

International Tourism Strategy of Jeju Special Self-Governing Province in Korea

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Summary: After the Asian financial crisis in 1997, Korean regional policy with globalization is rapidly being developed. Jeju Special Self-Governing Province has rapidly and effectively developed the acts on globalization, for example, the deregulation and the institutional reform to respond to the local characteristics or needs. It resulted in achieving the creation of the Asian economic vitality in Jeju Island in a short period of time, with the international tourism strategy such as the inbound tourism and the foreign capital attraction.

With the similar geographic background, Fukuoka and Kyushu which are also pursuing the Asian economic vitality have been proposing that the government should set up the international tourism strategy by appointing a special zone with the deregulation and the institutional reform; however, it has not yet happened in reality. Promotion of decentralization which could cause the drastic delegation of authority from the central to the regional government will be expected in the future.

Keywords: regional policy, globalization, decentralization, deregulation, international tourism strategy, foreign capital attraction

1. Introduction

Although Japan and Korea have a similar industrial structure, after the Asian financial crisis in 1997, Korea actively promoted trade policy and company strategy corresponding to the globalization in Korean economy. As a result, Korea has accomplished the greater economic growth than Japan¹⁾.

In such situations, Korean regional policy with globalization is rapidly being developed after the financial crisis. Until the mid-1990s, Korea has promoted regional policies under “Comprehensive National Territorial Plan” based on the well-balanced growth of the national land and the correction of the regional gaps, which resembled Japanese “Comprehensive National Development Plan.”

However, after going through the financial crisis, Korea started to promote regional policy not only with the well-balanced development of the national land but also with enhanced globalization such as building international hub airports and ports typified in Incheon and Busan as well as designating FEZ (Free Economic Zone) for foreign capital attraction and strengthening international competitiveness of regional industry. As a result, some regions with successful economic growth have emerged in Korea.

This paper describes the change of the Korean regional policy with globalization after the Asian financial crisis first, and then, the trend of the regional policy by the Lee Myung-bak current government (2008—2013 / president term of office).

In addition, the original advanced policy of Jeju Special Self-Governing Province, which has rapidly and effectively developed the acts on globalization by the decentralization and has resulted in the introduction of the economic vitality of Asia, is described as a case study focusing on the international tourism strategy. Furthermore, the suggestion to the international tourism strategy in Fukuoka and Kyushu is pointed out through the process and the success factor of Jeju Special Self-Governing Province.

The Jeju Island’s attempt and its result of the regional policy with globalization which is described

as the implementation of the “One Country, Two Systems” will give the extremely important knowledge on the invitation strategy of the local inbound and investment, not only to Fukuoka and Kyushu intending to adopt the Asian economic vitality with the background of geographical proximity like Jeju Island, but also to our country planning a new strategy.

2. Change of Korean Regional Policy after the Asian Financial Crisis

The Korean regional policy until the middle of 1990s was based on correction of the development that was balance of country and capital over concentration by “Comprehensive National Territorial Plan” (the first 1972—the third 1992) similar to Japanese “Comprehensive National Development Plan” (the first 1962—the fourth 1987) that led and has been promoted²⁾.

However, Korea pressed for the national structural reform called “founding of the country movement of the 2nd” of the Kim Dae-Jung government (1998—2003/president term of office) touched off under the IMF management after the 1997 Asian financial crisis. As a result, Korean government had to change the management model of the national economy from Japan type till then to U.S. type global standards, such as promotion of deregulation and trade liberalization³⁾.

For this reason, formation of the open country with the balanced national land was indicated as a basic target in the “4th Comprehensive National Territorial Plan” formulated in 2000. In this plan, as the window of East Asia and the exchange center, inviting foreign capital on industrial land and arranging airport and port hubs are mentioned to be strengthened as a base of production and circulation, considering the intensified global competitiveness and the economic growth of Asia accompanying globalization and the geographical situation of the country.

Based on this plan, from 2004, specification of FEZ which targets to invite foreign capital and to attain regional economy activation by preferential treatment, such as a tax cut and deregulation, in the designated zone which includes international airport and port. As FEZ, “Incheon,” “Busan-Jinhae,” “Gwangyang bay area” were specified in 2004. And, “Yellow Sea,” “Daegu-Gyeongbuk,” and “Seamageum-Gunsan” were specified the 2nd order as FEZ in 2008. And in these areas, positive foreign capital attraction was tackled and the place which succeeds in the economic growth of region has also appeared⁴⁾.

Furthermore, the “4th Comprehensive National Territorial Correction Plan” (2010 decision) of the Lee Myung-bak government was inaugurated in 2008 made the vision “global and green” country formation for new Korean leap, and open to the world and global competitiveness strengthening were shown. This plan has been the policy than to which greater importance was attached more to correspondence to globalization by setting up in the bloc economy area from decentralization type policy Roh Moo-hyun of former government (2003—2008/president term of office)⁵⁾.

As a center of the regional policy corresponding to globalization of the Lee Myung-bak Administration, the “bloc economy area of 5+2” concept is promoted. This concept is the five bloc economy areas and two special bloc economy areas reorganized to the bloc economy area about the broader-based local government of 16 (9 do, Seoul Special City, 6 metropolitan cities) all over the country. As a result, it is the purpose to promote the broad-based local strategy beyond the existing administration area, and to strengthen the global competitive power of regional economy (refer to Figure 1).



Figure 1 The Map of Korean Local Government

(Source: http://www.mlit.go.jp/kokudokeikaku/international/spw/general/korea/index_e.html)

Concretely speaking, specifying main core leading industries by each bloc economy area, and offering financial support to maintenance of infrastructures, such as traffic and logistics, with the base, and a related university and research institution. Moreover, land use, etc. are deregulated and generation of industrial cluster is supported intensively. Besides, about the core leading industry in each bloc economy area, it selected according to the characteristic of the area and has removed the excessive competition with other domestic areas of the same industry. And each industrial cluster is strengthened, the merit of accumulation of specific industry is raised, and the global competitiveness of local industry.

