reorganized in a way that to fulfill those organizing functions. As a result, the share of urban laborers engaged in the producer service sector has increased rapidly.

Why are these changes important, though? What does it mean for Seoul to become a global city to the ordinary people who live there? What does economic restructuring toward the producer service sector imply to them? What are its social and spatial consequences on the lives of citizens in Seoul? I will answer these questions in the following chapters, with a particular focus on the growing social and spatial polarization taking place in Seoul.

Table 6.1: Urbanization in Korea (1990-2005)

	Total Population	Urban Population	Rural Population	% of urban population
1990	43411	32309	11102	74.4
2000	46136	36755	9381	82.9
2005	47279	38514	8765	81.5
Rate of changes (%)				
1990-2000	6.3	13.8	-15.5	
2000-2005	0.0	4.8	-6.6	

Source: Korean National Statistical Office

Table 6.2: Population Growth in Selected Cities and Urban Primacy 1990-2005

	Seoul	Pusan	Taegu	Inchon	Total	Primacy
<b>1990</b>	<b>10613</b>	<b>3798</b>	<b>2229</b>	<b>1818</b>	<b>43411</b>	<b>1.3528</b>
	24.4%	8.7%	5.1%	4.2%	100%	
<b>2000</b>	<b>9895</b>	<b>3663</b>	<b>2486</b>	<b>2475</b>	<b>46136</b>	<b>1.1474</b>
	21.4%	7.9%	5.4%	5.4%	100%	
<b>2005</b>	<b>9820</b>	<b>3524</b>	<b>2465</b>	<b>2531</b>	<b>47279</b>	<b>1.1526</b>
	20.8%	7.5%	5.2%	5.4%	100%	

Source: Korean National Statistical Office



Table 6.3: Net Migration by Cities and Provinces, 1990-2005

	1991-1995	1996-2000	2001-2005
<b>Major cities</b>			
Seoul	-882790	-651630	-387549
Pusan	-258852	-209654	-203097
Daegu	6619	-58324	-65207
Incheon	234859	75164	-5194
Kwangju	72098	12867	-15934
Daejeon	147009	54790	27047
Ulsan	0	-414	11857
<b>Provinces</b>			
Kyunggi Province	1381022	947065	1144498
Kangwon Province	-115282	-14834	-58172
Chungbook Province	-9217	10240	-33336
Chungnam Province	-116705	24995	17411
Jeonbook Province	-132093	-63276	-137131
Jeonnam Province	-301964	-97566	-170938
Kyungbook Province	-115640	-39005	-127854
Kyungnam Province	91155	10916	6026
Chejoo province	-219	-1334	-2427

Source: Korean National Statistical Office

Table 6.4: Population Growth in Neighboring Cities of Seoul: 1980-2005

	1980	1990	2000	2005
Neighboring cities of Seoul <sup>a</sup>	2379	4875	8509	9138
	6.4%	11.2%	18.4%	19.3%
Seoul	8364	10613	9895	9820
	22.3%	24.4%	21.4%	20.8%
Pusan	3160	3798	3663	3524
	8.4%	8.7%	7.9%	7.5%
Other major cities <sup>b</sup>	1605	4418	6221	6375
	4.3%	10.2%	13.5%	13.5%
Seoul and neighboring cities	10743	15488	18404	18958
	28.7%	35.7%	39.9%	40.1%

<sup>a</sup> Neighboring cities of Seoul include 6 cities in 1980, 12 cities in 1990, 18 cities in 2000 and 27 cities in 2005.

<sup>b</sup> Other major cities include Daegu in 1980, Daegu, Daejeon and Kwangju in 1990, and Daegu, Daejeon, Kwangju and Ulsan in 2000 and 2005.

Source: Korean Census

Table 6.5: Share of Gross Regional Product in the Gross National Product (%)

	1985	1990	1995	200	2005
Seoul	26.2	26.8	26.2	24.0	21.7
Kyunggi	15.0	16.2	17.7	19.3	21.7
Capital Region	41.1	42.9	43.8	43.3	43.4
Pusan	7.2	7.0	6.7	5.9	5.6
Other Cities	9.0	14.2	14.1	17.6	17.1
Other Provinces	42.6	35.9	35.3	33.3	33.9

Source: Korean National Statistical Office

Table 6.6: Local Tax Collection by Selected Cities (%)

	1993	2000	2005
Seoul	29.6	30.5	27.8
Kyunggi	18.7	21.3	24.9
Capital Region	48.3	51.7	52.8
Pusan	8.6	7.0	6.3
Daegu	5.2	4.6	4.2
Incheon	5.0	5.0	4.8
Gwangju	2.4	2.4	2.1
Daejeon	3.2	2.7	2.6
Ulsan	n/a	2.3	2.3
Other Provinces	27.3	24.3	24.8
Total	100	100	100

Source: Korean National Statistical Office

Table 6.7: Number of Colleges and Universities in the Capital Region and Pusan

	1995		2000		2005	
		(%)		(%)		(%)
Seoul	220	31.1	365	31.5	418	30.0
Kyunggi Province	82	11.6	153	13.2	214	15.4
Capital Region	302	42.7	518	44.7	632	45.4
Pusan	60	8.5	77	6.6	86	6.2
Total	708	100.0	1159	100.0	1393	100.0

Source: Korean National Statistical Office

Table 6.8: Number of Headquarters of the Top 500 Global Companies by Net Sales in Selected Metropolitan Area: 1984, 1999 and 2002

	1984	1999	2002
Tokyo	34	63	60
New York	59	25	37
Paris	26	26	30
London	37	29	28
Osaka	15	21	16
Seoul	4	8	11
Beijing	0	3	11
Mexico City	1	1	1
Rio de Janeiro	1	1	1
Sao Paulo	0	2	0

Source: Kim (2003), Table 2.1

Table 6.9: Distribution of Offices for 46 Global Producer Service Firms

	Banking/Finance	Accountancy	Advertising	Law	Total
New York	36	14	19	36	105
London	36	15	20	26	97
Tokyo	29	14	9	14	66
Paris	23	14	15	19	71
Hong Kong	29	11	11	17	68
Singapore	29	8	14	10	61
Mexico City	18	10	10	5	43
Sao Paulo	17	9	12	4	42
Seoul	17	10	10	0	37

Source: Kim (2003), Table 2.4, from GaWC data set 6

Table 6.10: Number of Producer Service Firms in Korea (%)

	Real Estate	Law	Accountancy	Advertising	Total
Seoul	34.8	37.4	46.7	44.6	36.3
Kyunggi	2.1	11.1	13.0	8.0	4.0
Capital Region (Seoul + Kyunggi)	36.9	48.5	59.7	52.6	40.3
Pusan	7.3	7.5	12.2	8.1	7.7

Source: Kim (2003), Table 2.5

Table 6.11: Share of Total FDI by City in Korea (%)

	1998	1999	2000	2001
Seoul-Capital Region	45.1	55.0	59.6	48.7
Pusan	0.84	2.05	3.09	3.46
Incheon	4.82	1.09	7.06	3.58

Source: Ministry of Commerce, Industry, and Energy 2003

Table 6.12: Employment Structure by Selected Sector <sup>a</sup> (%)

City & Region	Economic Sector					
	Manufacturing		Commerce		Producer Service	
	1980	2005	1980	2005	1980	2005
Seoul	32.4	15.3	28.1	27.9	5.8	19
Kyunggi	32	24.3	15.5	22.3	2.1	13.4
Capital Region <sup>b</sup>	32.2	19.9	23.2	25	4.4	16.1
Pusan	42.5	20.3	23.1	27.5	2.8	10.1
Nation Total	22.1	19.7	16.2	22.8	2.3	11.5

<sup>a</sup> The percentages are based on the employed population only.

<sup>b</sup> Capital region includes both Seoul and Kyunggi Province.

Source: Korean National Census

Table 6.13: Change in the Share of Producer Service during 1980-2005 <sup>a</sup> (in thousands)

City & Region	Producer Service			
	1980		2005	
Seoul	149	5.8 %	761	19%
Kyunggi	34	2.1%	567	13.4%
Capital Region <sup>b</sup>	183	4.4%	1327	16.1%
Pusan	28	2.8%	132	10.1%
Inchoen	37 <sup>c</sup>	5.6 %	109	10.9%
Other Cities <sup>d</sup>	84 <sup>e</sup>	6 %	262	11%
Other Provinces <sup>f</sup>	75	1%	387	6%
Nation Total	286	2.3%	2217	11.5%

<sup>a</sup> The percentages are based on the employed population only.

<sup>b</sup> Capital region includes both Seoul and Kyunggi Province.

<sup>c</sup> This measure is based on 1990 census data.

<sup>d</sup> Other cities include Daegu, Daejeon, Kwangju, and Ulsan.

<sup>e</sup> This measure is based on 1990 census data.

<sup>f</sup> Other provinces includes all provinces in Korea, excluding Kyunggi Province.

Source: Korean National Census

Table 6.14: FDI Distribution in Korea by Selected Sectors (%)

	1962-1971	1972-1981	1990	2000	2005
Extractive Industry	1.7	2.0	0.07	0.03	0.1
Manufacture	87.0	72.4	72.7	43.7	26.6
Service	12.0	26	35.1	56.3	71.8

Source: Ministry of Commerce, Industry and Energy 2006

Table 6.15: FDI Distribution in Producer Service Sector: 2003-2005 (%)

	2003	2004	2005
Finance and Insurance	25.5	25.2	33.9
Real Estate and Rental	5.2	2.1	8.3
Business Service	3.4	3.7	8.3
Total Producer Service	34.1	31.0	50.5

Source: Ministry of Commerce, Industry and Energy 2006

## **CHAPTER 7: GROWING SOCIAL POLARIZATION IN SEOUL**

Seoul's urban economic restructuring away from the manufacturing sector toward high-end business service caused by economic globalization is important because it has direct social consequences on the lives of citizens: growing social inequality. An increasing level of social polarization in Seoul requires particular attention because social inequality was previously kept at an unusually low level in Korea compared with other developed and developing countries between the 1960s through the 1990s, mainly due to the strong role played by the Korean state in controlling the market through economic policies. First, industrial policies focusing on the labor-intensive manufacturing sector expanded employment opportunities in urban centers to a great extent. Second, the informal urban labor market, often considered as the major source of urban poverty, was nearly absent in Korean cities because wages were already set low and labor protection laws barely existed due to the Korean state's strong pro-business policies. Third, international migration, one of the major sources that feed informal, low-level labor markets in global cities, was strictly regulated by state immigration policies until the beginning of the 1990s.

This whole context has been changed, however. The economy of Korea has moved away from labor-intensive manufacturing sectors toward a capital-intensive service sector. Yet, the role of the developmental state became significantly limited by both internal and external pressures.

Thus, in this chapter, I will explore the changing nature of social inequality in Seoul focusing on (1) newly emerging patterns in the occupational structure, (2) expansion of the informal labor market, and (3) the growth of international migration.

## **1. Changes in the Occupational Structure**

The concept of social polarization is defined as “an increase in the number of people in both the top and bottom occupational groups, along with a decrease of those in the middle group” (O’Loughlin and Fredrichs, 1996). And one of the most frequently used methodologies to measure the degree of social polarization is the examination of changes in the occupational structure, because occupation is closely related to the amount of income earned by an individual, as well as other benefits such as health insurance and social security (Roberts, 1995; Pinch, 1993). A specific occupation structure in a society is often shaped and influenced by different types of industrialization policies, such as Import-Substitute Industrialization and Export-Oriented Industrialization (Koo, 1990; Roberts, 1995).

In Korea, export-oriented industrial policies with special emphasis on labor-intensive manufacturing were strongly pursued by the government during 1960-70 and the structure of the labor force changed accordingly. First of all, the number of wage workers significantly increased from 2.4 million in 1963 to 4.8 million in 1975, and to 8.1 million in 1985. The most rapid increase has been among wage workers employed in the manufacturing sector, increasing 7.5 times, while wage workers employed in the



service and commerce sector remained almost the same over these two decades (Koo, 1990, Table 1).

The fast growth of the manufacturing sector resulted in a change in the occupational structure: a rapid and continuous increase in manual production workers and a relatively low-level of social inequality. The share of production workers among salaried workers, excluding government bureaucrats and top corporate managers, increased from 34.3 percent in 1960 to 51 percent in 1980 (ibid., Table 3). Moreover, even though state policies toward labor have been repressive, the strong national economic performance between 1960 and 1990 resulted in considerable improvement in real wages. Thus, growing employment opportunity in the manufacturing sector is the single most important factor that builds the basis for the middle class in Korea.

An equally important trend in the Korean occupational structure, which contributed particularly to reduced social inequality, is the rapid increase in white-collar salaried workers, especially clerical workers, who increased from 12 percent to 22 percent of all wage and salaried workers between 1960-80 (Koo, 1990). Moreover, one-third of clerical jobs were taken by female workers. The increase of labor demands, particularly of female labor, in office jobs was also critical in reducing the poverty rate and improving the quality of living for ordinary people.

What is more interesting is that urban centers in Korea experienced a faster decrease in the share of people in poverty than rural areas. In 1965, 55 percent of the urban population lived below the absolute poverty line while 41 percent of the whole national population lived in poverty. Large cities became the major destinations for the

rural poor who didn't have land to cultivate in their hometowns and for war refugees after liberation from Japan in 1945 and the Korean War in 1953. However, the proportion of urban poor dropped quickly, to 16.2 percent in 1970 and to 10.4 in 1980 as the manufacturing sector employment primarily, as well as clerical jobs expanded in the urban areas (ibid.).

From the 1990s, as a result of economic restructuring away from the manufacturing sector toward the service sector, the occupational structure in Korea began to change and new patterns have emerged. Yet, it seems hard to draw any conclusion about the causal relationship between the shifted importance in economic sectors and the change in occupational structure based on the occupational figures from Seoul and Korea provided by the census data. One of the major difficulties in examining occupational changes and social polarization as consequences of economic globalization is that the existing seven occupational categories do not reflect the sectoral differences (Hamnett, 1994; Tai, 2006). For example, the category of professional and technical workers includes experts in not only business-related services, our main interest, but also social and public services, science, and the arts. Thus, it is very hard to determine any causal relationship between economic globalization and occupational changes in Korea.

Despite this methodological difficulty, a major new trend is noticeable from the data: professionalization of the labor force. As we can see in Table 7.1, the category of professional and technical workers shows the greatest increase as its share in total employed people jumped from 7.4 percent to 18.9 percent between 1990 and 2005, while other occupational categories did not experience any significant change except for

agriculture-related workers. The share of production workers, which increased substantially during the rapid industrialization period, even decreased slightly from 31.5 percent in 1990 to 29.1 percent in 2005. Thus, people with high-level skills and knowledge, including both administrative and managerial workers and professional and technical workers, account for more than one-fifth of the total employed people in Korea in 2005. The proportion has doubled from less than ten percent in 1990, clearly indicating a marked departure away from “proletarianization”, which characterized the occupational structure during 1960-80 as Koo argues (1990), and toward increasing “professionalization” of the Korean labor force since 1990, even though the proportion of managers and professionals is still relatively smaller than in other developed countries such as the Netherlands and Singapore (Hamnett, 1994; Tai, 2006).<sup>16</sup>

The process of professionalization is more apparent in Seoul and its surrounding area of Kyunggi Province. Professional and technical workers in Seoul rapidly increased from 10.2 percent of total employed people in 1990 to 25.1 percent in 2005, and in Kyunggi from 6.5 percent in 1990 and 20.7 percent in 2005. The rate is much faster than in Pusan and in the whole country. What is interesting in the case of Seoul is that increasing professionalization is accompanied by a considerable decrease in the share of sales jobs as well as in production and manual jobs that require relatively low-level skills and pay little.

According to Sassen, two major factors that cause social polarization in global cities are growth of advanced finance and producer services and shrinkage of the

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<sup>16</sup> Managers, professionals, and administrative workers account for 46 percent in the Netherlands in 1990 and 42 percent in Singapore in 2003 (Hamnett, 1994; Tai, 2006).

manufacturing sector accompanied by an increase in low-skill, low-wage jobs at the bottom of the occupational structure. However, Seoul experienced a considerable loss in the share of service workers, which usually require low-level skills between 1990 and 2005 as it dropped from 21 percent to 13.7 percent. This significant decline in sales workers occurred because the whole country experienced a decrease of only 3 percentage points, from 13.9 percent to 11 percent during the same period. Therefore, it seems that occupational change in Seoul follows the professionalization model rather than the social polarization model based on census data analysis. However, Korean census data on occupation presents a major drawback when analyzing social polarization because they neither include those workers employed in the informal sector nor foreign workers, which account a considerable portion of the labor market in contemporary global cities.

## **2. Informal Sectors and Unemployment**

Debates on the informal sector, once considered as “traditional economy” that would eventually disappear in the modern capitalist economy, revived since the late 1980s. Studies found that the informal sector continued to survive with economic development, and in fact began to expand even in economically advanced countries such as the United States (Portes, Castells and Benton, 1989; ILO, 2002).

The definition of *informal sector* adopted by international organizations such as ILO is largely concerned with the small scale of enterprises as it refers to unpaid family labor, the self-employed, and owners and workers in micro-enterprises of *fewer than five workers*. This definition, focusing on the size of the firm, assumes that activities in the

informal sector are largely related to survival activities of social groups marginalized by the larger formal economy and, thus, they are the roots of poverty, particularly in urban settings. Yet, scholars came to realize that there is great heterogeneity within the informal sector itself, from low-end jobs to high-paying jobs, and that the informal sector sometimes does provide better income-generating opportunities than the formal sector for example, in Mexico and in Brazil (Maloney, 1999; Telles, 1993).

Moreover, macroeconomic changes in the international economy during the 1980s and 1990s that accompanied trade liberalization, the increasing importance of privatization as well as the reduction of government protection over the domestic market, brought a new perspective on the nature of informal economy: *income-generating activities that are not regulated by the state* (Portes, Castells, and Benton, 1989). In this conception, the informal economy results from the strategies of capitalists to avoid state regulation and to lower the production and labor cost. Furthermore, informalizing part of production and labor became a way for formal firms to increase their flexibility toward quickly changing consumer demands in the competitive global market (Deyo, 2001). Increased pressure for flexibility in the global market hardly left any industries freed from subcontracting and outsourcing of their production parts, even including auto and semiconductor industries (Deyo and Doner, 2001; Eanst, 2001). Therefore, informal economy became systemically linked to the formal economy, and it is now an integral part of the international economy under contemporary global capitalism (Portes, Castells, and Benton, 1989).

The informal economy in Korea has not received much attention because it was heretofore insignificant (Cheng and Gereffi, 1994). The size of the informal economy has steadily diminished since the 1960s. This situation contrasts with the experience of other developing countries, particularly in Latin America, where the informal sector did not disappear even in the face of significant formal sector growth (Roberts, 1995). The insignificance of Korean informal economy can be explained mainly by its characteristic of economic development process: export-oriented industrialization with emphasis on a labor-intensive manufacturing sector. During three decades of a high and sustained rate of export-oriented economic growth from the 1960s until the 1990s, the Korean manufacturing sector was able to absorb the excessive labor supply from rural areas (Cheng and Gereffi, 1994).

An equally important factor is the strong state regulation over labor (Deyo, 1987; Koo, 1990). In a competitive capitalist economic system, capitalists prefer to hire workers informally to keep the wages low and to avoid government labor regulations. Thus, informal employment is likely to be greater in a country where labor unions and government labor-protective regulations are strong, as in Latin American countries. However, Korean laborers were weak and unorganized and the state strongly regulated any labor movement until the 1980s. In the absence of labor protective legislation, Korean firms had no incentives to use labor in an informal labor market. Substantial dependence of the Korean economy on the large firms, *chaebol*, also played a role in reducing the importance of small-scale enterprises (Kim, 1997). Thus, it is indeed the role of the state that explains the insignificance of urban informal economy in Korea as it

strongly pursued labor repressive economic policies as an important element to achieve national economic development.

