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5. Envisioned by the State: Entrepreneurial Urbanism and the Making of Songdo City, South Korea

Hyun Bang Shin

Introduction

So much has been said about Songdo City in recent years in both academic and practitioner circles. International media has also taken part to inflate the reputation of Songdo City, hailed initially as an eco-city, then as a ubiquitous city (or U-city) and now a smart city (Shwayri, 2013; Shin, Park and Sonn, forthcoming; Kim, 2010). The New York Times went even further to dub it “Korea’s High-Tech Utopia” (O’Connell, 2005). Sometimes its own promotional material puts all these together and simply refers to Songdo as an eco-friendly ubiquitous smart city (IFEZ Authority, 2007). Governments elsewhere see Songdo as a reference for their own mega-projects to create a brand new city from the scratch (see El Telégrafo, 2012 for example on the construction of Yachay City in Ecuador). However, Songdo has come to cater exclusively for the needs of domestic and global investors as well as the rich who have financial resources to grab upmarket real estate properties. It may indeed be an urban utopia, built on a reclaimed *tabula rasa* and promoted by the state, merging together technological innovation, fixed assets investment, real estate speculation and financialisation, for exclusive use of the rich and the powerful.

In her examination of smart city frenzy in India, Ayona Datta (2015) highlights the extent to which smart city promotion is on the extension of “a longer genealogy of utopian urban planning” in the country, and how smart city construction has been part of entrepreneurial urbanisation that

positions new city promotion as a lynchpin for economic growth. The review of the development history of Songdo City in this chapter echoes the experience of India to some extent. While Songdo City is often regarded as an emblem of a new global rhetoric of technological fix of urban problems, its promotion is deeply rooted in the history of territorial planning by the South Korean developmental state that has been behind the rise of spatial fix, speculative urbanisation and vertical accumulation (Harvey, 1978; Shin, 2011; Shin and Kim, 2015). Furthermore, this chapter ascertains that despite all the rhetoric surrounding Songdo City, it represents the territorial manifestation of the legacy of the Korean developmental state that has been internalizing the neoliberal logics of capital accumulation and by doing so, sustaining its presence in city-making (Choi, 2011; Part et al., 2012). The construction of Songdo City has benefited from the country's liberalizing financial system for project financing and also from the public-private partnership between the local state, domestic and transnational firms. While the presence of transnational investors is often highlighted by the media, endogenous institutional landscape and spatial practices turn out to be more sticky and resilient vis-a-vis pressures of neoliberal urbanisation (Peck et al., 2009). The history of Songdo City promotion also demonstrates that the growth promoters that comprise local and central states as well as domestic businesses partake in scalar politics (see also Shin et al., forthcoming), creating a *tabula rasa* for the realization of their ambition to maximize gains from city marketing and accumulation of real estate capital.

The rest of this chapter examines (i) the emergence of local state entrepreneurialism and its impact on city-making in South Korea (hereafter Korea), (ii) the history of making Songdo City, and (iii) the role of key institutions such as domestic financial institutions. These discussions are followed by the scrutiny of how the construction of Songdo City depends heavily on extracting value from real estate, which has been a key characteristic of urban development under the Korean developmental state for many decades. The arguments in this chapter make use of primary and secondary data collected from a variety of sources including the author's interviews with key informants conducted in December 2011, media reports, corporate reports and government

archives. In order to understand the historical evolution of the project and the associated contentious developmental politics, this paper adopts multi-scalar approaches to locate the different roles played by transnational, national and local players who have contributed to the rise of Songdo City in their own right.



Figure 1: Entering Songdo City (Photographed by Hyun Bang Shin, 2011)

Legacy of developmental state and entrepreneurialism

East Asian states have been known for their developmentalism, which guided the region's condensed urbanisation and industrialization in the second half of the 20th century. Developmental state policies are characterized by their proactive intervention in governing the market, nurturing human capital, disciplining the work force, and subordinating social policies to economic policies (Woo-Cumings, 1999). They have also concentrated finite resources on economic development, mobilizing national savings as well as foreign loans and/or direct investments to make productive investments in the built environment (Harvey, 1978; Shin and Kim, 2015). In the case of Korea, the state was forming an alliance with large conglomerates (often known as *Chaebol* in Korean) to

nurture strategically prioritized industries, subsidizing their businesses with preferential access to foreign loans and making use of state companies to provide infrastructure and facilities (Shin, 2007).

