

# Beyond the Borders\*

— Local Initiative of Korea, Japan, and China  
Towards East Asian Economic Cooperation —

Jang Kwon Kim (Soongsil University)

## *Abstract*

This article contends that it is rather the local governments, than the central governments, that are playing the leading role in the economic cooperation in East Asian region and that, therefore, the advance of decentralization in countries in this region tends to accelerate the formation of the East Asian economic sphere.

Why by local initiative? The answer can be found by analyzing the internal and the international relationship in this region. Such an analysis will reveal the process in which local governments, one of the major actors in low politics, assume the leading role in the economic cooperation beyond the boundaries of national-states.

Why the tendency of decentralization in East Asian countries? This thesis will demonstrate that it is an outcome of critical reflection on present development strategy among countries in this region. It can be said that they have *crisis of success* in Korea and Japan, and *crisis of failure* in China, both of them caused by the development strategy initiated by the central government. In retrospect more than half a century of the endeavor initiated by central governments, there came to be increasing voices demanding modification in the strategies or new development strategy, including decentralization and local initiative.

This thesis will be supported by the case study of South China economic sphere

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where the formation of the economic sphere has been considerably advanced. Analyzing and appraising the active role by the local governments in the building process of economic sphere is the substantial part of this study.

## Factors of Conflict and Interdependence

Despite the worldwide detente, the East Asian region still retains the potential of political conflict and tension. Why?

First, it can be pointed out that this area has traditionally had the state-centered system rather than that based on the civil society. And these states have very different characteristics from one another, economically and ideologically(Han, 1992). All of the key states of this region, Korea, China, and Japan, are characterized by the state-centered way of thought and the top-down system management(Cummings, 1984). In addition, these states show great diversity in their stages of economic development.<sup>1)</sup>

Second, the East Asian states are armed with strong nationalism, which has much to do with the first point, the state-centered social system. The Asian states seem to have put less stress on the choice of systems between capitalism and socialism than on the goal of modernization and national independence. That is, Asia has retained a surpassingly strong nationalism that seeks national self-determination and the enhancement of life standards by means of economic growth.

This area has not been distinctively divided by two different systems, capitalist and socialist, and this very fact has given the area the structural trait in which the tension of the Cold War period is not easily removed even after the conflict between the U.S.A. and the Soviet Union has been solved. Therefore, Asia, especially East Asia, still has a very high probability of mutual conflict as is well

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1) According to an estimate by Nomura Institute based on the GDP of each country, Korea now has approximately what Japan had in 1970 and China has what Korea had in 1962(Nomura Institute, 1993)

summarized in Carpenter's warning that the New World Order is very likely to become the New World Disorder(Carpenter, 1991).

Third, The trauma of military invasion of the past has remained as a significant factor of tension in this area and still holds its resonance in many social fields. As is well known, China, Russia, and Japan have not forgotten the memory of fighting each other, and South and North Korea still retain the trauma left from the experience of being colonized by Japan. South and North Korea are asking Japan, in different contexts from each other, for the clearance of Japan's historical debt.

Fourth, this area shows striking asymmetry in economic exchanges among the countries. For example, the asymmetry between Korea and Japan is well known. Since 1965 when the economic cooperation between these two countries got into stride, their economic exchange has been developed in a very asymmetrical way(KIET, 1990). Trade between Japan and Russia, and between Japan and China have also been asymmetrical.

Fifth, this area lacks such experiences, or tradition, of economic and military cooperation as characterize EC, CSCE, or NATO in Europe. The basic strategy of the U.S.A. for the East Asian security in the Cold War period has been based on the bilateral relationship between the East Asian countries and the U.S.A., unlike the multilateral collective security system of Europe. The northern triangle of North Korea, China, and the Soviet Union is also based on bilateral military cooperation. As the countries of this area lack the experience and understanding of the multilateral cooperative system and have been related to each other with the U.S.A. or the Soviet Union, if such Super Powers vanish or become weak, the whole framework of the area's security can be disintegrated.

Sixth, there is the North Korean nuclear problem, perhaps the most significant factor of tension in existence. In spite of the continual efforts in terms of this problem addressed to North Korea, many factors of conflict remain unsolved related to such tricky issues as the nuclear transparency on the side of North Korea, supports for the building the nuclear-energy producing facilities, inspecting the alleged nuclear-related facilities, and the dialogue between South-North Korea.