As there was no need for employers to utilize informal modes of employment in Korean economy, the importance of the informal sector rapidly decreased. Because there are no data available on informal sector size in Korea, we could estimate it from the share of small-scale firms in the total enterprises, focusing on the size of the firm. The share of small firms employing 5-9 workers among total manufacturing firms decreased from 55.3 percent in 1963 to 29.4 percent in 1988. The percentage of workers employed in small firms also decreased, from 15.1 percent to 3.9 percent during the same period (Cheng and Gereffi, 1994, Table 5).<sup>17</sup>

However, this trend had been reversed after the 1990s. Most distinctly, the share of workers employed in large manufacturing firms with more than 1,000 workers rapidly declined from 22.7 percent to 12 percent between 1993 and 2005 (Table 7.2). Instead, the proportion of workers in small-size enterprises increased. The proportion of workers employed in small firms with fewer than 5 employees increased from 10.5 percent to 12.9 percent. Firms with more than 5 and fewer than 20 employees also experienced considerable increase. The extent to which the importance of large firms as a source of employment fell in Seoul is more dramatic there than in any other area in the nation. In 1993, 37 percent of all manufacturing workers in Seoul worked for large firms with more than 1,000 employees. Yet, the figure fell sharply to 5.9 percent in 2005. Instead, small-size firms increase their importance during the same period, as more than 20 percent of

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<sup>17</sup> The Korean Statistic Institute didn't report the small-scale firms with fewer than 5 workers until 1993 in their census on basic characteristics of establishment. Thus, studies based on data before 1993 might underestimate the size of the informal sector in Korea.

all manufacturing workers in Seoul are employed in firms with fewer than 5 workers in 2005. The proportion of workers employed in firms with 5-9 employees in Seoul also increased considerably from 8.3 percent in 1993 to 17.8 percent in 2005. This trend of simultaneous expanding of small-scale enterprise and declining of large enterprise is also taking place in other cities and provinces such as Pusan and Kyunggi. Yet, Seoul, by far, is going through the most intensive restructuring process, from large-firm dominance to expansion of small and informal economy.

The employment gains of the small-business sector reflect a tendency by the large corporations, *chaebol*, to expand their subcontracting practices to improve their flexibility toward market as well as to reduce their vulnerability to the disturbance caused by growing labor protests since the 1980s. In the whole manufacturing sector, the percentage of subcontracting firms increased, from 38 percent in 1983 to 73.4 percent in 1992 (Cho, 1997). The practice of subcontracting in Korea is widespread, from the labor-intensive apparel industry to the high-tech semi-conductor industry (Appelbaum and Smith, 2001; Ernst, 2001). Thus, 80 percent of small firms yield 70-80 percent of their output under subcontracting contracts (Cho, 1991).

Geographically, more over, the most dense subcontract networking takes place in Seoul. The proliferation of subcontracting firms has been the fastest there as the percentage of subcontracting firms increased from 53.1 percent in 1987 to 89.4 percent in 1991, 10 percent higher than the national average (Cho, 1991). Considering the high degree of geographic concentration of Korea's *chaebol* in Seoul, it is not strange to find their subcontracting firms also located in Seoul to take advantage of physical proximity.



Another way to measure patterns in informality of the urban labor market is to look at trends in the mode of employment. Based on ILO definition, the informal labor market includes self-employed people and their unpaid family workers. Despite the increasing importance of small-scale enterprises, the share of informally employed people declined moderately since 1990. Informal employment accounts for 39.5 percent in 1990 and decreased to 33.6 percent in 2005 (Table 7.3). The decline is derived largely from the fall in the share of unpaid family workers because the share of self-employed people didn't change significantly. In both Seoul and Kyunggi, the informal sector remained almost the same. In fact, the share of self-employed people increased slightly during 1990-2005. Moreover, the informal sector in Seoul and in Kyunggi as a source of urban employment is less important than in other areas, as more than 70 percent of the urban labor force was employed in the formal sector in Seoul and in Kyunggi when the national average is 66 percent in 2005.

However, it would be misleading to conclude that the informal sector in Korea does not expand because a new trend in the mode of employment in the Korean labor market is rising: the increasing share of flexible laborers within a formal sector. According to the Korean Statistic Office, temporary workers are defined as those whose working contracts are undecided or less than one year without benefits of pension and insurance, and daily workers as those whose contracts are less than one month. Thus, even though these temporary and daily workers are classified as formal sector, there is not much difference in their working conditions from those of the informal sector.

Table 7.3 shows that temporary and daily workers accounted for 27.7 percent of all employed workers in Korea in 1990, and its share increased to 31.8 percent in 2005. Seoul did not see any significant changes in the share of casual workers. Yet, its importance in the urban labor market is much greater than the national average having 38.5 percent of workers employed as temporary or daily workers. Moreover, this finding means that, among formally employed people, there are more casual workers without permanent contracts and other benefits than regular workers in Seoul.

The issue of casual workers became intensified after the economic crisis in 1998. The whole nation was faced with the challenges of trade liberalization. Both large and small enterprises turned to casual workers in order to lower labor cost and, thus, improve their competitiveness in the market (Korean Labor Institute, 2003). According to KLI, those casual workers are not only without benefits of pension and insurance but also earn only 80 percent of what regular workers make within the same work category. In addition, they are excluded from most work-related training. Yet, one of the most fundamental problems related to casual workers is that they have no legal protection over their employment, which implies that they can lose jobs whenever their companies decide to send them off. In fact, one study shows that the likelihood of casual workers to experience unemployment within a year doubled, from 4.8 percent to 9.5 percent during 1996-2004 (Korean Development Institute, 2006). Thus, the increasing share of casual workers, often with low-skill and low-education, clearly indicates an increasing vulnerability of the lower income class to worsening living conditions.

Along with informal workers, it is important to know the situation of unemployed people to understand fully the social polarization process in global cities. During the rapid economic development period of 1960-90, the national unemployment rate was as low as 2 percent. After the economic crisis in 1997, the unemployment rate soared to 7 percent in 1998 (Table 7.4). Privatization of public enterprises based on IMF prescription to the crisis produced a massive number of laid-off workers in the public sector. Moreover, a great number of medium- and small-sized enterprises bankrupt as a result of high interest rates after the crisis, also causing millions of people to lose jobs. The Korean economy quickly recovered from the impact of the crisis, as the unemployment rate decreased to 4.4 percent in 2000 and further to 3.3 in 2002. Yet, it is still high compared to its golden days.

The impact of the crisis was more severe in urban areas, particularly in Seoul than in other areas. The unemployment rate of Seoul was 7.6 in 1998 while the national average was 7.0 then. Even though the unemployment rate in Seoul decreased as the national economy recovered from the crisis, it still remained higher than the national average.

The expansion of informal employment and increased unemployment clearly shed some light on the hidden characteristics of Seoul's urban labor market that cannot be seen from the analysis of the census data. When the occupational structure of Seoul was examined based on employed people, considering neither their mode of employment nor the size of firms in which they were employed, the current occupational pattern indicates professionalization of the total urban labor force. However, the recent growth of informal

employment in Seoul suggests the opposite direction: informalization of the labor force. In addition, there is more evidence that the current expansion of informal employment is closely associated with the changing global economic environment that facilitates fiercer market competition. In the next section, I will introduce another dimension to the urban-labor-force analysis: international migration and the foreign labor force.

### **3. International Migration**

The current economic globalization facilitates the movement of people across borders and produces a rapidly increasing volume of international migration in search of better occupational opportunities. And the global city literature demonstrates that it is “global cities” that attract a disproportionate share of international migrants. Moreover, it also argues that it is the international migrants who end up picking the low-end service jobs, mostly informal, in the global cities. Thus, it is crucial to see the intersection between expansion of the service sector, including informal economy, and international migration to understand the nature of increasing social polarization in global cities. However, the role of international migrants in growing social polarization is often ignored because data are unavailable and many international migrants are therefore excluded from official statistics.

Korea has experienced a considerable increase in the number of international migrants to the nation from the early 1990s. Until the mid 1980s, Korea was a major labor-exporting country, with nearly two million workers going overseas for temporary employment after 1963. Most of them went to Middle Eastern countries searching for oil

money (Park, 1994). In contrast, the Korean state strongly prohibited international migration into the nation, particularly those with low skills until 1991. However, Korean workers lost the incentive to go abroad for employment due to Korea's rapid real wage increases since the late 1980s resulting from successful economic development. At the same time, relative high wages coupled with labor shortage began to pull a substantial number of temporary workers from South Asia and China to Korea in the 1990s. The scale and speed of international migration has not been slowed, even after the Korean economic crisis in 1997. Thus, Korea is believed to have experienced a "migration transition" from a labor-sending country to a major labor-importing country in the region (ibid.).

The total number of registered foreign residents in Korea increased 20 times from 1990 to 2005 while it decreased slightly in the previous two decades from 1970-90 (Table 7.5).<sup>18</sup> It is also very apparent that the Seoul-Capital Region, including Seoul and Kyunggi province, attracts the lion's share of foreign population flow into Korea, as more than half of all foreign residents in Korea are found in the Capital Region. Moreover, its share is increasing over time, from 50 percent in 1970 to 55.6 percent in 2005. The rate of foreign population increase in Kyunggi Province in particular is stunning, as the number of registered foreign residents jumped more than 60 times, from 1,273 in 1990 to 74,393 in 2005.

Data from the Korean Immigration Office provides a more accurate picture of foreign population in Korea as they reflect information on not only registered foreign

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<sup>18</sup> Registered foreign residents are classified as permanent residents, spouses, employees, trainees, and naturalized citizens.

residents but also any foreigners who stay in Korea longer than 90 days. Thus, as Table 7.6 shows, the total number of foreigners registered in the immigration office is much greater than the number reported in the census. Data from the immigration office also indicate a rapid growth of foreign population in Korea. Moreover, when taking short-term foreign residents into consideration, the degree of concentration of foreign population in the Seoul-Capital Region gets even higher, as almost 60 percent of total registered foreigners stay in the Capital Region.

The rapid increase of foreigners in Korea is closely related to the adoption of a new migration policy, the Industrial Technical Training Program in 1991, which allowed less-skilled foreign workers into the country (Seol, 2005). Until 1991, the Korean law of immigration strongly regulated immigration to the nation, as it permitted only skilled foreign workers to be employed in Korea whose skills are necessary to the development of the Korean economy. Therefore, legal migrant workers were all professional and technical workers, such as professors, researchers, or entertainers and unskilled workers hired in elementary occupations, were illegal workers with short-term visiting visas. However, the relatively high wage in Korea drew an increasing number of low-skilled workers from less-developed countries in Asia whose stay in Korea was illegal even before the Industrial Technical Training Program, as 61,126 illegal foreign workers received amnesty from the Korean government in 1992 (*ibid.*).

More importantly, sustained rapid economic growth coupled with below-replacement fertility rate in Korea created a serious problem of labor shortage since the

1980s (Abella and Mori, 1996). By the 1980s, the Korean Labor Ministry announced a shortage of 570,000 workers (Stahl et al., 1993). In addition, the process of Korean labor market segmentation was accelerated in the 1980s, leading to an uneven labor shortage in Korea. Unskilled jobs and small firms had a more serious labor shortage than did skilled job and large firms. It is caused mainly by the rates of labor force participation among the young falling significantly, along with the rising educational level for them (Abella and Mori, 1996).

When faced with a problem of labor shortage, there are three strategies that firms in developed countries can employ: shifting to labor-saving technologies, relocating production facilities overseas, and importing labor legally or otherwise. All of these options became available with the reduction in cost of transportation and communication in the contemporary global economy. However, many small-scale enterprises in Korea, which depend largely on the cheap, low-skilled labor force, are still not able to afford automation or relocation of their production facilities. This dilemma leaves them with the only option of importing foreign workers. Thus, the new guest-worker program (Industrial Technical Training Program), which allowed a low-skill laborer to enter the country with ‘trainee’ rather than ‘worker’, status for a maximum of two years, was introduced by great pressure from employers of small and medium enterprises (Lee, 1997).

While the ITTP mitigated the labor shortage, it also produced severe social problems. Even though the official status of migrant workers was “trainees,” hardly any have been trained in Korea. Instead, in reality, they were put to work, not being

recognized as workers under the existing labor law. Since wages for trainees were much smaller than for workers, many foreign trainees became illegal workers and some employers took advantage of their illegal status to avoid paying wages, or else they beat or insulted them (Seol, 2005). In addition, two years of maximum stay in Korea also caused foreign trainees to be undocumented workers after their contracts were finished. As a result, the number of foreigners with illegal status among registered foreigners in Korea was 67,064, accounting for 29 percent in 2001 (Immigration Office, 2001). The Korean Ministry of Justice estimated that the total number of illegal foreigners in Korea reached more than 170,000 in 2000.

Challenged with intensifying the social problems of increasing numbers of illegal foreigners and severe exploitation of their work by Korean employers, the Korean government has introduced new policies: The Work After Training Program in 1998, which allowed foreigners to permit changing their status to workers after two years of training, the Employment Permit Program in 2003, which provides equal treatment to workers regardless of their nationality (Seol, 2005). Despite the government's efforts, the number of illegal foreigners continued to increase to 180,000 in 2007 (Hangyeore Daily, 2007).

The most distinctive feature of the immigrant labor market in Korea is that it is highly segmented in terms of skill and occupation. The reason is found in the nature of the Korean government's immigration policy. As discussed earlier, the influx of foreign unskilled workers to Korea was strongly prohibited until the Industrial Technical Training Program was adopted in 1991, when high-level professionals were welcomed to



enter the country. Moreover, the purpose of ITTP was to solve the labor shortage problem in the difficult and informal jobs operated by small- and/or medium-sized enterprises that educated, native Koreans avoid. For this reason, most of the economically active foreign population falls into the category of either skilled-professionals or less-skilled workers.

Thus, as Table 7.7 shows, both the number of foreign professionals and industrial trainees rapidly increased from 2000 to 2006. During these years, the number of foreign professional workers more than doubled, from 16,885 to 38,576. Yet, foreign workers in Korea are predominantly concentrated in jobs that require little skill and pay low, as the number of industrial trainees is almost 10 times greater than that of professional workers. The rate of increase is even faster than that of professional foreign workers because the number of industrial trainees almost tripled, from 106,915 to 289,322. It is possible that the number of foreign professionals is underestimated in the table, because the foreign agents who are engaged in diplomatic activities and professional staffs of international organizations are exempted from registering in Korea.

It is not unusual to have a segmented labor market among migrant workers on the basis of legal status, occupation, and firm size. Yet, the problem of foreign workers in Korea is that most of them fall in the category of low-skilled workers. They have been denied the status of workers, which provided the rationale for severe labor exploitation until 2003. Thus, many of them suffered from low wages and harsh working environments. To make matters worse, the number of illegal foreign workers in Korea continues to grow, despite the policy change in 2003, and they are invariably locked into

a secondary labor market with few opportunities for mobility and little returns to their skill or experience.

In summary, the number of foreign workers has considerably increased in Korea and Seoul has been the major destination for these immigrants. The reason for the growing presence of foreign workers in Korea is closely related to the labor shortage, particularly in low-skill and low-income level jobs, as well as relatively high wages to a lesser extent. And economic globalization, which involves relatively free movement of people by definition, facilitated this process because it is not the poorest regions that send the largest number of out-migrants, but countries developing most rapidly, such as Indonesia, Malaysia and the Philippines, whose economy began to integrate into the world market (Massey et al., 1998). Yet, the nature of employment for foreign workers in Korea is highly polarized. A large proportion is employed both legally and illegally in small-scale and low-level manufacturing sectors suffering from low-income and poor working conditions.

#### **4. Summary and Discussion**

The concept of social polarization is very clear and simple as it refers to increasing numbers of people both at the top and the bottom of socio-economic status coupled with a decrease in the middle. It is very hard, though, to prove that the process of social polarization is taking place in a given society. Moreover, it is even harder to determine the causes of social polarization. One major difficulty is the availability of comprehensive data covering various groups in the labor market. A low level of

compatibility between sectoral categories and occupational categories in existing data is another problem.

I employed several different sets of data, however, and found several newly emerging patterns in the urban labor market in Seoul. First of all, the urban labor force in Seoul and its neighboring cities has been upgraded and professionalized, among regularly employed people. The proportion of people with high-level occupations, such as administrative and managerial workers and professional and technical workers, has increased rapidly without any notable increase in low-level occupations, such as sales and production jobs. However, this is true only when regularly employed people are taken into consideration. Secondly, when temporary workers and unemployed workers are also included in the analysis, we find that the number of informal sector workers who work either for small-size enterprises or without permanent contracts has increased. So has the number of unemployed. Moreover, the segment of both legal and illegal foreign workers in urban labor market substantially increased from the 1990s, and a large portion is engaged in informal and low-paying jobs.

Thus, considering all three elements of the urban labor market in Seoul together, it is apparent that social polarization is indeed taking place in Seoul and Kyunggi Province with professionalization at the top and expansion of the informal sector and low-skilled foreign workers at the bottom.

Growing social inequality between the top and bottom rungs of the social stratification in terms of labor status in Seoul is attributed both to the weakening capacity of the developmental state in Korea and increased pressure from economic globalization.

The single most important factor in the low level of social inequality in the 1980s and 90s is the rapid economic growth strategically planned and carried out by the government with special emphasis on industrialization. The role of the state in regulating the labor market was so powerful that private corporations did not have to seek informal laborers in their search for cheap labor. Moreover, the government strongly prohibited unskilled labor immigration until the 1990s. The factors that have caused social polarization were effectively prevented by the state, even though this consequence is not the result of the state intention behind those policies.

The role of the state became considerably limited for several reasons: because (1) it achieved its primary goal of economic growth by the end of the 1990s, (2) the role and capacity of private sectors to lead national economic growth increased and (3) the global economic environment that allowed the development of a strong state in Korea has changed and pushed for open market dominance. As a consequence, the national economy of Korea became more closely integrated into the global market influence resulting in more international economic activities by private sectors and, thus, creating an increased number of producer service sector jobs. The global division of labor is directly related to casualization of the domestic labor force, and also to an increase in the number of foreign workers from less-developed countries to Korea.

Table 7.1: Occupational Change in Korea: 1990-2005

(%)

	Seoul		Kyunggi		Pusan		Whole Country	
	1990	2005	1990	2005	1990	2005	1990	2005
Administrative and Managerial workers	3.8	4.1	1.8	4.2	2.7	4.7	2.1	3.6
Professional, Technical, and Related Workers	10.2	25.1	6.5	20.7	7.4	18.8	7.4	18.9
Clerical and Related Workers	23.3	21.3	16.2	19.0	16.8	16.2	15.3	16.3
Services Workers	10.2	10.4	8.5	9.3	10.1	10.8	8.7	9.7
Sales Workers	21.0	13.7	13.3	10.5	15.8	13.3	13.9	11.0
Agricultural, Animal Husbandry & Forestry Workers, Fishermen	0.4	0.3	13.9	4.5	1.8	1.5	20.6	10.6
Production and Related Workers, Transport Equipment Operators	30.9	24.1	38.7	30.8	45.1	34.3	31.5	29.1
Workers Not Classifiable by Occupation	0.2	0.9	1.1	1.0	0.2	0.4	0.5	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Korean Census 1990, 2005

Table 7.2: Percentage Distribution of Manufacturing Workers by Size of Firms

	Whole Country		Seoul		Kyunggi		Pusan	
	1993	2005	1993	2005	1993	2005	1993	2005
1-4	10.5	12.9	12.6	20.7	7.1	10.4	13.3	19.8
5-9	8.1	11.2	8.3	17.8	10.3	12.8	10.8	13.3
10-19	9.5	12.4	9.6	13.0	10.0	15.2	9.1	13.4
20-49	15.2	17.7	11.4	13.8	19.3	20.0	17.2	19.8
50-99	9.4	11.7	4.6	8.6	12.0	12.0	12.5	11.7
100-499	17.5	18.0	10.7	16.6	22.2	16.2	21.8	12.7
500-999	7.1	4.1	5.8	3.7	7.5	2.3	5.2	3.4
1000+	22.7	12.0	37.0	5.9	11.6	11.1	10.2	5.9

Source: Census on basic characteristics of establishment (1993, 2005)

Table 7.3: Percentage Distribution of Employed Workers by Modes of Employment

		Whole Country		Seoul		Kyunggi	
		1990	2005	1990	2005	1990	2005
Formal	Total	60.5	66.4	71.9	72.0	68.5	70.7
	Regular	32.8	34.6	34.9	33.5	41.1	40.0
	Temporary & Daily	27.7	31.8	37.1	38.5	27.4	30.7
Informal	Total	39.5	33.6	28.1	28.0	31.5	29.3
	Self-employed	28.0	27.0	22.2	23.6	22.9	24.3
	Unpaid Family Workers	11.4	6.6	5.8	4.4	8.6	5.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey on Economically Active Population

Table 7.4: Unemployment Rate in Korea and Seoul (%)

	1996	1998	2000	2002	2004	2006
Whole Country	2	7	4.4	3.3	3.7	3.5
Seoul	2.4	7.6	5.1	4.3	4.7	4.5

Source: Korean National Statistical Office and Seoul City Government

Table 7.5: Registered Long-Term Foreign Residents in Korea

	1970		1990		2005	
	Number	(%)	Number	(%)	Number	(%)
Seoul	10463	34.4	9327	45.4	57625	24.3
Kyunggi	4750	15.6	1273	6.2	74393	31.3
Capital Region	15213	50.0	10600	51.6	132018	55.6
Pusan	3513	11.6	2221	10.8	11035	4.6
Whole Country	30402	100.0	20525	100.0	237517	100.0

Source: Korean Census

Table 7.6: Registered Short-Term Foreign Residents in Korea

	2000		2006	
	Number	(%)	Number	(%)
Seoul	49838	23.7	175047	27.7
Kyunggi	51478	24.5	199538	31.6
Capital Region	101316	48.2	374585	59.3
Pusan	14108	6.7	23381	3.7
Whole Country	210249	100.0	631219	100.0

Source: Korea Immigration Service

Table 7.7: Registered Foreigners by Selected Visa Types

	2000	2006	Increase	% increase
Professionals <sup>a</sup>	16885	38576	21691	128.5
Industrial Trainees <sup>b</sup>	106915	289322	182407	170.6
Students <sup>c</sup>	5628	30852	25224	448.2

Source: Korean Immigration Office

<sup>a</sup> Professionals include visa type D-7, D-8, D-9, E-1, E-2, E-3, E-4, and E-5.

