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Networks and clusters: Toward a relational perspective of global and local linkages

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Networks and clusters: Towards a relational perspective



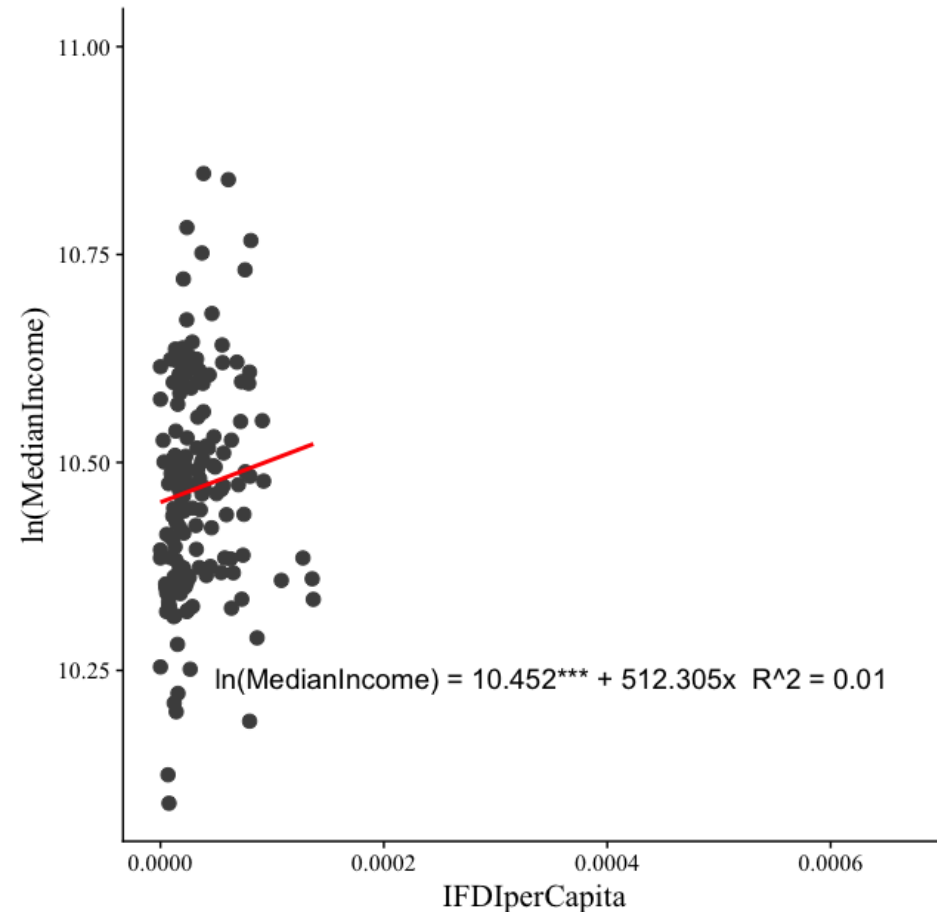
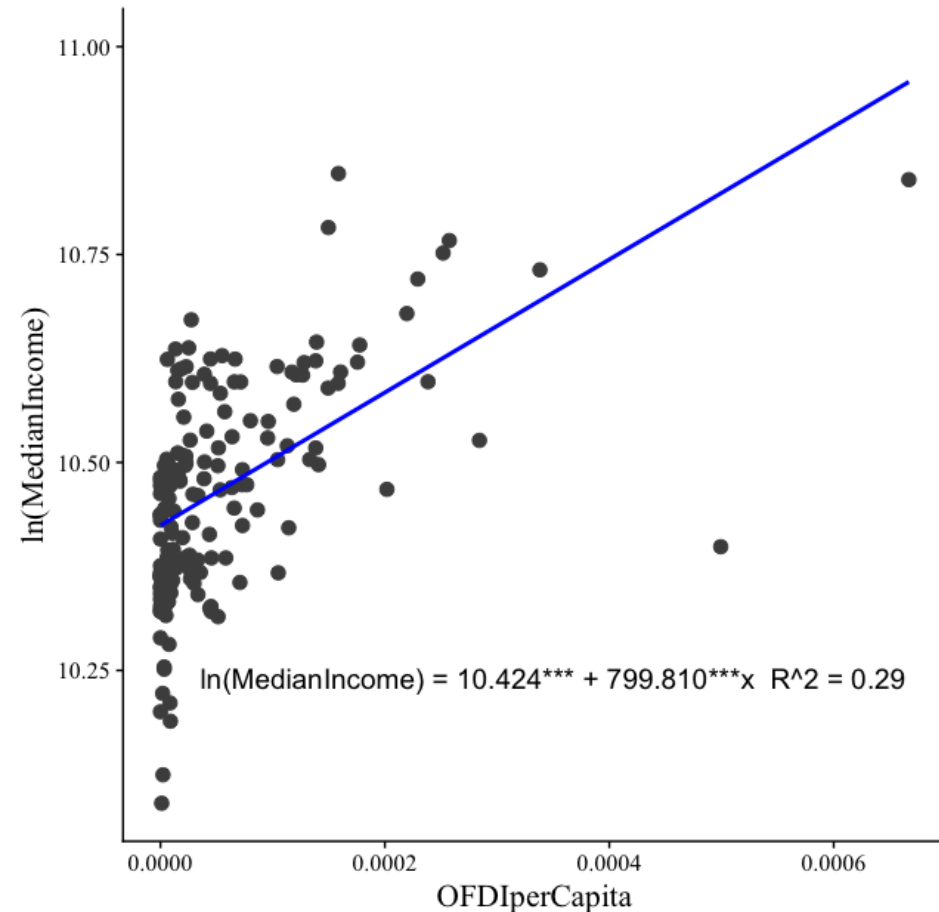
1. Inequality and regional development

