

**The struggle to belong
Dealing with diversity in 21st century urban settings.**

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**'State-facilitated Gentrification' in Seoul, South Korea:
for Whom, by Whom and with What Result?**

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Abstract

Gentrification has become a global phenomenon. However, its different forms and social consequences in East Asian contexts are not particularly well known. Although the term of gentrification is relatively new, many urban policies in the developmental states in East Asia have attempted to promote gentrification. This paper investigates how the developmental states in East Asia have adopted the idea of gentrification in their urban renewal policies. The development of urban renewal policy and state intervention in Korea is taken as an empirical framework. An insight into how the state has achieved urban renewal through the interaction of the public sector, private sector and community. This investigation of the development of urban renewal policy in Korea illustrates how the concept of 'gentrification' has been formed in the different cultural environments of the East and the West.

Key words: Gentrification, urban renewal policy, state intervention, Seoul, Korea

Introduction

The last four decades have seen a wide range of debates concerning changes in housing class, which involves the displacement of the working class by the middle class. In recent years, it appears that the gentrification debate has lost its radical, challenging and transformatory edge as the nature of gentrification has changed. The idea of gentrification related to social structural change and collective action in opposition to the state are rather out of fashion. There has been a good deal of discussion about gentrification in Western cities, however, its different forms and social consequences in East Asian contexts are not particularly well known.

With its extraordinary economic success, cities in South Korea (hereafter Korea), especially Seoul, have undergone tremendous state-led urban change resulting in the mass displacement of low-income households. In Korea, the developmental state has held a large degree of power and been heavily involved in urban restructuring. This high degree of state intervention, however, was not intended primarily to benefit those who were excluded from the changing economic and social structure. Urban renewal projects were pursued to support continuous physical expansion and economic prosperity for middle and upper-middle income households rather than low-income households. The Korean government encouraged high-density redevelopment in urban renewal projects to solve the chronic housing shortage as part of the expansion of home-ownership. To revitalise disadvantaged neighbourhoods, the state facilitated gentrification with an

increased role for the private sector. This meant that the state became a facilitator who sought to create favorable conditions for the private sector to invest in urban areas. Though not consciously or explicitly so, the idea of gentrification was embraced by the government as an urban renewal solution. This state-facilitated gentrification has brought about significant physical improvements in disadvantaged neighbourhoods but has brought little benefit to the poor in those areas.

This paper begins by exploring the emergence of gentrification in Western cities focusing on the conceptual evolution of gentrification. It then investigates how the developmental states in East Asia have adopted the idea of gentrification in their urban renewal policies. The development of urban renewal policy and state intervention in Korea is taken as an empirical framework. An insight into how the state has achieved urban renewal through the interaction of the public sector, private sector and community. This investigation of the development of urban renewal policy in Korea illustrates how the concept of 'gentrification' has been formed in the different cultural environments of the East and the West.

Conceptualising gentrification

Since the British sociologist Ruth Glass first coined the term 'gentrification' in 1964, there has been on-going debate on its causes, consequences and significance in different parts of the world. Gentrification is no longer restricted to old industrialised Western cities but it has been a global phenomenon (Atkinson and Bridge 2005; Butler 2007; He 2007; Lees et al. 2008; Slater 2006; 2011; Smith 2002). Despite gentrification receiving widespread recognition, the concept is not easily defined as it means different things according to different people, places and times.

In the West, gentrification was initially seen as the urban class change process of the replacement of the original working class occupiers by middle class homebuyers. It occurred mainly because of changes in locational preferences of the middle class, so-called 'urban pioneers', who risked themselves and transformed an undesirable neighbourhood into a good place to live. During the first wave of gentrification, following Neil Smith's schematic history of gentrification (2001), the activities of gentrifiers were limited to small inner-city neighbourhoods. They were funded significantly by the public sector as the private sector was not confident enough to get involved in the rehabilitation

process of inner-city neighbourhoods (Beauregard 1986; Smith 1979; 2001). State intervention was direct and it played an active role in gentrification.

In the second wave, which occurred in the late 1970s, gentrification began to be understood in a much broader context (Smith and Williams 1986). As old cities, mostly in the north eastern USA and Western Europe, which had experienced the loss of population and jobs and the deterioration of inner-city housing, strived to revitalise inner city areas through public and private partnerships to attract the middle class, gentrification was integrated into a wider process of social, economic and urban regeneration (Sassen 2001). The 1980s saw large-scale luxury office, hotel, shopping district and residential developments and gentrification was evident in the process of these redevelopments. The role of the state was downplayed and more emphasis was given to the opportunities for the private sector to contribute to gentrification. Confronted with the declining profitability of traditional mass-production industries and an increasing dissatisfaction with the high cost of state expenditure on welfare, the blame was laid on Keynesian financial intervention, state ownership and overregulated labour markets (Peck and Tickell 2002). There was a desire to roll back the state and create opportunities for the private market among old industrialised countries (Conway 2000; Duffy and Hutchinson 1997; Oatley 1998). A shift from government to market forces and partnership-based forms of governance were observed. North American and West European governments sought the mobilisation and extension of market mechanisms to alleviate economic and social problems.

