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TRIO OF KOREAN OPPORTUNITIES : ACHIEVING GREAT SYMBIOSIS

Korea is faced with a "trio of opportunities"; the world's booming economy, Northeast Asia's growth, and IT industry's development. In order for Korea to seize this trio of opportunities, and to enhance the competitiveness and restructuring of the country in the 21st century, symbiotic development between the Seoul Metropolitan Area and other regions is essential.

SYMBIOTIC RELATIONSHIP OF THE SEOUL METROPOLITAN AREA AND OTHER REGIONS

A study was conducted on symbiotic relationships between the Seoul Metropolitan Area (SMA) and other regions of Korea. The study found that interdependence of the SMA and other regions is declining. The suddend decline was due to the 1997 financial crisis, along with accelerated concentration of economic activity into the SMA, especially in the second half of the 1990s. This weaker interdependence leads to conflicts between the regions, as well as contributing to inefficiency in the national economy and regional imbalances.

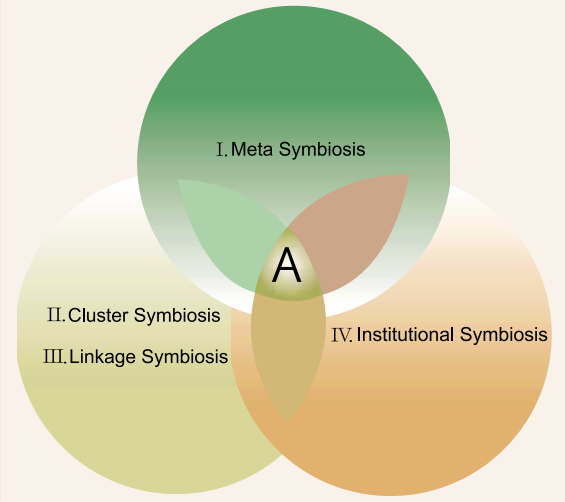
The economic linkages between the SMA and other regions are weak. Compared with the weaker viability of the regional economies, the SMA has shown higher recovery of industrial growth within the area; on the other hand, it has weak industrial connections with other regions. This means that industrial investment from the SMA has been limited to that area and has not spread to other regions, thus leading to the "self-expansion effect" of the SMA.

Furthermore, agglomeration in the SMA shows a downward tendency, and it seems to decrease as the concentration of population into the SMA increases. It can be interpreted that the concentration of population into the SMA brings to reduced agglomeration economies of the SMA.

TYPES OF SYMBIOSIS OF THE SMA AND OTHER REGIONS

In terms of symbiotic development between the SMA and other regions, four types of symbiosis: "meta symbiosis," "cluster symbiosis," "linkage symbiosis," and "institutional symbiosis" must be simultaneously achieved. Meta symbiosis is the development of relationships between the SMA and other regions that has a positive impact on the economic efficiency of the entire country as well as regional balance. Cluster symbiosis is the development of specialization in the domestic economy through formation of specialized clusters composed of various elements of regional industries in the SMA and other regions. Linkage symbiosis is the development of the economy in the Seoul Metropolitan Area and non-Seoul metropolitan areas, connected mutually and cooperatively rather than unilaterally subordinated to or dependent on the other side. Institutional symbiosis is the development of the reciprocal relationship between the SMA and other regions based on regional cooperation through institutional improvements as well as by overcoming conflicts arising from institutional factors.

Types of Interregional Symbiosis



A : Fulfilling the conditions of interregional symbiosis

SYMBIOTIC DEVELOPMENT PLAN FOR THE SMA AND OTHER REGIONS

Most importantly, local investment must be strengthened for meta symbiosis. The study revealed that an increase in investment in regional areas would not only contribute to the efficiency of the national economy, but would also support establishment of regional balance. It was shown that the increase in the present rate of investment in other regions by 5% would lead to an increase in national GDP of 0.10% in the short term, 0.14~0.19% in the mid-to-long term, and 0.25% in the long term.

In addition, to achieve meta symbiosis, the construction of a new administrative capital, relocation of public institutions, and dispersion of private corporations should be connected with one another strategically to form one package that is used for national territorial restructuring. Furthermore, by constructing the "Company New Town" in the southwest region of the national territory, the resulting territorial economic blocs may be categorized as the Seoul Metropolitan Area, the Chungcheong Region, the Southeast Region, the Southwest Region, and the Gangwon Region.

To realize cluster symbiosis, a variety of "local industrial cluster" projects need to be promoted. In addition, local colleges and specialized high schools must cultivate practical skills, and "industrial cluster linked between cities" within the SMA should be established.

To achieve linkage symbiosis, social overhead capital projects are needed to strengthen regional connections. The "industry-academy employment chain" should be constructed between the SMA and other regions; in addition, cooperative projects that share space and resources between the regions should be promoted.

To develop institutional symbiosis, the "Three Decentralized Reformation Special Laws" for restructuring the country, including the "National Balanced Development Special Law," the "Devolution Special Law," and the" Special Management Law for Building the New Administrative Capital," should be

National Economy and Regional Balanced Development Based on the Changes in Regional Distribution of Total Investment

Distribution of Total Investment Between the SMA and Other Regions	Short term (1 3 years)	Mid term (4 6 years)	Mid-to-long term (7 10 years)	Long term (11 15 years)
Non-SMA investment increase by 5% of total investment				
· GDP per capita changes (%)	0.10	0.14	0.19	0.25
· SMA population changes (%)	- 0.16	- 0.33	- 0.50	- 0.69
SMA investment increase by 5% of total investment				
· GDP per capita changes (%)	- 0.10	- 0.15	- 0.21	- 0.28
· SMA population changes (%)	0.18	0.33	0.50	0.69

immediately enacted; The reform of regulations related to the SMA is required, along with the promotion of regional development. This will contribute to strengthened national competitiveness and balanced development. Already, the current "participatory" government has undertaken various projects and built the institutional foundation for national balanced development. In particular, improving national competitiveness and the educational foundation for balanced regional development can be achieved through revision of the "high school equalization policy." The restructuring of administrative districts needs to be examined, taking into consideration the symbiotic relationship between the SMA and other regions.

