

## DECENTRALIZATION IN EAST ASIA: A REASSESSMENT OF ITS BACKGROUND AND POTENTIAL

GILBERT ROZMAN  
*Princeton University*

*Through much of the 1990s, East Asian states pursued decentralization as a panacea for economic, political, social, and foreign policy problems. Most bold reforms were not approved; a few that were approved worsened inefficiency. Both the Confucian tradition and modernization from above had not left a suitable foundation for the types of changes needed. Neither local society nor central bureaucratic power allowed much scope for market-oriented localism or cross-border linkups based on global principles. The exception was Southeast China, where the Chinese diaspora eased cooperation. To achieve both reform and regionalism, Japan and South Korea should lead a revival of decentralization by emphasizing human resource development based on international migration, educational exchanges, and cities open to global integration.*

From around 1990 it was widely accepted that the path to reform in East Asia and the emerging Northeast Asian region had to pass through far-reaching decentralization of power and control over resources. Champions of democracy and the market economy predicted that local vitality would bypass controls long entrenched at the centers of national power (Scott, 1998). Advocates of regionalism proclaimed that as the capitals released their hold, local areas would gravitate toward each other across state lines and create networks of cooperation (Ohmae, 1995). As an antidote to communist central planning and vertical control, as a corrective to the one-sidedness of the Asian economic model, and as a response to global trends, decentralization promised a bonanza at the start of the transition to a new era.

Although only a fringe player in Northeast Asia apart from security, Russia played a prominent role in raising hopes. When Boris Yeltsin took charge of the new Russian Federation, he decided to cure the ills of the centralized Soviet system, with special hopes for joining the booming Asia-Pacific region, by transferring a great deal of power to krai and oblast governments (Suraska, 1998). Of course, this also served as a convenient device to reduce Mikhail Gorbachev's power in the struggle that led to the collapse of the Soviet Union. Whatever Moscow's motives, the opening of Russia's Far East energized the localities of Northeast Asia. They anticipated an easier time forging ties with the local administrations and existing businesses

than with Moscow. From China's Heihe to Japan's Niigata, cities appealed for more autonomy to make use of fresh opportunities (Rozman, 1997).

China was recognized as the model for opening its border. Having already found economic success in decentralization centered along the Southeast coast, Beijing under Deng Xiaoping's last big initiative launched a new wave of decentralization, giving special status to border areas in the Northeast, among others (Yang, 1994). China intended to extend its success with Hong Kong and Taiwan to its expansive Northeast frontier. If the Russian Far East's growing power vacuum did not make a sufficient case, then China's spreading open door gave added enticement to South Korea and Japan to let their guard down too.

Maturing advanced industrial societies should not have needed an external push to decentralize. After all, middle class consumerism makes the prior model of dependence on central decisions an anachronism. Rapidly aging societies raise new demands for welfare not easily met by rigid bureaucracies. Holding themselves before the mirror of Western welfare states, Japan and, even more, Korea appeared far behind. Moreover, the global economy had entered an age of rapid technological change in which large-scale manufacturing was losing ground to venture firms with instant adaptability. Japan and Korea were poorly prepared for the transition, requiring a sharp shift away from state-directed business planning. Nearly everyone agreed that decentralization was the wave of the future.

The Japanese public eagerly welcomed the intellectual premises of transferring power downward. Amidst the dual shock of the collapse of their economic model and the unseating of the Liberal Democratic Party, politicians made decentralization the centerpiece of reforms (Jijitai, 1993). It was expected to resolve the need both to free markets from the heavy hand of the bureaucrats in Tokyo and to improve welfare and democracy in localities where the elderly population was growing. South Korea's logic was similar. As Seoul made a transition to civilian rule after democratization, it too highlighted decentralization as one of its essential goals at home (Hwang, 1998), and as part of the "Northern strategy" to entice reform in North Korea with the help of its neighbors. It held out hope for areas stifled by the existing extremes of over centralization and regional favoritism.