With the neoliberalisation pressure and the political decentralization of the Korean state from the 1990s (see Pirie, 2008), the central and local states have been resorting more to private-led initiatives. The Asian financial crisis in late 1990s also forced the central state in particular to reconfigure its regulatory arrangements and the ways in which it intervened in regional development. Furthermore, from the mid-1990s, the rise of local state entrepreneurialism has become evident, thanks to the political decentralization that resulted in the direct election of mayors and provincial governors (Choi, 2011). Entrepreneurial cities are characterized by its dependence on domestic and global capital for local economic development, and its promotion of urban development led by mega-projects and spectacular landmark buildings to create investor-friendly landscape and so on: in short, creative destruction to rebuild cities to channel surplus capital into the built environment and produce speculative profits (see also Hall and Hubbard, 1998; Harvey, 1989; Shin, 2009). The presence of a strong authoritarian developmental state before the 1990s did not rule out the rise of local growth politics (see for example Park, 2008), but it has become fiercer after political decentralization, as directly elected mayors and provincial governors propagate boosterish policies to attract investment as well as central government subsidies.

Incheon, which administers Songdo City, has been mostly dominated by those mayors who personified their political ambition in transforming Incheon into a city of construction and speculation. Most mayors of Incheon until 2010 were having their allegiance to the right-wing political faction that held the power and resources to sustain Korea's authoritarian developmental statism between the 1960s and the 1990s. For instance, Mayor Gi-seon Choi had been an appointed mayor between March 1993 and September 1994, nominated as a mayoral candidate by the then ruling right-wing party in 1995, and became the first elected mayor, serving two terms until 2002 after successfully running for re-election. His election pledge in the 1995 election was to promote

development projects in order to raise surplus that could be reinvested in Incheon's infrastructure provision (The Dong-A Ilbo, 1995), and he remained committed to this pledge. Mayor Sang-soo Ahn, who was the elected mayor between 2002 and 2010, was also from the same party as his predecessor, carrying on and even expanding the boosterish policies during his terms of office.

Incheon's entrepreneurial policies resulted in its successful bid for the 2014 Summer Asian Games in April 2007, and led to a rapid expansion of state-led urban redevelopment projects that have grown in scale in recent years. However, these came at the expense of fiscal stability for Incheon (Shin, in press). Already in 2000, concerns were raised about the excessive debts the city was incurring to bear the costs of land reclamation. As of 2000, municipal bonds reaching the value of 150 billion Korean Won were issued for paying for land reclamation, and the possibility of the city going bankrupt was looming when the city was to start repaying the principal and interests from 2004 (The Dong-A Ilbo, 2000). Incheon's fiscal independence was relatively high (62.6% in 2014) compared to other municipalities (with the exception of Seoul that enjoyed the highest fiscal independence among all cities in Korea) but substantially undermined when compared to the level in 2004 (75.9%).ⁱ The total debts of the municipality amounted to 37.7% of its annual budget in 2011, considerably higher than the average of all cities and provinces (21.0%).ⁱⁱ The deteriorating fiscal conditions in turn seems to have reinforced the speculative and entrepreneurial nature of Songdo City development, creating more opportunities for increasing the share of residential flats, which provides a greater chance of raising larger revenues than commercial or business premises.

The rise of the local state entrepreneurialism should be examined in a more nuanced way, as the central state still remains powerful. The day-to-day running of affairs within the Incheon FEZ is governed by the Incheon FEZ Authority, which is in turn controlled by the Incheon municipality. However, the central government's FEZ Committee wields greater power over all the FEZs in Korea, "regulating it both spatially and socially through drawing up and implementing development plans, approving master plans, and designing tax benefits for individuals and businesses" (Shwayri,

2013, p.46). Furthermore, local governments' poor fiscal capacity means that their future is predicated upon the size of central government subsidies.

Birth of a new city and the Korean state

Songdo City is located about 50 kilometers from the center of Seoul, the Korean capital of culture, economy and politics. Songdo City is also part of the Incheon Free Economic Zone (hereafter Incheon FEZ). The Incheon FEZ is being born out of a massive reclamation project to create a new land mass of 169.5 km². The first phase of Incheon FEZ development involving reclamation and infrastructure provision was completed in 2009. The final completion of the entire Incheon FEZ construction is expected by 2020. Songdo City occupies about one third (31.5% or 53.4 km²) of the Incheon FEZ. Songdo City self-proclaims to be an 'aerotropolis', benefiting from its proximity to the country's main international gate, the Incheon International Airport built on the neighboring Yeongjong City of the Incheon FEZ. The proximity to Seoul and the international airport has been a key geographical advantage that the Incheon FEZ and developers of Songdo City frequently publicize.