Briefly we have reviewed the factors of conflict in the East Asian international order in the post-Cold War period. This area has maintained several factors of tension at least in the dimension of high politics such as political and military relations, and is expected to remain so for a considerable time in the future.

But such frustrating conditions are not the only factor that determines the international relations of this area. On the non-military and the economic level, in the dimension of low politics, the region has developed eye-opening degree of cooperation and interdependence, which is showing on-going development.

Needless to say, it is the increasing interdependence of economic relations that has initiated the mood of cooperation and the moves toward borderlessness on various levels.

First, changes in Japan, the leading economic body of this region, have played a decisive role in the increase of regional economic interdependence. Since the Plaza Agreement in 1985, the rapidly rising value of Japanese Yen against the USD has transformed the economic structure of Japan. It has enhanced the level of domestic consumption in Japan, and made Japan a *demand absorber* for the countries in the Asia Pacific region(Watanabe, 1991; NIRA, 1987).

Moreover, Japan began to make an *out-sourcing type* of advance into other Asian countries, increasing the import not only of consumer goods but also of half-done goods and machinery, transplanting its production base into the NIEs and ASEAN countries, and seeking raw material, etc. Such a change in the trade pattern of Japan is one of the most significant factors in intensifying economic interdependence in this area.<sup>2)</sup>

Second, the changes in Japan brought changes in the NIEs. The Asian NIEs,

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2) In 1980s, Japanese foreign investment shows great changes in both quantity and quality. The total amount of foreign investment was 36 billion USD in 1980 and it jumped to 186.4 billion USD in 1986, showing 5 times increase rate. The content of investment has gradually shifted from the field of low technology and intensive labor to fields with higher additive value such as electronic machinery, general machinery, vehicles, etc.. On the other hand, the internationalization of Japanese finance has advanced with the strengthening of the Japanese Yen(Yoon, 1990).

encouraged by the weakened international competitiveness of Japanese goods and the increasing demand-absorbing capacity of Japan, have achieved enormous economic growth, and, at the same time, have been able to increase their domestic purchasing power along with an increase in their production capacity, which in turn have brought a changeover to domestic-consumption-led economic growth.

The revaluation and the rising wages drove businesses abroad, seeking the comparative advantage of the labor-intensive and technology-standardized industries and transplanting the factories to the ASEAN countries and China. Such a change in the development strategy of the NIEs has played a decisive role in developing the interdependent structure with each other among NIEs countries and between NIEs countries and the ASEAN countries or China.

Third, China developed its reform and open-door policy. From 1978, China began to shift its diplomatic and domestic policy in the direction of economic modernization and opening of the state, a trend which has been carried out full scale since 1980. China's open-door policy has been even more active than that of the East European countries.

Japan has been very active in supporting the modernization effort of China. Since 1982, more than 10 percent of the Japanese ODA has been allotted to China, and this occupies more than 50 percent of the total aid China has been granted on the bilateral or the multilateral basis from abroad. Japanese yen-based loans have been granted to China three times until 1995. Their total sum amounts to around 1,600 billion yen(Kajimura & Jin, 1989). The 4th yen loan had been started in the year 1996, which amounts to around 1,000 billion yen.

The opening of Chinese economy began to draw not only Japanese yen but also overseas Chinese capital. Korea also has been attempting to invest in China on a large scale since the conclusion of treaty of amity.

Fourth, there is a great potential for mutual complementarity among the various elements of production in this region(Ogawa & Komaki, 1991): the enormous capital, high levels of technological capacity, information collecting capacity, and experiences accumulated through the economic growth process of Japan; the

intermediate technology and capital of Korea; Russia's abundant natural resources such as coal, natural gas, non-iron metal, timber, fishery, etc.; and the natural resources, labor, and market of China. Even North Korea has its potential share of contribution in one of the significant elements of production, i.e. labor. Such potential for mutual complementarity is the background factor reinforcing the mutual interdependence of the area.

Fifth, the environmental problem is a newly emerging factor that reinforces the mutual interdependence of this area. To cope with transboundary pollution caused mainly from the industrialization of China, such as the pollution of the Yellow Sea, the acid rain problem combined with the yellow sand phenomenon, etc., the need for cooperation by Korea, China, and Japan is becoming more and more clear. Cooperative efforts are also required for the safe treatment of the nuclear wastes in this area. These are serious problems defining the interdependence among the countries of this region, though in an unwelcomed way.

