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Regional Policy in the Republic of Korea: Principles and Experiences

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Regional Policy in the Republic of Korea: Principles and Experiences



ABSTRACT

Since the 1960s, the Republic of Korea has achieved a rapid economic growth by supplying industrial complexes and intensive development of a certain number of regions. However, in the process, some regions have come to experience relative economic stagnation and the gap between the regions have gradually widened. Therefore, the Korean government has pursued various policy measures as to promote regional equality and to enhance industrial competitiveness. Especially, from the 2000s, there have been the national projects such as development of “Innovation Cities” outside the Metropolitan areas and also the policies to promote the “Greater Economic Regions”. However, these policies have been criticized for failing to meet the demand for capacity-building of the under-developed regions. Thus, the Korean government has shifted its regional policy paradigm so that the people in the region can actually lead the regional development. The key features of the new paradigm are as follows: the bottom-up approach, the endogenous growth with the focus on regional identity and specialization, the package support of the government including deregulation and subsidies, and the strengthening of the collaborative governance between regional innovation actors. These regional policies intend to create attractive living places and high-quality jobs. In this article, various cases of regional development policies in Korea will be discussed, such as “Happy Living Zones”, “Demand-driven, Customized Assistance”, “City Revitalization” and “Leading Investment Zones”. In addition, we would like to propose the path forward for the regional policies, such as regional economy development strategy.

Keywords : regional equality, bottom-up, specialization, package support, deregulation

1. BACKGROUND

The Republic of Korea has experienced rapid economic growth from the 1960s by supplying industrial complexes and developing Metropolitan areas. Thanks to the export-driven industrialization, the per-capita GDP increased approximately 236 times from 1962 to 2012, from \$87 to \$20,562 (KRIHS, 2013). In the process, more than 90% of its people came to reside in cities and the Metropolitan area that accounts for only 13% of the land, has become the center of politics, economics and society. The higher quality of life in the Metropolitan area has attracted younger, productive generation and at present, around half of the Korean population resides in the Metropolitan area (MOLIT, 2014). On the other hand, in the non-urban areas, gradual decrease of population and ageing society have resulted in the decline of regional economies and deterioration of living conditions. The investment in the non-urban areas has been stagnated since 2008 global financial crisis. There have been limits to increase in income and creation of high quality jobs in these regions, because these areas served as production bases rather than building their own development potentials. Therefore, for the development of regional economies, it is time to build a creative eco-system that promotes new industries and innovation on the basis of creative ideas. This paper will present an overview of the Korean regional policies, and the principles and experiences of the Korean regional policies that are being implemented to develop the Korean territory equally. In addition, this paper will introduce new strategies to create quality jobs by making innovation districts recently.

Figure 1. Geography of South Korea



Source: KRIHS

2. REVIEW OF PAST REGIONAL POLICIES IN THE REPUBLIC OF KOREA

2.1 Introduction to the Republic of Korea

The Korean peninsula lies in the middle of Northeast Asia, consists of two different regimes (Republic of Korea, 2015): the Republic of Korea (South Korea) which covers 100,284 sq km; and the Democratic People's Republic of Korea (North Korea) which covers 123,121 sq km. The Korean War in the 1950s made South Korea and North Korea divided. South Korea consists of 64.5% of mountains and forests, 20.3% of arable land, 6.6% of urban land and 8.6% of other uses, which means that the amount of land available for development is small. The population of South Korea was 51.33 million in 2013 and the urbanisation rate of South Korea had risen dramatically from 40 percent in 1960 to 91 percent in 2013 (Republic of Korea, 2015; MOLIT, 2014). In particular, the population of the capital region accounts for 49.5% and the population of 7 Metropolitan areas accounts for 45.9%. South Korea is composed of 17 regional governments and 227 local governments (Lee, 2015). South Korea is a democratic state with a constitution which includes three branches of government: the National Assembly; the Executive, including the President and the Cabinet; and the Courts. All power derives from the constitution and legislation conceived and implemented by the above three branches working together. In 1991, the local autonomy system for selecting local councillors by election was established. Following this, from 1995 on, mayors,

governors and representatives of local government have been elected by the direct vote of residents. These developments in the 1990s have encouraged more people to become interested in the decision-making processes (Kim, 2010).