- Globally, poverty levels are decreasing
 - *% of population under poverty line at all-time low*
- BUT: increasing spatial/social inequality in incomes and economic opportunities within countries
- Countries react differently:
 - *Germany: strong effective regional policies (by constitution)*
 - *China: authoritarian central state directs massive investments*
 - *USA: no strong regional policies – laissez faire*
- Populism is on the rise with policies against globalization
 - *Large support for anti-immigration agendas*
 - *Trade wars and policies against global trade*
 - *Strong resentments against foreign investments*

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Relationship median income (2013) and cumulated outward/inward FDIs per capita (2005-13) in U.S. cities (CSAs) (Bathelt & Buchholz 2019)



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Structure of presentation

1. Inequality and regional development
- 2. The relational economy and geography**
3. Spatial networks and development: Missing links
4. Cluster development: Local, regional, global networks
5. Towards a relational policy of local and global linkages

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2. The relational economy and geography

- How to resolve current spatial/social divides?
 - *Developed vs. developing countries (currently difficult to target with anti-globalization policies)*
 - *Intra-urban/regional inequality*
 - *Inter-urban inequality*
 - *Urban vs. rural divide*
 - The latter two require the creation of economic links between growth centers and developing cities/regions
 - Such linkages cannot be based on costs alone
 - *Development requires knowledge & technology transfers*
 - *Ongoing learning process*
 - *Associated with the development of trust and community*
- Thus, we are dealing with a *RELATIONAL ECONOMY*

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Fundamental conditions of the relational economy

