

## Regional Development and Policy Framework

In the Special Act on Balanced National Development (SABND) that provides an institutional basis for regional development policy in Korea, regional development is defined as “activating regional economies by facilitating region-specific development and inter-regional cooperation based on autonomy and creativity, and strengthening regional competitiveness by improving the quality of life of citizens.”

The spatial patterns of regional development in Korea continue to be very uneven. The structural regional disparities between the capital region and the provinces, as well as between the urban and the rural regions, resulted from the rapid modernization and industrialization in Korea in the post-war decades. There have been various policy-driven attempts to help overcome these disparities, but thus far such redressing has proven to be a long and complicated

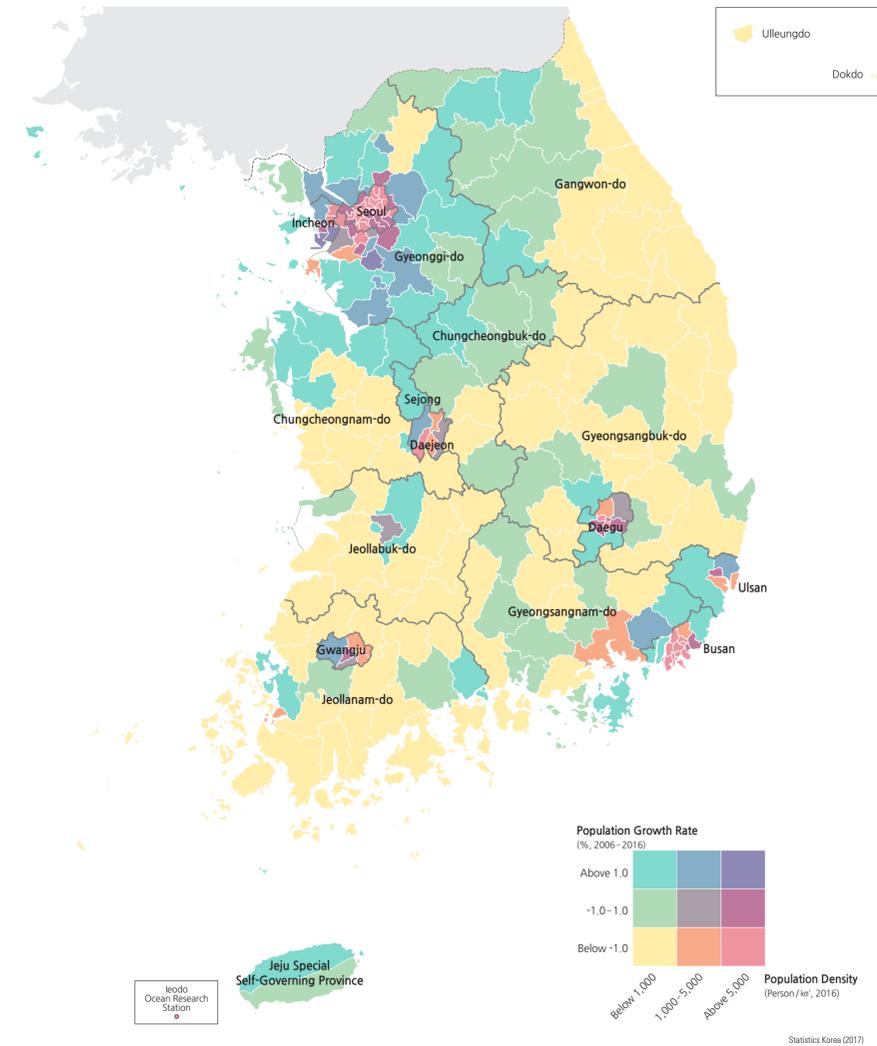
process. In the 2010s, there was a policy shift toward emphasizing both regional empowerment and the significance of quality of life issues, both of which were intended to lessen the regional disparity.

The Special Account for Balanced National Development, introduced in 2005, was renamed the Regional Development Special Account due to changes in the policy framework for regional development in the Lee Myung-bak administration. In 2013, the Park Geun-hye administration ushered in a shift in regional development policy that resulted in a new focus on primary-level capacity. The enactment of projects such as the “HOPE Area” represents a new era in regional development. The paradigm shift can be seen in gestures such as the renaming of the Special Account for Regional Development: The Jeju Special Self-Governing Province Account remains the same, but the Sejong Special Autonomous City Account has been newly created.

Since the amendment of the SABND in January 2014, the regional development committee's control tower function has been strengthened with an increasing regional development budget, and the organization process has been shifting toward a bottom-up procedure. Above all, in consideration of city, county, and district opinions and business demands related to the promotion of local happiness, the block grant budget has been dramatically increased to promote the overall size of the regional development special accounting and to enhance the autonomy of local governments. The share of welfare and cultural projects has also increased.

The Moon Jae-in administration, launched in 2017, focuses on the gap between the Seoul metropolitan area and the other regions, while maintaining sustainable growth by considering new patterns of regional issues such as low growth and deep polarization, population cliffs and local extinction crises, regional industry crises, and lack of response to the Fourth Industrial Revolution. As a solution for national development, the government is promoting a new, ambitious, and balanced national development. To this end, it sets the vision of balanced national development as “a country with a strong region and balanced Korea,” and strives to achieve the goal of “establishing a regional-led independent growth base” through the implementation of three strategies and nine core tasks.

Regional Development Pattern in Korea: Population Aspect



The goal of regional development is to foster activities and outcomes that promote economic growth, and to build foundations that will improve the quality of life for residents in the region. The stakeholders of each region are the businesses and residents themselves who would ideally participate in key regional development activities.

The scope of regional policy varies, but generally, it is enacted at the sub-national level, by way of local, self-governing bodies. Recently, however, as new approaches emphasize the quality of life and the socioeconomic reality beyond the existing administrative boundaries, more function-oriented regionally-based development approaches are being brought into play.

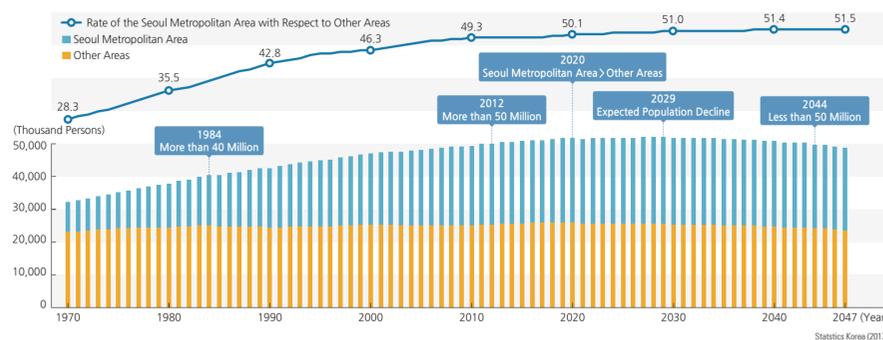
In general, the role of both the central and local governments in regional policy is very significant. Under a market economy, both structural dynamics and uneven distribution of benefits, including

natural endowments, inevitably cause a spatial disparity in regional development; therefore, a government policy of intervention may be needed to fix this spatial disparity. Accordingly, the central government's policy efforts on regional development have been carried out for a long time at various levels of government. Like other countries in the Organization for Economic Cooperation and Development (OECD), the regional development policy in Korea has focused on lessening regional disparity through improving less-developed areas. The rapid modernization process that began in the 1960s has brought about remarkable economic growth and material abundance, but it has also caused many serious problems, not the least of which include the ever-increasing disparity of both economic power and the quality of life between different regions. In order to solve such problems, the Korean government has promoted various developmental policy options for

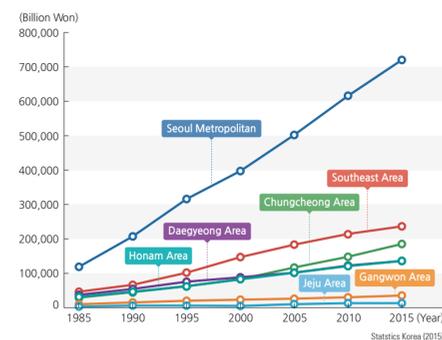
less-developed areas. The government has shifted its policy focus from infrastructure investments such as enterprise relocation and expansion of the economic growth base to making the quality of residents' lives a higher priority.