The third wave of gentrification, which began in the mid-1990s, was seen very differently from that in the 1960s, 70s and 80s. The scale of gentrification expanded greatly. The link between gentrification and global systems of real estate and banking finance were extended and intensified (Shaw 2005; Hackworth 2002; Smith 2001; Lees et al. 2008). Hackworth (2002) and Smith (2001) observed four features of the third wave of gentrification distinct from earlier phases. First, gentrification expanded both within the inner-city neighbourhoods and to more remote neighbourhoods. It was gradually acknowledged that the gentrification process occurred not only in inner-city areas but also in rural villages although there were some differences in the character of gentrification between cities and other places (Clark 2005; Darling 2005; Philips 2002). Second, effective resistance to gentrification declined. After the economic crisis in the

early 1990s, a new approach, different from the 'entrepreneurial' culture of the 1980s, was taken by the governments in many parts of the world (Peck and Tickell 2002, 37). Although market-led economic growth was still pursued as the most effective way to overcome local economic and social disadvantage, the idea of a more inclusive approach to local economic development and regeneration began to evolve. Castree (2008, 142) and McCarthy and Prudham (2004, 276) observed that the state demonstrated increasing interest in strategies to promote the involvement of civil society groups as a remedy for some of the previous failures of the system. The most active anti-gentrification groups of the 1980s were invited to work as housing service providers to share in the decision making process which affected their lives (Hackworth, 2002; Smith, 2001). Third, the state was more involved in the process than during the second wave. The state became an enabler who sought to create favourable conditions for the private sector to invest in urban areas. City centres and city living, which drew together investment in retail, leisure and city centre housing, were regarded as engines for economic growth. Fourth, larger developers were the first to mobilise reinvestment in gentrifying neighbourhoods. The provision of small residential flats and 'lofts' in city centres became a major urban phenomenon in virtually every major city. According to Hackworth (2002, 839), gentrification in the third wave became "more corporate, more state facilitated, and less resisted than ever before".

As we have seen, the concept of gentrification has broadened since the 1960s from small inner-city neighbourhoods led by a few affluent professionals who desired to live in the city to wider geographical boundaries being orchestrated by large developers linked to a global financial system. Eric Clark defined a broad concept of gentrification as

"A process involving a change in the population of land-users such that the new users are of a higher socio-economic status than the previous users, together with an associated change in the built environment through a reinvestment in fixed capital" (2005, 258).

It may be possible that in the face of the current global economic downturn a changed form of gentrification, conceivably a fourth wave, will emerge from the recession for the future. However, the core nature of gentrification – a social class change caused by a built environment transformation – is unlikely to change. As Slater et al. argued,

"... we are seeing a new geography of gentrification, new forms of gentrification, such as 'rural', 'suburban', 'new build', 'super'... but when we synthesise the recent scholarship, how can we think of gentrification as anything else but the production of space for – and consumption by – a more affluent and very different incoming population?" (2004, 1145).

Gentrification and the developmental states

Relying on the broad definition of gentrification, it is found that many urban policies in the developmental states in East Asia have attempted to promote gentrification although the term of gentrification is relatively new (Fujitsuka 2005; Kim 2007). Terms like 'housing improvement', 'urban renewal' and 'urban redevelopment' have been used in its place. Little literature exists concerning gentrification in East Asia but quite a few written works are found related to the displacement of the working class in the course of urban redevelopment.

With their dramatic economic and social change over the last four to five decades, East Asian countries have undergone rampant urbanisation. According to UN world urbanisation prospects, in Korea, the proportion of the population in urban areas rose from 21.4 per cent in 1950 to 56.7 per cent in 1980 and to 83 per cent in 2010. During the same period, cities in Japan had a similar experience. China embarked on its rapid urbanisation in the 1990s and the urbanisation rate rose from 26.4 per cent in 1990 to 47 per cent in 2010. The fast increase of urban population put stress on the demand for housing and thus the states accelerated large-scale construction of owner-occupied housing for the middle class. Many cities in East Asia have witnessed physical and social changes through dilapidated houses being replaced by large new residential buildings. The housing redevelopment and urban renewal projects have brought modernised infrastructures, improved living conditions, changed the images of cities and thus attract higher income newcomers. Nevertheless, there has been a large group of urban residents that has been left behind (Ha 2004; 2005; He 2007; Hirayama 2005; Ng 2002; Wang 2003). Gentrification is apparent in this extensive housing redevelopment and urban renewal process (Chui 2008; Fujitsuka 2005; He 2007).