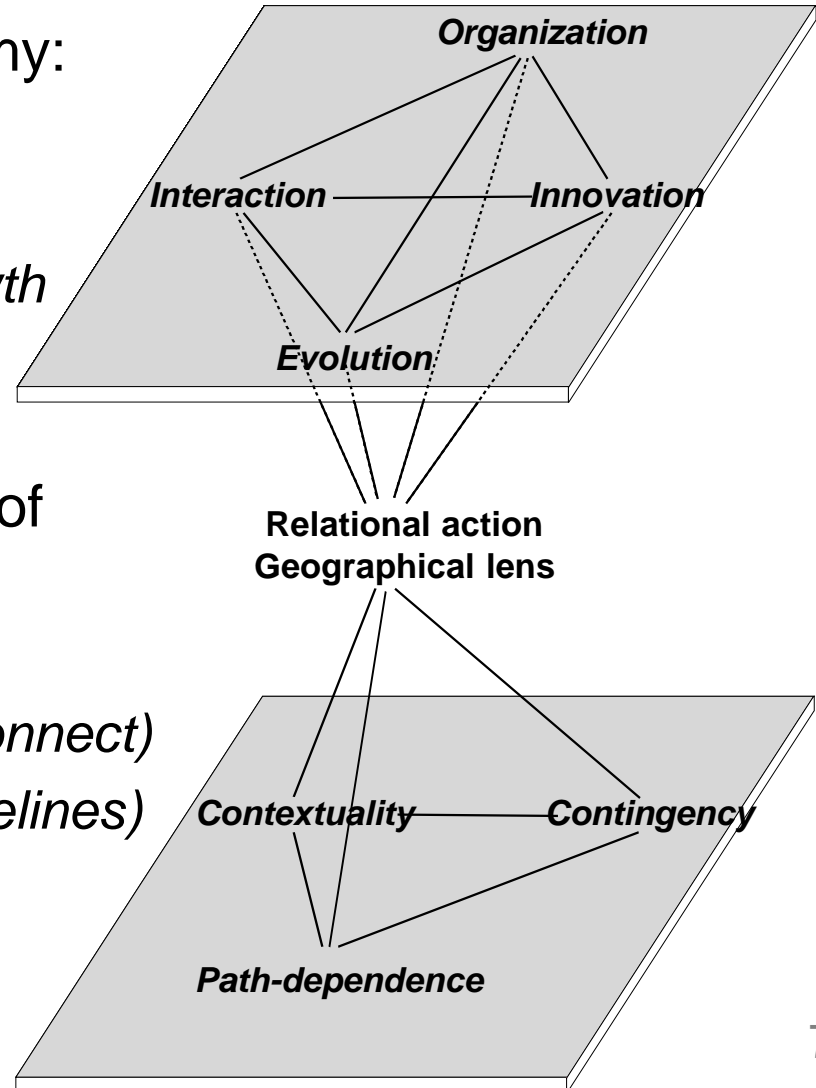
(Bathelt & Glückler 2003; 2011; 2018)

- Contextuality
 - *Economic action is embedded in structures of social/ institutional relations*
 - *Firms are bound to supplier-customer networks*
- Path-dependence
 - *Economic action depends on consequences of former action*
 - *Decisions made in the past cannot easily be reversed*
- Contingency
 - *Economic action is not pre-determined*
 - *Firms can always deviate from existing paths*

→ Altogether, firms often form networks, engage in long-term relations and become partners of others

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- Firms in the relational economy:
 - *Interaction within/between Organizations*
 - *Creating innovation and growth*
 - *Resulting in an evolutionary dynamic*
- Geographical lens – 3 types of networks are crucial:
 - *Local links (buzz; spillovers)*
 - *Regional links (urban-rural connect)*
 - *Global links (global buzz; pipelines)*