Contrary to the fairly recent international attention to the rise of Songdo City, the idea of building a brand new city from scratch and creating a city of nature, information technology and international center of trade is deeply rooted in the country's territorial planning history, which spans across several decades. First of all, the idea of building Songdo City on a reclaimed land was part of Korea's national development planning. Like in Hong Kong or Singapore, land reclamation to expand the national territory has long characterized Korea's territorial development strategy. The idea of reclaiming the sea around Songdo Island (hence the origin of the name Songdo City) could be traced as far back as in 1962 when a private company, Woojin Mulsan, had its ambitious plan to reclaim about 5 km² to build a brand new city was approved by the central government on 30 December 1961. The land reclamation was to be privately financed by the company, and according

to the then Land Reclamation Act, the company would own the reclaimed land (The KyungHyang Shinmun, 1962).

The above plan seems to have been overly ambitious, as its progress cannot be traced in any of the national media archives, but the idea of building a brand new city on a reclaimed land re-emerged in April 1988. Upon the visit of the then President Roh Tae-Woo to Incheon, the municipality gave a briefing about their plan to reclaim 48 km² around Songdo Island to create an international center of trade and information technology (The Hankyoreh, 1993). Having further concretized the plan, the municipality proclaimed in April 1991 its plan to reclaim 17.7 km² during the next five years. The reclaimed land was to accommodate the construction of 70,000 housing units and a central business district of information technology, communication and commerce (Maeil Business, 1991). Incheon, having experienced a shortage of land supply, hoped to secure a new supply of land to build houses and also use revenues through land sales and lease to finance infrastructure provision in existing urban built-up areas (Maeil Business, 1989). Approvals were gained from the Ministry of Construction in the central government to proceed with the reclamation and the design of urban master plans in 1990 and 1991 respectively. After a short delay of three years due to the central government-led construction of a new international airport nearby, the reclamation of Songdo Island eventually started on 10 September 1994 (The Hankyoreh, 1993, 1994).ⁱⁱⁱ

The municipality was eager to produce a 'city of the future'. In December 1997, it signed a memorandum of understanding with a consortium of 17 private firms to establish a dedicated district (3.5 km²) to establish a 'knowledge information industrial complex' to accommodate IT firms and create what would hopefully become a Korean version of 'Silicon Valley' (The Dong-A Ilbo, 1997; Maeil Business, 1997a). While doubts were raised about how the municipality was going to finance the massive construction costs, the municipality remained optimistic that private firms would be willing to pay for the purchase or lease of lands when the lands were ready for sale by October 1998 (The Dong-A Ilbo, 1997). It was also announced that an international business

district (6.8 km² – at the time, larger than what has been finalized eventually) would be created to see the concentration of finance and business, including convention facilities as well as residential buildings (Maeil Business, 1997a).

All these plans turned out to be too optimistic and were substantially delayed when the country was severely hit by the Asian financial crisis from late 1997. The Incheon municipality was not able to raise enough revenues from the sale of reclaimed lands as much as they planned due to the downturn of the real estate market in the immediate aftermath of the crisis. It was also reported in mid-February 1998 that the resource-stricken municipality only secured 38% of its annual budget for the reclamation to be carried out in 1998 (The Hankyoreh, 1998).

The resumption of Songdo City development during the post-crisis recovery period was particularly helped by the central government policy to create free economic zones and attract foreign direct investment. The establishment of these free economic zones was part of the manifesto of the President Kim Dae-jung administration (1998-2003) that aimed to steer away the Korean economy from being too dependent on manufacturing industry and towards an economy of international logistics, finance and high-tech industries including information technology and electronics. Subsequently, the national government put forward its economic development vision to place Korea as a northeast Asian business hub. In April 2002, a blueprint was further announced, part of which included the rising importance of major port cities for international logistics: land reclamation was of particular importance to carry out comprehensive development and accommodate those industries and facilities that the governments desired. On 30 December 2002, the Act on Designation and Operation of Free Economic Zones was enacted, and was to be enforced from 1 July 2003. Initially, three port cities, Incheon, Busan and Gwangyang, came to have free economic zones within their jurisdiction. In Incheon, three land reclamation areas came to constitute the Incheon FEZ: Songdo City, Yeongjong City (where the new international airport is located) and Cheongna City.

