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HOW TO LINK HOUSING POLICY AND WELFARE POLICY

The housing policy of Korea has so far focused on the expansion of housing construction and establishment of foundation for housing industry. The current housing policy for low-income households includes two components: 1) the housing allowance system run by Ministry of Health; and 2) welfare and the public rental housing policy and home loans or *jeonse* (a tenure system in Korea, whereby the tenant makes a lump sum deposit with the landlord to rent housing and the deposit is refunded when contract expires. He does not pay a monthly rental fee and instead gives up the interest on the deposit.) loans program operated by Ministry of Construction and Transportation. But actual housing support for low-income households is absolutely insufficient. As the enhancement of housing supply ratio is expected to solve the problem of housing shortages from now on, the function of welfare policy for low-income households, which are incapable of participating in housing market, should be strengthened. The housing allowance system, therefore, will likely attract more attention. However, the current housing welfare program for low-income households shows inefficiency and problems under the dual operation by the two Ministries, and thus it is required to link and rearrange housing and welfare programs.

Housing is an essential element of basic living conditions and especially the housing policy for low-income households is closely linked with the welfare policy. A welfare state should provide basic living conditions to its citizens and it should deal with pressures from market and civil society, conducting its functions to accumulate and support them. It should also complement defects of a capitalistic market economy system such as quantitative and qualitative problems and distributional inequity in housing resources.

A welfare state has originally emerged in this regard, and thus one of its basic roles is to prevent social problems caused by defects of the system. In short, the basic role of a welfare state is to solve quantitative and qualitative housing problems and its housing policy should be defined as part of social policy.

Welfare states pursued by capitalistic systems are classified into a few types. Esping-Andersen (Princeton: Univ. Press, 1990) divided welfare states into Liberal Welfare State, Corporatist Welfare State, and Social Democratic Welfare State according to the extent of "decommodification," which shows how much the social right qualified by the state reduces people's reliance on market, and impacts of policies of a welfare state on the structure of social class. Under this classification, Korea is defined as a Liberal Welfare State and thus future strategies are oriented within the framework of Liberal Welfare State. Therefore, it is useful to examine carefully the systems of the United Kingdom, Japan, etc. which are included into the same category of Liberal Welfare State.

CURRENT SITUATION

Considering that housing policy is part of social policy, a few problems can be pointed out with regards to the welfare and housing policies in Korea: the Public Assistance Program can cause loss of enthusiasm for work because of its principle of complementation. It cannot cover a marginal social class. Moreover, the Program lacks systematic linkage with other social welfare systems. In fact, the Public Assistance Program has not been an adequate measure in terms of level of benefits and scope of assistances. As of 2002, 28,000 53,000 won is paid to one household and actually it does not reach the min-

imum housing expenses, considering that housing expenses form 30% of total living expenses in low-income households. Since the housing allowance system is integrated with the living allowance system at present, the beneficiaries are limited to those who are qualified for the living allowance system.

If someone is not selected as a beneficiary or he is disqualified for benefits due to a little higher income or property value, he cannot receive any of assistances including living allowance in the current operation. As a result, the "all or nothing" policy makes beneficiaries lose enthusiasm for work and stay in poverty trap. The current housing allowance system does not represent low-income households adequately and the next needy class could drop into the state where it is poorer than the beneficiary class. Therefore, housing allowance system is needed to be separated and operated independently.

The problems of housing policy in Korea can be summarized as problems of housing supply policy

and unclear target classes of the policy. Since the housing policy has so far focused on the expansion of housing supply and the distribution of new housing units has mostly been conducted through the installment sale system, low-income households whose housing purchasing power was weak have not received the benefits from the policy. In addition, the current public rental housing system is targeting non-homeowners who have subscribed to a housing subscription savings deposit. As a result, programs for low-income households are poorly developed. In order to improve housing welfare of low-income households, policies to support the long-term expansion of public rental housing stock and the reduction of housing expenses are required. Also, required are policies to define clearly targeting groups and make them be actual beneficiary groups.

Currently, welfare and housing policies are carried out separately. While the welfare policy is conducted on personal basis, the housing policy is mostly carried

out on property basis. As a result, beneficiaries receive double assistances but the next needy class is excluded from both housing and welfare policies. Since the main criteria in selecting beneficiaries are their income and property, those households below the minimum living standards but above the minimum income cannot obtain any support from the policy. In order to solve these problems, beneficiaries targeted in the welfare and housing policies should be integrated and the two policies should be operated in unison.

In cases of Japan and the United Kingdom, housing rental subsidies and housing supply are operated not in the system where one leads the other, but together as being engaged with each other. The United Kingdom is currently developing the housing rental subsidies centered policies, owing to adequately provided stock of public rental housing. Japan has constantly promoted the expansion of public rental housing and improvement of housing rental subsidy system due to insufficient supply of public rental housing. Therefore, housing rental subsidy policy and housing supply policy in Korea should be

Poor Household Rate in Income and Housing by Income Decile

(Unit: No. of households, %)

Decile	Sum	Below housing standard(A)	*Deficient ability to pay housing expenses (B)	A and B	A or B
Total	3266 <100.0>	953 <29.2>	679 <20.8>	63 <1.9>	1573 <48.2>
1	252 <100.0> (7.7)	84 <33.3> (2.6)	162 <64.3> (5.0)	20 <7.9> (0.6)	226 <89.7> (6.9)
2	93 <100.0> (2.8)	32 <34.4> (1.0)	44 <47.3> (1.3)	11 <11.8> (0.3)	65 <69.9> (2.0)
3	456 <100.0> (14.0)	175 <38.4> (5.4)	145 <31.8> (4.4)	16 <3.5> (0.5)	304 <66.7> (9.3)
Total of deciles 1-3	801 <100.0> (24.5)	291 <36.3> (8.9)	347 <43.3> (10.6)	47 <5.9> (1.4)	595 <74.3> (18.2)
4-5	759 <100.0> (23.2)	245 <32.3> (7.5)	155 <20.4> (4.7)	8 <1.0> (0.2)	392 <51.7> (12.0)
Over 5 th decile	1706 <100.0> (52.2)	417 <24.4> (12.8)	177 <10.4> (5.4)	8 <0.5> (0.3)	586 <34.4> (17.9)

Note : * Deficient ability to pay housing expenses refers to a household whose housing expenses are more than 30% of its income. Housing expenses are figured out with market rents in estimating a hedonic price function.