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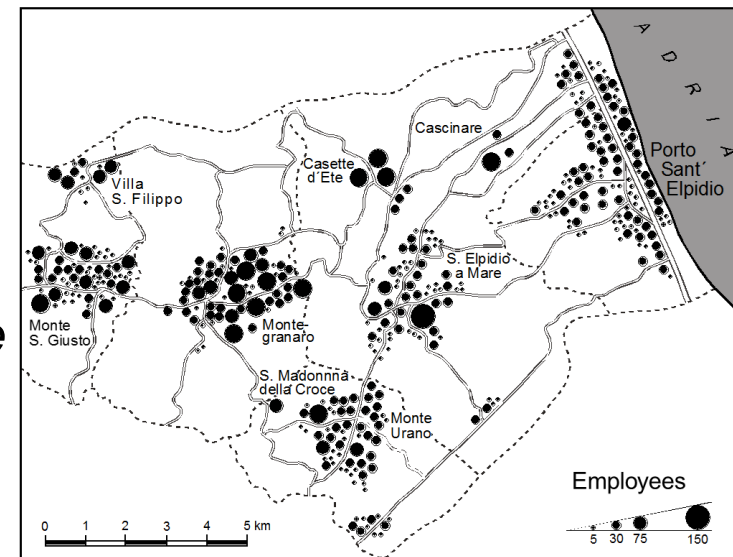
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3. Spatial networks and development – Missing links

Three success stories

- Case 1: industrial districts in Italy
 - *Flexible specialization and trust*
 - *Highly localized division of labor between different cities/villages*
 - *Example: Shoes in Porto Sant' Elpidio (Scott 1988) – entire Marche region: 65% Italian shoe exports*
- Policy makers tried to build such districts in other countries
 - *BUT: little success because of focus on local networks*
 - *Local networks need to be connected to wider markets*



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- Case 2: fashion cluster in Medellin **(Meijia Lopez 2018)**
 - *Fashion is a core of urban economy: 80,000 direct/indirect jobs with 2,000 suppliers (13% of employment)*
 - *Regional policy: cluster initiative aimed at building collaborative networks between firms*
 - *Time-consuming process to build trust*
 - *Result: 46 firms decided to collaborate in buying supplies*
 - . *Increased efficiency and competitiveness*
 - . *Collective learning from Japanese organizational principles*
 - . *Excellent basis for future collaboration*
- What is still needed: link to larger markets (in other countries) for long-term sustainable growth
 - *Collective learning of foreign consumer culture*
 - *Goal: to stimulate product innovation*

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- Case 3: semiconductors and medical devices in Costa Rica
(Gereffi 2018)
 - *Government initiatives to strengthen industrial development by attracting foreign investments and creating global linkages*
 - *Semiconductors: led by Intel's large-scale assembly plant*
 - . *Few development impulses – no skill development*
 - . *Later relocated – few development triggers overall*
 - *Medical devices: a larger number of smaller investments*
 - . *More successful, BUT firms are dispersed across cities*
 - . *Few linkages between different cities – limited effects*
 - What is missing? A regional strategy to generate spillovers
 - *Support of concentrated cluster development*
 - *As a basis for local suppliers and specialized training programs*
- Targeting upgrading in the future