Everywhere there was talk of releasing the energies of the people while better meeting their welfare needs, allowing them to find common ground with their neighbors as they discovered their own voices, and invigorating the national economy by promoting Silicon valleys for a new era. As the 1990s proceeded, such goals were never repudiated, although new realities caused them to slip gradually into the background. In 2002, decentralization

remains an ideal, even if realists are doubtful about how to achieve it.

Today there is plenty of talk of the need for financial reform, but the theme of decentralization has faded. Is this wise for the region? Will other reforms be endangered by a lack of local power? Or is decentralization now recognized to cause more problems than it is worth? This paper brings it back into the picture with a two-part approach: 1) a review of the legacy of centralization in the region, including an analysis of the one-sided, centralized nature of modernization in both socialist and capitalist countries of the region; and 2) an overview of what happened during the course of decentralizing reforms over the past decade. A final section draws on the regional legacy and recent lessons to consider the pros and cons of a new wave of decentralization in the coming decade.

The overall argument can be summarized as follows. In premodern times the three countries of China, Korea, and Japan were each over centralized, although in different respects. An overemphasis on imperial Confucianism skewed China's political system and reduced urbanization in intermediate cities that would have reflected strong local government or civil society. While Korea's yangban class had more leverage on the ruler, the Korean urban system was sharply skewed in favor of the primate capital of Hansong (Seoul). In contrast, Japan's center-local balance in cities and politics did not signify much centralization, but its castle cities dominated their hinterlands as did their lords the townspeople. Eventually, Edo (Tokyo) began to show excessive primacy. The traditional patterns of centralization were later replicated in the top-down paths chosen to accelerate modernization. China's choice of the Soviet model of socialism boosted political centralization, stifling initiative below, and then was modified by an emphasis on self-reliance that left intermediate levels underdeveloped, even as inland cities were favored over big coastal cities in preparation for a Soviet attack. Korea's turn to military-led authoritarianism exacerbated Seoul's primacy, contributing to a form of regionalism deeply dependent on the power of the center. And Meiji centralization followed by Showa militarism and imperialism lowered the possibilities for civil society even as they took advantage of a relatively balanced urban system. The roots were laid for Tokyo's overwhelming dominance. If initial modernization allowed countries to catch up, it did not leave a foundation for multi-layered development drawing on local initiative.

Later, each country adjusted its model, reducing some elements of centralization in a second wave of modernization. China used decentralization most effectively in the 1980s and 1990s, but it kept postponing political reforms apart from administrative reform and cadre reshuffling in support

of a stable balance. While Japan's modernization received a huge boost from Occupation reforms aimed at decentralization, they did not stop Tokyo from becoming ever more dominant. Although democratization in Korea embraced elements of decentralization, the effects were quite limited. In all three cases, efforts to boost decentralization were stymied, despite being high on the agenda again in the 1990s. Reform through local dynamism lost its urgency.

Drawing lessons from the 1990s, this paper proposes a different approach, targeted at changing the top cities through globalization, building strong regional cities through cross-border urban networks and devolution of central functions, and promoting open, heterogeneous border cities. Linking decentralization to globalization, regionalism, and political reform, it stresses as the priority for vitality the formation of cosmopolitan local communities in which educational exchanges of young people and venture firms with an international labor force overcome vested interests.

#### CENTRALIZATION IN EAST ASIAN HISTORY

Comparative history teaches us that evolution from stage to stage in pre-modern development as well as modernization requires periodic adjustments in spatial balance (Rozman, 1978). Extreme decentralization entails the absence of cities and of economies of scale that make possible the surpluses used for investment in knowledge and specialized production. By contrast, extreme centralization destroys incentives as peripheral areas are left mired in poverty and hopelessness. Adjusting to technological change and organizational capacity, states groped for the right balance. The fact that East Asian countries, beginning with China, long ranked at or near the top in the world in indicators of development, suggests that they did better than most in fine tuning the mix of urban and administrative centralization, local autonomy and market competition. As new opportunities arose, however, these states proved too inflexible by the eighteenth and nineteenth centuries compared to many European states. Lacking both domestic pressure for reorganization and a stake in international competition, East Asian societies fell behind in urbanization, centralization of resources into cities, and decentralized vitality of local areas (Rozman, 1990).

