THE ROLE OF PRODUCER SERVICES IN SECTORAL AND SPATIAL CHANGE IN A NEWLY ADVANCING ECONOMY: THE CASE OF SOUTH KOREA

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Yong Gyun Lee

Department of Geographical and Environmental Studies
The University of Adelaide
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ABSTRACT

The motivation for this research was to describe and explain the role of producer services in regional development, in particular their effects on the space-economy. In particular, because most research on producer services has focused on the advanced economies, it was thought valuable to examine the role of producer services in a newly advancing economy, namely Korea. The major research aims were therefore to analyse the role of producer services as a driving force in regional economic development, including the characteristics of and sectoral changes in these services, which have been occurring in the Korean economy. In particular, this research focused on explaining the spatial change in producer services at different scales in the space economy, including the characteristics of demand and supply linkages of these services. Lastly, this research aimed to examine the impacts of producer services on changes of urban structure.

Major findings of this research are as follows; firstly, producer services are not simply contributors or facilitators but are major actors in the process of regional development. Job creation has increased dramatically in producer services in which professionals act as a major source for regional innovation. Producer services function to enhance the efficiency of other economic activities, ensuring the smooth functioning of a socio-economic system. These services thus improve the quality of products and services, adding to their value, creating regional multipliers, bringing external income into the region and reducing external spending. Secondly, dualism was a very striking feature of labour markets for producer services in Korea. The Korean government and large firms, namely chaebols, have played a significant role in the structural changes which have characterised producer services. Thirdly, the concentration of producer services into large cities of Korea is a consequence of the cumulative effect of the urban economy, which comprises agglomeration economies, the market, labour pools and well-developed infrastructure. The single most important factor affecting the location of producer services is the availability of economies arising from agglomeration. Fourthly, the most important factor leading to agglomeration in producer services was their dependence on proximity to clients and firms proving similar services, developing active forward and backward linkages. Lastly, producer services have impacted on the national urban hierarchy, reinforcing the role of Seoul. Producer services also have influenced the internal structure of metropolitan areas, increasing the importance of agglomeration economies and intensifying a multi-nuclear urban structure.