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## REVITALIZATION OF THE LOGISTICS FUNCTION OF THE FREE ECONOMIC ZONE

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### **FEZ is the Bridgehead for A Northeast Asian Logistics Hub**

As Northeast Asia doubles its influence as one of the leaders of the world economy, the Asian countries, including China, Japan and Russia are intensifying national efforts to preoccupy a hub function in logistics. With competition and cooperation between these neighboring countries, the Korean government has presented a road map for promoting Korea as a logistics hub in Northeast Asia.

As part of the effort to create a logistics center for Northeast Asia, three free economic zones (FEZs) in Incheon, Busan · Jinhae, and Gwangyang have been designated as business friendly environments for foreign investors and to be equipped with state of the art logistics and industrial facilities. Now, however, one year after the national project to develop these FEZs was initiated, Korea has received less foreign investment than expected and experienced a delayed FEZ development.

This issue is attributable to the circumstance that foreign companies find the FEZs of Korea less attractive as a business location that offer a number of tax incentives, the availability of inexpensive land, and other advantages. The unsystematic cooperative relationship between the central and local governments and between local governments of the FEZs impedes efficient promotion of the national project in Korea. In addition, social and political conditions in Korea, such as an underdeveloped logistics industry, poor labor conditions, and an unstable North-South relationship, are further obstacles to attracting multinational logistics corporations and foreign investment

in Korea

In light of the country's ample advantages, such as the great growth potential of Northeast Asia including China, and the active national efforts exerted by the Korean government to be the region's logistics center, Korea has an opportunity to build the Northeast Asian logistics hub. The FEZ is the key to this opportunity.

### **Strengthen National Competitiveness and Internal Functions**

Two basic directions to resolve the external and internal problems of Korea can be suggested: Providing a provision of a variety of support systems and convenient facilities to introduce foreign investors, and then moving ahead with policy reform and innovation to enhance the logistics function as the FEZ.

Foreign investment will attract a world-class logistics infrastructure, financial support with incentives, and pleasant living and business environments. A cooperative cluster will create existing and new logistics facilities, provide a characterized regional service, expand the infrastructure and link the logistics industry and markets at home and abroad, and establish a systematic organization with financial systems that efficiently promote all the above strategies. Such a cluster will strengthen and specialize the logistics function of the FEZ.

### **Develop Strategies to Attract Foreign Investment**

Three strategies that acquire foreign investors will

enhance national competitiveness:

First, provide a world-class logistics infrastructure, by nurturing global logistics specialists, maintaining more stable labor-management relations, building comprehensive logistics systems in consideration of the national network, linking with the continent nations, such as China and Russia, and encouraging modernization of logistics companies.

Second, offer benefits and support to foreign investors using exceptional measures including corporate tax exemptions and other incentives for foreign invested firms located in the FEZ. These companies must benefit from private participation, one-stop service, reduction of additional costs for location, and economic and long-term lease contracts. In addition, container tax incentives and other administrative incentives, including extension of the free storage period for transshipment cargo, are needed. The government should enhance investment environments by implementing support systems and deregulation of immigration control, construction, land use, and so on. It is also necessary to establish a one-stop administrative service system, such as a CIQ (Customs, Immigrations and Quarantine) office for cargo, 24-hour customs clearance, and an EDI (Electronic Data Interchange) service. The establishment of a local logistics support center is also an important consideration.

Third, provide pleasant living and business environments and build convenient support facilities that make life and business more convenient and pleasant for foreigners. Those facilities would include world-class educational and medical facilities, spacious

public areas, such as parks, green spaces, and so on.

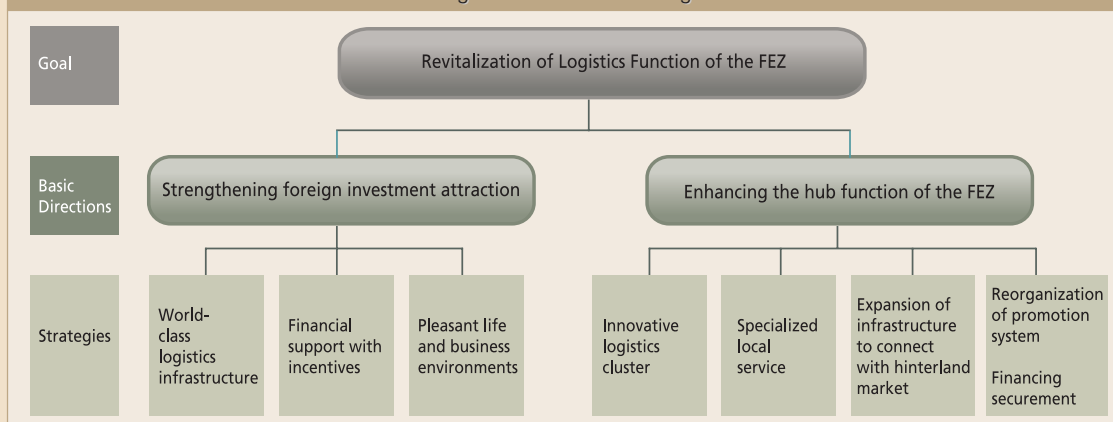
### Strategies to Enhance the Logistics Function