<sup>b</sup> Industrial Trainees include visa type D-3, E-8, and E-9.

<sup>c</sup> Students include visa type D-2 and D-4.

## **CHAPTER 8: GROWING SPATIAL SEGREGATION IN SEOUL**

Increasing social polarization caused by bifurcation of the urban labor market, producer service sector employment at the top and informal sector employment at the bottom, coupled with a declining manufacturing sector in the middle, have spatial consequences. White-collar professionals with higher income, largely with producer service sector jobs, began to live in close proximity to one another. Thus, there is increasing division in Seoul between white-collar residence and other areas, in terms of living experiences.

Therefore, in this section, I will give a short history of Seoul's spatial development, including the role of the state. Then I will demonstrate the growing concentration of wealth and the poor in terms of their residential location, with a special focus on the southeast region of Seoul. I will also explain how economic globalization and national urban development policies are related to growing residential segregation.

### **1. Spatial Development of Seoul**

#### **1) PHYSICAL EXPANSION OF SEOUL**

One phrase that can summarize the spatial development of Seoul is “unplanned and spontaneous physical expansion of the territory” to accommodate an ever-growing population. When Seoul became the capital city of the Yi Dynasty in 1394 north of the Han River, it was a walled castle with four main gates for access covering only about 16.5 square kilometers. Its physical size didn't change much until 1910, populated by



approximately 230,000 inhabitants. Korea was colonized by Japan from 1910 to 1945. During this period, the population in Seoul steadily grew and the Japanese colonial government established the first city legal boundaries, covering 135.9 square kilometers, incorporating vast land outside of the four gates as a part of its urban planning law, the first of its kind in Korea. As the area expanded, public transportation using electric street cars was introduced to Seoul.

Following the liberation from Japanese rule in 1945, Seoul was flooded with a rapid stream of people migrating from all parts of the country. As a result, the city's administrative area almost doubled to 269.8 square kilometers, incorporating areas adjacent to Seoul in 1949. After the Korean War, Seoul continued to receive a large number of war refugees and rural migrants. However, Seoul had a very limited volume of housing stock. Most newcomers to the city had to build their own substandard houses with any resources available, such as wooden boards on the banks of streams and hilltops, particularly outside of the administrative boundary of the city.

As a result of explosive population growth in Seoul from the 1960s to 1990, the physical size of the city expanded to 595.6 km<sup>2</sup> in 1963, and again to 627 km<sup>2</sup> in 1973 to accommodate the increased population within the city boundary (Kim and Choe, 1997). The population growth was not only limited within the administrative boundary of Seoul but also continued outside Seoul. This result created 18 new cities, mostly serving as satellites of Seoul within Kyunggi Province, turning Seoul and its neighboring cities into one gigantic metropolitan area with almost half of the whole population within it. Now,

Seoul occupies 605.4 square kilometers both north and south of the Han River with 25 districts.

Spatial development of Seoul until the 1980s was a passive, often abrupt, response to rapid population growth rather than a reflection of the city's future needs in the absence of well-devised urban planning, even though the first urban planning law was adopted by the Japanese colonial government in 1934. The concept of modern land use control and regulations was also unfamiliar territory, as Korea didn't have nationwide land use regulations that could successfully control and guide urban land uses until 1962. In addition, the development of land use regulations lagged far behind actual urban growth. Thus, urban development in Seoul took place without any plan, as necessary land uses and zoning laws were not officially in place and enforced (ibid.)

The most important reason that urban spatial development lacked adequate guides and regulations for Seoul and other cities in Korea is that the central government, which dictated the urban planning process until 1995, was not interested in urban problems but placed its foremost priority in industrial development instead. Moreover, policies decided by central government officials who were not properly trained in urban planning were often inefficient and unproductive. For example, greenbelt policy that prohibits any kind of development around the edges of Seoul was first introduced in 1979 to curtail uncontrolled urban sprawl and encourage balanced growth between urban and rural areas. However, it is largely blamed for soaring land prices within Seoul as the land available for residential development rapidly dwindled. It also produced leapfrog spatial

development patterns beyond the greenbelt areas, often stemming from the poorly designed activities of land speculators (Kim, 2002).

## **2) ROLE OF THE STATE IN THE URBAN DEVELOPMENT AND HOUSING PROVISION**

Despite the population explosion resulting in a serious housing shortage problem, Seoul's housing supply has not received adequate attention from policymakers. The national government was responsible for the housing provision, not the local government, and the national priority was placed on development of industrial sectors and export of their products during the industrialization period. Thus, the total housing investment with respect to GNP was always dismal, consistently falling below 5 percent. To make matters worse, construction and supply of housing was largely dependent on the private housing industry providing, 70-80 percent of total housing stocks during 1975-80, even though the national government dictates the initial development and planning process, such as land development (Kim and Choe, 1997).

However, with an intensifying urban residential land and housing shortage in the 1980s, the national government began to pay proper attention to the problems and came up with policies to alleviate them. The major mechanism that the national government used to combat the housing problem was new large-scale land and housing developments by the public sector, mostly south of the Han River where plenty of open farm land was available away from the central city (ibid.).

Public investment in large-scale land and housing developments was particularly effective in relieving the housing shortage. Starting from Yeouido development, which transformed a whole island of 8.4 square kilometers on the south edge of the Han River

into a residential area full of high apartment complexes, large scale residential development, such as Jamsil area of 10 square kilometers land and Mokdong area of 4.3 square kilometers, followed, creating housing for more than 600,000 households. Apart from these large-scale urban residential land developments, many small and medium-scale development projects took place during the 1980s involving 78 square kilometers of land (Joo and Choe, 1997). However, it is noteworthy that most policies were largely focused on quantitative aspects of housing development without any consideration of quality of city life. Besides, a substantial share of the housing development was spatially concentrated south of the Han River.

The government-led large scale urban residential developments resulted in three important consequences besides contributing to a great increase in the number of housing stocks in Seoul, producing 760,000 houses within 15 years, from 968,000 in 1980 to 1,728,000 in 1995 (Ministry of Construction and Transportation, 2006). First of all, it brought significant changes in the lifestyle of citizens in Seoul with the shift in housing preference from detached house to apartment house. Until 1970, the apartment complex was alien to Koreans as a type of housing. Rather, single-story detached housing was the most common housing type in Korea. In 1970, single-story family dwelling units dominated the distribution of all housing types in Seoul, accounting for 88.4 percents, while apartments accounted for only 4.1 percent of all houses. However, with massive residential development projects, mostly constructed high-rise apartments, the apartment share rapidly increased to 35.1 percent while that of detached dwelling fell to 46.1 percent of the total housing stock. In 2005, more than half of the total houses in Seoul

were apartments, accounting for 51.2 percent, with only 25.3 percent accounting for detached houses (table 8.1). Thus, for current citizens in Seoul, the apartment became the most dominant and familiar type of accommodation.

Secondly, large-scale land development covering a vast area outside of traditional city centers north of the Han River, mostly south of the river, altered the internal spatial structure of Seoul from a very simple, monocentric city to one of multicores with great variety in functions. The original area of Seoul inside four historical gates had served as the central business district (CBD) from the 1960s until 1980s. During this period, intense development of commercial and business buildings occurred in this area. However, the central government, faced with intensifying population concentration within the city, began strongly to restrict rapid urban development in this existing central business district area. Instead, it encouraged new development south of the Han River in the late 1970s. Acute tension with North Korea in the 1970s and 1980s provided justification for the state-led large scale urban development south of the river, trying to relocate important national facilities further away from North Korea. For example, the National Assembly Building, the Korea Stock Exchange Center, and the headquarters of Korean large corporations were built in Yeouido District after its development. Moreover, major government offices, the supreme courts, and other public organizations were relocated to Kangnam District southeast of the Han River. Consequently, new subcenters were formed south of the Han River.

Therefore, intense state-led urban development south of the Han River spatially restructured diverse city functions thus contributing to shaping the current spatial

structure of Seoul, comprised of one city center and four subregions with subcenters in each region: North East, North West, South West, and South.

Lastly, government-led large residential area development in the 1980s played an important role in creating economic unbalance between areas north and south of the Han River, because most of the urban development projects took place south of the Han River. According to the Seoul Metropolitan Government, only 17.8 percent of Seoul's total population resided south of the Han River, while 82.2 percent lived north in 1966. However, the population gap between the north and the south narrowed, as the share in the south jumped to 46.8 percent by 1986. In 2004, 50 percent of the total population of Seoul resided in the south. Rapid population growth following new infrastructure and residential area developments in the south required further and further government investment in the southern part of Seoul at the expense of the northern part. Moreover, high-value added economic activities, such as finance, insurance, and real estate, rapidly moved to the southern area in search of newer and better office environments. This movement produced a significant gap between the southern and northern parts of the city, in terms of employment opportunities and living conditions.

In summary, the spatial development of Seoul is characterized as continuous physical expansion without proper urban planning to accommodate rapid population growth in the city. A serious housing shortage was an inevitable problem. The government solved it by large-scale residential area development, mostly in the southern part of the city, to a limited extent. Yet these large-scale projects for developing new

residential areas impacted the organization of urban life in Seoul in three ways. First, the lifestyle of residents in Seoul changed as the dominant type of housing shifted from traditional single-detached house to apartment complex with modern amenities. Moreover, spatial expansion of Seoul was followed by more complicated and diversified division of functions among different districts within the city. Finally, new urban development projects, geographically concentrated south of the Han River, created a serious problem of unbalanced economic development between areas north and south of the Han River.

## **2. Growing Residential Segregation: Fate of Global City or Victim of Government Policy?**

Seoul began to see a concentration of the upper professional class in the southeast region, so called “Kangman,” including Kangman, Seocho, and Songpa districts, since the mid-1980s driven by new urban development in the southern part of the city. Traditionally, Seoul’s most wealthy neighborhoods have been the districts, such as Sungbook and Yongsan, which are close to the city center. They are still home for Seoul’s high upper class. These areas can be best described as “citadels” for Korea’s power elites, according to Marcuse and Kempen’s residential categories, because the most prestigious politicians and owner families of Korean transnational corporations are clustered there (Weekly Dong-A, 2003). Different from this super elite citadel, Kangnam, the southeast region of Seoul, rapidly became a major residential area for a newly rising white-collar professional class in the city.

It is important to know whether a new type of spatial segregation in terms of socioeconomic status has taken place in Seoul, as in other global cities. If a new spatial order has been created in Seoul, significantly different from the old one, the forces behind it need to be identified, whether it is a consequence of Seoul's deeper and closer integration into the world economy, or derived mainly from national and local policies, or a combination of both.

**1) SOUTH-EAST REGION (KANGNAM): HOME OF THE PRODUCER SERVICE AND THE WEALTHY**

Kangnam's transformation into a preferred neighborhood area by high-class professionals is closely related to rapid growth in producer service sector employment in Seoul and its spatial concentration in the region since the 1990s. I discussed in an earlier chapter that Seoul dominates the nation's producer service activities, as 19 percent of Seoul's total population was employed in the producer service sector while only 11 percent of the national population was employed in the same sector in 2005. However, within Seoul, producer service activities are geographically concentrated in the southeast region. Table 8.2 shows the changes in the employment structure of five sub-regions in Seoul during 1996-2004: City Center, North East, North West, South West, and South East.

Following the general trend of declining importance of the manufacturing sector in the city, manufacturing sector jobs significantly decreased both in terms of absolute numbers and of relative proportions in all five subregions between 1996 and 2004. In the northwest and southwest regions, the manufacturing share fell by almost 10 percentage



points in eight years. Part of the reason why the southwest region experienced more dramatic decline in manufacturing employment is that small-scale labor-intensive manufacturing firms, which managed to stay within the city until the 1990s, used to be concentrated on Guro and Youngdungpo districts in the region. Recently the city and the local district governments have initiated active policies to upgrade their local economies from labor-intensive activities toward hightechnology and the information industry (Shin and Byeon, 2001). However, it is hard to say that any one region stands out as a major manufacturing center of the city, as none of the regions shows either a significantly lower or higher proportion of manufacturing employment than the average manufacturing share of Seoul.

In contrast to the general decline of the manufacturing sector, the significance of the producer service sector increased in all subregions on the other hand. Yet, the rate of the producer service sector increase varies greatly across the regions. The share of the producer service sector of total employment in the northeast region increased only slightly by 0.7 percentage points, from 10.5 percent to 11.2 percent, while producer service employment in the southeast region jumped by 10.7 percentage points, from 19.5 to 31.2 percent during 1996 and 2004.

As producer service sector jobs increased in the southeast region at a much faster rate than in other regions, the concentration of these high-income service sector jobs in the region became intensified. In 1996, it is not very clear whether producer service sector activities are geographically concentrated in a certain area, because the producer service sector share in each region didn't deviate much from the average of the whole

city. Yet in 2004, it became obvious that the economy of the southeast region is specialized in the producer service sector, as there are three times more people engaged in producer service activities in the southeast region than in the northeast region and twice as many people than in the northwest. The gap between the southeast and the city center, which shows the second highest share of producer service, has also increased since 1996. In fact, the number of producer service jobs in the southeast region accounts for more than 40 percent of the total producer service employment in Seoul.

The citywide decline of the manufacturing sector as a source of employment and clustering of high-income service employment in the southeast region provides another example of the spatial polarization model argued by the global city literature. However, unlike other global cities, the southeast part in Seoul has not gained any significant increase in lower-end service sector jobs in the hotel and restaurant industry and the personal service sector, as table 8.2 shows. The city as a whole experienced a moderate increase in the share of low-income service sector employment, from 13.4 percent in 1996 to 15.1 in 2004. Consequently, all five regions have gained in the share of low-service sector jobs during the same period. Yet there is little evidence that any particular region has gained a significantly greater share than other regions. Moreover, the southeast region, which is supposed to have a larger share of low-end service sector jobs according to the global city model, actually shows the second smallest share following City Center.

The dominance of the producer service sector in the economic structure of the southeast region has directly and indirectly resulted in the concentration of wealthy

white-collar professionals in the region. Directly, the producer service sector largely provides employment for high skilled, high-income professional workers such as bankers and lawyers. Indirectly, the creation of high-income-class neighborhoods attracts households with the same income level and prevents people lower class from coming into their residential area by increasing housing prices at the same time.

Even though it is very hard to draw a precise map of residential segregation based on socioeconomic status due to scarce data on occupation and income at a district level, we could obtain a rough idea using other sources. Kim (2002) analyzed changes in the residential preference among the most prestigious group of people in white-collar professions in Seoul, using data collected by a major Korean newspaper, Joongang Daily. He divided Seoul's power elite into ten different occupational categories: public administrator, politicians, professors, corporation managers, bankers, legal professionals, journalists, doctors, art-related professionals, and others. According to Kim, Kangman area was the most preferred place for Seoul's power elites to live in 2001, as almost 50 percent of the total power elites in his sample was concentrated in Seocho, Kangnam, and Songpa districts, increasing from a mere 0.8 percent in 1974 (table 8.3). In contrast, the central city substantially lost its share, from 42.39 percent in 1974 to 7.93 percent in 2001. He also found that more than 70 percent of all doctors (74.8%), bankers (74.6%), corporation managers (74.0%), and legal professionals (73.7%) are concentrated in three districts in the southeast.

Another indicator that shows spatial concentration of the high-income class in the southeast region is high housing price because high housing prices one of the most

effective mechanisms that to shun the lower class from the high-income community (Ward, 1999). The value of housing in Korea works also as an indicator to measure the wealth of a household. A recent analysis of household panel data reveals that the value of the primary residence (in the case of owner-occupants) and the key money deposit (in the case of renters) has been 4.9 times as large as financial assets, representing 83 percent of total household wealth in 2001 (Yoo, 2004).<sup>19</sup> Thus, the value of house or key money for a rental house clearly shows the amount of wealth that one family has.

Table 8.4 shows a considerable level of wealth concentration in the southeast region, as there is a substantial gap in the sale price and key money per pyong in an apartment between different regions in Seoul.<sup>20</sup> Apartment sales price per pyong is the most expensive in the southeast region.<sup>21</sup> The sales price of an apartment in that region is 164, when the average sales price for the city equals 100. Moreover, the sales price in the northeast is less than half the price in the southeast. The gap between the most expensive housing area and the cheapest at a district level becomes even more distant. The housing price per pyong in Kangman District is almost four times as expensive as in Dobong District. The case is the same for the amount of key money for rental houses, even though the gap is much narrower. Again, the most expensive residential area is the southeast region and the cheapest is the northeast. Kangnam District is also the most expensive area to live for renters.

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<sup>19</sup> The system of renting a house in Korea requires tenants to deposit large lump-sum money, called Chonse, at the time of the contract.

<sup>20</sup> Pyong is a Korean measurement for area and 1 pyong is approximately 35.6 square feet.

<sup>21</sup> Since housing price data for all types of housing is not available, I used data for apartment. However, apartment is the most dominant type of housing in Seoul as it accounts for 50% of total housing in Seoul in 2005 according to Seoul Metropolitan Government.

In addition, the degree of wealth concentration gets even more intensified when the size of housing is taken into account. Housing in the southeast region is not only expensive per unit size but also more likely to be larger than in other sub-regions of Seoul except for the city center, as shown in Table 8.5. The proportion of houses with floor size between 39-69 pyong in the southeast accounts for 15.4 percent of all housing stocks in the region, while the average proportion of the same size housing in Seoul accounts for 11.6 percent. The share of houses larger than 69 pyong is also very high in the south-east region being 5.8 percent following the city center, while the average for the city is 4.6 percent. The reason why the city center shows such a high share of large housing stocks is that a number of political and business superelites such as congress members and owner families of Korea's largest corporations traditionally reside in the central city in close proximity to Green House, a Korean version of the White House, and the total number of residents in the region is relatively small compared to other sub-regions.

More recently, gated communities of high-rise apartment complexes targeting high-class families began to be constructed in the Kangnam area for the first time in Seoul. *Tower Palace*, a luxurious apartment built in 2000, marked the beginning of high-class gated apartments in Seoul. This apartment complex with sixty stories provides not only spacious living floors decorated with luxurious materials but also various leisure facilities within the complex such as a clubhouse, gyms, a golf course, guest rooms, and community gardens. All gates of the complex can be accessed by a digital card given only to the residents. This kind of apartment complex with high service and high security never existed in Korea before, and wealthy professional people were eager to buy units in

*Tower Palace*. In fact, more than 60 percent of residents in *Tower Palace* are high-income white-collar professionals including corporation managers, doctors, professors, lawyers, and bankers (*Weekly Dong-A*, 2002). With the success of *Tower Palace*, similar types of gated apartment communities began to grow rapidly, first in the Kangnam area and then in the other regions of Seoul.

Considering all the socioeconomic indicators analyzed here (including composition of economic sector and occupations, and the per-unit sales price and key-deposit money for apartments coupled with the size of housing in the five sub-regions of Seoul), there is sufficient evidence that the southeast region, which used to be vast agricultural land, has been transformed into the most prestigious residential area for newly emerging white-collar professionals.

As a result of people with higher socioeconomic status coming to concentrate on the southeast region, the overall quality of life in the region is significantly better than in other areas, as various indicators in Table 8.6 show. The southeast sub-region shows high numbers of sickbeds, indicating easily accessible healthcare, and also has spacious green areas per person. The number of private educational institutions is also greater in the southeast sub-region than in any other sub-regions of Seoul. Thus, residents in the southeast region expressed the highest degree of satisfaction for their overall residential environment, according to the Seoul Survey conducted by the Seoul Metropolitan Government in 2006.