Figures in < > mean percentage shares of each cell in row sum.

Figures in () refer to percentage shares of each cell in total.

Source : KRIHS, "Housing market survey"

Nangok, the shanty town of the urban poor located on a hillside of southern Seoul



implemented in the complementary fashion and the expansion policy of public housing supply over a certain level and subsidy policy of housing expenses should be closely connected.

FUTURE DIRECTION

The housing welfare policy aims at stable housing security for low-income households over the minimum housing level. For this reason, it is required that the current level of housing assistances should be raised to the extent to obtain rental houses in housing market and, at the same time, public rental housing supply should be extended to a reasonable level. These objectives could be classified into short, mid- and long- term plans.

In the short run, considering the shortage in public rental housing stock, the housing allowance should be readjusted to a realistic level and the scope of beneficiaries should be expanded, so as to enhance the role of the housing allowance system. In consideration of the housing expenses' share of total household income or expenses, the adequate levels of housing

allowances should be provided and differentiated according to area of residence, size and characteristics of household, level of income, and housing occupancy pattern. Target groups for housing allowances should be extended to include the next needy class from the current beneficiary groups. Selection criteria should include whether or not the minimum housing standards are met besides income and property. It is also needed to make the share of public rental housing equal to 10% of the total housing stock by 2007 with continuous supply of public rental housing stock. However, the housing allowances for tenants of public rental housing should not increase any more for the time being because the problem of equity could be caused by double benefits of housing allowances and public rental housing.

In the mid-term viewpoints, it is important to raise a portion of public rental housing stock under the long-term public ownership and management over twenty years. In order to increase the portion of public rental housing stock, housing supply plans should be established in consideration of the distribution of low-income households and public rental housing stock by local authority.

In the long run, the government should secure housing welfare level over the minimum housing standards for the class of people, who are not able to work, through the public rental housing policy and the housing allowance system. On the other hand, for the low-income classes, who have the ability to work, the government should introduce IDA (Individual Development Account) program by which households' savings for housing purchase are matched by government funds. This program will prevent working households, especially those residing in public rental housing, from losing ability to work in the short run. In the long run, housing allowances should be provided to the tenants of public rental housing according to the principle of complementation if their income falls below the minimum standards.

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PUBLIC RENTAL HOUSING POLICY OF KOREA

PUBLIC RENTAL HOUSING STOCK

The housing supply ratio rapidly increased from 72.4% in 1990 to 96.2% in 2000, but homeown-

er occupancy rate increased slightly from 53.3% in 1995 to 54.2% in 2000 due to the weak housing purchasing power. The number of tenant households amounts to 6,550 thousand, that is, about 46% of

Stock of Rental Houses			(Unit: No. of housing units)		
	1997	1998	1999	2000	2001
Total of legal rental houses	584,439 (5.5%)	592,830 (5.5%)	659,830 (5.9%)	753,512 (6.5%)	919,721 (7.7%)
*Net public rental houses	256,224 (2.4%)	267,635 (2.5%)	254,891 (2.3%)	269,116 (2.3%)	279,118 (2.3%)
Stock of houses (1,000 housing units)	10,627 (100.0)	10,867 (100.0)	11,181 (100.0)	11,578 (100.0)	11,892 (100.0)

Note : *Net public rental houses include permanent, 50-year, and national rental houses.

Source : Ministry of Construction and Transportation

total households of 14.31million. On the contrary, the number of public rental houses, which are utilized for relatively long-term rental housing such as permanent, 50-year and national rental houses, amounts to no more than 280 thousand housing units, 2.3% of total housing stock as of 2001. In most cases, several tenant households are living together in one private rental housing unit at present.

CURRENT ISSUES

Issues facing the public rental housing policy include, first, the ambiguous definition of the public rental housing. In Korea, public rental housing refers to houses that are constructed and leased with public financial assistances. Even the privately constructed and managed rental houses can be also classified into the public rental housing if they are publicly supported. Since these houses hold over half of rental housing stock, the public rental housing policy is expected to be ineffective.

Second, effects of public assistances are insufficiently accumulated. Policy effects are limited to the first batch of tenants as most public rental houses are converted to be sold after five years.

Third, the bankruptcy of operators of the construction and rental housing business is causing the loss of tenants' deposit and the insolvency of the National Housing Fund. When a rental house is put to the auction owing to the bankruptcy of operators of the construction and renting housing business, the National Housing Fund is the privileged creditor over the others except for the specified amount of deposit which is preferentially repaid to the tenant as referred to in the housing lease protection act. But if there remains some amount over the NHF loan in auction price, it could be given also to the tenant. Therefore, conflict of interest occurs between the National Housing

Fund and tenants both at the standpoint of creditors.

IMPROVEMENT STRATEGIES

Policy to protect residents from the bankruptcy of operators of the construction and renting housing business

If the National Housing Fund, established for stabilization of people's livelihood, attempts to withdraw its loans in order to protect its insolvency in case of the bankruptcy of operators of the construction and rental housing business, it will aggravate financial damage to the tenants. For this reason, the deposit of tenants, determined by the standard rental deposit and standard rental charges set by the government, should be protected in advance to the loss to the National Housing Fund. However, if someone pays deposit as rents for five years in advance, his or her lump sum amount cannot be recovered prior to the National Housing Fund. Therefore, a tenant should be informed of these conditions before making a rental contract and decide whether he will convert rent into a deposit or not.

Expansion of public rental housing supply

The policy of public rental housing supply is evaluated to be efficient. The government recently announced the One Million-National Rental Housing Unit Construction Plan(2003 ~ 2012), whereby the long-term public rental housing stock increase to about 10% of total housing stock. This plan will extend rental period of the public rental housing to maximum 30 years and charges rent as half of market price. The housing size will be diversified into 14 20 pyong floor spaces and discriminated by income level of tenants.

Reform of the public rental housing system

First of all, the concept of the public rental housing should be clearly defined. Only the houses which are leased over ten years can be classified into the public rental housing and the other houses which are constructed by assistance program can be defined as the publicly assisted housing. In addition, the government should be allowed to purchase existing houses besides newly constructed houses in order to operate them as the public rental housing.