In conclusion, the overall grand design for the "Great Symbiosis" of the Korean territory should be established and implemented firmly, consistently, and jointly by the central government, local governments, and civic participants.

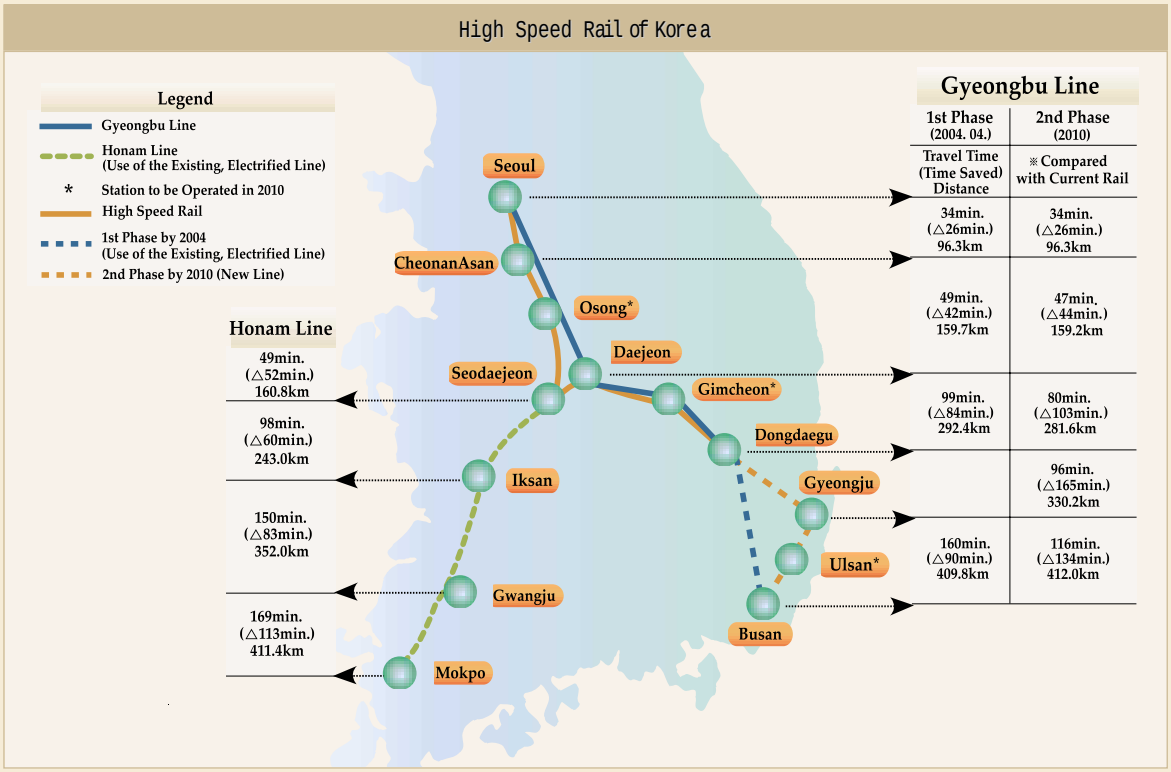
Yang-Ho Park (yhpark@krihs.re.kr)

WHAT CHANGES WILL THE HIGH SPEED RAIL BRING ABOUT TO KOREA?

THE OPENING OF THE HIGH SPEED RAIL

As of April 2004, Korea will become one of the countries to have a High Speed Rail (HSR) in the world. The Korea Train Express (KTX) has reached speeds of up to 300km/h on a trial line which will later be used as a commercial line. This is the largest construction project in the history of the country; since 1992 it has cost about US $10 billion.

The opening section will be between Seoul and



Comparison of Estimated Travel Time between Major Cities on the HSR

Sections	Length (km)	Conventional travel time	HSR travel time, 2004	Reduction time	HSR travel time, 2010	Reduction rates, 2004
Seoul CheonanAsan	96.3	1h 4m	34m	30m	34m	46.8%
Seoul Daejeon	159.2	1h 41m	49m	52m	47m	51.4%
Seoul Dongdaegu	292.4	3h 14m	1h 39m	95m	1h 20m	49.0%
Seoul Busan	409.8	4h 28m	2h 40m	108m	1h 56m	40.3%
Seoul Gwangju	352.0	3h 53m	2h 30m	83m	-	35.6%
Seoul Mokpo	411.4	4h 42m	2h 49m	113m	-	40.1%

Note : Based on the shortest travel time between two cities without stopping and the length estimated from Seoul station.
Reduction rate = reduced time / current travel time h : hour m : minute
Source : KTX home page, www.ktx.or.kr, and Korea Railroad Research Institute

Daegu (Dongdaegu station), a distance of 292km and the remaining section between Daegu and Busan, will be completed by 2010. Until the second line is built, the KTX will run on the conventional rail between Daegu and Busan. The first section will reduce travel time from 4 hours 28 minutes to 2 hours 40 minutes between Seoul and Busan. The second line will further reduce the travel time to 1 hour 56 minutes.

At the same time, the KTX will run on the Honam line between Daejeon and Mokpo, a distance of 200 km. It is well known that the HSR has changed the transportation systems and spatial organizations of countries such as Japan and France.