## **2) RETURN OF SHANTY TOWNS AND SQUATTER SETTLEMENTS**

While the living experience for people in the southeast region of Seoul has substantially changed and improved over the last three decades, there is a group of people whose living condition has changed little if not worsened, people who live in squatter settlements. For most of the people in Korea, urban squatter towns exist only in memory from the 1960s and 1970s. However, to our surprise, houses built with substandard construction materials without proper legal licenses are still in existence in contemporary Seoul, and the number is rapidly increasing.

Squatter settlements are common in cities in developing countries where the development of infrastructure facilities and housing stocks are not quick enough to follow the rate of population increase. In Korea, the proportion living in slum and squatter settlements accounted for 20-30 percent of the population in the 1960s and 1970s, even though the figures varied among different cities. The government estimated that there were 320,000 households living in illegal housing in 1976, mostly in Seoul (Ha and Noh, 2001). Substandard settlements made with wood board and tents provided shelters for poor rural migrants and an importance source for social upward mobility, as many of the squatter settlement residents managed to pull themselves up and move out to middle-class residential areas.

However, government-initiated urban slum projects since the 1980s evicted many of the squatter settlements in Seoul without offering any alternatives for the poor residents, which simply resulted in relocation of those people outside of Seoul. Both rapid national economic growth and the government eviction program decreased the number of

illegal dwellings substantially, particularly from the capital city of Seoul (Ha and Noh, 2001; Kim and Choe, 1997).

Unfortunately, the substandard houses that had mostly disappeared from the city began to reappear and increase rapidly in number after the financial crisis in Korea. What is interesting about illegal substandard houses in Seoul is that they can be divided into two specific forms: greenhouse (*vinyl house* in Korean) and extremely small one-room house (*chockbang* in Korean). Vinyl house refers to deserted greenhouses for plants that were changed to shelters for the urban poor. In many cases, the original metal structures of the green houses are covered with wood boards and thick fabric instead of vinyl. In 2000, the number of newly built vinyl houses was about 2,079 units with 6,752 residents, according to the Seoul Metropolitan Government. Yet studies by Korea Center for City and Environment and the Seoul Development Institution conducted through field research revealed that there were approximately 10,930 households living in vinyl houses in the entire nation, with about 4,130 of them in Seoul and the rest in Kyunggi province (Lee, Nam and Lee, 2002). Chockbang refers to a very small-sized one-room accommodation in which one adult can barely lie down. Approximately 6,454 residents are living in chockbang across the nation with almost half of them in Seoul, and the number is rapidly increasing (KCCER, 2005).

What is particularly intriguing about these substandard houses in Korea is their geographic characteristic: vinyl houses are concentrated in the southeast region (the richest part of Seoul) and chockbang in the central region. Vinyl houses are found almost exclusively in the southeast sub-region of Seoul, with 61.1 percent concentrated in the



Kangnam district (the richest district), while chockbang are mostly located in the city center, as shown in Tables 8.7 and 8.8.

The primary problem of substandard housing is the abysmal living conditions of the residents. Even though living conditions are better for vinyl houses, both types of houses do not usually have a kitchen or bathroom inside the house, thus having a public bathroom and kitchen. In vinyl-house communities, many households do not have a water supply. Therefore, the residents survive by digging a community well or by purchasing water. Yet the water quality of these wells is very bad, increasing the probability of serious health problems among the residents. Moreover, only a couple of households in a community have electricity service, so others share it, which makes the residents increasingly vulnerable to fire caused by electric leakage. Most chockbang were originally constructed as cheap inns in the 1970s and '80s but began to be rented out to the very urban poor as chockbang when the demands for cheap inns decreased. Thus, they are usually very old and unprotected against fire or flood.

Moreover, residents in illegal substandard housing are those at the very bottom of the social stratification scale and largely marginalized by society with little or no resources to improve their living experiences. Studies on the occupational structure of the heads of households in vinyl houses show that one-third are daily construction workers and 24 percent are unemployed (Lee, Nam, and Lee, 2002). The situation is worse for residents in chockbang with 26.3 percent of the heads of households being daily construction workers and more than half of them unemployed (KCCER, 2005). Moreover, the education level is substantially lower than the national average. The

number of people with less than high-school education accounts for 63 percent among vinyl-house residents and 77 percent among chockbang residents, which is twice as high as the national average according to the 2000 national census (Lee, Nam, and Lee, 2002). The age of heads of households is very high for vinyl-house residents, as 47 percent of them are older than 60 years. Also, 21 percent are elders who live by themselves (ibid.). The age of heads of households living in chockbang is not particularly old. Yet most disturbingly, more than 30 percent of them have serious physical disabilities (KCCER, 2005). The socioeconomic and demographic characteristics of substandard housing residents truly reveal that they are the most marginalized people in society and very unlikely to move out of their dire living situations.

### **3. Summary and Discussion**

It is undeniable that the residential gap between the rich and the poor is increasing in Seoul, as the southeast region has emerged as an exclusive residential area for high-income professionals. One of the major factors in the spatial concentration of high-income professionals is the rapid increase of producer-service-sector jobs in the area. Moreover, living conditions in the southeast region are considerably better than in other sub-regions of Seoul, as people tend to live in bigger houses and have better access to healthcare facilities, more green space, and educational institutions. Yet they seek even better living environments in isolated communities with no social contact from lower-class people. High prices for housing in this area reinforce the concentration of the rich in this region, as it effectively shuns lower-income people from moving into the area. Yet

what is interesting is that substandard housing settlements, which were believed to have disappeared from the city upon rapid economic development, began to emerge along the edge of this wealthy region in addition to the old-inner city.

It is true that the rapid growth of producer-service-sector jobs in the southeast region is highly associated with an increasing concentration of white-collar professionals in the area. Yet why did producer-service-sector activities become geographically concentrated in the southeast region instead of in the central area? Why are most vinyl houses found in very close proximity to the wealthy residential area? To find the answers to these questions, we need to look at the urban development policies of the government.

As early as the 1970s, before producer-service-sector activities became concentrated in the southeast region, the Korean government strongly pursued urban development projects south of the Han River, while it prohibited further development in the old city center to disperse the population concentration. New construction of factories, along with large-scale commercial facilities and high schools in the central city (including Jongro, Joong, and Youngsan districts), were prohibited by law in 1972. New land development was also stopped in the central-city area in 1975. Most parts of the inner-city area were designated as urban redevelopment sites, and thus any renovation or new construction of buildings was not allowed during 1972 and 1973 (SDI, 2003).

As a result, the central-city area gradually became old and dilapidated. On the other hand, vast land south of the Han River has been developed by the government for both residential and commercial purposes since the 1970s. A number of government offices and public enterprises such as the Supreme Court and Korea Electric Power

Corporation moved to the southeast part of Seoul. Moreover, construction of the second subway line that links major sub-centers south and north of the city was launched in 1978 and completed by the government in 1984. This addition greatly relieved increasing concerns of people in the south over serious traffic problems and long travel times to the city center. Some of the nation's most prestigious high schools were also forced to move to the southeast part of the city. Most importantly, the Korea World Trade Center Tower was constructed and completed in 1988 in Kangnam district. This event truly marked the beginning of the emergence of the southeast region of Seoul Kangnam as a major center for trade and the high-end service industry. Thus, concentration of producer-service-sector activities in the southeast sub-region seems a natural consequence as this highly capital-productive service sector tries to take advantage of newly built urban infrastructure and office space.

The formation of substandard housing settlements along the edge of the southeast sub-region is also related to rapid public urban development in the region in the 1980s. A large area of farm land was converted into residential and commercial land during the development period. However, there was small piecemeal land left for agricultural use or as greenbelt and these areas were illegally occupied by very low income people who could not afford houses within the city (KCCER and SDI, 2002). Thus, the micro-scale residential polarization observed within the southeast region seems to be an accidental outcome of a rapid urban development that changed the whole area from agricultural land to a new urban center in three decades, rather than an outcome that stems from the

systematic interdependence between low-income service workers and high-income professionals in the region.

Yet it cannot be overlooked that an increased level of social polarization, which entails a greater number of producer-service workers and professionals plus greater number of informal workers and unemployed people, certainly has been effective as a source to feed both high-class communities and substandard housing settlements. Therefore, the greater level of residential segregation in contemporary Seoul is indeed an outcome of both national urban development policies (particularly from the past) and the current force of economic globalization.

Figure 8.1: Map of Seoul with 25 Districts



Figure 8.2: Pictures of *Tower Palace* Apartment Complex in Seoul



Figure 8.3: Picture of Vinyl Houses

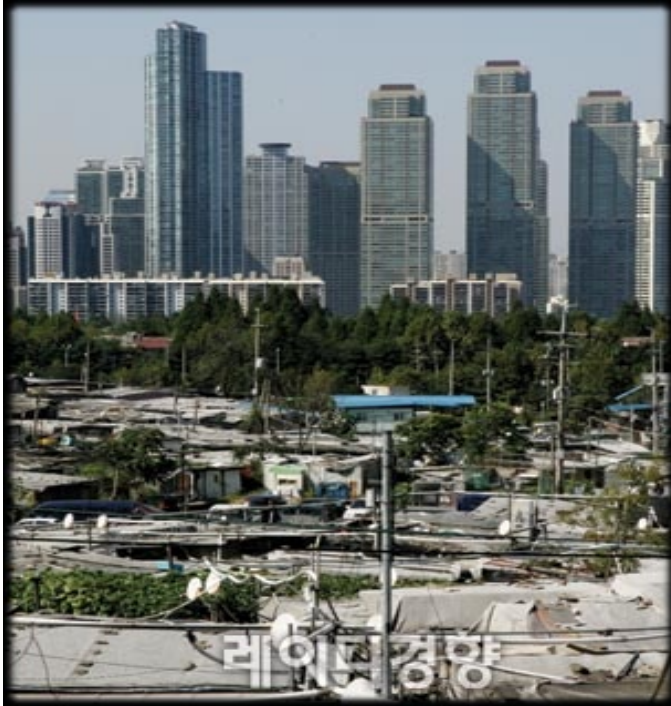


Figure 8.4: Pictures of Chockbang





Figure 8.5: Residential Segregation at the Microlevel



A view of Tower Palace from a Vinyl-House community in the Kangnam area

Table 8.1: Housing Distribution in Seoul: 1970-2005 (thousands)

	1970		1980		1990		2005	
	No.	%	No.	%	No.	%	No.	%
<b>Detached Dwelling</b>	515.9	88.4	684.1	70.7	659.5	46.1	498.4	25.3
<b>Apartment</b>	24	4.1	183.8	19	502.5	35.1	1011.1	51.2
<b>Row House</b>	34.4	5.9	68.9	7.1	181.2	12.7	403.4	20.4
<b>Others</b>	9.3	1.6	31.3	3.2	87.8	6.1	60.3	3.1
<b>Total</b>	583.6	100	968.1	100	1431	100	1973.2	100.0

Sources: Korea Housing Corporation, 1989; and Seoul Metropolis, Seoul Administration, 1989-1991; Ministry of Construction and Transportation, 2005.

Table 8.2: Changes in the Employment Structure of Subregions in Seoul by Selected Sectors

	Manufacturing				Producer Service				Hotels and Restaurants and Personal Service			
	1996		2004		1996		2004		1996		2004	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
City Center	168547	19.4	96486	14.1	159377	18.3	168353	24.6	90145	10.4	86255	12.6
North East	154259	21.5	110817	15.5	75231	10.5	80114	11.2	124180	17.3	133534	18.7
North West	59730	19.1	25823	8.7	41272	13.2	48963	16.5	52248	16.7	58216	19.6
South West	242245	24.9	142997	15.2	154337	15.8	199850	21.3	139465	14.3	135495	14.4
Southeast	183735	15.7	88133	8	227766	19.5	341807	31.2	136716	11.7	149480	13.6
Seoul	808516	20	464256	12.4	657983	16.3	839087	22.5	542754	13.4	562980	15.1

Source: Seoul Metropolitan Government

Table 8.3: Distribution of Seoul's Power Elites in Selected Districts (%)

	1974	1984	1994	2001
City Center	<b>42.39</b>	<b>19.68</b>	<b>9.16</b>	<b>7.93</b>
Jongno	20.35	8.98	4.19	3.73
Jung	10	2.76	1.01	0.72
Youngsan	12.04	7.94	3.96	3.48
North East	<b>15.77</b>	<b>7.19</b>	<b>3.33</b>	<b>3.01</b>
Seongbuk	15.77	7.19	3.33	3.01
North West	<b>23.98</b>	<b>17.57</b>	<b>10.73</b>	<b>9.88</b>
Eunpyeong	-	4.36	3.52	3.05
Seodaemun	15.32	6.79	3.85	3.5
Mapo	8.66	6.42	3.36	3.33
South West	<b>2.09</b>	<b>9.22</b>	<b>11.18</b>	<b>11.75</b>
Yangcheon	-	-	4.16	4.63
Youngdeungpo	2.09	5.21	4	3.63
Dongjak	-	4.01	3.02	3.49
South East	<b>0.8</b>	<b>29.75</b>	<b>47.97</b>	<b>48.02</b>
Seocho	-	-	16.29	15.96
Kangnam	0.8	29.75	21.74	21.5
Songpa	-	-	9.94	10.56

Source: Changseok Kim (2002), p. 69

Table 8.4: Sales Price and Key Money Amount for Apartment per Pyong in Sub-regions of Seoul

	Sales Price per Pyong		Key Money per Pyong	
	Price (thousand ₩)	when Seoul average = 100	amount (thousand ₩)	when Seoul average = 100
City Center	11313.3	97.3	5450.0	114.3
North East	8043.8	69.3	4260.0	89.6
Dobong District	6230.0	54.0	3640.0	76.0
North West	8343.3	71.7	4523.3	95.3
South West	9007.1	77.3	4288.6	90.1
Geumcheon	693.0	60.0	317.0	67.0
South East	19095.0	164.3	5752.5	121.0
Kangnam	22490.0	193.0	7090.0	149.0
Seoul Average	11630.0	100.0	4760	100

Source: Kookmin Bank

Table 8.5: Floor Size of Houses by Sub-regions in Seoul (2005) (%)

	Less than 9 pyong	9-19 pyong	19-39 pyong	39-69 pyong	More than 69 pyong
City Center	2.6	32.2	44.2	14.8	6.3
North East	2.9	38.0	45.1	10.3	3.7
North West	2.5	38.0	44.6	10.3	4.6
South West	2.4	34.7	47.7	10.5	4.6
South East	2.4	29.9	46.4	15.4	5.8
Seoul	2.6	35.1	46.0	11.6	4.6

Source: Statistical Yearbook of Seoul 2005

Table 8.6: Social Indicators by Sub-regions in Seoul (2005)

	No. of sickbeds per thousand people	Green space per person (thousand square m)	No. of private educational institutions	Degree of satisfaction for their residential environment
City Center	122.7	25.21	540	5.55
North East	59	34.08	3106	5.11
North West	52	22.43	1176	5.1
South West	49.2	25.82	3105	5.25
South East	72	27.02	3859	5.92

Source: Seoul Survey 2006

Table 8.7: Distribution of Vinyl Houses in Seoul (2002)

		No. of households	%
South East	Kangnam	2524	61.1
	Seocho	1075	26.0
	Songpa	532	12.9
Total		4130	100

Source: Modified from appendix 1 (Lee, Nam and Lee, 2002)

Table 8.8: Distribution of Chockbang in Seoul (2003)

		No. of residents	%
Central City	Jongro	571	16.6
	Joong	997	29.1
	Yongsan	1003	29.2
Other Sub-regions		859	25.0
Total		3430	100

Source: Table 2-1 (KCCER, 2005)

## **CHAPTER 9: CHEONGGYE STREAM RESTORATION PROJECT**

Previous chapters (7 and 8) discuss the social consequences of changes in the organizations of urban economy and residential space in Seoul as a result of its transformation into a global city: growing social inequality and residential segregation between the rich and the poor. To make matters worse, the capacity of the state in Korea, which played a crucial role in decreasing social inequality in the 1970s and 1980s, has been significantly weakened by internal and external pressures. Thus, economic living conditions for the urban residents in Seoul have confronted serious challenges in the absence of the old mechanism that secured them.

However, another opportunity to mediate the degrading economic living conditions for citizens in a global city has been created by the same force of economic globalization, yet in a different social system: urban politics. With particular emphasis on political democratization and decentralization under the current global economic system, it became possible for citizens to be directly involved in the public-policy making process. In theory, this situation implies that citizens are now empowered to create public policies that would minimize the negative consequences of economic globalization on their daily lives. Yet, in reality, it means an increasing degree of complexity in the public policy-making process because citizens are not the only ones with improved access to the urban policy arena. Private capital, both domestic and international, has also become more influential than ever before. Needless to say, the central and local governments still

hold significant power. Moreover, the interests of citizens themselves have been diversified to a great extent.

Therefore, the following chapters (9 and 10) take the Cheonggye Stream Restoration Project as a case study. I will examine whether the context and dynamics of urban politics in Seoul, Korea, have significantly changed from the time when the central government exercised exclusive control. If so, I will explore the new context and dynamics, with particular emphasis on the increased degree of complexity and diversity in the urban policy-making process. Specifically, I will seek an answer to the question of what kind of opportunities and challenges have the new political changes driven by national and international forces brought to the capacity of citizens in Seoul to control their own living experience.

In this chapter, I will, first, provide a historical development of the neighboring area of Cheonggye Stream, the old inner-city, to give a context for how the restoration project emerged. Second, I will explain the specific problems of the inner-city area and identify the different approaches and interests related to the problem among different actors, mainly the city government, merchants in the inner city, and civil society organizations. I will also briefly describe the resource mobilization process of each actor as well as summarize the alternatives and end product of the stream restoration project.

The roles of citizen participation are reflected mostly in the activities of the Citizens Committee. The limitations and opportunities that citizens experienced in the project will be discussed in the next chapter.

# **1. Cheonggye Stream Restoration Project: Historical Background**

## **1) HISTORICAL DEVELOPMENT OF CHEONGGYE STREAM AREA**

The Cheonggye Stream Restoration Project is a public project that demolished a 5.8-km-long inner-city highway (Cheonggye Highway) and restored the original waterway of Cheonggye Stream covered with concrete under the highway, led by the city government of Seoul, which began July 1, 2003, and was completed October 1, 2005 (Hwang, Byeon and Na, 2005). Yet, it was more than a simple stream restoration project, as it was supposed to spur a much larger-scale inner-city redevelopment that would involve restructuring of the whole economy of the old inner city, from the small-scale manufacturing industry to the producer service industry. On the one hand, it is praised as “the greatest urban renewal project in modern history of Seoul” and it is the single most important achievement that helped Myeongbak Lee, the former mayor, to be the president of Korea in 2007 (Reuters, 2007). On the other hand, one street vendor and one small business owner in the neighborhood area of Cheonggye Stream committed suicide because they were to be relocated from the area (Hangyere, 2004; Choi, 2006). To understand what happened in the planning process of Cheonggye Stream Restoration Project, it is necessary to have some historical background of how the neighborhood area of Cheonggye Stream has been developed and to know the economic and social characteristics of the area before the project was started.

Historically, Cheonggye Stream used to be a small dry stream that flowed from the surrounding mountains of Seoul and ran across the center of the city from the west to

the east. Historically, Cheonggye Stream was an integral part of the common people's lives in Seoul. It served as a natural sewage system as well as a cultural and social boundary between the rich and the poor. Wealthy and powerful people lived the north of the stream while merchants and technical bureaucrats settled in the south during the Chosun dynasty (1392-1920). A number of bridges were constructed over the stream to link the north and the south. The surrounding area became a social gathering space. Markets and various community events, including bridge-stepping festivities and lantern festivals, were held in the area. The stream bank under the bridges was also a shelter for homeless people (Cho Gwang Kwon, 2005). Thus, the Cheonggye stream area represented the cultural essence of ordinary peoples' lives as much as the central location in the geography of Seoul.

However, with the growth of the city, the area became quickly populated with rural migrants to Seoul. The stream's capacity for natural sewage treatment faced severe limitations by the end of the nineteenth century. The area became filthy with domestic sewage produced by households along the stream. Particularly after the Korean War, it was turned into a home for the homeless and the urban poor. Thus, there had been attempts to cover the stream and to clear the neighboring area since the Japanese colonial period.

Full-scale work to cover the stream and make a major road system took place in the 1960s and 70s under President Park Chung Hee. Rapid economic growth and an increased number of cars during his administration created greater demands for a new road system (ibid.). Thus, Cheonggye Road with four lanes and elevated Cheonggye



Highway with eight lanes, named after the Cheonggye Stream, were constructed in 1966 and in 1971 consecutively. They improved traffic flow in downtown Seoul. Moreover, the work of covering a natural stream and constructing a 5.6-km-long concrete structure over the stream was considered a symbol of the nation's economic success under the developmental state, because Cheonggye Highway was the first elevated highway constructed in the nation. However, most poor urban residents who had settled in the area were forcefully evicted. Much evidence of the communal lives in the old days of Seoul and the historical bridges were also buried under the concrete structure.