First, the area in the five bloc economy areas and the contents of the main leading industries are as follows.

- (1) Metropolitan area (Gyeonggi-do, Seoul, Incheon)
Logistics, finance, IT, the global business hub based on the knowledge industries
- (2) Chungcheong area (Chungcheonbuk-do, Chungcheonnam-do, Daejeon)
Semiconductor, display, silicon valley in Korea based on advanced science and technology
- (3) Honam area (Jeollabuk-do, Jeollanam-do, Gwangju)
Environmental industry, new materials, the creation area of culture and art
- (4) Daegyeong area (Gyeongsangbuk-do, Daegu)
Mobile communication, mechatronics, the new growing area of frontier industry and traditional culture
- (5) Southeast area (Gyeongsangnam-do, Busan, Ulsan)
Transport machine, shipbuilding, mechanical key industry, the center of the port logistics of the Pacific rim age

Next, two special bloc economy areas are as follows.

- (1) Gangwon area (Gangwon-do)
Life, health, the center of the medical industry
- (2) Jeju area (Jeju-do=2006—Jeju Special Self-Governing Province)
Tourism, medical, welfare, environmental industry, the free international city in Asia

In this paper, the original advanced policy of Jeju Special Self-Governing Province which has rapidly and effectively developed the acts on globalization by decentralization and has showed a steady result of taking in the economic vitality of Asia in a short period of time is taken up as a case study forcing on the international tourism strategy among other initiatives as mentioned above⁶⁾.

3. Outline of Jeju Island

First, outline of Jeju Island the administrative area of which is the Jeju Special Self-Governing Province is described. Jeju Island is about 100 km away from the southernmost end of the Korean mainland and about 450 km away from the capital city, Seoul, and is located in the East China Sea between Kyushu and China. It is also about 300 km west away from Fukuoka almost in the same latitude, and is about 500 km northeast from Shanghai in China (refer to Figure 2).



Figure 2 Location of Jeju Island
(Source: <http://maps.yahoo.com>)

Jeju Island has a population of about 560,000 (2012), area is 1,848 km², and it is the almost same area as Kagawa Prefecture in Japan. The population and area of the island have turned into about 1.2% of Korean population, and about 1.8% of Korean country area. The form of Jeju Island serves as about 73 km from east and west, about 41 km north and south, and is an oval figure, of about 41 km north and south, and area serves as width below about 1/20 of Kyushu, and half of Fukuoka Prefecture in Japan. Moreover, the Mt. Halla (altitude of 1,950 m) of the highest peak in Korea is located in the central part of the island (refer to Figure 3).

Jeju Island is a detached island away from the Korean mainland, and has geography, also historically peculiar nature, and culture. It was an island once alienated from a center, the Kingdom of

Joseon era (1392—1910) is used with a penal colony, as an island of a frontier district. However, now, it is a tourist resort called to be also Hawaii in Korea from the warm climate which annual average temperature is about 15°C under the influence of the surrounding ocean current of island, and hardly becomes below the freezing point also in winter.

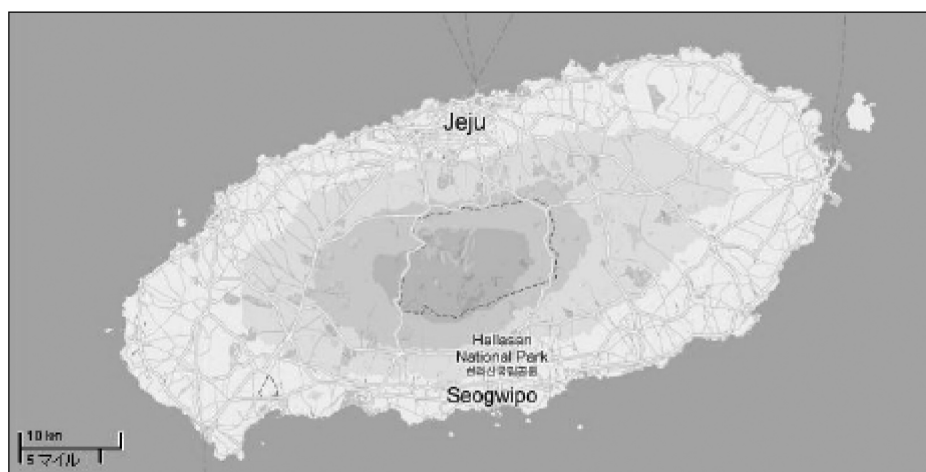


Figure 3 Map of Jeju Island
(Source: <http://maps.google.co.jp/maps>)

Moreover, the island has natural scene peculiar to volcanic island, and “Jeju Volcanic Island and Lava Tubes” were registered into the World Natural Heritage Site in 2007, and are registered into the global geopark in 2010. Recently, the trekking which people enjoy the natural scene of the island called the “Jeju Olle” (“Olle” is a dialect of Cheju Island and is a meaning of an alley) serves as a boom in Korea. Korean tourist who visited Jeju Island, and about 2 million of about 6,800,000 people who walked along the trekking course of “Olle” in 2010.

As a major industry of Jeju Island, they were primary industry, such as fruit growing and fishing, once. But, the tertiary industry centering on tourism is in the mainstream, and is increasing now. Tertiary industry has accounted for about 80 percent at a rate of the worker according to industry of the island, or the gross product in an area.

