

# The Implementing Strategy of Jeju Free International City as a Business Hub in Northeast Asia

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## I. Introduction

Globalization has been accompanied by regional economic cooperation and integration. In the 1990s Northeast Asia, a region characterized by rapid economic growth, emerged as one of the three main economic zones in the world. At the same time, countries within the region entered a fierce competition among themselves to become one of the logistic, business, and tourism hubs of the Northeast Asian region. As globalization has progressed, links with the emerging markets in China have become increasingly important. The number of Chinese nationals traveling overseas has grown by more than 20% since 1990. Business contacts with the China have grown rapidly as well. These changes in economic and tourist environments represent a great opportunity for Jeju Island because of its geopolitical location and natural environment. Recognizing this opportunity, the Korean

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government adopted a strategy to make Jeju Island an international free city such as Hong Kong, Singapore, and Shanghai.

Since the installation of the "Master Plan of Jeju Development" in 1964, there have been five comprehensive development plans for building the basic infrastructure: an airport, ports, roads, and tourist sites. However the effort to develop Jeju Island an international tourist destination was not fully successful. Therefore, the focus shifted to making Jeju Island a business hub for Northeast Asia, taking advantage of her pristine natural environment and well established infrastructure. The Ministry of Construction & Transportation ordered a research project for feasibility in 1988 as the President of Korea stated a new policy for the development of Jeju Free International City (hereafter JFIC). As the results of a research project support the feasibility of JFIC, the Master Plan of JFIC has been established. The development of JFIC was legally supported by the Special Act on JFIC enacted in December 2001 and launched by the Jeju provincial government on April 1, 2002. The JFIC Promotion Committee that is chaired by the Prime Minister and the working level committee were organized by the central government in order to promote the development of JFIC. The Jeju Free International City Development Center (hereafter JDC), an actual developer with the commissioned governmental authority, was also established in 2002 as a special corporate entity under the Ministry of Construction and Transportation to carry out the Master Plan of JFIC. The development of JFIC is a strategy for promoting national development and the survival of Jeju, i.e., it is a strategy for national and local development that raises national and regional competitiveness at the same time.

Based on the philosophy of protection of the environment,

preservation of the local culture and promotion of economic development, the JFIC aims 1) to make Jeju Island an environmentally friendly tour and resort city in Northeast Asia, 2) to promote Jeju Island as a multi functional city for business, finance, logistics and knowledge based industries, and 3) to increase the local resident's income. In sum, it aims to make the island an area where free movement of people, goods and capital is allowed for the convenience of business activities.

The Jeju provincial government and the JDC choose leading and promotion projects based on the principle of 'choice and concentration'. These are the key strategic projects intended to pave the way for the initial development of JFIC. If these initial leading and promotion projects are successful, the JFIC will play an important role in the development of Korea as a hub country of Northeast Asia in the 21st century.

The purpose of this paper is to derive detailed strategies to facilitate the successful promotion of JFIC. Section II will briefly describe on the economy of Jeju. Section III summarizes the Master Plan and its Execution Plan of JFIC. Vision, objectives, and strategies of JFIC as well as key strategic projects will be discussed. Section IV will discuss some incentives offered by JFIC to attract foreign direct investment and compare them with incentives offered by economic free zones in Korea. Section V will briefly summarize newly established industrial development plans and explore some industrial development strategies to help the successful promotion of JFIC. It also discusses the prospects of JFIC. Section VI concludes with a summary.

## II. Overview of Jeju Economy

Jeju Island is strategically located at the center of the major business centers of Northeast Asia. It is located 464 km south of Seoul, 1,580 km west of Tokyo, and 700 km east of Shanghai. Within two hours flight there are five cities with populations over 10 million, and another thirteen cities with populations exceeding 5 million. It is the most popular tour and resort city in Korea and is known as the "romantic island" because of its nature blessed environments such as Halla Mountain, volcanoes, forests, and beaches. Jeju has a subtropical oceanic climate with four distinct seasons and preserves a unique culture that is different from other regions of Korea. Basic infrastructure such as an international airport, roads, and telecommunications is available. Tourism infrastructure including international standard hotels and other forms of accommodations are plentiful. Nearly 5 million tourists visited Jeju Island including 221,000 foreign tourists in 2003.