As a symbol of national economic development, the adjacent area of covered Cheonggye Road and Highway soon became a major commercial section of the city. The nation's largest mall, Sewoon Electronics Mall, and Western-style modern apartment complexes were built in the neighboring area at the end of the 1960s (Seyong Lee, 2005). As modern malls were constructed in addition to preexisting traditional markets, the neighboring area of Cheonggye Highway attracted hundreds of thousands of people from both local and rural areas. Gradually, it extended forming the biggest commercial area of the nation including a variety of specialized products.

According to city government statistics, the adjacent area of Cheonggye Stream, covering 688.5 acres of 22 blocks between the city's major streets of Jongro and Uljiro, is home for more than 60,000 shops, 200,000 workers, and 30,000 street vendors (Hwang, Byeon, and Na, 2005). What is fascinating about Cheonggye Commercial Area lies not only in its huge scale but also in its diversity of products. There is even a saying, "If you can't find it in Cheonggye Market, then you can't find it." The Cheonggye commercial

area can be roughly divided into five small markets based on the type of product in which each area specializes (Figure 9.3): electronic parts and devices market (A), industrial machines and tools market (B), jewelry market (C), garments, fabrics, and shoe market (D), and others (E). In addition, either side of the long road is filled with thousands of street vendors selling foods and small gadgets. Each market by itself is the biggest wholesale and retail market of its product in the nation.

However, Cheonggye Highway, once the triumphal sign of the nation's rapid economic success, became aged and dilapidated as three decades passed by. According to a safety test conducted in 2001 by the city government, large-scale repair work was necessary for Cheonggye Highway. This need raised serious concern for public safety given that Cheonggye Highway was the main road across downtown connecting the east and west regions. Yet, it was not only Cheonggye Highway that suffered from aging. Most buildings in Cheonggye Market Area also had the same problem.

Mostly built in the 1970s and 1980s, buildings in the neighboring area of Cheonggye Highway were outmoded and fell far short of modern standards in building codes. Stores were too densely populated in relation to each other, while streets were too narrow and organized irregularly. Parking spaces were insufficient, so most Cheonggye Market customers illegally use part of the traffic lane for parking spaces. There was little open space but rather streets with heavy east- and west-bound traffic, which was the main cause of high noise and air pollution in the area. To make matters worse, any redevelopment effort for the inner-city area was strongly prohibited during the 1980s to

avoid further population concentration in Seoul, which resulted in massive urban development and expansion in the southeast region, as discussed in chapter 8. Therefore, worsening physical conditions of Cheonggye Highway and Cheonggye Market Area were blamed as a major reason for the declining economic importance of the old inner-city, thus contributing to growing intra-regional economic imbalance between the north and south of Seoul.

Despite its physical appearance of irregularity and deterioration, the spatial formation of stores in Cheonggye Market was an extraordinary outcome of accumulated history and social networks within the market. It has its own socio-economic logic and dynamic that promoted effective interaction between shops, small factories, and customers. Thus, some people warned that any attempt to change these unique spatial features of Cheonggye Market would damage the dynamics of the market that had functioned well for the development of Seoul's urban economy since the 1960s (Doyoung Song, 2003).

## **2) SEOUL MAYORAL ELECTION AND CHEONGGYE RESTORATION PROJECT**

Given the growing safety concern over the aged Cheonggye Highway combined with increasing pollution caused by a high traffic volume in the area, various social groups including environmental NGOs and academic societies of civil engineers had asked for a demolition of Cheonggye Highway and for a restoration of the natural stream under the highway instead of repairing it, which would cost almost US\$100 million and

another US\$2 million for annual maintenance (Hwang, Byeong, and Na, 2005).<sup>22</sup> Other scholarly associations also insisted that it was culturally important to discover and to restore historical bridges and sites buried under Cheonggye Road in order to recreate local identity that largely lost during the rapid economic development period in which Western values and life styles were adopted uncritically.

Yet, during the mayoral election in 2003, Cheonggye Stream restoration became a public issue because a leading candidate, Myeongbak Lee, recommended it as a chief public policy proposal for the election. He proposed the stream restoration project as a solution to many issues that the city government faced, including increasing its attractiveness in the inter-city competition for international financial investment, reducing economic imbalance between the north and south of Seoul, improving living conditions for urban residents, and enhancing public safety. Some people criticized this proposal, pointing out the practical challenges of mobilizing enough budget for the project, estimated to exceed US\$ 400 million, as well as the considerable inconvenience that the neighborhoods of the area would suffer. Particularly, the other leading candidate, Minseok Kim, stood against the project. He insisted that it was better to conserve the highway through proper maintenance, and that the stream restoration project should be discussed and planned with more time. After heated policy debates between the two candidates, Myeongbak Lee won the election and this outcome meant that the Cheonggye

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<sup>22</sup> Among them, Cheonggye Restoration Study organized in 1999 was the most active. In fact, this study group proposed the restoration idea to several major mayor candidates during the election race in 2003.

Stream restoration was not a simple idea that only a few experts had in mind anymore, but instead a public project that would soon be reality.

The very next day, after Mayor Lee's inauguration, a special task-force team and a research and development team for planning and implementing the restoration project were organized within the city government. A citizen committee was also formed in September of the same year to hear citizens' opinions and incorporate them in the project planning process. After one year of planning, the restoration work began by removing the concrete structure of the elevated highway on July 1, 2003 and the project was completed in September 2005, with US\$386 million spent on it.

## **2. Problems, Conflicts, and Solutions**

Even though the Cheonggye Stream restoration was generally approved by the citizens through the mayoral election, a great deal of disagreement and conflict emerged when particulars of the stream restoration planning began to be spelled out. The major issue was an old one of general public interest clashing with the interests of particular individuals, largely small-store owners in Cheonggye Market. It is not unusual to see a goal of a public project in conflict with the special interests of individuals. However, it is quite new in the Korean context in which individual voices were silenced in the decision-making process of urban public policy under an authoritarian government. Another critical problem was how to achieve consensus on the project process and outcome among different actors who had different interests. Civil society organizations agreed with the project objectives that the city government presented, but they had a very

different idea of how project the planning and implementation should be carried out, as well as a different picture of what the end result should look like. This issue was particularly problematic, considering the resources for the project such as time and money.

Thus, I attempt to do four things in this section. First, I will provide the specific situation of Cheonggye Market Area that was of particular concern to the city government's urban planning bureau under Mayor Myeongbak Lee and the broader context of how the Seoul city government had already become enthusiastic about the inner-city redevelopment even before the election. Secondly, I will describe the two major oppositions that the city government faced: one from the small business owners in Cheonggye Market and another one from civil society organizations and identify the main issues. Then I will briefly analyze how actors mobilized themselves in order to realize their own demands in the planning and implementing process. Finally, I will outline the alternatives to the restoration planning and describe what actually happened.

### **1) GLOBAL CITY AND THE INNER-CITY PROBLEM**

Multiple issues forged the stream restoration project as a solution. First, physical conditions of Cheonggye Highway were quickly aging and deteriorating, raising a serious public safety concern. The signs of deterioration in the highway structure began to show even in the early 1990s. According to a report prepared by the Korean Society of Civil Engineering in 1992, more than 20 percent of the steel beams were corroded or damaged and conditions of the top plate were generally poor even though the structure as a whole was in fair condition (Lee, 2004).

The increasing pollution level in the vicinity of the highway was another problem. On average, 160,000 cars used Cheonggye Highway and Road on a daily basis. Consequently, the level of toxic elements in the air, such as nitrogen dioxide and benzene, increased to a substantial level, being much higher than the average of Seoul. This situation presented a higher likelihood of the neighboring residents of Cheonggye Highway suffering from respiratory diseases, compared to people in other areas. Noise levels also exceeded the norm for a commercial area (SDI, 2003). To make matters worse, the pollution level in the space beneath the concrete covering of Cheonggye Road was even higher with 23 times methane and 14 times more nitrogen dioxide than outside the space (Hwang, 2004).

Another critical problem was the worsening physical conditions of Cheonggye Market area as a whole. In fact, the physical structure of stores and factories in Cheonggye Market were notorious for their sweatshop conditions even in the 1970s, as hundreds of small shops and factories were cramped into a huge concrete building with few modern amenities. It is well known that a 22-year-old young man, Chun Tae Il, who worked as a cloth cutter in Cheonggye Apparel Market set himself on fire on November 13, 1970, to demonstrate the inhumane working conditions, including small cramped spaces in which he could not even stretch his back as well as long working hours (Yongrae Cho, 2003). More than three decades have passed but little has improved in the physical setting of the buildings in Cheonggye Market. Instead, the conditions only got worse.

Moreover, most businesses in Cheonggye Market were engaged in small-scale labor-intensive manufacturing industries. The garment stores, often closely related with small factories within Cheonggye Market, were the leading player in national garment exports in the 1970s and 1980s. The electric parts and device market in Cheonggye area was also an integral part of assembly manufacturing of electric appliances on which Seoul and Korea's economy focused between the 1970s and 1990s. However, these small-scale labor-intensive manufacturing businesses lost their comparative advantages as the city's economy moved toward capital-intensive producer service businesses. Yet, it was reported that only 8 percent of total businesses in the Cheonggye Highway neighboring area were related to financial or business services (Hwang, 2004).

The prevalence of traditional small-scale manufacturing industry coupled with degraded physical plants in Cheonggye Market, which is located next to the central business district of the city, were identified as the principal cause of the declining importance of the inner city in the economy of Seoul. Thus increasing the regional economic gap between the north and south of the city. For this reason, the city government of Seoul had a plan to restructure the inner-city economy toward more high-end service industry. It classified the labor-intensive manufacturing businesses, except for the apparel industry, in Cheonggye Market as "improper for a central location" according to local government documents (Park, 2006).

For the city government, Cheonggye Stream Restoration was a solution for all these problems: remove public safety concerns, create green space with a naturally



running stream for citizens who demand improved living environments, and renew the neighboring inner-city area.

Yet, for the city government, the most important and profound reason to have the stream restoration project is to upgrade the image of Seoul as a modern global city by transforming the old inner city into an international business hub in Northeast Asia. The detailed redevelopment plans of Cheonggye Market area clearly show the city government's intention to use the restoration project as a catalyst to promote international capital investment and attract foreign business activities in the area. The plans include designation of a part of the Cheonggye neighboring area as a foreign investment promotion zone with tax benefits and a one-stop service center related to international business, establishment of a prestigious foreign school for the children of the potential investors, operation of offices to help foreign investment such as Seoul International Business Advisory Councils, formation of a 630-meter-long Digital Media Center where a number of information and communication technology corporations will be established, and promotion of international events and exhibitions (Table 9.1).

This objective of the city government to upgrade the image of Seoul and to promote international financial and business service activities sounds very similar to what the global city literature argues. It is clear that the redevelopment plans of Cheonggye Market are focused on altering the area to a place suitable for international capital and businesses to operate in the global economy rather than on improving the area for the people who live and have businesses there.

The national government of Korea adopted the global city argument and oriented its urban policies to promote Seoul as a global city and to provide it with proper infrastructure during the 1990s. A few examples are developing a high-speed train between Seoul and Pusan, building the new Incheon International Airport, and constructing a high-tech industrial park to attract investment in advanced technology (Douglass, 2000). Another strategy that the national government of Korea employed to sell a new image of Seoul as a world-class city was to host international events such as the Olympics in 1988 and the World Cup in 2002 (Yeong-hyun Kim, 2004).

Efforts of the national government to increase Seoul's competitiveness over other cities were taken over by the local government of Seoul after the decentralization of urban planning responsibilities to the local level. As a matter of fact, from the 1960s through the 1990s, the primary urban planning policy of Seoul had been concerned mainly with managing problems associated with a rapidly growing population and diverting economic activities from Seoul to other cities in order to balance the increasing regional economic disparity in the national urban system. As Table 9.2 shows, the policy goals for the Seoul Metropolitan General Urban Planning 2011 passed in 1997 emphasize the securing of public safety and establishment of a convenient transportation system as first and second priorities, followed by improving the quality of living.

However, the policy discourse quickly changed in a direction that strengthened the role of Seoul in the global economy rather than in the national economy. According to research papers that examine the perspective of Seoul as a global city, the city needed more investment and infrastructure to perform internationally important functions even

though it already dominated the political, economic and administrative functions of the nation (Anh, 1997; Kyu Bang Lee, 2003). The terms, world city, competitiveness, and inter-city competition became the buzzwords in policy statements. As a result, promoting Seoul as a world city that leads the East Asian economy became the first priority of the Seoul Metropolitan General Urban Planning 2021 passed in 2000, as shown in Table 9.2. The detailed plans to make Seoul a global city incorporate establishing a special district for international finance to attract headquarters of transnational corporations, which directly reflects the global city arguments (Urban Planning Bureau of Seoul Metropolitan Government, 2007).

This was the context in which urban planning policies in Seoul were developed when the local mayoral election took place in 2001. Thus, the worsening physical conditions of Cheonggye Highway and its neighboring area provided a good reason to redevelop the dilapidated inner city into a global financial center. Yet, other reasons for the stream restoration, such as creating clean open spaces, rediscovering local history, and expanding cultural opportunities, were equally urgent and important.

## **2) CONFLICTS EMERGED: THE CITY GOVERNMENT AND ITS OPPONENTS**

### **a) Small business owners in Cheonggye Market**

The city's proposal to demolish Cheonggye Highway and to restore Cheonggye Stream faced strong opposition from a group of people who owned small stores in Cheonggye Market. They had a considerable amount of economic loss at stake. First of all, a high level of inconvenience interrupting their commercial activities was

unavoidable once the demolition work began. Louder noise and a greater deal of dust from the construction site were expected during the construction work. More importantly, the demolition of Cheonggye Highway meant a significant reduction in traffic lanes, which would result in severe traffic congestion in the area as well as a serious shortage of parking spaces for customers of the stores in Cheonggye Market. The traffic and parking situation in market was already so terrible that many small stores used a part of the traffic lane as parking spaces for their customers. Also, most of the stores used side lanes for uploading and offloading products every day. Thus, the reduction of traffic lanes was directly associated with a high level of inconvenience that both small business owners and customers of the market who come from all over the country were expected to suffer.

Another important problem was that there was a rumor, unverified but very likely, that Sewoon Mall and its immediate neighbor stores, which specialized in electric devices and industrial machines, would also be taken down after the stream restoration was completed as a bigger part of the inner-city redevelopment plan. It was only a rumor and was not confirmed by city government authorities at that time. Yet, the news media talked about an eviction plan being highly possible as the area turned into an international financial district. There was strong sentiment among the merchants that it would come true once the construction work began. Dislocation of the whole market for electric device and machinery tools in the near future not only negatively affected the sales of related stores but also implied that the merchants would lose the high premium they had paid for a prestigious location in the nation's largest wholesale market when they rented the stores. Usually they got paid back the premium when the store was rented out to

another person. However, with the rumor that the whole market would be shut down, no one would start a business in the area. This state of affairs meant a complete loss of the premium, which often far exceeded US\$100,000, for the existing business owners.

However, what concerned the small business owners in Cheonggye Market the most was the fear of losing the unique business climate of the market, which would lead to a considerable decrease in commercial power as the largest wholesale market in the nation. The diverse industries and businesses in Cheonggye Market were so organically connected to each other that a loss of one part would inevitably result in the loss of another part. For example, if a market for electric parts and devices is having difficult times, it would negatively affect small restaurants nearby as well since it would have a negative influence on the industrial machinery business, which often needs electric parts in the assembly process. Therefore, the small business owners as a whole in Cheonggye Market were largely concerned about the potential decrease in the power of the market, even though the degree of negative impact of the restoration project varied depending on the type of business that they had.<sup>23</sup>

The economic stake in the stream restoration project by the street vendors in Cheonggye Market was even larger than that of the small store owners, and the opposition from them was fiercer. These were people who barely sustained a hand-to-mouth existence by selling simple food stuffs, such as tea and sandwiches or secondhand goods that they could collect from anywhere, in Cheonggye Market. However, street

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<sup>23</sup> For example, the garment and shoes industry was to have relatively low level of negative impact because it was assumed that the increased number of tourists in the area after the stream restoration was completed would contribute to increase in retail sales despite possible decrease in wholesales.

stalling is an illegal activity in Seoul and the city government made it clear that street stalling would not be endured in the area after the restoration work was finished. This pronouncement clearly meant a deprivation of the means to survive for 30,000 street vendors in the area, and it caused one street vendor to burn himself out of great despair for the future.

#### **b) Civil society organizations**

One of the major goals of the stream restoration project was to create a clean and sustainable living environment in the downtown area of the city while increasing a sense of local identity among the citizens. A green walking path along the restored stream was also expected to provide citizens with a space for outdoor activities. This project had a symbolic significance that the city government had finally shifted its policy focus from “economic growth first,” which haunted the whole nation for more than three decades, toward “quality of living” for its citizens. This repositioning was the chief reason many civil society organizations as well as academic societies, welcomed the stream restoration idea in principle.

Yet the mutual agreement between civil society organizations and the city government about project’s principle came to an end when the disparity emerged. A gulf of difference became apparent as specific details of the project were planned, including how the natural stream ought to be recovered and how and where the historical bridges and sites should be restored. Moreover, discontent and complaints of civil society groups grew as elite bureaucrats from the city government dominated the project planning process in which important decisions were made, despite the mayor’s promise that the

city government would put forth its best effort to reflect the voice of citizens and civil society groups in the stream restoration project.

The major concern of the civil society organizations, especially many environmental NGOs, was to restore Cheonggye Stream to its natural form as close as possible, which emphasized a sustainable restoration. This goal was important because Cheonggye Stream was originally a dry stream that didn't have enough water flow at most times but tended to overflow during the rainy season, the summer. This situation meant that it was also necessary to restore and to connect a number of small streams in the upper part of Cheonggye Stream, and then save the water and channel it to Cheonggye Stream to maintain a proper amount of water in the waterway. Besides, it was necessary to build a number of rain storage systems in the base of buildings near the stream in order to control any overflow of the stream in the summer (Cho, 2005). However, this type of stream restoration indicated a much longer time for preparation and construction as well as a much larger budget.

Other civil society organizations with special interests in urban history and architecture insisted that careful investigation for cultural properties, mainly parts of historical bridges, under Cheonggye Road should precede the stream restoration work, as it was highly likely that valuable historical ruins could be destroyed in the process of construction work. Moreover, they argued that any bridges excavated should be restored in their original locations in the stream. Placing the bridges in their original spots was also closely related to recovering the stream to its natural form, because the width of Cheonggye Stream varied greatly. Accordingly, the bridges lengths also varied. This

inconsistency suggested that if the structures were placed in spots other than their original ones, they would not fit.

The most important issue of the civil society organizations, however, concerned the way in which project design decisions were made. They believed that what the restored stream and its neighboring area would look like should precisely reflect what the citizens wanted from the project. Thus, the project design process should allow and encourage broad and active citizen participation.

Even though the city government also pursued the same objective of restoring the natural stream and recovering its cultural properties, the plan could not help being modified and downgraded in the face of practical challenges: limited time and material resources. The more crucial issue for the city government was the lack of time. The city government of Seoul was determined to complete the restoration within Mayor Lee's office term. During the project planning process and negotiations with interest groups, the task force team strongly insisted staying on the construction schedule already set. The demolition work of Cheonggye Highway was scheduled to start on July 1, 2003, after only one year of planning, and was to be completed in September, 2005.

The city government's stubborn position starting the project on a scheduled date was the greatest obstacle to incorporating the demands of both small business owners in Cheonggye Market as well as civil society organizations. First of all, a one-year planning period was simply not long enough to collect different voices and to negotiate the varied interests among the related actors. That time did not allow a direct interest group such as



small business owners to measure the full negative impact of the project on their businesses and to come up with proper alternatives to address the problems. One year is not enough time for civil society groups to conduct necessary investigation on historical ruins under Cheonggye Road and make demands for their proper restoration. Secondly, the time constrictions strongly discouraged any discussion or suggestions that could delay the project construction period on the planning table. Thus, it was inevitable that the demands and voices of the merchants and civil society organizations were largely ignored, unheard, and unrealized in the project outcome.

### **3) PROJECT MOBILIZATION**

The key to successful completion of a large-scale public undertaking such as Cheonggye Stream Restoration Project lies in the capacity of the local government to mobilize required financial and organizational resources and to gain support from related social groups that could oppose the project. The lack of financial and organizational capacity is the greatest challenge of urban governments in providing proper public services to citizens in developing countries (National Research Council, 2003).