These free economic zones were hoped to be “luring multinational companies” so that the country would “win back the foreign direct investment lost to China and others over the past four years” (Song, 2004). To make these possible, free economic zones were to become places “where no tariffs are imposed on capital goods and only 17 per cent income tax is levied on foreign corporate executives and cash grants are offered to foreign companies building high-tech facilities” (Song, 2004). Retrospectively, such desire seemed to have been somewhat very ambitious, especially given the exponential growth of China’s receipt of FDI throughout the 2000s and given Incheon’s proximity to Shanghai, the eye of the dragon. Nevertheless, the strategic importance of Incheon FEZ grew even bigger when the President Roh Moo-hyun administration (2003-2008) inherited the previous administration’s emphasis on positioning Korea as the “central state” of north-eastern Asian economies. The production of the central state’s national development strategy to promote the Incheon FEZ provided the necessary momentum that Songdo City was desperately in need, including the central state’s financial undertaking for some of the key infrastructure projects.

Pivotal role of domestic players in building a city of the future

Songdo City’s international popularity was boosted by the construction of Songdo International Business District (hereafter Songdo IBD) on a parcel of reclaimed land that was sold to a joint venture whose majority share was held by a US real estate developer, Gale International. The joint venture possessed exclusive development rights for the construction of the Songdo IBD, bringing Songdo City close to what Gavin Shatkin (2011) coined as ‘privatopolis’. It was the joint venture that heavily promoted Songdo City’s eco and smart city brand from the outset. For instance, in August 2001, Gale International appointed Kohn Petersen Fox (KPF) as the architect for master planning of the Songdo IBD in August 2001, and the KPF chose a sustainable city (or an eco-city) approach for the design (Segel, 2012, p.7).^{iv} The then CEO of Gale International reflects on the early period in an interview that his company had to take considerable efforts to persuade the

Korean government to place greater value on “quality-of-life projects like the park and not for residential or office buildings”, and prided himself that this approach was “a clear example where we as ‘foreign’ developers really brought an international perspective to this development” (cited in Segel, 2012, p.6). Songdo IBD now sells itself on its web site as being “one of the world’s greenest cities”, built on six design goals that aim to reduce carbon emission and waste, promote ample open and green spaces, and increase energy efficiency. For instance, the transnational stakeholders, Gale International and CISCO in particular, were celebrating their joint effort to replicate the Songdo IBD experience in China’s Meixi Lake development in Changsha, Hunan Provinces.^v However, while Songdo City aspires to become transnational in its outreach, the process of developing Songdo City has been very much ‘Korean’. Two aspects are discussed in this section: (i) the pivotal role of domestic financial institutions; (ii) ‘green urbanism’ as the Korean state’s aspiration rather than imposition by transnational investors.

Firstly, in the aftermath of the Asian financial crisis in late 1990s, the Incheon municipality was hoping to attract as much foreign capital as possible, but the overall construction of Songdo City eventually came to depend heavily on domestic capital. The close scrutiny of the development process of Songdo International Business District (hereafter Songdo IBD) testifies this. The construction of Songdo City was given an additional momentum when a US-Korea joint venture signed an agreement with the Incheon municipality to develop the Songdo IBD, the most popularized 5.77 km² district within Songdo City. Initially, POSCO E&C, a subsidiary of the Korean steel giant POSCO, was granted a fixed term (6 months) status as the lead master plan developer on the condition that its status would become permanent if it teamed up with an overseas developer (Kim and Ahn, 2011, p.663; Shwayri, 2013, p.46). Eventually, Gale International based in New York City was brought in, and upon signing a memorandum of understanding with the Incheon municipality in July 2001, the Gale-POSCO E&C partnership was granted exclusive rights to develop the business district.^{vi} Gale International and POSCO E&C set up a joint venture named New Songdo City Development (renamed in 2007 New Songdo International City Development)

dedicated to the Songdo IBD project with the 70% majority share by Gale International.^{vii} The joint venture's award of the exclusive development rights and the government subsidies in the form of discounted land sales were conditional on the joint venture's attraction of foreign direct investment promised to be worth US\$12.7 billion. The total project cost was expected to reach KRW 24.4 trillion (about US\$18.4 billion)^{viii}, and almost all the costs (98.4%) were to be borne by the NSIC (IFEZ Authority, 2007, p.176).