TRAVEL TIME REDUCTION BETWEEN MAJOR CITIES AND ITS IMPACT

Travel time between major cities will be dramatically reduced. The KTX can be seen as an airplane on rails. The reduction will range between 35% and 51%. The KTX will contribute to widening the market areas and serve a larger population at the same time. Business and leisure trips using the KTX will increase. In particular, same day return trips will increase.

This travel time reduction of the HSR will affect the airline industry. There are two domestic airlines connecting Seoul and Busan and Seoul and Daegu. It is estimated that about 66% of the air passengers would like to transfer to the KTX between Seoul and Busan according to a stated preference modelling analysis. It is expected that the Seoul-Daegu route will lose more passengers than the Seoul-Busan route. This estimation is nearly the same as experiences of Japan and France, where the numbers of domestic airline routes under 350km diminished. Other modes of transportation, including intercity buses, will have to improve service in order to maintain their market share. The transfer rate from bus to the KTX was estimated as 16% for the Seoul and CheonanAsan section.

ESTIMATION OF POPULATION MOVEMENT

The trends of population movement after the KTX goes into operation were estimated. So far, social migration has been concentrated on the Seoul Metropolitan Area (SMA). The growth rate of population in the SMA has surpassed the national average growth rate since the 1960s. The spatial econometrics model was used for this estimation. Two special parameters representing accessibility improvement of the KTX were used to analyze its impact. The model set up the following hypothesis; "improvements in accessibility will induce population away from periphery areas." Trends in population movement will continue after the KTX is running; a continuing increase into the SMA and cities where the KTX stops. This analysis shows that special concerns shall be given to isolated

areas where the KTX does not run.

THE POSSIBILITY OF COMMUTING

The possibility of commuting using the KTX was analyzed. An ideal situation was set up to determine how many commuters would commute using the KTX in case that current work places would shift to local areas where the KTX stops. Commuting between Seoul and CheonanAsan is estimated at 11% among the respondents, while the rate sharply dropped to 1 or 2% for the Seoul-Daejeon section at a realistic fare level, which is 1.3 times more expensive than the existing train fare. However, the rate rose dramatically to between 65% and 45% when the fare was 80 percent, the remaining portion subsidized by the work place. This is done in Japan, where up to US $600 per month for commuting costs are subsidized by the employer. The Korean government has proposed to shift the public institutions financed and controlled by the government into regional areas to reduce population density in the overcrowded SMA. Subsidizing commuters who commute from local areas to the SMA would be one way to support this policy. However, the number of commuters using the KTX is assumed to be small, given the current situation such as the high real estate prices in the areas surrounding KTX stations and poor connecting transportation systems to and from the KTX stations.

THE POSSIBILITY OF COMPANY RELOCATION

The improvement of accessibility will be helpful for companies wanting to widen their market areas. Total 1,000 large domestic companies were surveyed based on their sales; among them only 81 companies replied. Only 3 companies, now located in the SMA indicated that they would like to move to cities where the KTX stops, while 9 companies are already located in these cities. The preferred factors that affect company location are identified; good accessibility to customers was the most important, while the KTX station and related transportation facilities, excluding expressway interchanges, ranked very low at 16 among 20. It was thus concluded that the KTX will be used for passengers only; and that companies have to transport commercial products more than passengers.

Nam-Geon Cho (ngcho@krihs.re.kr)

FREE ECONOMIC ZONE AS THE KEY TO KOREA'S FUTURE HUB

A GOOD PLACE FOR BUSINESS

In accordance with economic globalization, every country is putting forth efforts to make itself a good place for business. Particularly since China joined the WTO, Northeast Asia has become one of three large trade blocs, which also include the EU and NAFTA. The economic growth of China, based on its abundant human resources and potential market, offers both opportunities and threats to Korea.

Korea is located in the middle of East Asia, with easy access to the major markets of China, Japan and Russia, and to their abundant resources. Fifty-one cities with populations of over one million are located within a 3.5 hour flight radius of Seoul, and the city

has further potential for expanding trade relations with Asia and Europe after being connected with the Trans-Siberia Railroad (TSR) and the Trans-China Railroad (TCR).

However, several trade barriers exist in Korea, including insufficient transparency in its market economy system, unstable labor relations, excessive group egoism, the exclusive attitude of the Korean people, and its uncertain relationship with North Korea.

FREE ECONOMIC ZONE

With the President's announcement in his New Year's address of January 14, 2002, an ambitious blueprint designed to develop Korea into a major business hub in Northeast Asia was unveiled. The Korean government announced a master plan and the associated action plan on April 3 and July 29, 2002, respectively.

The Korean government's plan includes, first, expanding logistics infrastructure such as airports and ports in order to exploit Korea's geoeconomic advantages, and second, developing Korea as a financial center and hub for multinational corporations by improving the business and living environment for foreigners.

To advance these goals, the Songdo, Yeongjong and Cheongla areas in Incheon were designated as Free Economic Zones on August 6, 2003, and the Busan-Jinhae and Gwangyang Bay areas were later designated on October 27, 2003.

The Free Economic Zone will provide business and living support to foreign investors. For example, it will offer exemption from income and corporate taxes for the first three years and reduced land rental costs. Various kinds of deregulation, flexible employment systems, and public services for foreigners such as foreign educational institutions, medical facilities, expanded English language broadcasts and so on, will also be enacted.

INCHEON FREE ECONOMIC ZONE

BACKGROUND

The strategy to create an economic center in Northeast Asia is a new development model for the Korean economy in the 21st century, and was established in consideration of the rapid growth of China. The

Concept of a Business Hub of Northeast Asia

Business Hub of Northeast Asia

Logistics Hub		Hub for Corporations and Finance	
Major Port	Major Airport	Hub for Multinational Corporations	Financial Center

	Logistics Hub	Hub for Corporations and Finance
H/W	· Expanding international logistics infrastructure - Developing Incheon International Airport - Expanding the ports of Busan and Gwangyang - Expanding the Silk Road across Eurasia	· Developing systematically through designation of Free Economic Zones · Distributing main functions in areas neighboring Incheon International Airport · Centralizing IT by expanding IT infrastructure
S/W	· Constructing an efficient domestic and international logistics network · Improving logistics-related laws and regulations - Customs free zones - International logistics centers	· Improving the business environment (tax, foreign exchange, labor relations, international cooperation, etc.) · Improving the living environment (education, housing, culture · tourism, etc.)