## The Rise of Local Governments

As can be seen above, the factors of conflict in this region are mostly a product of relations among the central governments, the states. Therefore, local governments, free from such immediately conflicting relations, deserve attention in terms of realizing the potential of interdependence in this region.

The rising new attention to local governments in this area can be said to be in line with the efforts of remedy for problems caused by the state-led growth process.

First, the state-led growth strategy has brought about many contradictions in each country. In the case of Korea, the export-led industrialization strategy has been an unbalanced one, based on the unbalanced growth theory and growth pole theory(Hirschman, 1958; Mason et al., 1980). As a result, asymmetry has grown between the metropolitan area and the other local area, between Kyongsang area and Cholla area, and between the large cities and other agricultural areas(Seong,

1996). The expectation of earlier days that such asymmetry could be solved in time through the accumulation and *backwash effect* and *spread effect* has lost its pertinence and time has proved to accelerate the rate of concentration and asymmetry.

In such situation, local autonomy can stimulate local governments to seek various alternatives for local development. And, there comes into the scene as one of the possibilities the globalization model by local initiative.

Japan has also shown an asymmetrical local development pattern typical of the state-led growth policy. The industry placement policy of Japan has developed industrial centers along the coast of the Pacific Ocean. This has caused serious problems such as urban concentration and local sparsity. The rapid economic growth policy has adopted the centralizing method mostly for the heavy and chemical industry, making complexes for ship-building, steel industry, chemical industry, etc. added to the already established industrial complexes and the surrounding coastal areas. Such asymmetrical development among the local areas has caused the over-density and over-sparsity of population, inequality among industrial bases, unequal income among various areas, etc.

In Japan, such unequal development among the local areas has given rise to an era of reformist local governments across the country. The local initiatives have been developed in new ways, including efforts of globalizing by the local governments themselves since the 1980s.

One of the significant efforts for globalization by Japanese local governments is their efforts to increase their exchanges with one another and with cities in Russia, China and Korea. In relation to this, airways and seaways are pressed to open, and their rate of exchanges of persons, information and commodities is being accelerated. In this process, we can see a rising motivation to revitalize the local economy in areas that have been alienated from the overall economic growth of Japan.

Such movement by the local governments has drawn very positive attention within Japan. It is expected to overcome the concentration around Tokyo, hastening the realization of ideal development of multipolar and diffusive land use.

Second, in the cases of Japan and Korea, the contradictions among local areas caused by the success of the state-led growth strategy has worked as the motivator of local government for globalizing efforts, whereas in China the failure of the state-led growth strategy has worked in the same way. In China, many local governments are coming to the foreground as key actors after the state-led growth strategy proved to be a failure. As centralized governance is practically impossible in China due to the vast territory and the poor communication system, it has shown a kind of decentralization tendency throughout contemporary history. Especially since the start of the reform and open-door policy, China has actively attempted the decentralization of its economic management system for efficient economic growth and modernization. And now state policies are encouraging the local development policy, allowing many advantages to local governments, especially the coastal areas.

In the decentralization policy of China are included the transfer of broad range of rights regarding the economy and trade: first, transfer of economic rights to the local governments, in which the state regulation is cut to minimum and the investment system is decentralized; second, decentralization of the financial system; third, decentralization of the banking system; fourth, decentralization of the business management system; and fifth, decentralization of the foreign trade system(Park, 1992).

As a result of this broad decentralization policy, the local government has emerged as a comparatively independent economic actor, and an exclusive economic localism, maximizing the local interests, has spread.

If the present trend goes on, China is very likely to be divided into several sub-regional economic zones, economically at least. Whether such a phenomenon is desirable or not, it is highly probable that the prospering local economic bodies, or the local governments, of the coastal areas in China will become key actors in the international economic relationships in the East Asian area.

To sum up, in Korea and Japan, the rise of the local governments represents the strategy to overcome *the crisis of success* brought on by the state-led development, whereas in China to overcome the *crisis of failure*. Reviewing such trends in the local

governments in Korea, Japan, and China, three major countries in East Asian region, we can perceive that these local governments came into being as key actors through the increasing economic interdependence of this region.

## The Formation of Regional Economic Sphere by Local Initiative

At the moment, in the East Asian region we can observe some active movements attempting to form economic cooperational spheres such as Pan East Sea Rim economic sphere, the Pan Yellow Sea economic sphere, and the South China economic sphere, etc. Unlike the South China economic sphere, the other spheres cannot be regarded as fully integrated economic zones, since they still remain at the initial planning stage. What such initiatives have in common is their decentralized character, that is, they are an attempt for economic integration initiated by some local governments.

