

# **Spatial Changes and Regional Development Policy in Korea**

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## Introduction

This paper explains policy issues and strategies for regional development at the national and local levels in Korea. The regional development policies have changed as economic development has progressed. In the early stages of economic development regional development policies were concentrated to support the expansion of manufacturing industries and infra-structure development. Since the early 1980s regional policy has been largely concerned with the equalization of economic development between regions; this is particularly true for the **Capital region** and the rest of the country. Various policy measures have been introduced to contain the population growth and business activities in the Capital region and stimulate the growth of other regions.

The regional development policy is now in the process of change. The recent regional development policies tend to be more concerned in dealing with new issues and problems arising from globalization, localization, technological innovation, and changes in industrial structure. They are concerned with increasing the competitiveness of regional economies and improving rather than reducing inequality between regions.

The first part of this paper reviews industrialization and urbanization in Korea to show how rapid industrialization influences the transformation of settlement patterns in Korea. The second part deals with the evolution of regional development policies that have changed through the progress of economic development. The last part explains recent regional policy directions to meet the changes of mega trends such as globalization, localization, and technological innovation.

# I . Industrialization and Urbanization

## 1. Economic Growth and Structural Changes

Korea has achieved rapid economic growth despite the economic setbacks in the later 1990s. Between 1962 and 2005, the Gross National Income (GNI) of Korea increased by 344 times (US\$2.3 billion to US\$791.3 billion) and the per capita GNI has increased by 188.6 times (from US\$87 to US\$16,413).

The rapid economic growth of the Korean economy can be attributed to the expansion of the manufacturing sector. Between 1962 and 2005, the products of the secondary sector increased by 838.2 times (from U\$0.38 billion to U\$838.2 billion) while, the primary sector increased by only 32.5 times.

**Table 1 - Economic Growth and Structural Changes**

(US Dollars, %)

	GNI (billion \$)	Per Capita GNP (\$)	Industrial Structure		
			Primary	Secondary	Tertiary
1962	2.3	87	36.6	16.5	46.9
1970	8.0	249	30.0	25.1	44.9
1980	60.6	1,749	16.4	32.8	50.8
1990	252.3	5,886	9.4	32.7	57.9
2000	511.8	10,841	4.9	40.8	54.4
2005	791.3	16,413	3.4	40.2	56.3

Source: National Statistical Office (NSO), Korea Statistical Yearbook, 1962-2005.

Between 1963 and 2005, 15.2 million new jobs were created, although 3.02 million jobs in the primary sector had decreased. In the early 1960s, the agricultural sector provided more than 4.8 million jobs that was equivalent to 63.1% of total employment. The agricultural sector provides only 1.8 million jobs that account for only 7.9% of total employment. The increase of employment has been attributed to

the growth of the manufacturing sector. Between 1963 and 2005, the employment of the secondary sector had increased 6.4 times (from 667000 to 4,251,000) while that of the tertiary sector increased by 7.8 times. In the early 1960s, more than six out of every 10 people had worked in the agricultural sector. In 2005, more than 9 out of 10 people worked in the second and tertiary sectors.

**Table 2 - Changes in Employment Structure (1963-2005)**

(Unit: 1,000 persons)

	1963	1970	1980	1990	2000	1999
Total Employment	7,662 (100.0)	9,745 (100.0)	13,683 (100.0)	14,970 (100.0)	21,060 (100.0)	22,855 (100.0)
Primary Sector	4,837 (63.1)	4,916 (50.4)	4,645 (34.0)	3,237 (19.6)	2,288 (10.9)	1,815 (7.9)
Secondary Sector	667 (8.7)	1,395 (14.4)	3,079 (22.5)	4,990 (27.6)	4,261 (20.2)	4,251 (18.6)
Tertiary Sector	2,158 (28.2)	3,762 (35.2)	5,951 (43.5)	9,858 (54.5)	14,511 (68.9)	16,789 (73.5)

Source: National Statistical Office (NSO), Korea Statistical Yearbook, 1962-2005.

## **2. Urbanization and Unequal Distribution of Population**

### **1). The Rapid Growth of the Urban Population**

Economic growth through industrialization has resulted in a significant change in spatial structure. Over the last 45 years, a large proportion of the rural population has moved to urban areas. Between 1960 and 2005 the rural population decreased by almost 70% (from 16 million to 4.8 million) while the urban population increased by

4.7 times (from 8.9 million to 42.5 million). Within less than a half century, Korea has been transformed from a rural society to highly urbanized society. In the early 1960s, 6 or 7 out of 10 people lived in rural communities while in 2005 only 1 out of 10 people lived in rural communities. The growth of the urban population has posed serious challenges for the Korean government to provide housing and urban services for more than 30 million people in the relatively short time of 45 years. This infrastructure is equivalent to the creation of a new city that can accommodate 750,000 people every year during for the last 45 years.

The speed and magnitude of urbanization has been gradual. The urban population increased rapidly at an average rate of 5.7 percent per annum at the early stage of the industrial development in the 1970s. However, the annual growth of the urban population has gradually declined over time. In the 1960s, the urban population increased by 5.7% (686,000 per annum), by 5.3 % (920,000 per annum) in the 1970s and increased by 2.9% or 911,000 in the 1980s. The annual growth of urban population has decreased since the early 1990s. In the 1990s, urban population increased by only 1.6% (450,000 per annum) 0.9% (392,000) between 2000 and 2005.

**Table 3 - Changes in Urban and Rural Population 1960-2000**

(In 1000s)

	1960	1970	1980	1990	2000	2005	Annual increase (%)				
							60-70	70-80	80-90	90-00	00-05
National	24,989	31,469	37,436	43,520	46,125	47,278	2.3	1.7	1.5	0.97	0.49
Urban	8,947	15,809	26,891	36,001	40,496	42,457	5.7	5.3	2.9	1.6	0.96
Rural	16,042	15,600	10,545	7,519	5,629	4,820	-0.2	-4.0	-3.4	-2.9	-2.9
Urban Ratio	35.8	50.2	71.8	82.7	87.8	89.8					

Note: Urban includes township and city population

Annual growth rate in 1990s based on mid-year population estimates.

Source: National Statistical Office (NSO), *Korea Statistical Year Book* 1970-2000

## 2). The Growth of Metropolitan Areas

Urban populations have tended to concentrated into Seoul and surrounding areas. Between 1960 and 2005, the urban population increased by 33.5 million while the population of Seoul and surrounding areas increased by 17.5 million or 52.4% of the total growth of the urban population. In the early stage of industrialization, the urban population in the Capital region tended to concentrate in Seoul. The share of population growth in Seoul to that in the Capital region was as high as 80% in the 1960s, 5.7 % in 1970s, and 55% in the 1980s. However, since the early 1990s, the growth of the urban population in the Capital region has been dependent upon the growth of the surrounding areas of Seoul because the population of Seoul has slightly decreased.

Except for the Capital region, urban population had tended to increase in provincial capital cities such as Busan, Daegu, Gwangju, and Daejeon until 2000. The population growth of provincial capital cities has significantly decreased since 2000. For instance, provincial capital cities accounted for 14.0% of the total urban population in the 1960s, 29.5% in the 1970s, 28.9% in the 1980s, and 39.0% in 1990s. However, they accounted for only 10.5% between 2000 and 2005 due to the rapid growth of small and medium-sized cities, particularly in the Capital region.