Launched in 2017, the Moon Jae-in administration has set a new turning point in regional development policies. The government has shifted to a sustainable, balanced development paradigm based on the values of decentralization, inclusion, and innovation. The sustainable, balanced development guarantees the national minimum of well-being for all people wherever they live. It is significant that the government set its policy of balanced development by overcoming the limitations of the previous administration's regional development policies and redefining the values of decentralization, inclusion, and innovation.

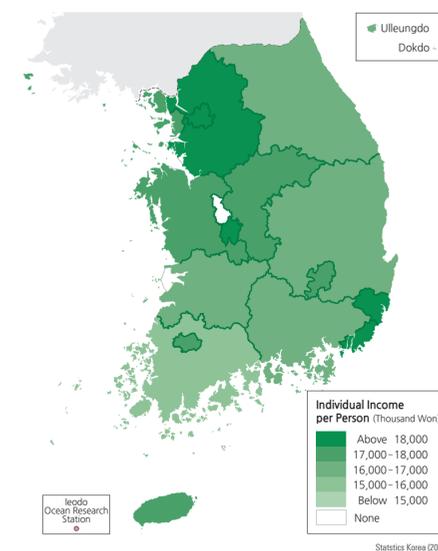
Population Trend for the Seoul Metropolitan Area and Other Areas



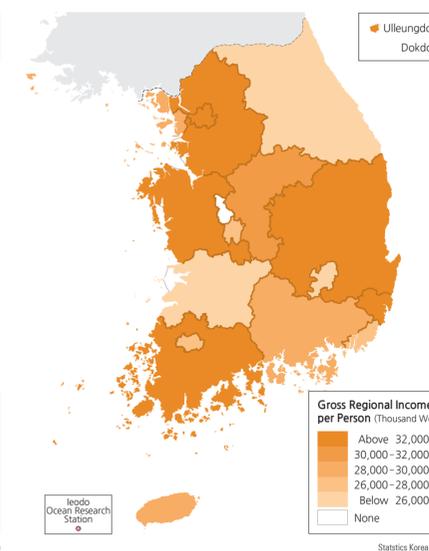
Trend of GRDP by Region (1985-2015)



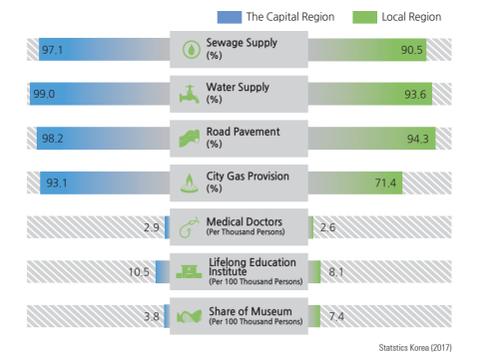
Individual Income per Person



Gross Regional Income per Person



Disparity in Quality of Life between the Capital and Local Region



Manufacturing Growth Rate

Administrative District	2010 Change Rate (%)	2015 Change Rate (%)	2018 Change Rate (%)
National	16.7	-0.3	1.2
Seoul	5.2	-2.7	-0.3
Busan	6.6	8.2	-3.2
Daegu	25.9	-2.9	0.5
Incheon	15.2	-4.8	-2.7
Gwangju	25.2	1.7	-6.2
Daejeon	17.4	3.3	-11.1
Ulsan	4.3	-3.2	3.1
Gyeonggi-do	26.0	4.5	7.8
Gangwon-do	15.9	-1.2	-5.1
Chungcheongbuk-do	16.1	6.7	2.5
Chungcheongnam-do	19.3	1.7	1.7
Jeollabuk-do	20.3	-3.1	-3.5
Jeollanam-do	11.4	9.5	-2.4
Gyeongsangbuk-do	2.5	-4.2	-2.6
Gyeongsangnam-do	13.9	-5.8	-5.7
Jeju	-3.7	7.1	-5.4

## Changing Regional Development Policies

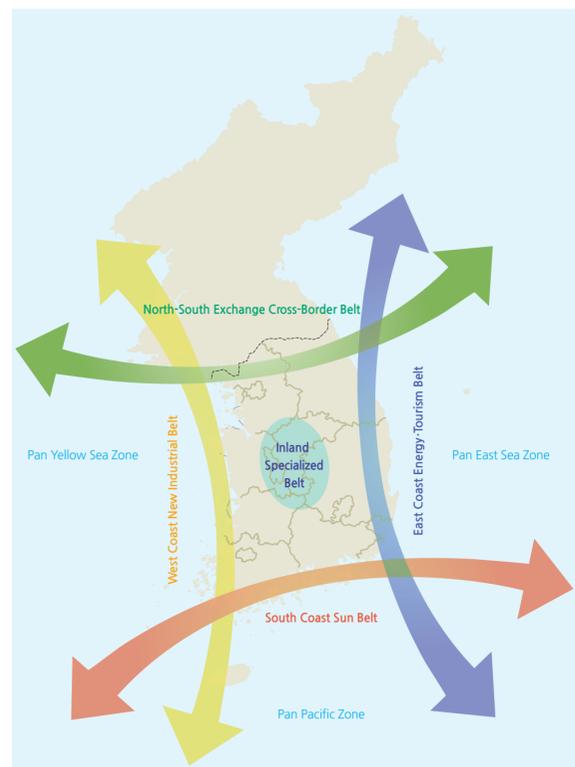
The Roh Moo-hyun administration (2003–2008) identified two major regional problems: the deepening regional disparity due to the capital region's polarization and the capping of national income at 10,000 USD—both of which resulted from the inherent limits of an extensive growth strategy. In response to these problems, the government adopted a vision of regional policy that aims at establishing a multi-centered regional development network. This network of initiatives was meant to be innovative, quality-oriented, and decentralized to optimize its value to a specific region and its people. The government presented a multi-faceted policy scheme that included an innovation policy, balance-oriented policy, industrial policy, spatial policy, and quality-oriented development policy. For the execution of this approach, it also established an implementation system administered by the Presidential Committee for Balanced National Development and the Special Account for Balanced National Development. In addition, the Roh Moo-hyun administration's innovation policy, industrial policy, balance-oriented policy, and decentralization policy all utilized the existing administrative units of Metropolitan City, Do, Si, Gun, and Gu (provinces, cities, counties, and districts) as basic spatial units for regional policy.

The Lee Myung-bak administration (2008–2013) identified the following major problems affecting regional development: the weakening global competitiveness of regions, the widely dispersed small-scale investments by administrative units, poorly-differentiated development, insufficient regionally-led development capability, consumptive regional competition, and regional conflicts.