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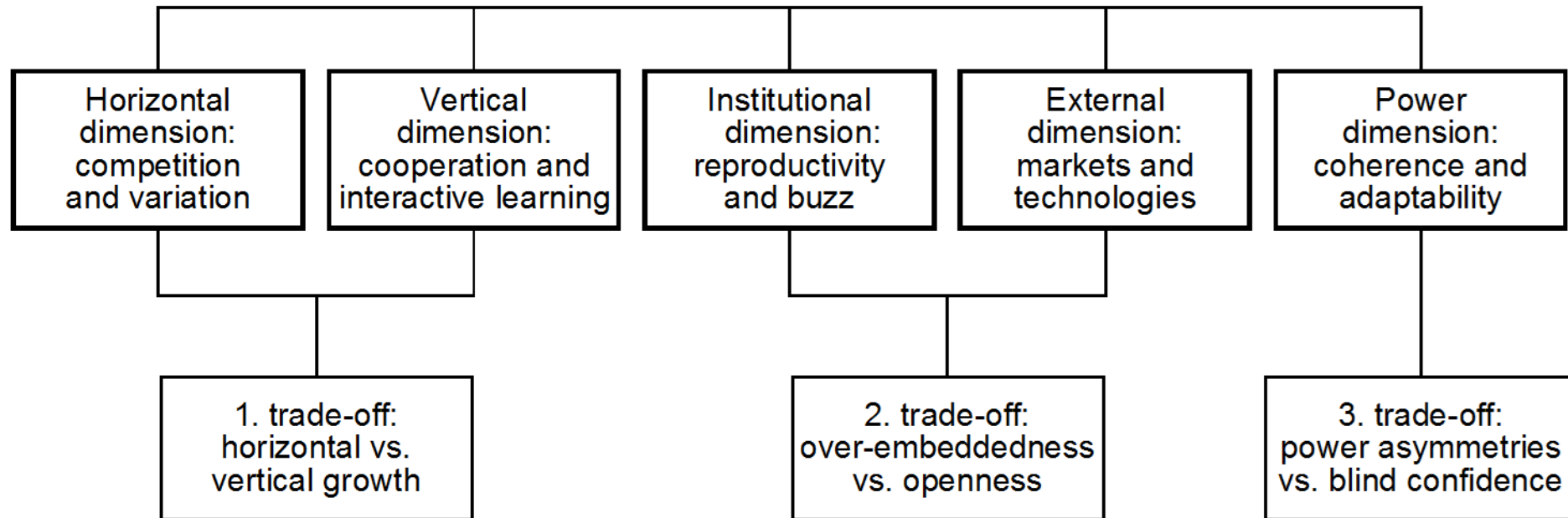


4. Cluster development: Local, regional, global networks

- Conclusion from the three cases:
 - *Economic growth/upgrading can benefit from cluster development (with a nucleus in urban areas)*
 - *Clusters can be drivers of development in surrounding regions*
- To be able to produce sustainable growth, cluster must have:
 - *Developed cluster dimensions and knowledge linkages*
 - *Local networks and buzz (Storper & Venables 2004)*
 - *Global linkages and pipelines (Owen-Smith & Powell 2004)*
 - *Balanced local, regional, global linkages*

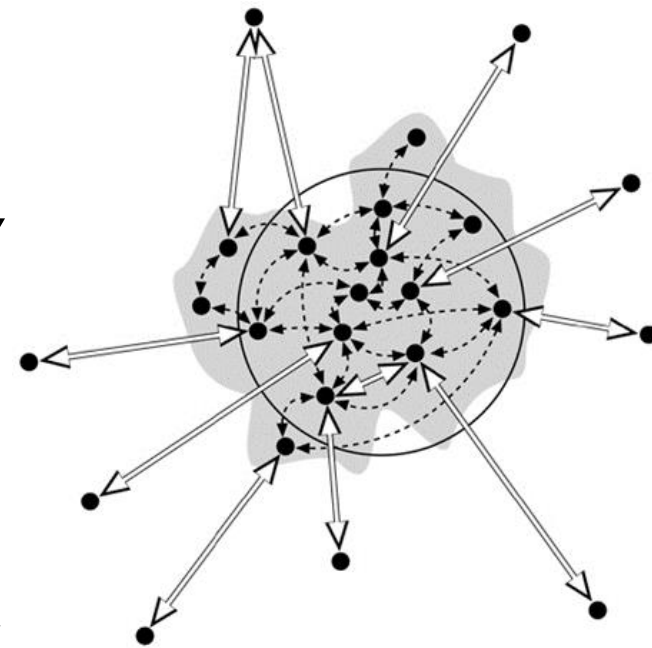
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- Cluster dimensions and trade-offs (Bathelt & Boggs 2005)



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- BUT: decisive knowledge flows and growth triggers often occur in distant interactions or pipelines
- To participate in these is not an easy task
 - *Knowledge flows are not automatic*
 - *Participation requires investments*
 - *Trust does not exist by default – but needs to be built – takes time/money*
- YET: local buzz and global pipelines stimulate each other
(Bathelt, Malmberg & Maskell 2004)
 - *Self-reinforcing mechanism to generate growth and spillovers*
 - *BUT: regional support policy needed to avoid negative cluster effects*