· Expanding logistics related infrastructure
· Advancing logistics industry · logistics institutions
· Reducing tension in the Korean peninsula and enhancing inter-Korean economic cooperation
· Deregulating in accordance with market mechanism
· Improving business and living environment for foreigners
· Develop professionals and international cooperation

Roles of Incheon Free Economic Zone

Logistics · Business Hub	R&D Hub	Tourism · Leisure Hub
- Offer the best business environment **- Organize activity hub for global companies**	**- Network technology innovation for global companies** **- Construct industrial complexes with IT · BT, R&D**	**- Meet tourist demands from China**
· Carry out strategic development of Incheon International Airport · Complete sea&air multimodal logistics system · Attact regional headquarters of global companies · Offer business opportunities such as banks	· Utilize the highly developed IT-infrastructure, manpower and industrial base · Attract R&D centers of international Fortune 500 enterprises · Develop innovation centers such as Songdo industrial complex and a biocomplex for knowledge-information	· Develop tourism and leisure complexes in Cheongla, Yongyoo and Muui · Develop tourist program connecting the neighboring islands · Meet tourist demands in Northeast Asia

Incheon Free Economic Zone is the first action project, and a milestone for Korea's development strategy.

Incheon has contributed to economic growth and development in Korea for over 100 years as a gateway to the Capital Region. One project, Songdo Newtown, which specializes in information technology, was constructed in 1986. With systematic support from the government, Incheon's vision of a "hub-city of economic activity in Northeast Asia" can be accelerated through the Free Economic Zone.

INCHEON FREE ECONOMIC ZONE

The development plan for the Incheon Free Economic Zone (FEZ) was completed in August 2003. It is based on the law for Free Economic Zones. It was designated by the Ministry of Finance and Economy on August 11, 2003. The office of the FEZ was established in October 2003 for one-stop administrative service, development of the FEZ, attraction of investment, etc. The Incheon FEZ is designed to promote a world class business environment and an attractive living environment for the area of 209km^2 and its population of 490 thousand.

Incheon Free Economic Zone

The Incheon FEZ intends to be a hub for logistics and business in Northeast Asia: an international business hub in Songdo, a tax free zone and logistics hub in Yeongjong, and an international culture city in Cheongla.

The FEZ will be improved not only in terms of hardware infrastructure, such as the international business center, logistics facilities and parks, but also in software, including living environment and educational and medical facilities for foreigners and Koreans competent in English, to attract foreign investment.

In addition, the amendment of several laws will be implemented, such as the special act on taxation limits, the establishment of education facilities for foreigners, regulation of the housing supply for foreigners, and various expense sharing programs.

The Incheon FEZ is located near Incheon International Airport, and in the center of the economic bloc of Northeast Asia with its large, widely scattered market, including the Seoul Metropolitan Area and China. Other strengths of the FEZ include a highly developed IT industry and infrastructure and abundant and well-educated manpower.

With its globally standardized business and living environment, the Incheon FEZ will play a leading role in the realization of Korea's goal of becoming an economic hub in Northeast Asia.

Gyeong-Seok Kim (gskim@krihs.re.kr)

BUSAN-JINHAE FREE ECONOMIC ZONE

BACKGROUND

Busan is a leading port with the world's third largest container throughput. It is an ideal logistics and industrial hub, located at the crossroads of routes between China, Japan, Russia, the United States, and Europe.

The strategic location of the Busan-Jinhae area is reinforced by its well-established connections to other major cities and business locations in Korea. An international airport, the largest container port in Northeast Asia, well-connected expressways, and a high-speed railway provide ideal infrastructure for this area, which functions as the heart of Korea and the gateway for its export-oriented economy.

Busan has a sizable market with its population of 3.7 million, 8% of the country, and a GDP of US $28 billion. It is also located in the center of Korea's southeastern industrial belt of Gyeongnam-Busan-Ulsan. Within this industrial belt are the world's sixth largest steel industry and the lion's share of the world's fifth largest automotive manufacturing industry.

With these advantageous industrial surroundings, foreign investors can expect high synergy effects in their investments.

BUSAN-JINHAE FREE ECONOMIC ZONE

The Busan-Jinhae Free Economic Zone, located in the center of Northeast Asia, is a hub port and gateway to the Eurasian Continent.

The total area of the Busan-Jinhae FEZ is 104.1 km^2. It is composed of five regions: New Port Area, Myeongji Area, Jisa Area, Doodong Area and Woongdong Area.

In the New Port Area, a four million square meter international logistics and business complex will be built to house logistics handling, distribution services, and maritime and oceanic affairs centers.

The Busan-Jinhae FEZ is to provide world class infrastructure and high technology, supported by quality value-added services, which together with unrivalled incentives will create an environment where people and businesses can flourish to compete in the global market.

The Busan-Jinhae FEZ, the bridgehead of the Northeast Asian market, provides an ideal investment environment for the 21st century and offers great assurance for success.

Committed to building Korea into one of the best business environments in the world for enterprises to develop in, the government has taken huge steps towards nurturing an entrepreneurial and pleasant environment through lower corporate taxes, enhanced labor flexibility, and minimization of administrative red tape, all in a bid to eliminate inconveniences to foreign investors. In addition, it will provide national and local tax incentives to lighten the corporate financial burden.