However, Jeju Island is one of the areas where the income per resident is at home the lowest still now. For this reason, in Jeju Island, the gap correction measure centering on tourism industry promotion has been taken by the central government’s financial support from the 1960s. The development which aimed at the tourist resort of the international level was started with the “Jungmun Resort” of the southern part of the island in the 1970—1980s. Moreover, the “Jeju-do development special law” was enacted in 1991, and large-scale tourism development was started gaining financial support from the central government. However, the investment from the government and a national corporation stopped and much development work was interrupted by large decline of the Korean economy by the Asian financial crisis in 1997.

4. Start and Action of Jeju Special Self-Governing Province

Meanwhile, Korean government planned investment invitation of the foreign capital in the tourism development of Jeju Island in 1998 after the financial crisis. And Korean government devised

“planning Jeju free International City” on the basis of the geographical characteristic of the island to develop Jeju Island to a northeast Asian tourism hub. And Korean government established “Jeju free international city special law” which is mainly on the investment preferential treatment of the inside and outside capital in 2002.

As a result, the investment business from a national company was started by the tourist resort of island’s designated area. However, the measure led by the central government had much side which does not suit the actual condition of the region, and the economic effect was restrictive and was not able to produce a big result. Moreover, defects, such as law and a system, were pointed out as these causes.

Therefore, Korean government performed enough discussion with Jeju-do. As a result, Korean government recognized to need it to realize this plan if special action with radical decentralization to Jeju Island. And, in 2002, Korean government devised “Jeju Special Self-Governing Province basics design plan” to cope with globalization after having assumed Jeju Island a model of new decentralization.

As a result, in 2006, the Korean government enforced “Special Act on Establishment of Jeju Special Self-Governing Province and Free International City” (the following, “special act”) where radical decentralization and a person, a thing, capital could move to freely. By this, in Korea, the domestic only special self-government province started.

A purpose of the establishment of Jeju Special Self-Governing Province is shown in Article 1 of “special law” as follows. “The purpose of this Act is to contribute to the overall development of the nation: By establishing Jeju Special Self-Governing Province and guaranteeing substantial devolution to its local government in order to make the most of the geographical, historical, and cultural traits of its preceding local government, Jeju-do with highly secured self-governing power based on self-regulation, accountability, creativity, and diversity ; and also by developing Jeju-do into a free international city through extensive relaxation of administrative regulation and application of international standards.”

After the “special law” enforcement, various authority of the central government, more than 1,700 cases were transferred progressively in Jeju Special Self-Governing Province. In addition, in a part of the legislative power, the law revision in the regulations was enabled.

The transfer of the authority was carried out with three phases. The main contents of the devolution to be related to an international tourism and investment invitation of each stage refer to follows, Table 1.

Table 1 Stage and Contents of the Devolution to Jeju Special Self-Governing Province

| | Stage 1 | Stage 2 | Stage 3 |
|-----------------|--|---|--|
| Period | July 2006 | August 2007 | 2008- |
| Number of Cases | 1,082 | 274 | 391 |
| Contents | <ul style="list-style-type: none"> • Expansion of self-government, the legislative power • Immigration control system • Transfer of local administrative organ of country | <ul style="list-style-type: none"> • Expansion of transportation right free to do aviation • Domestic tourist’s duty-free shop use • Corporation tax reduction taxes of regional company • Medical visa | <ul style="list-style-type: none"> • Transfer of three Tourism -related law • Specification and management of Tourism duty-free special area • National tax exemption of a corporation tax etc. |

(Source: Based on data from the reference book 4, pp. 13–16)

Especially the three tourism-related laws (the law of tourism promoting, the law of tourism development promotion fund, the law of raising international conference industry) devolved from the central government enable the Jeju Special Self-Governing Province to work on the original

international tourism strategy suitable for the actual condition of Jeju Island. The large devolution including the transfer of the local office of the central government was described as the introduction of the “One Country, Two Systems” to Jeju Island. However, after the devolution of power, Jeju Special Self-Governing Province promoted the original international tourism strategy and the investment invitation strategy from inside and outside the country, and has showed good results steadily in a short period of time.

In the following chapters, we begin by taking a closer look at the specific action by Jeju Special Self-Governing Province and its result mainly on the international tourism strategy.

5. International Tourism Strategy of Jeju Special Self-Governing Province

In the international tourism strategy of Jeju Island, at first, it is the expansion measure of attraction of the Chinese which brought about the big effect. Jeju Special Self-Governing Province performed deregulation to enlarge the target country of the entry permit of no visa 180 countries including China by devolution of power from 2008. At the same time, Jeju Special Self-Governing Province promotes the international tourism strategies such as service of LCC (Low-Cost Carrier) Jeju Air and call at port of the international cruise ship, the invitation of MICE⁷⁾.

As a result, in 2007, the foreign tourist to Jeju Island was about 540,000 people, but increased rapidly to about 1,045,000 people of about twice in 2011 only four years later. This number of foreign tourists exceeds number of the Kyushu of same age (2011) the entry foreign tourists, about 720,000 people. Particularly, the increase of Chinese tourists to Jeju Island becomes remarkable. In 2007, it was Japanese tourist, about 183,000 people, Chinese tourist, about 177,000 people. However, from 2009, Chinese exceeded Japanese. In 2011, it became Chinese tourist, about 570,000 people, Japanese tourist, about 173,000 people (refer to Figure 4).