Gross Regional Domestic Product (GRDP) of Jeju in 2002 was US\$ 4.3 billion, constituting 1% of the total GRDP of Korea. Jeju's GRDP grew faster than the average for Korea as a whole for the period of 1986-1995, but growth lagged well behind the Korea average for the period of 1996-2002. The annual average growth rate for the agriculture, forestry & fishing industry in Jeju was relatively high until 1995, but it drastically decreased since then due to rapid drops of tangerine prices. The annual average growth rate of the service industry was relatively high throughout all periods due to the promotion of tourism industry in Jeju.

〈Table 1〉 Annual average growth rate of GRDP by kind of economic activity

	Jeju			Korea		
	86-90	91-95	96-02	86-90	91-95	96-02
GRDP (current)	18.3	15.9	5.3	17.1	15.1	7.2
Agriculture, forestry & fishing	14.4	14.9	2.8	8.5	9.1	0.2
Mining & manufacturing	19.6	10.7	4.7	17.8	14.3	8.5
Electricity, gas & water	13.4	16.4	9.9	10.5	15.0	12.0
Construction	31.5	12.8	5.7	27.9	16.2	2.7
Services	18.7	18.9	8.8	17.0	16.4	8.3
Government & private non-profit	17.9	17.0	7.4	17.6	17.2	7.6

Source: Korea National Statistical Office (<http://www.nso.go.kr>).

Over the period 1985-2002, the share of the agriculture, forestry & fishing industry decreased while that of the service industry continuously increased. The agriculture, forestry & fishing industry share was 38.3% of GRDP in 1985, but it has fallen to 17.7% by 2002. The service industry share was 39.3% in 1985 but it has continuously increased to 57.2% of the total GRDP by 2002.

〈Table 2〉 Ratio of GRDP by kind of economic activity in Jeju

	1985	1990	1995	2000	2002
GRDP (current)	100	100.0	100.0	100.0	100.0
Agriculture, forestry & fishing	38.3	32.5	31.0	22.3	17.7
Mining & manufacturing	4.5	4.7	3.8	3.8	3.6
Electricity, gas & water	1.5	1.2	1.2	1.5	1.7
Construction	8.2	13.9	12.1	12.9	12.4
Services	39.3	40.0	45.5	50.5	57.2
Government & private non-profit	11.0	10.9	11.4	11.9	13.0
Imputed bank services charges	-2.6	-3.1	-4.9	-2.9	-5.5

Source: Korea National Statistical Office (<http://www.nso.go.kr>).

The share of employed persons in the agriculture, forestry & fishing industry was 41.4% in 1990, but it has continuously decreased to 25.6% of the total employed persons by 2003. The share of employed persons in the social overhead capital & other services industry was 54.4% in 1990, but it has continuously increased to 69.8% of the total employed persons by 2003.

〈Table 3〉 Employed persons by industry in Jeju

(Unit: thousand persons, %)

	1990	1995	2000	2003
Total	239(100)	248(100)	261(100)	281(100)
Agriculture, forestry & fishing	99(41.4)	77(31.1)	70(26.8)	72(25.6)
Mining & manufacturing	10(4.2)	13(5.2)	10(3.8)	12(4.3)
Social overhead capital & other services	130(54.4)	158(63.7)	180(69.0)	196(69.8)

Source: Korea National Statistical Office (<http://www.nso.go.kr>).

The Shift Share model is widely used to analyze the industrial structure and growth factor of the regional economy. It is designed to decompose the regional growth rate into the national growth rate and the differential growth rate. Differences between the growth rate of the regional economy and the national economy, it is called differential growth rate, can be demonstrated by decomposing the relative growth into two parts, weight factor (WF) and competitive factor (CF). The weight factor accounts for the differences between the industrial mix in the local and national economies while the competitive factor accounts for the differences between the local and

national growth rates within industries. The weight factor negatively contributed to the growth rate of Jeju economy for the whole period of 1986-2002. The competitive factor positively contributed the growth rate of Jeju economy, but its magnitude has continuously decreased for the whole period of 1986-2002. This implies that the industrial structure and the overall industrial competitiveness of Jeju economy are getting worse. The competitiveness of the agriculture, forestry & fishing industry continuously decreased since 1986. The service industry maintained a competitive advantage over the period, but the magnitude of the advantage has decreased for the period of 1996-2001. In sum, competitiveness of Jeju economy has deteriorated. It is probable that the loss of competitive advantage is due to a failure to meet external environmental changes related to the dynamic economic advances in the region.