**Table 4 - Changes of Net Increase of the Urban Population**

	1960-70	1970-80	1980-90	1990-2000	2000-05	1960-2005
Urban	6,562 (100.0)	10,464 (100.0)	9,938 (100.0)	4,599 (100.0)	1,947 (100.0)	33,510 (100.0)
Seoul	2,980 (45.4)	2,275 (21.7)	2,931 (29.3)	-720 -	-87 -	7,362 (22.0)
Capital Region	3,700 (56.4)	4,404 (42.8)	5,288 (53.2)	2,760 (60.0)	1,420 (72.9)	17,572 (52.4)
Provincial Capital	919.1 (14.0)	3,082.3 (29.5)	2,869.9 (28.9)	1,796.7 (39.0)	203.5 (10.5)	8,871.5 (26.4)

### 3). Unequal Distribution of Population by Region

The rapid urbanization and concentration of an urban population into a few large metropolitan areas has resulted in an unequal regional distribution of population. In 1960, the total population (relatively) tended to evenly distributed by regions according to the size of the agricultural land: 20.8% in the Capital region, 32.1% in South East region, 15.6% in the Central region, 23.8% in the South West region, and 7.7% in other regions. Due to the excessive concentration of population into the Capital region, the distribution of population has been distorted toward the Capital region. Between 1960 and 2005, the national population increased by 1.85 times (21.15 million) while that of the Capital region increased by 4.38 times (17.57 million). The population growth of the Capital region is equivalent to 83.1% of the total population growth. In 2005, the national population was distributed 48.1% in the Capital region, 26.8% in the South East region, 10.1% in the Central region, 10.6% in the South West region, and 4.4% in other regions. The biggest population loss was in the South West region that has been dependent upon agricultural. It is not expected that the unequal distribution of the population can be remedied because the population concentration of tends to be consolidated. As the population growth rate decreases, the population growth rate of the Capital region to the national population growth increases. The population growth of the Capital region accounted for 73.8% of the total growth of the national population in the 1970s, 88.5% in the 1980s, and 101.7% in 1990s. Between 2000 and 2005, the national population increased by 1,153,000 while that of the Capital region increased by 1,420,000 or 123.2% of the total increase of the national population.



**Table 5 - Population growth by Region**

Classification	Year	National	Capital Region	South East Region	Central Region	South West Region	Others
Population	1960	24,989.2 (100.0)	5,194.2 (20.8)	8,030.5 (32.1)	3,897.9 (15.6)	5,948.3 (23.8)	1,918.4 (7.7)
	1970	31,469.0 (100.0)	8,894.0 (28.3)	9,559.7 (30.4)	4,342.3 (13.8)	6,440.3 (20.5)	2,232.5 (7.1)
	1980	37,436.3 (100.0)	13,298.2 (35.5)	11,436.5 (30.5)	4,380.3 (11.7)	6,067.4 (16.2)	2,253.9 (6.0)
	1990	43,410.9 (100.0)	18,586.1 (42.8)	12,571.5 (29.0)	4,451 (10.2)	5,737.1 (13.2)	2,107.1 (4.9)
	2000	46,125 (100.0)	21,346 (46.3)	12,858 (27.9)	4,678 (10.1)	5,238 (11.4)	2,000 (4.4)
	2005	47,278 (100.0)	22,766 (48.1)	12,699 (26.8)	4,791 (10.1)	5,020 (10.6)	1995 (4.2)

The uneven distribution of population and concentration in the Capital region are associated with various social, economic, and political factors among which the uneven growth of the manufacturing sector has partly contributed to the unequal distribution of the population between regions. Between 1966 and 1980, employment in the manufacturing sector increased by 1.5 million of which 47.4% were distributed in the Capital region and 38.2% in the South East region. Between 1980 and 1990, employment in manufacturing sector increased by 1.0 million of which 51.7% were distributed in the Capital region and 32.8% in the South East region. Since 1990, there has been no significant relationship between manufacturing employment and the population in the Capital region. Between 1990 and 2005, employment in the manufacturing sector decreased in the Capital region and South East region while that in other less industrialized regions increased from 433,617 to 562,640. This suggests that the population growth was highly related to the growth in the manufacturing sector until 1990, but it is no longer the cases in Korea after 1990.

**Table 6 - Growth of Manufacturing Employment by Region**

(Unit: thousands of persons - %)

Classification	Year	National	Capital region	South East region	Central region	South West region	Others
Manufacturing employment	1966	556,667 (100.0)	231,757 (40.9)	205,621 (36.3)	46,984 (8.3)	65,289 (11.5)	17,016 (3.0)
	1970	861,041 (100.0)	396,014 (46.0)	296,778 (34.4)	65,494 (7.6)	78,561 (9.1)	24,194 (2.8)
	1980	2,014,751 (100.0)	923,920 (45.9)	813,529 (40.4)	127,809 (6.3)	122,402 (6.2)	27,101 (1.3)
	1990	3,019,816 (100.0)	1,443,365 (47.8)	1,142,852 (37.8)	204,700 (6.8)	189,188 (6.3)	39,729 (1.3)
	1995	2,951,885 (100.0)	1,379,451 (46.7)	1,051,762 (35.6)	267,079 (9.0)	201,794 (7.2)	42,599 (1.4)
	2000	2,527,453 (100.0)	1,138,074 (45.0)	902,149 (35.7)	255,888 (10.1)	186,970 (7.4)	44,152 (1.7)
	2005	2,865,549 (100.0)	1,346,360 (47.0)	963,224 (33.6)	316,131 (11.0)	202,357 (7.1)	44,152 (1.7)

Source: NSO Population and Housing Census 1960-2005./ NSO, Survey of Mining and Manufacturing Firms, 1966-2005.

## II. Spatial Concentration and Regional Inequalities

### 1. The Concentration of Economic Activities

The government has been concerned with the concentration of population and unequal development between the Capital region and the rest of Korea. Due to the excessive concentration of population and economic activities, more than 47 million people live in a limited area of 11,754 km<sup>2</sup>. This concentration of people has created various negative effects.

As economic development progressed, the concentration of economic activities into the Capital region has been reinforced. As of 2005, the Capital region accounted for more than two-thirds of central management functions in the public and private sector. More than 90% of business headquarters and nation-wide mass communication networks are concentrated in the Capital region while approximately 90% of government and public agencies are located in the Capital region. The Capital region occupies two-thirds of financial resources represented by bank deposits and loans. The Capital region accounts for about 50-60% of high technology industries and businesses. The rest of the country is dependent upon the important decision-making and resources of the Capital region. They have been deprived of central decision making functions as represented by the main offices of the government, leading businesses, public organizations, and private agencies.

### **Figure 1 - Concentration of Major Indicators**

Compared to other urbanized countries, it is argued is that the concentration of power in the Capital region is excessively high and unprecedented. When Gravier (1947) wrote the book "Paris and the French Desert" the concentration of population and industries was far less than that of Seoul. No metropolitan region in the U.K, Japan, or France possess as many of the political, social, and economic resources and opportunities as the Capital region of Korea does.

**Table 7 - Comparison between Large Metropolitan Regions**

	Area (km <sup>2</sup> )	Population (000s)		Population change	
		1995 (A)	2000 (B)	B-A	A/B
Seoul	11,754 (11.8)	20,189 (45.3)	22,767 (48.2)	2,582	1.13
Tokyo	13,282 ( 3.5)	32,577 (25.9)	34,472 (27.0)	1,895	1.06
Paris	12,001 ( 2.2)	11,072 (18.9)	11,130 (18.1)	103	1.01
London	20,590 ( 8.5)	14,854 (25.5)	15,490 (25.6)	636	1.04

Note: Seoul, Tokyo, Paris (Il de France) and London (Greater London) include metropolitan regions

( ) includes national ratio

Source: Kim Yong Woong et. al. (2009) 417

The concentration in the Capital region has created a variety of negative effects that include congestion in the Capital region and regional inequalities. This has resulted in land and housing shortages that have increased living and production costs. The average land price in the Capital region is 4.8 time higher than the national average. The total land value of the Capital region is estimated to be 54.5% of total the national land value in Korea.