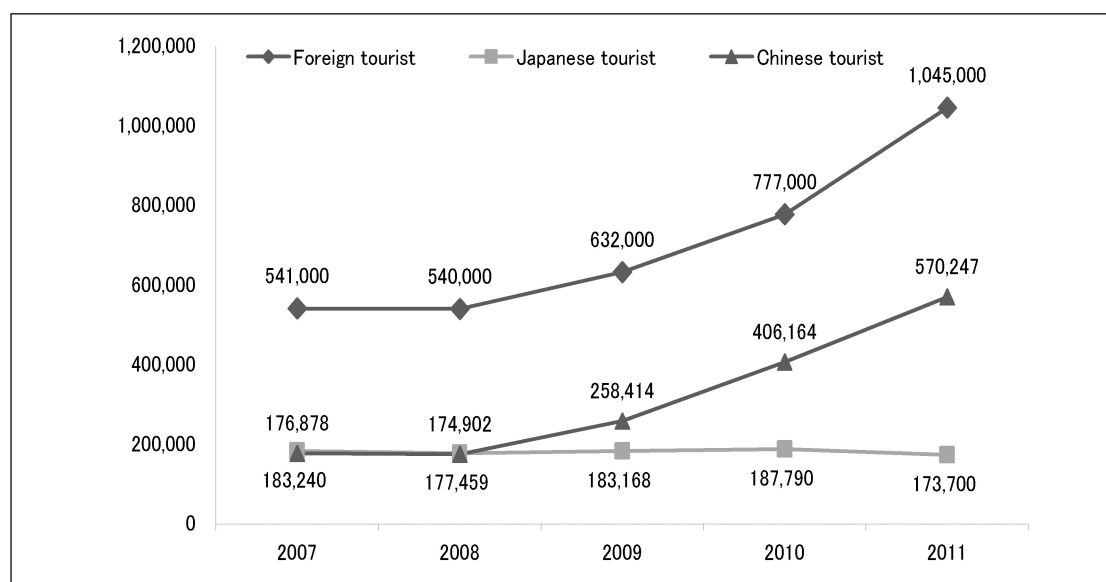


Figure 4 Change of the Number of the Foreign Tourist of Jeju Island
(Source: Data from document provided by Jeju Special Self-Governing Province)

It is Table 2 to have compared the change of the number of the Chinese tourists of recent Jeju Island with the change of the Chinese tourist of the Kyushu (the entry Chinese number of people from airport and seaport of Kyushu).

Table 2 Change of the Number of the Chinese tourist of Jeju Island and Kyushu

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------|------|------|------|------|------|
| Jeju | 17.7 | 17.5 | 25.8 | 40.6 | 57.0 |
| Kyusyu | 6.6 | 7.2 | 8.0 | 13.8 | 8.8 |

A number of people unit: 10,000 people

(Sources: Data from documents provided by Jeju Special Self-Governing Province and Kyushu District Transport Bureau)

The number of Chinese tourists of Kyushu is increasing to about 138,000 people in 2010 from about 66,000 in 2007. On the other hand, the number of Chinese tourists in Jeju Island has reached approximately 406,000 in 2010, three times higher than that of them in Kyushu. Furthermore, although it was subject to the influence of the Great East Japan Earthquake and the nuclear power plant disaster in 2011 and the number of Chinese tourists of Kyushu decreased rapidly to about 88,000 people, the Chinese tourists to Jeju Island are increasing in number to about 570,000 people.

The above-mentioned LCC Jeju Air was established jointly by Jeju-do and a Korean company in 2005 after the deregulation of airline establishment by Korean government. Furthermore, the Jeju Air has extended their domestic and foreign routes due to the deregulation of the air transport market after the “special law” enforcement. As of October 2012, the Jeju Air has 17 regular flights and charter flights including the domestic air routes (with Seoul, Pusan, Cheongju) and the international air routes with Japan and China based in the Jeju International Airport. Currently, the Jeju Air is not only the main airline company which the domestic and foreign Jeju Island visitors travel by but also is growing to be the largest LCC in East Asia⁸⁾.

On the other hand, Jeju Island promotes the call at a port invitation promotion of the international cruise ship mainly on the departure and arrival in China. At the same time, in 2011, Jeju Island repaired the harbor facilities of the Jeju Port and enabled the call at a port of the cruise ship of 80,000t grade class. As a result, the number of international cruise ships call at the Jeju Port has rapidly increased from twice in 2004 to 74 times in 2011.

Table 3 showed recent Jeju Port and each Kyushu port total and Hakata Port (Fukuoka City) change of the call at a port number of times of the international cruise ship.

Table 3 Change of the Call at a Port Number of Times of the International Cruise Ship of the Jeju Port, Each Kyushu Port Total, Hakata Port

| | 2008 | 2009 | 2010 | 2011 |
|-------------------------------|------|------|------|------|
| Jeju port | 39 | 37 | 49 | 74 |
| Each Kyusyu port total | 87 | 103 | 152 | 55 |
| Hakata port | 25 | 26 | 61 | 26 |

(Sources: Data from document provided by Jeju Special Self-Governing Province and Kyushu District Transport Bureau)

As described in the table 3, the number of recent international cruise ship call tends to increase at Jeju Port, Hakata Port, and every other port of Kyushu due to the increase of the cruise ship departing from and arriving in China. However, the international cruise ship call of ports in Japan was evaded under the influence of Great East Japan Earthquake disaster in 2011. Therefore, the number of international cruise ship call at Jeju Port has reached 74 times, which exceeds 55 times at each Kyushu

port total and 26 times at Hakata Port.

About the invitation of MICE, Jeju tourism organization plays a key role and promotes it positively. Jeju Island already invited and held as international conference of the large scale, there are Asian Development Bank general meeting (2004), APEC Minister of Finance meeting (2005), the summit meeting of Japan, China, and Korea. Furthermore, in recent years, the U.N.Environment Programme intergovernmental meeting (2008) and the IUCN world conservation congress (2012) were held taking advantage of the natural environment of the island.

According to the statistics document of UIA (Union of International Associations), the number of international conferences held in Jeju Island in 2001 was only four cases, but, increases rapidly to 67 in 2010. Table 4 showed the held number and rank of the international conference according to the city of the Asia Oceania area of 2010.