In general, Confucianism contributed to a stable and effective spatial balance. On the one hand, it served as the worldview of states capable of administering unprecedented areas and populations for millennia. As such, it guided the establishment of central bureaucracies with broad responsibilities. On the other hand, it cautioned against state intrusion into the commu-

nity, championing instead the idea that families and kinship groups linking families are best left with responsibility for managing their own affairs. This worldview limited state demands on families. Elsewhere in premodern times we witness the rise of despotic centralizers bent on mobilizing more resources from the population, but short-lived in their capacity to keep the peace and maintain their regime through local dynamism. Bursts of centralization over a large territory were interrupted by long periods of division that did not leave families and communities in peace to plan ahead. The steady evolution of literate bureaucracies, periodic markets, multi-level networks of cities, and strategies for social mobility gave East Asian nations an advantage linked to substantial, but limited, centralization (Black, 1975; Rozman, 1981).

In the early centuries of Confucianization, beginning with China and later in Korea and Japan, the primary challenge was to further administrative centralization by bringing local aristocrats under control and regularizing conditions for the masses. In the large national capital a centralized bureaucracy took shape, molded to a degree by Confucian ideals about loyalty to lord and benevolence for the wellbeing of the people. Scattered through the land, district cities were founded for local administration on behalf of the center. In China, over the Han and Tang dynasties, as in the Roman Empire, multiple levels of administrative centers made possible a high degree of regulation of a vast territory with tens of millions of residents. The very scale of China helped to keep centralization in most respects from becoming excessive. In Korea and Japan, which borrowed Confucianism from China and built cities on the Chinese model, there was less balance from local administrative centers but also less capacity to reach far down in the country on a steady basis. Confucianism for a time existed largely in the capital, creating an imbalance of power. This was eventually changed in Japan as local samurai bands organized, effectively limiting central power. In contrast, in Korea the much smaller scale of the country tipped the scale further toward centralization. Negative memories of the costs of multiple kingdoms in Korea even more than in China justified centralization, but the legacy of aristocracy lingered longer in Korea, limiting the king's power further.

In the eighth century commercialization began to spread in China as seen in the widespread formation of periodic markets across the countryside. We can refer to the following millennium in China and correspondingly shorter periods in Korea and Japan, beginning roughly 500 years later, as premodern commercial centralization. Now the elite was much larger than the old aristocracy and could contribute, through its education and social networks, far more to enlightened rule. At the same time, the masses were trans-

formed by the new urban-rural exchange and regular diffusion of information, and they could be reached in more effective ways from the national capital (Rozman, 1974a). Across East Asia the state used these new possibilities. The imperial examination system operated for almost the entire millennium in China, while the Chosun dynasty established 500 years later a similar system with a narrower reach. Japan took a different path, bringing its samurai into newly established cities and bureaucratizing them through education and new organizations. Each country also pressed from the top down for the Confucianization of its rural and urban masses. Literacy rates rose sharply, family rituals became more uniform, and moral indoctrination expanded (Rozman, 1991). With the elite and masses transformed, Confucian decentralization could have developed through a relaxation of state power.

