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Running a Committee for Conflict Mediation in Public Projects

These days, the focus in conflict management in the public sector is gradually moving away from conflict resolution towards conflict prevention. Along with this, various alternatives to conflict resolution have been introduced as the spreading of information has accelerated, and private participation has been on the rise since the late 1980's. The social conflicts related to public projects are occurring in a more organized and repeated manner entering 2000. Under this background, the enactment of the Framework Act on Conflict Management for Public Agencies is being promoted, in order to institutionalize conflict management. It is expected that, based on this, prevention and resolution of conflicts will be effectively managed.

In an attempt to explore ways to resolve conflicts, we have run a Committee for Conflict Mediation for conflict management. To be specific, we have selected several pilot projects that are related to transportation and construction, in order to develop conflict resolution procedures in regards of various national projects such as infrastructure projects and rental housing construction. The conflict management procedures stipulated in the above Act have been applied to these projects, and the results analyzed through the Committee for Conflict Mediation.

The key success factors of the committee-running based on the pilot project are closely related to mediation timing and process, problem resolution process, and process of reaching an agreement. That is, the critical implications of the experience are, the early response to the conflict, flexible response by the committee, maintaining objectivity, and understanding of the characteristics of public policies and projects.

Overview of conflict mediation

Conflict mediation is a method to resolve conflicts by reaching agreement through the mediation of a third party, objective and neutral, when conflict prevention or resolution between the concerned stakeholders has failed. Going to court for resolution is time-consuming and costs a lot of money while it does not produce any constructive or win-win results, and conflict mediation is designed to overcome these drawbacks. In this, a third party gets involved to facilitate communication between concerned parties, and help reach an agreement. In general, the involvement is at the request of the concerned parties or the third party's voluntary offer.

The body for conflict mediation should be constituted in such a manner that objectivity, impartiality and transparency can be guaranteed, based on the both parties' agreement. It pursues cooperative negotiation, aiming at mutual benefits of all the interested parties. The stakeholders of the project concerned should participate in the Committee for Mediation, each of them sending their representatives. The public authorities, concerned direct or indirect, also participate to a proper degree.

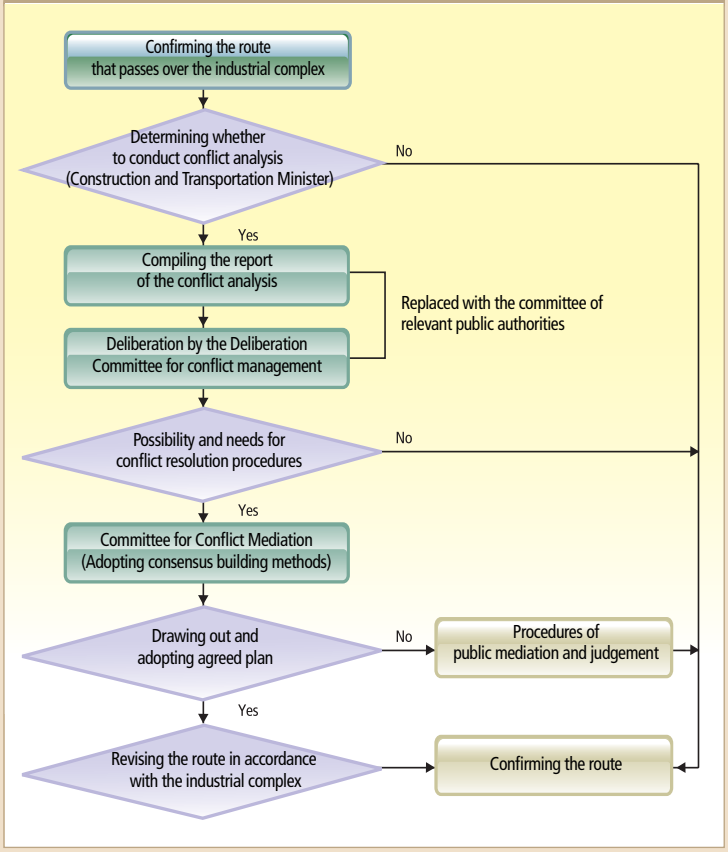
Review of the conflicts in the pilot project

The pilot project selected for the experiment is the construction of the 83.5km multi-lined railway between Ulsan and Pohang, which will replace the existing single-line Southeast Coastal Line. The construction is expected to expand the beneficiary areas

of the Kyungbu High-speed Railway, facilitate travel of the residents, establish a basis for the link with the railways in North Korea, and further, those in the Eurasian continent, etc.

The conflicts in this project were triggered by the businesses within the Ulsan National Industrial Complex when the planned line was announced publicly to overpass the complex. The companies at the complex requested the route be changed citing the deterioration of the work environment and adverse effect on their activities arising from the expected railway noise and vibration, while the developer, or the Korea Rail Network Authority, took its position not to make any change to the shape of the line or the route. None of the negotiations between the two parties, meeting of all the concerned public authorities, or the Ombudsman of Korea could find a solution.

Conflict management through mediation for the selected project



Committee for Mediation for conflict management

The Committee for Mediation for the pilot project adopted the conflict management procedures stipulated in the Framework Act on Conflict Management for Public Agencies. During the three-round meetings for conflict mediation, they carried out a review on the technical and economic problems of various alternatives, and tried to find ways to minimize adverse effects on companies within the complex, continuing negotiations and adjustments through small-group discussions and informal meetings. It finally succeeded in eliciting a consensus that they will make a change to the route considering the technical and economic feasibility of the original plan and alternative route, degree and scale of the conflict, expected damage to the companies and technical problems.

Success factors of the conflict mediation and its implications

The conditions for the consensus building were favorable: various alternative routes to select from were available, which provided a wide assortment of options for the companies within the complex, and this has helped to reach a win-win negotiation; the conflict structure involving the stakeholders and concerned issues was fully understood through the meetings of relevant agencies in advance; a flexible conflict handling by the main developer of the project was helpful; and the companies within the industrial complex recognized the need for the national project.