〈Table 4〉 Differential growth rate decomposition by factor

	1986-1990		1991-1995		1996-2002	
	WF	CF	WF	CF	WF	CF
GRDP (current)	18.7	29.7	-11.4	18.7	-19.6	0.6
Agriculture, forestry & fishing	13.2	17.5	13.1	14.8	0.3	-6.1
Mining & manufacturing	-33.2	0.8	-25.8	-1.3	-20.5	-1.5
Electricity, gas & water	-0.9	0.3	-1.0	0.2	-1.2	-0.3
Construction	1.7	4.2	2.6	-4.1	0.0	3.3
Services	-3.9	7.5	-3.6	11.6	1.2	2.6
Government & private non-profit	4.2	0.0	3.1	0.0	1.7	-0.3

### III. Master and Execution Plans of Jeju Free International City

The Master Plan of JFIC and its Execution Plan have been established to make Jeju Island a place where free movement of people, goods, and capital is guaranteed, thereby encouraging a significant increase in international and domestic businesses particularly in tourism, logistics, and finance. The Master Plan of JFIC is aimed at making Jeju a city characterized by international exchange, culture and tourism, knowledge-based clean industry, human respect, green residence, and ecological environment. The objectives listed in the Execution Plan of JFIC are 1) to establish an international tour and resort city by attracting more visitors; 2) to strengthen the competitiveness of local industries through the nurture of high-tech industries; and 3) to provide a favorable investment environment to attract more investments. Detailed development strategies to accomplish these objectives efficiently have also been established.

Based on potential demand, full utilization of Jeju Island resources, cost effectiveness and the vision of JFIC, the Master Plan of JFIC proposed seven leading projects that will play a catalytic role for the long term development of Jeju Island. The leading projects are part of a key development strategy to provide an economic stimulus across industry sectors by implementing a long term sustainable development approach with the conservation of the environment and quality of life being of utmost importance. They represent a range of initiatives with the capacity to offer a commercially viable return to investors and to create employment by



supporting the economic activity. These projects will basically be implemented through private investment and the public sector will also take part in these projects. A Shopping Outlet was proposed to generate new shopping demand by developing world class luxury shopping facilities satisfying tourists, especially from China, Japan, and other countries. A Resort Type Residential Complex aims to attract high income and elderly people from Korea and abroad with residential complexes that integrate residential, leisure, and medical services. A Seogwipo Tourism Port aims to build an international marine tourist complex at Seogwipo port. An Ecosystem-Myths-History-Theme Park was proposed to enhance Jeju's attractiveness as a tourism destination with an internationally competitive theme park based on Jeju's unique natural environment and cultural heritage. A High-tech Science and Technology Complex is intended to activate the local economy by establishing a science and technology complex combining research, education, and business support facilities. These five leading projects will be promoted by the JDC. The Jeju provincial government will carry out the establishment of a Jeju Airport Free Trade Zone, while the Korea National Tourism Organization will undertake the Expansion of the Jungmun Tourist Complex. Details on the concept, size, development and cost, and facilities for the seven leading projects are summarized in <Table 5>.

In addition to these seven leading projects, four promotion projects are newly proposed in the Execution Plan of JFIC. The new promotion projects were selected in consideration of tourists' needs and potential investors' investment preference. The projects include the development of A Health-Beauty Theme Town, International Culture and Entertainment Complex, Marine Tourist Complex, and

## Leports Complex.

As project and promotion leader, the JDC will serve investors by providing information, reviewing business opportunities, offering advice on business plans, and matching domestic and foreign business partners. It will also provide "One-Stop" support during the whole process of investment to insure efficient transfer of information. Therefore, the JDC will play a very important role in the successful promotion of JFIC.

