Preface

The question of where economic activity takes place is fundamentally related to the basic structure of society. Whether a region becomes an agricultural backwater, a bustling manufacturing hub, or an innovative hightech center will play a large role in determining the economic choices available to its inhabitants and the influence wielded by its government. As Asia and Latin America develop and developed countries fight to maintain their edge in a globalized, informatized world, the notion of *industrial agglomeration or clustering* has increasingly been regarded as a source of long-term economic growth for regions and for entire economies. The question of why firms choose to locate in a particular region, given the kaleidoscope of location choices available to them, has thus become somewhat of a holy grail.

Fortunately, fine theoretical work continues to be done in this area. But theory must be complemented by evidence; no policymaker in his/her right mind would pursue an agglomeration strategy without being able to examine detailed evidence of how clusters have succeeded (and failed) in the past. Thus we, the authors of the chapters of this book, have directed our efforts in that direction for several years now. This volume represents a compilation of the results of those case studies. Though these specific studies do not provide a final answer to the microeconomic question of why firms gather in a region, they do provide key insights into the cluster formation process that will be essential in the future crafting of such a theory.

The book’s chapters are naturally grouped by the region in which each study was performed: East Asia, Europe, or the Americas. The studies examine a broad cross-section of clusters: developed and developing countries, manufacturing and service industries. We tilt the balance of our attention slightly toward IT-related industries, both because these industries are relatively new (and thus present the greatest opportunity for new cluster formation) and because IT itself is a crucial element in the rapidly evolving global economy.

Although no unified theory of agglomeration emerges from the chapters, several important themes do arise which we feel are inseparably tied to the clustering phenomenon. These include the importance of multinational corporations (MNCs) and their supply chains; the role of governments in creating infrastructure; regional specialization as a response to global
competition; and the essential role of R&D and innovative activities. These factors are all important elements of the increasing returns to scale that any cluster must generate in order to grow and thrive.

We intend this book to be a road map for policymakers seeking to craft cluster-related policies, for business leaders choosing where to locate their operations, and for economic theorists attempting to explain the clustering process. Though we might not yet have found the holy grail, we have certainly narrowed down the space in which it may be found.

This book received crucial support from a number of people and institutions. The book owes most of its results to a research project entitled ‘Supply Chain, Industrial Location, and Agglomeration in Knowledge-based Society’, which was organized and conducted by the Institute of Developing Economies (IDE)/Japan External Trade Organization (JETRO) in 2002–2003. We would like to express our deepest gratitude to Professor Masahisa Fujita, President of IDE, and Mr Osamu Watanabe, Chairman of JETRO, for their support and for their permission for publication.

We are also deeply indebted to Professor Phillip McCann, University of Waikato and University of Reading, the editor of the series ‘New Horizons in Regional Science’. Professor McCann read our entire manuscript, provided many useful comments and suggestions, and approved the addition of this volume to his excellent series.

Thanks are also due to the following people who contributed greatly to the improvement of this volume and to whom we thus owe a great deal: Dr Tetsushi Sonobe (Foundation for Advanced Studies on International Development), Dr Koji Nishikimi (IDE-JETRO), Michael Piore (Massachusetts Institute of Technology), Carlos Maroto (Director of the Asociación Mexicana de la Industria de las Tecnologías de Información), Eugenio Godard and Braulio Laveaga (President and Director of the Camara Nacional de la Industria Electrónica y de las Tecnologías de la Información), Luis Fernando Flores (Innovatia Cluster in Aguascalientes), Kie Ono, Shigeru Togashi, Giancarlo Spagnolo, Massimo Tamberi, Danny Breznitz, Seán Ó Riain and Ricardo Zermeño, as well as all the commentators and participants of seminars and conferences related to this research. This book is truly a group effort and each of these people deserves a piece of the credit.

We also express our thanks to Mr Noah Smith and Mr John Gallagher for their excellent editing work. We also thank Ms Nep Elverd and Ms Caroline Cornish of Edward Elgar for their patience and encouragement throughout the long publication process – thanks for putting up with us.

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