The government in Western countries has also encouraged gentrification to some degree through its support for home-ownership such as the tax deduction for interest payments on mortgages (Beauregard 1986). However, the degree of state intervention in the gentrification process to support home-ownership is much higher in East Asia (Lee et al. 2003; Ronald and Doling 2010; Shibata 2008). There have been significant regulations of land supply, policies designed to encourage larger and more efficient construction companies and considerable controls over the lending process. In Japan, for example, there have been increasing provisions of low-interest loans and improving lending

conditions to promote owner-occupied housing development (Hirayama 2005; 2007). The Japanese government has put strong emphasis on housing and urban redevelopment to stimulate the economy since the 1980s, especially after the bubble economy burst. To make building construction more flexible and expand potential building volume, the Urban Planning Law and the Building Code have been deregulated several times. This Japanese government's promotion of mass construction of condominiums has led to new 'hot spots' in the central areas of big cities, especially in Tokyo (Hirayama 2005). Fujitsuka (2005, 143-145) argued that gentrification re-emerged in the mid-1990s with the government's urban revitalisation policy. As Hirayama pointed out, "Essentially, hot spots were not born naturally but artificially created by the government policy to facilitate housing construction and urban redevelopment" (2005, 10).

Similar phenomena have been found in other Asian cities including Shanghai and Seoul. He (2007) showed how the state played an indispensable role in initiating and facilitating gentrification with its privatisation and commercialisation policies using the case of Shanghai. In China, a new form of housing redevelopment, a kind of gentrification, has been shaped to meet the desire of the local state and private developers for economic and urban growth under market transition since the 1990s (He 2007; Wang 2003). Old inner city neighbourhoods have often been completely demolished and rebuilt into high-end commodity housing. The role of the state has been fundamental in this housing redevelopment process. The Korean government has also actively facilitated housing redevelopment and urban renewal projects to improve housing conditions and to increase the housing stock in big cities, especially Seoul, since the 1980s. The government acts as a facilitator, designating the housing redevelopment areas, authorising building removal and parcel assembly, and giving building permission to property owners. The capital is provided by developers. In most cases, the government's housing redevelopment and urban renewal strategies result in gentrification (Ha 2004, 2005; Shin 2008).

In East Asia, the traditional form of gentrification in Western countries, which involves the rehabilitation of architecturally attractive but unmaintained buildings in urban areas led by young professionals, has not often been seen (with the exception of Tokyo, see Sassen 2001). This may be due to the fact that, unlike many Western countries, most

cities in East Asia have had very little experience of urban decline because of deindustrialisation. Governments in East Asia have had to deal with problems of poor quality infrastructure and houses associated with rampant urbanisation. With rapid economic growth and development, traditional houses of urban areas have often been turned into high-rise flats. Gentrification has been evident in this large-scale housing redevelopment process to promote home-ownership for middle-class and wealthy residents, which is facilitated by the state as an urban strategy for economic and urban growth. Elite decision-makers have devised housing and urban policies to encourage gentrification and these pro-gentrification policies create optimal conditions for the private sector to invest in deprived neighbourhoods. While the scale and pace of gentrification may vary across East Asia, we can see a general trend that gentrification emerges mainly from a government's strong motivation to revitalise targeted parts of cities to meet a high demand for labour and housing created by a strong economy.

Although the state in East Asia has been an interventionist, the dynamics of gentrification - the interdependency of the public sector, private sector and community – may have changed alongside social, economic and political changes, especially after the Asian Economic Crisis in 1997 and the recent Global Financial Crisis in 2008. Societies in East Asia have become increasingly democratised, deregulated and internationalised. Gentrification in East Asia should be understood in the context of these transformations.

Gentrification in a developmental state: The case of Seoul, South Korea

It is only in recent years that the Western concept of gentrification has been given some attention by geographers and city planners in Korea. However, that does not mean that, in practice, there has not been some form of gentrification. Korean cities have witnessed 'state-facilitated' gentrification over the decades. The concept of gentrification has been well embraced by decision-makers, legislative representatives and planners as a viable option for the betterment of their cities and towns. However, it is still questionable whether the outcomes of gentrification are 'good' or 'bad' to society as a whole.

Over the last 40 years, Seoul has been the most dominant city in modern Korea. Most economic and political bases have located in Seoul and, therefore, much of the growth and development of Seoul has occurred since the mid-1970s when Korea's economy showed remarkable growth. Seoul has clearly shown all the indicators of successful

growth suggested by Molotch (1976): an expanded labour force; a rising scale of retail and wholesale commerce; intensive land development; higher population density; and increased levels of financial activity. Unlike some major industrial cities in developed Western countries experiencing serious urban decay, Seoul has not undergone major urban deterioration; rather the city was challenged by an accelerated physical expansion and growth.

The first state involvement in gentrification: 1960-70s

Rapid population and urban growth has resulted in a severe shortage of land for development in Seoul. Especially during the 1960s and the 1970s, the population in Seoul increased by about half million people every two years under the unbalanced growth policy of the developmental state¹. As a result, chronic housing shortage has been the main problem in Seoul. The Korean government has focused on the expansion of housing supply to resolve the shortage. However spending on housing was a low priority for the Korean government until the mid-1980s. Housing statistics show that from 1970 to 1990, the average housing supply ratio² was 74 per cent in Korea and only 57 per cent in Seoul (Table 1).