Jeju Island is ranked as the ninth place in the big cities of each nation's capital class of the Asia Oceania area and becomes the 31st place in the world. In this way, Jeju Island becomes the outstanding convention resort in Asia. In 2010, 20 international conferences were held in Fukuoka City when the author gave reference information and, with order of the Asia Oceania area, were the 30th place (refer to Table 2).

On the other hand, in 2010, the number of international conferences of Fukuoka City became 20 cases and was the 30th place with rank of the Asia Oceania area.

Table 4 The Held Number and Rank of the International Conference according to the City of the Asia Oceania Area of 2010 (Statistics Document of UIA)

| Rank | Host City | Held number | World rank |
|-------------|--------------------|--------------------|-------------------|
| 1 | Singapore | 725 | 1 |
| 2 | Seoul | 201 | 5 |
| 3 | Tokyo | 190 | 7 |
| 4 | Sydney | 137 | 13 |
| 5 | Busan | 93 | 17 |
| 6 | Melbourne | 92 | 19 |
| 7 | Yokohama | 82 | 24 |
| 8 | Beijing | 79 | 25 |
| 9 | Jeju Island | 67 | 31 |
| 10 | Shanghai | 63 | 36 |

(Source: JNTO (2012) "International conference statistics")

And now, it what Jeju Island promotes mainly are invitations of the large-scale incentive tour (bonus and invitation tour) from China. As for the invitation of the incentive tour from China, Governor Jeju Special Self-Governing Province performs a top sale as well as Jeju tourism organization. As a result, in 2011, even the large-scale incentive tour of the Chinese company succeeds in the invitation of more than about 2,300 people in July and about 13,000 people from September to October.

Of these, "Baojian" of the Chinese major daily necessities maker company (the head office: Beijing City) carried out an incentive tour to go of Jeju Island and Seoul in employee and customer, about 11,200 people in 6 days and 5 nights over from September to October in 2011 According to the KTO (Korea Tourism Organization), the economic effect including the lodging and shopping, eating of

this incentive tour, shop is considered to be about 84 billion KRW.

On the other hand, after the enforcement of “special law,” the tourism incomes of Jeju Island largely increase because it deregulated not only the foreign tourist but also the Korean tourist so that the duty-free shop in airport and the Jeju City is available.

The Tourism income before Jeju Special Self-Governing Province started failed to rise. The tourism income of 2005 was about 1,720 billion KRW (breakdown: Korean tourist from about 1,300 billion KRW, a foreign tourist about 420 billion KRW). However, the tourism incomes of Jeju Island largely increase after the start of the Special Self-Governing Province. In 2010, the tourism incomes of Jeju was about 3,400 billion KRW (breakdown: Korean tourist from about 2,520 billion KRW, a foreign tourist 860 billion KRW). In this way, the tourism incomes of Jeju Island nearly double in five years, and about a quarter is the tourism income from a foreign tourist (cf. Figure 5).

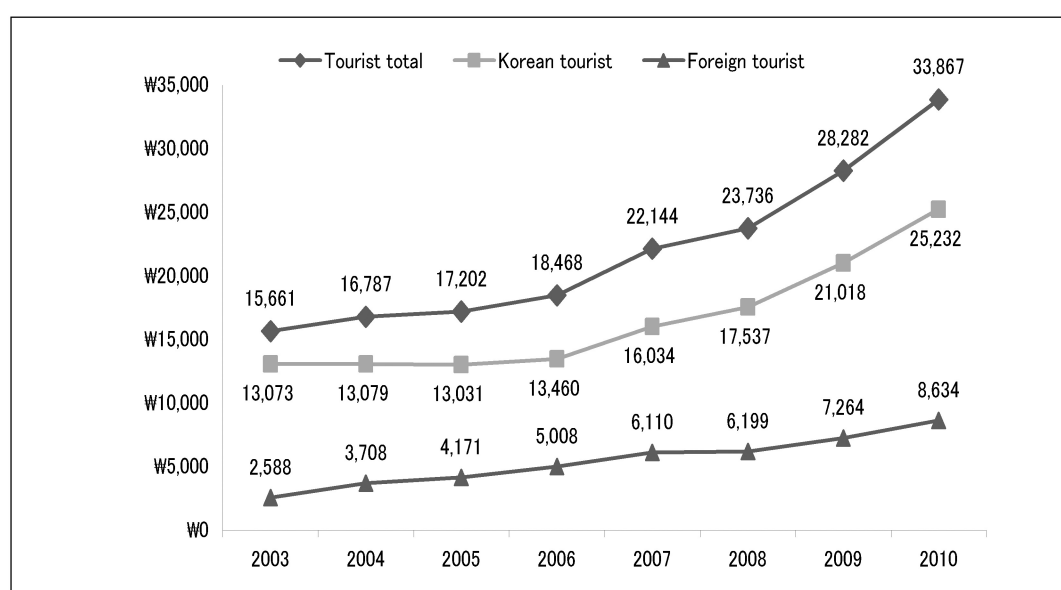


Figure 5 Change of the Amount of Tourism Income of Jeju Island
Amount of unit: 100 million KRW
(Source: Data from document provided by Jeju Special Self-Governing Province)

According to the KTO, the highest amount is spent by a Chinese tourist with 1,558 US dollars in the mean tourism consumption according to the nationality of the visit to Korea foreign tourist of 2009 per person. And this figure is about 1.5 times larger than 1,072 US dollars a Japanese tourist spends. Therefore, it seems that Chinese tourists contribute significantly to the increasing income in Jeju Island.

In addition, by the deregulation and system reform, after the start of Jeju Special Self-Governing Province, resources such as the tourism development of Jeju Island become able to apply the profit from the duty-free shop in airport and the city. Furthermore, 10% of sales of eight casinos for foreigners in Jeju Island and money of departure payment from a thing of a foreign tourist are applied by Jeju tourism promotion fund. In 2009, these operative funds, about 60 billion KRW, are spent for financing support of the tourism-related infrastructure maintenance and tourism industry.