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5. Towards a relational policy of local and global linkages

- Crucial task for regional policy:
 - *How to reduce inter-regional inequality and trigger regional development?*
 - *One important way: to support inclusive cluster development with balanced local, regional, global linkages*
 - *This can best be achieved when focusing on an existing industry base (as in Medellin, Third Italy)*

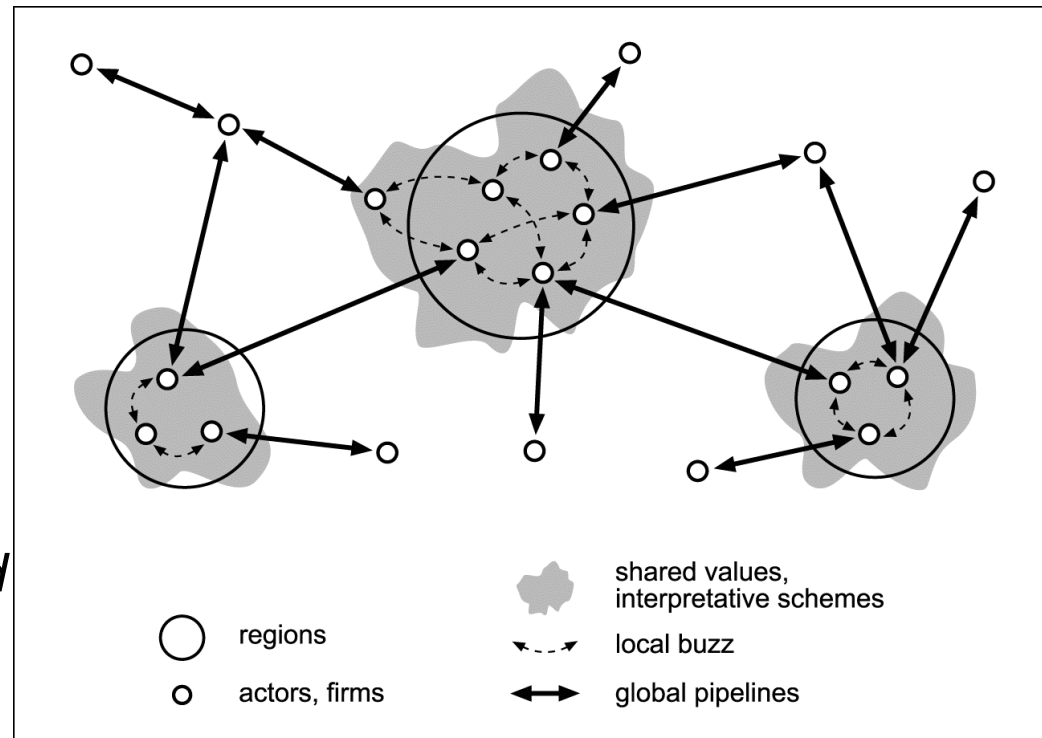
Three levels of balanced linkages are necessary:

1. Localized industry nucleus or cluster (typically within a city)
 - *Basis for localized linkages and, over time, inter-firm trust*
 - *Specialized labor market*
 - *Creative knowledge flows*

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2. Regional network building *(Bathelt 2007)*