The concentration has also resulted in traffic congestion and the increase of transportation costs in the Capital region. For instance, due to the increase of people and automobiles, the average traffic speed in downtown Seoul has been reduced from 30.87 Km per hour in 1980 to 18.7 km per hour in 1989, and 16.6 km per hour in 2001. Due to the traffic congestion, the total cost involved in logistics in the Capital region increased by 4.3 times (from 2.9 trillion won in 1991 to 12.4 trillion won in 2002). The total logistic cost is equivalent to 16% of GDP while that of advanced economies is estimated to be around 10% of GDP. It is also known that excessive population growth and economic activities has degraded the quality of the environment in the Capital region. The air quality of Seoul is estimated to be 2 or 3 times worse than that of London, Paris, or New York. However, some critics argue that it is not fair to blame the concentration for those negative effects because the negative effects of concentration are also related to many other factors such as disorderly land use or urban development, lack of infrastructure, and inefficient management of the metropolitan region.

## 2. Economic Inequalities Between Regions

### 1) Disparity between Urban and Rural Areas

Industrialization generally results in unequal regional growth. Korea also developed inequalities of household income between urban and rural areas, in addition to regional differences. In the early stage of industrialization in the 1960s, the average income of rural households decreased compared to that of urban households. In 1970, the average income of rural households was equivalent only to 75.6% of urban households. However, rural community development efforts in the 1970's and 1980's increased rural household income that accounted to 95.6% of urban household income in 1980 and 97.4% in 1990. Rural household income has rapidly decreased since 1995 due to an open market policy of agricultural products led by the World Trade Organization (WTO). As of 2007, the average income of rural households accounted for only 72.5% of that of urban households.

**Table 8 - Urban and Rural Household Income (unit 1000 won - current prices)**

	1970	1980	1990	2000	2005	2007
Urban Households (A)	28.1	234.1	943.2	2,386.9	3,250.8	3,675.4
Rural Households (B)	21.3	224.4	918.8	1,922.7	2,541.9	2,663.9
B/A ratio (%)	75.6	95.6	97.4	80.5	78.2	72.5

Source: NSO, *Social Indicators in Korea*, 1990-98

The Korean government was overly sensitive about regional disparity even though the level of regional disparities was neither large nor increasing. The ratio of 1:2 in interregional income disparities is not large by international standards. In many developing countries ratios of 1:3 or 1:5 are common (Proudhomme, 1985; 113). The ratio between the highest and lowest GRP per capita had been less than 1:2 until 1995 when the most industrialized city of Ulsan was separated as an individual region. The ratio has increased to 1:3.3 in 2000, 1:3.6 in 2005 and 2007 due to the disproportionately high per capita GRDP of Ulsan (where the heavy industry sector is

concentrated). However, there is limited difference of GRP per capita between the Capital region and other less industrialized regions. The ratio of GRP per capita between the Capital region and the rest of the country was estimated at 0.9: 1 in 2007 in contrast with the general trend of economic development between regions in Korea.

The current inter-regional difference in GRP per capita do not reflect inequalities between regions such as those between the Capital Region and other less industrialized regions in Korea. The rest of Korea has been heavily dependent upon the Capital Region for capital, technology, skilled human resources, and business services. Inequalities between the Capital Region and other regions in Korea can be attributed to fundamental differences in controlling resources along with making public and business decisions.

**Table 9 - GRP per capita by Region (1985-2007) (current price: 1000 won)**

	1985	1990	2000	2005	2007
Seoul	2.277(104.7)	4.647 (103.7)	13.996 (111.7)	18.848 (109.0)	20.728 (110.1)
Busan	1.966 (90.4)	3.785 (84.5)	9.239 (73.7)	13.134 (75.9)	14.515 (77.1)
Daegu	1.882 (86.5)	3.831 (85.5)	8.376 (66.9)	10.845 (62.7)	11.954 (63.5)
Inchon	2.877 (132.3)	5.356 (119.5)	10.598 (84.6)	14.979 (86.6)	16.846 (89.5)
Gwangju	-	3.925 (87.6)	9.335 (74.5)	12.593 (72.8)	13.899 (73.8)
Daejeon	-	4.488 (100.1)	9.910 (79.1)	12.918 (74.7)	13.847 (73.6)
Ulsan	-	-	27.952 (223.1)	38.743 (224.0)	42.974 (228.3)
Gyeonggi-do	2.536 (116.6)	5.241 (116.9)	12.443 (99.3)	15.744 (91.0)	16.562 (88.0)
Gangwon	2.049 (94.2)	4.140 (92.4)	11.071 (88.4)	15.282 (88.3)	17.178 (91.3)
Chungbuk	2.225 (102.3)	4.268 (95.2)	13.311 (106.3)	17.433 (100.8)	19.276 (102.4)
Chungnam	1.889 (86.9)	3.647 (81.4)	15.695 (125.3)	25.147 (145.4)	28.121 (149.4)
Jeonbuk	1.542 (70.9)	3.100 (69.2)	10.038 (80.1)	13.889 (80.3)	15.814 (84.0)
Jeonnam	1.749 (80.4)	3.782 (84.4)	13.478 (107.6)	22.460 (129.8)	23.852 (126.7)
Gyeonbuk	2.233 (102.7)	4.721 (105.3)	14.109 (112.6)	22.146 (128.0)	22.438 (119.2)
Kyongnam	2.668 (122.7)	5.456 (121.7)	12.667 (101.1)	17.751 (102.6)	20.212 (107.4)
Jeju	1.627 (74.8)	3.660 (81.7)	10.306 (82.3)	14.409 (83.3)	14.819 (78.7)
Average (million won)	2.175 (100.0)	4.482 (100.0)	12.528 (100.0)	17.298 (100.0)	18.825 (100.0)
Standard Deviation	0.393	0.784	4.589	6.835	7.557
Co-efficient of Variance	0.181	0.175	0.366	0.395	0.401

It is important to carefully use GRP data to show the divergence of economic development between regions, because GRP data cannot reflect the actual income level of residents. The OECD and some researchers prefer to use income tax per capita to illustrate the divergence of personal income between regions. Unlike GRP per capita, income tax data clearly shows the distinctive divergence of personal income between regions, particularly between the Capital region and the rest of the country. The ratio in interregional income disparities is estimated as high as 1:10.7 between the highest income region of Seoul and lowest income region of Jeonnam. The income of the Capital region is estimated at least 3 or 4 times higher than that of other regions.

**Table 10 - Income Tax per capita by Region (1985-2007)**

(National average=100)

	1996	2000	2005	2007
Seoul	219.8	209.6	216.7	200.8
Busan	106.2	99.0	77.6	63.4
Daegu	98.8	96.2	79.2	58.7
Inchon	63.0	71.2	76.0	116.1
Gwangju	60.5	68.3	40.6	42.4
Daejeon	61.7	75.0	62.0	49.0
Ulsan	58.0	63.5	54.7	68.7
Gyeonggi-do	74.1	86.5	103.1	122.2
Gangwon	44.4	51.9	45.8	43.2
Chungbuk	45.7	51.9	46.4	44.0
Chungnam	38.3	44.2	75.5	65.7
Jeonbuk	42.0	50.0	33.3	28.0
Jeonnam	28.4	32.7	21.9	18.8
Gyeongbuk	48.1	49.0	41.1	36.8
Kyongnam	56.8	55.8	48.4	43.5
Jeju	66.7	80.8	63.0	47.6
Minimum	28.4	32.7	21.9	18.8
Maximum	219.8	209.6	216.7	200.8
Maximum/ Minimum	7.7	6.4	9.9	10.7
Average(million)	0.081	0.104	0.192	0.361
Standard Deviation	0.036	0.042	0.086	0.164
Co-efficient of Variance	0.450	0.408	0.448	0.455

### 3) Economic Decline of Lagging Regions

#### **Weak Self-Reliant Economic Base**

Due to the concentration and regional disparities, most regions do not have adequate self-reliant resources and motivation. Most regions have been dependent upon the growth of branch factories or small and medium-sized firms that are under the control of large enterprises in the Capital region. Due to the dependent nature of the local economy, there is a serious lack of business activities and professional services outside the Capital region. In addition, economic and industrial bases in less prosperous regions are too weak to stimulate self-reliant economic growth. Therefore, it is necessary to establish diversified local agglomeration economies. The lack of economic self-reliance of less industrialized regions has been largely attributed to weak economic and industrial bases in addition to the lack of decision-making power in the business and public sectors.