2.2 Regional Policies from 1960s to 2000s

Regional policies of the Korean government have evolved incrementally from the 1960 from the perspective of space and regions. In the 1960s and the 70s, the Korean government sought to develop development centers that promote industrialization by the means of "intensive regional development" (Lee, 2014; KRIHS, 2013). Industrial complexes in Seoul, Incheon and Ulsan supported increase in industrial production and numerous SOC projects came in place to build roads, dams, ports, electricity systems etc (MOLIT, 2014). However, there have been many side effects of this rapid development, as the inequality of regions hiked and the relative decline of regions came in sight. To overcome this, the Korean government switched its policy goals to promote equal regional development model. Policies to curb over-concentration of the Metropolitan area were implemented and subsidies to promote growth of less-developed rural areas were given out. However, neglect in considering the fiscal and institutional capacity of the government came to result in bearing not so many fruits. Since the 1990s, regional policies that stress the importance of regional competitiveness and economic efficiency have been introduced to tackle those problems following the Asian Financial crisis and the decline of labor-intensive industries.

2.3 Roh Moo-hyun Administration (2002-2007)

President Roh Moo-hyun's administration that was the ruling government from 2002 and 2007, focused on the concept of "Balanced Development" (MOLIT, 2014). It sought to relocate the capital city to a rural region and also develop new cities but resulted in creating intense social conflict. The Roh Administration tried to decentralize functions focused on the Capital areas by carrying out massive National projects such as building Multi-functional Administrative City, Innovation Cities and Corporate Cities. First, the Multi-functional Administrative City, otherwise known as Sejong City, sought to build an administrative capital in the center of the Korean peninsula. It is a self-supporting city that accommodates 36 central administrative organizations and other diverse industries such as health care, welfare, culture and international cooperation and advanced technology. Its goal is to build a city that can accommodate 500 thousand people by 2030. Also, 10 Innovation cities are being developed nationwide to promote balanced regional development and to relocate 154 public organizations from Capital areas to local areas. As of now, 10 Innovation cities that accommodate 270 thousand people are under construction and the movement of 154 public organizations and 47 thousand employees will be completed until 2016. Pilot projects for Corporate Cities were designated in August 2005 and 6 projects have been under implementation as of now. As global financial crises and real estate market recession are causing many difficulties in project implementation, the project is being done in phases or its size is reduced. Thus, the central government is making efforts to predict problems and to find effective solutions through the cooperation with local municipalities and the enterprises. The Roh Administration tried to narrow the gap between regions by developing diverse development centers. However, there have been criticisms that its mathematical allocation of functions increased the tension between regions (Jung, 2008).

2.4 Lee Myung-bak Administration (2008-2012)

Lee Myung-bak administration, from 2008 to 2013, implemented policies focused on companies and economic growth. The reflection of the Roh Administration's regional policies led to the shift in the policy goals, from 'Equality' to 'Development'. It tried to promote 5+2 supra economic regions, focused on strengthening industrial competitiveness and carried out diverse regional policies such as promotion of regional strategic industries and the 4 River Restoration Project. Lee Administration aimed to overcome the limitation of administrative boundaries and to establish 5+2 supra economic regions to enforce global competitiveness (Kim, 2013a). Despite some fruitful results, some scholars have argued that its regional policy focused too much on industries and lacked the immediate creation of local jobs and public participation (Kim, 2013b).

2.5 Park Geun-hye Administration (2013-Present)

The current administration now focuses on enhancing quality of life and also the continuation of previous national policies, whereas enhancing competitiveness was the foremost goal for the previous administrations. The governance system also evolved from the central government-led, top down approach to bottom-up approach and the collaboration of various regional and local governments beyond jurisdiction. As for the Financial and other assistance from the Korean government, they used to be individually implemented by each Ministry and not much coordinated. Now, it is much more coordinated with "policy packages" directed at the target region. The key regional policies of the Park Administration are introduced in the following chapters.