The Seoul metropolitan government took an interesting strategy to finance the stream restoration project: First, utilize public finance for the stream restoration project and second, attract private investment in the redevelopment of the neighboring area. The stream restoration project alone was estimated to cost more than US\$ 300 million.

To raise the funds, the city government was able to divert US \$ 100 million, allocated for

repair work of Cheonggye Highway, and another US\$ 140 million, assigned to build a new city hall. The rest was filled by minimizing other government expenditure according to the public hearing record of the Cheonggye Restoration Project (Seoul Metropolitan Government, 2003). In this way, the restoration project was solely funded by the city government's budget. Yet, it is important to know that not all local governments in Korea were able to mobilize this much funding. It was only possible because the city of Seoul had the most local tax resources among cities and regions in Korea. The level of local fiscal independence of the Seoul metropolitan government reached 95.9 percent, while the average for local governments in all other cities and regions in the nation was only 56.3 percent in 2003 (Local Financial Open System, 2008). Secondly, the city government expected that both international and local capital would be interested in investing in the redevelopment of the inner-city area after the stream was restored.

After the financial problem was solved, the city government concentrated its efforts on organizing a system to plan and implement the project. As a result, a special system was constructed within the city government that consisted of three parts (called the triangular project system): the Task Force Team, which was mainly responsible for carrying out the project; the Research and Development team, which assisted the Task Force Team with required investigation and research; and the Citizens Committee, which made decisions about project planning and evaluated the project process (Figure 9.7).

The Task Force Team was headed by an architecture professor at Seoul National University, Yoon Jae Yang, and had 43 public officials. The team had two parts: administrative support and technical support. Administrative support dealt mainly with

citizen requests. Its work included releasing relevant information about the project planning and implementation process to the public, negotiating with people in the affected communities and others. Technical support was to work out the civil engineering-related problems, such as demolition of the highway, flow of the water, and laying out the pedestrians (Hwang, Byeon and Na, 2005).

The research and development team was headed by a senior researcher from Seoul Development Institute, Hwang Gee Yeon, and 58 researchers (18 of them with a doctoral degree in a related field) were assigned to the team. The R&D team worked as a think tank for the projects as it conducted necessary research and had to come up with ideas of how to restore the historical sites, whether monetary compensation for merchants in the neighboring area was possible, and how the inner-city redevelopment should be directed after the stream restoration project.

A Citizens Committee, made up of 112 members of ordinary citizens, but largely experts and public officials, was also organized as part of the project system. This committee was the organizational channel through which citizens could participate in the project planning process, as its main role was to take the opinions of the citizens who were interested in the project and then direct the project in a way that reflected their opinions. Yet, what is new and unique about the approach of the city government to this stream restoration project is that it was assigned the power to decide directions and details of project planning and to evaluate the whole project process. This capacity clearly distinguished Cheonggye Stream Restoration Project from other public projects conducted by national or local governments in the past. There had been many committees

composed of ordinary citizens but their role was limited largely to advisory entities with no decision-making power at best or to nominal entities with no influence in the planning process at all. The Cheonggye Stream Citizens Committee played an active role in pressing the city government to be more attentive toward the demands of various citizen groups, but it also faced a serious limitation in its activities as a project decision-making body. I will discuss in detail the roles of the Citizens Committee as well as its achievements and limitations in the following section.

It is important to know that the triangular system of the project depended principally on the city government organization under the leadership of the mayor, Myeongbak Lee.

The small-business owners in Cheonggye Market, whose direct economic stakes in the project were the greatest, also organized merchant associations to mobilize themselves for collective action. Cheonggye Market Protection Board and Association of Apparel Stores are examples of those merchant organizations which actively launched a collective struggle against the project.<sup>24</sup> Yet, they were not very successful in mobilizing effective collective action among the small-business owners in Cheonggye Market. The single most important reason for the ineffectiveness in mobilizing collective actions is that the project began much sooner than expected. Small-business owners didn't have enough time to think about their specific demands or how they would pressure the city government to realize them, because the project started within a year after Mayor Lee took office.

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<sup>24</sup> The activities of these organizations will be discussed in detail in the next chapter (Chapter 10).

Political apathy of the merchants made this situation worse. During the mayoral election period, many merchants in Cheonggye Market believed that the public proposal of Cheonggye Restoration Project was one of those empty pledges that would never be realized. Even when the city government organized a special project team and the mayor promised to begin construction work within a year, they didn't believe that it would be possible to do it against the opposition of the merchants. Thus, the merchant organizations viewed the project as something that was really going to happen and began to respond to it only when there were less than seven months left before the project commencement.

Moreover, merchants were denied participation in the Citizens Committee even though they wanted to join in. This rejection was especially significant because they were deprived of any official way to affect the planning process, as well as denied the means to build a coalition with civil society organizations, which participated in the Citizens Committee, to strengthen their power.

The situation of the civil society organizations was more complicated than that of the merchants. In the beginning, unlike the merchants who were officially excluded from the project-design process, civil society organizations were invited to play a significant role in the Citizens Committee, the decision and evaluation entity of the triangular system for the project, by the city government. Clearly, the city government took the civil society organizations as a coalition partner to accomplish the project, since it recognized their increasing power based on popular support by the middle class as well as by intellectuals. However, the power of the civil society organizations in the Citizens Committee was very

limited for effective work to pursue their interests mainly because the city government resisted giving the real decision power to the Committee as well as it effectively ignored the its decisions and recommendations. There were also problems within the Committee. The committee was an exclusive expert group mostly composed of professors and public officials so it had internal limitation to work as an organization that represented wider citizen opinions. Moreover, the members of the committee were not also fully aware of the power and the roles of the committee. (The limitations of the Citizens Committee are discussed in more detail in the next chapter.) Thus, after recognizing their limitation within the Citizens Committee, some civil society organizations resigned from it and reorganized themselves to change the actions of the city government. They established an NGO coalition to struggle against the city government that carried out the project unilaterally. They also tried to build an alliance with small-business owners and street vendors who were excluded from the committee. It was too late, though, to make any significant difference in the end result. The roles and activities of the Citizens Committee in the Cheonggye Stream Restoration Project are discussed in the following chapter.

In summary, the city government had the resources and power to push forward its own agenda for the restoration project, while other actors had a hard time mobilizing themselves for many different reasons. Thus, it is not hard to imagine whose interests were mostly realized in the outcome of the project. The following section explains some of the alternatives and the real consequences of the project.

#### **4) ALTERNATIVES AND CONSEQUENCES**

Although there was not enough discussion concerning alternatives to the stream restoration project because other major interest groups were neither able to formulate their own demands clearly nor pressure the city government, there were certainly different options to address the problem of the worsening physical conditions of the inner-city area, including the increased public safety risk of Cheonggye Highway and Road.

One alternative was to do nothing at all besides the repair work already scheduled for Cheonggye Highway. Even though the highway became old and needed expensive repair work, it had served well as a main artery of the city. More than a hundred thousand cars used the highway until its very last day of service. Moreover, the inner-city area covered a vast area of land with 60,000 well-established businesses. Given the scale and complexity of businesses in Cheonggye Market, waiting for nature to take its course was one viable option. This plan was what the other mayoral candidate, Minseok Kim, suggested during the election. Yet, it was dismissed when the election was won by Mayor Lee.

Another alternative was to take more time to produce a comprehensive plan for the stream restoration and the inner-city redevelopment on which different groups of people could reach a consensus. This option is very similar to the first one, but different because it acknowledged the necessity and urgency of something to be done in the inner-city area. But stressed it was more important to give opportunities to the people who have direct or indirect interests in the project for expressing their concerns and demands, for

discussing and negotiating possible alternatives, and for finally coming up with the best solution to satisfy the majority. This method was what most merchants and civil society groups strongly insisted upon. Particularly, many of the merchants also realized that the physical environment in the Cheonggye Market area was getting degraded quickly and agreed something needed to be done to boost the declining inner-city economy. However, they wanted to have official channels to express their voices. They felt that their demands should be heard and included in the final project outcome. Nevertheless, it didn't happen. The city government only began to communicate and to negotiate with the small business owners after the project master plan was conditionally approved by the Citizens Committee, which left little room for the interests of the merchants to be realized. Moreover, the city government did not have any intention of delaying the project work later than the date already set. That was what happened despite strong opposition from merchants associations and civil society organizations.

A third alternative concerned how Cheonggye Stream should be restored based on the assumption that the project was actually taking place. Professors and environmental NGOs argued that the natural waterway of Cheonggye Stream should be restored in connection with its original parts so that an adequate water flow could be secured all year long (Cho, 2005). In this way, it would truly re-naturalize the stream and eventually restore the natural eco-system in Cheonggye Stream. However, this plan was not realized either. Cheonggye Stream that currently flows in the middle of downtown is closer to an artificial stream than a naturally restored stream because the water is electronically pumped from a couple of reservoirs in the Han River, which costs US\$ 2,380 per day to



maintain the flow. The natural Cheonggye Stream still runs polluted and dirty underneath the artificial stream created as a result of the project (ibid.).

A fourth alternative was related to rebuilding historical bridges over the stream. There were 25 stone bridges over Cheonggye Stream before it was covered with concrete. Most of them were built during the Chosun Dynasty, and they were precious historical remains which would show the history of urban planning and the science of civil engineering during the Chosun Dynasty. Thus, experts in cultural heritage, civil society organizations, and the Citizens Committee demanded a thorough excavation before the stream restoration work. Also, they insisted on placing the remnants of two historical bridges, Gwangtong and Soopyo, found by the excavation at their original places. Yet, Gwangtong Bridge was restored at a different location from its original because the width of Gwangtong Bridge didn't fit and a replica of Soopyo Bridges was built on its original site instead of installing the real one. Remnants of other bridges were also found, but they were not even considered for restoration because the city government didn't want to spend any more money or time on them (Byeongwoo Hwang, 2005). To make matters worse, many were discarded or damaged in the process of the waterway construction. In response to this, civil society organizations sued the mayor for destroying cultural heritages in 2004.

The project of Cheonggye Stream Restoration was completed on October 1, 2005. Newsmedia domestic and abroad released a barrage of praise about what the city government had accomplished, including Discovery Channel calling it a "Man-Made

Marvel” (2005). As intended, a number of various exhibitions and street performances are held along the bank of the stream, attracting 150,000 visitors every day (Associate Press, 2005). This proves that the restored Cheonggye Stream area clearly provides an open space with cultural opportunities where citizens of Seoul enjoy their free time. The environment in the neighboring area has also been improved according to the city government. Overall, air pollution shows a decreasing trend with a significant drop in the level of toxic gases. The heat island phenomenon often observed in the Cheonggye Stream area in the summer has been mitigated because the temperature went down by three to four degrees centigrade due to the water flowing in the stream and the wind blowing faster than before.

The stream that was restored to flow, however, is not even close to what the natural stream was. For the sake of construction convenience, the waterway was made straight at a fixed width and depth. Every day, 98,000 tons of water are being pumped from reservoirs in the Han River and nearby underground subway stations. Every day, US\$ 2,380 is being spent only on the electricity usage to maintain the water flow of the stream. This situation is far from restoring nature or being sustainable. Moreover, none of the historical bridges were restored over the stream either, except for Gwangtong Bridge, which was replaced slightly above its original location. Twenty three bridges were constructed over the stream. Yet, all of them are newly built to resemble the original ones even though remnants of many of the original were found during the excavation. The demands of the civil society organizations were almost completely ignored in the end

product of the stream project. This result is also contradictory to what the city government promised to accomplish.

The urban renewal plan for the neighboring inner-city area is also developing full scale following the completion of the stream restoration project against the wishes of merchants in Cheonggye Market. Sewoon Electronic Mall is scheduled to be taken down and replaced by a high-rise office building and shopping malls. Dongdaemoon Stadium, used by street vendors displaced from Cheonggye Road as a flea market, will be turned into a park (Hangyere Daily, 2007). It is only a matter of time until more and more office buildings for producer-service industries and expensive restaurants and shopping malls will be constructed along Cheonggye Stream.

### **3. Summary**

Cheonggye Stream was an integral part of ordinary people's lives in Seoul until the nineteenth century as it marked a cultural and social boundary between the rich and the poor in the city. The bridges over Cheonggye Stream which connected the geographic and social differences between the two. During the Japanese occupation and the Korean War, the stream provided shelters for the urban poor. However, the stream was covered and a huge concrete structure of the Cheonggye Highway and Cheonggye Road replaced it. Even though a number of poor people in the area had to be evicted, they had no power over the decision made by the authoritarian developmental state. Three decades later, a local government decided to break down the concrete structure, restore the natural stream, and redevelop the surrounding area with ambitious goals of transforming the old

city area into an international financial center as well as bringing nature and history back into the lives of citizens in Seoul. Yet, this time, the small-business owners in Cheonggye Market with direct economic interests raised their voices and concerns against the local government and organized actions, and tried to make their voices heard in the decision-making process of the project and to make real changes in the outcome. Civil society organizations which already had a considerable power over shaping public policies, also hoped to be recognized as a partner to the city government with real influence over their actions. However, the project ended and most of the demands of the merchants and civil society organizations were not reflected in the outcome.

With all the glamour of artistic performances and night lights of restored Cheonggye Stream, it seems that it is not important anymore that there were other alternatives that would have made the stream more naturally sustainable and the small business owners and street vendors of Cheonggye Market less affected by the project if only the city government had been more receptive to the demands and interests. What appears to matter is what there is now, even though it was not what was promised.

Does this consequence suggest that nothing has changed in the process of urban policy making in Seoul? Despite the democratization and decentralization of the national political system as well as increasing external pressure for greater citizen participation in policy making, have citizens of Seoul gained nothing more than voting power to elect the heads of national and local governments? To answer these questions, it is crucial to know what, exactly, happened in the decision-making process of the project and why the voices of citizens were not effectively realized in the outcome.

Figure 9.1: Life in Cheonggye Stream in the Past



Women washing clothes along the stream  
Source: *Seoul Metropolitan Government*

Shacks of the urban poor after the Korean War

Figure 9.2: Cheonggye Highway and Road



Cheonggye Highway and Road in the 1980s

Cheonggye Highway and Road before the restoration

Figure 9.3: Map of Cheonggye Market Area



Figure 9.4: Markets in Cheonggye Stream Area



Sewoon Electronics Mall

Pyeongwha Garment Market

Figure 9.5: Street Vendors in Cheonggye Market Area



Figure 9.6: Poor conditions of inner-city buildings in Cheonggye Market Area



At the back of Sewoon Electronics Mall



From the top of Sewoon Electronics Mall

Figure 9.7: Triangular System of the Cheonggye Stream Restoration Project

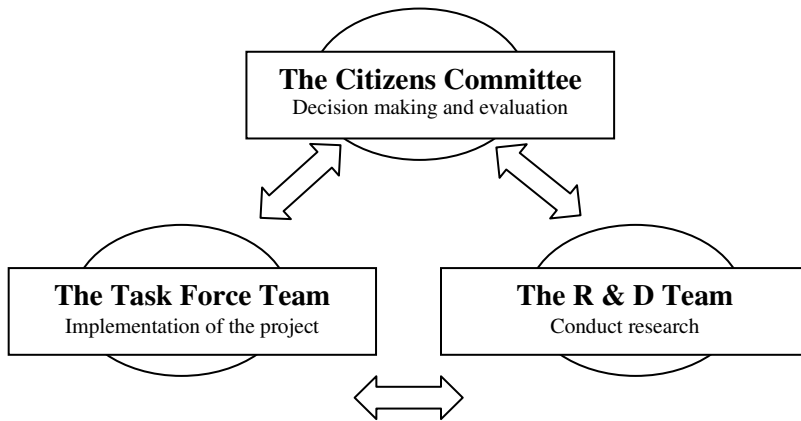




Figure 9.8: Restored Cheonggye Stream



*Cheonggye Stream*

*Exhibition and street performance along the Cheonggye Stream*

Table 9.1: Plans for Inner-city Economy Revitalization after Cheonggye Stream Restoration

<p>1. Fostering suitable conditions for foreign business people</p>	<ul style="list-style-type: none"> <li>* Designation of a part of the Cheonggye Stream area as a foreign investment promotion zone providing tax benefits and one-stop service related to business authorization or approval</li> <li>* Establishment of a prestigious foreign school for children of the potential investors</li> <li>* Fostering a community for foreigners and support for the investors' spouses to get jobs</li> <li>* Operation of the Seoul International Business Advisory Councils and the Foreign Investment Attraction Council</li> <li>* Formation of a 630-meter-long information/communication center, Digital Media City</li> <li>* Promotion of international events</li> <li>* Promotion of public transportation in the down town area</li> </ul>
<p>2. Fostering business-conducive conditions</p>	<ul style="list-style-type: none"> <li>* Financial support to small- and medium-enterprises with technological expertise</li> <li>* Establishment of the Seoul Business Center</li> <li>* Expansion of buildings equipped with high information and communication technologies</li> </ul>

Source: Seoul Metropolitan Government

Table 9.2: Seoul Metropolitan General Urban Planning 1997 and 2000

	<p style="text-align: center;"><b>General Urban Planning 1997</b></p>	<p style="text-align: center;"><b>General Urban Planning 2000</b></p>
<p style="text-align: center;"><b>P o l i c y G o a l s</b></p>	<ol style="list-style-type: none"> <li>1. Public safety</li> <li>2. Convenient transportation system</li> <li>3. High-quality living environment</li> <li>4. Rich urban culture</li> <li>5. Balanced intra-regional economic development</li> </ol>	<ol style="list-style-type: none"> <li>1. World city that leads East Asian economy</li> <li>2. City with rich culture</li> <li>3. Environmentally friendly city</li> <li>4. Welfare city</li> <li>5. Capital city after national unification</li> </ol>

Source: Urban Planning Bureau, Seoul Metropolitan Government

## **CHAPTER 10: OPPORTUNITIES AND CHALLENGES OF CITIZEN PARTICIPATION IN URBAN POLITICS IN KOREA**

### **1. Citizen Participation or Citizen Exclusion?**

As shown in the previous chapter, demands of the merchants as well as of the civil society organizations were not realized in the end result of the project. How and why did this happen? To answer this question, we need to know what kind of specific roles the Citizens Committee were supposed to fulfill as the main organizational machinery for citizen participation, and how and why its roles and activities ended up with little success. It's also important to understand why and how important interest groups such as the merchants in Cheonggye Market were excluded from the Citizens Committee, and to determine what their responses were to this as well as their activities and efforts to affect the planning process without the organizational channel to do so.

#### **1) ROLE OF THE CITIZENS COMMITTEE**

Within the triangular project system organized by the city government, the Citizens Committee was assigned the role and power to make decisions with regard the project planning, while the Special Task Force Team was responsible for implementation and the R & D Team was responsible for conducting necessary research. Specifically, defined by Local Ordinance 4032, the committee was supposed to perform four roles: (1) discuss and make project-related decisions, (2). evaluate the project, (3). Conduct project

research and surveys, and (4). listen to demands of diverse groups related to the project and keep them informed about the process (Seoul Local Council, 2003). Since a citizens committee in a public project was usually advisory, the Seoul City Government asked the city council to legislate a special ordinance to assign decision-making power to the Citizens Committee for Cheonggye Restoration Project. Thus, in principle, it was citizens of Seoul who had the power to make decisions regarding the design and implementation of the project through the mechanism of the Citizens Committee.<sup>25</sup> However, there were practical obstacles for the committee to be able to function as the mechanism of direct citizen participation in the project.

First of all, the way in which the Citizens Committee was composed was peculiar enough to raise serious doubt about its ability to represent the true voices of ordinary citizens. There were six subdivisions within the Citizens Committee: history and culture, environment, construction and safety, transportation, urban planning, and citizen opinions. These subdivisions were responsible for making decisions and evaluating detailed plans related to each specialized area of the project. For this reason, people with specialized knowledge and/or experience in a related area were preferred in the selection process even though the membership was open to anyone interested in the project who wanted to participate. This unofficial restriction on the membership produced an exclusive committee of experts and public officials. As table 9.3 shows, a majority of the

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<sup>25</sup> The City Government intended to show citizens that it took political changes toward more direct citizen participation seriously by giving the decision making power to the Citizens Committee. Nonetheless, there seemed to be disagreement over the legal status of the Citizens Committee as a decision-making entity as the Task Force Team believed the committee had only advisory role and it was their role to make decisions. Even the members of the Citizens' Committee didn't seem to have clear idea of what their status and roles were (Cho, 2005, Partk, 2006, White Paper, 2006). This point will be discussed in the next chapter.

committee members were either public officials (including current Seoul Metropolitan officials, formal public officials, and current researchers at Seoul Development Institute) or university professors and experts. NGO leaders accounted for only 16 percent of the total members. A more disturbing fact is that representatives of the small- business owners in Cheonggye Market were denied to participation on the committee because they were considered lacking in expert knowledge. In addition, the committee was co-headed by the mayor, Myeongbak Lee, and by a renowned professor of Seoul National University, Sookpyo Kwon. Thus, it is highly questionable whether this committee could function as a system that represented the demands of ordinary citizens.