The relative decline of the local economy has intensified with the continuous outflow of the rural population and the increase of an aging population in rural areas. During the last 45 years, the rural population has decreased by one-third, whereas the ratio of the aging population has increased by more than 2 times. For instance, between 1960 and 2005 the rural population decreased from 16 million or 64.2% of the total population to 4.8 million or 10.2% of the total population. Due to the rapid aging process of the rural population, the population that was 60 years old and over accounted for 24.6% of the rural population in 2005 that is 2.3 times higher than the average aging population ratio of 10.8% (Rural Development Administration, 2008). The rural economy has rapidly declined due to the open market policy of agricultural products under WTO agreements. The ratio of agricultural products has decreased from 36.6% in 1960 to 3.4% in 2005.



## **Lack of Local Initiatives and Autonomy**

Korea maintained the centralized administration system for a long time and has only adopted a local autonomy system since the early 1990s. The executives of local governments and local council members have only been recently elected through a popular vote. Despite the introduction of the local autonomy system, the autonomous power of local governments is still limited because of the limited devolution of government power and the lack of financial and managerial capability by local governments.

The self-reliant financial ratio of local governments is as low as 50% in less prosperous regions and as low as 20% in some municipalities. Under these circumstances local governments can hardly take any initiative for stimulating the local economy. At present, most regional economic policies, industrial programs, and infrastructure investments are undertaken by the central government. A recent study shows that approximately half of regional development projects are undertaken directly by central government and government corporations.

**Table 11 - Regional Development Projects by Investor**

	Total	Central government	Government corporations	Provinces	Counties	Private
Number of projects	695 (100.0)	171 (24.6)	128 (18.4)	95 (13.7)	171 (24.6)	130 (18.7)
Budget US\$ (million)	47,786 (100.0)	6,758 ( 14.1)	15,982 ( 33.4)	12,061 ( 25.3)	4,851 ( 10.2)	8,134 ( 17.0)

Source: Lee et al. (1998) Analysis and Evaluation of Regional Development Projects, Korea Research Institute for Human Settlements, p.62

## Lack of Management Capabilities of Local Governments

Local governments have recently increased initiative efforts to stimulate the local economy, which include export promotion of local agricultural and manufacturing goods, promotion of new firms, development of the tourist industry, and inducement of foreign direct investment. Local governments are concerned with the improvement of infrastructure such as roads, water supply, industrial estates, resorts, tourist areas, and urban infrastructure. However, most local governments have no adequate expertise and experiences in planning and development that result in criticism over the inefficient and wasteful expenditure in local development.

Two typical cases were recently reported in the newspaper the *JoongAng Ilbo* (January 27, 2000). The first case was the construction scheme of a cultural and art complex building in Yoesoo city that was initiated in 1992. A large complex building with a floor space of 21,000m<sup>2</sup> was to be completed by 1997. This scheme required a larger amount of money than a city of 80,000 and annual budget of US\$30 million could afford. Due to the financial constraints, the project has been abandoned since 1998 despite the US\$10 million was already spent. This facility is now being used as a car park. Another case was the construction of an underground shopping mall in Gwangju city. The project was initiated on February in 1997 and financed by private investors. However it was discontinued due to the lack of demand for shopping facilities even though US\$ 15 million had already invested. The investor was able to sell only one-fourth of the floor space.

**Table 12 - Regional Development Projects by Purpose**

	Total	Industrial estates	Urban infrastructure	Resorts & tourist sites	Other infrastructure
Number of projects	695(100.0)	171(24.6)	128(18.4)	95(13.7)	400(57.6)
Cost (US\$ million)	47,786(100.0)	9,698(20.3)	9,168(19.2)	4,572( 9.6)	24,347(50.9)

Source: Lee et al. (1998) Analysis and Evaluation of Regional Development Projects, KRIHS, p.63

### III. Evolution of Regional Development Policy

#### 1. Regional Development Policy for Economic Growth

##### 1) Special Development Area Approach

##### Industrial Development in Selected Areas

In the early stage of economic development, regional development was perceived as one of tools to promote economic growth. Special areas were designated to provide a physical foundation for industrial development. To facilitate the provision of physical foundations, the government designated a special area in Ulsan for the development of a large-scale industrial estate in 1962. Between 1965 and 1974, the export industrial estates were built as duty-free zones in the Seoul metropolitan region, such as the Kurodong estate in Seoul and the Pupyong estate in Incheon. The second largest port is located in Incheon. These industrial estates were developed by cooperative efforts between the public and private sector. Under the *Export Industrial Estate Development Law* of 1964, the government sold public land on preferential terms, and provided basic infrastructure such as roads, industrial water supplies, and electricity. However, the government support under the *Export Industrial Estate Development Law* were largely confined to the provisions for infrastructure.

During this period, the Korean government was concerned with efficiency in public investment. In addition, the government designated six special development areas between 1965 and 1967 in order to concentrate investments in both the promotion of industrial development and the exploitation of natural resources. The six areas included the Seoul-Incheon corridor, Ulsan, Jeju, Taebaek, Youngsan Kang (River) and Asan-Soesan Areas. The designation of special areas such as Jeju,

Taebaek and Youngsan-Kang River areas was intended to promote tourism, mining and agricultural development while that of other special areas in Seoul-Incheon, Ulsan and Asan-Soesan was to provide serviced industrial sites. The total special development areas designated in the 1960s cover about 20,000 km<sup>2</sup>. The special development areas of the Seoul-Incheon corridor, Youngsan River, and Asan-Soesan Area were planned to be developed within 30 years while Ulsan was planned to be completed within 7 years.

### Resource Development in Lagging Areas

The special area was also designated for the promotion of resource development such as agricultural land development and tourism promotion. Jeju-do, Youngsan-Kang (River), Taebaek-san (mountain) and Asan-Soesan Specific Areas were designated for these purposes. In the 1970s, the Youngdong-Donghae Specific Area was also designated. Until the end of the 1970s, 7 specific areas were designated to promote development for various purposes.

In the 1970s, ad hoc regional development programs were also initiated for certain depressed areas such as the Taebaek, Jeonju, and Gwangju areas. A large portion of project costs for the regional development were financed by long-term loans from the World Bank (IBRD). The central government was in charge of the preparation and implementation of these regional development plans. The phase two of regional development projects for Jeonju (18,540 km<sup>2</sup>) and Gwangju (7,134km<sup>2</sup>) were completed in the mid 1980s. Investments for three regional developments were concentrated on physical development projects such as roads, water supply, sewer systems, and industrial estates to promote the welfare of local residents and the local economy.

The special area approach continued in the 1980s. Four specific areas such as Jeju do (island), Taebaeksan (mountain), and Jidocksan (mountain) areas, and Dadohae

(island) areas were designated in 1982. The development of these specific areas were expected to serve dual purposes: exploiting growth potential such as tourism development in the Jeju and Dadohae areas and improving isolated and depressed areas such as the Taebaek and Jidocksan mountain areas. The 10 year specific area development plans were prepared and implemented. In the 1980s, two other specific development areas were designated for the construction of the '88 Olympic highway and the Unification mountain park.