In fact, China and Korea had no tradition of decentralization except through family institutions or illegitimate bodies linked to warlordism, while Japan's memories of warring states suggested that the only alternative would be samurai bands fighting with each other. In important respects states moved further in the direction of centralization. The impact of conquest dynasties on Chinese governance must be considered. Building on the increasingly ritualized thinking of imperial Confucianism, China reinforced the unlimited authority of its emperor (Mote, 1999). In Korea, the personal authority of the king was less aggrandized. Yangban groupings, including powerful hereditary lineages, contributed to more factionalism, but they largely competed in Hansong within a highly centralized urban system. In Japan, the impact of feudalism could be observed in the coexistence of more than 260 lords, each with great power within his own domain. While this led to decentralization of power and resources on a national scale, these lords built castle cities to mobilize resources, leaving rural communities and small towns without a counterweight. Thus, tendencies toward excessive centralization, as seen in Edo's rise (Rozman, 1974b), operated on the eve of modernization despite notable limitations on actual centralization.

The central place hierarchies of each East Asian country on the eve of modernization help us to understand the potential for balanced development. In Korea, Hansong was a primate city with at least seven times the population of the second city. Its total of close to 200,000 people was 2.5-2.9 percent of the Chosun figure, while the next cities of Kaesung and Pyongyang had fewer than 30,000 residents (Hwang and Choi, 1988, p. 38). Yet, unlike Japan it had not developed through a multi-level hierarchy of cities that signified a lively commercial exchange and local vitality. Yangban power was reflected in the retention of resources in local areas or their trans-

mission to Hansong where many in the elite resided without developing intermediate cities. A truly centralized government would have demanded a larger mobilization of resources flowing through multiple levels. Korea's urban distribution resembled eighteenth-century Russia before that state became more centralized under administrative reorganization begun by Peter 1 and furthered by Catherine 2. (Russia had one great city Moscow, similar in size to Seoul, until St. Petersburg was built. It also had a tremendous gap to the next cities in the range of 20,000-30,000 and a dearth of cities of over 10,000 compared to China and Japan) (Rozman, 1976). Korea trailed China in local market vitality, the basis of entrepreneurship, and it lacked Japan's castle towns, the foundation for state-led mobilization.

Whatever the limits from Confucian familism and yangban class interests, Korea was excessively centralized in important respects. Over the past thirty years a debate has continued over the dysfunctional aspects of Chosun era centralization. It discusses such themes as excessive upward-sucking forces, a lack of professionalism among bureaucrats, and no tradition of civic virtue. Despite vibrant Confucian traditions, local areas did not build up their economic resources in ways that could have created some balance to Seoul.

In Japan a higher level of urbanization and a strong intermediate group of cities gave Edo, the world's largest city in 1800, a foundation for centralization. Already before the coming of the West, Edo's population growth and expanding functions were adding to its centralized impact on Japan. But this was expressed through a relatively balanced urban hierarchy that reflected the feudal development of the country. Competition among domains in the national market led to sponsorship of new export products and success in a market environment. Japan enjoyed a broad base for modern development.

China, in contrast, was the least urbanized of the East Asian countries, and had the least centralization, except in politics. Its bureaucracy was overly centralized with little tolerance for initiative from below and no tradition of local autonomy in policy-making, but its resource flows circulated largely within rural areas and small marketing communities. Local vitality in many parts of a vast country did not rise to the level of balance against central domination. China had a base for decentralization, but it was in danger of further over centralization without giving local society scope for development.

When confronted by military force to open their countries and do what was necessary to borrow in order to counteract imperialism, each nation struggled against existing authority while striving for more centralization.

Modernization of a latecomer in the age of imperialism placed a premium on top-down reform through central power. The Japanese took advantage of a premodern division of power that made centralization suitable for easier global competition. They had placed more stress on loyalty to lord among the elite, mobilized community resources more firmly under castle cities as well as national centers, and taken greater advantage of commercial centralization to develop a national market with strong competitive tendencies among local areas. Korean elite Confucianism stood more in the way of such centralization, delaying a strong national response. It limited the power of the king, blocked mobilization of resources apart from limited market exchange, and kept the competitive potential of local governments and merchant groups in check. The Chinese central government also had not built a system for drawing resources upward, foiling repeated efforts to centralize until the communists took power. China's legacy neither favored civil society emerging from below nor central power with multiple layers for channeling resources from above.

