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 high-tech 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.

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