Instead of attracting foreign direct investment, however, the joint venture benefited heavily from the loans arranged by domestic financial institutions. The role of transnational capital, epitomized by the participation of Gale International and other investors such as CISCO and 3M, has been marginal in terms of making meaningful financial contributions. As of the end of 2008, the actual foreign direct investment in the Songdo IBD remained minimal, reaching a mere 1.6% (US\$33.5 million) of the original plan (Chosun Ilbo, 2010). The majority of development finance was mobilized by a consortium of Korean banks and other financial firms who sought after a fraction of profits to be resulted from the real estate projects in the Songdo IBD. For instance, when the NSIC sought the initial finance of US\$90 million to purchase the first lot (about 0.33 km²) of reclaimed land in October 2003, US\$50 million were reported to have been secured from a consortium of Korean banks (Woori Bank and Industrial Bank of Korea), while the remaining US\$40 million came from international investors including Morgan Stanley and ABN Amro (Munhwa Ilbo, 2003; Segel, 2012, p.10). The role of Korean financial institutions continued to be influential when the NSIC sought additional loans to finance its business in subsequent years.^{ix}

Secondly, Songdo City prides itself for being an environmental and smart city, a key selling point in the global real estate market, but the green urbanism was conceived by the Korean state as early as in the late 1980s. Back then, the envisioned new city was to become a vertical city with high density construction in order to release about 60% of land for recreation facilities and greenery so that it could replicate the strengths of cities like Singapore and Canberra (The Hankyoreh, 1993). When a plan was announced in April 1991 for the ambitious land reclamation, it also aimed at

creating a new town by 1996, which would have 35% of its surface area dedicated to parks and greenery (Maeil Business, 1991). Korea also witnessed the proliferation of national development strategies such as cyber-Korea and e-Korea strategies that tried to integrate information and communication technologies in transforming the ways in which people lived and worked (Yigitcanlar and Lee, 2014). By the time the master plan of Songdo IBD was finalized, “[g]overnment officials envisage[d] an ‘eco-friendly and intelligent’ city completely different from Seoul, which has become an overcrowded concrete jungle after decades of rapid industrial development. Songdo is planned as a waterfront city laced with 6km of canals, a central park, a golf course and pollution-free transport” (Song, 2004). Such views of government officials might have been the outcome of the strong persuasion of Gale International, but the idea of building a new city with ample green space and equipped with information technology was clearly not a stranger to the Korean state. Songdo City’s branding as an eco-city was further boosted by the central state’s emphasis on ‘green growth’, a catchword that epitomized the national development policies by then President Lee Myung-bak (2008-2013) (Kim, 2010). Having faced the urgent need to overcome the detrimental impact of the global financial crisis on Korea, the Lee administration produced a series of controversial economic stimuli programmes that particularly emphasized large-scale construction activities to rewrite the territorial landscape under the rubric of ‘green investments’. Songdo City fit nicely in this ‘green’ endeavor.

Extracting value from real estate

While Songdo City gained its fame as an environmental and smart city, its construction depended heavily on real estate investment. In short, Songdo City was the site of real estate speculation, involving both domestic and transnational capital. The symbolic aestheticisation of Songdo City (Kim, 2010) appears to have aimed ultimately at marketing the real estate project. This was particularly pronounced during the post-Asian financial crisis period that saw heightened speculative real estate markets after an initial slump (see also Goldman, 2011; Shin and Kim, 2015

on the rise of speculative urbanisation). Lenders, most of whom were comprised of Korean firms (banks, insurance and security firms), betted on the residential and retail components of the development. For instance, when the NSIC was taking out loans in 2005, it was noted that the Korean banks (and ABN Amro) “were underwriting this loan based solely on revenues from the residential and retail buildings” despite the Korean government’s emphasis on office development (Segel, 2012, p.11).