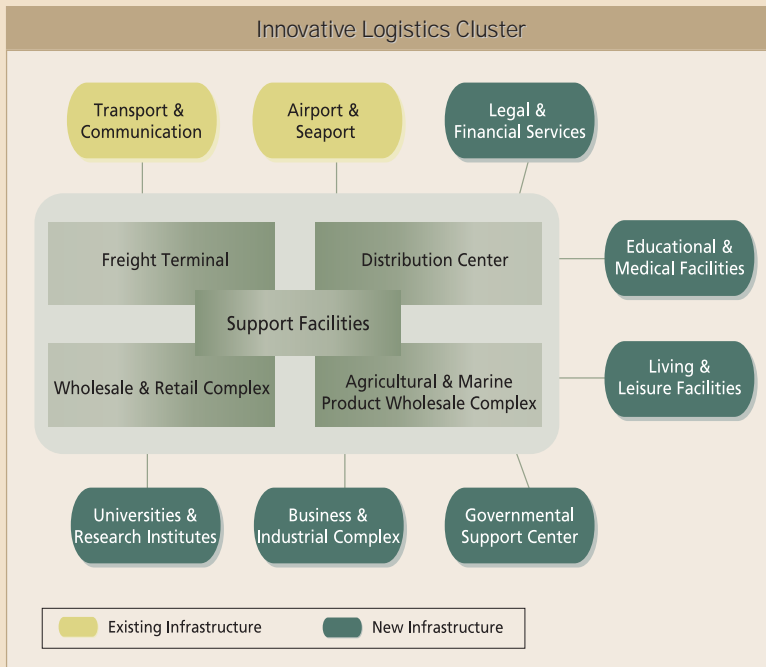
The most important change that can enhance the logistics function is the establishment of a logistics cluster in the FEZ that is provided with specialized services. It is essential to restructure the organization for efficient FEZ operation and secure sufficient financing for large-scale projects.

First, it is urgent to develop innovative and modernized clustering for multi-functional operation by transforming the current logistics complexes. The innovative cluster should include schools, research institutes, manufacturing factories, administrative and financial organizations, and living, leisure, educational and medical facilities apart from seaport, airport, and logistics facilities for the current logistics complexes.

Secondly, the intrinsic characteristics of the three FEZs must reflect the specialization of logistics functions. For example, a shipping cluster, air transport cluster, and multi-logistics cluster could be located in the Busan FEZ with automobile related industries, the Gwangyang FEZ with steel and oil refining industries, and the Incheon FEZ with the semi-conductor and biological industries. In addition, it is suggested to strengthen the specialization of the FEZs by considering the location of their industries and location advantages: in case of utilizing location advantages of seaports, Port Busan would be a hub port to America, Port Incheon would be a gateway to Northern China, and Port Gwangyang an opening to South-

Basic Directions and Strategies to Enhance the Logistics Function of the FEZ





domestic transport network, coastal areas of the FEZ can connect with inland freight bases and large-scale market areas through building a coastal-inland linking network. Additionally, an international transport network could be created by linking with the cross-continent railway or the Asian Highway, thus facilitating land transport to China and Russia.

Fourth, the Free Economic Zone Authority must be efficiently operated: Allow for self-determination and promote a logistics specialized office. In addition, the government should secure sufficient financing for promoting these FEZ strategies.

Such advanced investment and construction that implement a strategy of "Choice and Concentration" would play a dominant role in achieving further national competitiveness. The current promoted plans thus need revision and improvement through use of a consistent and real-time monitoring system.

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east Asia. Further, the government should collaborate with other countries to promote international logistics corporations.

Third, a questionnaire survey of foreign companies has revealed that they consider marketability and accessibility when deciding logistics location and investment. It is important, therefore, to promote domestic and international transport networks to create market accessibility and expansion. As for a

## TOWARDS MAKING A CROSS-BORDER REGION ACROSS THE KOREA-JAPAN STRAIT

### Economic Integration and Inter-local Cross-border Cooperation

KRIHS has conducted a research on 'Strategies for Collaborative Regional Development in the Korea-Japan Strait Zone' in collaboration with the Kyushu Economic Research Center; the Fukuoka Asian Urban Research Center; the Asian Institute for Regional Innovation at Busan National University; the Kyung-Nam Development Institute; and the

Ulsan Development Institute. The final report of this collaborative research project will be produced during March 2005.

Increasing economic interdependency in the Northeast Asia region and accompanied changes in subnational economies constitute the background for this research. The fast growing Chinese economy and the vast amount of investment inflows into China have been drastically changing the international division of labor among China, Japan and Korea. Further-

more, free trade agreements under discussion between Korea and Japan and among China, Japan and Korea will accelerate the process of industrial restructuring in Japan and Korea. The impact of these economic liberalization processes on the subnational economies will be considerable.

In parallel with economic integration at the regional level, inter-local cross-border cooperation has been progressing in some parts of northeast Asia. Among them, the Korea-Japan strait zone has a strong possibility of forming an integrated cross-border region. Clusters of similar industries, geographical proximity (about 3 hours by high-speed boat), technological proximity and cultural ties provide sufficient conditions to build a cross-border economic region.

As a matter of fact, local and regional governments across the strait have begun cooperation efforts since 1991. The Korea-Japan Strait Zone defined by the Governors' Summit includes three metropolitan cities and three provinces in southern Korea and four prefectures in northern Kyushu. The combined population of this zone is more than 20 million persons, surpassing the populations of mid-sized countries of Europe. The combined gross regional product reached almost 370 billion dollars in 2002, which is larger than GDP of the Netherlands and Australia. The collaborative research focuses on the southeast-

ern part of Korea (BUG: Busan-Ulsan-Gyeongnam) and the northern Kyushu (FNSY: Fukuoka-Nagasaki-Saga-Yamaguchi) within the Korea-Japan strait zone.

Despite such potential, cross-border economic cooperation has been slow due to language problem, lack of information, and differences in commercial customs. A more important reason underlying lukewarm attitudes to cross-border cooperation by firms seems to stem from a local perspective giving too much weight on static comparative advantage. As a matter of fact, many local firms in the zone are small, and they often do not have sufficient information and management know-how on the subject of international business. A few large firms in the zone are mostly branch firms, the headquarter offices of which are located in Seoul or Tokyo. This branch economy characteristic of the regional economies in the zone has been one of the bottlenecks, which impeded the restructuring process.

Understandably, Korea does not offer great incentives to Japanese firms in terms of wages and markets. Unlike the huge wage differences between China and Japan, wage differentials across the strait are relatively small, and therefore do not constitute a major incentive to the Japanese firms. Korea obviously does not offer a big market as does China. Exploiting wage differentials or capturing a new market

do not apply well to the strait zone as well as between Korea and Japan as a whole. The rationale for cross-border cooperation can, however, be found in the Schumpeterian road to development. By jointly building a competitive regional economy through diverse economic cooperation and technological and cultural exchanges cooperation, the Korea-Japan strait zone can break out of its position peripheral to the core regions of Korea and Japan and transform into a knowledge-intensive economy.