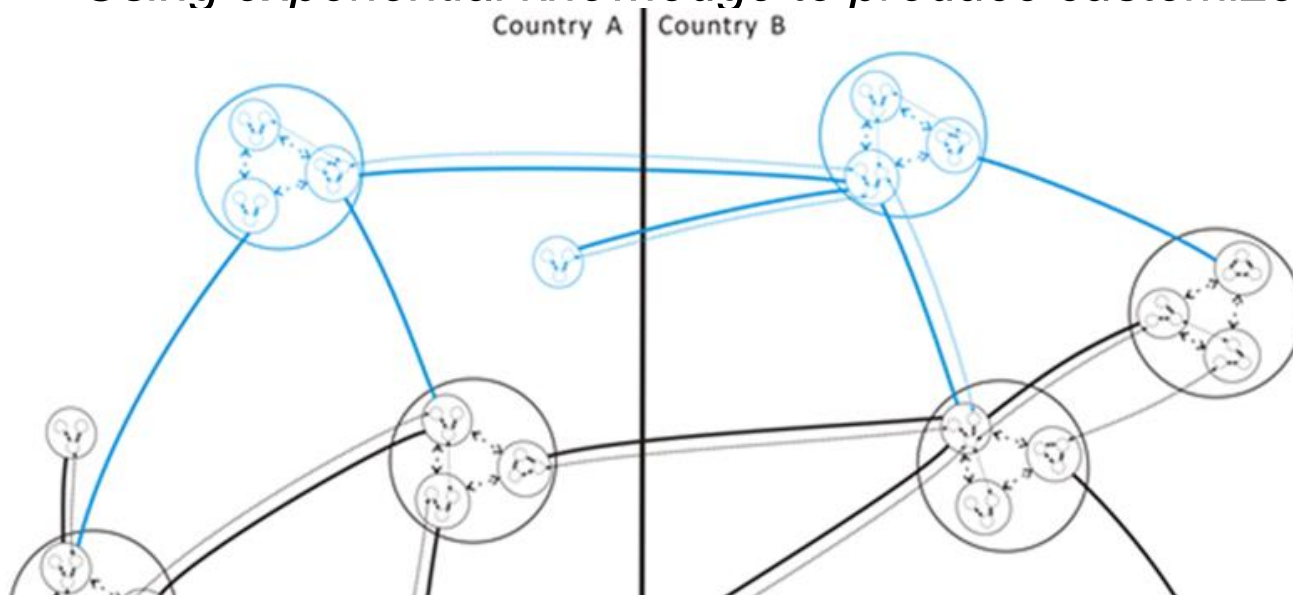
- *To create spillovers in broader regional economy*
- *Key: there needs to be a joint industry base*
- *Building supplier linkages*
- *Engaging urban and rural firms in events that address joint interests (e.g. global markets, new technologies)*