Songdo City developers benefited from the huge subsidies that were provided by the municipal government in the form of cheap prices of reclaimed lands, a practice that is somewhat reminiscent of Chinatice that is somewhat remi (Hsing, 2010; Shin, 2015). Developers would have been able to take advantage of rapidly increasing prices of land as collateral when negotiating with financial institutions for loans. For instance, government records suggest that the official land price (evaluated for tax purposes) for the site of Songdo City’s landmark buildings (the Northeast Asia Trade Tower and Songdo Convensia) was only KRW 160,000/m² in 2002, the year when the Incheon municipality and the NSIC was concluding the land supply contract (IFEZ Authority, 2007, p.176).^x The land price rose sharply to KRW 1,110,000/m² in 2003, KRW 1,500,000 /m² in 2004, KRW 1,800,000/m² in 2005, and to KRW 4,200,000/m² in 2007. Here, the land price data are presented for those years that the NSIC took out loans (see endnote ix). According to the report from the Citizens’ Coalition for Economic Justice (2010, p.5), an influential civil society organization in Korea, the NSIC completed the purchase of 3.3 km² by the end of July 2009, having paid KRW 866.7 billion. This would result in an average sale price of KRW 260,000/m², and it becomes clear that the joint venture would have seen windfall profits by taking the advantage of the difference between the actual purchase price of land and the substantially increased official land price.

Furthermore, the sale of residential units was central to project financing. In the case of Songdo IBD, only half of the originally estimated building volumes were completed as of December 2013, with the anticipated completion year postponed to as late as 2018 (Nam, 2013).

Under the circumstances, selling real estate properties and finding tenants was a key to the financial viability of the project. As the demand for offices and retail spaces was lower than expected and that for residential space much higher (and hence more likely to produce higher profits), the land use plan was revised so that the size of land allocated to international business use was reduced by 38.4% between February 2004 and August 2009, while that of residential complex increased by 24% during the same period (Citizens' Coalition for Economic Justice, 2010). The NSIC sold in total 5,364 condominium units between 2005 and 2009: their average size was 152 m² and the average sale price, KRW 4,132,150/m²: Each unit therefore was sold at the hefty average price of KRW 628 million, which would amount to about fifteen times the average annual household income for urban households in 2009.^{xi} The extortionate price suggested that only the most affluent of the society with the purchasing power was to consume the 'quality of life' offered by the Songdo IBD, and that the NSIC developers would have raised a large amount of profits from the sale of these residential units. It was estimated that about KRW 1.9 trillion (about US\$1.6 billion)^{xii} would have been raised by the joint venture as profits from the sale of these residential units, after having taken into account all the costs of land purchase, site preparation, construction, finance and taxation (Citizens' Coalition for Economic Justice, 2010). The significance of constructing residential complex in Songdo City is unlikely to diminish, given the report that "about half of the commercial space in Songdo's gleaming office skyscrapers is empty because the business district has struggled to attract tenants" as of December 2013 (Nam, 2013). Such situations make the Songdo City development even more speculative, as the fate of the city depends entirely on the market conditions.

Conclusion

To some extent, the development of Songdo City fits quite well with the experience of post-industrial cities in the global North that try to survive from its economic misfortune in recent decades. Incheon has lost much of its industrial basis to other Asian countries, after having lost the

previous advantages of low-cost labor disciplined by the authoritarian state (see Arrighi, 2009 for the snowballing of labor-intensive industries within East and Southeast Asia). The public-private partnership in the construction of Songdo City testifies that there is a strong element of urban entrepreneurialism as identified by David Harvey (1989) in his discussion of governance transition in post-industrial cities like Baltimore in the US. First of all, there is a public-private partnership that utilizes the state power to entice external sources of funding, especially the global capital (Harvey, 1989, p.7). The project is also highly “speculative in execution and design” (*Ibid.*), especially when reaching the most recent stage of promoting the Songdo IBD. The development of Songdo City rests on “the political economy of place rather than of territory” (*Ibid.*). That is, the project is centered on the generation of exchange value through speculative promotion of its real estate components rather than paying an equal attention to the provision of collective consumption for all strata of population.