### Assessing the Potentials and Obstacles to Cross-border Cooperation

Recognizing these points, participants in this project examined the possibilities of cross-border cooperation in such manufacturing industries as machinery, environment, and automobiles/parts, information technology and software. In addition, a preliminary analysis suggests that combining the relative-



Basic Indicators of the Korea - Japan Strait Zone (Unit: thousand persons and million dollars)

Region	Area	Population (2002)	GRDP (2002)	Export (2003)	Import (2003)
Southwest KOREA	Gwangju	1,397	12,438	4,035	2,966
	Jeonnam	2,054	26,801	8,884	12,911
	Jejudo	551	5,250	59	111
Southeast KOREA	Busan	3,730	33,483	4,844	5,468
	Ulsan	1,065	27,636	27,485	22,651
	Gyeongnam	3,124	38,020	19,236	11,355
Northern Kyushu	Fukuoka	5,043	127,325	21,751	11,276
	Nagasaki	1,507	33,631	2,132	906
	Saga	874	21,435	380	330
	Yamaguchi	1,518	42,840	10,075	6,622
	Korea-Japan Strait Zone	20,833	368,860	98,881	74,597

ly strong public R&D capacity in the northern Kyushu area with the active private R&D activities and manpower resource in the southeastern region of Korea can lead to the formation of a cross-border learning region as observed in the case of Copenhagen-Malmö region. Moreover, there exists a potential to form a cross-border tourism, logistics and medical health services zone based on the endowment of human resources and the industrial specialization of the cross-border region. It appears promising to build integrated services networks of logistics, tourism and medical services in the cross-border region of northern Kyushu and southeastern Korea in order to meet the growing demand for logistics, tourism, and medical/health services in Northeast Asia.

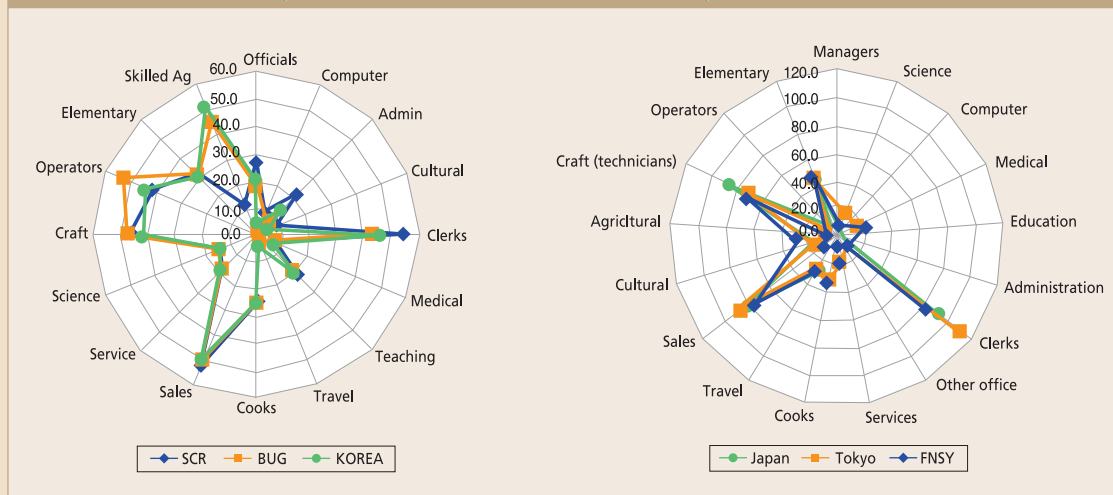
### Setting up Cross-border Structures

These possibilities, however, need to be further analyzed in order to produce concrete cross-border programs. The collaborative project took a careful look at the requirements for the establishment of cross-border programs. The necessity for setting up an institutional infrastructure is the first area of consideration. European experiences in cross-border cooperation has revealed that a favorable supranational context is necessary for the success of inter-local cross-border cooperation programs. Consider-

ing the unlikelihood of forming a multilateral economic cooperation organization in Northeast Asia, it is perhaps more realistic to build inter-state cooperation schemes at the bi-national scale, following the examples of Scandinavian countries. Timing is very opportune now because the central governments of Korea and Japan are seriously considering bilateral free trade agreement. Local and regional governments in the Korea-Japan strait zone can suggest to the policy-makers in the central government to explicitly include cross-border cooperation as a component of the Korea-Japan 'closer economic partnership.' The partnership agreement, which goes beyond the removal of tariffs, should include the liberalization of the service sector, thus allowing free mobility of manpower in selected sectors such as information technology, logistics, and medical and health care services.

Secondly, in order to form an integrated functional economic region across the strait, it will be necessary to build cross-border governance structures, which can develop and carry out cross-border programs. A cross-border structure should have some kind of political representation, even though it may not be legally binding in the strictest sense of international laws. For the southeast area of Korea and the northern area of Kyushu, it would be desirable to reorganize the existing the Korea-Japan Governors' Summit, to set up commissions and a common sec-

Competitive Positions of BUG and FNSY in Occupational Structures



Note) SCR : Seoul capital region

BUG : Busan-Ulsan-Gyeongnam area

Tokyo : Tokyo capital region

FNSY : Fukuoka-Nagasaki-Saga-Yamaguchi region

retariat. A new council under the existing Summit framework should be expanded to include the representatives of municipalities, although the senior level governments such as metropolitan cities, provinces and prefectures take a major role. It seems also necessary to invite officials from the central government as observers in the council. The council can appoint civil servants as members of the commission, which will prepare working programs and budget proposals for the council. The secretariat will administer the measures, act as information dissemination and contact points, and run day-to-day businesses. Participating local governments in the strait zone should contribute membership fees as well as necessary personnel to run the secretariat. The commission can set up working groups to deal with specific cross-border programs. Here, it is essential to bring in corporate representatives and experts. Most importantly, it is necessary to secure funds to carry out cross-border cooperation initiatives in the Korea-Japan strait zone. One possible avenue to secure funds would be to use a portion of the national ODA (overseas development aid) for cross-border cooperation projects at the local level. Regional banks and financial institutions would be another source of funds for profitable cross-border cooperation projects.