Table 1. Housing stock (1970 – 2005)

	1970	1980	1990	2000	2005
Households ('000)					
- Korea	5,576	7,470	10,167	11,928	12,491
- Seoul	1,029	1,724	2,518	2,548	2,588
Housing stock ('000)					
- Korea	4,360	5,319	7,357	11,472	12,491
- Seoul	584	968	1,458	1,973	2,322
Housing supply ratio (%)					
- Korea	78.2	71.2	72.4	96.2	105.9
- Seoul	56.8	56.1	57.9	77.4	89.7

Source: KNHC (2007)

This quantitative shortage of housing contributed to the qualitative degradation of the housing situation in the 1960s and 1970s. A large number of substandard urban settlements, which could be characterised as 'squatter settlements', were formed in the inner city areas, reaching the peak of some 200,000 units in 1970 (Kim 1998). It is

believed that approximately 30% of Seoulites made their homes in squatter settlements at this time (Kim, 2011). Seoul city government initiated a series of experimental housing redevelopment and urban renewal schemes, which concentrated on the clearance of squatter settlements. The history of 'state-facilitated' gentrification can be traced back to these squatter clearance efforts. Urban redevelopment districts were first introduced in the Urban Planning Act of 1965. The city government led squatter clearance and redevelopment projects at this time and gentrification was seen in this process. Squatter areas in downtown were turned into high-end shopping arcades and mixed-use condominiums (Kim and Yoon, 2003; Sohn, 2003). The large-scale removal of squatters took place in the late 1960s and conflicts between the residents who strived to keep their place to live and the government that tried to remove the squatters were seen. Yet these gentrified areas were confined to the limited spots. The pace of this ambitious plan for the inner city squatter clearance slowed greatly in the mid-1970s. This was due to the lack of government funds as a result of the international oil embargo in 1973.

The emergence of large-scale gentrification with an increased role of the private sector: 1980-90s

Housing redevelopment and urban renewal policies took a radical turn in the 1980s. Central government promoted a greatly increased role for the private sector. Poor housing areas, including squatter settlements, were incorporated into the formal market. Housing and land prices in poor housing areas located in areas accessible to the city centre rose faster than in any other areas. The increase in land prices in poor neighbourhoods benefited some low-income households. It was a blessing for some immigrants who had built their houses illegally. It was under these circumstances that the government introduced a new scheme in 1983, known as 'Joint Redevelopment' (Ha 2004), which emphasised the role of the private sector and the community in housing renewal.

The JR programme, which continues today, involves the formation of a voluntary contract between property owners, residents' associations, and developers, on the basis of absolute property rights. The government designates clearance areas and authorises building removal; development companies provide the capital; and property owners form an association to obtain the required approval of two-thirds of the property owners. Based on the approval, each member of the association is then provided with the right to

purchase a unit upon completion of construction. The property-owners' association officially takes responsibility for the project and makes a contract with the development company for the redevelopment of the area. The development company is allowed to build more units than is required to house all members of the property-owners' association, any excess units beyond the total required are then offered for sale on the open market. This arrangement is mainly justified on the understanding that reasonable profits should be realised by the development company involved. As a consequence, the city government does not have to drain its tight financial resources for such renewal projects.

The introduction of the JR programme has brought significant improvements in both the quality and quantity of housing in Seoul. The number of JR projects has mushroomed with the high level of national economic growth and market demand. By the end of 2008, the total number of houses demolished by housing redevelopment projects was about 124,000. Approximately twice this number, about 10 per cent of the total number of new housing units in Seoul, was constructed over the same period. Most of the squatter settlements in Seoul were eradicated and over this time, the nature of housing redevelopment programmes has changed from squatter clearance to more general residential redevelopment. The common housing type, a small-scale, single-story detached dwelling unit, occupied by multiple families, has been replaced by high-rise flats.

Table 2. Housing redevelopment projects in Seoul (1973 - 2008)

	Number of districts	Area (1000 m ²)	Demolition (number of buildings)	New construction (units)
Completed				
- Korea	379	16,178	140,483	292,288
- Seoul	314	13,891	124,343	273,628
In progress				
- Korea	179	10,716	65,278	166,809
- Seoul	102	5,514	40,286	85,430
Waiting				
- Korea	334	23,253	138,146	334,588
- Seoul	137	8,659	65,827	133,323
Total				
- Korea	892	50,148	343,907	793,685
- Seoul	553	28,064	230,456	492,381

Source: LHC (2009)

Even though this approach, in theory, seemed to be very attractive to all parties involved in the project - the local community, private sector and public sector - the reality has not been as effective as originally anticipated for the local community. The profit motive of the powerful developers does not mix well with the low socio-economic status of the affected residents. The needs of residents are not seen as the main considerations. When the JR programme was launched, no account was taken of the vulnerable social and financial position of tenants in redevelopment project areas. Many tenants experienced harassment and eviction in the course of redevelopment. There were constant protests from tenants who suffered a loss of affordable rental units. It was the late 1980s when the government revised the regulations to protect tenants in redevelopment areas. At that time, Korea began its transition to democratic rule and the government responded to constant political, civil and social unrest with compensatory and welfare oriented systems. Since then the residents' associations and the developers in the JR project areas have had to provide the relocation compensation and to build new rental housing for displaced tenants within the project areas. Despite the fact that the new rental housing covers only 30 per cent of rented households and the rents charged for the new housing are often beyond the means of the original tenants, the tenants' protests in JR project areas have greatly reduced since the introduction of the new rental housing scheme (Kim 2011).