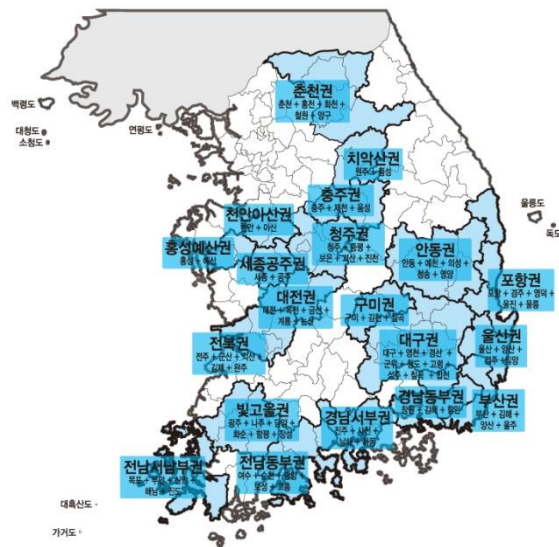
3. KEY CASES OF REGIONAL POLICIES IN SOUTH KOREA

3.1 Happy Living Zones Policy for Regional Development

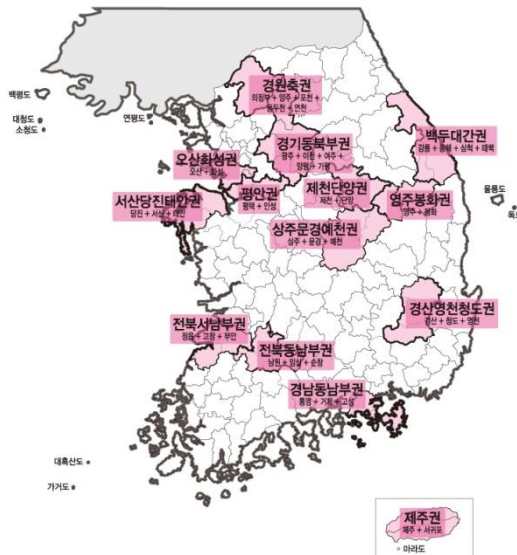
The Korean government introduced a new spatial concept, Happy Living Zones, as a basis for regional development policy in 2013 (PCRD, 2013). The major purpose of the Happy Living Zones is to enhance peoples' happiness and quality of life. The key principle of the zone is cooperation among local governments beyond jurisdiction. The Happy Living Zones consisted of multiple local municipalities that share common characteristics in commuting, industries, geography, culture and historical background. Local governments autonomously decide to form the zones according to the guidelines provided by the Presidential Committee on Regional Development (ibid). There are three types of the zones: rural, rural-urban, and metropolitan zones. Rural living zone is the smallest one with total population of around 100,000. Rural-urban affiliated living zone is centered around small and medium-sized cities with population between 100,000 and 500,000. Metropolitan living zone is formed around large cities with population more than 500,000. As of 2015, a total of 63 zones have been established so far: 21 rural zones, 14 rural-urban zones, 20 metropolitan zones, and 8 pilot zones in Capital area. A new local governance body, the association of local governments, is formed in each zone to prepare and implement development projects for the zone. The zonal development plan was established in 2014, including various inter-local cooperation projects such as economic revitalization, education, culture, welfare and basic infrastructure. The zonal development plans were incorporated into the provincial development plan and eventually into the national five year regional development plan in 2015. Central governments have been supporting the preparing and implementation of the plan for Happy Living Zones as well as coordinating local governments with funding through the special account for regional development, consulting and technical assistance, and deregulation. The Happy Living zones policy, despite its success, has limits as it focuses too much on the improvement of people's welfare and the provision of everyday services, relatively lacking the strategies to promote regional growth centers in relation to regional industries (KRIHS, 2014). Thus, the Korean government also has devised policies such as Urban Regeneration, High Tech Urban Industrial Complex, the Leading Investment zones and the Demand Driven Customized Assistance, in order to achieve the two goals of 'improvement of the quality of life' and 'the strengthening of the regional competitiveness'.

Figure 2. Happy Living Zones

Metropolitan living zones(20)