In response to these problems, the government established a vision for regional policy that sought to create competitive regions in order to secure jobs and improve the quality of life. Furthermore, the new policy aimed to form economic regions that could respond to the globalization trend. It also initiated developments based on regional features. It organized regionally based development through decentralization. It also set out to emphasize regional autonomy and cooperation and co-development across regions. For policy execution, it established an implementation system administered by the Presidential Committee for Regional Development and the Regional Development Special Account. In addition, the government reclassified the 16 existing Metropolitan Cities and Provinces into seven separate Economic Regions. It implemented leading industry projects accordingly, including projects focused on the creation of talent through education, along with 30 primary social infrastructure projects. It also presented the Seven Supra-Economic Regions Development Plan in order to promote inter-economic regional cooperation and global cooperation with neighboring countries.

### Regional Development Policy of the Lee Myung-bak Administration

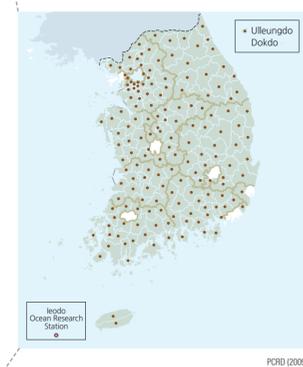
#### Five Supra-Economic Development Region



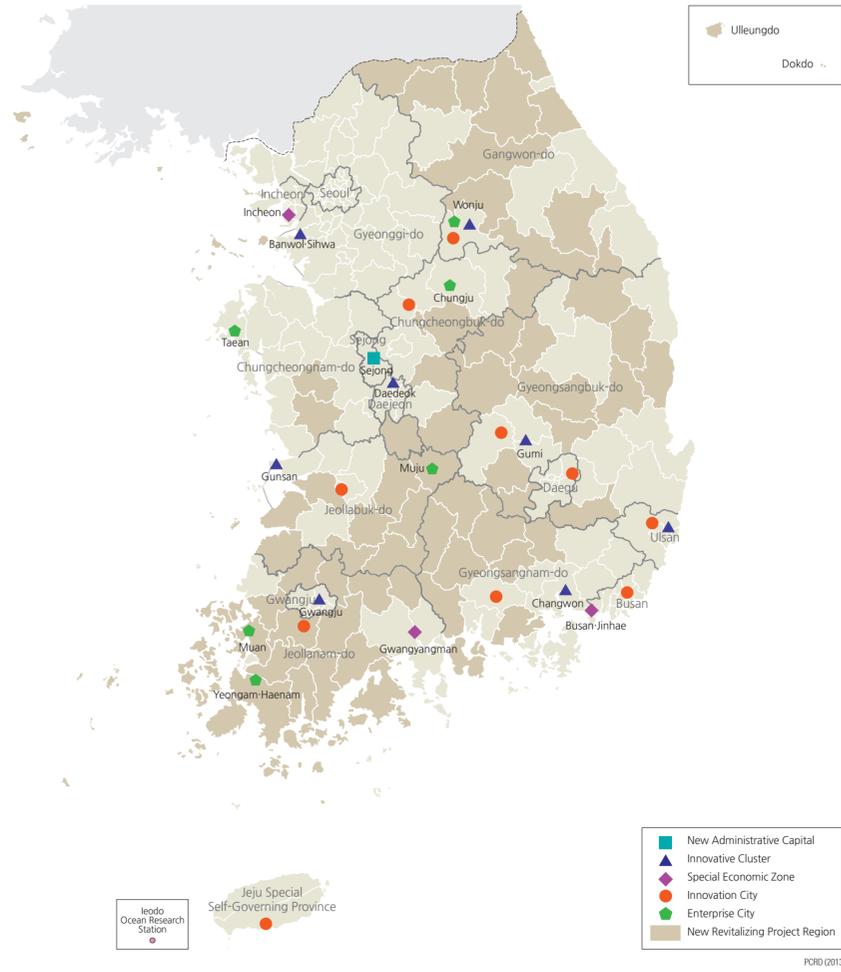
#### 5+2 Economic Region



#### 163 Daily Living Sphere

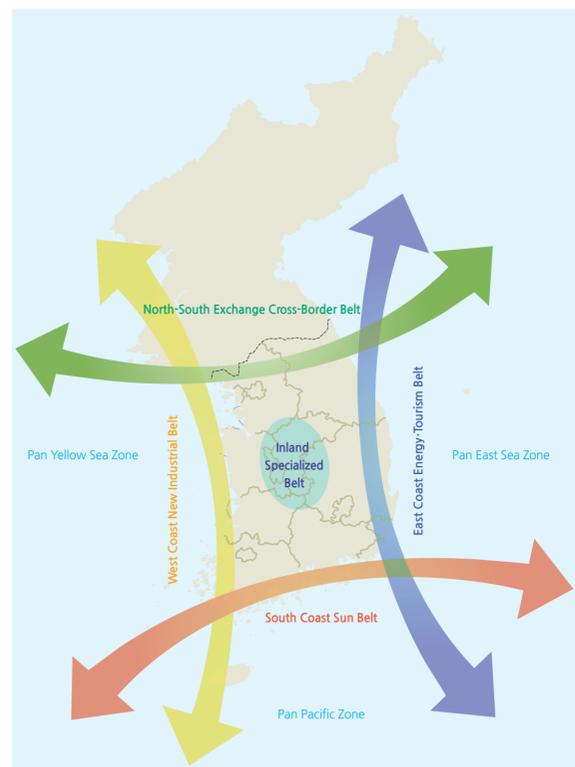


### Regional Development Policy of the Roh Moo-hyun Administration



### Regional Development Policy of the Lee Myung-bak Administration

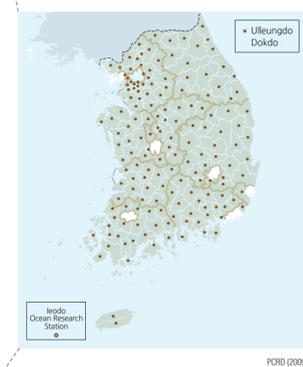
#### Five Supra-Economic Development Region



#### 5+2 Economic Region



#### 163 Daily Living Sphere



The Park Geun-hye administration has created a new vision of regional development that seeks to promote “happiness to people, and hope to regions.” Her administration has vigorously pursued the regional HOPE Project in an attempt to help people realize happiness and hope in their real lives. The idea behind this approach is that the opportunity for a happy life can be achieved through the residents’ partnership with the local government. Specifically, the project attempts to foster citizen participation in governmental processes and to help address and remove policy

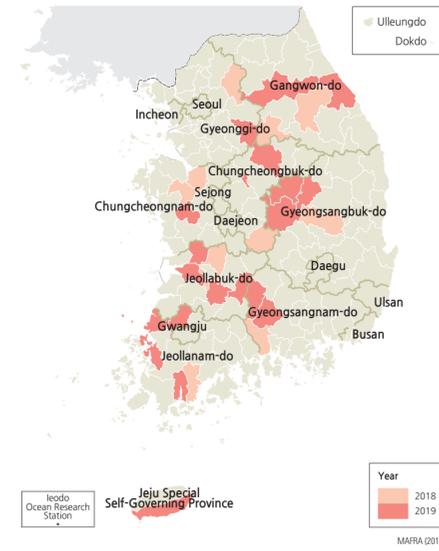
blind spots throughout the country.

In order to achieve this vision, the government presented three promotional strategies: realizing regional happiness in daily living, tailoring package-based policy support toward this end, and enforcing regionally-based cooperation. The “happy living sphere” specifically refers to an attempt to ensure that the basic social, cultural, and physical needs are provided for all residents. The approach is comprehensive and incorporates central cities, rural central towns, and villages.