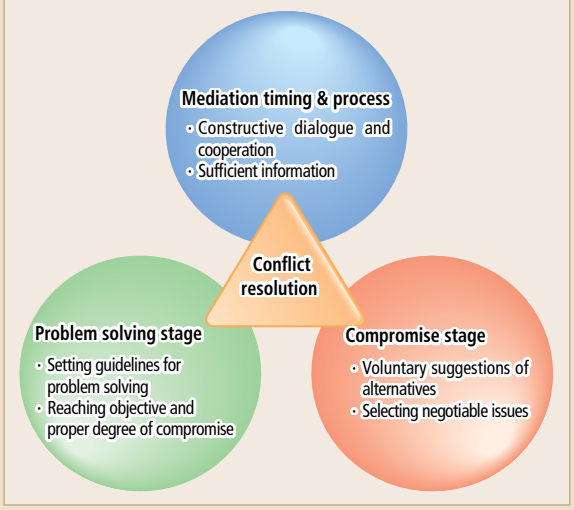
Major success factors of the committee running were firstly, the proper timing of the mediation - it was before the conflict developed into a severe stage, and this made it possible to effectively apply the conflict management process and solve the problem with constructive dialogue and cooperation. Mutual trust was another factor which was established with sufficient information provided in advance. Secondly, the committee avoided unreasonable compromise on the issues. Instead, all the concerned parties were involved in setting the guidelines for the resolution, and elicited a proper degree of compromise based on

the objective data recognized by both the parties. Lastly, in the course of reaching the agreement, the concerned parties themselves became involved in the discussion, voluntarily provided alternatives that were based on reasonable criteria and grounds, and solved problems that were, first of all, more likely to reach an agreement. This helped heighten the possibility of compromise, and build mutual trust.

There were several problems raised in the course of the mediation, however. In particular, the limited understanding on the technical issues of the general public, and worries and distrust on the results of the simulation of the environmental problems were significant. The stakeholders vary depending on the alternative routes, which arises from the inherent nature of the conflict on the route, and the conflict may increase anytime when the other party makes a complaint after the route is altered. Also, at the early stage of the meeting, there was a skeptical view on the mediation committee, regarding it as a simple rite of passage to confirmation on the route set in the original master plan. This created difficulties with the discussion.

However, the experience of the successful committee running, the first time that it was adopted for conflict resolution in public projects, was so successful that the establishment of a brand-new system and institutions for reasonably managing public conflicts may be accelerated in the future. In addition, a model has been drawn up that can be adopted when trying to reduce conflicts at times of enacting and revising laws and regulations related to public projects. In brief, the experience constitutes a successful case proving conflicts in public projects can be resolved effectively with the participation of the concerned parties and productive discussions arranged by a neutral third party.

Success factors of conflict resolution



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Making Cities Livable

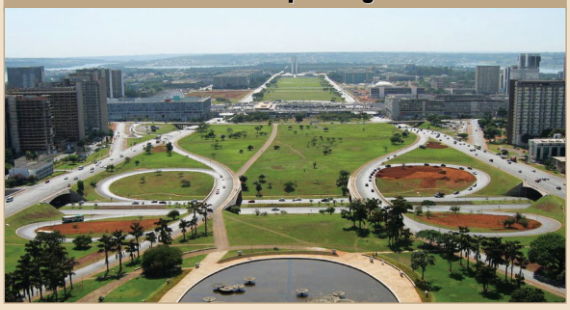
Concept: the Livable City

The dictionary defines the Livable City as "a city where a person wishes to settle and lead a life", and the Livable City is a city created from the perspective of the inhabitant. A Livable City may refer to either the entire city or individual places within the city, and what constitutes a Livable City includes immaterial factors such as sense of community, social welfare and culture, as well as physical factors.

City-making that is focused on the inhabitant was initiated in the 1960's while criticizing and complementing the existing paradigm of urban planning. The two mainstreams of the existing paradigm are the 'Garden City' of Ebenezer Howard, and 'Skyscrapers in the Park' of Le Corbusier. The former has been criticized for the environmental degradation resulting from residential sprawl into suburban areas, the consequent traffic congestion and waste of energy, and ignorance to the vitality of a city of pedestrians, with the latter blamed for its bias towards the functional aspect of a city considering people simply as physiological and functional being. In the 1960's, Jane Jacobs stressed again the urban planning from the inhabitant's perspective, and Paul Davidoff promoted advocacy planning as an urban planning activity that is based on the position of the inhabitant.

Housing sprawl into suburban areas

Functionalist urban planning of Brasilia



Trends abroad

The reflection on the paradigm of the modern urban planning in the 1960's has developed into a movement of residents as inhabitants participating in urban planning in the UK, US and Japan. Based on this achievement, the UK in the 1990's carried out the Urban Village movement, with the government establishing a policy named "Living Places: Cleaner, Safer, Greener (2002)". It aimed at cleaner, safer and greener living places with the focus put on public spaces. Under the Clinton administration in the US, the 'Livable Community' creating was one of its policy directions. The cities in Washington State including Seattle are actively promoting city-making on a neighborhood basis. Relevant divisions have been installed, funds for supporting the activities raised, and neighborhood planning established separately from the urban master plan, where the residents take the leading role.

In Japan in the 1960's, campaigns were actively spearheaded by residents for preventing pollution, which were coupled with the high economic growth, and for protecting the living environment. Under this background, in the 1970's innovative municipalities appeared in large numbers, renovating the regional administration from the inhabitant's perspective, and promoting city-making in full scale. With the introduction of the District Planning System in 1980, the ordinances for residents-participating city-making were actively enacted in many municipal governments, through which the council system was established that involves both communities and local government administrations.

Along with this, a planning-oriented system was established, and people's opinion had become much more reflective upon the decision-making for urban planning. Administrative branches of City Hall were set up to become closer to the residents, and institutions were prepared to finance the city-making activities, install the town-making centers and dispatch experts. The non-profit organizations in the third sector also have been vigorously participating.

Livable City in the country

In advanced countries, the new paradigm of city-making, or making cities livable has been suggested since the 1960's, followed by various new theories and policies for urban planning. In the 1960's in the country however, the trend could not be reflective upon the urban planning amid industrialization and urbanization in full swing in the 1960's to 1980's. Entering 2000, with democratization further advanced, the full-fledged implementation of local autonomy was realized. With the Gross National Income per capita reaching $20,000, and urbanization rate amounting to 90%, people's expectation for quality of living space has become very high. In other words, people's demands for city-making from the inhabitant's perspective are growing at the moment.