Rural-urban affiliated living zones



Rural living zones



Source: KRIHS

3.2 Urban regeneration

Urban regeneration aims to improve the competitiveness and living standards of declining cities that suffer from weakening economic base and poor neighborhood living environment due to population decline and industrial recession. As the analysis on three urban decline indices such as population decrease, reducing number of businesses and the level of building deterioration as of 2014 showed that 2,262 or 65% out of 3,479 Eup/Myeon/Dong were falling into decay (MOLIT, 2015). Low birthrate, aging population and low growth have left cities in a state of severe urban decay. Under these circumstances, the government enacted the Special Act on Urban Regeneration in June 2013 and came up with national basic guidelines on urban regeneration in December 2013 to lay institutional foundation, and accordingly, local municipalities developed action plans with local residents to promote urban regeneration. In 2014, 13 leading project areas were designated by a sound competition between local municipalities and are currently in progress. In 2015, 30 more areas have been identified through a public contest. Urban regeneration is largely classified into two types: the first one is “for urban economic base regeneration” which aims to revitalize vacated areas after government offices relocation, railway station facilities, closed ports and old industrial complexes and redevelop them into new economic hub; and the second one is “for urban neighborhood regeneration” which aims to revive declining commercial and neighborhood residential areas. For the first type projects, the government focuses on supporting the designated projects by giving budget support for infrastructure development and financial support such as investment or loans from Housing and Urban Development Fund. They will also be designated as minimum location regulation areas to promote private investment.

Table 1. Urban economic base regeneration

Section	Project overview	
Industrial complex	Equipment industry/low value manufacturing industry, Poor infrastructure, inefficient land use	⇒ High tech manufacturing, convergence industry, multifunctional complex for business, cultural activities and residence
Port	Reduced port function due to vessel enlargement, inner harbor, abandoned dredged soil	⇒ Marina port development for tourism and culture, multifunctional complex for business, cultural activities and residence
Railway Station area	Simple transport and logistics function, unused freight depot	⇒ Sophisticated land use through high rise and mixed use development, multi-modal transfer center, rental housing(Happiness Housing) in city center
Vacated area	Relocation of government offices, military facilities, closed factory	⇒ Maximized value through mixed use development, space for culture, education, park and green area

For the second type projects, the government will focus on regenerating declining built-up areas, city centers and old residential areas. In particular, “Specialized neighborhood regeneration project” will be implemented to revitalize old built-up areas which were once the center of administration and commerce. The government will provide project cost and urban plans that will locate public facilities in city centers and limit new town development to prevent the decline of old city centers. Furthermore, Housing and Urban Development Fund will financially support substandard housing improvement, commercial building remodeling and small size urban regeneration projects implemented by the private sector. Regulations on

building coverage ratio, floor area ratio and parking lots development will be relaxed for the urban regeneration project.

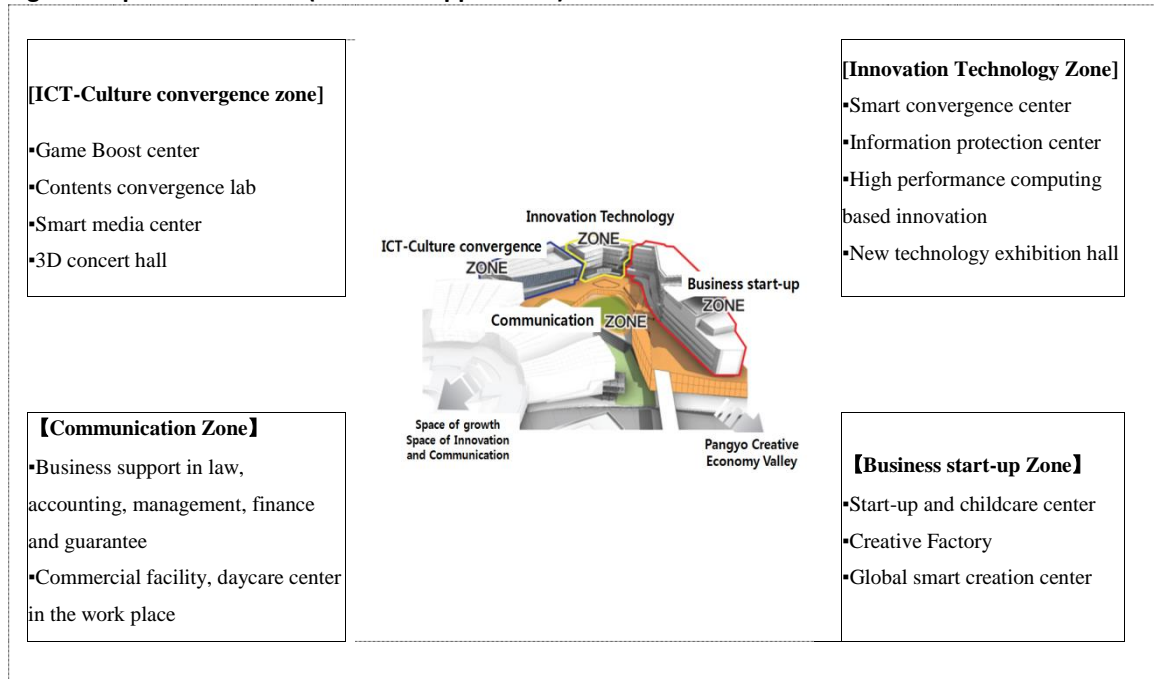
Table 2. Urban neighborhood regeneration