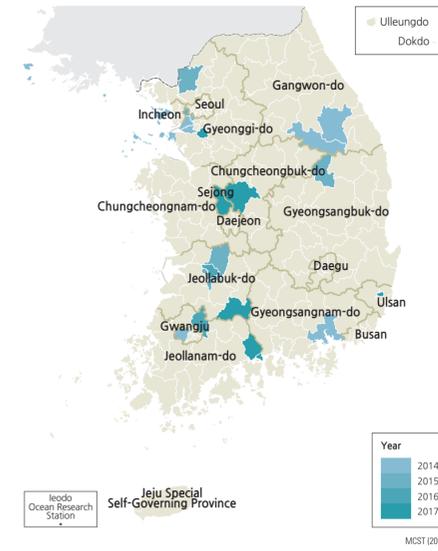
### Concept of the HOPE Area



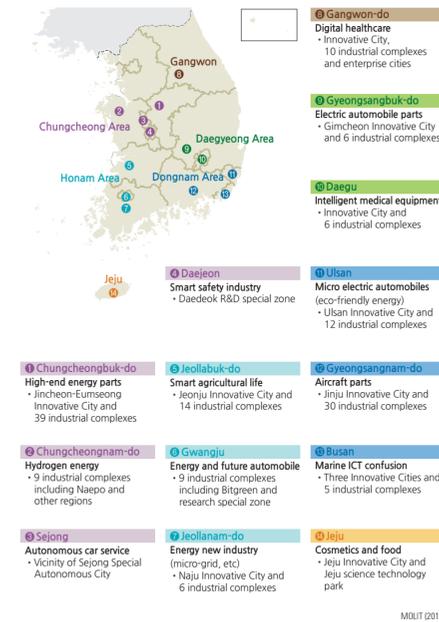
### Selected Areas of New Revitalization Plus Project



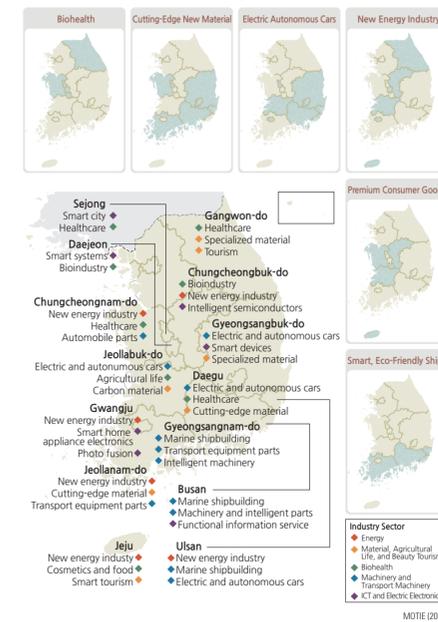
### Cultural Regeneration of Waste Industrial Facilities



### Designation and Promotion of National Innovation Clusters



### Designated Key Industries



### National Balanced Development Policy of Moon Jae-in Administration

Vision I A Country with Strong Local Regions, Korea with Balanced Development

Goals I Establishing a Region-Led, Self-Reliant Growth Foundation



- Strategy & Task**
- 1 Creating an educational system that meets local workforce needs with local talent**
    - Empowering autonomous education capabilities at local universities
    - Training local-talored talent
    - Supporting local schools and local talent employment
  - 2 Distinctive culture and tourism utilizing local assets**
    - Reducing inter-regional cultural gaps
    - Designating and nurturing cultural cities
    - Fostering strategic hub of tourism cities
    - Fostering wellness (health and healing) and tourism clusters
    - Supporting tourism start-ups
  - 3 Establishing a health and welfare system to ensure an essential quality of life**
    - Expanding health and welfare services
    - Spreading community service investment projects
    - Revamping regional transportation systems

- Space**
- 1 Charmingly revived farming and fishing villages**
    - Implementing "Rural Revitalization Plus" projects
    - Establishing "Comfortable Rural 3/6/5 Living Area"
    - Providing customized support for people returning home to take over family farms
    - Supplying renewable energy, etc.
  - 2 Urban Regeneration New Deal and midsize city re-takeoff**
    - Promoting locally-tailored New Deal projects (smart solution grafting)
    - Providing win-win public support to stores
    - Promoting strong, small city-regions by strengthening cooperation among small and medium cities
  - 3 Changing decreased population areas to strong residential areas**
    - Improving residential conditions
    - Designating a co-prosperity and cooperation belts by working together with local governments
    - Fostering and expanding local businesses and community jobs

- Industry**
- 1 Innovation city season 2**
    - Mandatory recruitment of local labor
    - Creation of a leading model for smart innovation cities
    - Creation of a cooperative cluster of local governments, universities, and relocated agencies
    - Linking to regenerated old city centers
    - Linking to national innovation clusters
  - 2 Three innovations of local industry**
    - Industry: Cultivating mid-sized businesses, regional star companies, and social economy
    - Hub: National innovation clusters, industrial complexes, Saemangeum, and Sejong Special Autonomous City
    - Foundation: Support for human resources, investment, and globalization
  - 3 Economic assetization of local idle assets**
    - A general survey of state-owned assets, utilizing state-owned and shared idle assets as start-up space and public housing by reducing rent, a cluster of forestry products, etc.

In February 2018, the Moon Jae-in administration established a new national balanced development vision and strategy based on the values of decentralization, inclusion, and innovation while understanding that it is almost impossible to overcome the national issues such as low growth, polarization, low birth rate, aging, and local annihilation with the centralized government system.

Decentralization encompasses the increase of local autonomous experience, asset accumulation, and the desire for people's participation for over 20 years, since the local election of 1995. Inclusion focuses on “equal improvement of national life,” “balanced national economic growth,” and “balanced development of regions,” as described in the Constitution, as well as consideration of underprivileged areas, response to local extinction,

and solutions to gentrification problems in urban areas. Innovation reflects a commitment to build a virtuous cycle of innovation ecosystems in the areas of talent-specialized industries-jobs by enhancing the independence and innovation capacity of the region that is decentralized, and to develop regional innovation growth by expressing regional diversity and creativity and utilizing local idle resources.

The characteristics of the national balanced development policy of the Moon Jae-in administration represent a creative inheritance of the policies of the Roh Moo-hyun administration through strengthening the status of the National Balanced Development Committee and the Innovation City Season 2 policy. Special consideration is given to underprivileged areas through health and

welfare systems to ensure a basic quality of life.

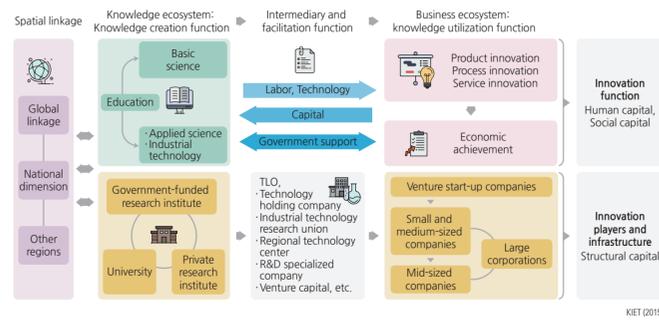
The focus of the current national balanced development policy is on the implementation of three strategies and nine core tasks. The three strategies consist of a strategy on people, a strategy on space, and a strategy on industry, each of which aims for stable and elegant living, vibrant space everywhere, and regional innovation (which, in turn, will create jobs). In addition, in order to enhance the implementation of policies, the organization shall promote the establishment of balanced development co-prosperity meetings and establish a regional innovation system. From a budgetary perspective, it will promote a contract plan (comprehensive support agreement) system and develop differential indicators for the region by developing balanced development total indicators.