The most active area with plans to build an economic sphere is the South China economic sphere. Therefore, the analysis of its development will be of some help in designing the other attempts.<sup>3)</sup>

The economies of Hong Kong and Guangdong, core areas of the South China economic sphere, are growing fast with a high degree of integration. Hong Kong covered 42.9 percent of the total exports and 26.7 percent of the total imports of China in 1990. Also, investment by Hong Kong in Guangdong is getting increasingly active. Among the 1,156 million USD of foreign capital drawn by Guangdong Prefecture, that from Hong Kong and Macao amounts to 952 million USD, surpassing the 52 million USD from the U.S.A. and 38 million USD from Japan(Watanabe, 1991).

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3) Reference materials for the following discussion on the trend of the South China economic sphere are : Watanabe, 1992; Yanagida, 1993; Yanagihara, 1992; Yamagata, 1989; Keio University Chiiki Kenkyu Senta, 1991.

The investment in the Guangdong area began with the advance of Hong Kong manufacturing businesses into Shenzhen, the special economic district of China, in the form of trusted manufacturing, to turn away from Hong Kong with its rising production costs in the middle of 1980s. As the costs in Shenzhen also rose, they advanced further into the inner land, eventually covering the whole delta area of Zhujing in Guangdong Prefecture. Hong Kong chose the Guangdong Prefecture as the partner for its restructuring efforts, which is regarded as very successful.

For the regional economic spheres to be formed successfully, the central governments of developing countries must implement policy to reduce various economic risks such as policy risk, exchange rate risk, and problems in the production process. The reform and open-door policy accelerated since 1978 in China has reduced the policy risk in the advance of Hong Kong manufacturing businesses into China.

Guangdong Prefecture is enjoying rapid economic growth and creation of employment through the advance of Hong Kong capital. The economic combination of Hong Kong and Guangdong can be said to maximize their complementary interests satisfying the needs of both sides.

What deserves special attention here is the way in which the local governments of Guangdong Prefecture have responded in the development process. The development of South China economic sphere centering upon Guangdong Prefecture started with the special economic district policy of China, as in Shenzhen and Xiamen. As Guangdong is far from Beijing, the center of China, the hitherto disadvantageous geographical condition made renovative policy implementation possible, and the resulting development of Guangdong Prefecture is quite different from the Beijing's original plan(Yanagida, 1993). Originally, Beijing planned Guangdong special economic district as a new model to cope with capitalism based upon the return of Hong Kong and the integration of Taiwan into China. But the result was the contrary: Guangdong Prefecture has been integrated into the economic circle of Hong Kong, dominated by Hong Kong dollars.

The local governments of China have expanded their autonomy at a distance

from Beijing and especially after the Tiananmen incident, the command by Beijing over the local governments has become even weaker.<sup>4)</sup> Within this context, the Guangdong government pioneered the autonomous open-door policy by local initiative, the details of which are as follows. With the goal of *establishing the good export-oriented economic mechanism and the open economic system with strong international competitiveness and high efficiency* as the basis of the economic policy of the prefecture, the strategy for multilateralization of trade has been accelerated: foreign investments of Chinese businesses are encouraged, the establishment of the transnational corporation is encouraged, large-scale foreign capital and technology are introduced, the efficiency in the use of foreign capital is enhanced, the range of rights of local governments is widened through the deregulation in the administrative processes and the transfer of rights from the central to the local governments, the banking environment became beneficial to the foreign-capital-based businesses, the foreign market is opened up, the globalizing efforts are increasing, the investment environment is improved continuously, and the personnel required for building the export-oriented economy are mobilized(Kim, 1992).