Section	Project overview	
Commercial area	Declined commercial area, increasing vacant stores, poor infrastructure and reduced visitors	⇒ 'Special Street', redevelopment of vacant stores into space of art and creation, parking lots and infrastructure expansion and local festivals
Residential area	Old and substandard housing, narrow road, poor living infrastructure and residential environment	⇒ Expansion of living infrastructure (fire lane, park, parking lots), small sized and customized housing improvement, profit-making by village firms

3.3 High Tech Urban Industrial Complex : Pangyo Creative Economy Valley

Unlike previous industrial complexes that mostly focused on the manufacturing industry, Pangyo Creative Economy Valley is a symbolic project that may realize creative economy in a physical space by additionally establishing software support facilities such as Business Support Hub and Knowledge Industry Center at the High Tech Urban Industrial Complex located in a suburban area (MOLIT *et al*, 2015). In other words, Pangyo Creative Economy Valley is a landmark of the creative economy by providing companies with low-priced and effective business space according to their development stage and making a communication environment such as global network. Pangyo Creative Economy Valley is also a place of innovation and business to commercialize new business ideas created at the Centers for Creative Economy and Innovation of each region who act as a growth engine for the creative economy. The key strategy of the Master Plan on Pangyo Creative Economy Valley is to build a creative space, called "Business Support Hub", and develop the hub into a space of creating new ideas and business start-ups through ICT and innovation technology and the convergence of ICT and culture. Business Support Hub is a complex building with rental offices, Start-up Zone, Innovation Technology Zone, ICT-Culture Zone and Communication and Support Zone which will be provided to firms for financial support. And each Zone will have relevant organizations that will support the creative economy. In particular, Start-up Zone will have space for business start-up that 200 start-ups can rent at a 20% lower cost than the market price for the maximum three years. It will also be equipped with test product manufacturing devices to support the whole start-up process, provide one-stop business start-up services and raise Creative Economy Valley Fund.

Figure 3. Space of creation (Business Support Hub)





Furthermore, 3 or 4 year old companies which are at the growth stage may rent business space at a low rental cost and receive support for technical innovation at Business Growth Support Center. The Valley will have Venture Campus where venture companies form consortiums to nurture start-ups and Innovation Town where innovative companies and research institutes with future-oriented technologies agglomerate. Business Growth Support Center will provide 300 firms with business space at a 70~80% of the market rental price, Happiness Housing for residence and child care and day care centers in the work place. In addition, Global Biz Center and a Joint Campus will be developed to strengthen global network and promote industry-academic cooperation. A futuristic communication space called I-Square will be created to help creative people communicate with each other and enjoy various activities at conference hall, offices, commercial, residential, cultural and leisure space around I-Square plaza. Culture Street will be developed along pedestrian roads at I-Square plaza as a landmark of free and open communication like college campus.

3.4 Leading Investment Zones (LIZ)

The objective of the LIZ is to provide "policy packages" to a few leading investment zones to facilitate private investment and to establish a strong regional post that has distinct characteristics such as specific industry, culture and tourism. If selected, the Ministry of Land, Infrastructure and Transport (MOLIT) will be concentrating the policy package such as financial support as well as institutional support, onto these projects to transform the relatively underdeveloped area by promoting private investment. In 2015, numerous projects including railway stations, industrial complexes, energy clusters and tourist attractions have been proposed. For example, 'South Wonju's Railway Complex Development LIZ' of Gangwon Province seeks to build commercial, residential complexes as well as multi-functional terminal and multi-purpose plaza. Especially, South Wonju LIZ strengthens the network between the nearby Innovation City, Corporate City and the Center for Creative Economy and Innovation, as well as with the private companies, research institutes, public corporations and 3 universities. Another example is Ulsan Ulju's Energy Industrial Complex LIZ, which makes use of special subsidy allocated in Ulju in exchange for placing nuclear reactors in the area. This LIZ will create an energy cluster by interconnecting the region's nuclear power plant, Ulsan Techno Park and Energy-related research institutes.