6. Investment Invitation Strategy in Jeju Special Self-Governing Province

This chapter describes the situation of the investment and advance from domestic and foreign

country centering on the tourist industry in Jeju Island after the “special law” enforcement. After the devolution from the country, various deregulation and system reform are carried out to let investment from domestic and foreign country and the invitation of the advance company spread in Jeju Special Self-Governing Province.

As the investment preferential treatment for tourism enterprise, regardless of domestic or foreign, when a company invests in the tourism industry inside an investment zone, 100% of their corporation tax, income tax, and local tax are exempted for three years, and then 50% of them are exempted for another two years. Moreover, an investing company gets sharply exempted from real estate acquisition and registration tax, and property tax besides the above-mentioned exemption. Furthermore, Jeju Special Self-Governing Province has been promoting investment preferential treatment by deregulation and system reformation as expanding a specified type of industries in the investment zone, providing one-stop service for investments and development projects, significantly shortening an approval period, and easing the restriction of total investments.

As a result, the new investment from domestic and foreign country centering on the tourism industry amounts to the total about 7 trillion KRW by 2009 of Special Self-Governing Province inauguration after three years. Among these, the investment from a domestic company is a total of 11 enterprises; the total amount is about 3 trillion KRW.

In addition, the investment business from the overseas company did not have one case before a thing of the start of the special self-governing province. However, investment business from the overseas company becomes particularly active after the start of the special self-governing province. The investment from the overseas company reaches total sum, about 4 trillion KRW for 8 businesses in total by 2009. The investment business from this overseas company is development of a large-scale resort, a theme park, etc., and an enterprise and a plan are advancing still now by the company of five nations and region of the United States, Hong Kong, Malaysia, Singapore, and Taiwan.

Among these, the investment business of the conglomerate “Berjaya group” of Malaysia is very big development. This investment business develops large resort complex, including large-sized hotel, about 1,500 condominiums and shopping malls, hospital on about 740,000m² of sites. The investment total sum of this business amounts to about 2,600 million US dollars, and business is making progress now.

In addition, the inbound from Southeast Asia to Jeju Island increase by this resort complex having been developed. Although there were about 32,000 tourists from Malaysia and Singapore to Jeju Island in 2007, they are increasing in number to about 55,000 tourists in 2007.

Furthermore, from 2010, the permanent residency grant system over the foreigner real estate investment house which becomes the first in Korea and domestic is enforced. This system builds the large-sized resort facility for long-term stay persons in the tourism development zone which received recognition of the special self-governing province. And when foreigner purchases the villa and condominium in this resort facility for 500,000 U.S. dollars or 500 million KRW or more, Korean government has given the right of not only a permanent residency but also public education and a medical insurance.

As the first designated institution of this system, a large-sized resort facility of Jeju City, “Raon private town” is chosen. Cottage, condominium, hotel, golf course, hospital, restaurant, etc. are being constructed and improved in a vast site of about 800,000 m² in this private town (cf. Photograph 1).

In this private town, by October, 2011, cottage and condominium of about 100 billion KRW are sold to 181 Chinese investors. Moreover, also in the “Ardenhill resort” selected by the second, the institution maintenance for acceptance of the real estate investment from the foreigner of the same scale is progressing.



Photograph 1 Raon Private Town (Completion Expectation Photograph)
(Source: Offer from Jeju Development Institute)

Furthermore, the medical tourism which accepts the hospital management of a foreign doctor or business extensively is planned and promoted now. At the same time, the foreign worker of the care welfare field grants permission, and it is advancing maintenance of the elderly-people town requiring care for the wealthy of Asia.

In this way, Jeju Special Self-Governing Province aims at the further promotion of the international tourism strategy that fused with the medical welfare by deregulation and system reform.

7. Suggestion to International Tourism Strategy of Fukuoka, Kyushu

In this way, Jeju Island promotes international tourism strategy mainly on the deregulation and system reform by the decentralization with the radical devolution from the country. As a result, Jeju Island gained suitable result in an invitation of inbound and investment from Asia centering on China in a short term. Particularly, regarding the trend of the Chinese inbound, the author compared it with the trend of Fukuoka, Kyushu from changes such as the number of the tourists, the call at a port number of times of the international cruise ship. As a result, it is clear that Chinese inbound and tourist consumption to Jeju Island spread by the original action after the Jeju Special Self-Governing Province started remarkably.

As same as in Jeju Island, with the background of the geographical proximity to Asia, the proposal of the international tourism strategy accompanied by deregulation and institutional reform suitable to the needs and the current state of the region has been requested to the government in Fukuoka which professes itself to be an Asian exchange base city as well as in Kyushu which aims to take in the economic vitality of Asia.

Specifically, since 2010, Japanese government has been promoting deregulation and system reform in the appointed area, and calling for a suggestion and enforcement from the region with a “comprehensive special zone” which aims for growth and the international competitiveness of the regional economy.

In such a situation, also in Fukuoka and Kyushu the proposals of deregulation and institutional reform are submitted to the government in order to increase the number of inbound and the amount of tourist consumption from Asia mainly from China as well as the number of international cruise calls at ports⁹⁾.

One of these proposals is referred to as “Kyushu Asia tourism strategy special zone” which was proposed to the government in 2010 by the organization “Kyushu Tourism Promotion Organization” founded by 7 prefectures in Kyushu and their economic communities. The main contents suggested for

this special zone are as follows.