Despite its compositional limitation caused by membership dominance of public officials and experts, the committee tried its best to accomplish its functions as an organization that represented citizens' voices and to incorporate them in the project design. It had a regular meeting once every two weeks to discuss various issues until Cheonggye Highway demolition work began on July.1, 2003. It also organized a public hearing and a workshop through which ordinary citizens and public officials openly shared project-related information and discussed opinions and concerns. It also arranged informal meetings with leaders of small -business groups, as well as with leaders of civil society organizations.

The role and activities of the Citizens Committee were particularly important in bridging the city government with merchant groups and civil society organizations that didn't participate on the committee. Since the merchant representatives were not included on the committee, they had no communication channel to express their voices to the city

government. This enforced silence caused substantial worries and frustration from the merchants. Being aware of this, committee members were willing to serve as a channel to deliver the merchants' voices to the city government until a Policy Council, a direct meeting between merchants and city government, was organized in February, 2003. As a part of the effort, the merchant leaders were invited to the regular committee meetings a couple of times and the public hearing session was organized mainly to give the merchants a chance to know the project better and to share their concerns with city government officials. However, the committee limited its role to a simple connector of the two conflicting parties, merchants and city government. The committee left any decisions in their hands because it was afraid it might look as if they were defending the special interests of the merchant groups rather than the public interest of the citizenry as a whole.

The committee took a more enthusiastic position in pressing the course of action by the city government when it dealt with the issues of restoring historical properties along Cheonggy Stream, even though it was not very effective. When the city government task-force team pushed forward the construction of the stream waterway without an excavation of historical heritage, the History and Culture subdivision insisted and a careful excavation was made afterward. When the remnants of Gwangtong Bridge, Soopyo Bridge, and Five Watergates Bridge were found through the excavation, the city government explained that it was impossible to restore them due to practical engineering difficulties. Yet members of the Citizens Committee established the feasibility of bridge restoration despite difficulties. Therefore, the committee decided that Soopyo Bridge and

Five Watergates Bridge should be restored at their original locations, while Gwangtong Bridge should be restored in a location slightly up from the original location, largely reflecting the demands of civil society organizations.

The second obstacle of the Citizens Committee was that its decisions in the planning process, already limited, were not realized in the implementation stage. The activities of the Citizens Committee almost ended abruptly after it conditionally approved the project master plan prepared by the Task Force Team, thus allowing the demolition of Cheonggye Highway to commence on its scheduled day, the first of July. The committee received the master plan from the city government on January. 9, 2003, and examined it exhaustively for two months. There was enough cooperation between the Citizens Committee and the Task Force Team regarding safety issues in the Cheonggye Highway demolition. However, the History and Culture subdivision doubted there had been enough investigation of the historical ruins and methods to restore them, and asked for a delay of the demolition start day. The Citizens Opinions subdivision also argued that parking-shortage problems for customers of Cheonggye Market and the strong resistance of small- business owners required still further work before the actual construction began (Noh, 2005).

Yet the city government strongly insisted on keeping July first as the beginning day of demolition, and their rationale was that the serious condition of Cheonggye Highway might endanger the public safety of Seoul citizens. The city government argued that it was possible to make changes in the master plan depending on further research

during the demolition work, which would come before the real stream restoration work. Moreover, it was also possible to revise the basic design even during the construction, as the Fast Track construction method was employed enabling design and construction to take place simultaneously (Noh, 2005; Hong, 2006). Therefore, the committee finally agreed with the city government and approved the master plan, under the condition that changes could be made in the plan later depending on the results of further investigation on historical ruins and surveys of citizen opinion.

However, the committee activities suddenly faced a lack of support from the city government after conditional approval of the master plan. Many activities, including other public hearings and research that the committee planned and requested from the city government during the year 2003, were never realized after demolition began. Only two more regular meetings, one with NGO leaders, were held in the period between the conditional approval and the start of demolition. Much criticism about the plan and demands for changes emerged during the meetings in the hope that they would be reflected in the plan. Yet no change was made.

After many fruitless efforts to ask for revisions of the basic plan and construction design, the committee refused to pass the final restoration plan on March 12, 2005. Yet the construction continued. The chair of the committee resigned from that position on June 25, 2005, and all other committee members also resigned later the same year (appendix 2). Even though another group of people comprised the second Citizens Committee, their roles were very limited and negligible.



In summary, the Citizens Committee failed to perform its functions, even though it was organized to be more receptive to what the citizenry said about the project and it had the legal power to decide based on it. To be more precise, it had the power to decide over the planning process to some extent but its decisions were never realized in the implementation stage, which was carried out by the Task Force Team in the city government. Therefore, the case of the Citizens Committee for the Cheonggye Restoration Project joins many other episodes of citizen participation in other developing countries that fell short of the practical effectiveness.

## **2) RESPONSES OF SMALL -BUSINESS OWNERS**

It was the small business owners who had the most economic stake in the Cheonggye Restoration Project. For them, the project meant a substantial business loss due to reduction in parking and loading spaces, a serious damage in the unique business climate of the market, and even potential loss of the business as a whole after the project completion. For this reason, they were the ones whose concerns and interests should have been considered the most during the project planning process. Yet to our surprise, they were excluded from the decision- making process, which caused deep frustration and discontent throughout the project period.

There were two reasons for their exclusion in the Citizens Committee. First, the Citizens Committee was composed of people with expert-level knowledge and experience in their related subdivisions. Representatives of the merchant groups were rejected for membership on the committee as they were seen as lacking the relevant

knowledge or expertise. Secondly, there was an issue of representativeness. The Citizens Committee sought to defend the public interest in the stream project rather than a special interest. It was also difficult to include a limited number of merchants on the committee and to say that they represented the interests all the businesses in Cheonggye Market, given the extensive diversity and complexity within the market. Yet these two reasons do not explain why the Policy Council, the direct meeting between merchants and city government, was organized after the master plan was already delivered to the Citizens Committee for evaluation and approval, leaving little room for merchant demands to be reflected.

To struggle against the city government, which consistently overlooked their concerns and frustrations, the merchants mobilized themselves for collective action. Several voluntary organizations were formed to protect the interests of Cheonggye Market merchants. Among them, the Board to Protect Cheonggye Market and Association of Apparel Stores were the most active. The former represented mainly the interests of electronic parts and machinery stores, and the latter was for the interests of garment and shoe stores. These organizations carried out many activities to express merchants' voices on the project. They included conducting surveys; presenting a formal petition to the national assembly, major political parties, and national government organizations; and arranging meetings with civil society organizations and the news media to describe their situation to the general public. In the survey, they asked the business owners in Cheonggye Market whether they supported the project or not, as well

as estimated the amount of potential sales loss that would be caused by the project. In all these activities, their main goal was to stop the restoration project from being implemented, or at least to delay it. To their disappointment, the master plan was passed by the Citizens Committee with their voices not considered in the project at all.

The beginning day of the project was officially confirmed as it had been scheduled. This situation pushed many of the merchants to angry street protests (Choi, 2006).

When the Policy Council was organized after the approval of the project master plan and merchant representatives came to the negotiation table with the city government, the hopes of merchants to stop the project were already quashed. Taking the project as something unavoidable, the merchant organizations came up with more practical demands. Among them, four issues stood out as most critical: (1). providing monetary compensation for potential business loss,(2).minimizing traffic congestion in the area during the project and providing additional parking space, (3).monetary and organizational support to vitalize Chenggye Market during and after the project, and (4). creating an alternative market area for stores to move to (Park, 2006; Seoul Metropolitan Government, 2006). Unfortunately, the city government set a principle of “no monetary compensation” for merchants, as it had already consulted with legal experts on the issue. Therefore, five meetings of the Policy Council ended in vain, only confirming the unbridgeable differences between the two parties.

To make matters worse for the merchants, a chasm emerged within the merchant organizations during these five meetings with the city government. Through the meetings, which showed the tough position of the city officials toward the merchant demands, some

people who had thought about moving out of the market after the project realized that it would be best for them to take what the city government suggested instead of getting nothing at all. So they were willing to agree with the city government under the condition that the city would provide them with financial and organizational support for relocation, while others who wanted to stay in the area continued the struggle. Some merchants took the measures that the city government proposed, but the momentum for collective action was lost and the struggles of the other merchants could not be continued anymore.

However, the offers made by the city government were far from satisfactory to the merchants, both those who wanted to move out and those who wanted to stay. As we can see from table 9.4 summarizing the merchants' demands and the city government's responses, there are few responses that meet the demands of the merchants in a concrete enough manner to better the situation except for plans to minimize traffic congestion and secure two traffic lanes for loading space. The chief official of the merchant negotiation team mentioned that the merchants in Cheonggye Market made a huge sacrifice for the public good (Park, 2006). The more serious problem was that those measures were subject to change when a new mayor took office, given the urban political climate in Korea. In fact, the Task Force team that prepared these measures became disorganized by the completion of the project. It is not clear which part of the city government is responsible for keeping the promises to provide financial support for relocating businesses.

The situation for street vendors was even worse. Even though their survival itself depended on the street stalls in Cheonggye Road, they had to be evicted from the area

without any compensation because of the illegality of their survival activity. Moreover, the street vendors did not have any chance to communicate with the city government, neither being in the Citizens' Committee nor in Policy Council. Their distressed situation was not even regarded as something to be considered in the decision-making process.

For this reason, they had the most fierce and violent struggles against the city government. A street vendor burned himself to death because his stall was removed by the city government. At this event, street vendors mobilized themselves and organized a series of activities, including street protests in which more than 2,000 vendors participated, a hunger strike by leaders of the struggle, and large-scale rallies in front of city hall. There was also a violent confrontation with the city government that lasted for ten days and resulted in the arrest of ten street vendors (Choi, 2006). Despite their strong opposition and struggle, they were eventually evicted from the road and scattered around to other areas. Among them, about 950 street vendors were settled in an old baseball stadium, Dongdaemoon Stadium located at the end of Cheonggye Road, which the city government provided for them as an alternative place. However, the stadium was also planned to be demolished and replaced by a park as a part of a neighboring area redevelopment plan, according to general urban planning under the current mayor, Sehoon Oh (Hangyere Daily, 2007).

### **3) CIVIL SOCIETY ORGANIZATIONS AFTER THE CITIZENS COMMITTEE**

Unlike other public projects in which civil society organizations often had an antagonistic relationship with government organizations, Cheonggye Restoration Project started with general support from civil society organizations. In fact, the city government,

being fully aware of their power even to stop the project, eagerly employed a strategy to earn support from them: acknowledging them as a partner to the project and incorporating them in the Citizens Committee, the decision-making part of the project.

However, the partnership didn't last long. First, there were only 19 leaders of civil society groups, while there were 23 public officials out of 116 total committee members. Secondly, the recommendations and decisions of the Citizens Committee kept being rejected by the Task Force Team. In the end, when conditions under which the committee passed the master plan by the Task Force Team were not met, it was obvious that nothing could make the city government listen to the committee's decisions. With great disappointment and frustration, all members of the committee resigned.

Having expected that the Citizens Committee would work as the means to recognize their demands, there was no need for civil society organizations to seek any collective action. Yet realizing the Citizens Committee didn't have any real power as it was designed, and thus the way in which the project was being planned and implemented was quite different from what they anticipated, they had to reconsider how they could push their project agenda more effectively.

The first strategy was to establish an NGO coalition, including several major national nongovernmental organizations, and to act collectively.<sup>26</sup> They also publicly announced a declaration of one hundred socially well-known people to demand that city government change the course of its action in a way that truly empowered citizens and civil society in the project- planning process (Declaration of One Hundred, 2003). It was

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<sup>26</sup> The NGO coalition included Citizens Coalition for Economic Justice, Green Korea, Space NGO, Cultural Action, Korean Federation for Environmental Movement, Citizens Coalition for Environmental Justice, Laborer's Political Party, and Jeon Tae Il Organization.

interesting that many of them who supported this declaration were also members of the Citizens Committee.

Secondly, civil society organizations realized the necessity to build an alliance with small-business owners and street vendors. Before, they had been reluctant to work with special-interest groups, since they were more focused on broader issues such as restoration of the environment and history for the general public (Myeong Rae Cho, 2003). Nonetheless, the continuous ignoring of the Task Force Team of the decisions of the Citizens Committee made them consider the special-interest groups as strategic partners in a stronger coalition against city government. The academic societies also joined the coalition by having academic conferences that suggested methods to restore the stream in a more environmentally friendly way without damaging historical ruins, and that discussed the unbalanced social costs and benefits of the restoration project (ibid.).<sup>27</sup>

Despite the effort to build a coalition encompassing many civil society groups, special interest groups, and scholarly societies against the civil government, there was not much room left for them to make a significant impact after the actual construction work began in the summer of 2003.

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<sup>27</sup> Korea Planners Association, Korean Society of Transportation, and Korean Society on Water Quality, Korean Society of Eco-Sociology were particularly active in discussing environmental and social problems and solutions of the restoration project.

## **2. Limited Opportunities and Challenges for Urban Politics in Korea**

### **1) GROWING COMPLEXITY AND DIVERSITY IN URBAN POLITICS IN KOREA**

The Cheonggye Stream Restoration Project shows the increased diversity in the interests of actors involved in an urban public project as well as the increased complexity in the planning process in Seoul. This state of affairs marks a clear difference in urban politics from the past, when the single most important goal of any urban policies was to promote national economic development with only one actor having the power to mobilize and allocate necessary resources to accomplish that goal: the national government. Under the authoritarian government, this undemocratic process of urban policy making had to be endured. The voices of the people were silenced either by violent responses from the government or by improved living experiences at a general level.

However, this simple situation has been dramatically altered with political changes in the nation caused by global and internal pressures for political democracy, which resulted in the multiplication of actors involved in the decision-making process of national and urban politics. An increase in the number of actors with different interests, different levels of power to mobilize resources, and different types of power to affect different stages of the project process implies continuous conflicts among the actors at each stage of a public project from initiation to the end of implementation. And the Cheonggye Stream Restoration Project clearly shows the constant conflicts of different actors with different power and resources utilized in different stages of the project. It also shows how the conflicts can be resolved and/or terminated, depending on the level of resources and power that each actor possesses.



**a) Framing stage: Economic globalization and global democracy as ideological background**

At a framing stage of the Cheonggye Stream Restoration Project, the ideology of economic globalization with an emphasis on the growing competition among world cities to attract international capital shaped the project publicly, as discussed earlier. Even though there were other issues, including worsening physical conditions of the Cheonggye Highway and Cheonggye Market, the principal reason to restore the stream was to transform the whole inner-city area into a global financial center and to provide an attractive environment where the international elite want to work and live. Interestingly, the ideologies and languages of economic globalization and global-city theory were adopted by the Seoul city government with more enthusiasm than by any other actors in the project. For this reason, both national and international capitalists who are often deeply involved in urban redevelopment projects didn't even have to be organized to push their agendas and interests in the case of the Cheonggye Restoration Project.

On the other hand, the importance of the democratic process in determining and planning a public project, particularly through a growing tendency toward more direct citizen participation, was also taken seriously by all actors. This propensity was particularly significant in the Korean urban political context because it provided a safe environment in which diverse actors with different stakes in the project could express their voices without worrying about political or social reprisals, mainly by the government. In fact, the Seoul city government which initiated the project not only recognized the importance of the democratic process but also constructed a governance network that incorporated civil society organizations and assigned them decision-making power through the Citizens Committee. It also had the Policy Council within the Special

Task Force Team, both to listen to and to deal with the concerns of the merchants in Cheonggye Market.

Thus, at a framing stage, economic globalization and the need for a global financial center shaped the content of the Cheonggye Restoration Project, while the growing importance of democracy influenced the procedures of how the project was planned and implemented. In other words, corporations and international capital have systemic power in the global economic system while citizens and civil society organizations enjoy different types of systemic power that derives from the global democratic system. Yet in the case of the Cheonggye Project, the local government also took advantage of systemic power from the global economy as it worked for the benefit of international capital. We need to see at an ideological level that two different systems, global economy and democratic polity, didn't crash into each other.

#### **b) Planning Stage: Different Actors, Different Interests, Different Powers, and Rising Conflicts**

However, conflicts arose among different actors as the process came to a planning stage and the differences in the specific interests of each actor and their capacity to mobilize resources became clearer. As we have seen, the specific interests of the local government, the small-business owners in Cheonggye Market, and the civil society organizations were very different from each other. The city government planned to utilize the project to boost the declining economy of the inner-city area including Cheonggye Market by replacing the old manufacturing factories and small-scale shops with office buildings for high-end service activities. The small-business owner in Cheonggye Market also wanted to improve conditions in the area while at the same time keeping the unique

commercial environment. The civil society organizations were more focused on the restoration of the natural stream and buried historical bridges rather than the inner-city redevelopment. Thus, the conflict between the city government and the merchants of Cheonggye Market became more fierce in the planning process, and the civil society organizations tried to take a mediator position between the two.

However, the city government, which already had enough financial and organizational power to carry out the project on its own, took the civil society organizations as its partner realizing their power to mobilize collective action from the middleclass that could substantially slow the process, at least if they had opposed the project. Thus, a successful alliance between the city government and the civil society organizations was built in the planning process: the triangular project system, with the Citizens Committee as a decision-making body. And this effectively left the merchant organizations out of the planning process. Excluded from the project planning system, all efforts of the merchants to make their demands heard in the process produced no meaningful outcomes. It was particularly unfortunate that the merchants lost the chance to work with the civil society organizations, given the limited resources that they could mobilize: less money, less time, and less experience to organize collective action in comparison with the other two actors.

By the nature of their business requiring the physical presence of the merchants in the stores and factories, they didn't have much time to be involved in collective actions such as attending meetings of the merchant organizations or street protests and rallies. It is harder to continue protests for a long-term period, even though they could attend several meetings.

Yet the most difficult problem for small-business owners in organizing collective action as one powerful force was a great deal of diversity in the interests of the merchants

themselves. The types of business of small stores in Cheonggye Market are quite diverse, including electric parts, industrial machines, jewelry, garments and shoes. Accordingly, the specific interests of each type of store differed to a great extent despite their general concern over short-term and/or long-term sales losses caused by the project. For example, stores of electric parts and industrial tools were more concerned about long-term losses since they were expected to move out of Cheonggye Market while stores of garments and shoes were more focused on short-term sales losses and inconvenience since they predicted their sales would increase upon the project completion. Besides, the interests of building owners and renters in Cheonggye Market were also substantially different because the building owners expected a significant increase in the value of their land and buildings, while the renters were worried about the increase in rent when the project finished. Thus, diversity among merchants raised the greatest obstacle for them to mobilize and act collectively as one powerful force against the city government.

It might have been different if the merchants in Cheonggye Market had gained support from the civil organizations with longer experience and power to mobilize collective actions in their struggle against the city government. However, the possibility was never realized, due to the clever move of the city government to incorporate civil society organizations within its organizational framework.

Yet it is disappointing that civil society organizations were neither able to represent the demands of ordinary citizens nor have any effective say in the planning process of the stream restoration project even though they were chosen as a partner to the city government, as discussed in the previous section. This inability is mainly due to the failure of the Citizens Committee as a mechanism for direct citizen participation. There

are two important reasons. First of all, the civil organizations failed to constitute the committee with members who represented the voices of ordinary citizens. The committee consisted of predominantly public officials or professors and experts, refusing membership to merchants and street vendors with direct economic interests. This composition makes for an unusual type of citizens committee. It is hard to understand any citizen committee that excludes the representatives of local residents whom the public project affects the most. It is only possible to form such a citizen committee because of the Korean social climate, which respects the opinions of highly educated people. Moreover, committee members who were not public officials didn't actively attend the regular and informal meetings, while the public officials were required to attend them. Therefore, the Citizens Committee worked as another mechanism that was directed by city government bureaucrats in a strict sense, in addition to the Task Force Team and the Research and Development Team.

Secondly, members of the Citizens Committee were not fully aware of their role and status as a decision-making body of the project, which contributed to an inability to exercise their power in reality. In the written records of the regular committee meetings, members kept discussing their status both as a committee and in related roles until the third meeting even though these are clearly stated in the local ordinance:

*“We need to establish a clear set of roles of the committee in the project in regard to negotiating with merchants, holding public hearings, reflecting general opinions.”*

-Record of first regular meeting of the Citizens Committee (10/4/2003)

*“We need to know that a local ordinance allows us all the rights to decide so we should be aware of it and fully use it.”*

-Record of second regular meeting of the Citizens Committee

(10/24/2003)

*“It is necessary to clarify the roles of the committee.”*

-Record of third regular meeting of the Citizens Committee (11/9/2003)

Yet the most important reason that the citizen committee could not function as it was supposed to was the unwillingness of the city government to take the voices of the citizens seriously.