**Table 13 - Investment in Specific Areas by Project**

(Unit: %)

Classif-ication	Total	Road Estates	Living Ports	Tourism Amenities	Develo-ment	Culture welfare	Land Preservation
Total	100.0	21.6	35.0	19.4	16.2	6.5	1.3
Olympic	100.0	50.5	22.5	12.6	9.3	2.3	2.8
Dadohhae	100.0	24.4	58.2	16.8	0.5	0.1	-
Taebak	100.0	7.9	30.7	48.8	2.1	6.2	4.3
Jeju	100.0	11.9	31.2	10.4	34.4	12.1	-

Source: KRIHS (1991) *A Study on Development Policy for Lagging Regions and Criteria for the Designation of Specific Areas*, Seoul, p.75

The special areas designated in the 1980s covering about 14% of national territory or 13,800km<sup>2</sup>. Approximately 2000 billion won (about US\$ 15 billion) were planned to be invested for the development of the four specific areas. More than half of regional development investments were estimated to use for the construction of industrial estates and the improvement in access (such as roads and small fishing ports). In the 1990s, two other specific areas were designated for the construction of a unification park to symbolize the national wish for the unification of South and North Korea and also for the development of the Baekjae (Kingdom) Culture Area to preserve and utilize historical heritage and resources for regional development.

## 2) First National Territorial Development Plan (1972-82)

### Goals and Strategies

National territorial development planning was perceived as an essential policy instrument to support national economic growth in the 1970s. The First 10 Year National Territorial Development Plan (1972-81) was formulated in 1971. The basic goals of the first plan were to ensure the efficient use of national land resources and the expansion of economic infrastructure for a rapid industrial development. In order to achieve these goals, the plan recommended the establishment of large-scale industrial estates to improve the infrastructure concerning transportation, communication, water resources, and energy supply.

The first national plan introduced a three-tier system of territorial units. The national territory was divided into four large river basin regions which were further divided into eight intermediate regions and 16 smaller regions. This concept of planning areas is still considered to be appropriate to promote efficient and sustainable regional development because the 4 river-basin region area was large enough to be an economic region and was delineated based on an environmental and ecological boundary.

### Implementation & Achievements in the 1970s

Even though the first plan set up comprehensive and sensible spatial development directions, they were not systematically implemented. However, some selective regional development projects were completed. During the first planning period, the government initiated specific area development projects for the Taebaek, Jeonju, and Gwangju areas, that were financed by the central government and loans from the World Bank. Regional development was largely concentrated on physical development such as roads, water supply, sewer systems, and industrial estates to promote the welfare of local residents and stimulate local economy. In addition,

during this period, government focused to expand the physical foundations for industrialization such as roads, water, electricity, and industrial estates. Until the end of 1970s, six expressways and more than two-thirds of existing water resource development were completed.

**Table 14 - Planning Regions in the First National Territorial Plan**

Large Regions	Intermediate Regions	Small Regions
Han-Kang River Basin	Capital Region Taebaek Region	- Seoul Small Region - Chuncheon Small Region - Kangreung Small Region - Wonju Small Region
Geum-gang River Basin	Chungcheong Region	- Chun-an Small Region - Chungju Small Region - Daejeon Small Region - Jeonju Small Region
Youngsan-Kang River Basin	Jeonju Region Gwangju Region	- Gwangju Small Region - Mokpo Small Region - Sunchun Small Region - Jeju Small Region
Nakdong-Kang River Basin	Busan Region Daegu Region	- Daegu Small Region - Busan Small Region - An-dong Small Region - Pohang Small Region

Source: The Government of Korea (1971), *The First National Physical Plan* The Ministry of Construction, Seoul.

## **2. Regional Development Policy for Balanced Growth**

### **1) Major Goals and Strategies of the 2<sup>nd</sup> National Territorial Plan**

In the 1980s, the growth-oriented economic policy was gradually shifted towards a stabilization policy of economic and balanced regional development. The government began to reduce the control and intervention in the private sector. The second plan emphasized social development and the welfare of the people, particularly those in the lagging regions. Four specific goals were adopted:

- i) population redistribution in provincial or local areas
- ii) expansion of development potential throughout Korea
- iii) advancement of public welfare
- iv) conservation of the natural environment

The growth of the Capital region was strongly restricted while the development of other regions was promoted and supported. The second plan also recommended the relocation of manufacturing industries and government offices from the Capital region to other local regions. It also emphasized the increase of job opportunities and the provision of a better living environment that included housing, community facilities, socio-cultural services, and facilities in local areas. In order to achieve this goal, the second plan introduced a concept of integrated regional settlement areas (IRSAs) as a major spatial planning unit. It was intended to alleviate the bi-polarized national spatial structure based on Seoul and Busan and to promote a multi-centered spatial structure. The country was divided into twenty-eight IRSAs including five large city IRSAs, seventeen local city IRSAs, and six rural town IRSAs. The development of IRSAs was to provide job opportunities and to improve living amenities throughout Korea.



The second plan suggested a growth center development strategy to stimulate balanced regional growth. Three major provincial centers such as Gwangju, Daegu, and Daejeon were selected as the primary growth centers while 12 others were selected as the secondary growth centers.

## 2) Implementation and Major Achievements in the 1980s

In the 1980s, the Capital Region management plan was prepared and implemented to control its growth under the Law of the Capital Region management whereas many local industrial estates were built to promote local industrial and economic growth. However, no systematic government effort was made to implement the spatial policy of IRSAs and growth center development. The government failed to pass the Growth Center Development Act. The second national territorial development plan was revised in 1985. The revised second plan introduced a concept of extensive planning regions replacing IRSAs. The extensive economic region was considered to be an appropriate spatial unit for regional economic development. Korea was divided into five planning regions. However, this revised second plan was also not properly implemented due to the lack of an institutional framework and financial resources.

During the second national territorial development planning period, there had been considerable improvements in living conditions. Due to the increase of housing investment in the 1980s, the number of housing units increased by 2 million units from 5.3 million in 1980 to 7.4 million in 1990 while it increased by 960,000 units in the 1970s. Since the mid 1980s, approximately 500,000 housing units have been built every year.

Road pavement ratios were also improved from 57% in 1980 to 71% in 1990. However, the government was often criticized for insufficient investment in major infrastructure such as express highways and water resource development even though national economy was booming in the 1980s. Many critics argue that current high costs for logistics and transportation is deeply rooted in the neglect of infrastructure investments in the 1980s.

### **3. Changes in Regional Development Policy**

#### **1) Major Goals and Strategies of the 3<sup>rd</sup> National Territorial Plan**

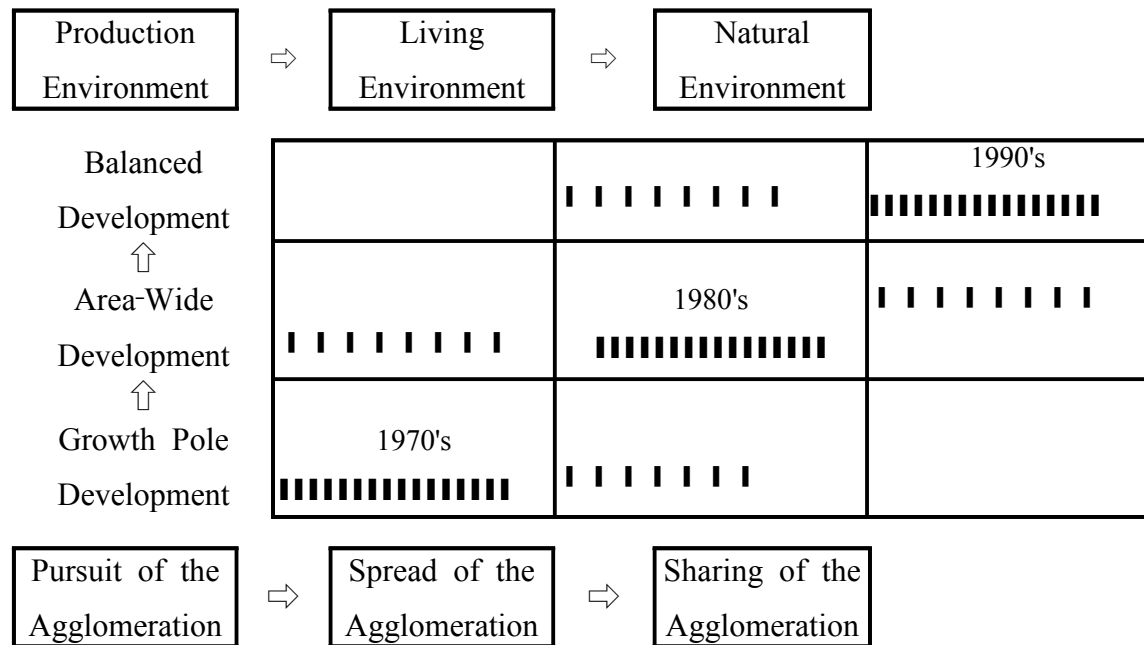
The third plan was concerned with a balanced growth in lagging regions along with the improvements in quality of life and the environment. It proposed four specific goals not only to solve current spatial and physical problems but also to accommodate expected changes in the socio-economic environment:

- i ) the creation of decentralized national spatial structure pattern
- ii) the establishment of productive and efficient land-use system
- iii) the improvement of living environment quality and the conservation of natural environment
- iv) the creation of a physical foundation for unification between South and North Korea

To achieve the creation of a decentralized spatial structure, the third plan adopted an extended regional growth center strategy. The main idea of extended regional growth centers was to create a self-sufficient economic agglomeration with adequate economies of scale by linking regional center cities or other potential development areas with surrounding areas. The government intended to concentrate public and private investment on infrastructure and industry in regional growth centers.

This extended growth center was called Regional Metropolitan Wide Area Development because the spatial boundary tended to be extensively wide. For the development of regional metropolitan areas, the center city was to play a key role for promoting the regional economy. Major transportation and communication facilities and networks were to be improved so that the center city of regional metropolitan areas could act as a regional center in the globalized economy.

**Figure 2 - Continuum of Balanced Regional Development**



The third plan emphasized the promotion of central management functions such as government administration, business management, research & development, information industry, and international business in the center cities. In order to support this strategy, the third plan recommended each center city build new business parks or office towns. Regional center cities were encouraged to specialize in specific economic and industrial activities according to the existing potential and future prospects.

Busan: international trade and financial services

Daegu: business, advanced technology, high quality apparel and fashion industry

Gwangju: high-tech industries, art, and cultural activities

Daejeon: government administration, science, and research activities

## 2) Implementation and Major Achievements in the 1990s

During the third national territorial development planning period, there had been a considerable improvement in housing and other living conditions. Approximately 500,000 to 600,000 housing units were built every year to cope with housing shortages and high housing prices. Public investment was concentrated on the improvement of living environment such as housing and local access roads rather than the expansion of economic infrastructure. The road network extended from 28,000 km to 57,000 km in 1990 and to 85,000 km in 1997 whereas it increased by less than 10,000 km in the 1980s. In addition, the government initiated large-scale future oriented development projects such as Incheon International Airport and the Seoul-Busan express railroad. These projects were completed in the early 2000s. In the 1990s, there were great improvements in government regulations to stimulate free market and private initiatives. To cope with industrial restructuring new industrial estates such as high-tech industrial estates and business parks were actively established.

The basic policy direction for the regional development of the third national territorial plan was almost the same as that of the second plan based on the restriction of the Capital region and the promotion of regional development.

## **IV. New Policy Directions for Regional Development**

### **1. Emerging Issues for Regional Development**

#### **1) Globalization**

The major characteristic of globalization is a gradual decline of the regulatory power of nation-states. National boundaries are less likely to provide protective barriers for industries such as those oriented towards domestic markets. The weakening of the regulatory power of nation-states increases local autonomy and competition among firms and localities.

The weakening of regulatory power such as customs and tariffs increases the movement of capital, products, labor, information, people, and other production factors across national boundaries. Globalization is likely to be accompanied by an increase in the mobility of capital and firms that will increase the outflows of domestic capital particularly in manufacturing firms to other countries and inflows of foreign investments or firms. The increase in outflows of manufacturing firms may lead to a rapid decrease of production activities in industrialized areas in addition to a reduction of factory movement between industrialized regions and depressed regions. All regions and localities have to compete with each other to attract promising investments across national boundaries.

Due to the increase of competition among regions and localities, it is a major policy issue for local governments to enhance investment attractiveness. The rise of competitive cities and regions such as Barcelona, Glasgow, and Antwerp show the relative importance of sub-national units in the process of globalization (Swyngedouw, 1992; 41). National competitiveness is determined by the competitiveness of regions and localities in the era of globalization.

## 2) Localization

Local autonomy is expected to expand further due to the increase of public participation and an advanced democratic political system. In the 21<sup>st</sup> century, local governments will play a major role in decision-making and implementing economic development policy for regions or localities. This trend of localization is intensified with the progress of globalization that gradually undermines the regulatory power of nation-states.

The increase of local autonomy intensifies competition among regions and localities because the role of the central government is diminished in regional development. Future regional development is determined more by local initiatives and capabilities. Recent studies show that the structure and performance of regional and local economies are largely dependent upon socio-economic characteristics and adjustment strategies towards changes (Dunford & Kafkalas, 1992;4).

Localization requires a new approach for policy-making based on a 'partnership' between central and local governments, whose local knowledge is superior to that of the central government (Dunford and Kafkalas, 1992;22). It is also important to strengthen partnerships between the public sector and private sector because the role of private capital is increasing in public infrastructure and urban development.

## 3) Technological Innovation and Emergence of the New Economy

Due to recent technological innovations, production systems based upon Fordism are rapidly changing to post-Fordist production systems. Production units or the size of firms become smaller and disaggregated. Industrial networking and clustering has become a new collective production system to cope with a high-risk and rapidly changing market environment.

A major policy issues for local governments is how to stimulate industrial networking and technological innovation. Information technology stimulates the networking of industry and experts through internet communication and cyber-space.

Information technology and flexible production systems create new jobs and

business opportunities. They include information related business such as software, multi-media, games, various internet businesses, information networks, producer services (such as consulting), marketing, advertising, design, R&D, accounting, and legal services.

A post-Fordist production system is likely to bring about an enormous reduction of job opportunities whereas it creates new job opportunities for highly qualified workers such as professional scientists and specialists of all types. It is major policy issue for local governments to create these types of job opportunities.

#### 4) Changing Personal Value System

Personal value is increasingly diversified at the household income level as education increases. People look for more diversified values such as culture, leisure, sports and other values related to quality of life than improving economic and social status.

One of major tasks for regional development is to improve the amenity in the environment and landscape, cultural and leisure facilities, residential environment, and other facilities concerning the quality of life. The quality of the environment is an important infrastructure for local economic growth because scientists, professionals, and experts choose to live in areas with a clean environment in addition to a high quality of life.

## **2. National Goals and Strategies**

### 1) National Goals for Territorial Development

The major theme for the fourth plan is to create “the integrated national territory for the 21<sup>st</sup> century” that integrate competing regions as a co-operative neighbor. It also means to create a balance between development and environment

that can pursue a mutual development with North Korea and other North East Asian countries. It is the first national territorial plan that was prepared in the context of the North East Asia Region. The fourth plan is to create an open country so that Korea can play a central role in promoting mutual development for North East Asian countries.

The fourth plan proposes four main goals: balanced national territory, green national territory, open national territory, and a unified national territory under the main planning theme of "integrated national territory". Seven major development strategies are suggested for achieving these planning goals

The fourth plan puts a high priority on the environment over efficiency in land-use and public investments. Amenities in natural and living environment are to be significantly enhanced through protecting the natural and ecological environment in addition to providing a more pleasant living environment. This suggests that national territorial development is gradually changing the emphasis from the expansion of quantity in development to the improvement of quality in development.

The fourth plan is concerned with the impact of globalization in national territorial development plans. It provides physical and institutional foundation to promote globalization of the economy in local regions. It proposes the establishment of an outward-oriented spatial structure and places a strong emphasis on the development of regional development centers equipped with international airports, ports, telecommunication infrastructure, and other facilities. The fourth plan also foresees that each region in Korea will have a direct and easy contact with international communities in the future. To achieve the outward-oriented spatial development, the "U" shaped ocean oriented new development axis is proposed in the fourth plan. Most regional development centers are located on this "U" shape axis. In addition, new East-West inland development axes are also recommended to improve the accessibility of inland settlements towards ocean-oriented development centers that have direct contacts with international communities.