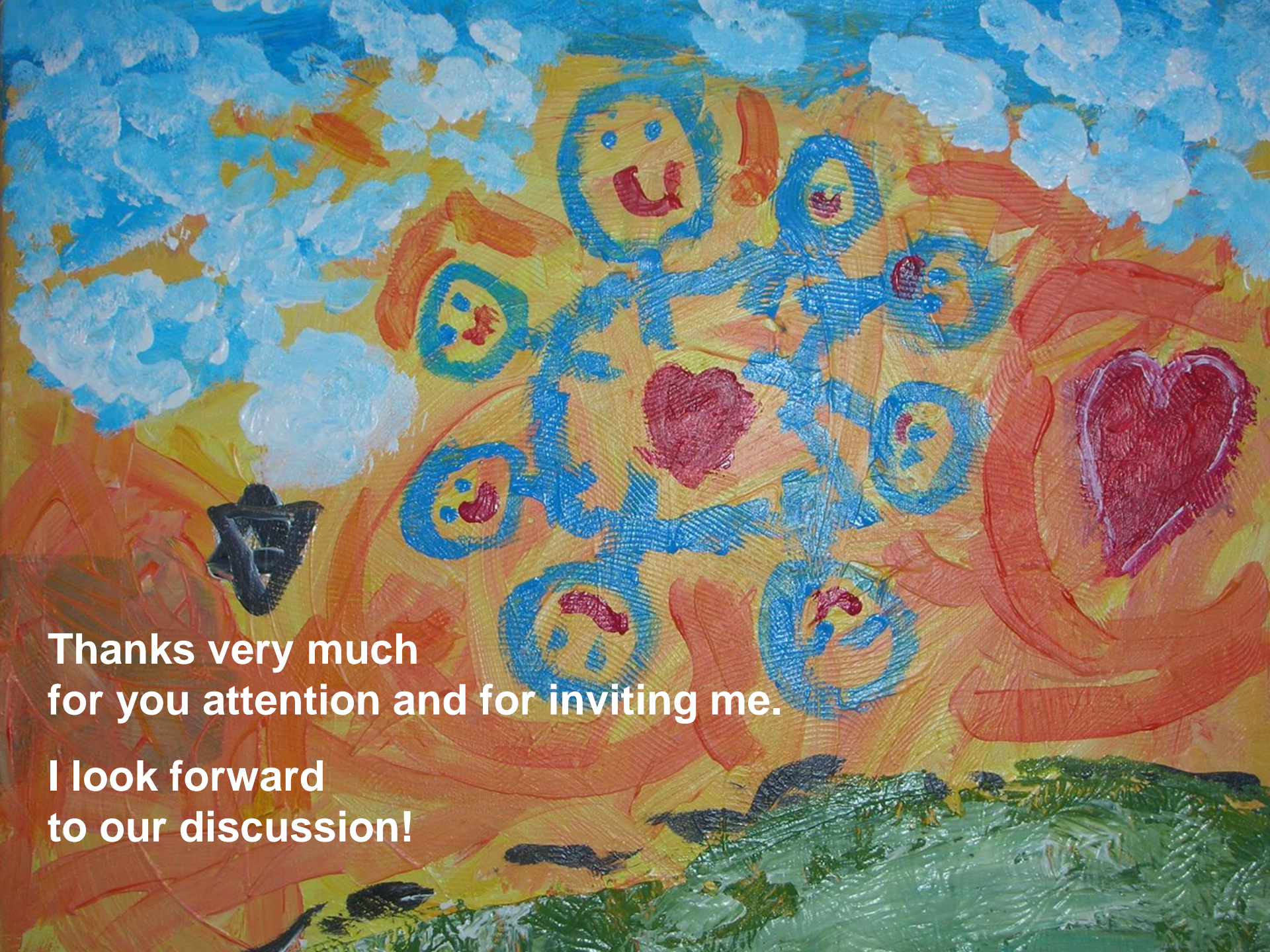


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3. Generating international linkages

- *Creating access to other markets through inward/outward investments (Cantwell & Iammarino 2003) and/or links with ethnic migrant communities (Portes & Sensenbrenner 1993; Saxenian 2006)*
- *Linking with industrial cores to establish international knowledge flows – e.g. global cluster networks (Bathelt & Li 2014; Li & Bathelt 2018)*
- *Using experiential knowledge to produce customized goods*





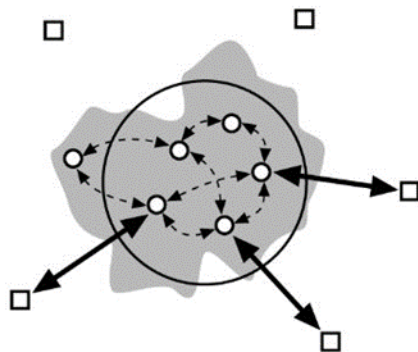
**Thanks very much
for you attention and for inviting me.**

**I look forward
to our discussion!**

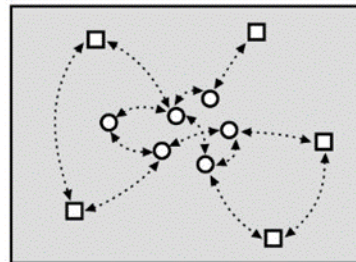
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- How to establish global pipelines?
 - *One possibility: targeted participation in leading international trade fairs (Maskell, Bathelt & Malmberg 2006; Bathelt & Schuldt 2008)*
 - *Collective exhibits to showcase regional capabilities*
 - *Learning from others and picking up ideas for new products*
 - *Using events to create international linkages*

A Permanent cluster
(before trade fair)



B Temporary cluster
(during trade fair)



C Permanent cluster
(after trade fair)