〈Table 5〉 Summary of seven leading projects

Name	Concept	Size & Investment	Main facilities
Shopping Outlet	Premium shopping outlet complex offering luxury brand goods in entertaining street style space	-Area: Approx. 165,000m <sup>2</sup> -Period: 2003 ~ 2007 -Investment: \$61 Mil.	-Shopping center, specialty shop, food court, restaurants, parking lot, etc.
Resort Type Residential Complex	Master planned residential complex offering a leisure and medical care integrated life style	-Area: Approx. 727,000m <sup>2</sup> -Period: 2003 ~ 2009 -Investment: \$365 Mil.	-Residential: Condominium, garden house -Resort: Golf courses, medical center, sports center, commercial facilities, etc.
Seogwipo Tourism Port	Marine culture based waterfront tourism port	-Area: Approx. 122,400m <sup>2</sup> -Period: 2003 ~ 2010 -Investment: \$106 Mil.	-Hotels, fishing villages, marina, duty free shop, commercial street, ferry terminal and seafood markets, etc.
High-tech Science & Technology Complex	R&D focused BT & IT complex for research, business, start up and training	-Area: Approx. 1,063,000m <sup>2</sup> -Period: 2003 ~ 2011 -Investment: \$334 Mil.	-Research: BT & IT related facilities, etc. -Education: Foreign language school, etc.

Name	Concept	Size & Investment	Main facilities
Ecosystem-Myth-History Theme Park	Theme park utilizing Jeju Island's unique natural environment and cultural heritage	-Area: Approx. 38,794,000m <sup>2</sup> -Period: 2003-2011 -Investment: \$1.6 Bil.	-Composed of nature Ecology Park & Mythology History Park
Expansion of Jungmun Tourism Complex	Integrated resort & tourism area	-Area: Approx. 101,180m <sup>2</sup> -Investment: \$184 Mil.	-Commercial: Retail shops, restaurants, duty free shop, etc. -Ocean park: world class aquarium, exhibition hall, etc.
Establishment of an Airport Free Trade Zone	Basis for the development of logistic industry relating to air cargo	-Area: Approx. 323,400m <sup>2</sup> -Investment: \$184 Mil.	-Manufacturing and processing facilities, cargo warehouse, office building, etc.

Source: Normura Research Institute, et al. (2003).

#### IV. Foreign Direct Investment attraction strategy

The Master Plan of JFIC calls for US\$ 24.6 billion for the period of 2002-2011 including US\$ 15.5 billion of private capital investment. The Execution Plan of JFIC is planned to invest US\$ 2.7 billion for the period of 2003-2011 including US\$ 2 billion of private capital investment. Therefore, the successful promotion of leading and promotion projects will depend on how effectively Jeju will attract and retain domestic and foreign investors to the island. Foreign Direct Investment (FDI) is expected to bring about many

positive effects to recipient countries. It has an effect of increasing the national and regional income and bringing both direct and indirect employment opportunity. It also has a spillover effect by transferring industrial and managerial technologies to recipient companies.

Before the foreign exchange crisis in 1997, Korea restricted the inflow of foreign capital except for commercial loans and public funds from the World Bank. Since then, the Korean government launched a drive for inducing FDI, and FDI inflow increased rapidly. The peak level was reached in 1999 and declined thereafter with the global recession.

For Jeju Island, FDI will play an important role not only as a part of investment resources but also as a catalyst for developing JFIC in a long term perspective. This is why Jeju provincial government is eager to attract FDI. FDI inflow to Jeju Island was negligible until 1999, but it increased as development plans on JFIC was in progress despite the weak global economic climate. Total FDI inflow to Jeju Island for the period of 1998-2003 amounts to US\$ 3,460 million and it accounts for 5.2% of that of Korea for the same period. FDI inflow to Korea from the America, Asia, and Europe accounts for 39.6%, 32.9%, and 26.5% respectively. It was invested in the service industry(59.4%) and manufacturing industry(40.3%). Almost all FDI inflow to Jeju Island came from North America (81.8%) and Japan(16.6%) and it was invested in the tourism industry.

〈Table 6〉 Trend of FDI (Unit: US\$ million)

	1998	1999	2000	2001	2002	2003	Total ('98-'03)
Korea (A)	8,853	15,542	15,217	11,292	9,101	6,467	66,472
Jeju (B)	20	47	306	2,151	734	202	3,460
Ratio (B/A,%)	0.23	0.3	2.0	19.0	8.1	3.1	5.2

The Korean government provides tax and financial incentives and other services in some areas designated by the Foreign Investment Promotion Law enacted in 1998 and other related laws. These areas are Foreign Investment Zone, Free Trade Zone, Economic Free Zone, etc. The Special Act on JFIC designates some areas in Jeju as Investment Promotion Zone (IPZ), High-tech Science & Technology Complex (HSTC), and Airport Free Trade Zone (AFTZ). Tax and financial incentives, public lease incentives, and other services will be provided for encouraging investment in businesses in these areas.