The movement for city-making from the perspective of the inhabitant, while at the early stage, has

Residents-led commercial district refurbishing: Bupyeong, Incheon

been promoted by people and groups interested in some areas since the mid-1990's. For example, people of Samduk-dong in Daegu City have initiated the 'alley community' movement, and those of Munhwa-dong, Buk-gu of Gwangju City have been promoting a village with poetry and art while they have just started to build a sense of community. The Bupyeong Market of Incheon City which the residents voluntarily maintained to create a shopping mall, and the Anyang Stream transformed into a water-friendly eco-space are some of the examples. These show that we are now on the way towards the Livable City. In addition, the restoration of the Cheonggye Stream of Seoul, and Seoul City Hall Square which has turned into a public space recently, were widely welcomed by the people and this indicates that the social significance of these activities is huge.

The government has started to support the efforts to make cities livable since 2006, with several ministries participating, and Presidential Committee for Balanced National Development taking charge. Making cities livable, of which the Construction and Transportation Ministry is in charge, is a policy goal of 2007, and its major goals are to promote the following two types of pilot projects: selecting and supporting projects for town-making within the city, and projects for developing characteristics of or improving the entire city. Along with these projects, related policies and institutional improvements are planned to be explored and promoted.

Seoul City Hall Square transformed into a pubic space

Restored Cheonggye Stream

Issues in the Livable City

Considering that city-making from the inhabitant's perspective is now essential for the country, policies for making cities livable should be prepared over a long period, and approached in a systematic way. Despite that, however, it is still necessary to promote urban policies that take account of the structure and functions of the entire city. What is important is that it must be promoted while keeping in mind city-making from the inhabitant's perspective.

To this end, some issues concerning the policy directions and system improvement should be addressed as follows: firstly, the urban policies, or the administrative practices of local governments should be changed to reflect the inhabitants' views and opinions. In other words, the community administration should be put in the center of government administration. The public workers in the relevant field should understand further the concept. In addition, they have to support experts' activities and provide organizational and financial aid. Secondly, it is crucial to refurbish the urban planning laws and regulations at the national level in terms of the Livable City. The current top-down system of urban planning based on spatial hierarchy should be reformed towards a bottom-up approach. In order to accommodate various activities of different sectors which are intended to create spaces of different themes, it is necessary to relate the activities of master plans to those of sectoral plans. The statutory hierarchical urban planning system of urban master plan, urban management plan and urban development projects should be complemented so that each element can function properly under a horizontal triangle paradigm. Lastly, in order to stop people from moving out of their community against their will due to social and structural reasons, both the central and local governments should collaborate and try to supply affordable housing and stabilize the land price to stabilize housing.

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Division of the Management Zone for Planned Management of the Land

Current status of the Management Zone division

The Act on Planning and Use of National Territory (2002) has helped integrate the Semi-urban and Semi-agricultural Zone, which had been the cause of social problems under unplanned development, into the Management Zone. It stipulates that the Management Zone be divided into Planned Development Zone, Agricultural Zone and Conservation Zone after going through the Land Suitability Assessment (LSA). The LSA evaluates a land upon its physical and locational features, categorizing the land into five classes: Class 1 land requires conservation most, and Class 5 land is most suitable for development. Under the above Act, the capital area, metropolitan cities, and cities and Guns neighboring metropolitan cities should complete the division by 2005, and the other areas by 2007.

Most of the 48 cities and Guns that must conclude the division by the end of 2005 have completed the LSA; however, their performance on the division of their Management Zone is not satisfactory. As for Gyeonggi-do, all of the 17 cities and Guns completed the LSA as of July 2006; however, their plans for urban management, which will be utilized for the Management Zone division, are under preparation. Only five cities and Guns of them have been requested of the approval of the division so far.

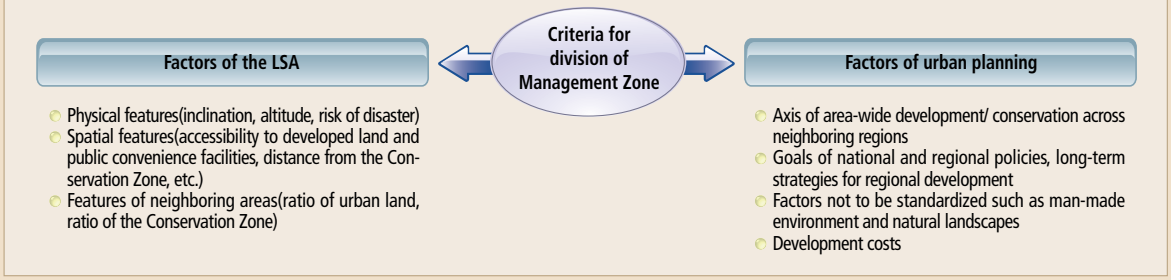
The basic purpose of the Management Zone division is to enhance the actual effectiveness of development and conservation, by dividing Management Zones into developable and conservation areas from the urban planning perspective and under the urban management plan. However, the methods currently used for the division of the Management Zone in cities and Guns are directed to maximizing the ratio of the Planned Development Zone in order to minimize public complaints, and this has led to degradation in the effectiveness of the division of the Management Zone.

In other words, since many regions want to designate as much as 50 to 70% of the Management Zone as Planned Development Zone, too much area is exposed to the risk of being designated as Planned Development Zone that does not have the subsequent demand for development into urban land. This is expected to significantly reduce the effect of the measures that are aimed at preventing unplanned development in non-urban areas. Under the Fourth Comprehensive National Territorial Plan, the demand for urban land by 2020 is some 3,800km^2 while the total area of the Management Zone amounts to some 26,000km^2.