After World War II each East Asian country had an opportunity to decentralize to spur modernization, but, following some experimentation, it chose to do otherwise. We can find historical roots for these decisions. Japan had already achieved a substantial level of modernization based on centralization, and during the decade of wartime mobilization its central controls had been strengthened. Reforms from above in the second half of the 1940s had the contradictory character of promoting elements of decentralization through renewed central power. As recovery gave way to rapid growth, Tokyo's centrality grew ever greater. China contrasted the century of its humiliation when central power had been insufficient with its historical ideal of a strong center led by a virtuous ruler acting on behalf of all of the people. It was still waiting for centralization when peasant guerrillas, suspicious of existing elites and any sign of civil society, seized power. Although an anti-urban bias kept interfering with full application of the Soviet model of centralization, forces of decentralization were denied a market economy or any way around arbitrary political power. Koreans felt even more humiliated by Japanese colonization, which had attempted to wipe away their national identity, and sought strength through central power. Despite the U.S. ideal of endorsing reforms aimed at building a decentralized state, the demands of civil war and then preparation for its renewal, as well as the weakness of economic forces in the wake of Japanese monopolization, prompted a strong state to lead in modernization. The military forced catch-up industrialization through central control with the explanation that over-concentration was "unavoidable for achieving fast economic growth under



the unfavorable conditions of the early 1960s, i.e., low level of technology, modest capital accumulation and poor natural resource endowment (Hwang and Choi, 1988)."

In the postwar era across East Asia, a tension existed between periodic calls for decentralization as a means to political fairness, efficiency, or improved welfare, and the center's tendency to expand centralization. This played itself out in Japan first in the struggle to reverse decentralizing effects of the Occupation reforms and then in the battle to limit the power of leftist urban governments by co-opting their issues and drawing their representatives into more dependence on the center (Samuels, 1983). Tokyo became ever more dominant. Bureaucracy retained its capacity to guide development. In China, the Great Leap Forward witnessed the paradox of the most centralized intrusion into people's daily lives for the objective of breaking free of the Soviet central planning model, by promoting local mobilization in the name of decentralization. In the Cultural Revolution and its decade-long stalemate, the center was more fully stymied and allowed a much greater degree of self-reliance, but no market forces. Having retreated from the large-scale urbanization and dependence on the state characteristic of Soviet socialism, China allowed creeping forces of decentralization to eat away at the foundation of its still traditional socialist model. South Korea became the most centralized East Asian state after North Korea. Yet, at least from the 1980s, elections, media criticisms, and policy adjustments all demonstrated the appeal of decentralization. Often this meant dispersion to satellite cities in the capital region as other functions became even more concentrated in Seoul. Heavy-handed selection of new industrial cities did not well serve urban network building or a shift to high-technology industrial districts (Park, 1993; Park 1996; Markusen and Park, 1993). In its very model of development the state relied on huge chaebol, whose headquarters in Seoul gave added weight to the dominance of that city.

One after another, the East Asian countries grew alarmed about the excessive centralization that they had created in the process of modernization. The most urgent reaction occurred in China during the late 1970s, where Deng Xiaoping responded to the failure of the Cultural Revolution by recognizing, albeit in stages, the shortcomings of the centralized socialist model of development. Starting with special economic zones and the household responsibility system, China shifted to a decentralized model of development. But over twenty years it has kept discovering that more needs to be done to overcome the legacy of over centralization. Political power remains concentrated, the state has yet to release many of the largest enterprises from its ownership and control, and much of the country (including the vast

areas now referred to as the West) requires a new mix of central support and local entrepreneurship to narrow regional inequalities.