Comparisons with the Economic Free Zone (EFZ) and three zones in the JFIC are summarized in 〈Table 7〉. The EFZ, a potential competing area with JFIC, is targeting foreign investment while IPZ, HSTC, and AFTZ of JFIC are targeting domestic and foreign investment. The EFZ is targeting business in manufacturing, logistic and some tourism industry investing more than US\$ 10 million. The IPZ is targeting comprehensive business in tourism industry investing more than US\$ 10 million. The HSTC is targeting knowledge based business in information technology (IT) and bio technology (BT) industry and there is no minimum requirement for the amount of investment. The AFTZ is targeting business in manufacturing and logistics investing more than US\$ 10 million. Tax incentives are quite similar for all

zones. Corporate, income, and local taxes such as land acquisition, registration, property, and overall land tax will be 100% exempted for the three years after profit realization, 50% reduced for next two years. Tariff for imported capital goods will be exempted for three years in EFZ and IPZ. Tariff for R&D related machinery and materials would be exempted in HSTC while AFTZ is a tariff exemption area.

It seems that incentives offered by the three zones in JFIC are a little more competitive than those of EFZ, but it should be noted that incentives themselves are not sufficient to attract investment even though they are key factors for the investment inducement policy. Therefore, various devices should be developed to attract FDI to Jeju Island. The investment attraction strategy should be flexible and practical. The current investment incentive system lacks flexibility in so far as it specifies conditions and contents too concretely. Revision of Law concerning investment promotion zone should be made. Concerning foreign investment in tourism industry, it is necessary to designate some areas as investment promotion zones in advance in order to reduce risks. It is also required to create and provide investment incentives that are differentiated from other regions or countries. For example, the corporate income tax rate should be reduced to the minimum level set by rival international cities. Although a lot of effort has been made to minimize the investment processing time, there still remain burdensome administrative regulations. These regulations should be relieved to actually reduce the burden on investors. Improving business environment is as important as providing various incentives for investors since they are considering economic, political, and social environments in deciding investment.

〈Table 7〉 Comparisons with Economic Free Zone and JFIC

Category	Economic Free Zone (EFZ)	JFIC		
		IPZ	HSTC	AFTZ
Investment Target	Foreign investment	Domestic and foreign investment		
Target Business	-Manufacturing, logistic & some tourism industry -More than \$ 10 Mil.	-Tourism industry in general -More than \$ 10 Mil.	-IT & BT industry -No lower limit on amount	-Manufacturing & logistic industry -More than \$ 10 Mil.
Tax Incentives	-Corporate, income, local taxes 100% exempted for the first 3 years, 50% reduced for next 2 years -Tariffs exempted for imported capital goods for 3 years	-Corporate, income, local taxes 100% exempted for the first 3 years, 50% reduced for next 2 years -Tariffs exempted for imported capital goods for 3 years	-Corporate, income, local taxes 100% exempted for the first 3 years, 50% reduced for next 2 years -Tariffs exempted for R&D related machinery and materials	-Corporate, income, local taxes 100% exempted for the first 3 years, 50% reduced for next 2 years -Tariffs exemption area

## V. Industrial development strategy

In addition to JFIC, the Korean government recently designated Incheon and Busan as economic free zones according to the 'choice and concentration' strategy. It would be desirable to foster cooperation with those cities rather than to compete, and strategic alliances could be pursued to meet mutual goals. Foreign rival cities such as Hong Kong, Singapore, and Shanghai are in pursuit of nurturing one or two

core sectors such as finance and logistics. This fact implies that a 'specialization and differentiation' strategy is needed for national and local planning. The central government may install a 'specialized tripolar development system' in order that each city or region may contribute to the development of the regional and national economies. The JFIC should be specialized in tourism and resort, Incheon could be focused on logistics and business, and Busan may be specialized in logistics and finance based on their comparative advantages.