Furthermore, Songdo City, being part of the Incheon FEZ, has become a ‘zone of exception’ (Agamben, 2005; Ong, 2006; Park, 2005; Wu and Phelps, 2011) where rules are bent and preferential treatments are offered to a group of privileged stakeholders. Local and central states as well as businesses work together to transcend the geographically bound developmental politics by means of creating new zones of exception through land reclamation and/or designation of free economic zones, overcoming the constraints in existing urban spaces (e.g. resistance by local residents against displacement) to fast-track the developmental aspiration of the state and capital. The site has become part of producing “elite urban spaces” (Shatkin, 2011, p.83), an off-limit space from any public disorder that disrupts new forms of city-making. The site may also be part of experimenting with various neoliberal policies of privatizing public services, which have not been applied elsewhere in the country previously, raising fears among the more progressive sectors of the civil society with regard to the future expansion of such schemes at national scale.

However, this chapter also shows that the story of Songdo City is not simply a neoliberal imposition of a particular brand of global urbanism on a locality. Along with other state-led

territorial projects, the construction of Songdo City strongly reflects the deeply-rooted aspiration of the Korean developmental state “to attract capital and people (of the right sort)” by means of “[i]maging a city through the organization of spectacular urban spaces” (Harvey, 1990, p.92). As Shwayri (2013, p.40) observes, “[t]he planning of Songdo, like the planned modern cities of the twentieth century, has ignored local realities while focusing on creating an exportable model, but what has emerged is a city and/or suburb that is exclusively Korean,” thus resulting in Songdo City’s “Koreanization” (*Ibid.*, p.50). The former CEO of Gale International, the US partner of the aforementioned joint venture, is also reported as having admitted that Songdo IBD “basically became a Korean project with an American name only at the wheel” (Nam, 2013). These comments imply the strong resilience of the Korean developmental urbanism.

Therefore, the construction of Songdo City (and in particular the Songdo IBD) demonstrates the ways in which the Korean developmental state has internalized the neoliberal logics of capital accumulation, market fundamentalism and inter-city competition for investment and skilled labor in order to sustain its presence in city-making. To this extent, Songdo City is indeed what Bae-Gyoon Park (2005, p.855) refers to as “hybrid spaces composed of neo-liberalization and the existing regulatory strategies” of the Korean developmental state. The development of Songdo City is influenced largely by the developmental vision promoted by the local state (Incheon municipality), while the central state also advocates the project in order to address its own national development agenda to raise the country’s geopolitical position. In Songdo City, green and smart urbanisms have conjoined to produce entrepreneurial and speculative urbanisation (Datta, 2015; Shin and Kim, 2015) that centers on real estate speculation and state-led investment in the built environment, which are the key characteristics of developmentalist urbanisation in Korea. Songdo City is likely to serve the interests of urban and national governments as well as domestic businesses more than it serves overseas private capital. In short, the experience of Songdo City promotion manifests a particular practice of city-making, which has a deep root in the actions of the Korean developmental state that promotes its own version of globalisation.

What does Songdo City mean to the Korean people, and what kind of city would it eventually become? The stakeholders in Songdo City may strive to replicate the model at a larger geographical scale within and outside the national territory. When the developers of Songdo IBD was preaching that “[b]y employing the best practices of urban planning and sustainable design, Songdo IBD offers residents, workers and visitors an unparalleled quality of life” (Songdo IBD web site), however, such quality of life is clearly intended for consumption by urban elites and a small segment of local population who has the right level of purchasing power. That is, those citizens and expats who may be deemed appropriate by the state, exercising ‘graduated sovereignty’ as identified by Aihwa Ong (2000) and Bae-Gyoon Park (2005). For a new city constructed from the scratch, there is also a dissonance with the rest of the country that lies outside the exclusive zone. In fact, Songdo City comes to display characteristics that are closer to what Douglass and Huang (2007) referred to as “exclusive utopia for an emerging urban upper middle class” (p.1) where there is no democratic civic input (see also Caprotti, 2014). This comes at the expense of no adequate attention to urban diversity and especially the ‘right to the urban’ (Shin, 2014) for those working class who actually carry out the day-to-day maintenance in the shadow and therefore remain invisible, and for those increasingly marginalised, disempowered and disenfranchised without having the resources, network and power to access what is being created as eco- and smart urban spaces (Marcuse, 2011). In the foreseeable future, Songdo City would continue to become a segregated and exclusive space, catering for the needs of the rich and the powerful and becoming their own version of an urban utopia. Nevertheless, the longevity of this exclusive urban landscape is subject to speculation, for the heavy reliance of Songdo City on real estate investment would turn out to be its own weakness when the Korean real estate market slumps.