The original purpose of the JR programme – improvement of the living conditions for low-income families in the project areas - has shifted because of housing speculation and attracted more middle income families into the projects (Ha 2004; Kim 1998; Kim and Yoon 2003; Kyung 2006; Shin 2009). The mechanism of this profit making formula, as Shin (2009) argued, is well explained with the production-side explanation of gentrification, the rent-gap theory. There has been a high turnover of land ownership and the portion of the absentee landlord is believed to reach as much as 30 to 40 per cent (SDI and KOCER 2003). Property owners often choose to let the new unit or sell it in order to make a quick profit. According to SDI and KOCER (2003), only about 40 per cent of property owners and 10 per cent of tenants returned to redeveloped areas. Regardless of the government's intention, the JR programme has brought in gentrification. A social class change from the working class to the middle-class through large-scale housing redevelopment has been unmistakably seen in the JR projects areas.

In the mid 1990s, the pace of the JR programme slowed due to the government’s massive housing development plan, the Two Million Housing Construction Plan in 1989. The requirement for the property-owners’ association to build rental housing in JR project areas also contributed as it drove down profits for both property owners and developers (Kim and Ha 1998). The Asian Economic Crisis in 1997 additionally made it difficult to continue many JR projects.

Globalisation and the changing nature of gentrification: After the Asian Economic Crisis

The economic crisis temporarily halted residential redevelopment activities. Yet it resumed later, as stumbled housing prices soared again (Figure 1). The housing price increase was dramatic but sharp contrasts appeared between geographical areas within the city. This regional disparity within the city, which is a product of the rapid economic development since the 1960s, has been one of the challenging problems. Seoul has a deepening disparity between the older areas in the north of the city, Gangbuk, and newly developed areas in the south, Gangnam, in terms of local economy, educational environment, housing, and income. It consequently brings about gaps in financial capability and housing prices.

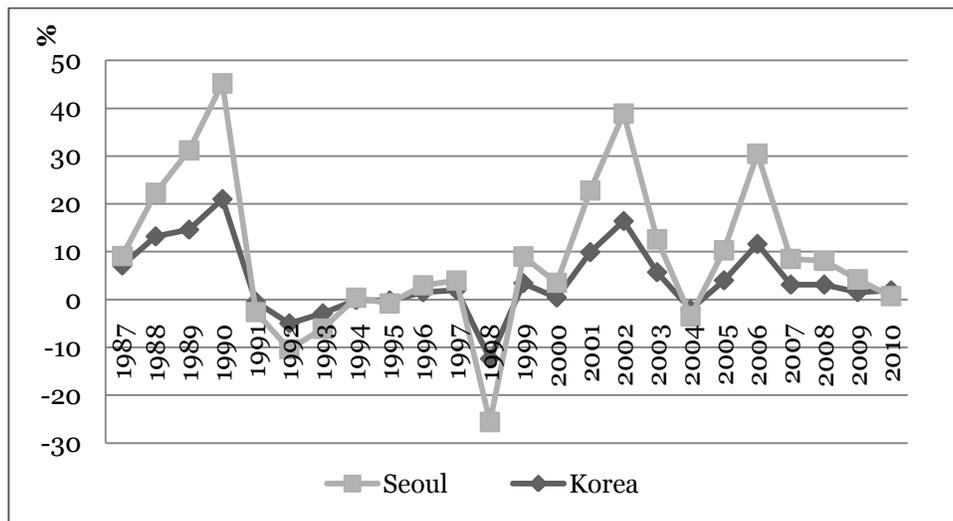


Figure 1. Housing prices in Seoul and Korea (1987 – 2010)
 Source: Kookmin Bank, Statistics of Housing Market since 1987

Conservative, growth-minded Lee Myung Bahk, now the nation’s president, won the 2002 mayoral election with the promise of reducing these regional disparities. To

improve the quality of life in less developed areas, the city government launched the Regional Balanced Development Bureau in 2002. The main duties of the bureau were to formulate and coordinate initiatives on balanced regional development; to support reconstruction projects and the establishment of infrastructure facilities; to devise a plan to improve conventional markets; and to establish high-quality educational infrastructures. The 'New Town' programme, so-called 'New Town in Town', was also initiated, which is a much more aggressive housing redevelopment and urban renewal programme than the JR programme. The New Town programme emphasises a comprehensive development with a large-scale master plan. In the midst of the post-financial crisis housing market boom, this programme was welcomed by many property owners of older areas, especially in Gangbuk. Between 2002 and 2008, there were three rounds in which New Town project areas were designated. In total, 26 areas covering 23.8 square kilometres including about 850,000 people (about 8 per cent of the total population of Seoul) were designated. Among the total of 350,000 households, 69 per cent (240,000 households) were counted as tenants (Jang and Yang 2008).