The incentives include:

- World class infrastructure
- International standards for labor relations
- Deregulation
- Tax exemption
- Financial support
- Liberalized foreign currency regulation
- One-stop-business service
- English language service
- Hospitable lifestyle
- International educational environment

To date, the government has invested 9.15 trillion won in the development areas of northern Gadeok

Island and Jinhae Bay in Jinhae. Upon completion of the project, the new Busan-Jinhae port will be positioned to claim its role as the central port of North-East Asia through its ability to accommodate 30 large container vessels simultaneously and handle an annual throughput capacity of 8.04 million TEUs.

The first phase of construction will include six container terminal berths to be completed by 2006 and another 24 berths to be built by 2011 to increase the cargo handling capacity.

An additional four million square meter international logistics and business complex to house logistics handling, distribution services, and maritime & oceanic affairs will be developed and expanded to become a major gateway connecting Southeast Asia and China to the U.S. and Europe.

Jung-Chuel Shin (jcshin@krihs.re.kr)

GWANGYANG BAY AREA FREE ECONOMIC ZONE

BACKGROUND

With the rapid economic growth of China, the demand for port logistics in Northeast Asia is increasing. In terms of geography, Gwangyang Port, with the construction of a 33-berth container terminal by 2011, has great potential. In Gwangyang Bay, moreover, the Gwangyang Steel Mill and the Yeosu Chemical Industrial Park have joined to form a future logistics hub and petrochemical/industrial cluster.

In this situation, it is necessary to make the Gwangyang Bay area a new industrial hub and center for loaded cargo on the way to China by establishing an international logistics system, internationalized residential area and a good business environment. On October 27, 2003, the Gwangyang Bay area was designated as a free economic zone for comprehensive development.

GWANGYANG BAY AREA FREE ECONOMIC ZONE

The Gwangyang Bay Area Free Economic Zone is located in the Gwangyang Bay area and include the cities of Yeosu, Suncheon, and Gwangyang in South Jeolla Province and Hadong county in South Gyeongsang Province. The total area of the Gwangyang Bay Area FEZ is 88.98km^2, which is composed of the Gwangyang area (12.90km^2), the Yulchon area (28.15km^2), the Sindeok area (25.47km^2), the Hwayang area (9.9km^2), the Hadong area (12.56km^2) and others.

The Gwangyang area will first promote major projects to develop Gwangyang Port into a transshipment center, along with the construction of port-related and logistics facilities.

The Yulchon area will conduct key high value-added activities using state-of-the-art technologies in such areas as fine chemicals and new metals and construct facilities to develop Yeosu Airport and Container Terminal.

The Sindeok area will promote projects for the development of Gwangyang Bay Area FEZ and will construct a pleasant living environment by developing educational, residential, medical, and leisure facilities.

The Hwayang area, the hub of the southern coast tourist belt, will construct tourist and leisure

facilities, along with sports and recreation facilities, to support tourism in the FEZ.

The Hadong area will facilitate the development of shipping related industries connected with the production function of the Gwangyang Steel Mill and will construct living, working, and leisure related facilities.

The first stage (25.64km^2) of the FEZ is scheduled to be completed by the year 2006. Particularly at this stage, the government will intensively support several leading projects, so as to make the Gwangyang Bay Area FEZ an international logistics hub, to provide a site for up-to-date industry, and to facilitate a quality living environment for foreigners.

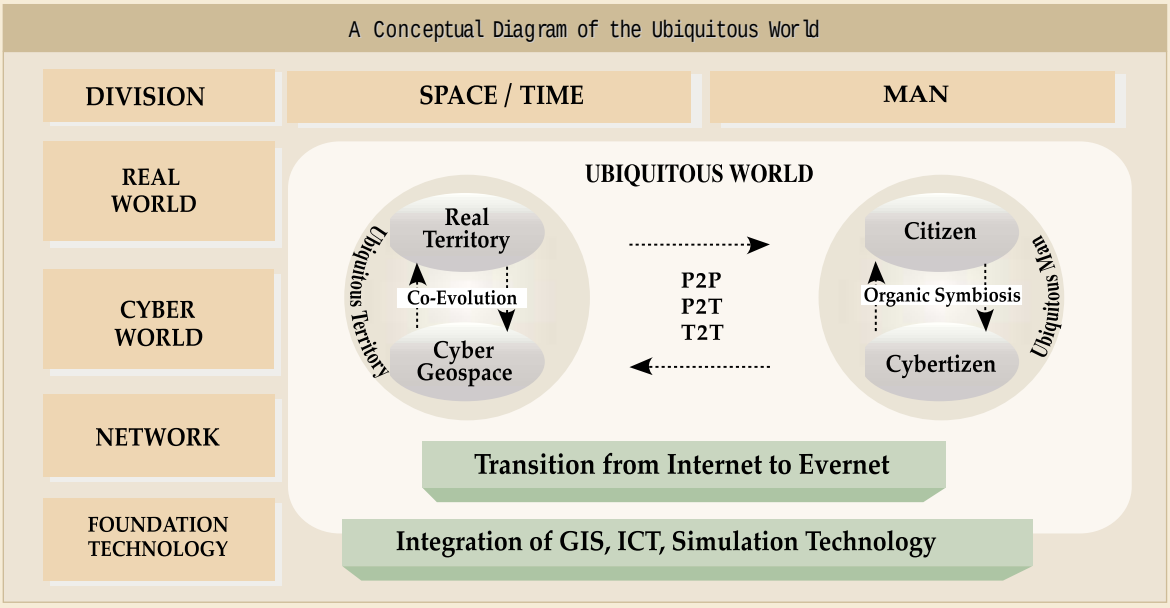
Ki-Seok Kye (kskye@krihs.re.kr)

ENVISIONING CYBER-GEOSPACE : TOWARD THE UBIQUITOUS WORLD

All things in the universe are restricted by the axes of time and space. In addition to time and space, man exists to understand them. Therefore, space, time and man (STM) are called the three fundamental elements of the universe in Eastern philosophy.[1] If they meet the requirements of STM, all systems can be as perfect as the universe is. Information and communication technologies are the same as other systems in this respect.