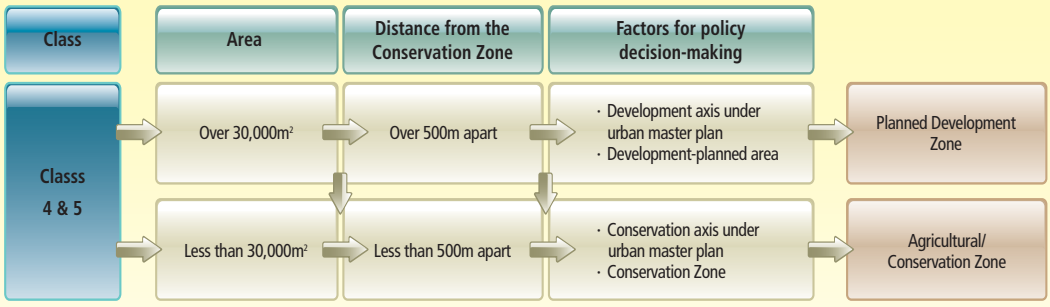
Suggestions for the division of the Management Zone

In order to divide the Management Zone, the methods to designate the Planned Development Zone and Conservation Zone should be reviewed from the urban planning perspective, so that the division can be in line with the purpose of the Act on Planning and Use of National Territory whose goal is the "Planned management of the national territory". For this, the Planned Development Zone should be

Factors of the criteria for division of the Management Zone



Examples of the criteria for division of Class 4 & 5 land

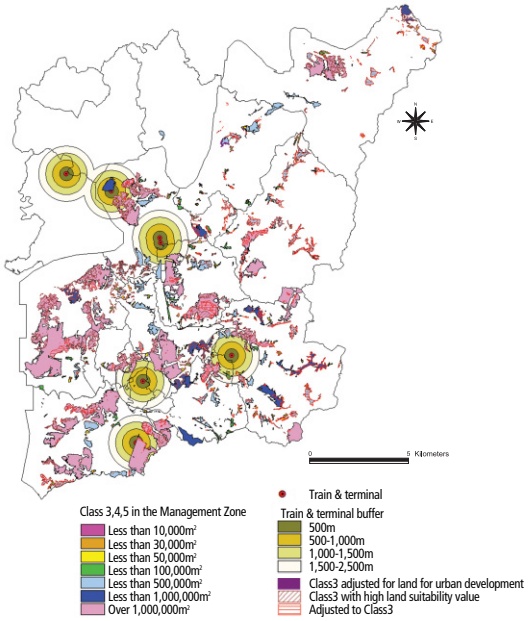


defined in the way in which the following area can be designated as Planned Development Zone: an area where the cluster of the land suitable for development, or Class 4 and 5 land, is large enough to establish the infrastructure. In other words, it is desirable that, of the areas where the land suitable for development is clustered more than 30,000m², those that can be extended to more than 300,000m² when they are linked to the neighboring areas later, should be preferentially designated as Planned Development Zone.

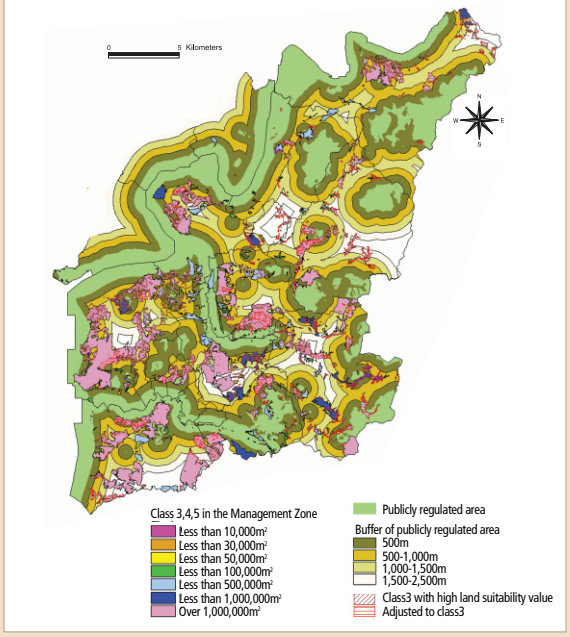
However, the communities of less than 30,000m² in size with little need for development into urban areas later, should be categorized into Agricultural or Conservation Zones. Additionally, the development and conservation areas should be spatially clustered so that the urban growth can be managed in an environment-friendly manner. Such areas that are highly developable into urban areas under the future urban redevelopment plan should be also designated as Planned Development Zone.

The division of the Management Zone should be promoted consistently, and it is necessary to strengthen the institutional basis for the system. For this, firstly, the specific criteria for the division should be set

Class 3 · 4 · 5 land clusters/ Accessibility to public convenience facilities



Distance from publicly regulated areas/ Distribution of the land suitable for development



by city and Gun, and they should be approved under the ordinances of city/ Gun planning, or through the provincial Urban Planning Committee. The criteria for the division of the Management Zone can be specified when they include not only the land class under the LSA, but long-range strategies for regional development, link of development and conservation axes among neighboring cities and Guns, etc. The criteria for the division could be drawn based on the information included in the LSA database such as the distribution of the land classes, size of the Class 4 and 5 land clusters, distance from conservation factors, developable land distribution in the neighborhood, accessibility to arterial roads, and policy considerations.

The above picture shows the results of the analysis of the accessibility to public convenience facilities and distance from the Conservation Zone, which is based on the analysis of Class 3, 4 & 5 land that can be clustered, by utilizing the land classes and LSA database. Once the factors of urban planning are added to this, it will become possible to select areas that are suitable for the Planned Development Zone.

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Policy Suggestions for Recent Flood Disasters

Ewiniar, the third typhoon of the year in July, accompanied by severe rain storms, caused a lot of damage to people and properties nationwide. A succession of heavy rains including a typhoon, or heavy rains from the 8th to 9th, Typhoon Ewiniar on 10th to 12th, more heavy rains from the 11th to 13th, and 14th to 16th of July, left the country with many flood disasters. The damage was severe in regions of the coastal area in the south, southeast part of the country, and northwestern part of Gangwon-do, or Inje and Pyeongchang County, in particular, leaving behind many casualties and inundation of housing and farmlands.

Flood disasters and damage types

The damage caused by the floods this year can be categorized into several types: urban inundation, river overflow, disconnection of expressways and local highways from the collapse of cut slopes, collapse of riverside roads and riverbanks, and disasters in the northwestern part of Gangwon-do.

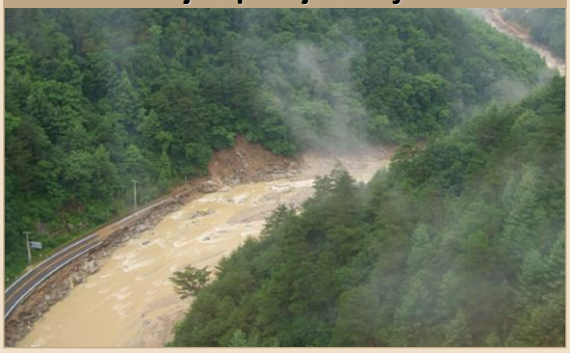
Urban inundation The Il-san New Town has been embanked with earth beyond design flood level of the Han River in 1992 under the development plan. Consequently, there are no low-lying areas in the town, and it could avoid damage from inundation during the floods. However, the neighboring old towns and development sites in them suffered from urban inundation. Clogged storm-water drains resulting from the record heavy rains of 400mm for 12 hours, with 103mm per hour maximum, led to inundation of roads, causing traffic chaos in the area.