The city government has become an active enabler of the New Town programme, requesting the enactment of a new law to provide legal bases for the deregulation of the Urban Planning Law and the Building Code to attract the private sector; and special subsidies from the central government. The Special Promotion Act of Urban Renewal was legislated for the programme in 2006. This Act overrides the authorities of the existing urban planning and development related laws. It is notable that the Special Promotion Act encourages large-scale housing redevelopment and urban renewal. The criteria for the project area designation are not as tight as those for the JR programme: areas not previously considered deprived areas can now be designated. There are 'renewal promotion districts' in the Newtown project areas, which seem similar to the 'urban priority areas' in the UK or the 'emergent renewal areas' in Japan. However, whilst these 'urban priority' or 'emergent renewal' areas are geared to promote regeneration under significant financial commitment from the central government (Kyung et al, 2009; Satoh, 2009), the central government's financial support in Korea is limited (Ha 2010; Kim 2010). Seoul city government has designated 241 renewal promotion districts in its 26 New Town project areas.

The New Town programme has become a model of housing redevelopment and urban renewal in other large cities in Korea. There are 339 districts designated as ‘renewal promotion districts’ in the Seoul Metropolitan area. In some cases, as much as one-third of an inner city area is occupied by housing redevelopment projects. In the 2008 regional election, once again, the promise of a New Town programme type of redevelopment plan was a winning ticket for many Conservative party runners in the capital region as well as local large cities. Media named these pro-growth candidates ‘Newtowners,’ and many Liberal-democrat candidates also joined this march of Newtowners. However, the New Town programme has not proceeded well as the housing market has slowed since 2006 (Figure 1). While the Korean economy has recovered from the recent Global Financial Crisis in advance of other countries, many real estate projects including the New Town projects have been stopped or cancelled. Many property owners in Seoul and other large cities have requested that projects are cancelled as they realise they are unable to provide the cash required for completion. The private sector has also found it difficult to finance the projects. The New Town projects can no longer make the windfall profits that property owners expected.

There are striking similarities between the JR programme and the New Town programme. As Ha (2010) and Kim (2010) argued, in the New Town project areas, the returning rate of the local residents is actually lower than the JR programme, about 20 per cent; and the number of affordable small-sized housing units has decreased. Thanks to the Special Promotion Act 2006, the property owners and the private developers have developed large-size housing units to maximise the profit. The result is that few affordable houses are available after completion (see Kim 2010, p.81). There are also not sufficient rental houses for tenants and the rents are often too high for them. However, interviews conducted by the author in the New Town areas between 2008 and 2010 show that tenants acknowledged the need for redevelopment even though this would mean they would be displaced. Consequently, few aggressive protests against the projects have been witnessed.

Understanding the dynamics of gentrification: The roles of the public sector, private sector and community in a gentrification process

As discussed, the history of gentrification in Seoul can be divided into three waves: state-led gentrification, squatter clearance in the 1960s and the 1970s; large-scale state-

facilitated gentrification, JR programme in the 1980s and the 1990s; and much bigger-scale of state-facilitated gentrification, New Town programme in the 2000s.

In the first wave, the state actually led gentrification by initiating, planning and funding downtown renewal projects. Various approaches were taken by Seoul city government to alleviate the substandard housing problems but the city's squatter removal plan was largely unfulfilled. Most projects were small in scale, due to the lack of financial support from the government (Ha 1987; Kim 1997; Kim and Choe 1997). Consequently, the scale of gentrification was insignificant. Two reasons can be found for this: the first, gentrification was mainly isolated to small state-led downtown renewal projects to clear squatter areas; and the second, borrowing Smith's view (1996), the middle or upper-middle class, possible gentrifiers, was not sizable enough to be able to invade gentrifiable areas.

In the 1980s and the 1990s, gentrification became a common phenomenon in large-scale housing redevelopment and urban renewal areas. This was closely related to the changing socioeconomic profiles of Korea. After two decades of state-led industrialisation, a sizable body of the middle- or upper-middle class emerged in the social strata of a much expanded population pool. The population in Seoul grew from 2.5 million in 1960 to 8.4 million in 1980 to 10.4 million in 2000. At the same interval, the GDP per capita in Korea grew from US\$ 156 in 1960; to 1,674 in 1980; to 10,884 in 2000 with annual average growth rate of 8-9 per cent (Kim 2011). Seoul served as the hub for this economic growth: its GDP per capita reached US \$ 13,741 and about 30 per cent of working population was classified as professional in 2000. With this economic and population growth, housing prices in Seoul continued to rise until 2007. There were three occasions when this was not the case (Figure 1). The first was in 1991, which was due to the Two Million Housing Construction Plan initiated two years earlier; the second was the Asian Economic Crisis in 1997; and the third was the government's strong anti-speculation measures for real estate in 2003. Despite high output for home-ownership, the average owner-occupation rate in Seoul was only 40 per cent from 1985 to 2000. As a result, housing came to be seen as an attractive investment option. Consequently, the potential gentrifiers, who were materially fulfilled, created an explosive demand for decent homes that had unfailingly demonstrated a great asset for later sale. The government's home-ownership promotion policy for maintaining social stability and

economic growth also provided favourable conditions for construction companies and homebuyers including a pre-sale housing system and cheap loans.