With the widespread use of the Internet and mobile devices, the Internet is at a turning point. People (whoever) want to get efficiently whatever they like, wherever they are, and whenever they need it. So, such a network can be called the "*Ever*net" instead of the "Internet."

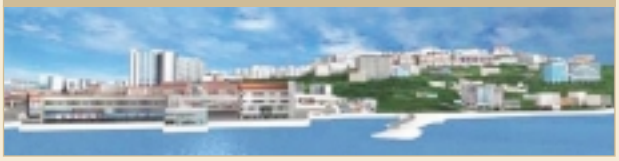
The Evernet age will ultimately lead our information oriented society towards the "ubiquitous world." The ubiquitous world can be defined as a world



1) In the words of Huai Nan Tzu (淮南子), in a book of Chinese philosophy written 2,100 years ago by King Huai Nan and his subjects, the cosmos (宇宙, Wu-Zu) was defined as follows. Wu (宇) is three dimensional space (四方上下曰宇) and Zu (宙) is time networked by past-present-future (古往今來曰宙). That is, the cosmos is a house which is composed of space and time.

where all communications, whether "person to person (P2P)," "person to things (P2T)," or "things to things (T2T)" will be unrestricted, as shown in the figure on the front page. For a nation to move into the ubiquitous world, it should build a cyber-geospace, similar to its physical territory, which will be filled with every possible piece of information about its features, geography and facilities.

An Example of 3D Cyber-geospace (Busan, Korea)



We define cyber-geospace as "the dynamic second territory of Korea, a virtual reality created by digitizing facilities and buildings, as well as the entire national territory, including ground, underground and even the sea, where land can be managed systematically and administrative services for the people offered in the public sector, and the economic activities of corporations and citizens' everyday lives incorporated in the private sector." Such a cyber-geospace will become the fundamental national information infrastructure for the ubiquitous world in the near future.

Therefore, envisioning cyber-geospace in the ubiquitous world, in 2001 a KRIHS research report recommended to the Korean government promotional strategies and specific operational programs for the establishment of a cyber-geospace, namely the Korean cyber territory. Recently, the government has become strongly interested in the program. The cyber-geospace project will eventually cover the entire nation's territory, including the citizens' everyday activities. For this reason, the project should be conducted under a long range plan.

According to the research report, the project has to be promoted at the national level with a long range plan under the directorship of a "Cyber-geospace Committee." The Committee must be an interorganizational committee. It should be composed of a steering committee, a coordination group, an advisory board, and sub-committees. In addition, it should have adjunct organizations, such as a policy and technology research center and a cyber-geospace management center.

The "Master Plan for Cyber-geospace" will systematically guide the project step-by-step. It will take about 10 years to build the Korean cyber-geospace. The report suggested a four-phase approach. First, in the planning phase, the Master Plan is established. Second, in the prototype phase, a model system is designed for one mid-sized city, and guidelines and standards are developed and tested to minimize trial and error in the next phase. Third, in the diffusion phase, projects for the rest of the 231 municipalities are carried out successively. Fourth, in the integration phase, an integrated system for all municipalities is established.

The estimated cost of building this cyber-geospace is about US $800 million. In addition, support measures will also be required for successful implementation, such as consolidation of related laws, promotion of related industries, and reinforcement of public relations and education.

** KRIHS held an international seminar on "Envisioning Cyber-geospace and Spatially Enabled E-government" in Seoul, Korea, November 20~21, 2003.*

Young-Pyo Kim (ypkim@krihs.re.kr)

ATTRACTING FOREIGN CAPITAL IN PRIVATE PARTICIPATION IN INFRASTRUCTURE

Following the 1999 revision of the Act on Private Participation in Infrastructure (PPI), and beginning with the Daejeon Riverside Expressway project in 2001, significant foreign investment and attention in Korea's PPI program has been successfully secured. Financing of about US $500 million has already been signed, with another US $460 million under negotiation.

2003 PICKO Road Show

As part of its efforts to increase international awareness and understanding of Korea's PPI program, PICKO conducts annual investor conferences. This year, from November 9th to the 15th, a Korean delegation held meetings in Hong Kong and Singapore. KRIHS cosponsored the events, and local partners "Linklaters" and "ING" provided a great deal of assistance and logistics support.

The conferences began with an opening speech by Dr. Kyu-Bang Lee, President of KRIHS, welcoming the guests and introducing them to Korea and its efforts in the PPI field. Then, Mr. Michael Dinham, managing director of project finance at ING in Singapore, and Mr. James Douglass, a partner at Linklaters in Hong Kong, outlined their experiences in the area.

Dr. Heung-Soo Kim, managing director of PICKO, presented an overview of the Korean economy and its PPI program. In spite of recent macroeconomic shocks and the negative effects of the North Korea nuclear crisis, labor strikes, and political infighting, the economy is growing this year at a respectable 3%, and next year will likely recover to a more robust 4~5%. Long term projections of industrial and lifestyle trends indicate the constant and growing need for all types of public infrastructure, including intercity expressways, transshipping ports, high-speed and urban railways, and urban waste treatment plants.

Korea continues to improve on its already successful PPI system by focusing on better ways to attract foreign investment and stimulate competition. In addition to a host of tax incentives, foreign exchange and operating guarantees, and financial subsidies, the government is focusing considerable effort on enhancing both domestic and foreign competition for projects.