## Regional Development Outcomes: Industrial Production and Infrastructure

Since the late 1990s, Korea has been intensively promoting its regional industrial policies. These regional industrial promotion policies are similar to the general regional policies, and also include both policies initiated by the central government and those created by the local governments. Recently, the participation of local self-governing bodies has increased. In particular, the targeting of a specific industry or industries has become the primary measure of a regional industrial promotion policy; in this respect, bottom-up promotion planning from local governments has become essential.

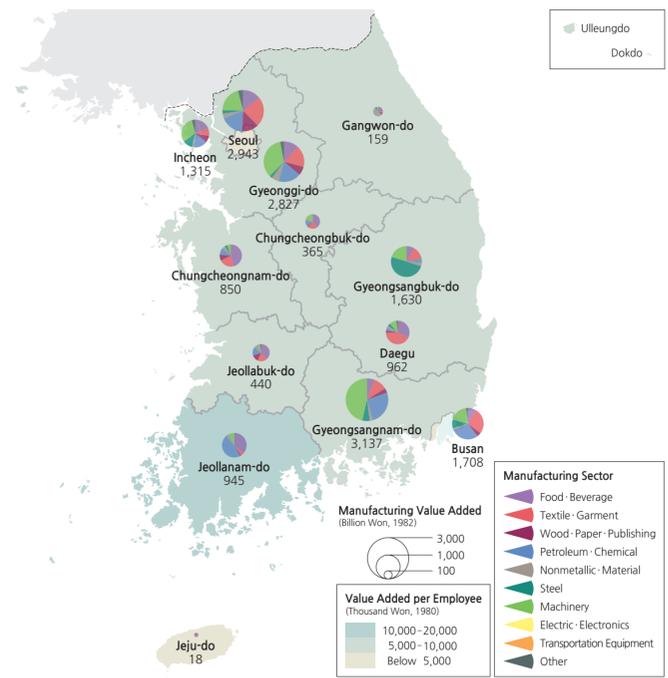
Today, regional industrial policy is at a crossroads. As global competition intensifies, local manufacturing competitiveness declines, and the production base weakens. In addition, due to the development of the Fourth Industrial Revolution, local economies with weak regional innovation foundations face an uncertain future. The Fourth Industrial Revolution will have a significant impact on local economies and industrial spaces, increasing the importance of urban spaces while reducing their reliance on traditional locational factors. In particular, local industrial cities where device-type industries are concentrated, which depend on external economic effects of geographical concentration, could face great difficulties. Above all, it is crucial to build a flexible, connected, and co-existing innovation ecosystem among local economic actors, because it is the outstanding creative talent that is important in the Fourth Industrial Revolution.