Table 3. Examples of LIZ Projects

	Gangwon Province	Ulsan City
Title of Project	South Wonju's Railway Complex	Ulju's Energy Industrial Complex
Area (sq m)	500,000	1,035,555
Period of Construction	2016 - 2020	2015-2018
Construction Cost	213 (million dollars)	163 (million dollars)
Land Plan		

3.5 Demand-driven, Customized Assistance (DDCA)

MOLIT has been providing annual subsidies to Growth Promotion Areas, which are the 70 underdeveloped areas among the total of 210 regions (MOLIT, 2014). However, its top-down approach has caused problems as the regional governments tended to prefer large scale SOC projects rather than small size projects that actually improve the quality of life. So, the Korean government has introduced DDCA, which integrates hardware such as infrastructure and software such as cultural content. It is selected through a bottom up process based on public participation and its goals are both enhancing quality of life and promoting economic growth. In 2015, the total of 62 regional governments proposed 73 DDCA projects, and MOLIT chose to support 26 projects that fits its policy objective. Most proposed projects were based on the consultation with the local people, experts and interest groups and their plans were specifically tailored to satisfy the local demands. For example, Foursquare(Sauijae) tourism project in Gangjin-gun integrates hardware and software development to create new synergy by building traditional shopping streets and parking lots near Foursquare, operating performances and learning programs about history and selling local food. Another example is the Multi-functional transport infrastructure project in Naksansa Temple in Yangyang, Gangwondo province. This projects aims to build parking lots and camp site to meet the increasing demand of visitors and operate drive-in theater, experience facilities and performance space to make the area as a tourist attraction.

Figure 4. Examples of DDCA Projects



3.6 Local Economic Development Plan through Regulation Free Zones

The local economic development plan for creative environments was suggested in Oct 2015 at a meeting of National Economic Advisory Council (NEAC), a consultative body for the president. This plan is being modified through the review of governmental Task Force Team and officially announced. In this plan, regional governments and the Center for Creative Economy and Innovation designate 2 flagship industries of each region and induce Regulation Free Zones for the selected industries, providing a comprehensive package of governmental financial supports and deregulation, and creating the right environment with improved urban amenities to attract creative talents (NEAC, 2015). The plan could be seen as smart and customized regional strategies for Korean regions. In other words, the local economic development plan was designed to promote platforms for local economic growth by concentrating resources and capacity given unique characteristics of each region and by promoting local networks between various innovative stakeholders. In detail, each local government will work together with the Center for Creative Economy and Innovation as well as companies and public organizations in the region to select 2 promising industries that have growth potential and can promote each region's characteristics, and NEAC will make a final decision on that. Now, many industries such as IoT, 3D printing, electric car, bio health, a carbon fiber and so on were submitted. Regional governments and Municipalities will find industrial and location regulations related to the selected industries by receiving recommendations from private companies, and the central government will review the regulatory issues through a special committee presided by Prime Minister and address them, if necessary, through revision of related laws. In addition, platforms for the creative economy will be established by expanding the comprehensive package of financial supports for the selected local industries. Furthermore, construction of High Tech Urban Industrial Complex, Economic Innovation Center and Investment Promotion Zone can be conducted in conjunction with the Center for Creative Economy and Innovation, and urban renewal and regeneration of industrial complexes can be pursued for the improvement of urban amenities, upon request of local governments. Just like the way the government did for Pangyo Creative Economy Valley, comprehensive governmental supports will be provided for start-ups, innovational technologies and convergence of ICT and culture. Along with that, the plan will lead to promotion of tax benefits and high-quality jobs that will attract young talents to the

region, and contribute to better residential conditions by creating pleasant business conditions and space for creative communication, improving accessibility and conditions for culture, leisure and education. The plan will develop creative and customized strategies for each region through bottom-up coordination, and the Center for Creative Economy and Innovation will play a leading role in cooperation with critical platforms within each region, thereby forming a creative ecosystem that can lead to good job opportunities. Along the way, the government will continue to support the plan through comprehensive package of supporting measures and regulatory reform. In that way, backed by the governmental support and regulatory reform, local economies will be able to sharpen their competitive edge while creating networks connecting multiple platforms for the creative economy. Such efforts will lead to emergence of the globally-competitive creative economy in each region and nationwide spread of such creative economies. It is expected that such policy efforts led by local economies will disclose hidden potential of each region and create a virtuous cycle of promotion of balanced territorial development, people's happiness and more job creation.