## 2) National Goals for Regional Development

The fourth national territorial plan proposes "Creating Competitive Regions with Local Characteristics" as major policy goals for regional development in the 21<sup>st</sup> century. This policy goal emphasizes the importance of local characteristics, distinctive resources, local initiatives, and autonomy in promoting regional development. It stresses competition among regions and localities. In the fourth plan, local authorities are encouraged to adopt diversified development strategies according to unique local potential. Previous regional development policies have pursued the expansion of the manufacturing industry and population growth. In the 21<sup>st</sup> century, each region and locality is encouraged to choose local courses of development.

The fourth plan adopts the promotion of mutual development between the Capital region and other regions in Korea. The previous regional development policies depended upon the control of the growth of prosperous regions for the promotion of lagging regions. However, in the globalized economy the control of one region within a national boundary does not lead to the growth of other regions because private investments and business firms are free to move to the most competitive and attractive areas across national boundaries. This implies that the major regional development approach is now being changed from a distributive approach or zero-sum game approach to competitive approach or a positive-sum game.

The fourth national territorial plan stressed the improvement of the quality of local cultural activities and facilities and natural environment as an essential means to strengthen competitiveness (Kim, 1999b). The quality of life and environmental amenities emerge as important determinants to strengthen the competitiveness of the locality.

The fourth plan also emphasizes the improvement of software aspects for business environments such as training and education, information networks, technological innovation, communication, and industrial clusters. Finally, the fourth plan stresses a public-private partnership in regional development more than other previous plans because the role of private sector is increasing in infrastructure and regional development.

## **1 Promoting Mutual Prosperity for the Capital and less Prosperous Regions**

Previous regional policies emphasized the restriction of growth in the Capital region and the promotion of growth in other regions because regional development was perceived as a redistribution of resources within an enclosed economic system. However, it is no longer possible to maintain an enclosed economic system due to the emergence of a borderless economy.

## **2 Creating a Settlement Base with Local Characteristics and Attractiveness**

This strategy suggests that the quality of life and environment becomes a major local factor to determine local competitiveness. Previous regional development was concerned with the improvement of physical infrastructure and industrial structure to promote regional development. A future policy should focus on enhancing the cultural identity of localities, promoting local autonomy, creating a high quality living, and developing a clean environment for local residents rather than the expansion of production bases.

## **3 Promoting Knowledge-Based Industry and Job-Creation**

It is essential for the local economy to restructure the economy into a knowledge-based economy. It is expected that a new knowledge base economy will play a leading role in providing a major source of income and job opportunities. They include the information technology industry such as software, multi-media, the internet, and information business, in addition to high technology business such as bio-technology, environment technology, new material technology, and mechatronics.

Previous regional development emphasized economic and industrial growth such as the expansion of production and population growth. Future regional development policies should be more concerned with the improvement of living conditions and in particular providing job opportunities.

#### 4 Building a Local Government Capability for Regional Development.

Regional development is determined by local initiatives and efforts. It is essential to strengthen local autonomy and capability to establish a local administration system for planning and the implementation of regional development. Local governments need to promote public participation and public-private partnership for regional development that mobilize local resources and allies for successful regional development. Regional policy can only be implemented satisfactorily for all parties involved if those parties can participate in decision-making and the implementation process from an early stage.

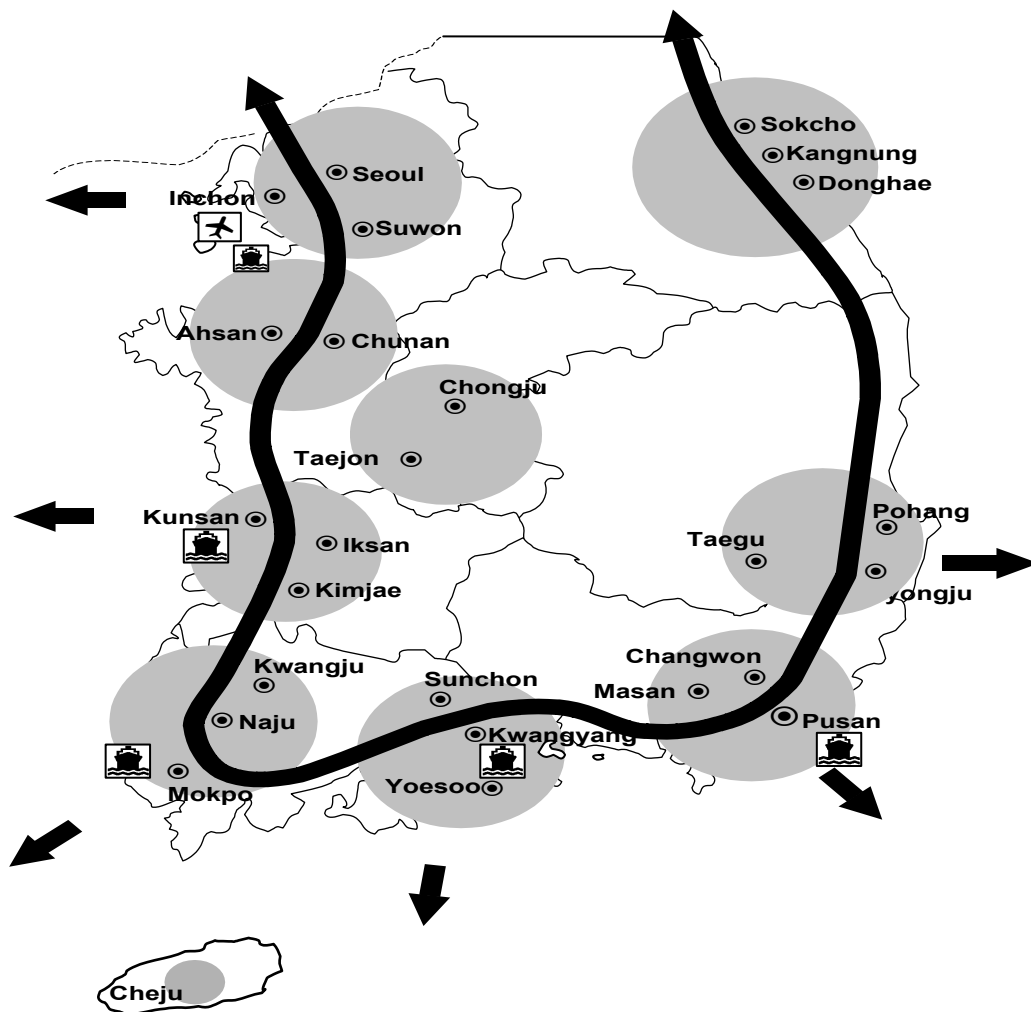


Figure 3 - "U" Shaped Outward-Oriented Development Axis

### 3. Implementation of New Policy Directions

#### 1) National Balanced Development Policy (2003-2008)

##### Shift of Regional Policy Paradigm

In 2003, the Korean government introduced a new regional development policy that was different from previous ones. First, the government accepted a regional development policy as a major strategy for national development. In globalized open economies the national economic development has to be dependent upon the growth and competitiveness of regional economies. Second, the government adopted a bottom-up approach to stimulate regional development undertaken through central government initiatives. Third, the goals and objectives of regional development were changed from the expansion of economic size and production to the enhancement of competitiveness and the innovation capability of each locality and regional economy. Lastly, the new policy emphasized the selectivity and concentration of government support for regional development.

