

A DEVELOPMENT STRATEGY FOR LOCAL ECONOMIES

Boosting Local Economies

Recently, every local government has been doing its utmost to create a boom in its local economy. This development is a direct result of the restoration of local autonomy after 34 years of absence. However, there are two other fundamental reasons for this trend.

One is the trend toward 'autonomy' spreading throughout Korean society and the economy. The Korean economic miracle since the 1960s was largely made possible by the Government's vigorous economic policy, which was marked by centralized economic planning. Notwithstanding these earlier contributions, the Government's role in the economy has been gradually decreasing since the 1980s, which has become even more apparent in the 1990s. With the current Administration's policy shift toward deregulation, the Korean economy will soon adapt to more of a private-sector-led capitalism.

The other is the entry of the Korean economy into the new world economic system, represented by the World Trade Organization (WTO). The opening of the goods and services market makes further government protection of the domestic economy difficult. This trend toward openness is hastening the realization of true autonomy within the private sector.

To sum up, the institution of local autonomy has been made that much more meaningful by the overall trends toward autonomy and openness, and every local government is being confronted by the same important task—promoting autonomy within its local economy.

Luring Pioneering Industries

As the first step in boosting their local economies, local governments are trying to induce businesses to their own areas. In particular, the so-called "pioneering" or high-value-added industries, such as automobiles and electronics, are attracting much attention. However, this may merely be wishful thinking. The heads of all the local governments pledged during their election campaigns to boost their local economies, and have presented bright blueprints for the future. The problem is that their proposed projects were all virtually identical in substance.

It is impossible to construct a passenger car factory or semiconductor factory in every autonomous region. Even if it were possible, that would not be desirable not only from a local perspective but from the national interest. The duplication of investment in equipment and the accompanying oversupply of products would undoubtedly cause numerous problems.

Korea's automobile industry is already being shadowed by those of less-developed countries such as Malaysia and Thailand in terms of price competitiveness, and Korean automakers now prefer to produce their goods abroad and sell them there. Since the domestic demand for these goods is already satiated, enterprises are trying to export their commodities, which means that they are in direct competition with foreign products. Therefore, the oversupply of goods could conceivably give rise to a wholesale weakening of the competitiveness of Korean commodities, which clearly would not benefit the local economies.

Also, there are only three or four domestic businesses which have the requisite technology in the automotive and semiconductor fields. Thus, it would not be feasible for them to construct a facto-

ry in every region. Furthermore, they are not particularly interested in setting up such factories, since their production cost, particularly the labor costs, would be very high. For the same reason, it does not seem likely that local governments will be able to attract foreign enterprises with sufficient technology.

Interest in Regional Specialization

All of the regions need not try to lure "pioneering" industries. The Netherlands became a wealthy nation even without the large-scale production of automobiles, and Iceland did not need a hi-tech industry such as semiconductors to become a member of the OECD. The main point is that if specially designated industries suited to the specific

conditions and characteristics of each region are nurtured and developed, they can also serve perfectly well as "pioneering" industries. In other words, agriculture and tourism can be pioneering industries as well.

Toward this end, a mechanism needs to be built where local governments can confer and discuss with one another about the development and location of certain industries. This organization would play a role similar to APEC or NAFTA as a collective forum. Consequently, under the local autonomy system, the development strategy for local economies must be considered from a macroscopic perspective, not from a provincial point of view. Doing so is the key to efficiently promoting the simultaneous development of the local and national economies. **VIP**

(Yong-Sun Kwak)

Specialized Industries by Region

Region	Specialized Industry
Seoul	Distribution, Finance
Pusan	Automobiles, Shoes
Taegu	Textiles
Inchon	Distribution, Steel
Kwangju	Science & Technology
Taejon	Distribution, Science & Technology
Kyonggi	Automobiles, Distribution, Electronics
Kangwon	Tourism
Chungbuk	Distribution, Tourism
Chungnam	Automobiles, Chemistry, Steel
Chonbuk	Agriculture, Automobiles, Tourism
Chonnam	Automobiles, Chemistry, Shipbuilding
Kyongbuk	Electronics, Steel, Tourism
Kyongnam	Automobiles, Chemistry, Shipbuilding
Cheju	Tourism

Source: HRI, *Opening and Strategy of The Local Management Age*, 1995.