4. KEY PRINCIPLES FOR SUCCESSFUL REGIONAL POLICY IN SOUTH KOREA

4.1 Introduction

The review of past regional policies and 6 key cases of Park Geun-hye Administration is helpful to explore the characteristics of regional policy in this administration. In particular, MOLIT is in charge of implementing these 6 key projects, which has provided many meaningful lessons and suggestions. Even though there are arguments about the requirement of successful regional policy, this section attempts to deduce key principles for successful regional policy in South Korea.

4.2 Strategies of creative regional specialization

Previous growth models focused on industrial development did not reflect regional characteristics and demands due to uniformed resource distribution and overdevelopment of special districts. It mostly supported hardware infrastructure development such as road and did not emphasize new and creative ideas related regional specialized resources. Standard and unified projects prevented local economic development. For differentiated development from those of other regions, it is important that each local municipality is encouraged to voluntarily develop an optimal development strategy that will reflect regional characteristics and make use of unique growth potential through the bottom-up approach. In other words, it needs to make a specialized regional development strategy which is attractive to people by combining specialized resources, industries, tourism and culture and develop a specialized ecosystem of the creative economy in each region. This specialized strategy also needs to consider the limits such as gradual decrease of population, ageing society and specific regional situation. This strategy should make the best out of regional characteristics and strong points under a long and mid-term vision and should focus on complementing and upgrading existing hubs such as Innovation Cities and High Tech Urban Industrial Complex rather than developing new hubs.

4.3 Government's package support including deregulation and budget

As many local areas lack specialized resources, growth potential and creative workforce compared to big cities, the government should provide them with differentiated package support including budget, deregulation and various incentives. But, rather than reckless resource distribution, the government needs to focus its support on encouraging local municipalities to find the most optimized specialization strategy through a sound competition. It is important to promote the development of diverse regional growth hubs such as High Tech Urban Industrial Complex, Investment Leading Zone and Regulation Free Zones that recently finds optimized specialization projects that develop through a public contest. In order to successfully implement the regional specialization strategies developed by each region, deregulation on location and industry and budget support customized for each specialization project will be necessary and a package of each ministry's policy support will maximize synergy effect. Furthermore, it is important to

promote best practices such as Pangyo Creative Economy Valley that provides tax benefits to attract start-ups, incubating, infrastructure and spatial integration for communication between companies in other regions so that they can benchmark it and create good jobs.

4.4 Strong innovation network within the region

Regional specialization strategy will not be successful without a close network between innovation organizations within the region. Diverse organizations such as private companies, the Center for Creative Economy and Innovation, research institutes, public corporations, Innovation City Cluster and Techno Park and local municipalities need to identify ideas for regional specialization after careful consideration and make a long and mid-term vision. A package of deregulation and budget support customized for each region's specialization strategy and close cooperation with the government to implement the strategy will determine the success or failure of the strategy. To this end, the network of innovation organizations within the region should create an ecosystem of the creative economy that connects commercialization to production and export. The innovation organizations should cooperate with each other and actively share their ideas so that they can focus on creating new growth momentum and actually contribute to the creative economy.

4.5 Environment to attract creative people

In order to pursue constant and long term regional economic development, it is crucial to secure creative people who can play an important role in developing realistic specialization strategies and constantly implementing them. A region's income level and employment will be improved when creative people working in cultural, ICT or other creative industries such as management and financial experts, public management experts, science and information engineers, education administrators, research experts and creative service providers gather to live and settle in the region. Diverse efforts will be needed to continuously attract competitive and creative workforce in a changing environment represented by low birth rate, aging population, low growth and fierce technical competition. High quality living environment should be created by enhancing urban amenity with better cultural and residential environment and public services including various public transportation. Public investment needs to be increased to provide more tax benefits for start-ups, improve infrastructure, support incubating of business start-up and enhance public transport convenience. These efforts should create a deep rooted culture where creative people focus on technology innovation with local patriotism and pass their knowledge and technology on to their next generations. And such culture will lead the region to successfully implement its long-term vision in the future.