These efforts by the local government of Guangdong Prefecture were able to achieve an amazing rate of economic growth, combined with the foreign investment policy of Hong Kong. The total amount of industrial and agricultural production in Guangdong has more than doubled between 1981 and 1986( 37 billion Chinese Yuan in 1981 and 82.3 billion Chinese Yuan in 1985), and again during the five

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4) For example, after Tiananmen, the central government, in order to recover its authority and to reinforce its command over the macro-economy policy, asked the local governments to adjust and raise the rates of the payment from their income and foreign currency to the central government. But the draft plan of the adjusted rate of foreign currency transfer was nullified due to the strong resistance of the local governments(The National Planning Meeting, December 1982). The strong resistance of the local governments was clearly revealed in the National Meeting of the Heads of Prefectures held in October 1990. In this meeting the central government, in an attempt to recollect the financial rights dispersed down to each prefecture, proposed the tax division system. The officials from the local governments strongly resisted against the draft, successfully defending the Finance Trust system(Yanagida, 1993).

years between 1986 and 1990, it grew from 96.36 billion Chinese Yuan to 250.3 billion Yuan, multiplying 2.60 times in the latter 5 years and 6.76 times in 10 years(National Statistics Department of China, 1981, 1986, 1991; Yanagida, 1993).

Briefly, the successful integration of Hong Kong and Guangdong grew out of the combination of the need to restructure on the side of Hong Kong and the desire for the economic growth on the side of the Guangdong. Such formation of the regional economic sphere in accordance with the local development line can be found in the same format in Taiwan and Hujian prefecture of China.

Taiwan realized a huge export surplus with the U.S.A. in the late 1980s, aided by strong Japanese Yen effect, and the Chinese Yuan was rapidly re-evaluated as a result of the revenge by the U.S.A. The rise of Yuan, just as in the case of Hong Kong, increased the advantages of producing abroad, driving businesses abroad.

Further, the rapid economic growth of Taiwan pressed the labor market, causing labor disputes and skyrocketing of wages, and the political movement for democratization had great contribution to this process. The skyrocketing of land costs and the anti-pollution movement made sites for additional factories and social infra-structures hardly available. Such factors were disadvantageous for domestic production by Taiwanese business, and, in combination with the rise of Yuan, greatly encouraged Taiwanese business to go abroad.

In this context, the local governments of Hujian and Zhejiang began to adopt investment policies preferential to the Taiwanese businesses. The central government of China implemented hospitality policies for the Taiwanese,<sup>5)</sup> and set up the *special investment district for the Taiwanese*. The financial autonomy of Hujian helped in the working out of such a free atmosphere of inviting the capital from abroad. 80

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5) For example, *the Rule to Encourage Taiwanese Investment* was made by the National Affair Board in July, 1988. This rule includes broad preferential treatment for Taiwanese investment, exempting the businesses established by Taiwanese investment from being nationally owned, allowing them much freedom in establishing joint ventures, in purchasing stocks and bonds, in using the land in the continent, giving investment from Taiwan tax previlages, removing the upper limits of the length of the operation period of joint venture with Taiwanese capital(Watanabe, 1991).

percent of the economic capacity has been confined within the prefecture, by which the economic integration with Taiwan has progressed smoothly. The integration process of Taiwan and Hujian is said to have reached the stage where the process cannot be stopped(Watanabe, 1991).

## Prospects for the East Asian Economic Sphere

We have reviewed the role and significance of local governments in China in the process of formation of the South China economic sphere. Even with the special condition that this is an area of the Chinese capital abroad, the active efforts of the Chinese local governments are clearly observed to play a decisive role. If we move our eyes farther north and try to figure out the possibility of forming an economic sphere in the East Sea(called the Sea of Japan by Japanese) Rim area and the Yellow Sea Rim area, what role and significance can we attribute to the local governments? Can we find active movements by the local governments here, too?

In fact, we can see strong activity by Chinese local governments, not falling behind that of the local governments in South China, in many areas including City of Shanghai, Shandong Prefecture, and Liaoning Prefecture(Kim, 1992).

In particular, the market structure and the capital flow of Japan brought about by the strong Japanese Yen against the USD in the 1980s, are regarded to have the same kind of outer-orientedness as in Hong Kong and Taiwan. That is, the strong Japanese Yen in the 1980s and again in the 1990s have caused the skyrocketing of wages and land-prices, driving Japanese businesses out to go abroad, and their potential partners, the local governments of China, are ready to welcome such in-flow of foreign capital. In that sense, if conditions get a little better, the international conjunction of capital which can be seen in the South China economic sphere can also be expected in this area, and, in such process, the local governments in the coastal area of China can be expected to be the key actors.

The local governments of China are driving after the growth-oriented

internationalization model, to which the Korean and the Japanese capital and businesses are invited, thereby revitalizing agriculture, manufacturing, and in some cases service industries such as tourism. In this case, if the capital and businesses of Korea and Japan respond actively, regional economic sphere similar to that of the South China economic sphere can be established.