River overflow The areas near the lower reaches of the Nam River of Jinju City also suffered from floods, after the riverbanks were washed away, and the river overran. This was because the flow of the Yeongcheon River, a tributary to the Nam, was not smooth after the water was discharged from the Nam River Dam, and the river level rose with the torrential rains. 400 or so houses were flooded in Somu-ree Munsan-eup of Jinju City, with some 1,500 residents emergently evacuated.

Disconnection of expressways and local highways from the collapse of cut slopes The landslides resulted from the collapse of the cut slopes along the Yeongdong Expressway and some local highways swept away the roads, causing disconnection of transportation. Several places were isolated while the rescue work was delayed due to the difficulty in bringing in rescue equipment to the areas.

Collapse of riverside roads and riverbanks The riversides of small rivers and regional rivers collapsed due to the increased water pressure after the torrential rains, causing roads along the riversides to wash away. This phenomenon is easily understood in

County Road No. 5 lost during the floods: Inje-eup in Inje County



Damage from landslides: Yongpyeong-myeon in Pyeongchang County

roads constructed in most of the valleys and mountainous areas of the country. This is because the road is designed without taking into consideration the characteristics of the river.

Disasters in the northwestern part of Gangwon-do

In Inje and Pyeongchang County of Gangwon-do, many casualties and much property damage were incurred in the areas near the river. The sediments and drifting logs from the landslide, along with increased water, ran into the river instantly, resulting in river overflow.

Policy directions to minimize flood disasters

The population density of the country is high. It has many mountainous areas. Heavy rains are highly likely to concentrate on a certain region during monsoon. All these make the absolute prevention of floods in the country unrealistic. Therefore, it is urgent to set policy directions in such a way that human casualties are avoided and flood disasters minimized. Some policy implications can be drawn from the analysis of the disaster types and causes of the damage in recent flood disasters as follows: firstly, the urban areas have a high risk of large-scale casualties and property damage from the inundation caused by the overflow of rivers or internal drainage since population and infrastructure are concentrated.

In order to avoid urban inundation, most of all, various policies should be promoted that are aimed at the construction of a city with sound water circulation. Some of the examples include increasing the permeability and green space to a certain degree; refurbishing urban streams in an environment-friendly manner; restricting behaviors that hinder rainwater infiltration; and installing facilities for rainwater storage and infiltration. In addition, to cope with the strange rainfall arising from climate change, the design standards for the structures such as rivers and streams, banks, sewers, road drainage and buildings should be strengthened. A system should be also set up to make sure residents can be safely evacuated.

Secondly, the disasters from sediment flow tend to be severe in small rivers. Such flow reduces the size of the section for water flow of the river, causing river overflow and floods in the low-lying areas of the neighborhood. To prevent sediment flow, it is necessary to prepare measures that will stop the landslides. To prevent landslides and the consequent log drift, forests should be actively managed, eliminating scrub trees and thinning out the forest. Coupled with this, soil saving dams should be constructed in major valleys, and barrier screens installed in order to control the sediments.

Thirdly, in order to prevent cut slope collapse and the consequent road damage, it is required to systematically manage forests based on the analysis of steep slopes and areas with a high risk of landslide. Facilities for preventing the sediment flow should be installed on the roadsides along steep slopes and areas with a landslide risk. Allowing a certain space between roads and cut slopes can minimize damage to roads even if the facilities collapse. Additionally, by strengthening the design standards for the drainage structure across roads in the mountainous areas, the overflow of the water from the choked drainage, or toe failure should be prevented.

Fourth, the building destruction by the sediment flow, which is mainly responsible for the huge casu-

Houses flooded with river overflow: Jinbu-myeon in Pyeongchang County

alties, originates from land use that does not consider disaster prevention when constructing buildings including houses. Setting up buildings near the foot of a mountain or by cutting the mid-slope of a mountain must be restricted. The buildings should be a certain space apart from the mountainous district, and facilities for preventing sediment flow must be established. For those who have buildings and houses damaged by the sediment flow from the heavy rains and the following landslides, measures should be actively taken for their relocation.

Fifth, the outer side of the meander of a river has a strong stream power and its water level is high. This causes the toe failure of the road due to the erosion and flooding of the banks and roads. The inner side causes delay in flow when water flow is concentrated. This hinders the smooth flow of the water, and causes the river to overflow. It consequently inundates or damages the farmlands and houses near the river. Most of the damage to the road and areas near the river incurred in Pyeongchang and Inje County during the intense rains, occurred near the river meander. Therefore, to the section, more strengthened standards and safety measures should be applied compared to the straight section by specially treating the surface of the bank.

Lastly, measures should be devised to promote policies in an effective manner while complementing and expanding existing relevant policies. If necessary, special Acts should be established so that the policies can be supported by proper legal institutions. Adding to this, a decisive budget investment should be made in order to prevent repeated occurrence of flood disasters, and ensure improved people's safety and quality of life.

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Trends in Transportation Infrastructure Investment: Transition of Investment Policy

The ratio of the national transportation infrastructure (TI) investment to the Gross Domestic Product (GDP) rose significantly from some 2% in the 1970's to 4-5% in the 1990's, while it has been decreasing recently to 3% or so. This includes both the public sector-central government, state-run corporations and local governments- and private investment.

The astonishing increase of investments in the 1990's is attributable to the policy for infrastructure expansion aimed at enhancing national competitiveness after the 1990's, and to the stable financial resources under the Special Transportation Infrastructure Account introduced in 1994. The recent decrease in infrastructure investment is due to the infrastructure budget reduction as the budget for social welfare has been augmented. According to the National Fiscal Management Plan (2005-2009), the increase in the budget for the transportation field will stand at 0.4% annually during the plan period of 2005-2009, with the ratio to the GDP expected to drop further.