Second, the public rental houses should be supplied discriminately according to affordability of housing expenses to tenants. The duration of tenancy for the National Rental Housing should be clearly determined. Because the duration of tenancy of the first in-coming tenants is not clarified, they believe that they are allowed to live for maximum thirty years. The tenancy condition has to be strictly examined every five years for distributional equity of the national assistance.

Third, the current 5-year public rental housing system should be improved. An operator of the construction business undertakes the rental housing business mainly in expectation of cash inflow in the future after 5 years when houses are converted to be sold. This system leads to weakening of the financial

structure of the operators. Therefore, the operators of the construction and rental business should be separated. The existing 5-year public rental housing should be converted to the public housing for sale with installment payment or long-term private rental housing with public subsidies. There should be measures by the government so that the existing operators of the construction and rental housing business can withdraw smoothly from the business. It is socially desirable to support the conversion of rental houses to houses for sale because financial difficulties of operators of the construction and rental housing business will consequently cause damages to the National Housing Fund and the tenants.

Finally, as the housing policy shifts its focus to the housings stability of low-income classes, the public role in supply and management of the public rental housing should be strengthened with increasing financial support and assistance of the National Housing Fund. Moreover, local authorities are required to take an active role in securing housing sites for the public rental housing construction and managing the selection of residents in order to realize the locally-rooted housing policy.

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IMPLICATIONS OF UK URBAN SQUATTER POLICIES FOR KOREA

BACKGROUND

In Korea, the policies on urban squatter areas have been improved with the changes of policy environments and national economic situation. Urban residential areas have both physical and socio-economic problems. However, little attention has been paid to the betterment of socio-economic settings of low-income squatter residents. The policies in Korea have only attempted to improve physical settings such as housing and infrastructures. It was same in western countries until the 1960s, however, they realized that the situation would not be improved without solving socio-economic problems and they have changed their approaches since the 1970s.

In the United Kingdom, housing and urban regeneration programmes have a long history. The government intervention leading the renewal of private sector housing dates from the 1850s and has continued

to the present day. Urban regeneration programmes have been implemented more recently. Housing renewal and urban regeneration policies may differ in their scope and objectives but often both are used together. Since 1990, government financial support for area-based private sector housing renewal programmes has been reduced significantly whereas neighbourhood regeneration is more firmly rooted in the current government policies to encourage social inclusion. In present-day urban policy in the UK, neighbourhood regeneration strategies are strongly favoured by government while housing renewal programmes for private owners are in decline.

The British system suggests some useful implications that could be applied to the Korean policies. The major programmes are 'Renewal Area(RAs)', 'Single Regeneration Budget(SRB)', and 'New Deals for Communities'. The primary objective of the Renewal Area(RAs) is to improve dilapidated private housing

areas and also to boost local economic activities. The project areas are selected through the Neighborhood Renewal Assessment(NRA) process. The Department of the Environment, Transport and the Regions provides funds up to ten years for the selected RAs. The projects are implemented by local authorities along with other local bodies. The local partnership is a required condition for national funding.

New Deal for Communities(NDC) is one of urban regeneration programmes and aims to improve deprived neighborhoods by promoting socio-economic environments of the target areas. The central government selected the 17 most deprived areas recently and NDC is being applied to the areas. SRB was introduced first in 1994 to integrate various urban regeneration programmes and to improve the efficiency of the programmes. The primary goal of SRB urban regeneration programme is to narrow the gap among groups of people and areas. Currently SRB is provided through Regional Development Agencies. The amount of budget provided to each project is different ranging a few thousand pounds to thirty million pounds. The SRB project is effective up to seven years but most of budget is provided within five years.

These three different types of local intervention in housing renewal and urban regeneration programmes in the U.K. are giving useful suggestions to Korea.

Some of the key features of the programmes that seem relevant for consideration in Korea are as follows.

Different approaches for different problems: Area-based approach characterizes british experience with housing renewal and urban regeneration. The policies followed in Britain have been based on the view that different types of area, for example, areas of mixed land use, or areas of older housing, require different types of approaches. In Britain, different approaches are enshrined in different legislation and different

mechanisms to assist with the process of upgrading and different sources of funds.

The sustainability of home-ownership for low-income households: Home ownership of low-income households is quite widespread in Britain. There is now also a great deal of experience of upgrading older housing, which suggests that the physical improvement of the housing stock alone is not sufficient to ensure the sustainability of older areas of low-income housing. It is recognized that area upgrading programmes must be concerned with both housing and socio-economic improvement, which may help to sustain the local economy, so that owners have more chances to earn the necessary funds to maintain their properties.

Lead agencies and partnerships: The review of area-based programmes shows that for area-based regeneration programmes, local authorities are not always the lead agency and in NDC programmes especially, the government is actively encouraging more community based organizations to take the lead.

Area designations and the selection of projects for approval: Area designations, whether for RAs, NDC or SRB projects are subject to systematic appraisal before declaration. Appraisal methodologies have been developed for this purpose. The main lessons from this experience are the need for clear and transparent guidelines governing the designation of areas selected for projects.

Upgrading and improvement versus clearance and re-building: The decision to clear or improve older housing is a major consideration for area programmes. After the 1989 Housing and Local Government Act in England, an appraisal has been required to decide which of the two is the most satisfactory course of action. In practice, however, the system often favours renovation rather than clearance because of the large amount of compensation that would be payable to home-owners. What can be learnt from this is that the appraisal methodology and its assumptions must be clear and open to public scrutiny. This is important both in protecting the interests of professional officers (who have to apply the methodology) and in providing an objective basis for the judgement on whether to clear or improve.

Consultation and the involvement of the local community: Public policy in Britain places great emphasis on the process of consultation and the involvement of local communities in both the formu-

Urban Squatter Areas in UK



lation and implementation of area-based programmes. Both the declaration of RAs and the bidding process for NDC projects require community consultation and involvement. It is recognized, however, that disadvantaged communities may lack leadership skills: thus, capacity building is an integral part of SRB and NDC programmes. Community involvement and capacity building have become integral features of area-based programmes in the UK.

Financial support for neighbourhood renewal programmes: In the essentially privatized housing market of the UK, not much choice is available to those on the lowest incomes. The British government is reviewing the financial arrangements for private sector housing renewal. It is likely to introduce a system which, while retaining grants for people on the lowest incomes, will offer a mixed funding regime of grants and loans, by securing in part on the equity in the properties to be improved. The government believes that it will increase the availability of

resources for investment in the older housing stock. In this way, it is argued, wider social and economic opportunities can be created for the local community, in line with the governments agenda on social inclusion.