It has been shown that Jeju's industrial competitiveness has been declining, and thus it is urgent to devise some strategies in order to reinforce competitiveness. After the Master Plan of JFIC some industrial development plans have been established. A Five Year Plan for Jeju Economic Development has been set up to revitalize existing industries such as tourism, agriculture, fishing & livestock, construction, distribution, and finance industry. It also aims to promote knowledge based industries such as cultural, sports, convention, seeds & saplings, BT, and IT industry by investing US\$ 7.35 billion for the period of 2004-2008. A Master Plan for Jeju Science and Technology Innovation has been set up to develop specialized strategic technology of Jeju such as bio technology, information technology, culture technology, and technology that preserves the cleanness of Jeju. It also aims to expand or improve Jeju's science and technology innovation capability by investing US\$ 593 million for the period of 2004-2008. A Ten Year Plan for Jeju Technology Development in Bio-Industry aims at establishing clusters within the Bio-Industry sector by investing US\$ 609 million for the period of 2004-2013. A Five Year Plan for Regional Innovation Development in Jeju has been set up to promote local industry by establishing a Regional Innovation System (RIS). It



chooses tourism, health & beauty, environmentally friendly agriculture, and digital contents industry as strategic industries and it also chooses livestock, fishing, sports, local food, clean energy, souvenir, and floricultural industry as territorial industries by investing US\$ 4.7 billion for the period of 2004-2008.

The JFIC, confronting with severe competition from foreign rival cities as well as domestic economic free zones, should seek a survival strategy through industrial development. It should strive for specialization in the short and medium term and diversification in the long term based on its comparative advantages. In the short and medium term the tourism industry should be specialized since logistics and finance industries seem to be less competitive at this time. However, diversification is also needed in the long-term since expansion of the local economy by pursuing to become a free international city will give opportunities for these industries to grow and the tourism industry by itself is not sufficient to uphold and lead the whole economy of Jeju. Therefore, it is desirable for Jeju to become a Tour and Resort Hub of Northeast Asia in the short and medium term and a Business Hub of Northeast Asia in the long-term.

Cho (1995) proposed 9-factor model and SER-M model with on extension of Porter (1990)'s Diamond model. The SER-M model, composed of subjects, environments, resources, mechanism factors, gives some insights how we can strengthen the competitiveness of JFIC. Since the real goal of the Master Plan of JFIC and its Execution Plan is to create an economically, socially, and culturally integrated community for the Jeju residents, the Jeju people should be actively involved in the development of JFIC. They have to concentrate all of their capabilities for the construction of a successful free international city. The central government should

recognize that the development of JFIC is essential for national development as well as local development, and thus should pursue a win-win strategy to wed regional and national interests in economic development. The Jeju provincial government needs to have a flexible administrative system that can react to changing opportunities and challenges. The JDC needs to have a close cooperation with both central government and Jeju provincial government. Private investors are a critical element of a successful strategy, and so the environment for business and industry should be improved in order to attract FDI. Tax and financial incentives such as reducing the corporate income tax or easing bureaucratic constraints through One Stop service and pre designation of investment promotion zone should be provided.

The development of core resources and capability differentiated from other regions is another factor for increasing competitiveness of JFIC. Creation, accumulation, transfer, and use of knowledge are very important to build a knowledge nation or knowledge region in the knowledge based society. The principle of 'division and cooperation' may be applied to the whole process of industrial development. Division and cooperation among central government, local government, JDC, and investors are highly recommended. Another specialization and cooperation among universities, research institutes, and firms are crucial for the success of JFIC. In addition to above mentioned factors it is very important that these various efforts must be coordinated. The Council of Regional Innovation System in Jeju that has recently been established should play an important role in establishing an efficient system to strengthen competitiveness of JFIC. Networking among innovative agents, clustering knowledge based industries, and interlink between strategic and territorial industries

are critical to form an efficient RIS.

The balanced development strategy among hardware, software, and human resource development projects is also considered in strengthening the industrial competitiveness. Those industrial development plans summarized in <Table 8> are well equipped with hardware and software development plans, but they lack some human capital related development projects. Therefore, a lot of efforts should be focused in creating research and educational atmosphere aimed towards globalization by luring foreign schools, universities, research institutes, and other higher educational institutions to Jeju Island.