Local transportation infrastructure stock level based on the international indicators

As to this trend, some argue that investment has yet to be expanded while others contend such investment as in the past is not necessary citing the accumulation of the infrastructure stock to a specific level. However, it is not easy to decide on the appropriate level of infrastructure stock. Therefore, despite constraints, it can be an alternative to evaluate the TI level of the country comparing it with that of other countries.

The TI level of the country comes in the bracket of middle to low class among the OECD member countries and on the International Institute for Management Development's world competitiveness scoreboard of 60 countries. It is considered that the qualitative aspects of the TI such as service and effectiveness fall short of the level of facilities. As for the road, the country falls into the middle to low class bracket according to the indicators of the level of the facilities. These indicators include the total road length and pavement ratio. And indicators showing the service level such as the death toll from road accidents push the country into the low class bracket. As for railways, ports and airports, while their handling capacities are of middle to high level, their service stands at the middle level. The degree of the effectiveness of the use and management of the infrastructure stock including the efficiency and maintenance of other logistics infrastructure remains at the middle to low level.

Issues in infrastructure investment

It is true that the level of the TI stock of the country is inferior to advanced countries from both the qualitative and quantitative aspects, and that needs to be expanded. However, the priorities should be given to reviewing the past investment policies of the TI, and concerning this, the following problems are being currently raised:

Low effectiveness of investment Despite consistent increases in the TI, the traffic congestion cost, which had increased to an enormous degree over the past years, has been reducing only recently. The scale of the cost is problematic itself; however, what is notable is that, while 60% of the cost was incurred in the roads within metropolitan cities in 2004, most of the road investment is concentrated in regional roads. In addition, while the ratio to the GDP is declining - the calculation is based on the methods used for the macroeconomic logistics cost calculation revised in 2002 - it still exceeds 12%, which is higher than that of Japan and the US, or 8%. It means the competitiveness of the transportation cost per added-value is low.

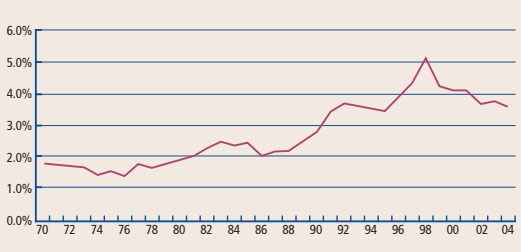
Investment priority-related problems and lack of linkage between transportation facilities The overlapping investment, which arises from the lack of linkage between infrastructure plans or from the investment that is not related to the priorities, is at the center of much of the controversy. However, basically, this is due to the fact that the demand for transportation is less than the supply. The lack of linkage among transportation means, as shown in such cases as the significant drop in the use of regional airports following the opening of highways and High-speed Railways, results in the change in the demand for transportation facilities.

Lack of safety and environment-friendly investment Traffic accidents and the death toll, while on the decline, still tops the OECD members. The insufficient infrastructure investment that is environment-friendly, suspends or delays large scale national projects, causing socio-economic loss and conflicts, and degrading trust in government policies.

Circumstances change and directions to infrastructure investment transition

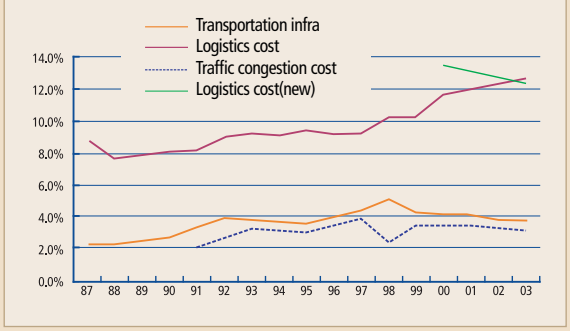
Amid the sluggish corporate investment and unstable employment, the economy is stagnant as a whole with the polarization between businesses and income classes deepening. There is a growing concern over the drop in potential growth rate of the country. At the same time, with the enlarged budget for social welfare, the financial conditions of the infrastructure investment have worsened. In other words, there exist somewhat conflicting social demands of the effective utilization of limited financial resources, and of equal distribution of the investment among regions, to the effect of balanced development of the country, as shown in such cases as investment in

Ratio of transportation infrastructure investment to GDP



Sources: Bank of Korea, 「National Accounts」 & 「National Input-Output Tables」 in each year.

Ratio of infrastructure investment, macroeconomic logistics cost and traffic congestion cost to GDP



Sources: Bank of Korea「National Accounts」& 「National Input-Output Tables」in each year.

infrastructure for underdeveloped regions.

As various social demands such as growth, effectiveness and equity grow, it is required to improve the infrastructure investment both quantitatively and qualitatively at this point; in this vein, the strategies for investment need to be changed as follows; firstly, from quantitative to qualitative investment towards welfare state; secondly, from new to effective investment, expanding investment that is targeted at effective utilization of the infrastructure stock, and moving from intra-region investment to investment in urban areas, and from post restoration investment to prior preventive investment; thirdly, from diversified to concentrated investment towards completion-oriented concentrated investment according to investment priorities-investment effectiveness, regional balanced development, network effect, etc., and timely supply of the infrastructure that supports medium to long-range national development plans such as balanced national development and realization of the logistics hub of Northeast Asia; and lastly, towards investment for regional balanced development in substance that targets at the maximum growth potential of a region. This will be achieved by concentrating on infrastructure investment that is linked to regional industrial policies rather than equity-oriented investment.

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Win-win Cooperation between Korea · China · Japan for Northeast Asian Logistics

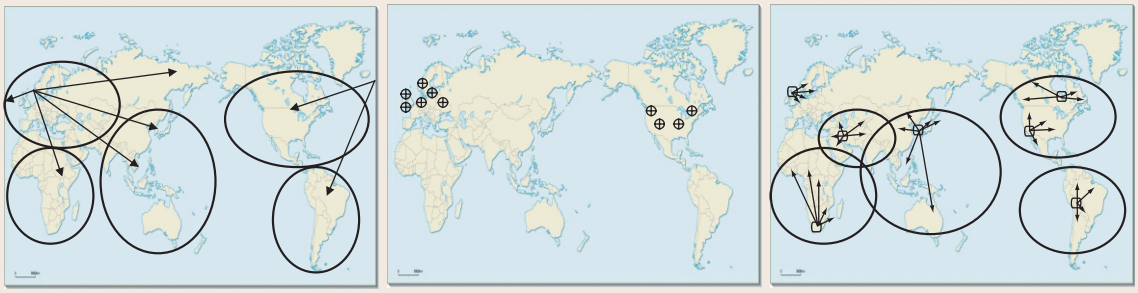
In the era of economic globalization where cooperation among nations are strengthening beyond the corporation level, win-win strategies need to be explored by the three Northeast Asian countries of Korea, China and Japan, for the logistics in the area. They are intended to prepare for the increased demand for trans-shipment of a large-scale hub port, and in trade volume. Some examples of what prevents the three nations from formulating a logistics cluster, and pursuing cooperation in the logistics field, are, the overlapping investments resulting from the separate development of the logistics by the nations; lack of a multi-modal network due to North Korea, or its closed-door policy, and the consequent disconnection of the overland transport network; logistics industry including major ports and logistics facilities not open to foreign investment; and ineffective logistics operation structure present ever due to institutional defects.