Having attempted, up until the early 1980s, to meet the housing needs in squatter areas through state-direct production of low-cost housing, the government had come to realise that the public sector should not attempt to assume the role of housing provider. It recognized that demand-orientation, competition, and accountability might be more readily achieved through the involvement of the private sector as the government had insufficient resources to play a major role in housing redevelopment and urban renewal. Since then the government has promoted a multi-sectoral partnership programme to deal with the substandard settlements. In this sense, the Korean government's approach is parallel to Neoliberal policy, which seeks the mobilisation and extension of market mechanisms to alleviate economic and social problems. Shibata (2008) already argued that the Neoliberal state and the Developmental state had profound similarities in their beliefs, using the case of neoliberal planning strategy in Japan.

In the second wave of gentrification, therefore, the role of the state lessened from an active orchestrator of gentrification in the 1970s. The public sector focused on supporting the private sector and local community in the gentrification process. The city government facilitated gentrification through the designation of renewal areas. Property owners executed gentrification through a partnership with private developers providing capital. The private sector was more actively involved as a partner in the gentrification process. The leadership of the residents' associations played a vital role in the organisation of all urban redevelopment projects. One of the primary functions of the association was to represent the community in dealing with the public sector as well as the private sector. But only property owners could join the association, hence there was often tension between tenants, who had no input in the redevelopment process, and the property owners. The conflicts in the first wave, mainly between the state and the residents, changed to battles between the property owners who desired to make profits and the tenants who struggled to keep or find a place to live.

With the government's massive housing development plan, as well as the Asian Economic crisis, gentrification slowed its pace in the mid-1990s. This stagnation continued to the early 2000s because of the impact of the economic crisis in Asia. After

the economic recession, however, gentrification returned on a much larger scale of housing development and urban renewal programme. Gentrification became an important item on the government's urban policy and political agenda. It was comparable to the Labour government's urban policy in the UK, 'Urban Renaissance'. To many critics (Allen 2008; Cameron 2006; Lees 2003; 2008; MacLeod 2002), the Labour government's urban policy and practices often encouraged the process of gentrification. As Lees pointed out,

“... it [gentrification] is increasingly promoted in policy circles both in Europe and North America on the assumption that it will lead to less segregated and more sustainable communities” (2008, 2449).

The state promoted gentrification aggressively by enacting the Special Promotion Act 2006. The public sector attempted to maximise the opportunities to attract private investment in order to fund property development. It seems that the government pursued Neoliberal policy further than in the second wave as, borrowing an expression of Brenner and Theodore (2002, 21), Seoul became 'an institutional laboratory for a Neoliberal policy experiment'. In the third wave, the state and the private sector took much bigger roles whilst the role of community remained the same as in the second wave. Many residents who actually lived in gentrified areas, tenants, had no influence over decisions that affected their lives. It may have been the middle-class households, possessing economic and cultural capital in the market, who Seoul city government wanted to embrace in its city, not the poorest members of society.