**Table 15 - New Policy Paradigm for National Balanced Development**

	Traditional Policy Paradigm	New Policy Paradigm
Role of regional policy	eradicating spatial problems created by economic development	promoting economic development
Goals/objectives	expanding production size economic efficiency	stimulating competitiveness enhancing quality of life
Implementation	central government initiatives	local government and private sector initiatives
Investments	equal investment to all locality	selective investments on the competitive sector and areas
Policy priority	economic growth	strengthening innovation capability

Major Strategies

## **1 Self-reliant Development and Regional Innovation System**

The government emphasized creating a regional innovation system to strengthen the competitiveness of regional economies that focused on building cooperative networks and stimulating the interaction between local authorities, the industrial sector, universities, R&D agencies, financial institutes, and other local non-government organizations. It emphasized the promotion of professional producer services, a knowledge-based industry, international culture activities, and business. The government focused on the promotion of regionally based universities as a major source of regional innovation,

## **2 Promotion of Regional Strategic Industries and Industrial Clusters**

The government was concerned with the promotion of regional strategic industries that were selected as major engines for regional development. It was also interested in creating industrial clusters in which different manufacturing firms and other economic actors that were closely related to each other for stimulating technological innovation and strengthening productivity. Industrial clusters would include industrial firms, various R&D organizations, universities, producer services, universities, and public support agencies. The government provided financial support to build industrial estates and technical support institutes.

## **3 Building Implementation Systems at the National and Regional Level**

It was imperative to build an efficient implementation system including organizations and rule setting for the promotion of regional development. The government established "The Presidential Committee for National Balanced Growth" that was designed to promote the coordination of government strategies and programs for economic development at local and regional levels. Regional balanced development committees were established at the regional level that consisted of selected members represented the public and private sectors. The government also introduced a special budget account for regional development. These government actions were supported by the *Law of National Balanced Development* enacted in 2003.

#### **4 Relocation of Government Offices and Public Agencies**

In 2004, the Roh Moo-hyun government decided to relocate most central government ministry offices and other public agencies from the Capital region to other less congested regions in Korea, however the original plan to build an administrative capital was rescinded by the Constitutional Court of Korea. The court ruled against the relocation of the administrative capital of Seoul to the Chungnam area because the government had failed to satisfy the legal requirements for constitutional issues in changing the location of the capital of Korea. The government only managed to build a smaller administrative city with no executive power in Chungnam province to accommodate various government ministries and agencies. In 2005, the government also decided to relocate 200 public agencies from the Capital region to other parts of the country. Around 10 new towns were planned to accommodate these public agencies and stimulate regional development. Those cities have been under construction and are to be completed by 2012.

#### **2) New Regional Policy Directions since 2009**

##### **New Regional Policy Directions**

Previous regional policies has been criticized for a lack of efficiency in public investments. Public investment has been fragmented because of the guidance by fragmented local administrative units. Many local administrative units are determined on the basis of political needs rather than the basis of the functional linkage of social and economic activities or the homogeneity of geographical areas. Because of this, public investment cannot attain efficiency and economies of scale for the promotion of regional development.

## The Creation of Mega-Economic Regions

The Korean government has recently introduced mega-economic regions to incorporate regional administrative units to strengthen the competitiveness of regional economies and attain efficiency in public investments for regional development. Due to the creation of a mega-economic region, the government is able to make selective and concentrative investments for regional development. A mega-economic region is designed to stimulate cooperative and coordinative efforts between regional authorities that can attain efficiency and economies of scale through the pooling of available resources.

**Table 16 - Mega-Economic Regions in Korea (as of 2006)**

Mega-regions	Area (Km2)	Population (000s)	GRDP (trillion won)	Administrative region
Capital Region	11,730 (11.8)	23,603 (48.7)	370.0 (48.2)	Seoul, and Incheon (cities) Gyeonggi-do (province)
Chungcheong Region	16,572 (16.6)	4,876 (10.1)	87.6 (11.4)	Daejeon (city), Chungbuk and Chungnam-do (province)
Honam Region	20,269 (20.4)	5,054 (10.4)	72.4 ( 9.5)	Gwangju (city), Junbok and Jeonnam-do (province)
Daikyong Region	19,910 (20.0)	5,176 (10.7)	80.5 (10.5)	Daegu (city) Gyeongbuk-do (province)
Dongnam Region	12,342 (12.4)	7,780 (16.0)	130.8 (17.1)	Busan and Ulsan (cities), Kyongnam-do (province)
Gangwon Region	16,631 (16.7)	1,471 (3.0)	17.0 (2.2)	Gangwon-do (province)
Jeju Region	1,848 (1.9)	542 (1.1)	6.6 (0.9)	Jeju-do (province, island)
National	99,644 (100.0)	48,498 (100.0)	767.4 (100.0)	-Korea

Source: Presidential Committee on Regional Development (2008. 8)

## Implementation Mechanism for New Regional Policy Directions

The regional development policy has also been criticized for a lack of coordination of government strategies at the central and local government level. The Korean Government has created "The Presidential Committee on Regional Development" as a coordinating body at the national level among numerous departments of the government. Block grants are expected to be significantly expanded. The expansion of block grants stimulates the coordination of sectoral strategies of government departments and promotes local initiatives and autonomous decision making at the regional and local level.

The "Mega Economic Region Development Committee" is envisioned as a coordinating and supporting agency at the regional level. The "Mega Economic Region Development Committee" is a partnership between the central government and participating regional authorities. It will provide an institutional framework in which a range of regional actors participate and cooperate with each other in decision-making and policy implementation. The mega-economic region development committee consists of board members representing each regional authority and the central government. The management of the joint board is to be shared by the governors and mayors of member regions.

It is difficult to expect that the government policy for the promotion of mega-economic region will successfully achieve the set goals because it has not presented any new specific policy measures and strategies to implement the policies. The recent government policy is not a new idea in Korea, as there have been many attempts made to promote economic development at the super regional level and stimulate cooperation between localities and regional authorities. They have all failed to produce any meaningful results because the adopted policy measures and strategies were not effective enough to achieve



policy goals; without introducing new effective policy measures and strategies, the same trial and error approach will likely continue.

It is necessary to prepare more careful and detailed policy measures for the promotion of a mega-economic region through cooperation and coordination between different regional authorities that have limited experience and expertise in cooperation and coordination among themselves. They cannot cooperate with each other when local interests collide. In addition, they can hardly form a consensus unless regional administrative units are consolidated because each local and regional authority is dependent on respective constituents. Previous experience suggests that it is essential to form well prepared policy measures to eradicate a range of barriers and problems related to inter-regional cooperation.

## **Conclusion**

In the early stage of economic growth, regional development was mainly perceived as a means to promote national economic and industrial growth. Since the early 1980s, regional development has been overly concerned with inequality particularly between the Capital region and other less prosperous regions. Various policy measures have been adopted to contain the rapid growth of the Capital region and to promote industrial growth in less prosperous regions. Despite various government efforts, regional inequalities between the Capital region and other regions have improved little.

The goals and strategies for regional development have tended to change according to recent trends in globalization, localization, technological innovation, and the information economy. The emergence of the recent trends has brought new

problems and issues to be addressed at the regional and local level. A recent regional policy has been increasingly concerned with strengthening the competitiveness and productivity of regional economies rather than mitigating economic inequalities between regions. The fourth national territorial plan (2000-2020) proposes new policy directions that allow more autonomy for the local government and the active participation of the private sector. The new policy directions emphasize the development of specific the potentiality of individual localities and the improvement of the competitiveness and productivity of local economies rather than equalizing the level of development between regions. They have been concerned with the quality of life, sustainable development, and cultural identity of individual localities.

These policy directions have been adopted since 2003. However, new policy directions have been criticized that have failed to make any meaningful changes for regional development. It is not only because it was not fully understood that the introduction of new regional policy directions required extensive reforms of the organizational and rule systems of the government, but also because the government made no serious efforts to place policy goals into practice. The Korean government has introduced new regional policies to promote mega-economic regional development that requires efficient cooperation and coordination between different regional governments and between local authorities. It is difficult to expect the success of a new regional policy without extensive changes to the government structure and system.

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