Therefore, win-win cooperation for the Northeast Asian logistics can be realized through strategies of firstly, the three nations formulating a logistics cluster, and thereafter strengthening the global network; and secondly, developing infrastructure for the Northeast Asian transport network construction, and promoting the Intermodal, or integration of the transportation equipment. The first priorities to be addressed for the strategies are ministerial-level talks among the three nations; exploration of the 5 to 10-year action plan by constituting the tentatively named ‘Committee for Promotion of Trade and Transport in Northeast Asia’; and sharing and implementing the roles of each nation of the region.

Change in global economy and the logistics environment in Northeast Asia

The global economy is under the influence of multilateralism represented by the WTO, and regional trade agreements. In particular, as multilateralism and

Change in the global logistics system



Phase 1 : Export-centered Logistics (1970's)

Phase 2 : Local Logistics (1980's)

Phase 3 : Hub Logistics (since 1990's)

localization deepen, global linkage among nations is expanding. The Export-centered Logistics System in the 1970's and early 1980's was changed to the 1980's Local Logistics System by nation, which has been transformed into the Hub Logistics System since the 1990's. As such, the global economy is becoming increasingly dependent on each other.

As the global trade and shipment increase, and ship sizes grow, the shipment in Northeast Asia (NEA) is on the rise, with the frequency of large ships calling at the regional ports growing. Keeping pace with the trend of the global hub ports-centered logistics system, and increase in the small to medium-sized feeders, there is a growing need for accelerating large scale ports development and expansion of the transport linkage network. Therefore, in order to cope with the trans-shipment demand of large scale hub ports and shipment increase in NEA, at the national level, the competitiveness of the country should be enhanced through an effective logistics network; and on the part of the shipping company, it must secure the hub ports-centered network. In brief, it is necessary for the three Northeast Asian nations to actively respond to the changing global logistics environment through joint logistics.

Weakness of Northeast Asian logistics and policy implications

There are several obstacles to the development of the Northeast Asian logistics; firstly, overlapping investments are being made in the harbors and ports under the background that each of the three countries of NEA has their own development plan for the logistics.

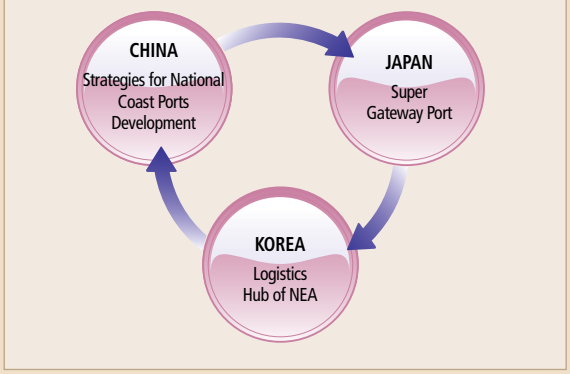
Secondly, the region lacks a multi-modal network. What this means is that under the conditions that the region lacks organic logistics services supported collectively by the three nations, the overland transport network, or roads and railways, is disconnected due to North Korea, and it constitutes a standing obstacle to the construction of the local integrated logistics service in the region. This has led to the degradation in effectiveness resulting from the inactive local logistics hindering the co-development of trade, investment, and logistics industry of the three nations.

Thirdly, the investment policy on the logistics industry is not open enough, making it difficult for foreigners to invest in ports and harbors facilities and logistics facilities due to the restrictions on foreign investment such as investment priorities given to local corporations.

Fourth, inefficient logistics operation is posing another obstacle to the logistics industry. As for Japan, the preliminary consultation procedures of the Council of Shipment, or the compulsory preliminary deliberation one month in advance- is so complex that it creates difficulties in opening new services, increasing the operation frequency of ships, introducing bigger ships, and changing or adding the port of call. In China, the freight handling procedures in the Yangtze region are also complicated, and it is often witnessed that foreign shipping companies suffer from the increase in the cost for inland transport.

In summary, the above-mentioned major obstacles to the logistics in NEA may constitute impediment to the win-win development of the three nations' logistics, none of the three nations gaining benefits from it. Rather, they may commit an error and collapse

Overlap in investment



altogether. Therefore, the three nations should go beyond the policies targeted at the extra-regional logistics as soon as possible, and activate the logistics within the region. It is high time that the three nations should collaborate with each other in order to transform their conditions for competition into a basis for co-existence.

Win-win cooperation for Northeast Asian logistics

The objectives of the win-win cooperation for the Northeast Asian logistics is to strengthen the global network by formulating a Northeast Asian logistics cluster. Through the strengthened physical and human network of NEA, the formulation of the logistics cluster should be initiated. In particular, the Trans-shipment Center of NEA followed by global logistics companies should be introduced to the region, and various support functions and R&D functions should be clustered in the region. Major strategies for achieving the goals are firstly, to coordinate the infrastructure development of the three nations aiming at the construction of the Asian transport network. For instance, such agreements should be concluded as those between governments on the 100km uncompleted section of the Asian Highway Network, and among nations on the missing links of the Trans-Asian Railway Network. In addition, since the linkage through the integrated network of roads, railways, marine transportation and harbors and ports, or intermodal node, provides an opportunity for economic development to inland areas as well as costal regions, a discussion will be required on the cooperation of the three nations for the integrated international transport system.