Monitoring and evaluation of the local strategy:

All area-based programmes must identify the major problems of an area and establish a strategy for dealing with them. Baseline data are collected and the programme is monitored from the outset, as part of its implementation. Successful performance against stated targets is needed to secure future tranches of funding. A monitoring system for projects is necessary but, ideally, it should be independent of the projects themselves.

*Rearranged from the report of Korea-UK
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GIS EDUCATION IN KOREA AND FUTURE DIRECTION

INCREASING DEMAND

The demand for GIS(Geographic Information Systems) education is related with two trends: generalization and advancement of GIS technology. The generalization of GIS technology means that GIS application system is utilized in almost all sectors with development of computer and GIS software technology. In other words, demand for education to understand and utilize GIS has been increased as GIS has begun to be applied in most sectors such as transportation, disaster prevention, agriculture, maritime, forestry as well as urban planning, environmental management.

The advancement of GIS technology refers to high technology which is required to connect GIS technology and information technology. As GIS is combined with information technology, new GIS technologies like Web GIS or Mobile GIS have been developed. Moreover, technological progress are being made to combine GIS with GPS(Global Positioning System), Remote Sensing, and Car Navigation System.

THREE TYPES OF NEEDS

The need for GIS education arises from the three sectors: first, GIS related industries need professionals who can manage actual tasks and programming in the sector, but colleges can not produce well-trained students due to lack of facilities. Therefore, in-service GIS training programs for postgraduate students are needed to meet the industries 'demand.

Second, with high school curriculum revision, GIS has been added to the contents of social studies textbook. However, teachers of geography have difficulties in teaching their students as they are unfamiliar with GIS. Therefore, GIS education is also necessary for teachers of social studies at high schools.

Third, local authorities are competitively establishing various administrative systems based on GIS such as Urban Information System, Land Information System and Road & Facility Management System. But officials of the local authorities, who utilize and manage these systems, do not have professional knowledge of GIS and thus GIS training for these officials should be carried out urgently.

CURRENT STATUS

In universities and colleges of Korea, there are 11 departments which specialize only in GIS among 139 related departments nationwide. In other departments like civil engineering, urban engineering, geography, geoinformatics, etc., GIS related subjects are included in their curriculum. There are relatively many professors who specialize in GIS, but the curriculum and training environment are so poor that high-technology like Web GIS, 3D GIS, and Mobile GIS is hard to be acquired. Therefore, there exist diverse programs to connect between universities and research institutes or relevant industries for the purpose of filling up the shortage of professionals and facilities in universities.

The Advanced Institute of Information Technology operated by the government was established in 1996 and has trained 3,057 persons in 153 training courses until 2001. Up to the year 2000, short-term courses of 1-2 weeks were carried out for government officials, students and job seekers but did not obtain the desired results. Since 2001, only 6-month courses of Web GIS and GIS programming have been operated. The training centers of the central and local government officials are also conducting GIS training programs, but it is difficult to achieve professional knowledge through the short-term courses of about 10 days which are usually held two times annually.

In the private sector, GIS education is mostly conducted by GIS software companies in order to explain their products to customers, focusing on how to use the software.

NEW GIS EDUCATION PLAN

With growing importance of developing GIS technology, the utilization of GIS application system is expanding to diverse fields. However, the environment for fostering GIS professionals is so poor that concerns about weakening of technological competitiveness and inadequate utilization of GIS application system are increasing. The government took this problem seriously and decided to lead GIS education directly, asking KRIHS to establish the ' National GIS Education Plan. '

Main contents of the plan are as follows:

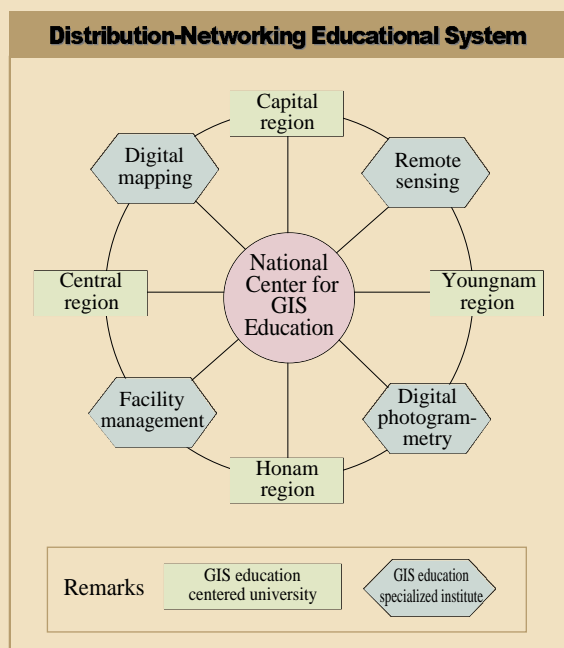
First, the " Distribution & Networking " educational system is established to deal with the national demand for GIS education effectively. It divides the whole country into 4-5 regions and assigns a GIS education centered university for GIS training of officials, teachers and industrial manpower to each district. These hub universities carry out GIS training courses with instructional materials and programs provided by the National Center for GIS Education. In addition, specialized educational institutes are designated to give professional education such as facility management, remote sensing, and digital mapping programs.

Second, teaching materials and practical programs for GIS education are produced and provided. The instructional materials for GIS education in 8 sectors are currently in development at an estimated cost of about 600 million won.

Third, the on-line GIS educational system is built up. The biggest obstacle in GIS education is the inconvenience that trainees cannot work in thier original job for a long time during the period of training. For this reason, KRIHS has developed the on-line educational system to be used by anytime and any place and the system is scheduled to be operated from May, 2003. The future GIS education plans to expand the on-line educational system gradually, carrying out the on-line and off-line education systems side by side.

Finally, institutional measures to enhance GIS education are to be set up. It is considered now making for all government officials take GIS education with incentives in promotion. Moreover, GIS educational certification is expected to be introduced in the long run.

The government will directly lead GIS education and establish the foundation of GIS education for the next 5 years. And then it will support local authorities, private industries, and officials educational centers to be competent for their own GIS educational training.