Meanwhile, the local governments of Korea and Japan are viewing strategies for globalization from a different angle. As we've seen, they have strong motivations to overcome the asymmetry among local areas brought about by the state-led and centralized economic growth process. They want to develop policies that can recover the balance and revitalize local individuality, rather than merely aiming at growth itself. Therefore, the development of regional economic sphere in East Asia is likely to assume a somewhat complicated form instead of the simplified growth-first pattern.

Unlike the intention of Chinese local governments, Japanese local governments want to develop local plans, characteristic of each area and future-oriented in the age of globalization and sustainability. Above all, the cities and the local governments in the area along the East Sea are far behind the growth centers of the Pacific coast in capital, technology, market, etc. as the result of the unequal growth policy. They are short of capability to be the suppliers of capital and technology in the process of formation of regional economic sphere. Rather, these areas can be more significant as the links through which the capital and technology of the Tokyo Metropolitan area can flow. Therefore, the local development plans in these areas focus upon their function as a mediation center where capital, technology, information and persons are exchanged. Cultural exchanges such as international sports events are being planned to be added to the economic exchange.

In short, the development model aims at a local exchange center rather than points of economic growth. Such a trend will be furthered in accordance with the balanced national development plan, multipolar and decentralized, of the central government of Japan.

Korea will seek a development model combining the Japanese and the Chinese

types, developing local economies and keeping balance among the various local areas.

Although the local governments of Korea, Japan, and China differ somewhat from one another in their motivation, intention, and orientation regarding the shaping of an East Asian economic sphere, basically they share the same direction of endeavoring for the globalization based on a structure of interdependence in this region. And what is required in common for such globalization policies initiated by local governments is the international combination of such elements of production as capital, labor, land and other natural resources, etc. In spite of the remaining political conflicts, it is highly probable that regional economic sphere will be shaped, as the conditions enabling the combination of the elements of production in this region are improving fast.

Finally, let me mention the preliminary conditions for the realization of the economic sphere here by local initiative, and its significance and expected problems when it comes into being.

The minimal preliminary conditions for the regional economic sphere by local initiative are as follows: first, the reform and open-door policy of China should continue at least on the level maintained thus far. Second, the local governments of Korea, which will work as the key actors of the regional economic sphere, should acquire the institutional substance. Third, the local governments of Japan should keep up with the globalization policy at least on the level they have proceeded thus far. The first and the third conditions are expected to be satisfied almost without problem, and the second condition can probably be met in the near future.

But, even if this minimal conditions are satisfied, the regional economic sphere by local initiative cannot be formed easily in a short period. The basic agreements between each of the central governments, at least their generosity to allow the autonomy of the local governments is required at the initial stage, and this point is not yet clear. That is, the tension between the central governments of this region needs to be relaxed much more than it is now. At the moment, the current points to such direction basically, but there are still factors of tension like nuclear problem

of North Korea.

If the economic sphere is formed by local initiative, what kind of meanings and problems it is going to have? The very fact that such economic sphere is formed will be a good sign for the deepening of economic interdependence in this region. And the formation of such sphere will work again as the accelerating factor of similar processes.

In that sense, such formation of the regional economic sphere can contribute to eliminate the factors of conflict still persisting here on the state level in this region, and, at the same time, it can encourage the exchange between South and North Korea, eventually contributing to the reunification of the two Korea. Especially, the development of such regional economic sphere can potentially be a part of regional integration process of East Asia as in the case of EC in Europe.

Meanwhile, such formation of the regional economic sphere is based on the logic of capital that always seeks for free movement toward profit. It can activate the local economy, but at the same time it can cause many undesired side-effects. The rapid economic growth encouraged by the activated capital can bring about many forms of corruptions and bribery, bad labor condition, exploitation of children's and women's labor, etc, which can be seen already in the regional economic sphere of Guangdong Prefecture. And the formation of regional economic sphere by local initiative can damage the integrity of national economy of each country, and unequal development phenomena can also be expanded in this area.

Although the prospect of the regional economic sphere by local initiative does have the potential for such limits and problems, gradually the low politics begins to come to the front in this area. So, apart from the discussion as to its desirableness, the regional economic sphere by local initiative is appearing as one of the concrete possibility in East Asia. In that sense, the practice of the local autonomy in Korea can be a historic turning point that opens a new era in East Asia.

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