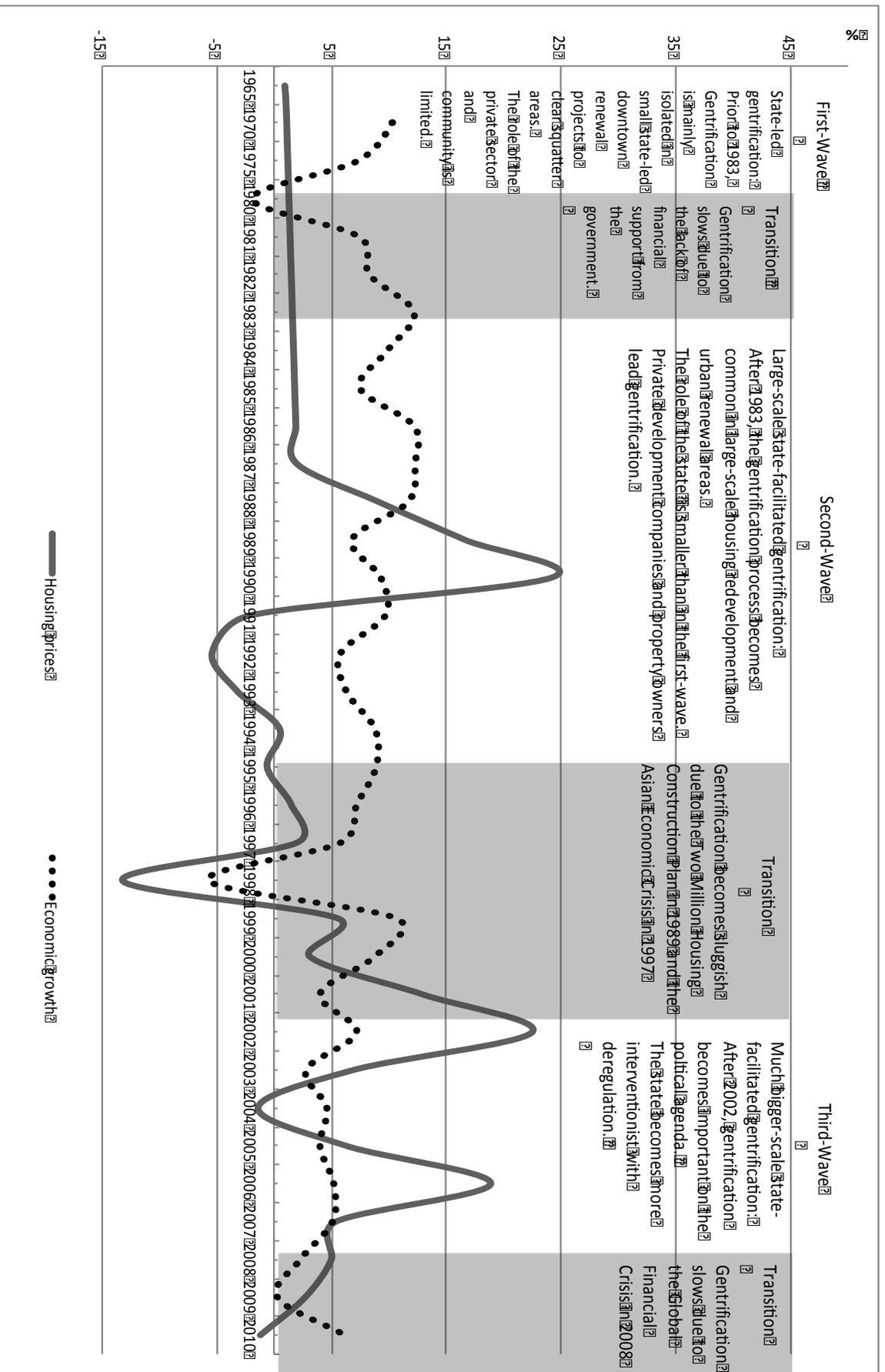


Figure 4: Schematic history of gentrification in Seoul
 Source: Adopted from Hackworth and Smith (2001) and Lees et al. (2008)

Conclusion

The historical development of gentrification in Seoul, Korea is quite different from its counterpart of Western cities. Gentrification was first noticed in the process of state-led downtown renewal projects to clear squatter areas in the 1960s and the 1970s. It became significant in the 1980s with the state's promotion of the home-ownership scheme for the middle-class. Gentrification was apparent in the development of state-facilitated housing redevelopment being led by property owners and large developers. After the Asian Economic Crisis in the late 1990s, the scale of gentrification expanded significantly. The state was more actively involved in the gentrification process and the private sector played a bigger role.

Unlike Western countries, this state-facilitated gentrification in Seoul has led to mass displacement of the original residents of the gentrified urban districts. This mass displacement, however, has been due to the activities of the original residents, mostly working class property owners, who gentrify their own neighbourhoods with a strong desire for making windfall profits. They pursue gentrification through a partnership with the private sector and institutional support from the public sector. This Korean process of gentrification is in contrast to the Western gentrification theory that considers the outside middle class as a 'gentrifier'.

There was serious collective action against gentrification in the 1980s. But it has reduced considerably since the early 1990s with the introduction of the rental housing scheme as well as increased compensation for tenants. It has been noticed, especially in the third wave of gentrification, that tenants also accept the need for redevelopment and, therefore, their main concern is receiving proper compensation in order to find a new place to live rather than organising demonstrations to keep their current community.

In recent years, the traditional 'market-based' form of gentrification in Western countries has emerged in Korea, especially in Seoul. In some old parts of Seoul including historic areas, and university districts, traditional houses are being renovated and reconstructed one by one by young artists or professionals. These areas have turned into chic neighbourhoods where trendy shops and cafés are flourishing. Although the city government takes initial action through its funding programs for historic preservation and cultural promotion, it is largely the market process that serves the changing

locational preferences of the new social class. The socio-economic transformation of Korean society due to the impact of globalisation has created favourable conditions for potential gentrifiers who appreciate and enjoy cultural aspects of urban living, which was found in the first wave of gentrification in the West. This converse development of gentrification in Seoul can be explained by its inherited physical condition, rampant urbanization and relatively late suburbanisation and economic growth.

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Note

¹ Kwon (2006) denied the widely accepted view that Korea's rapid economic growth of the 1960s and the 1970s under the authoritarian regime of Park Chung-Hee could be explained by the developmental state theory. According to him, the key notion of the developmental state theory lied on the state-led economic growth with market-friendly policies. Kwon argued that it was by Korea's unique growth strategy of the dictatorial government, since bona fide market economy did not exist in the 1960s and the 1970s. Nonetheless, this paper takes the view of developmental state theory as it still has a power in understanding of the state-led economic growth of some of Asian nations including South Korea.

² Housing supply ratio=(dwellings/households)×100