REGIONAL IMPLICATIONS OF FDI COMPANIES

FEATURES OF FDI AND LOCATIONAL DISTRIBUTION

Foreign Direct Investment(FDI) is emerging as an important factor for regional economic development

into the extent of the concentration in the capital region, contrasted with 1.0 company unit in other regions, 5.19 units between 1990~1997 and 7.12 units since 1998 are placed in the capital region. It shows a widening gap in distribution between the capital and

Trend of FDI in Korea					Unit: US\$100million (%)
	1979	1980 89	1990 97	1998 2001	Total
No. of companies	250 (3.0)	724 (8.7)	2,073 (24.9)	5,288 (63.4)	8,335 (100.0)
Amount invested	29 (7.0)	36 (8.6)	95 (22.7)	257 (61.7)	417 (100.0)

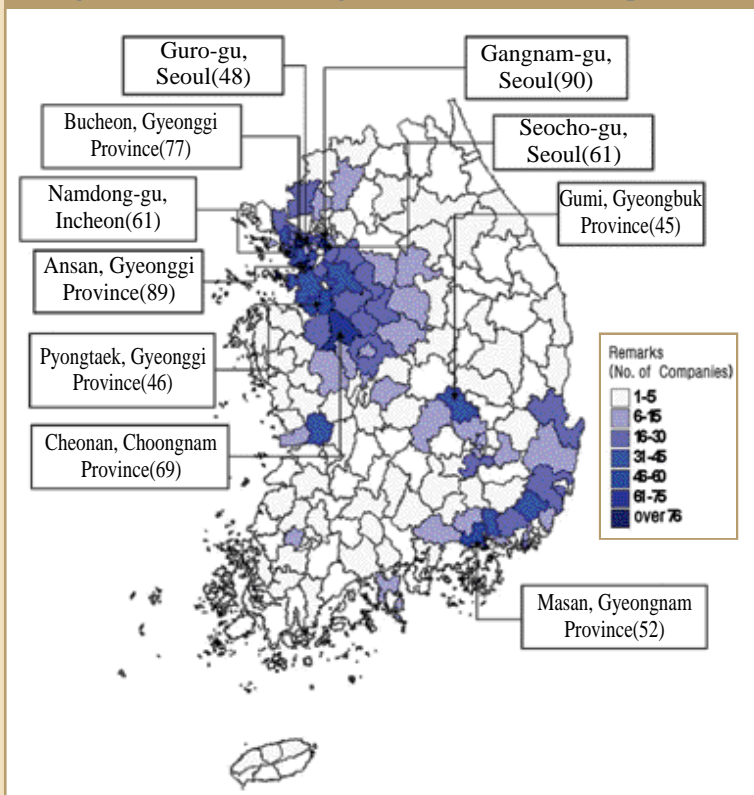
Note : It shows the registered FDI companies(8,335) among the reported FDI companies(11,515) as of the end of June, 2001.

Source : Ministry of Commerce, Industry and Energy, The Facts of Foreign Direct Investment Companies, 2001.

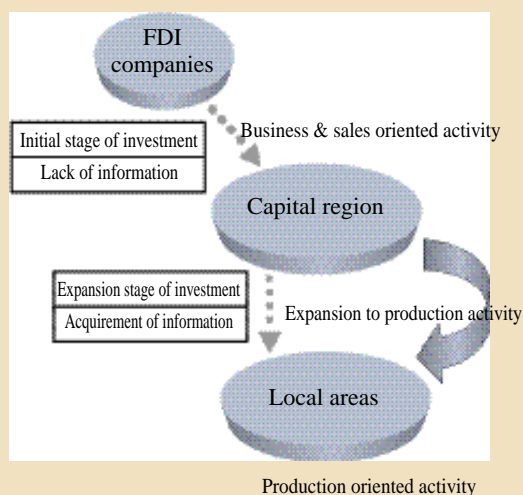
in the era of globalization. Main features of foreign direct investment in Korea are as follows: first, FDI has been rapidly increased recently. About 63% of the total FDI registered companies(8,335) and 62% of an amount invested have been made in Korea since 1998. Second, it shows an increasing trend especially in the service sector. FDI is distributed by industry as follows: 68.1% in the service sector, 31.4% in the manufacturing sector and 0.5% in the agricultural and fisheries sector.

Main features of FDI locational distribution in Korea are as follows: first, FDI is concentrated in the capital and metropolitan regions. About 88% of FDI companies and about 70% of an amount invested are concentrated in the capital region. By industry, around 70% of FDI companies in the manufacturing sector and 92% in the service sector are located in the capital region. Second, the distribution gap between the capital and other regions has been widened. Looking

Top Ten Places of FDI Companies in the Manufacturing Sector



Locational Selection and Shifting of FDI Companies



other regions, especially in the manufacturing sector. Third, FDI companies in the manufacturing sector tend to agglomerate in some regions. FDI companies in the manufacturing sector tend to concentrate in the areas, where some or similar lines of business by Korean companies are agglomerated, especially in some industries which are advantageous for investment. In addition, foreign companies are being established in local areas to exploit incentives provided by the government, particularly in the industrial parks exclusively for FDI.

FDI IN THE MANUFACTURING SECTOR

FDI companies in the manufacturing sector, first, have high tendency to locate in the capital region, regardless of type of their organization structure and the features of investment. Second, low land prices and rents, easy access to customers, and convenience of transportation are important factors for location of FDI companies. Third, FDI companies show the pattern of gradual relocation from the capital region to other local areas as they expand their production. Obviously policies to induce the location of FDI companies in industrial parks exclusively for foreigners have some impact. In other words, FDI companies tend to locate in the capital region for the business and marketing activities in the initial stage, minimizing the investment risk caused by insufficient information of a target country of their investment. When they begin to expand to production activity, they gradually relocate into the suburbs of the capital region or local areas.

According to the analysis of local linkages for FDI companies in the manufacturing sector, first, FDI companies are supplied with materials less within the regions(15.2%) than from abroad(33.6%). Second, comparing with their purchase of materials within the regions, FDI companies are selling relatively much more products within the regions(42.4%). These patterns of local purchases and sales are closely connected with FDI companies' tendency to increase investment for the purpose of securing a market. Third, all the FDI companies, which are located both in the capital and other regions, tend to work with institutions placed in the capital region in reference to the investment assistance services such as legal, accounting and tax matters. Fourth, the extent of technological transfer is limited. Fifth, the employment effect of the FDI companies is higher than that of domestic companies in the manufacturing sector and regional employment effect is also high. In addition, two thirds of the surveyed FDI companies have cooperated with other domestic (subcontract) firms and one third have had strategic alliances with domestic firms. Interchanges between FDI companies and regional social institutions are few and limited to mutual friendship.