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ⁱ The fiscal independence data come from http://lofin.mopas.go.kr/lofin_stat/budget/jipyo/Jipyo_Jarip_03.jsp, a central government web site for data on local finance.

ⁱⁱ The data on municipal debts are from the Ministry of Security and Public Administration web site, <http://lofin.mospa.go.kr/main.jsp>

ⁱⁱⁱ Plans for what economic activities Songdo City would accommodate were nevertheless zigzagging. In January 1996, Mayor Choi of Incheon announced a masterplan for Incheon, which included an ambitious plan to expand the Songdo area from 17.7 km² to 95.9 km² in order to accommodate high-tech industrial complex and other factories located in existing urban cores, and reduce the residential space substantially (Maeil Business, 1996). However, this ambitious expansion of land reclamation was seeing the resistance of the Ministry of Construction and Transportation in the central government (Maeil Business, 1997b).

^{iv} While the master plan itself was approved by the Incheon municipality in November 2002 and its subsequent finalisation in 2003, it nevertheless took many more years before the master plan was put into realisation. The KPF took a reference from a number of cities that were deemed successful and assembled their landmark characteristics to create a master plan for Songdo IBD (Segel, 2012). Therefore, Songdo IBD has become a kitsch amalgam of copied landmarks, which includes a “Central Park, the large 100-acre green space, which was modeled after New York City’s Central Park, has already been completed. Besides the expansive park, Songdo takes inspiration from many other famous attractions from around the world. Songdo will also include Italianate canals, Savannah-style parks, Parisian boulevards, and a convention center modeled after Jørn Utzon’s iconic opera house” (Meinhold, 2009). The KPF prides itself for having created the master plan, having been awarded the Urban Land Institute and the Financial Times Sustainable Cities Award in 2008.

^v See its Sustainability White Paper found on http://www.songdo.com/Uploads/FileManager/Songdo/Sustainability/Sustainability_White_Paper.pdf. The international partners of the Songdo IBD did not shy away from their intent to make use of the Songdo model as a prototype that could be exported. The Chief Globalisation Office and Executive Vice President of CISCO Services openly asserted that “Our collaboration on Songdo IBD with Gale International is a living example of the globally replicable model we are building for Smart+Connected Communities” (CISCO, 2009). The then Chairman of Gale International also responded to this by emphasizing that “We are globalizing the real estate industry by identifying and deploying integrated solutions in a unique replicable model” (*Ibid.*).

^{vi} See <http://www.songdo.com/songdo-international-business-district/team/development-team.aspx> (last accessed 9 September 2015).

^{vii} See also http://history.poscoenc.com/housing/housing_04_02_02.htm (last accessed 9 September 2015).

^{viii} As per the mid-market rate as of 31 December 2001, US\$1 was equal to 1322.9 Korean Won. See “Current and Historical Rate Tables”, XE, accessed 9 September 2015. URL: <http://www.xe.com/currencytables/>

^{ix} In June 2004, bridge loans of US\$180 million were provided by a consortium of banks involving Woori Bank as a major contributor (IFEZ Authority, 2007, p.176; Segel, 2012, p10). In June 2005, the NSIC secured another US\$1.5 billion in loans to repay the previous bridge loan, finance land purchase and provide working capital, and the major providers included Korean banks again (Segel, 2012, p.11). In 2007, the joint venture secured US\$2.7 billion in loans to buy additional 1.2 km² of reclaimed land from the Incheon municipality and also to repay existing loans from the previous round of project financing: The additional loans were to be provided by a consortium of 13 Korean banks and life insurance companies, led by Shinhan Bank who alone provided US\$1.7 billion (Ramstead, 2007). In 2013, NSCI secured the fifth round of project financing whose value reached about US\$2.2 billion, offered by a consortium of nine banks and securities firms led by the Korea Exchange Bank (Incheon Ilbo, 2013).

^x See also the Korea Land Information System web site, <http://klis.incheon.go.kr/sis/main.do>

^{xi} The average annual household income for urban households in 2009 was KRW 41,625,696. The income data come from the governmental web site of the Korean Statistical Information Service, <http://kosis.kr>

^{xii} As per the mid-market rate as of 31 December 2009, US\$1 was equal to 1170.5 Korean Won. See “Current and Historical Rate Tables”, XE, accessed 9 September 2015. URL: <http://www.xe.com/currencytables/>