For each investor conference, potential concessionaires and government agency officials are given the opportunity to promote projects of particular interest. This year, Ms. Junglim Hahm, a senior analyst at PICKO, gave a presentation on the 14 selected projects, consisting of an outline of each project, including total project cost, implementation schedule, and opportunities for investment.

The afternoon of each meeting was dedicated to individual investor consultations, whereby interested parties gained more personalized information on Korea's PPI program and specific projects direct from potential concessionaires and government officials.

Heung-Soo Kim (infra@krihs.re.kr)

KRIHS-BBR JOINT WORKSHOP ON INTERNATIONAL COOPERATION IN AN INTEGRATED EUROPE AND ITS IMPLICATIONS FOR INTER-KOREAN INTEGRATION

Experts from Korea and Germany convened to discuss the experience of international cooperation in an integrated Europe and its implications for inter-Korean integration. The joint workshop was held at KRIHS on July 8~10, 2003, and was organized with the cooperation of KRIHS and the Bundesamt für Bauwesen und Raumordnung (BBR) from Germany. Participants, including two German experts from the BBR, Dr. Wendelin Strubelt and Dr. Karl Peter Schön, presented the twelve year experience of German unification and the effects and costs of "liberty, equality and fraternity" and proposed projects based on the experience of European cooperation and integration. The following are excerpts from the papers by Dr. Won-Bae Kim, senior research fellow, and Dr. Sang-Jun Lee, research fellow at KRIHS.

INTER-LOCAL CROSS-BORDER COOPERATION IN NORTHEAST ASIA
Towards a Collaborative Regional Development Paradigm

The dream of an economically integrated Northeast Asia has had a powerful appeal to some intellectuals who have envisioned a peaceful and prosperous community rivaling the European Union and the North American Free Trade Area.

Cooperative or collaborative development is likely when crossborder interactions are allowed. Integrated regional development, i.e., forming a functional region, is possible when borders function as facilitators of the exchange of ideas and knowledge.

In order to implement collaborative regional development, we need to develop a strategic framework in which collaborative regional development can take place. Conceptually, we can think of the progression of regional development from an independent stage through a collaborative stage to an integrated stage. Northeast Asia is in a transitional stage from independent development to collaborative development. Problems expected in the transitional stage from collaborative development to integrated development include, most of all, issues related to sharing the costs and benefits of collaborative development. The most important element in realizing collaborative regional development is leadership at both the national and local levels.

The collaborative regional development approach reflects the special features of Northeast Asia (the most important among these features are the coexistence of different economic and political systems and the substantial economic gap between developed and underdeveloped parts of Northeast Asia). This approach also emphasizes economic construction rather than economic integration. Hence, inter-country and inter-local collaboration in infrastructure development are considered to be the key for economic construction in Northeast Asia.

Won-Bae Kim (wbkim@krihs.re.kr)

INTERNATIONAL COOPERATION TOWARDS REGIONAL DEVELOPMENT IN NORTH KOREA

It is clear that the North Korean economy cannot be rehabilitated without the support of international society. The normalization of the supply of goods and of product activities is not possible without additional investment from foreign investors.

According to one study related to the North Korean economy, the amount of investment needed for North Korea's infrastructure was estimated to be more than US $60 billion over the next 10 years. Because the North Korean economy is too weak to make this investment, introducing foreign capital is essential. North Korea's budget for the year 2002 was only US $10 billion. Using the experience of transition economies, Official Development Assistance (ODA) could be a first step in international cooperation in the early stages of economic reform and the external opening of North Korea because it will be difficult for North Korea to cooperate with international financial institutions in this phase. In the long term, megaprojects such as building new railways, highways, power plants and airports could be implemented through the participation of international financial institutions. International cooperation for regional development in North Korea could be implemented based on the development of a relationship between North Korea and international society. Diverse forms of cooperation are needed. In this regard, the North should consider multilateral and integrated cooperation to implement regional projects. In order to cooperate with international society successfully, North Korea must believe that international cooperation can be conducted through reciprocal and mutually beneficial cooperative ties.

Sang-Jun Lee (sjlee@krihs.re.kr)

International Cooperation

During the second half of the year 2003, KRIHS conducted various international research cooperation projects. A lot of foreign government officials and experts visited KRIHS in order to learn Korea's experiences in the national territorial development and the policy measures and strategies, and to be provided with opportunities to apply and implement the lessons. It is hoped that the relationships between KRIHS and participating countries will further be developed through these valuable projects.

International Workshop on New Town Development and Urban Renewal for Foreign Government Officials

A workshop on the Korean experience in New Town Development and Urban Renewal was held by KRIHS from August 20~30, 2003, for a total of 11 days. KRIHS has hosted this workshop every single year in collaboration with the Korea International Cooperation Agency.

A total of 19 officials from 9 countries, including Cambodia, Fiji, Indonesia, Nepal, Pakistan, Papua New Guinea, Philippines, Thailand and Vietnam, were invited for this program. The curriculum consisted of lectures on subjects such as Korean economic development, new town development policy, and case studies in the Seoul Metropolitan Area; regional urban planning and GIS technology applications, and national transportation system and infrastructure facility development. In particular, Mr. Ronald Loke from Singapore was invited to give a lecture on FDI and economic policy in Singapore for information technology and logistics development. In addition to his lecture for this workshop, he delivered a special lecture on the same subject for KRIHS researchers and relevant Korean experts, and engaged in heated discussion with them.

Asian government officials and experts are taking one of lectures on housing policy and technology at the KRIHS Hall.

