

Options for Urbanization: Korean Experience

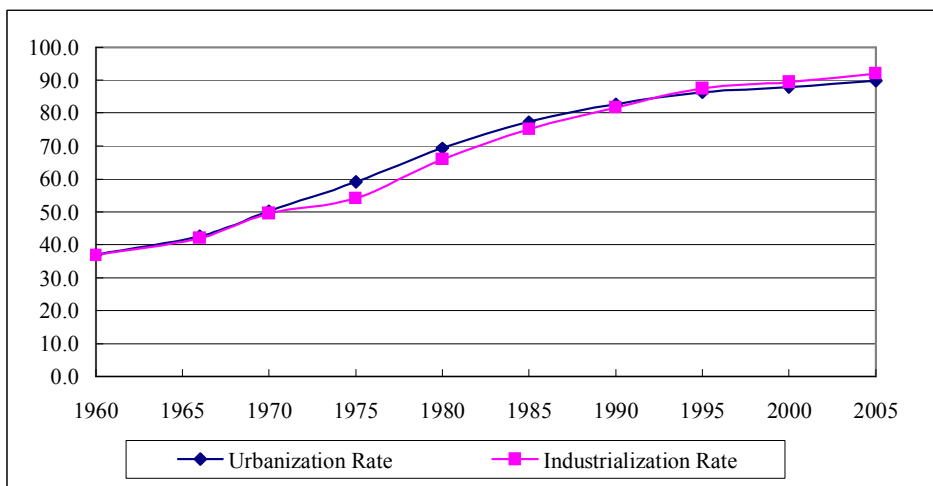
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1. Overview of Korea's Urbanization

Urbanization in Korea over the last four-and-a-half decades can be featured characterized by unprecedentedly rapid urbanization, the predominance of large cities, spatial polarization, and formation of the mega-city region.

Korea's rapid urbanization is indicated-shown by a sharp increase in the level of urbanization from 37 percent in 1960 to 90 percent in 2005. Like other developing countries, Korea's remarkable speed of urbanization was driven by rapid industrialization of the economy, with 65 percent of the labor force employed in the agricultural sector in 1960 to only 8 percent in 2005 (Figure I).

<Figure I> Urbanization and Industrialization in Korea, 1960-2005



Source: National Statistical Office, Population and Housing Census for the rate of urbanization; and National Statistical Office, Yearbook of Economically Active Population for the rate of industrialization.

The rapid increase in manufacturing ~~factor-sector~~ employment triggered a massive rural-to-urban migration in the 1960s and 1970s. ~~And t~~The export-oriented growth strategy favored the development of large urban centers and port cities, resulting in rapid population growth in those regions. Seoul's population ~~has~~ more than tripled between 1960 and 1980, while those of Busan and Daegu ~~have~~ more than doubled. In 1960, ~~two million-plus cities with populations over 2,000,000~~, Seoul and Busan, accounted for 39 percent of the total urban population. In the 1960s, Seoul alone absorbed 60 percent of the total net rural-to-urban migration. Continued growth of labor-intensive manufacturing and the rise of service sector employment in large cities throughout the 1970s and 1980s also contributed to the dominance of these cities. While ~~the~~ dominance of large cities in Korea was due to advantages of agglomeration economies, a large pool of skilled labor, and better infrastructure, as elsewhere in the world, there are some other factors to be noted in Korea. Centralization of power in the capital city and a social reward system based on higher education are additional reasons for Seoul's primacy in Korea.

During the 1980s and early 1990s, the mega-city region or "extended metropolitan region" in the capital area emerged, following the expansion of Seoul into the surrounding areas, including the city of Incheon and the adjacent province of Gyeonggi. The capital region absorbed most of the national population and economic growth, while the rest of the country suffered from population loss and relatively slow economic growth. In 2005, roughly one out of every two Koreans lived in the capital region, ~~with which had~~ a population of almost 23 million (Table1).

<Table I> Population Concentration in the Capital Region of Korea, 1960-2000

Region	1960	1970	1980	1990	2000	2005
Capital region	5,194	8,791	13,298	18,587	20,289	22,767
(share, %)	(20.8)	(27.9)	(35.5)	(42.8)	(46.3)	(48.2)
Seoul	2,445	5,525	8,364	10,613	9,895	9,796
Incheon	401	643	1,084	1,818	2,475	2,526
Gyeonggi	2,347	2,710	3,850	6,156	8,984	10,419
Rest of the country	19,795	22,644	24,138	24,824	25,847	24,487
(share)	(79.2)	(72.1)	(64.5)	(57.2)	(53.7)	(51.8)

Source: National Statistical Office, Population and Housing Census.

The pPredominance of the capital region generated massive urban problems. Housing shortages, traffic congestion, and environmental deterioration resulted from increased congestion in the capital region and inevitably entailed the “degradation of quality of life” in the region. Increasing regional disparity between the capital and non-capital regions was another serious issue to be taken care of.

The essential process behind mega-city region formation is growth spill-over. As the central city grows in size, spatial expansion and functional differentiation follow. The growth spill-over of Seoul has spread to adjacent areas and created a network of cities surrounding Seoul. This trend of extended urbanization or urban sprawl expanded during the 1980s and 1990s with increasing car ownership and rising income, along with improvements in the metropolitan subway system. Government policies such as new towns development projects in late 1980s and relaxation of land use regulations in early 1990s, which were intended to abate housing and land shortage, also accelerated the scale and speed of urban sprawl in the capital region. However, relaxation of land use regulations encouraged small-scale residential development by private sector without proper infrastructure provision. These This small-scale “reckless development” have-has become rampant in the capital region, and exacerbated unmanaged urban sprawl in the 1990s.