Table 4. Paradigm shift in regional policy

Limits of previous policies	Key principles of current policies	
Industrial growth model focusing on development . Reckless resource distribution and overdevelopment of special districts	Regional specialization	Creative economy model focusing on regional specialized industries . Specialized ecosystem for the creative economy in each region . Maximum use of existing hubs
Segmented government support . Separate support of each ministry . Lack of deregulation	Government package support	Package support for maximum effect . Drastic deregulation and package support for specialized industries . Customized support through convergence of H/W+S/W
Top- down approach . Focusing on industrial competitiveness led by the central government	Innovation network	Bottom-up approach through the regional network . Strong network for the creative economy between local municipalities and innovation organizations through the Center for Creative Economy and Innovation
Nurturing technical engineers . Technical engineers by specific area . Lack of comprehensive policy to support business start-up and residence	Environment to attract creative people	Environment to invite creative people . Attractive urban amenity, job creation * Start-up incubating, tax benefits, job creation and the space of creative communication and exchange

5. CONCLUSION

Korea pushed ahead with diverse regional development policies such as designating Innovation Cities, Corporate Cities and special districts and supporting lagging areas. But those policies were not successful due to decentralization of local municipality capacity, overdevelopment and various regulations on industry and location. Therefore, the government has been turning its focus from the previous growth model of the industrialization age toward the creative economy to secure new growth momentum and promote regional development. On this context, this article has dealt with various experiences and key principles of regional policy in South Korea, focusing on to promote growth hubs through select and focus while meeting the demand of our citizens which is to improve the quality of life in a changing environment such as low global growth, low birth rate, aging population and fierce competition for high tech scientific technology. In conclusion, the key words of Korea's regional policy are regional specialization, bottom-up approach, government's package support, innovation network and environment for creative people.

However, Korea's regional policy might be faced with unpredictable risk factors caused by the growing income gap, rapid climate change, arrival of the era of aging society and uncertainty surrounding global economy. Therefore, much research on resilient economy and inclusive growth is being conducted to respond to such threats. As local economies are faced with a series of problems such as changes in economic and social structure, disasters caused by climate change, dispute between the Seoul Metropolitan Area and other local economies, the gap between cities and rural areas and dispute across different groups and generations, various indices and analysis methods are being developed to help local economies implement delicate and customized programs and address such problems through their own policies. For example, to measure a region's capability to recover or resilience, indices for segmented areas (e.g. labor force as human capital, infrastructure as physical capital, R&D as innovational capital) are being reviewed. In addition, measures of enhancing social networks and increasing social capital, more specifically, strengthening flexibility of labor market, maintaining sustainability of basic infrastructure, upgrading the ability of driving innovation through convergence, securing stability of economic structure through promotion of industrial diversity and business competitiveness and guaranteeing social service, are being suggested as policy directions (Ha *et al.*, 2014). Furthermore, to address income inequality, a variety of inclusive growth policies, that include measures of upgrading tax exemption and tax reduction systems, expanding health insurance, strengthening educational supports (e.g. supports for childcare) and increasing job opportunities, are being implemented (Yoon, 2014). When it comes to inclusive growth, the 'Service Standards for Farming and Fishing Villages' and the 'Sustainability and Evaluation of Infrastructure for Urban Life' were adopted. The Service Standards for Farming and Fishing Villages was introduced with the aim of bridging public service gap between cities and rural areas. 31 essential categories for daily lives of residents (e.g. residence, transport, education, health care, welfare, culture and IT) were designed and a goal for each category was set. For cities, since the adoption of 'Sustainability and Evaluation of Infrastructure for Urban Life' in 2013, a total of 8 categories comprised of 30 sub-categories, such as land use, industry, economy, environmental conservation, culture, landscape, transportation, housing, social welfare, disaster prevention and safety are being evaluated. Such evaluation helps cities to check by themselves what lacks in infrastructure and in which parts the city lags behind others and become a basis for their urban development plans. However, to get tangible outcomes in terms of inclusive growth and sustainable development, direct and indirect governmental supports are essential. In other words, it is necessary for the government to relax regulations, provide financial support for promotion of both regional economic growth and job creation and strengthen institutional devices for equal distribution of fruits of economic growth. In particular, the government needs to thoroughly check the social safety net for the poor in society. It is recommended for the government to focus on direct and indirect supports to dilapidated areas with decreasing population by reducing tax and other financial burdens as well as granting a special status in terms of application of regulations and providing subsidies. Such efforts will not only attract more investors for businesses but also create quality jobs and ensure basic service and social safety net for people.

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