Thirdly, a staged approach is necessary to overcome obstacles and hurdles. As revealed in the survey results, language, lack of information, and dif-

ferent customs in commercial transactions are typical obstacles in cross-border cooperation. Distrust between peoples across the sea and lack of trust between firms about intellectual property ownership are bigger hurdles to overcome in a short period of time.

As our survey results suggest, cross-border information networks are the most essential in the confidence building stage. Here, it would be possible to utilize the existing channels and forums to facilitate cooperation in providing platforms or supporting business contacts. It would be very useful to link chambers of commerce across the strait and set up a cyber network for small and medium-sized firms, which usually lack independent capacity to collect information. From such initial efforts, it will be possible to progress move on to the mid- to longer- term stage of cross-border cooperation with an appropriate cross-border governance structure. Many ideas can be entertained in mid- to long-term futures. For example, participants in the research project proposed the idea of auto corridor, intelligent machinery belt, and medical/health care coast especially for the aged in the area combining the BUG (Busan-Ulsan-Gyeongnam) region and the FNSY (Fukuoka-Nagasaki-Saga-Yamaguchi) region.



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## IMPROVE DISTRIBUTION AND MANAGEMENT SYSTEM OF PUBLIC RENTAL HOUSING

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### Current Public Rental Housing System

As of the end of 2003, the stock of long-term public rental housing in Korea was at a mere 2.4 percent of total housing stock, significantly lower than in advanced countries. However, there has been a substantial increase recently, and the government has established a plan to broadly enhance the supply in the future, in order to stabilize the low-income housing market. Given the reality that there should be considerably more units available in the future, this seems to be an excellent time to consider a plan for rational distribution and effective management of public rental housing.

The current distribution and management system has several significant problems. With regard to distribution, the criteria for determining a target group of tenants and the plan of supply and distribution are unclear. In addition, the provision of public rental housing is not well connected with other support systems for low-income families.

Concerning the management scheme, it still focuses mostly on the short-term repairs or management and subsidy for operating costs of public rental housing. There is no long-term repair and management plan to prepare for outworn housing, and the criteria of moving in, residing, and leaving public rental housing are not definitely and systematically determined.

### Target Group of Public Housing Tenants

In determining the criteria for a target group of public rental housing tenants, it is necessary to consider the family features, such as income, of prospective tenants of five-year or ten-year rental housing. Also, the income standard for a tenant must be flexibly applied in consideration of the social mix of tenants, as well as regional characteristics.

As for National Rental Housing (NRH), the property standard needs to be reflected as well as the income standard. In addition, it is desirable to abolish mandatory criteria for joining subscription savings, which is regarded as an obscure requirement to be tenants of public rental housing. Also, it would be

good to simplify the rental housing system by integrating similar types of public rental housing.

### Public Housing Provision and Distribution System

The provision and distribution of public rental housing should be controlled on the basis of a housing demand analysis. In addition, it is desirable to create social harmony among the classes. In order to estimate the volume of consumption and effective demand for national rental housing, the demand analysis should be conducted and a regional distribution plan should be established.

As for NRH, which will be most of public rental housing supplied in the future, an overall review is required: the adoption of support system for housing provision and distribution; the adjustment of rental deposits and fees among the social classes and regions; and the adjustment of expenses borne by participants.

In addition, as for public rental housing complexes, which are generally recognized as dense areas for the low-income class where many social problems occur, it is necessary to embody the social mix by supplying diverse types of housing and accepting various classes of tenants in the future.

### Low-income Housing Assistance

To support low-income housing, some measures, such as a living expense subsidy, should be introduced. And a support system for housing filtering can be suggested: rental deposit assistance-supply of public rental housing and private rental housing-support for purchasing housing for sale.

### Public Rental Housing Management System

To improve the public rental housing management system, it is necessary to introduce a comprehensive system for tenant management, including active tenant participation. Also, a long-term repair plan should be established.

The tenant management system should be designed

Support Measures for Low-income Housing			
Classification			Support Measure
Housing Assistance	Housing below standard		Low-interest loans for housing reform
	Outworn housing		Support for housing management and remodeling
Household Assistance	Completely supported household (lower 40 percent of income rank)	Household that cannot afford the minimum living expense	Living expense subsidy or priority for National Rental Housing
		Household that can afford the minimum living expense	Priority for National Rental Housing
	Partially supported household (middle class of income rank)		Public assistance for household <ul style="list-style-type: none"> <li>- Long-term tenancy</li> <li>- Right for purchasing public housing</li> <li>- Subsidy for initial housing purchase or rental deposit</li> </ul>
	Independent household (higher 40 percent of income rank)		Support system for household <ul style="list-style-type: none"> <li>- Consistent expansion of housing provision</li> <li>- Housing land availability</li> <li>- Financial and taxation supports for housing provision</li> </ul>

to control tenants' moving-in and leaving, and include a social welfare management system. In particular, it is desirable to establish the criteria for tenants' leaving public rental housing, by combining measures of complete leaving, conditional dwelling, and post-leaving. The public rental housing needs to be managed in consideration of social welfare aspects, not just focusing on the facility management.

In order to promote social welfare management, it is necessary to establish a close collaborative system among a tenant group, management group, and local administrative organization, with financial support from the central government or local governments.

In Korea, social welfare institutions within the public rental housing complexes have functioned as profit-generating facilities, rather than as welfare facilities, due to the lack of affordability. Given this fact, political support for the reinforcement of social welfare management functions is more desperately needed.