2. Policy Responses in Korea

Over the past decades in Korea, numerous policies have been designed to address the urbanization problems. On the whole, Korea’s urbanization policy has been interventionist. Dealing with the issues related to the spatial polarization, dominance of large cities, and unmanaged urban sprawl, various policy options including land use planning, industrial location policy, environmental controls, and financial incentives, and so on, have been designed and implemented (Table 2). Most of those urban policies and regulations have focused on the balanced regional development, optimal urban growth, and efficient urban service and infrastructure provision. But not all of them have been successful.

As Korea’s urbanization has become increasingly intertwined with globalization, the government at various levels faces new challenges in managing the urban problem. With the emergence of civil society and local autonomy, metropolitan governance has

become an important issue. Enhancing international competitiveness is another urgent task for Korean cities, especially after the 1997 financial crisis. However, the potential contradiction between economic competitiveness and sustainable development has posed a challenge for policymakers. In a more collaborative form of urban governance, which involves citizens and NGOs, participation is needed to find the balance between economic concerns, and social and environmental concerns.

<Table 2> Urbanization Problems and Policy Responses in Korea

Problems	policy directions	policy responses
Polarization tendency of urban growth	Dispersion of population and industry away from the capital region	Land use planning; Imposition of congestion charges and aggregate development ceiling system; Industrial location policy; Plan to build a new administrative city and innovative metropolitan areas
Dominance of large cities	Contain the overgrowth of large cities; Enhance agglomeration economies of the capital region by an orderly redistribution of population and economic activities within the capital region	Strict regulations of land conversion (greenbelt policy in 1970s); Relaxation of land use regulations(1990s); Shift from a single-core structure centered around Seoul to a multi-core structure
Unmanaged urban sprawl	Restrengthen the land use regulation	Land use planning and environmental controls; Rules for on-site infrastructure provisions strengthened (new land use law 2002)

Source: Korea Research Institute for Human Settlements

3. Lessons from the Korean Case

Rapid urbanization in Korea has been largely driven by its phenomenal economic growth in the past four decades. Urban development pressure in the Seoul metropolitan region has been high due to continued inward migration to the area. Despite government intervention in urban housing and land markets, undesirable development

patterns occurred on the fringe of Seoul metropolitan region. The example of Yongin city, located south of Seoul metropolitan region clearly illustrates this.

After the experience of ‘reckless’ development in Yongin, the professional community as well as the government came to recognize that urban development must be predicated on careful planning. This could imply more intervention by the government. Planning may help to minimize the negative externalities arising from urban sprawl. The question remains, however, whether planning should facilitate market functions or work for collective interest.

The underlying assumption in Korea’s urban policy is that government intervention is necessary to correct market failures. This assumption holds true when there is a market. However, it is hard to say whether land and housing markets exist in Korea. Even those who claim the existence of this market have to admit the distortion caused by government intervention. The ‘distorted’ market tends to invite more government intervention, which again produces complicated and duplicating regulations. Those who believe in the free market would say that more intervention brings more government failures.

Another key aspect of policies dealing with urban sprawl is the speed and scale of urban growth, ~~i.e. that is~~, population and industrial dynamics. When there is high-speed urban growth, like in Korea in the 1970s and 1980s or China’s urban areas now, public planning and policies can never catch up with reality. It is inevitable to let the private sector (or market) play a role in urban development. Public authorities cannot contain urban growth. All they can do is guide urban development in certain desirable ways. In this regard, simple and transparent rules are necessary to guide the private sector toward sustainable urban development.

A few more specific lessons from Korea’s experience are the following:

- 1) -Zoning regulations, in whatever form they take, should contain sufficiently - detailed guidelines to avoid rent-seeking activities. Synchronization of infrastructure provision with housing development is essential to avoid reckless development.
- 2) Housing development should be coordinated with industrial development so as to reduce unnecessary commuting trips to the core city.
- 3) Environmental aspects should be considered in region-wide planning so that environmental sustainability can be achieved at the region-wide level.
- 4) More coordination is required at both the local and central levels to prevent dysfunctional development in the urban fringe areas.
- 5) Simplification and integration of land use laws and regulations is essential for

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sustainable urban development.

Concluding Remarks

Policymakers in several East Asian countries perceive that the path out of poverty is the path of urbanization. There are several reasons for this view. Urbanization facilitates the provision of services such as health care, education, and infrastructure; opportunities for knowledge-sharing and learning; and diminishing transaction costs, among others. Agglomeration economies help create internationally connected mega cities, concentrating production and generating economic growth.

In China, urbanization is, along with industrialization, an essential part of the national development strategy to address the various issues arising from uneven development of economy and society, and advance to the goal of building a well-off society in an all-round way. While China is still relatively under-urbanized, by 2020, it is expected that over more than 60 percent of China's population ~~are expected to will~~ live in cities (45 percent in 2007).

If ~~well~~-managed well, urbanization can provide significant gains in terms of prosperity and poverty alleviation without the environmental and social costs that some countries are already facing. Managing the urban transition effectively will call for significant policy reforms, the use of new instruments and processes, and the enhanced involvement of the private sector and civil society.

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