Prerequisites for the implementation of the above strategies are the ministerial talks in NEA on the logistics cluster formation in the region. At the talks, a declaration may be adopted by ministers related to the Northeast Asian logistics, and win-win cooperation for the major strategies agreed. The tentatively named Committee for Promotion of Trade and Transport in NEA, may be formed, through which action plans of 5 to 10-year period may be explored. The functions and roles of each nation may be determined here also. The participation of interested parties of the three nations, and political support are necessary elements for the success.

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Conditions for competition & strategies for co-existence

	Competition	Co-existence
KOREA	· Locational advantages (Optimal for trans-shipment) · Various feeder networks · Cutting-edge information technology	· Avoiding export-oriented growth, towards win-win development within the region · Avoiding competition & developing complementary relationship utilizing comparative advantage of each nation · Specialized logistics facilities utilizing comparative advantage of each region · Policies needed for expanding mutual benefits of the logistics industries within the region
JAPAN	· Superior technology and abundant capital · Decrease in domestic manufacturing · High logistics cost	
CHINA	· Production increase as global factory · Weak IT infrastructure · Partial oversupply of logistics facilities	

International Cooperation

Delegations from Vietnam and Philippines

On 24 August, the Minister of Construction of Vietnam and his delegation called at KRIHS to learn of the territorial policies and status of the territorial research of the country, and to discuss cooperation between the two countries in the fields of territorial policy research and establishment. As a follow-up visit, the Director General and 12 delegates from the National Institute for Urban and Rural Planning under the Ministry of Construction visited KRIHS on 19 September.

KRIHS greeted another delegation on 1 December from Taguig City of the Philippines; the mayor and his delegation of 14 officials from the city visited KRIHS with aims to learn of Korea's experiences in housing and land supply under the pressure of rapid urban growth.

Joint workshops with China and Japan

The annual joint workshop by KRIHS and College of Southeast Land Management of Zhejiang University in Hangzhou, China was held this year at KRIHS Hall on 26 September, under the title, "Land Policies of Korea and China: Focusing on Macro-economy, Land Market & Land Policies". Eight researchers and experts from both parties presented their papers at the workshop.

The 15th Korea-Japan Construction Economy Workshop was held at Phoenix Park in Pyeongchang from 18 to 20 October. The workshop was co-hosted by KRIHS, Research Institute of Construction and Economy in Japan and Construction and Economy Research Institute of Korea. Both Korea and Japan have mutually promoted their amicable relationships and increased the understanding of construction and economy through this workshop which has been held every year since 1992. The main issues of the workshop this year were a win-win cooperation of the construction industry, multi-tier subcontracting in the construction industry, and problems associated with the retirement of the baby-boomer generation and transfer of techniques and skills in the construction industry.

Training programs for foreign government officials

In the latter half of the year, KRIHS hosted a training program for foreign government officials three times on such diverse topics as territorial and urban development, land development and urban transport planning. The workshop held on 17 August through 1 September for 16 days, was under the theme, "Urban and Regional Development Policy" with 16 officials from 14 countries around the world participating including Rumania, Myanmar, Ecuador, Iran, Ethiopia and Nepal. Korea's experiences in economic and territorial development were introduced mainly with the land, infrastructure, housing, and transportation policies of the country covered in the workshop.

From 10 to 22 September, another training program was organized on land development for Egyptian government officials from the relevant field. Titled "Land Development and Management Policy", the workshop was part of a joint research project of Korea and Egypt that is to establish the national and local monitoring systems to observe and evaluate land development policies in Egypt. Professional lectures specialized in land development were given during the program. The last training program of the year, the "Urban Transport Planning and Design" was on 11 through 19 November with 12 officials from 6 developing countries in Asia participating. Initiated in 1993, the workshop was co-organized by Korea and Singapore with the intent to facilitate the planning of the transport in Asian developing countries.

NEWS & ANNOUNCEMENTS

On september 21, the 21st Century Forum for Human Settlements hosted by KRIHS along with the Dae-Gyeong Research Institute (DGI), held the 'Workshop on Strategies for Co-prosperity among Regions' at the auditorium of the DGI. With members of the Advisory Committee and Operational Committee of the forum participating mostly, the mechanism for co-prosperity among regions, strategies for co-development of the Daegu-Gyeongbuk region and policy responses to the change in rural areas were discussed at the forum.

Public hearings on the contents of the development plan for the Multifunctional Administrative City (MAC) -detailed spatial structure, distribution of the buildings and facilities, development directions, etc. - was held by KRIHS in Seoul and Daejeon from 27 to 29 September, followed by the public notice of the Master Plan and Development Plan on 29 November. The Development Plan details the sectoral plans of the MAC. In the first half of next year, the status and jurisdiction of the MAC are planned to be set, and the construction to commence in full-scale as early as in July next year.

The National Territorial and Regional Research Division of KRIHS held the international seminar on effective development strategies for the impacted areas of the High Speed Rail (HSR) on October 13 at KRIHS Hall. With experts and researchers from Korea, Japan and France participating, the seminar provided a venue for presentations and discussions on the impact of the HSR on regional development, and strategies for actively utilizing the HSR for regional development.

This year's Human Settlements Writing Contest was held with a total of 2,463 children from 304 elementary schools nationwide participating. The contest is hosted annually by KRIHS to raise the awareness of environment and national territory among the future leaders in territorial development. The final deliberation was on 23 October with the Vice President of KRIHS as the Chair of Jury, selecting 'The Meeting among Natures' of Jiwon Park from Nungnae Elementary School in Gunpo City of Gyeonggi-do as the Grand Prix of the competition. A total of 358 prizes were awarded to individual entries including the Grand Prix, along with three prizes for instructors and group entries each. The prize awarding ceremony was held on 5 November at KRIHS Hall.

Call for Theses KRIHS is offering a "Call for Theses" to appear in "The Korea Spatial Planning Review", a quarterly scientific journal by KRIHS which specializes in territorial development. For more information, please refer to the KRIHS website: http://www.krihs.re.kr/eng

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Korea Research Institute for Human Settlements (KRIHS) is a non-profit research institute established in 1978. It specializes in the fields of territorial planning, housing and land policies, transportation, regional development, urban design, environment and construction economy.
KRIHS seeks to improve knowledge and understanding of the conditions and problems of the nation's resources and their interactions with people, to assist the government in formulating long-range development plans and make policy recommendations on related matters, to collaborate with the international research community in solving theoretical and practical problems concerning human settlement issues and planning, and to provide research expertise and consulting services along with training programs for foreign governments and institutions.

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