STRATEGIES TO USE FDI FOR REGIONAL ECONOMIC REVITALIZATION

The guidelines to invigorate the regional economy by attracting FDI companies require the central and local authorities to:

Shift their policies from an industry focus to an industry cum regional focus so as to achieve a balanced industrial and regional development.

Convert current policies for the inducement of new FDI companies into policies not only to attract new FDI companies but also to better manage existing companies.

Induce FDI companies selectively and strengthen the local authorities' self-controls. In other words, the local governments should promote systems of preferential planning, inducement and support for the FDI companies which have large impacts on the regional economy.

Improve the living environment in the region such as residential, educational and cultural facilities for the convenient business activities of foreign companies.

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SPATIAL REORGANIZATION OF CENTRAL FUNCTIONS FOR BALANCED TERRITORIAL DEVELOPMENT

Even though various policies related to regional and national territorial development have been established and implemented, the overconcentration of population and major functions in the capital region has not been mitigated. Furthermore, the socio-economic structure of local regions has become more dependent on that of the capital region. In brief, the concentration of central functions in the industrial, academic and administrative sectors has been the key factor for the overconcentration of population in the capital region.

national territorial economy. In comparison between regions by influence of central functions calculated with the gravity model, the influence rate of the capital region on the interaction of central functions in Korea shows more than 95%. It means that the capital region is dominating all over the country in the interaction of central functions. Especially, areas within a 20-km radius of Seoul Metropolitan city shows of 82% of influence rate in the overall interaction of pivotal functions, becoming a core of central functions in Korea.

Regional Distribution of Population, Industries and Central Functions(%) : 2000

Region	Population	Employment in manu- facturing industry	Central administration (No. of agencies)	Head offices of public enterprises (No. of offices)	Head offices of the 100 largest enterprises (No. of offices)	Top 20 universities (No. of universities)
Capital	46.3	46.6	78.7	83.2	91.0	65.0
Choongcheong	10.1	10.2	21.3	11.2	4.0	10.0
Honam	11.4	7.1	0.0	0.9	0.0	0.0
Youngnam	27.9	34.8	0.0	4.7	5.0	20.0
Gangwon/Jeju	4.3	1.4	0.0	0.0	0.0	5.0
Nationwide	100.0	100.0	100.0	100.0	100.0	100.0

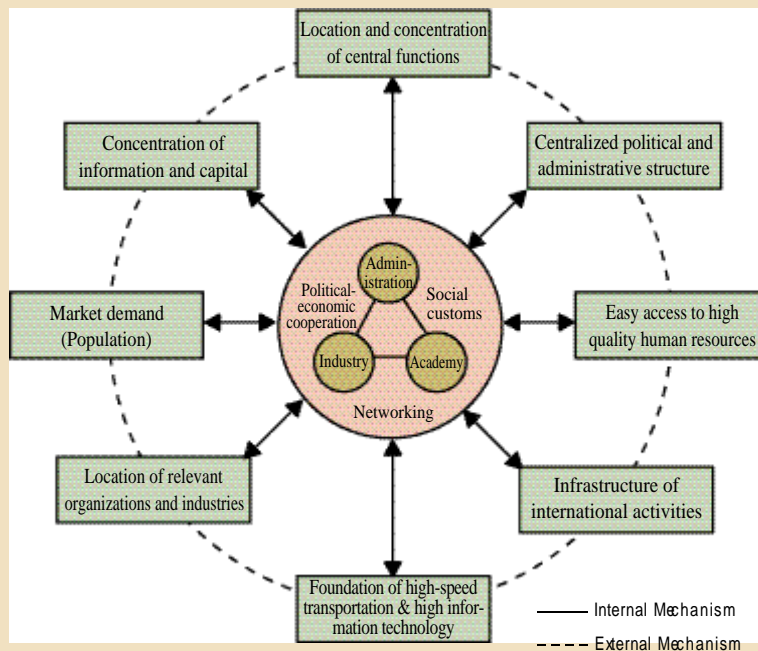
CONCENTRATION OF CENTRAL FUNCTIONS IN THE CAPITAL REGION

While the concentration ratio of the central administrative agencies in the capital region has been decreased from 100% to 78% during last decade, 83.2% of head offices of public enterprises are still located in the capital region as of 2002. The concentration ratio of head offices of the 100 largest private enterprises decreased from 94% to 91%, but that of head offices of the 3000 largest companies increased from 68.9% to 71.9% during 1990 to 2000. Sixty five percent of top twenty universities are located in the capital region as of 2001. Considering that 46.3% of the population is concentrated in the capital region as of 2000, the concentration ratio of central functions in the capital region is absolutely high.

Due to the high concentration of central functions, the capital region exerts tremendous influence on the

In regards to location of head offices of private companies which is directly related to regional development, the concentration of head offices of enterprises in the capital region is primarily affected by the concentration of information, capital and public agencies such as the government in the capital region. Reasons for preferring to locate business headquarters in the capital region include large market, easy access to information and abundant capital due to the concentration of public agencies and financial institutions, substantial foundation of international interchange, accumulation of high quality human resources, and adequate traffic and living environment. Other regions have advantages only in the business linkage of headquarters with their main factories. Therefore, the trend of concentration in the capital region is likely to continue in the future.

Concentration Mechanism of Central Functions in the Capital Region



CONCENTRATION MECHANISM OF CENTRAL FUNCTIONS

To summarize the results of analysis, the concentration mechanism of central functions in the capital region has two kinds of dynamic mechanism. One is the internal dynamic mechanism, which arises from the coexistence of public agencies, head offices of enterprises, top universities and the other is the external dynamic mechanism, which is derived from the agglomeration of complementary factors such as the concentration of financial institutions, centralized political and administrative structure, concentration of information and capital, market demand (population), easy access to high quality human resources, location of relevant organizations and companies, foundation of high-speed transportation and high-information technology, infrastructure for international activity, etc. In addition, these internal and external mechanisms are closely connected with each other and operated in the context of political-economic cooperation, and social customs and networking.