## Qualitative Interaction of Innovation, Regional Innovation System, Quality of Human Capital, and Local Culture

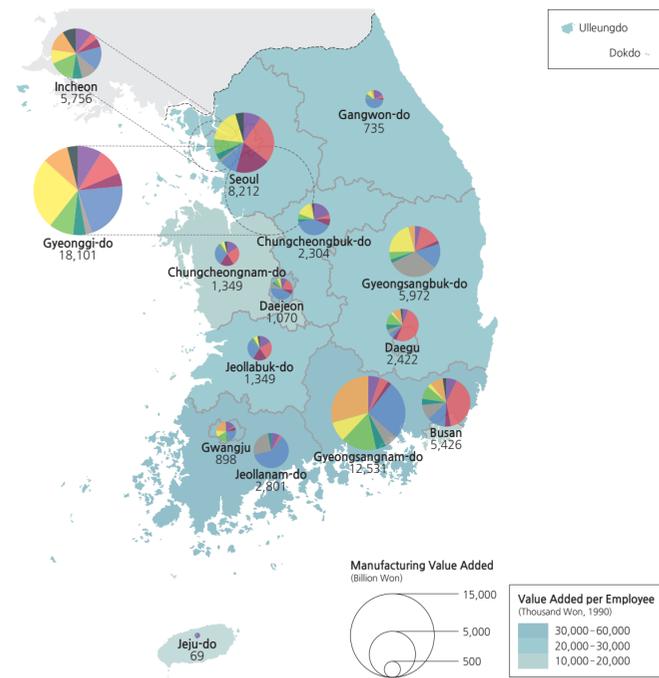


## Manufacturing Value Added and Sectoral Composition

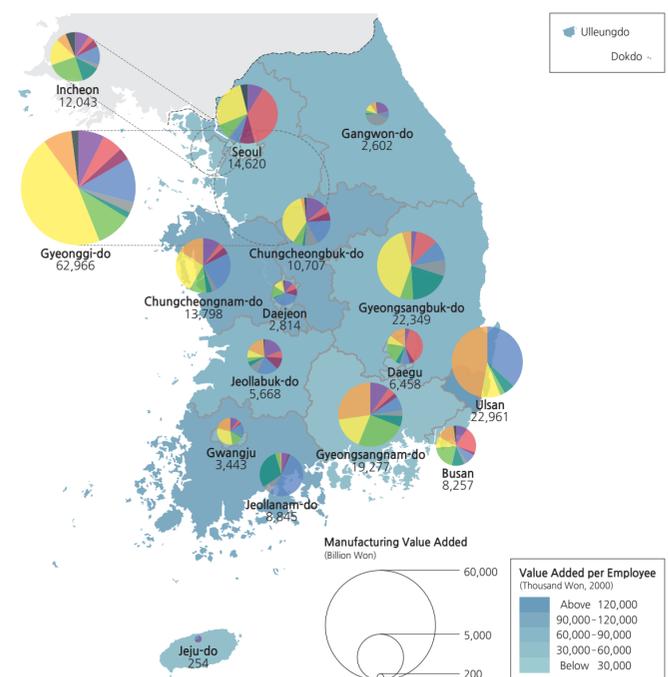
1980, 1982



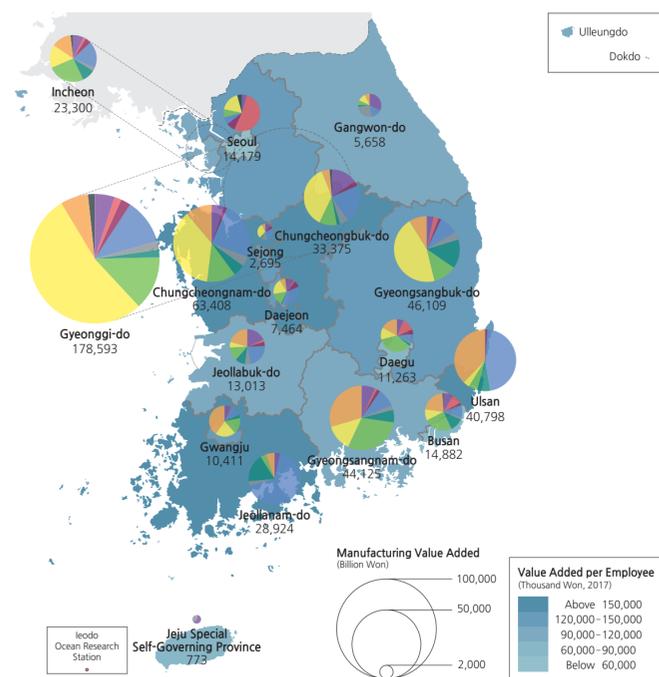
1990



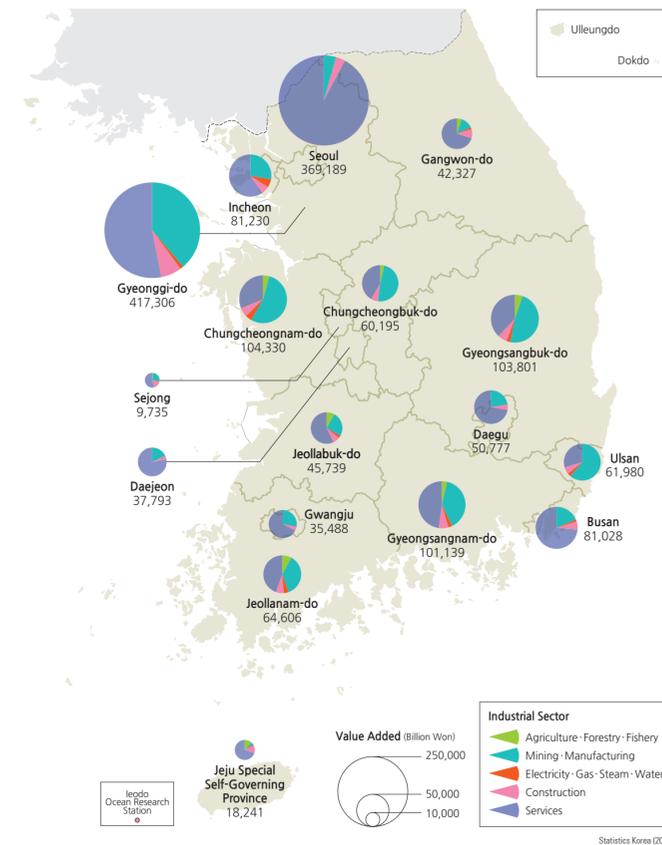
2000



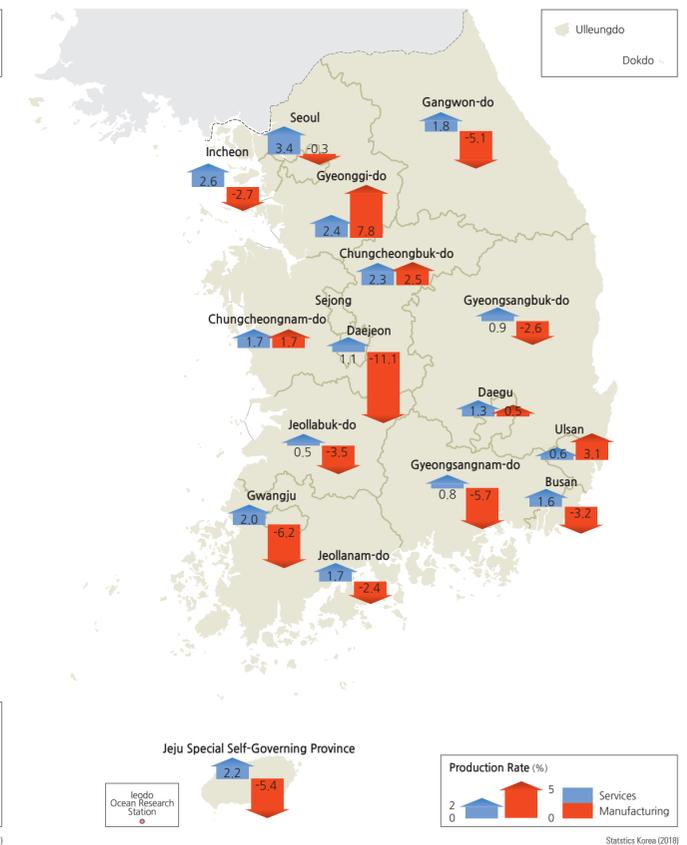
2017



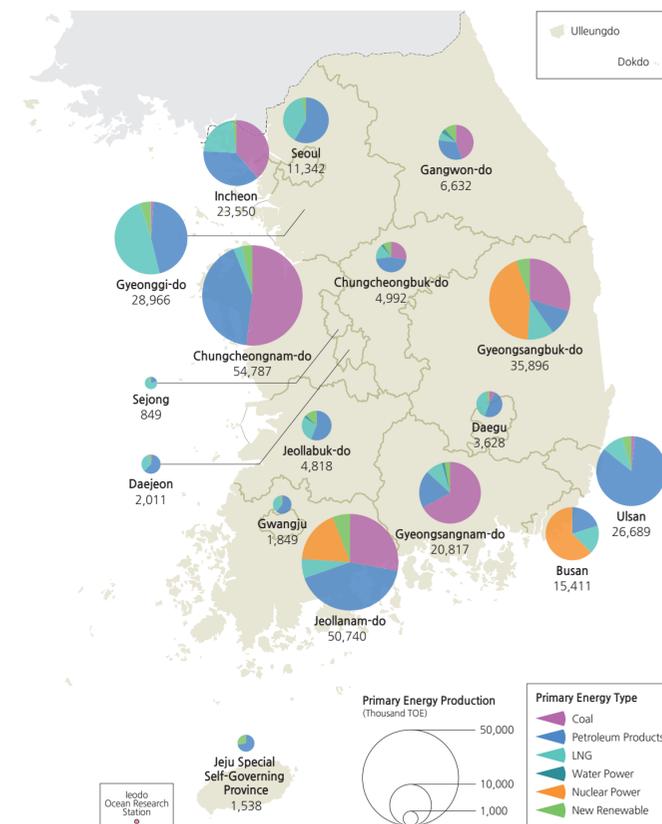
## Industrial Production Composition



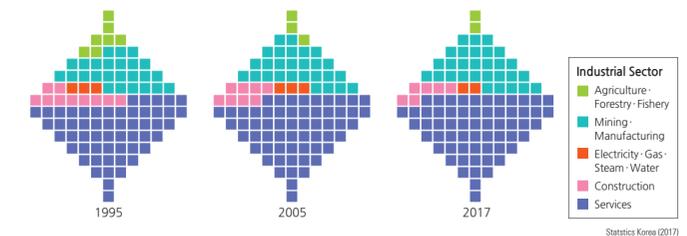
## Change Rate of Services-Manufacturing