(1) No visa or multi-visa with conditions for foreign tourists

To issue a multi-visa for Japan visitors from a country requires a visa to enter Japan such as from China, when their income amount or their occupation matches to a specific qualification. In addition, to exempt a visa for a tourist if travel agenda, such as the traveling route, a specific area, a specific institution (e.g. isolated island, Huis Ten Bosch in Nagasaki Prefecture), and the length of the stay meets a certain condition.

(2) Deregulation about call of international cruise ship

To simplify the immigration procedure of the foreign tourist using international cruise ship. The business license of casino onboard in Japanese territorial waters of international cruise ship.

(3) Exception for the condominium acquisition by foreign wealthy person

To issue a visa for maximum of two years for a foreigner and his/her family with more than a specific amount yearly income when he/she acquires real estate in Kyushu.

(4) Promotion of medical tourism

To issue a medical visa and to approve the medical practice for a foreign doctor to foreign tourists.

Although each of these suggestions is not as broad as the deregulation and institutional reform by the Jeju Special Self-Governing Province, they serves as a proposal similar as a concrete policy in order to take in the economic vitality of Asia. However, in the selection result of the governmental comprehensive special zone, this special zone proposal was not adopted.

On the other hand, it becomes clear that there is the following problem from the investigation for the Chinese tourist of the international cruise ship who called at Hakata Port that Fukuoka Asian Urban Research Center carried out in 2010¹⁰⁾.

(1) Language correspondence including substantial guide

(2) Extension of shopping and the length of stay by the simplification and speeding up of CIQ (customs, immigration and quarantine)

In order to resolve these issues, in 2011, Fukuoka has mainly proposed the following deregulation and institutional reform as a response to the call for a comprehensive special zone.

(1)Speeding up CIQ system of Hakata Port

(2)Setting up the tourist guidance system with language support for shoppers by involving foreign students and foreign residence in Fukuoka

(3)Increasing duty-free products targeting on foreign tourists

However, the proposal for this special zone is neither adopted as of November 2012 nor the other proposal by Kyushu Tourism Promotion Organization.

In this way, with the similar geographic background, Fukuoka and Kyushu which are also pursuing the Asian economic vitality have been proposing that the government should set up the international tourism strategy by appointing a special zone with the deregulation and the institutional reform; however, it has not yet happened in reality at the present stage in November, 2012.

All of the contents listed in the special zone application such as the immigration control, the foreign capital invitation, the new tourist guide system, the tax exemption are what the local government cannot realize under the current authority given by the government in Japan.

The big difference of the initiatives and its result of international tourism strategy between Fukuoka, Kyushu and Jeju Special Self-Governing Province must be whether the decentralization with the radical devolution from the country is done or not. In order for Fukuoka and Kyushu to promote the effective international tourism strategy with aiming at the introduction of the economic vitality of Asia, implementation of decentralization which could cause the drastic delegation of authority from the central to the regional government is expected in the future.

8. Conclusion

In this paper, the change of the Korean regional policy with globalization after the Asian financial crisis was described at first, and then the trend of the regional policy by the Lee Myung-bak current government was described. In addition, the original advanced policy of Jeju Special Self-Governing Province which has rapidly and effectively developed the acts on globalization by decentralization and has showed its result in adopting the economic vitality of Asia was described as a case study focusing on the international tourism strategy. Furthermore, the necessity of the decentralization was suggested for the international tourism strategy in Fukuoka and Kyushu by pointing out a comprehensive special zone and the correspondence of the government as examples.

The advanced initiatives after the establishment of the Jeju Special Self-Governing Province are seen not only in the international tourism which was described in this paper, but also in the education fields (the foundation of an English-education city) and the environmental fields (smart grid pilot projects), etc. What needs to be pointed out as a common feature of the Korean regional policies corresponding to the globalization (an international hub airport, port improvement, FEZ specification, etc.) including the case of Jeju Island is the speed of the deployment in building a concept and a strategic decision and leading it to a concrete enforcement.

As pointed out in this paper, achievement of taking in the vitality of the Asian economic growth centering on China is steadily seen in the Jeju Special Self-Governing Province by deregulation and institutional reform in a short period of time with a little more than only five years after the “special law” enforcement in 2006.

Meanwhile, it is true that the international tourism strategy centering on China, the regional policy centering on foreign capital attraction, and the global strategy promotion also have risks accompanying the change of the external environment.

However, the national strategy and the regional policy of Korea which was greatly tossed about by the wave of globalization called the Asian financial crisis have accomplished a big change. And it is also true that Korea had ascertained its positioning in Asia as well as in the world on geopolitics and economic geography, and then rapidly promoted the globalization not only on the trade policy and the corporate strategy but also on the regional policy.

At the same time, in Japan, the need of the national development opened to Asia in order to cope with the progress of globalization and the economic growth of East Asia was pointed out in the “National Spatial Planning” devised in 2008. It also pointed out that each wide regional block should devise the original regional strategy distinctively based on this plan, and should interact directly with East Asia to take in the Asian economic vitality, and then should aim for the conversion to the national structure that can develop independently. Additionally, in the “Kyushu Block Wide Regional Planning,” it pointed out that Kyushu block should develop integrally with Asia as Kyushu area in East Asia by showing its potential of proximity geographically and historically with East Asia.

In order for Fukuoka and Kyushu to promote the original international tourism strategy to take in the economic vitality of Asia like Jeju Island with the background of geographical proximity to Asia, it seems that decentralization with the radical transfer of the authority from the central government is necessary; however, the prospect of decentralization reform in Japan is not yet in sight although discussions on the subject including the implementation of the federal system have been made for a long time.

Whether or not Fukuoka and Kyushu can promote the original strategy by harnessing their geographical nearness to Asia and perform self-supporting development to take in the economic vitality of Asia depends on whether or not domestic administration restructure from centralization to decentralization can be executed. It is expected that decentralization with the radical devolutions from

country to region can be realized immediately for Japanese regional areas to promote the international tourism strategy aiming to take in the economic vitality of Asia.

