



From ugly ducklings to beautiful swans? The role of local public intermediaries in the revival of the Daegu textile industry

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ABSTRACT

RIS scholarship has paid less attention to how local-based public institutions have been involved in the restructuring process of older industrial regions. In particular, there is a paucity of applications of RIS ideas to the subject of industrial change in old industrial regions in the newly industrialising economies where there remains a legacy of developmentalism even after a period of catching-up. In this paper, we offer an empirical contribution on these neglected issues when focusing on the role of public intermediaries in the revitalisation of the Daegu textile industry in South Korea. Our findings offer not only an update on previous studies but also indicate how local public intermediaries have themselves evolved and have proved pivotal in industry upgrading. The broader implication of this research is that the legacies of developmental state policies and institutions remain strong and present more of a basis for change than is assumed in the literature on the post- or neo-developmental state.

1. Introduction

Notwithstanding the popularity and significant contributions of regional innovation systems (RIS) literature, this paper addresses itself to three limitations of the RIS approach: the near exclusive focus on high technology, growing or otherwise dynamic industry sectors in western liberal market economies; the lack of research on top-down models of RISs, such as those found in East Asian developmental states; and the paucity of detailed consideration of the institutional content of RISs (Ter Wal and Boschma, 2008) including the role of public intermediaries (Howells, 2006; Inkinen and Suorsa, 2010; Rantisi, 2014; Smedlund, 2006).

The economic and industrial condition of South Korea from the 1960s to the 1980s had strikingly improved by what is widely recognized as developmental state policies (Amsden, 1992; Wade, 1990). Yet, the overall policy measures have changed since the end of the 1990s with the country also seemingly an enthusiastic adopter of the RIS concept in regional policy (Gress, 2015; Park, 2001; Sonn and Kang, 2014). As a recent White Paper on Regional Industrial Policies explains: '[T]he main aims of regional industrial policy are to strengthen the footing of regional industries, and to improve autonomous innovation capability for the upgrade of declined industries towards high-value added one, thereby pursuing the goal of the nation's balanced development on the basis of Regional Innovation Systems' (White Paper on Regional Industrial Policies, Ministry of Trade, Industry and Energy,

2013; Author's own translation). Previous studies have paid attention to how national-level policies and institutions have played a role in economic transformation but have neglected regional level policies and institutions in the revitalisation of old industries supported as part of earlier developmentalism (Cho and Hassink, 2009). Yet it remains unclear whether old industries can be modernised especially in light of doubts over the suitability of the state-led RIS to effect transitions from factor- and investment-driven industrialisation to innovation-driven industrialisation (Lenway and Murtha, 1994: 528). Thus, one purpose of this paper is to update the earlier work of Cho and Hassink (2009) to reveal the mixed fortunes of public intermediary institutions in effecting the revival of the Daegu textile industry and some of the wider challenges facing the post-developmental states of East Asia.

In the next section, we review the literature on the role of intermediaries within RISs. We go on to describe the methods used to collect the empirical material in this study. The paper then presents a case study of Daegu's textile industry focusing on the role of public sector intermediaries. It draws on interviews with textile companies and representatives from various public sector bodies as well as secondary data. In conclusion we consider the wider implications of the research for understanding the role of intermediaries in the revitalisation process of the old industrial region. With regard to the specific context of East Asian countries, the implications for developmental to post- (Yeung, 2016) or neo-developmental (Cho, 2000; Kalinowski, 2015) state transformation are also drawn out.

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2. Intermediaries and regional innovation

2.1. *From national to regional innovation systems*

Innovation systems can be described as the means by which combinations of existing organizational, human and knowledge resources come to improve national, regional, and firms' competitiveness. Different formulations have considered the geographic scale (notably national (NIS) (Edquist, 1997; Freeman, 1989; Lundvall, 1992; Nelson, 1993) and regional (RIS) (Braczyk et al., 1998; Cooke et al., 1997; Malmberg and Maskell, 2007) and industries (Breschi and Malerba, 1997; Malerba and Orsenigo, 1990) around which innovation systems coalesce.

Since the mid-1990s it is the regional scale of analysis which appears to have prevailed in both academic analysis and policy formulation and implementation (Asheim et al., 2011a). As Lundvall and Borrás (1997) have pointed out, regions are increasing their responsibilities in economic coordination by means of local networks of relevant actors, industrial clusters, and synergy effect among organisations. Regions are now considered the key drivers of innovation (Asheim et al., 2011b).

The concept of RIS is capable of embracing a number of other related concepts such as industry districts, clusters or agglomerations. The recent ethos of innovation systems scholarship might be characterised as one in which non-linear processes and the intertwining of pivotal actors regardless of geographical boundaries – e.g., subnational, national, international dimensions – have been taken seriously within an evolutionary perspective (Bessant and Rush, 1995; Edquist, 1997; Tödting and Trippel, 2005). On the one hand this has blurred any conceptual distinction between NIS and RIS. On the other hand, regional competitiveness and stimulating interaction among regional actors emerge as key ingredients for securing national competitiveness given the nested interactions among systems operative at different geographic scales.

2.2. *The role of intermediaries within innovation systems*

The importance of intermediaries to the innovation process has been underlined in recent contributions (Bessant and Rush, 1995; Howells, 2006). Intermediaries are notable in innovation systems with regard to processes of technology transfer (Bozeman, 2000) though their roles extend well beyond this (Howells, 2006). Well-developed knowledge intensive business services (KIBS) industries themselves act as private sector intermediaries to other parts of national and regional economies (Hertog, 2000). However, almost all national governments also have recognised a need to support and intervene directly or indirectly in the

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