On the other hand, tenants can actively participate in the public housing management through a system

established by a rental businessman or management group, financial support for a tenants' group, and cooperation with other private organizations.

### Long-term Repair Plan

A long-term repair plan for public rental housing should be established in order to keep the facilities in good maintenance. Thus, it is necessary to develop concrete measures to attract funds for this plan. For effective maintenance and management of public rental housing, a long-term evaluation of housing component durability, regular sample surveys, and monitoring of repair requests should be made.

Moreover, to sustain the normal life span of public rental housing, at least 0.1 percent of the total construction expenses should be reserved for repairs or maintenance. If this is not available, government subsidies need to be provided.



## TOTAL POLLUTION LOAD MANAGEMENT SYSTEM NEWLY INTRODUCED IN KOREA

### The Legal Grounds and Issues of The Total Pollution Load Management System

The total pollution load management system (TPLMS), initiated in the 'Act for water management and upstream region's resident support in the Nakdong river, Geum river, Yeongsan-Seomjin river,' recently emerged as a foundation for nation's efforts to meet water quality standards. This act specifies the amount of a particular pollutant that may be present in a water body, allocates allowable pollutant loads, and provides the basis for attaining and maintaining water quality standards. The act requires that each metropolitan city and province establish a comprehensive plan of the TPLMS. If waters fail to meet nation standards, each city should establish an implementing plan to comply with water quality standards.

The major issues and problems related to the introduction of the TPLMS are as follows: First, there are some insufficient information such as water flow data, water quality data, unidentified delivery path. Second, The ratio of point source pollution is 62.6% ~ 78.3% in Korea, indicating that a counter plan to reduce point source pollution is an essential prerequisite. A similar system in the United States, the Total Maximum Daily Loads (TMDL), which focus on non-point source pollution control contrary to our approach. Third, side effects on regional economy are not sufficiently considered before the TPLMS is introduced. Forth, there are insufficient experts to implement the TPLMS in local governments.

### TPLMS Improves Water Quality

The TPLMS is introduced in order to overcome the limit of the current pollution control system to regulate the concentration of pollutants. As for point

source pollution, although individual pollutants are discharged within the criteria of the maximum allowance of discharge load, the total pollution load is increased since the number of pollution sources is increasing due to population increase and the establishment and enlargement of factories. In this regard, the TPLMS forces local governments to control the total pollution load within the scope of the environmental capacity. In establishing their own target water quality, local governments promote environment-friendly regional development and high quality of water. The necessity to control the discharge load from non-point source pollution is attributable to the introduction of the TPLMS system.

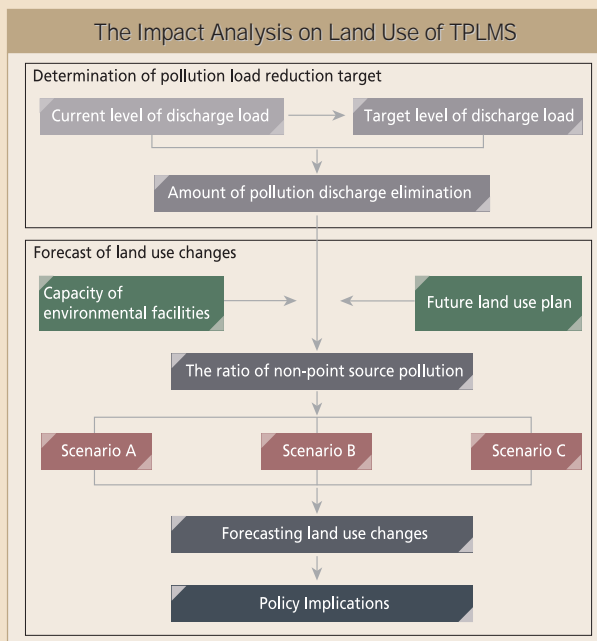
### Impacts on the Manufacturing Industry

For analyzing the impacts on a local Gross Regional Domestic Product (GRDP) in the case where the regulation of water quality is reinforced by the TPLMS, a regional macro-economic model, which was composed of the production sector, employment sector and environment sector, was established.

The following table shows the result of an analysis of the manufacturing industry in the Daegu metropolitan area that will be affected by the execution of the TPLMS. In the case that the regulated level of water quality is consistently retained at the level of the year 2002, the total regional production is forecasted to increase by an annual average of 3.48% for the next three years. However, if the wastewater treatment volume should be elevated by 2% every year by fortifying the regulation of water quality, the growth rate of the total regional production would be a little bit lowered, and it is estimated to reach an annual average of 3.17%. In the case of the wastewater treatment volume being forced to

Effect of Water Quality Regulation (During 2003 ~ 2006, annual average rate)

Classification	Wastewater treatment volume			
	No increase	2% increase	3% increase	4% increase
Growth rate of the total regional production (%)	3.48	3.17	2.99	2.83



Note) Targeted discharge load of each scenario

A: 7,600kg/day B: 8,600kg/day C: 9,600kg/day

increase by 3% every year, the growth rate of the total regional production lowers to 2.99%.

In summary, if the wastewater treatment volume is reinforced by 1% point more, GRDP is estimated to be reduced to 0.16 ~ 0.18% point.

### Impacts on Land Use

The changes in land use according to the execution of the TPLMS, was analyzed as shown in the following figure. The land use changes were estimated on the basis of the determination of 'pollution load reduction target.' In particular, the 'pollution load reduction target' was determined according to the 'pollution discharge elimination,' which was influenced by the difference between the current level and target level of discharge load.

According to the analysis for Chungju city, Chungcheongbuk-do, the changes in land use were dependent on the portion of load reduction covered by the land system as compared with the pollution load reduction target. In this regard, it is desirable to decide on the portion of load reduction covered by the land system with consideration of future land use plans when local governments establish strategies to

reach the targeted discharge load of a region. For example, in case that at least 50% of land, which is demanded according to land use patterns, should be provided and over 20% of the discharge load should be covered by the land system, the Chungju city government cannot meet the demand for land use.