There is a consensus that China's economic successes of the 1990s depended heavily on decentralization. Unlike many other countries which tried to shed their socialist planned economies by stripping power from the center, China's provinces, communities, and special economic zones did not strip the assets of existing facilities and transfer the capital abroad. Instead, they competed to attract foreign investment and create jobs. Comparisons of provinces document why success rates varied in a context of overall achievement (Goodman, 1997). Despite high levels of corruption, some political controls operated to reward economic development successes. Economic incentives left local governments and entrepreneurs with convincing reasons to invest, although much of the money went for short-term payoffs. Even cultural regionalism was revived, as local elites promoted their home areas (Oakes, 2000). It is widely assumed that more decentralization is needed — empowerment of local citizens through grass roots democracy well beyond what is occurring at the level of village elections, enforcement of WTO rules that reduce state protectionism, judicial independence to tackle corruption associated with putting the communist party above the law, etc. It is also understood that a new political approach to decentralization will be crucial to sustaining the momentum of two decades of extraordinary economic growth.

A consensus exists that Japan's economic troubles of the 1990s are closely linked to a lack of decentralization. After decades of lip service to "remodeling the Japanese archipelago," vitality at the local level is still weak. A dead-end has been reached in stimulating the economy by injecting huge amounts of funds from the central government into rescue packages and job-creating projects. Critiques of over centralization raised by Prime Minister Morihiro Hosokawa still resound despite efforts to strip central ministries of their omnipotent powers. The concept of "chiho bunken" or dividing powers to the localities is still alive. Prime Minister Hashimoto Ryutarō's "big bang" reforms retained the goal of achieving a new pattern of decentralization. In March 1998 Japan announced plans to ease concentration in Tokyo, including creation of four new axes of development around the country. The opposition would go further, calling for a massive transfer of revenue and power away from Tokyo while building a decentralized federation. Both the *Yomiuri* and *Asahi* newspapers lent their support to thinking about fundamental change by issuing proposals for transferring power down, the former urging that 10-15 regional cities replace the current 47 prefectures as substantial counterweights to central power (Rozman,

1999). In 2001, Prime Minister Koizumi Junichiro accepted decentralization as part of sweeping reforms against vested interests, but his primary support for market forces may leave localities waiting. A new approach is needed combining decentralization and the market.

Meanwhile, South Korea remains committed to the path of decentralization. In 1987 there was much talk of privatizing state-owned enterprises. In 1991, a system of local autonomy was adopted. When Kim Young Sam came to power in 1993, he brought a substantial plan for local control. By 1995, elections began for chief executive officers in local areas. In an era of democracy, each new president runs for office with more election promises for decentralization. Yet, the results have been meager, concentrated in truly local matters such as parking management, garbage collection, and tourist services (Hwang, 1998, pp. 43-47). The private sector was little developed to handle the new responsibilities. Local civil servants feared the loss of job security. Koreans tended to trust public offices more than private firms. To an even greater degree than in Japan, the central government reduces local areas to dependencies having little initiative or sense of responsibility. Local bureaucrats, in turn, misuse central funds, fail to spur grass-roots entrepreneurship, under fund rapidly rising social welfare needs, and wink at corruption (Hwang, 1998). With such unsatisfactory results, decentralization has lost its priority. Rethinking must begin with an assessment of what went wrong.

## THE NEED FOR RETHINKING THE MEANS AND GOALS OF DECENTRALIZATION

In the 1990s, a new literature surfaced on the rise of global cities. Enumerating the ideals of an internationally oriented urban agglomeration, these writings gave hope to the capitals of Northeast Asia. Yet, they said little about the impact of existing barriers such as excessive centralization. Such cities were assumed to operate almost free of domestic constraints from their own central place hierarchies (Sassen, 1991). At the same time, talk also spread of glocalization, allowing local cities direct access to the world scene (Knox and Taylor, 1995). As globalization advances, local areas were told that they could find a niche in the market or a link across a border to propel them into the forefront. If the national government stands in their way, the literature argues, it will be dooming itself to decline. In an age of globalization, only decentralization offers hope for the competitiveness of both global and local cities. In the abstract this is appealing news, but it overlooks what in the old needs to be swept away.