## Energy Supply



## Changing Industrial Structure

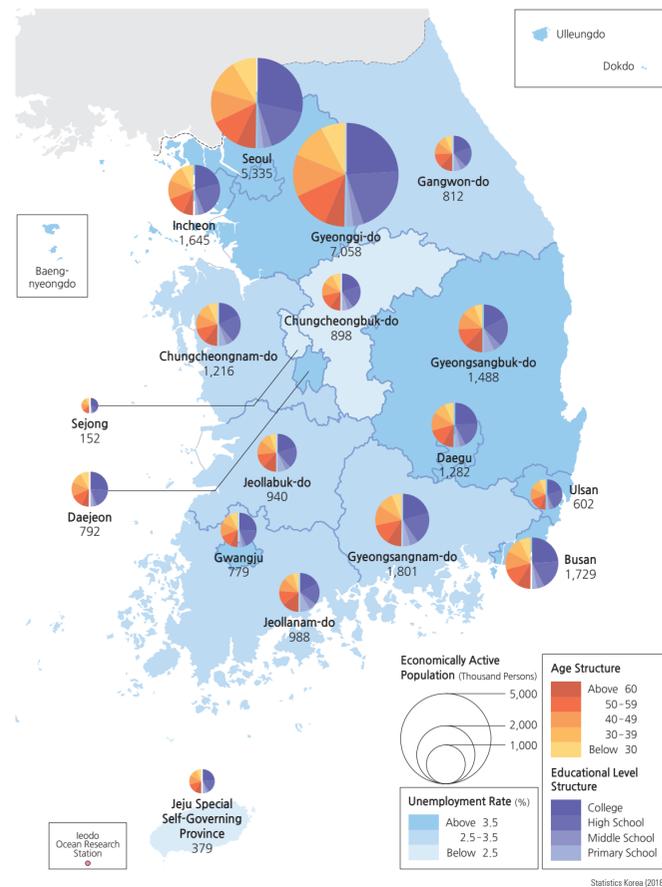


## Renewable Energy Production

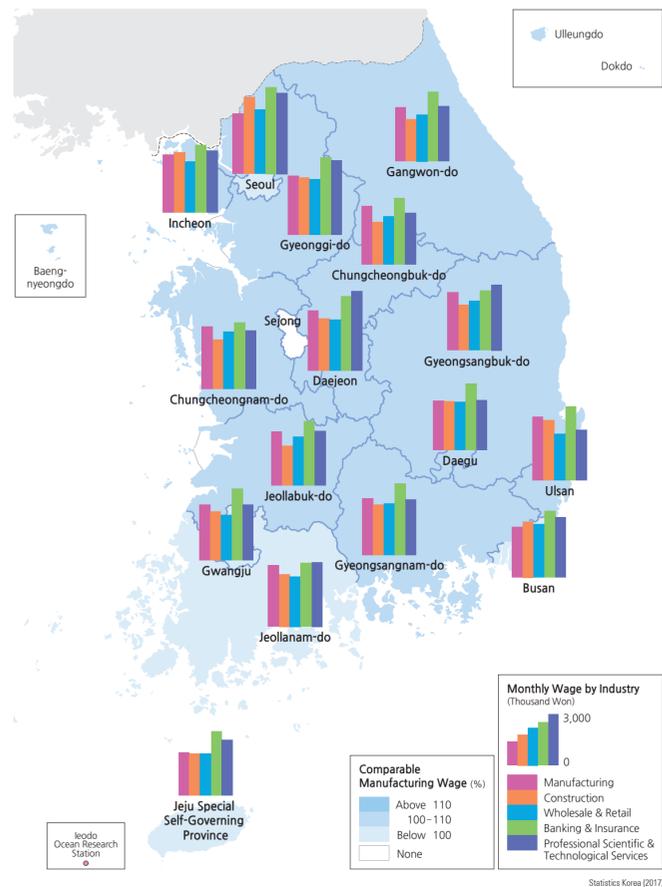
	Solar	Sunlight	Wind Power	Water Power	Marine	Geo-thermal	Water Heat	Bio	Waste	Fuel Cell	IGCC	(TOE)
Seoul	836	23,664	46	258	-	11,270	-	77,003	168,115	-	-	69,689
Busan	935	25,456	87	13	-	2,328	23	42,701	126,961	-	-	38,933
Daegu	1,106	16,669	6	1,146	-	5,927	-	81,695	63,708	-	-	8,899
Incheon	724	18,643	11,042	9,619	-	5,544	95	166,852	150,055	-	-	25,253
Gwangju	686	28,783	0	1,937	-	3,403	-	29,256	8,587	-	-	547
Daejeon	827	9,531	92	127	-	3,857	-	35,751	63,566	-	-	86
Ulsan	413	8,602	489	199	-	3,460	-	357,375	968,451	-	-	4,432
Sejong	132	8,611	-	1,391	-	10,305	-	23,832	21,170	-	-	-
Gyeonggi-do	3,089	87,323	1,207	117,182	104,256	39,759	-	344,244	804,462	-	-	132,842
Gangwon-do	3,247	82,657	136,917	174,668	-	15,605	135	393,537	431,003	-	-	42
Chungcheongbuk-do	1,242	78,129	4	140,855	-	8,777	-	136,060	441,741	-	-	62
Chungcheongnam-do	2,601	177,876	634	16,908	-	14,133	713	542,050	1,196,477	-	-	6,000
Jeollabuk-do	1,309	257,182	4,928	36,695	-	19,041	253	643,178	195,553	-	-	189
Jeollanam-do	2,777	359,811	65,397	14,266	-	14,542	4,143	109,595	2,636,180	-	-	22,847
Gyeongsangbuk-do	3,757	179,136	109,789	45,379	-	11,815	102	140,595	1,851,171	-	-	3,394
Gyeongsangnam-do	4,002	117,552	16,905	39,508	-	12,515	1,292	272,057	215,103	-	-	89
Jeju	437	36,724	114,619	541	-	1,642	1,184	203,002	16,694	-	-	-

## Regional Development Outcomes: Human Capital, Research and Development

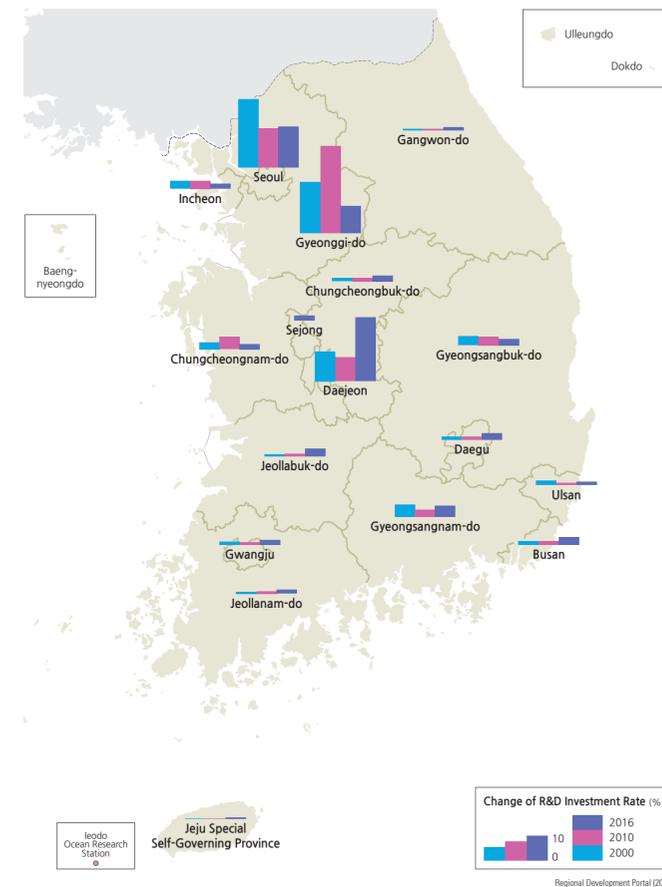
### Structure of Economically Active Population