SPECIALIZED MULTI-CAPITALS SYSTEM

It is necessary to rearrange territorial space into

“Specialized Multi-Capitals” system, whereby central functions are selectively relocated to local regions and then regional hub cities are promoted to specialize in certain sectors. In the Single-Capital system, the capital region has super power of control with public agencies, head offices of enterprises and key bodies of top universities which function as a magnet for the concentration in the capital region. The national spatial reorganization of central functions should be approached in view of decentralization, not within the capital region but outside of the capital region. In addition, the relocation of central functions toward provincial cities should be carried out under the consideration of strengthening regional economic development. To achieve a substantial decentralization of central

functions, relocation should be carried out first for the functions which can be easily relocated into local areas and promoted there. In this regard, a strategic model of spatial rearrangement is suggested: the “Inducement Strategy” to relocate first leading organizations toward provincial cities; the “Hub Strategy” to accommodate the major organizations which are relocated by the inducement strategy in key provincial cities, the “Chain Strategy” to help relocate successively major organizations toward hub cities following the leading organizations or in parallel just like the “Chain Migration”; the “Specialization Strategy” to specialize leading organizations and following major organizations in specific functions of hub cities; the “Cluster Strategy” to strengthen regional competitiveness by clustering of specified but inter-related manufacturing companies, service companies, supporting organizations, cooperatives, research institutes, universities in a place, and the “Networking Strategy” to build up a cluster’s networking foundation with the capital region, other regions and foreign countries for interchange and efficient business cooperation. It is desirable to carry out these strategies in sequential steps.

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INTERNATIONAL COOPERATION FOR REGIONAL DEVELOPMENT IN NORTH KOREA

In order to normalize the stagnant economy in North Korea, it is necessary to build sound production bases. Social overhead capital, which is a prerequisite for production activities, should be expanded with sustained investment efforts. Since building infrastructures requires a large sum of capital, North Korea needs indispensably cooperation with international society.

As mid and short-term tasks for North Korea, regional development related to food production and power supply is most urgent. In the long run, the overall improvement of social overhead capital for an efficient production, distribution and consumption of goods will be a major task.

MEASURES FOR INTERNATIONAL COOPERATION

From the regional development experiences of transition countries like Vietnam and Eastern Europe, ODA(Official Development Assistance) from major Western countries, Japan 's compensation for its 1910-1945 colonial rule to North Korea, credit assistance of the international financial institutions, private capital, etc. can be considered as potential sources for regional development in North Korea through international cooperation.

To enhance international cooperation, the gradual

linkage of beneficial and reciprocal cooperation is suggested to be set up as a basic framework. As additional strategies, " selective concentration of international cooperation ", " mutual connection of internationally cooperated projects and its operating bodies, " and " spatial linkage between cooperating projects " are recommended.

For more efficient international cooperation, it is necessary to concentrate efforts on specific sectors in the mid and short-run, that is, three sectors such as power plants, sea ports and railroads. In spatial terms, international cooperation around border areas should be given the first priority. South Korea, China and Russia sharing borders with North Korea are thus natural partners of international cooperation.

North Korea, for its own benefit, should improve institutional and physical infrastructures so as to facilitate international cooperation. Most of all the problems of bureaucratic and inefficient administrative system and insufficient human resources to deal with international cooperation must be addressed.

The South Korean government can take an active position in sharing its experience of international cooperation with North Korea, providing educational and training programs for relevant people in North Korea. In addition, it should promote the international joint study for efficient international cooperation for regional development in North Korea.

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CULTURE, ECONOMY AND PLACE: ASIA-PACIFIC PERSPECTIVES

The international conference on ' Culture, Economy and Place: Asia-Pacific Perspectives ' was held at the Crown Plaza Hotel in Sydney on Aug. 21-22, 2002. The conference was jointly organized by KRIHS and the University of New South Wales. The two institutes have worked together on the ' Culture and Economy of Cities ' research since 2001. This conference followed the first international conference on the ' Culture and Economy of

Cities in Pacific Asia ' held in Seoul in 2001.

The workshop brought together a number of prominent researchers in the Asia-Pacific region including Professor Allen Scott in UCLA, with backgrounds in geography, urban planning, sociology and cultural studies. Themes covered in the workshop include: culture, economy, and urban dynamism; global/local cultures and cultural industries; cultural landscapes and precincts within cities; and place

marketing and the cultural economy.

The conference was composed of five sessions: keynote presentations; spatializing the cultural economy; dynamic cities and dynamic cultures; the state, space and urban struggle; and consuming tourists. Eleven papers were presented for the conceptual frameworks and case studies. The Korean case study, 'A voice for place in the contradiction between com-

merce and culture: a case study of cultural districts in Seoul, was presented by Dr. Won Bae Kim and Dr. Jae Yoon Yoo in KRIHS.

The overarching concern of the workshop was to capture, in a broad sense, the ways in which the interplay of culture and economy creates new dynamics within cities.

REGIONAL COMPETITIVENESS AND SPATIAL POLICY

The "International Conference on Regional Competitiveness and Spatial Policy: Comparison of Randstad, Netherlands and the Capital Region of Korea" was held on September 26 at the Westin Chosun Hotel to mark the 24th anniversary of the founding of the Korea Research Institute for Human Settlements(KRIHS). It was organized in collaboration with Utrecht University in Netherlands. The conference was designed to seek the possible application of the development of Randstad, regarded as one of the most productive regions in Europe, to the decentralization of Seoul.

The four biggest cities, Amsterdam, Rotterdam, the Hague and Utrecht, form the 'cornerstones' of the Randstad in Netherlands and function as the 'heart of the country' each in its own way with its own qualities. In addition, large and small cities and towns have grown together to form urban agglomerations within the Randstad. After a planning history of several centuries, the Randstad now shows a unique urbanization pattern that stands out in comparison with patterns of other large conurbations. Moreover, the loose band of large and small cities in the Randstad could compete with other city-regions and this required a new kind of functional unity within Randstad.

The policy of Capital Region in Korea has pursued

the efficient use of the nation's land and resources on the one hand and equity oriented regional balance on the other. However, the attempts to reduce the centrality of the Capital Region have not been very effective. Despite a remarkable decentralization process in the last decade or so, the reality experienced by local authorities is far from the intent of the content contained in the Local Autonomy Act. The major task for the Capital Region and the nation, therefore, is how to transform the current center-dominant pyramid structure of governance into a more horizontally structured form of governance. In order to establish horizontal inter-government relations, more devolution of power is necessary from the central to local government.