### Suggestions and Policy Implications

The government needs to develop a uniform, consistent approach to ambient monitoring and data collection across water basins. Limited budgets make it difficult to monitor all waters. The government should endorse statistical approaches to defining all waters, proper monitoring design, data analysis, and impairment assessment. Monitoring and data collection programs need to be coordinated with anticipated water quality and the TPLMS modeling requirement. Both the central and local governments need to foster experts related to the TPLMS.

If the administrative burden in carrying out the TPLMS is increased, we need to introduce a pollution trading system for more efficient administration. Also, more flexible application and schedule adjustment of TPLMS are necessary through a more comprehensive and quantified analysis of regional economic impact of the TPLMS.

In case of the establishment of the TPLMS plan, the discharge load reduction of non-point source pollution should be determined in consideration of the future land use as suggested in this article.

Likewise, the pollution management is closely related to the land use of a basin and the local economy and is not limited to the management of a river. Thus, only when it is treated from a comprehensive perspective, the goal of the improvement of water quality is expected to be achieved. When a master plan for the total pollution load management is established by local governments, the following aspects should be comprehensively reviewed: the effects of the expansion of point source pollution treatment on the finance of local governments; the influence on the regional manufacturing industry; and the future land use including the basic urban plans.

## URBAN PLANNING DECISION AND SOCIAL JUSTICE

### Obsolete Urban Planning System Despite Changes in Social Structure

For the past approximately 40 years since the Urban Planning Law was enacted in 1962, the social structure has substantially changed to respect each individual's freedom and equal rights from putting the national benefits first. However, the urban planning system has shown various problems without achieving developments equivalent to changes in the social structure.

Therefore, it is imperative to endeavor to solve problems so that the structure of a society that determines the urban comprehensive plan and urban management plan - namely, the basic structure to decide upon urban plans - can correspond to the social development. It is also important to make efforts to utilize the urban planning system as a necessary and valuable system for our society.

Consequently, it is meaningful to diagnose and clarify the problems in the urban planning decision structure under the current urban planning system in accordance with John Rawls' *A Theory of Justice*, and to search for a desirable structure to produce corresponding urban plans. In addition, tasks to exercise must be proposed to suggest a direction of development and improve the system through theoretical and positive research. During this process, it is also significant to find a plan to widely educate the general public and form the national consensus on the necessity to improve the system by emphasizing the structural problems in decision-making of urban plans.

### Urban Planning Decision-making Structure Based on Social Justice

Similarly to the basic structure of a society, the basic structure of urban planning decision-making requires principles to consider various conflicting issues in balance. Rawls provides theoretical clues to the principles of the basic social structure. He argues that the basic social structure needs three major principles: the impartial liberty principle; the fair equal opportunity principle; and the difference principle, which are mentioned in order of priority. Comparing

the basic structure of our society with the decision-making structure of the urban planning, we searched for the applicability of these principles. On the premise that Rawls' original position and veil of ignorance are implemented, the parties participating in establishing the principles need to maintain innocence not to figure out their own advantages and disadvantages, assuming that the urban planning decision-making structure is not confirmed yet.

### Analysis of Problems and Plans to Establish Urban Planning Decision-making Structure

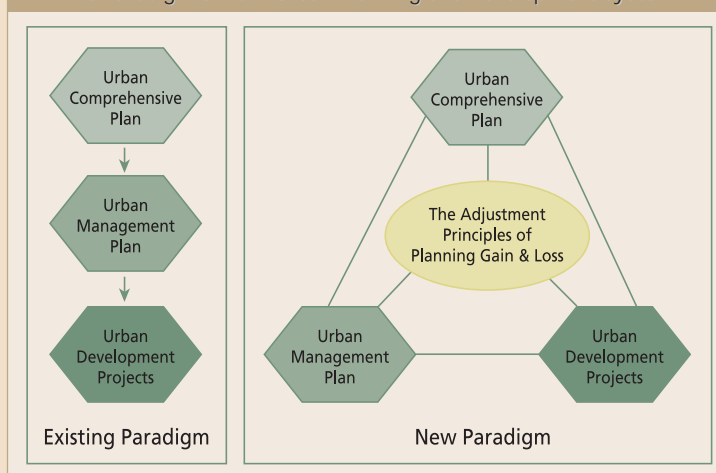
According to the principles of the urban planning decision-making structure established according to the theory of Rawls, we diagnosed the current urban planning decision-making structure in Korea, and analyzed the problems. Our analysis focused on: organization of the urban planning system and connection between the plans, which are established from the standpoint of the principles of the urban planning decision-making structure; maintenance of balance in splitting benefits from the urban planning decision effects; and upkeep of openness and fairness during the planning process.

Based on the problems in Korea's urban planning decision-making structure, we established the following plans to establish the urban planning decision-making structure in accordance with the aforementioned theory of justice.

First, the basic urban planning system must be able to recover the original function and heighten functions of the urban management plan as the land utilization & management means in order to organize the urban planning system and connect the plans. Accordingly, the paradigm of the urban planning system must change to the triangle that mutually connects these three elements on equal terms. By newly setting up a baseline at the center of the new paradigm, the government must minimize occurrence of contingent profits, and guarantee the deliberate development.

Furthermore, the urban comprehensive plan must make efforts to set up long-term objectives to develop a city and link to other plans by evolving beyond

The Paradigm Shift in Urban Planning and Development System



the plan focusing on documents and suggesting a blueprint restricted by the urban management plan in order to play the role of boosting the quality of life as the long-term plan on the city space and physical environment. The urban management plan must be also improved to operate the target region system and district unit plan - which are the core elements of the plan - in a mutually supportive relationship. Changes in the target regions and district unit plans should not be based on the urban comprehensive plan, but carried out by deliberation of the local autonomy, residents, land owners and developers upon the development plan contents and project execution conditions if an urban development project was scheduled.