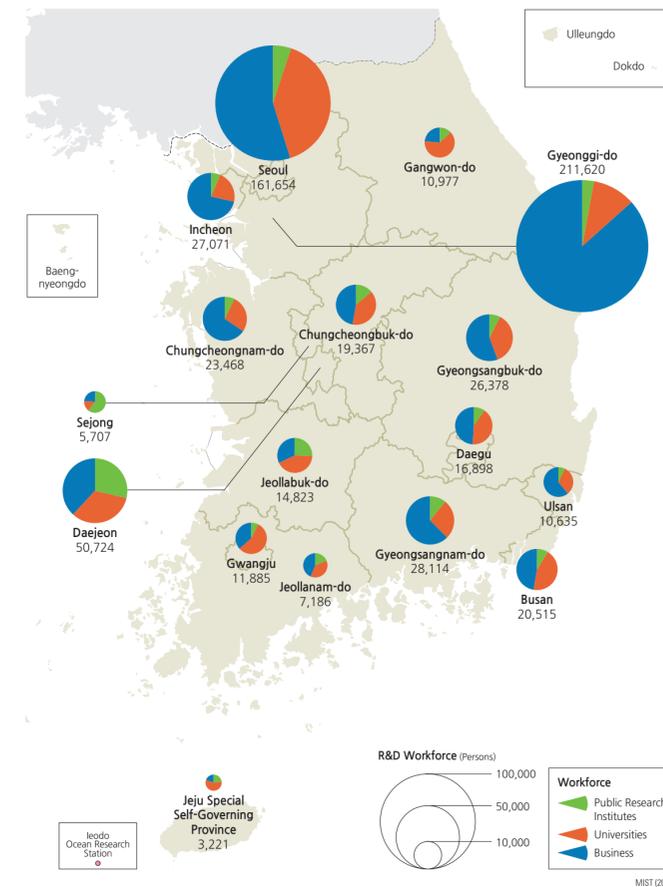
### Wage Level by Industry



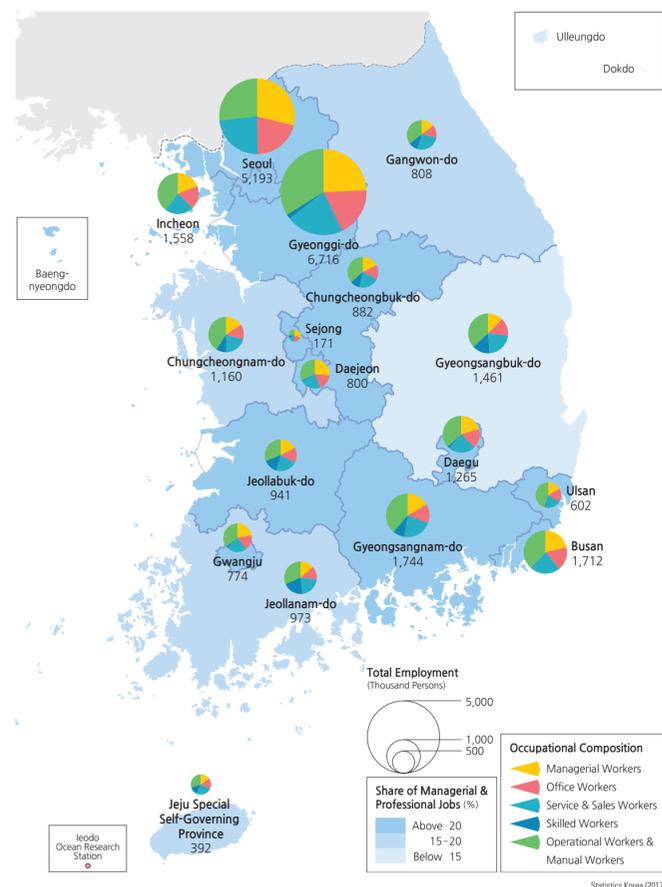
### Changing R&D Investment Rate and Intensity Rate



### R&D Workforce

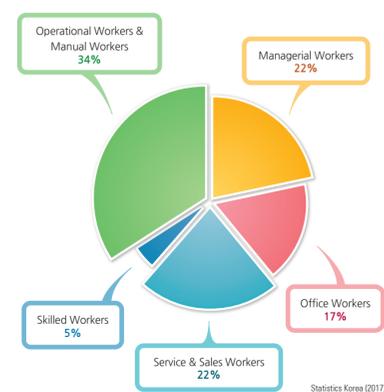


### Occupational Structure



Employment structures within individual provinces are experiencing remarkable transformations due to regional industrial growth. At the national level, professional workers, clerical workers, and manual workers have increased in number rapidly to collectively become a polarized growth group of occupations. On the contrary, technicians and related technical workers, as well as heavy machine operators, equipment workers, and assembly workers, have all decreased. People working in service and retail represent the largest share of employed workers, but this trend seems to be decreasing.

### Occupational Distribution



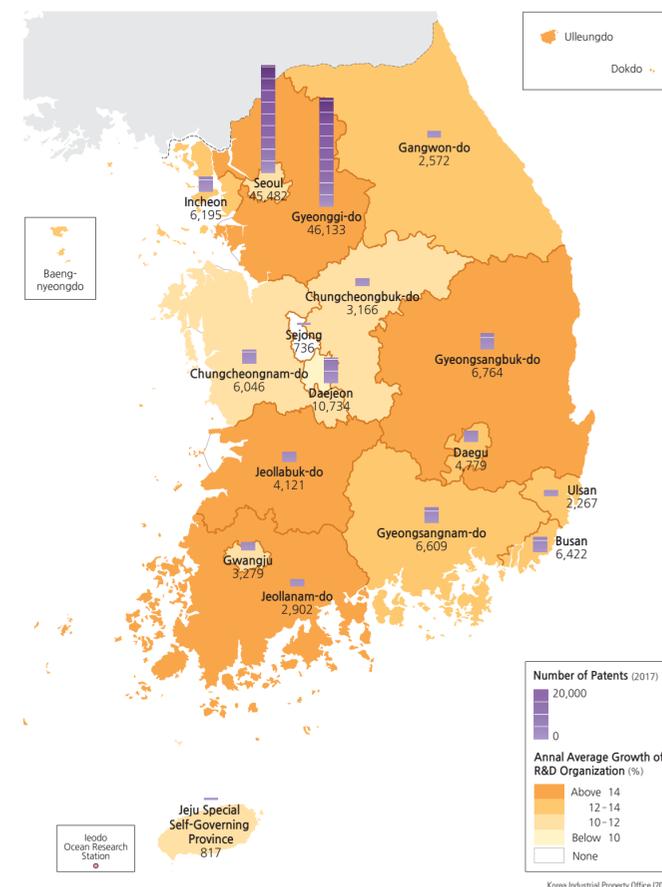
### Regional Wage Disparity by Industry : Coefficient of Variation



### Average Monthly Wage by Industry



### R&D Organization and Patent Growth

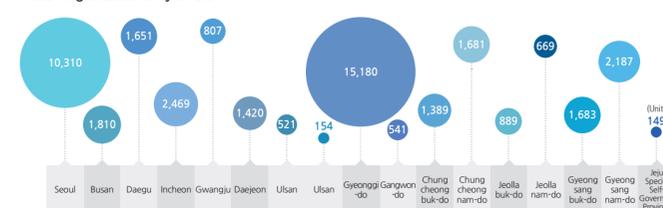


With the transition to knowledge-based and creative economies, research and development (R&D) and regional innovation-related capability became critical factors in determining both the outcome of regional development and regional growth potentials for the future. Even though research and development investment as a percentage of GDP in Korea is now higher than the OECD average, the Korean government still maintains its focus on intensifying innovation capacity for regional industrial growth. This policy to continue research and development support is based on the argument that regional innovation-oriented policies can indeed support regional innovation, promote technological transfer effects, and improve continuous and self-sustaining regional growth.

The research and development investment that contributed to the remarkable economic success in Korea shows apparent spatial disparity across different provinces. This spatial disparity is considered a significant regional problem; however, it can be used to gauge the effects of disparity on regional economic growth, and it could have a decisive impact on the future potential for regional growth.

Spatial inequality in research and development is also apparent in the distribution of research and development organizations across the provinces. The capital region consisting of Seoul, Incheon, and Gyeonggi-do alone accounts for 64.2% of total organizations devoted to innovation in the nation, which is to say it clearly is the key hub for research and development activities in Korea.

### R&D Organizations by Si-Do



### R&D Workforce by Si-Do