<Table 8> Industrial development plans

Name	Period	Vision/Goal	Summary	Investment
Five Year Plan for Jeju Economic Development	'04 - '08	-Revitalization of the existing industry -Promotion of the knowledge based industry	-Tourism: agriculture, fishing & livestock: construction: distribution: finance industry -Culture: sports: convention: seeds & saplings: IT: BT industry	-\$ 7.35 Bil. -National expenses (13.6%), provincial expenses (11.5%), private capital (75.0%)
Mater Plan for Jeju Science & Technology Innovation	'04 - '08	-Development of specialized strategic technology of Jeju -Expansion or improvement of Science & Technology (S & T) innovation capability	-BT, IT, culture, preservation of clean Jeju technology -Technology innovation base: university's basic research: high quality manpower: venture capital: S & T administration system: invitation of High tech firms: S & T innovation network: S & T culture expansion	expenses (71.0%), provincial expenses (21.5%), private capital (7.5%)

Name	Period	Vision/Goal	Summary	Investment
Ten Year Plan for Jeju Technology Development in Bio Industry	'04 - '13	-Cluster formation in BT industry	-Beauty industry city: clean & natural city; production city of high value added bio resources; natural tourism city; Bio S & T city	-\$ 609 Mil. -National expenses (73.0%), provincial expenses (23.0%), private capital (4.0%)
Five Year Plan for Regional Innovation Development in Jeju	'04 - '08	-Selection of strategic industry -Selection of territorial industry	-Tourism: health & beauty; environmentally friendly agriculture; digital contents industry -Livestock; fishing; sports; local food; clean energy; souvenir; floricultural industry	-\$ 4.7 Bil. -National expenses (28.6%), provincial expenses (9.3%), private capital (62.1%)

\* 1 USD = 1197.8 KRW

The future of Jeju will be considerably different if JFIC is successfully promoted. Population of Jeju will rise by 1.21% per year to 620 thousand by the year of 2011. Real GRDP of Jeju will increase by 5.86% per annum for the period of 2001-2011, rising to US\$ 7.28 billion by 2011. GRDP per capita of Jeju will grow at 8.57% per year, rising to US\$ 19,504 by 2011. Visitors to Jeju will increase by 8.35% per year, totaling 9.93 million persons by 2011.

〈Table 9〉 Prospects of main indicators

	Unit	2000 (A)	2011 (B)	Annual average growth rate	Ratio (B/A,%)
Population	Thousand person	543	620	1.21	114.2
GRDP (real)	USD Bil.	3.89	7.28	5.86	187.1
GRDP per capita	US\$	7,895	19,504	8.57	247.0
Visitors	Million person	4.11	9.93	8.35	241.6

## VI. Summary and conclusions

The Korean government adopted a strategy to make Jeju Island an international city and the Master Plan of JFIC and its Execution Plan have been established. They are not simply another development plans but plans for the national development and the survival of Jeju Island. Based on the philosophy of protection of the environment, preservation of the local culture, and promotion of economic development, they choose seven leading and four promotion projects. These are the key projects that can make JFIC a Tour and Resort Hub of Northeast Asia. The successful promotion of leading and promotion projects will depend on how effectively Jeju will attract and retain domestic and foreign investors to the island. Even though the Special Act on JFIC designates some areas in Jeju and offers tax and financial incentives, public lease incentives, and other services for encouraging investment, those incentives are not sufficient to attract domestic and foreign investment. Therefore, revision of Law, pre-designation of investment promotion zones,

differentiated investment incentives, corporate income tax cut, and deregulations should be provided to improve the business environment of JFIC.

It has been shown that Jeju's industrial competitiveness has been declining, and thus it is urgent to devise some strategies in order to reinforce competitiveness. Some industrial development plans have been established to strengthen the industrial competitiveness of Jeju economy. The SER-M model was used to derive detailed strategies based on the Dual Strategy: a specialization strategy in the short and medium term and a diversification strategy in the long term.

The Master Plan of JFIC and lots of industrial development plans may shed light on the future of Jeju Island. But plans themselves do not guarantee the rose colored future of Jeju. The willingness to accomplish them with passion and the continuous support from the central government as well as private investors are crucial for the success of JFIC.

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