### **c) Lingering Presence of the Developmental State**

Despite the ideological change that emphasizes a greater democratic decision-making process and corresponding institutional settings that allow for it, there is little doubt that the technocrats of the Task Force Team in the city government and Mayor Lee had the real power to dominate the whole process of planning and decision making for the Cheonggye Restoration Project. This understanding proves that the legacy of centralized, elite bureaucrat-oriented policy decision-making during the developmental state still has a strong presence in the Korean urban-planning process.

Historically, it was the state that took major development initiatives and implemented them with help from business corporations. It was the state that planned and

controlled the development of a national urban system and allocated necessary resources to each city, chiefly focused on two cities: Seoul and Pusan. It was the state that realized the necessity of making Seoul an internationally attractive urban center, and thus made a huge investment in establishing urban infrastructures such as a new international airport and hosting international sports events such as the Seoul Olympics in 1988 and the World Cup in 2002 (Kim, 2004). The strong and active role played by the developmental state to promote the capital city of Seoul to a global city clearly differentiates Seoul from other Western global cities such as New York and London (Hill and Kim, 2000).

The case study of Cheonggye Restoration Project shows that little has changed in the centralized and undemocratic practice of the urban- planning process, besides the fact that the main agency now is the local government instead of the national government. With restoration of the Local Autonomy Act in 1988, the capacity of a local government to initiate local development projects and to determine local affairs has certainly strengthened. Fortunately, the city government of Seoul does not suffer from lack of fiscal and organizational resources, which is a major restriction of local governments, due to its large population base and exceptional political, administrative, and economic importance in the nation. Thus, it was the city government that came up with this new urban- development project. In this sense, it is not surprising that the city government actively adopted the ideology of economic globalization and the language of the global- city theory. In fact, without an obligation to consider the whole national urban system, the local government has more freedom and motivation to focus on economic development within its administrative boundary than does the national government.

The city government not only initiated the public development agenda but also dominated the planning and decision-making process. Taking local democracy seriously, the city government acknowledged the necessity to have a mechanism to encourage citizen participation in the project, at least at an institutional level, and thus created the Citizens Committee and assigned it the power to decide and evaluate the project. Yet at an operational level, this mechanism didn't work because the city government bureaucrats of the Task Force Team didn't accept the status and roles of the Citizens Committee that the law defined. With elite bureaucrats on the team, as well as with technical support from the Research and Development Team, the Task Force Team established its own plan for the project and didn't need to listen to others. The unwillingness of the Task Force Team to accept the Citizens Committee as a decision-making body, and thus to cooperate with it, could be clearly observed in the frustration expressed by the members of the Citizens Committee during their meetings. The vice president of the committee, Soo Hong Noh, complained about the unilateral activities of the city government, and said:

*... "since the Task Force Team and the R&D team already set the deadlines of the project, other opinions are neither listened nor reflected in their plan.*

*The city government and the Task Force team view the Citizens' Committee as an advisory board like other citizens' committees. But we didn't start like that.... The head of the Task Force Team overly speaks that we only have advisory roles.*

*There is a significant problem with sharing information in the triangular*



*governance system and it threatens the status of the committee as a decision making entity. (Soo Hong Noh, the vice-president)”*

-Record of informal meeting with Mayor Lee (11/15/2002)

A committee member, Jeong Han Choi, also expressed same feeling toward the city government, and said:

*“The city government is planning out the project on their own as they already set a detailed schedule of the construction and it uses the committee as a way to legitimate their plans and to promote citizen support. It doesn’t seem that the committee and the city government have a partnership. (Jeong Han Choi, a committee member).”*

-Record of informal meeting with NGO members (2/10/2003)

Moreover, the authoritative attitude of bureaucratic elites has not changed much. It is noticeable from the way that the Task Force Team maintained relationships with the Citizens Committee and the organizations of small- business owners in Cheonggye Market. First of all, the Citizens Committee faced a considerable lack of communication and cooperation from the Task Force Team from the beginning of the planning process. According to written records of regular meetings of the Citizens’ Committee, there were continuous complaints about it:

*“Plans that the committee didn’t know at all were being publicized in the press and the committee do not have easy access to the information on how things are going on either. (Sook Pyo Kwon, the president)”*

*“There are not enough supports for the project from the city bureaucrats.*

*(Gwangkwon, Cho, the vice-president)”*

-Record from informal meeting with Mayor Lee (11/15/2002)

*“There is a serious communication issue between the Task Force Team and the Committee.”*

-Record from sixth regular meeting of the committee (12/21/2002)

Small- business owners in Cheonggye Market also suffered from lack of communication and shared information by the city government. They were particularly frustrated and angry that they could not be included on the Citizens Committee to express their voices and had no other official communication channel with the city until the Policy Council was created in February 2003. The leaders of merchant organizations pointed this out when they were invited to the regular meetings of the Citizens Committee:

*“There is no explanation or information about the project from the city government. We (merchants) are excluded from the project planning process and this makes us very anxious and frustrated. (the leader of ‘Protect Cheonggye Market’)”*

-Record of sixth regular meeting of the Citizens Committee (12/21/2002)

*“Discontents and mistrust toward the city government is increasing there is no official way to communicate with it. The city government need to show their willingness to work with the merchants through open communication and also need to have us informed better about the project in order to avoid any misunderstanding (the leader of ‘Organization for Dongdaemoon Special District of Tourism’)”*

- Record of seventh regular meeting of the Citizens Committee (1/11/2003)

*“It is problematic that the merchants’ opinions are neglected in the project planning process. It is a significant problem in the procedure as we are the ones directly affected by the project. The city government refused to share information about the project and avoid formal meetings with us. But they continually release detailed information of the project such as the schedule of construction, budget and urban redevelopment plan in the neighboring area to the media (the leader of ‘Protect Cheonggye Market’)”*

- Record of ninth regular meeting of the Citizens Committee (1/25/2003)

It is also problematic that the Policy Council, the official mechanism by which the merchants and the city government directly communicate and negotiate their differences, was organized only after the master project plan had already been approved by the Citizens Committee. This timing implies that there was no room for the demands of the merchants to be incorporated in the project- planning process. Accordingly, when the Task Force Team came to the negotiation meeting with the merchants, it had two general

rules in mind: no monetary compensation and no delay in the beginning day of construction, which were the two biggest demands of the merchants. Thus, it is no surprise that the Policy Council didn't succeed in narrowing its differences but came instead to a rupture. Eventually, the merchants had no option but to take what the city government offered to them with no monetary compensation.

#### **d) Implementation Stage**

It is not difficult to predict that the Citizens Committee had almost no power over the implementation stage after it passed the project's master plan with a conditional approval, given that the committee was not pressuring the government even in the planning process. The conditions to restore the stream and the historical bridges in forms as close to the original, under which the committee passed the master plan, were never achieved. To make matters worse, the committee faced a sudden lack of support by the city government after the master plan was passed. After all, the committee refused to pass the final project plan and all the committee members had resigned. Yet this state of affairs had no impact on the construction process of the project and it was completed as the Task Force Team designed.

### **3. Summary**

In summary, the case of the Cheonggye Restoration Project suggests that more room has been created in the course of policy planning and the policy -making process, caused mainly by global political change toward direct democracy. These circumstances imply that more actors with diverse interests can involve themselves in the policy arena

and thus the process of decision making has been made more complicated. In the past, the national government determined public policies and delivered services, while citizens were mere recipients. Yet in the project of the Cheonggye Stream Restoration, the organizations of merchants in Cheonggye Market as well as the civil society organizations were not afraid of expressing their voices through various activities. Moreover, official mechanisms to listen to their voices were created within the institutional system of the project: the Citizens Committee, mainly for the civil society organizations, and the Policy Council for the merchants.

However, the project also suggests that these changes at an institutional level did not lead to changes at an operational level, failing to produce an outcome that really reflects the demands of the actors. The most important reason why the institutional openings didn't produce any significant change in the outcome resides in the unwillingness and resistance of the city government to yield real power to the citizens. Thus, the Citizen Committee and the Policy Council ended up working as tools to legitimate the course of actions by the city government as well as to inform the project's planning and implementation process unilaterally from the city government to the interest groups.

Thus, the Cheonggye Stream Restoration Project presents both the opportunities and the limitations of the urban politics of Korea for greater direct citizen participation. External forces can make changes on the surface. Yet it takes much more to make real changes in the heart.

Table 10.1: Occupational Composition of the Citizens Committee

<b>Occupation</b>	<b>No. (%)</b>
Seoul Metropolitan public officials	9 (7.7 %)
Formal public officials	6 (5.1 %)
Researcher at Seoul Development Institutes	8 (6.9 %)
Local legislators	12 (10.9 %)
Journalists	12 (10.2 %)
NGO leaders	19 (16.3 %)
Professors	32 (27.6 %)
Experts	12 (10.3 %)
Others	6 (5.1 %)
Total	116

Source: Myeonghyun Park, 2006 (Table 7)

Table 10.2: Merchants' Demands and the City Government's Responses

<b>Merchants' demands</b>	<b>Responses from the city government</b>
1. Monetary compensation for potential business loss	Not acceptable
2. Minimizing traffic congestion and providing additional parking spaces	-minimizing construction area -running free shuttle bus in the area -providing two lanes of Cheonggye Road for loading space -providing Dongdaemoon Stadium as additional parking space -giving discount on parking fee for paid parking spots in the area
3. Monetary and organizational support to vitalize Cheonggye Market during and after the project	-providing subsidies and loans for improving and modernizing infrastructures of traditional market -providing loans for small-scale factory or store owners for business stabilization
4. Creating an alternative market area for stores to move out	-providing support for relocation

Source: Reorganized from Park (2006)

## CHAPTER 11: CONCLUSION

Economic globalization in the 1980s and 1990s gave birth to a new type of city, called a 'global city', which is assumed to perform critical functions to facilitate the contemporary global economy and which share the same characteristics. Cities, however, have different histories, economies, politics and demographics and these different local conditions do not lend themselves to the construction of a general model of a global city even though they have characteristics. For this reason, it is important to know the unique historical conditions of local development and how they respond to the general force of economic globalization to understand fully the current urban development of global cities. Moreover, it is urgent to identify the social and political consequences of a city's becoming a global city on the living experiences of citizens, particularly because the status of a global city is now perceived as something to pursue actively by local and national governments in many developing countries in order to achieve national economic growth.

Seoul is a global city, ranked in the second-tier following New York, London and Tokyo. Seoul, however, is a global city outside of the developed world so it is very different from other global cities in terms of the historical development of economic, political and demographic conditions. Seoul was a capital city of the 'Hermit Kingdom' until the beginning of the 20<sup>th</sup> century. Yet it transformed itself to a growth center of the world's most rapidly developing country in the 1970s and 1980s. Now, it has emerged as a global city, a star of the current global economic system. This successful transformation

of Seoul cannot be understood without the rapid economic development of the nation, Korea.

It was during the rapid national economic development period between the 1960s and 1990s when Seoul came to take on enormous economic importance in the national economy and, thus, experienced an explosive population growth, mainly driven by rural-urban migration. Several external and internal factors facilitated the rapid Korean economic growth and the emergence of Seoul as a growth pole. The authoritarian Korean government, called a “developmental state”, however, played the most crucial roles because it planned and implemented the successful economic policies, with specific emphasis on the export-oriented labor-intensive industrialization, and utilized Seoul as a strategic point to lead the national economic growth, allocating disproportionate amount of investment to it at the expense of other cities. Rapid economic growth contributed to reducing urban poverty and improving economic living conditions in Korean cities to a great extent. Yet, policies concerning national and urban development were determined exclusively by elite government bureaucrats in the national government and civil and political freedom of citizens to express concerns about public policies and to participate in urban politics were strongly suppressed.

Significant changes in the global economy, economic globalization, began to take place from the 1980s and these have altered significantly the economic and political context in which the Korean developmental state had successfully operated in the



previous decades. As Korean economy became more closely integrated into the global economy, economic globalization placed great pressure on the capacity of the Korean state to intervene in the market through active economic policies. Instead, the influence of large corporations in the national economy has increased. Moreover, the strong presence of the national government in the political arena has also been weakened by democratization of the national political system and decentralization of the national government capacity as part of global democratization. These changes caused by the forces of globalization have made significant impacts on the organization of urban development in Seoul.

Increasing participation of the Korean economy in the international economy has brought two fundamental and inter-related changes in the Korean urban system: the rise of the Seoul-Capital Region as one economic unit and the transformation of Seoul from a rapidly growing industrial city to a global city that performs functions to organize the international economic activities of the global market.

Yet, the social consequence of Seoul's becoming a global city is the growing gap in the conditions of living between the poor and the rich. It is the restructuring of the urban labor market toward producer service sector orientation that produces increasing social inequality in a global city. This is true in the case of Seoul. The proportion of people engaged in the producer service sector has rapidly increased since 1990. This expansion of the producer service has shaped new emerging trends in the urban labor

market: professionalization of regularly employed people at the top and increasing informal employment of low-skilled laborers and/or foreign workers at the bottom. Moreover, increasing social inequality has its spatial consequence: a growing residential segregation. In Seoul, the southeast sub-region has emerged as an exclusive residential area for high-income professionals with much better living conditions, including spacious houses, easier access to health-care facilities, more green space and educational institutions. The most important cause of the spatial concentration of professionals in this region is the concentration of the producer service sector jobs there. Yet, high price for housing in this area reinforces the clustering of the rich in the area and shuns lower-income people from moving into the area. However, the role of the national government cannot be under-estimated because the government urban policies produced the new development of residential and commercial development in the area in the 1980s.

The case of Seoul shows that the restructuring of the urban economy in a global city can negatively affect the economic living conditions of ordinary citizens. Unfortunately, the capacity of the state in Korea, which played a crucial role in improving economic conditions of living of most citizens and, thus, decreasing social inequality in urban centers, has significantly withered. Thus, economic living conditions for Seoul's residents confront serious challenges without the old mechanism to secure them.

However, another opportunity to mediate the degrading economic living conditions for citizens in a global city has been created by the same force of economic globalization, yet in a different social system: urban politics. With particular emphasis on political democratization and decentralization under the current global economic system, it became possible for citizens to be directly involved in the public-policy making process. In theory, this situation implies that citizens are now empowered to create public policies that would minimize the negative consequences of economic globalization on their daily lives. Yet, in reality, it means an increasing degree of complexity in the public policy-making process because citizens are not the only ones with improved access to the urban policy arena. Private capital, both domestic and international, has also become more influential than ever before. Needless to say, the central and local governments still hold significant power. Moreover, the interests of citizens themselves have been diversified to a great extent.

The case study of the Cheonggye Restoration Project shows the opportunities and challenges of new urban political context in Seoul. The analysis of the Cheonggye Restoration Project suggests that more room has been created in the course of policy planning and the policy-making process, caused mainly by global political change toward direct democracy. These circumstances imply that more actors with diverse interests can involve themselves in the policy arena and thus the process of decision making has been made more complicated. In the past, the national government determined public policies and delivered services, while citizens were mere recipients. Yet in the project of the

Cheonggye Stream Restoration, the organizations of merchants in Cheonggye Market as well as the civil society organizations were not afraid of expressing their voices through various activities. Moreover, official mechanisms to listen to their voices were created within the institutional system of the project: the Citizens Committee, mainly for the civil society organizations, and the Policy Council for the merchants.

However, the project also suggests that these changes at an institutional level did not lead to changes at an operational level, failing to produce an outcome that really reflects the demands of the actors. The most important reason why the institutional openings didn't produce any significant change in the outcome resides in the unwillingness and resistance of the city government to yield real power to the citizens. Thus, the Citizen Committee and the Policy Council ended up working as tools to legitimate the course of actions by the city government as well as to inform the project's planning and implementation process unilaterally from the city government to the interest groups.

Thus, the Cheonggye Stream Restoration Project presents both the opportunities and the limitations of the urban politics of Korea for greater direct citizen participation. External forces can make changes on the surface. Yet it takes much more to make real changes in the heart.

## Appendix 1: Global City Hierarchy

1) The GaWC inventory of world cities.

\* Cities are ordered in terms of world-cityness with values ranging from 1-12.

<p>A. Alpha world cities</p> <p>12: London, Paris, New York, Tokyo</p> <p>10: Chicago, Frankfurt, Hong Kong, Los Angeles, Milan, Singapore</p>
<p>B. Beta world cities</p> <p>9: San Francisco, Sydney, Toronto, Zurich</p> <p>8: Brussels, Madrid, Mexico City, Sao Paulo</p> <p>7: Moscow, <b>Seoul</b></p>
<p>C. Gamma World Cities</p> <p>6: Amsterdam, Boston, Caracas, Dallas, Düsseldorf, Geneva, Houston, Jakarta, Johannesburg, Melbourne, Osaka, Prague, Santiago, Taipei, Washington</p> <p>5: Bangkok, Beijing, Rome, Stockholm, Warsaw</p> <p>4: Atlanta, Barcelona, Berlin, Buenos Aires, Budapest, Copenhagen, Hamburg, Istanbul, Kuala Lumpur, Manila, Miami, Minneapolis, Montreal, Munich, Shanghai</p>

Appendix 2: Major Activities of the Citizens' Committee

	Date	Activities
<b>2002</b>	Sep. 12	Legislation of local ordinance on Cheonggye Restoration Citizens' Committee
	Sep. 18.	Inauguration Meeting
	Oct. 4.	1st Regular Meeting
	Oct. 24.	2 <sup>nd</sup> Regular Meeting
	Oct. 25.	Conference on Cheonggye Restoration
	Oct. 27.	Conference on River Restoration Case Studies
	Nov. 9.	3 <sup>rd</sup> Regular Meeting
	Nov. 15	Informal Meeting with the Mayor
	Nov. 23.	4 <sup>th</sup> Regular Meeting
	Nov. 25.	International Symposium on River Restoration
	Dec. 7.	5 <sup>th</sup> Regular Meeting: hearing from the leader of 'Dongdaemoon Forum' (a small business interest group)
Dec. 21.	6 <sup>th</sup> Regular Meeting: hearing from the leaders of 'Protect Cheonggye Market' (a small business interest group)	
<b>2003</b>	<b>Jan. 9.</b>	<b>Restoration Master Plan handed from the Task Force Team</b>
	Jan. 11.	7 <sup>th</sup> Regular Meeting
	Jan. 21.	8 <sup>th</sup> Regular Meeting
	Jan. 25.	9 <sup>th</sup> Regular Meeting: open discussion with 15 members of 'Protect Cheonggye Market'
	Feb. 4.	Informal Meeting with Mayor and city officials
	Feb. 6.	10 <sup>th</sup> Regular Meeting
	Feb. 20.	Public Hearing open to general public
	Mar. 20.	11 <sup>th</sup> Regular Meeting
	Apr. 10.	Informal Meeting with NGOs
	<b>May. 1.</b>	<b>Conditional Approval to Master Plan</b> <b>Approval to Construction Work Begin on July. 1. 2003.</b>
	May. 17.	12 <sup>th</sup> Regular Meeting
	May. 27.	Cheonggye Restoration Work-shop
	May. 31.	13 <sup>th</sup> Regular Meeting with NGOs
<b>July. 1.</b>	<b>Cheonggye Highway Demolition Work Start</b>	
<b>2004</b>	<b>Mar. 21.</b>	<b>Refusal to the Final Plan</b>
	Jun. 25.	Resignation of the Chairman, Sookpyo Kwon
	Sep. 16.	Resignation of all committee members
	Oct. 20.	Second Citizens' Committee Inauguration
	Dec. 23.	14 <sup>th</sup> Regular Meeting
<b>2005</b>	Jul. 1.	15 <sup>th</sup> Regular Meeting
	Oct. 1	Completion of Cheonggye Restoration Project

Source: Seoul Metropolitan Government (2006) and CCEJ (2005)

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## VITA

Mikyung Kim was born in Pusan, Korea on June 20, 1977, the daughter of Chungkwon Kim and Kyeja Lee. After completing her work at Duckmoon Women's High School, Pusan, Korea, in 1996, she entered Yonsei University in Seoul, Korea. She received the degree of Bachelor of Art with a major in Sociology and English Literature from Yonsei University in February 2001. During the spring and summer of 2001, she was employed at Neungyule English Education Company. In September 2001, she entered the sociology graduate program at The University of Texas. She received a Master of Art with a major in sociology in 2003, and subsequently entered the doctoral program.

Permanent Address: Jangsan Green Villa 102-502, Woo-1dong, Haewoondae-gu  
Pusan, Korea

This dissertation was typed by the author.