A 'collaborative or negotiated planning' may be desirable for important policy issues concerning regional competitiveness, environment sustainability and social justice. However, these suggestions can only be meaningful when the central government changes its role from a dictator towards a mediator and facilitator of regional governance. Any premature attempts to bring a bottom-up model of governance eliminating the central government are bound to fail because of the special importance of the Capital Region to the national economy and hence to the state.

KRIHS RENDERED ASSISTANCE TO INDUSTRIAL PARK DEVELOPMENT PROJECT IN INDONESIA

The project "Environment-Friendly Industrial Park Development Guidelines" has been com-

pleted this year. KRIHS participated in the project as a partner of KDI(Korea Development Institute)

who took the assignment from KOICA (Korea International Cooperation Agency).

The project was divided into two stages and case study was performed simultaneously in Cikarang and Bitung during the period from May to November 2002. Working on location analysis, brief development directions, data collection, and the distribution of survey questionnaires, the first stage project was finished by August 14, 2002. The second stage covered from September to November 2002, in which in-depth development plan, demand survey, prefeasibility study, and implementation plan were carried out.

The primary objectives of the project are three-fold:

(1) to prepare a guideline to develop international-ly competitive industrial parks in which foreign as well as domestic companies can make an investment within the global production system;

(2) to ensure environmental sustainability in the process of developing industrial parks;

and, (3) to provide references for the regions interested in developing industrial parks.

This project was conducted on the basis of cooper-

ative research between professionals of Korea and Indonesia, sharing Korean experiences in developing competitive industrial parks in considerations of environmental sustainability. Sharing experiences could provide the Indonesian authorities with practical information regarding Korean industrial park development.

To develop competitive industrial parks while ensuring environmental sustainability, two different regions of Cikarang and Bitung were proposed as case studies. The case studies helped to establish models to be applied to other regions interested in developing industrial parks. While Bitung is located in a rural and coastal region, Cikarang is located near the outskirts of Jakarta, the capital city of Indonesia. Cikarang, therefore, could be a model case for urbanized regions and Bitung for rural and coastal regions. This research provided two different industrial park development plans.

After taking into account other considerations, the KRIHS research team recommended the following policies to the Indonesian government, which can be represented by 4Ps:

4Ps	Policy Suggestions
by the PUBLIC	<ul style="list-style-type: none"> - Leading role of governments in industrial location development - Increase in public involvement
through PLANNING	<ul style="list-style-type: none"> - Establishment of comprehensive industrial location planning - Effective linkage of related planning and policies
with consistent PRINCIPLE	<ul style="list-style-type: none"> - Setting reasonable standards - Practical and applicable guidelines
with POTENTIAL	<ul style="list-style-type: none"> - Identifying the potential of industrial location - Optimal utilization of regional resources

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NEWS & ANNOUNCEMENTS

Land & Housing Research Division organized a workshop on Coordination of Public and Private Interests on Land with the Korea Public Land Law Association on July 13. This workshop presented how Korea, Germany and the United States have coordinate the two interests on land.

KRIHS conducted a training program on New town Development and Urban Renewal in the presence of

18 persons from 9 countries during period from 21 to 31 August, 2002 in collaboration with Korea International Cooperation Agency. The lectures of the training workshop consisted of 6 parts: a) Korean Economic Development: Land Policy and Market; b) Changes in Housing Policies in Korea; c) The Application of GIS Technology in Urban Planning; d) New Town Development Policy and Case Studies in Seoul Metropolitan Area; e) Management and Strategies of

Local Government and f) Infrastructure Facility Development and Financing Policies in Korea.

The 9th Cooperation Conference on Korea-Japan Territorial Plan was held from 2 to 5 September at the Grand Hotel in Jeju Island, Korea. Eleven government officials of Ministry of Construction and Transportation and one KRIHS researcher from Korea and twenty government officials from Japan and one diplomat of Embassy of Japan to Korea participated in the conference and discussed critical issues such as spatial rearrangement of the capital region, regional development, real estate investment system, and strategies to develop the outskirts of dams.

Infrastructure & Construction Economics Research Division held the 11th Korea-Japan Construction Economics workshop at the Hilton Hotel in Gyeongju from 16 to 18 October with the attendance of seven researchers besides the president of KRIHS, six researchers besides the head of Research Institute of Construction Economics in Japan and two researchers besides the president of Construction & Economy Research Institute of Korea. Jae-young Kim and Hyuk Moon, KRIHS researchers and Jin-gun Yoo of CERIK presented theme papers.

KRIHS and Zhejiang University of China held the Joint Workshop on Land Policies of Korea and China for October 22-26 in Anyang. Ten papers were presented at the workshop. Both countries' land use planning and its policy schemes, public expropriation and compensation, land market and taxation were discussed. After then, future plans for enhancing mutual cooperation between two institutions were discussed.

A Delegation from NIURP(National Institute for Urban and Rural Planning) in Vietnam visited KRIHS on November 5. The delegation was composed of 4 research fellows and headed by Dr. Nguyen Son Hai, vice president of NIURP. They were given an introduction to KRIHS and Korean experiences in Geographic Information System. The visit was a part of NIURP Study Tour Program which was the first cooperative project based on Academic Exchange Agreement between KRIHS and NIURP. The project was focused on Korean cases of GIS development and application and carried out from 4 to 9 November. KRIHS organized various field trips for the delegation, including visit to the Information System Planning Bureau in the City of Seoul.

GIS Center held its 7th GIS International Seminar on November 8 at the COEX Intercontinental hotel in Seoul. The seminar aimed at exploring the latest trends in GIS technology development and seeking the policy implications for Korean National Geographic Information System(NGIS). More than 300 GIS professionals got together to share the vision and knowledge for NGIS.

KRIHS organized a seminar on Developing Knowledge Industrial Clusters in a Metropolitan Setting. The seminar was held in collaboration with the Korean Regional Science Association on Nov. 15 at the Conference Hall in KRIHS, Anyang, Korea. It was composed of three sessions; Planning and Supporting Knowledge Industrial Cluster in a Metropolitan Setting, Implications from Boston and Shibuya, Agenda for the Development of Knowledge Industrial Districts in Korea. Five papers were presented and discussed on the theme of cases and policies about Knowledge Industrial Clusters.

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