Second, provided that the operation system of the urban management plan prevents occurrence of contingent profits, the government needs to redefine the standards for the regulations on land utilization in order to boost the balance of benefits from the urban planning decisions. The government needs to lower or reinforce the floor area ratio specified under local ordinances in the existing cities or counties, and establish the standards to effectively control construction activities in order to encourage planned consolidation. In addition, standards to manage land utilization are required in the non-urbanized mountainous and agricultural areas to prevent troublesome small-scaled developments and maintain the natural and suburban environment until the planned development is undertaken.

Third, the government must build a system to simultaneously develop the open and fair planning

process, and produce substantial participation of the residents. To do so, the government needs to prepare fair and equal opportunities for the general citizens and parties interested first in order for everybody to take part in the process as an open participant and state diverse opinions in the prepared space. Furthermore, the government must create atmosphere that allows the residents to voluntarily partake in the official or unofficial forums before the lawful urban plans, etc. are carried out. Meanwhile, the government should reinforce the procedural regulations to strengthen the opinion collection

process in the beginning of the planning stage, enhance the public hearing & public display program, and implement the public inquiry system in order for the citizens and parties interested to obtain equal opportunities and fairly participate in the project. In addition, the government must also define the role of relevant agencies such as the urban planning divisions within the local autonomy, local committees, Urban Planning Standing Committee, and Urban Planning Committee, which are participating in the urban planning process.

### Policy Proposal

Above all, the government should prepare the systematic devices as soon as possible in order to solve the problems in the current urban planning decision-making process with respect to the transfer of the right to approve the urban comprehensive plan, which should come to effect in the near future. Simultaneously, it is imperative to continuously improve systems related to elevating the land utilization & management function of the urban management plan, and preventing contingent profits from occurring due to urban planning decisions over the long term.

We expect more detailed and specific research projects to be conducted in the future to develop the urban planning decision process of Korea earlier.

## KOREA-UK WORKSHOP HELD TO DISCUSS NEW DIRECTIONS FOR URBAN SQUATTER POLICIES

For decades, Korean housing policies focused on the supply side while the demand side was largely ignored. This general principle included low-income housing policies, as well as the squatter policy. The Urban Housing Renewal Program has been the main source of housing supply in large metropolitan areas, and most original residents have been replaced by middle-income people. In Britain, at one time, progressive social housing policies were prevalent for example, Britain has extensive policy experience with unfit housing and urban deprived areas, and its concept of a "fitness standard" has been applied to define substandard housing in many countries, including the United States and Korea. Now, however, a large portion of social units in Britain is privatized.

A workshop on the urban squatter policies in the UK and Korea was held November 30 ~ December 1, 2004, in KRIHS, Korea as a part of a cooperative research project between the two countries. This was the fourth and final workshop in a series in which scholars and government officials of Korea and the UK discussed the process of redevelopment projects, success-case studies of regeneration programs, and future developmental housing policies. The primary purpose of the workshop was to find a more effective and realistic direction for re-housing policies aimed at native residents in redevelopment areas. Participants presented eight papers, four from Korean participants and other four from British partners. Two papers overviewed the British and Korean policies and programs, while the remainder dealt with specific aspects of the programs that had not been introduced in previous workshops. Governance of housing renewal and urban regeneration was extensively analyzed in several papers, and the partnership between local authorities and local private corporations, local banks, CBOs, NGOs, and residents was discussed with case examples.

### Estate Regeneration in Lee Bank, Birmingham

The regeneration of a group of council estates

in the City of Birmingham was presented. The sale of council houses to sitting tenants led to the 'revisualization' of the council housing sector. The area was in poor condition and had social and economic problems. When one funding program, the Estates Action Program, local residents demanded the council find a way to continue improving their housing. Working with the residents, the city applied for a grant under the new Estates Renewal Challenge Fund. It intended to achieve regeneration in big, run-down local authority estates. A social and economic program for the area deals with employment, community enterprise, crime and community safety, education, health and family support, young people, empowering communities and the arts.

### Emergence of Planned Development in Urban Renewal from Piecemeal to Comprehensive Planning

The circumstances contributed to the failure and success of urban residential redevelopment programs were investigated. It pays more attention to the historical development, financial strategy, payment body, and protection of low-income households. Emergence of new renewal policies targeting planned development in urban residential renewal is discussed. It enables us to show that planning in renewal is essential to the sustainable living of urban residents.

The 4th Korea - UK Workshop on Urban Squatter Policies





### **Roles of NGOs in Squatter Redevelopment : Korean Cases**

Two cases to present how NGOs influence squatter redevelopment in Korea were examined. The examination shows that there are some differences between national NGOs and CBOs. National NGOs are contributing to the reform of the institutional system of squatter redevelopment and concern the reform of the whole institutional and social system. On the other hand, the CBOs have had initiative in the whole process of redevelopment in the area. They act for the interests of the majority or the mainstream faction of residents. Therefore, there is a need to study the possibility of cooperation between CBOs and national NGOs.

### **Governance as a New Model Maintenance of Residential Area**

For new MRI, coordination of players such as the central government, local governments, residents, civil organization is necessary. The central government provides funds through the MRI Fund, which is managed by them. Local governments plan, adjust and manage local MRI initiatives. They adjust the relations of various interested parties, and ensures that the development by land plot and business area is pursued within the context of the consistent blueprint of the city.

Residents should play the role of the leader taking responsibility for the issues of the neighborhood. The neighborhood's responsibility for the local issues should be emphasized. Nonprofit organizations should access MRI as a whole urban environment as well as from resident's standpoints. Cooperation between different players is the most important factors in governance.

### **Nonprofit Organizations and Housing Rights in Urban Redevelopment in South Korea**

Profit motive would challenge or overcome motivation for building community. This indicates that the legal framework should design a win-win situation where the benefits of local community can be enhanced in the project at the same time that participants are protected against loss. Local community and housing rights have value for the common good but their benefits are not as apparent to individual res-

idents as expectations of profit. Therefore it will be necessary to have specially trained persons, such as community organizers or community welfare workers, to aid in communications, information dispersal, education programs, consensus formation strategies and the like.