Training Program on Housing Policy and Technology for Asian Countries

For government officials and experts in the field of housing policy and technology from Asian countries, KRIHS held a special training program supported by the Korea International Cooperation Agency. This program was held for 18 days from September 15 to October 2, 2003 for 14 participants from 8 Asian countries. It was designed to promote the participants' understanding of Korean housing policy and technology, and of the on-going developmental issues in participating countries, in order to strengthen their ability to formulate, implement and evaluate housing development policies and projects. In addition to 10 indoor lectures, the participants visited several relevant institutions including the Samsung Housing Gallery, the Korea Institute of Construction Technology and the Korea National Housing Corporation, and took field trips to rental apartment complex sites in the cities of Uiwang and Gwangmyeong and the Cheonggyecheon stream restoration project site. KRIHS plans to offer this program annually beginning next year.

Partnership Program in Housing and Construction Development for Iraqi Officials

Over twenty Iraqi officials were invited to participate in a training program on housing and construction development during the period

between November 1st~14th. The main activities of this program were visits to the construction sites of the six main Korean construction companies and lectures and discussions on how to promote cooperation in the construction industry between Iraq and Korea. Dr. Hee-Nam Jung and Dr. Dong-Jin Shin from KRIHS gave lectures on land use planning and policy and new town development. This was a good opportunity for Iraqi officials who are undertaking reconstruction work in war-torn Iraq to hear about and learn from the Korean experience in construction development and technology.

Five-Year Joint Research Agreement with the College of Southeast Land Management, Zhejiang University in Hangzhou

KRIHS and the College of Southeast Land Management (CSLM) of Zhejiang University in Hangzhou, China, have conducted joint research since 2001. This year, a joint workshop on the land policies of Korea and China was held in Hangzhou from October 23~25, 2003. Nine papers were presented and discussed. The first four papers dealt with urban planning and management issues in both countries, while the latter five papers focused on the use and development of urban land issues.

During this conference, KRIHS and CSLM signed a five-year (2003~2007) joint research agreement, by which both institutes will carry out a joint research study on the land markets and policies of Korea and China, including land economics, land ownership and tenure system, land appraisal, land tax, land development financing, as well as other fields of mutual interest.

Vice Minister of Natural Resources and Environment of the Social Republic of Vietnam, Dr. Dang Hung Vo paid a courtesy call on Dr. Kyu-Bang Lee, President of KRIHS.

Vice Minister of Natural Resources and Environment from Vietnam visits KRIHS

On December 16, 2003, Vice Minister Dr. Dang Hung Vo, along with seven delegates from the Ministry of Natural Resources and Environment of the Social Republic of Vietnam, visited KRIHS. The Korean Ministry of Construction and Transportation invited the delegation to learn of Korean experiences in land management and institutional systems. Dr. Mie-Oak Chae, Dr. Sun-Hee Kim, and Dr. Young-Pyo Kim from KRIHS provided informative presentations on the environment-friendly land management system, environmental management policies, and national geographic information system (NGIS) program of Korea.

NEWS & ANNOUNCEMENTS

KRIHS organized a seminar on the Impact of the New Administrative Capital Construction. The seminar was held at the conference center of the COEX Center on July 9, 2003, supported by the Ministry of Construction and Transportation. KRIHS asked experts to analyze the effects of building the new administrative capital. It prepared this seminar to collect opinions on the necessity of the new administrative capital. This seminar provided a good opportunity to understand how the new administrative capital may affect the Korean society.

The GIS Research Center hosted a workshop on the Development of the National Geographic Infor-

mation Distribution System on July 28, 2003. It is held to present the results of a study conducted to assist in the development of the national geographic information distribution system. After the presentation, a simulation was conducted to demonstrate how it would operate, and a variety of experts participated in a discussion to share their opinions and useful information.

KRIHS held a ceremony to celebrate its 25th anniversary on October 16, 2003. KRIHS President Dr. Kyu-Bang Lee gave a commemoratory speech and received the congratulatory messages offered by the VIPs in attendance, including the previous KRIHS presidents. On the occasion of this ceremony, a seminar on the symbiotic development of the Seoul Metropolitan Area and other regions was held at the KRIHS Hall.

The Land & Housing Research Division hosted a forum on the betterment recapture system improvement plan at the KRIHS Hall on October 20, 2003. The main presentation was provided by Dr. Hee-Nam Jung, a research fellow from KRIHS, and was followed by a discussion moderated by Dr. Tae-Il Lee, President of the Choogbuk Development Institute & the Korea Regional Science Association and paneled by experts from every walk of life.

The 8th Human Settlements Writing Awards for Elementary School Students were awarded by KRIHS. First place was given to Eun-Young Choi, from Mapo Elementary School, Seoul, for the essay, "In the Valley of Cheonggye Mountain." First place in the group category was awarded to Aloesyio Elementary School, Seoul. The awards ceremony was held at the KRIHS Hall on October 26, 2003.

The KRIHS Essay Awards were selected from a total of 38 essays published by KRIHS in 2003. The essay "Housing Expenditure, Housing Affordability and Housing Subsidy in Korea" by Dr. Hye-Seung Kim, a research fellow from KRIHS, and Prof. Hyung-Ok Hong from Kyunghee University was selected as the "Very Best" essay and the "Best" was awarded to Dr. Hyun-Hoo Kim from the Korea Research Institute for Local Administration, Prof. Seung-Joon Kwak from Korea University, Prof. Seung-Hoon Yoo from Hoseo University, Dr. Jae-Yong Huh from Korea University and Prof. Clifford Russell from Vanderbilt University, USA.

KRIHS is hosting a competition for the 3D construction of the capital city, "Simcity," from November 28, 2003 to January 31, 2004. On the occasion of the new capital construction project promoted by the current "participatory" government, this competition was organized for the purpose of providing an opportunity to the public to participate in this important national project. Anyone who is interested in helping build the new capital of Korea may participate in the competition by entering the website, www.3Dcapital.com, for which 3 million won is offered for first place.

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