Endnotes

- 1) Refer to following details: Ministry of Economy, Trade and Industry (2011) “White Paper on International Trade 2010” pp278-279 and Yukiko Fukagawa (2010) “Why is the Japanese company defeated by the Korean company?” “Chuo Koron” November, 2010 issue, volume 125, No. 11, pp.36-43.
- 2) Japan and Korea experienced the rapid economic development accompanying industrialization after the war. Meanwhile, the population concentration in metropolitan area of population and industrial economy advanced as distortion of growth in both countries. Therefore, promoting the balanced development policy of country was necessary in both countries in order to balance the gap between the areas.
Refer to following details: Toshifumi Yata, Inho Park (1996) “Japan-Korea comparative study of the country structure” Kyushu University Press
- 3) Refer to following details: Jin Jian Min (2012) “Competitiveness and problem of the Korean company” “Research report” (393) Fujitsu Research Institute
- 4) Refer to following details: JETRO (2010) “Foreign investment environment in Korea”
- 5) Refer to following details: Yongcheol Shin (2009) “The Solution of the Disproportion between Areas & Setting of the Economic Wide Area, Administration Area Reorganization ; Balanced National Development Policy in Korea” “Jichisouken” (303) The Japan Research Institute for Local Government
- 6) About outline of Jeju Island, international tourism strategy and investment invitation strategy of Jeju Special Self-Governing Province, I referred to Jeju Special Self-Governing Province and Jeju Development Institute, hearing and offer document or references (1),(4),(7),(9).
- 7) MICE is a meaning of the one form of business travel by the coined word that took Meeting, Incentive trip, Convention or Conference, Exhibition. Since a participant's consumption is large compared with an ordinary tour, the countries and the region which put power into attraction of MICE are increasing.
Refer to Japan Tourism Marketing Co web site, <http://www.tourism.jp/>
- 8) Refer to Jeju Air web site, <http://jp.jejuair.net/>
- 9) As a “comprehensive special zone” proposal about international tourism strategy including deregulation system reform of Fukuoka and Kyushu, there are the five following proposals in addition to two proposals described in this paper.
 - ① “International comprehensive special zone of Fukuoka and Busan interregional” (2010/ Fukuoka city)
 - ② “ ‘International Tourist port’ project where a foreign ship can enter” (2010/ Oita Prefecture)
 - ③ “The Border island ‘Tsushima’ Korean free trade special ward” (2010/ Tsushima city, Nagasaki Prefecture)
 - ④ “Kyushu tourism ‘ring of hospitality’” “comprehensive special zone” (2011/ Kyushu Tourism Promotion Organization)
 - ⑤ “International tourism special zone where can do entry and departure from the country of a foreign passenger ship” (2011/ Oita Prefecture)

However, All proposal mentioned above for these special zone is not yet adopted as of November 2012.
- 10) Refer to Fukuoka Asian Urban Research Center (2011) “Survey conducted on tourism trends of Chinese passengers on board of cruise ship called at Hakata port”

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- (1) Shingo AMANO (2004) “Jeju international free city special legal revision proposal” “Foreign legislation” (219), The National Diet Library investigation and legislation examination station
- (2) Naoki ARAI (2011) “Asian inbound strategy of Fukuoka and Kyushu” “Asian business strategy of Fukuoka, Kyushu” Fukuoka Asian Urban Research Center , pp35-60
- (3) Lee Soon Jeong (2011) “Korean regional development policy and bloc economy development strategy” “Kyushu

- economy investigation monthly report”65(777),Kyushu economic research center
- (4)Lee Hun Mo (2007) “Reform of Local Self-Government Structure : In the case of a Jeju Special Self-Governing Province” “The collection of law theories of the Chuogakuin University” 21(1), Chuogakuin University
 - (5)Ministry of Land, Infrastructure, Transport and Tourism (2008) “National Spatial Planning”
 - (6)Ministry of Land, Infrastructure, Transport and Tourism,Kyushu Regional “Development Bureau (2009) “Kyushu Block Wide Regional Planning”
 - (7)CLAIR (Council of Local Authorities for International Relations) (2009) “The sailing of new local government” “Jeju Special Self-Governing Province,” “CLAIR REPORT”No.337
 - (8)Nikkei Business Publications, Inc. (2010) “Four Korean companies Secret of the progress” “Nikkei Business”(1525),pp.23-37
 - (9)Keisuke MATSUSHIMA (2011) “Jeju Special Self-Governing Province For the realization of the international free city” “Kyushu economy investigation monthly report”65(777),Kyushu economic research center
 - (10)Hiroyuki YAMAGUCHI (2003) “Process and the present conditions of the land development program in Korea” “Reference,”53(9), The National Diet Library investigation and legislation examination station
 - (11)Myoung hum Yoon (2007) “New trend of land and regional policies in South Korea” “Institute Urban and Regional Policy for Studies Bulletin” (1) The University of Kitakyushu Institute Urban and Regional Policy for Studies

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- (1)Kyushu District Transport Bureau <http://www.tb.mlit.go.jp/kyushu/>
- (2)Ministry of Land, Infrastructure, Transport and Tourism “An Overview of Spatial Policy in Asian and European Countries”
<http://www.mlit.go.jp/kokudokeikaku/international/spw/index.html>
- (3)KOTRA(Korea Trade-Investment Promotion Agency) <http://www.kotra.or.jp/>
- (4)Jeju Special Self-Governing Province <http://www.jeju.go.kr/>
- (5)Jeju Special Self-Governing Provincial Tourism Association
<http://www.hijeju.or.kr/japan/main.html>
- (6)Regional Revitalization Bureau (Cabinet Secretariat)
<http://www.kantei.go.jp/jp/singi/tiiki/index.html>