### **Private Sector Housing Renewal in England and Wales: The Impact of Changing Legislation**

In England and Wales, a new national standard for houses in the private sector, the 'Decent Homes' is introduced by government legislation in 2002. A major change is the adoption of financial assistance in the form of loans rather than grants and this is proving a major challenge to local authorities. However increasing private finance is proving problematic as major private sector lenders (the banks and building societies) are reluctant to engage with local authorities. What they tend to underscore is that local policies are appropriate for local circumstances and sustainable home-ownership for low-income homeowners continues to require government support in order to sustain standards.

### **Housing Market Renewal : A New Approach to Housing Renewal in UK**

The development of a new, large scale, strategic approach to restructure housing markets in the North and Midlands regions of England was examined. In the mid-1990s, housing markets in many inner urban areas of England northern cities began to fail. Housing market renewal (HMR) funding began in 2003 to provide resources to the areas experiencing both the most intensive problems of market failure and at risk of this continuing unabated without rapid intervention. Specifically established multi-agency boards overseen by the central government manage the program. Regional governments work with the pathfinders to ensure that their work fits in with broader local economic, planning, neighborhood renewal and housing strategies.

Rearranged from the final report of  
the 4th Korea-UK Workshop on  
Urban Squatter Policies by

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## International Cooperation

*During the year of 2004, KRIHS conducted two international training programs to provide Korea's development experience and technology to developing countries in collaboration with the KOICA (Korea International Cooperation Agency). KRIHS invited government officials, policy makers and researchers of developing countries to Korea for training programs, which play a dominant role in supporting human resources development and sharing experience and knowledge with them.*

### Urban Development Policy for Iraqi Officials

KRIHS organized a tailor-made workshop for Iraqi officials on the Korean experiences in urban development to be held during October 13 ~ 26, 2004 for 14 days. Total 20 officials of the Iraqi government were invited for this program. Through this program, KRIHS made every effort to contribute to the early reconstruction and stabilization of Iraq and deepen cooperative relations between the two countries.

The curriculum consisted of lectures on assorted subjects such as economic development after the Korean War; balanced national development policies; urban and spatial planning system; housing policies and programs; national geographic information system and applications; and national transportation system and infrastructure facility development in Korea. In particular, infrastructure specialists from the World Bank were invited to give lectures on Korean PPI (Private Participation in Investment) Experiences: Its implications to developing countries.

Through this program, participants were able to better understand the new town development policies of Korea and discuss on strategies for further urban development.

### Korea-Singapore TCTP on Urban Transport Planning and Design

Based on the Memorandum of Understanding (MOU) for the Third Country Training Program (TCTP) signed between the Korea International Cooperation Agency (KOICA), the Republic of Korea and the Technical Cooperation Directorate, Ministry of Foreign Affairs (TCD, MFA), Republic of Singapore in November 1993, KRIHS



organized this workshop in collaboration with the National University of Singapore.

This training program was designed to provide the participants with experiences and policies of both Korea and Singapore in urban transport planning and design so that they might contribute to the urban transport system and institution for their own countries.

It consisted of four lectures on urban transport system; urban transport demand forecast and management; information transport system; and the bus system in Seoul. And the participants had a ride on the Korea Train Express (KTX) from Seoul to Daegu.

By sharing with developing countries in Asia, the experiences and knowledge in urban transportation planning, transportation demand management and the recent intelligent transportation system (ITS) implemented as a means to resolve urban transportation problem, this course aimed to assist the developing countries in preparing their own solutions to urban transportation problems and establishing future policy measures.

Furthermore, by searching for answers to problems of urban transportation of developing countries through sharing and discussing related issues, Korea will gain firmer standing and mutual cooperation between the two countries.

# NEWS & ANNOUNCEMENTS

**Korea-Japan Joint Seminar on New Paradigm of National and Regional Development** with the Opening of High Speed Rail of Korea was organized by KRIHS in collaboration with the Nomura Research Institute (NRI), Japan on July 7, 2004 at the KRIHS Hall, Anyang. Dr. Nam-Geon Cho from KRIHS gave a presentation on the regional development directions in the era of the High Speed Rail and Dr. Yamada Hideyuki from NRI showed the experience of Japan with the theme of the National and Regional Impact with the Opening of Shinkansen.

**The GIS Research Center** hosted the 9th International Seminar on Emergency and Disaster Response with GIS at the COEX Grandballroom, Seoul during 8 ~ 9 September, 2004. After the keynote speeches by Mr. Michael Batty, Director of the University of London, UK and Mr. Jae-Joon Lee, Director of the National Institute for Disaster Prevention, Korea, distinguished experts from Korea, UK, USA, the Netherlands, Australia, and Japan gave valuable presentations and shared their precious opinions during two days.

**The Land and Housing Research Division** hosted the International Seminar on Transparency & Efficiency at the KRIHS Hall, Anyang on October 1, 2004. Dr. John L. Glascock from the University of Cambridge, UK gave a presentation with the theme

of REITs and the quest for improved transparency and proficiency in public real estate markets, and Dr. Kyung-Hwan Sohn from KRIHS discussed current issues of real estate market and policy directions in Korea. After the presentations, scholars and experts from related institutes and universities participated in a discussion to exchange their opinions.

**The International Workshop on National Territorial Planning** was organized by KRIHS on November 16, 2004, which was supported by the Ministry of Construction and Transportation. This workshop was designed for comparing East Asian and West European experiences from Korea, Japan, France and the Netherlands. With the lectures by experts from the four countries, successive discussion sessions were given.

**The Korea Spatial Planning Review**, an academic journal published by KRIHS, became registered in December 2004, with the Korea Research Foundation (KRF), which is a national organization that provides support for research activities in Korea. The KRF registered journals are selected as a result of the Academic Journal Evaluation Program of KRF. Provided grants for publication of outstanding domestic academic journals, KRIHS is expected to promote academic activities and enhance the quality of 'The Korea Spatial Planning Review.'

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