In the first stirrings of change in countries greatly over centralized, there was a tendency to find hope in any transfer of power from overbearing ministries in the capital. Before long, however, people were asking if the areas in question have the right mix of economies of scale and closeness to the people, if they possess the right match between qualified personnel and financial resources, and, above all, if politically they encourage venture capitalists or vested interests. We can summarize the themes raised in Northeast Asia over the 1990s under five headings: 1) fiscal responsibility and independence; 2) quality of personnel and supporting organizations; 3) democratic input and public service; 4) market orientation and openness; and 5) state capacity in dealing with foreign governments and organizations. In each country the national elite and public opinion soon found the administrations below the center wanting in each of these respects. Instead, these areas largely represented old-style elites, patriarchal and protectionist as they survived on pork-barrel projects from the capital. When they established sister-city arrangements across their border, they proved unable to boost modern business practices and relations of trust. Talk of decentralization faded, often to be replaced with a new mood of recentralization. Worsening economic problems in each country shifted attention to more urgent matters as fundamental questions of mass unemployment and social disorder arose; yet the reasons for concern about over centralization have not gone away.

In Japan the process of decentralization is more advanced than in Korea. Indeed, after much deliberation and delay there was talk that the year 2000 actually was the epoch-making start for real decentralization. But an end to the appointment of a high-ranking central official for oversight in each prefecture and some relaxation of rules hardly signal a fundamental transformation. Indeed, there is still great confusion about how to proceed, while the consensus is clear that it remains hard to develop local industry apart from jobs in the service sector ("Atarashii ...", 2000). Earlier efforts to build golf courses and resorts only made the bubble economy more bloated. The "technopolis fever" led to lots of construction in the 1980s, but also to excess uniformity without fitting into the local environment or activating local firms (Ito, 2000). An awakening to harsh economic realities, falling land prices, and more sober reasoning about what will work has shifted the almost unanimous political mood of 1992 to move the capital from Tokyo. Instead, attention has turned to how to best revitalize Tokyo's central role ("IT ...", 2000). After all, Japan is coming to recognize its desperate need for economic efficiency, in which Tokyo must be ready for increased competition if it is to remain a global city and lead an economic rebound.

Korea has long paid lip service to enlivening local economies, allocating

more power to local areas, and opposing concentration in big cities, especially the Seoul capital region. Through the late 1980s and 1990s, Korean publications detailed the history of state policies toward these ends and the degree of concentration that existed. They described in vivid detail the growing domination of Seoul and its capital region in industry, retail trade, higher education, public administration, finance, and other areas. They simultaneously regretted the futility of plans to scatter industry, reduce population concentration, put a cap on the Seoul region, block higher education from concentrating in and around the city, etc ("Chiyok . . ., 1986). No doubt was left that a different approach would be needed against the powerful forces of centralization, and after the damage wrought by the Asian financial crisis, the path forward appeared even harder. Korea's change of heart about tackling Seoul's hyperbolic role, as seen in decisions to reduce the green belt and relax regulations on industrial facilities in the capital region, parallels the mood change in Japan over Tokyo.

Koreans recognize the extraordinary degree of regionalism in their country not only under the military regimes, which answered to nobody when they played favorites, but also in the short history of democracy. Political parties have come to reflect regional interests instead of bridging them. Just as democracy has failed to cure this problem, decentralization does not seem to be the answer either. Scholars warn that, as much as it is needed, it could actually deepen regional conflicts (Jon, 1990, p. 193). A Japanese perspective on Korean regionalism found it worsening through 1999 rather than ameliorating. Clearly, the tremendous number of positions in the public and private sector that depend on the president is a sign that excessive centralization contributes to regionalism, and only decentralization will change that (Kogane, 2000). What is left unsaid is how decentralization should proceed, given the fact that democracy has only fanned regionalism through elections.

The view in Korea is that urban-rural relations have developed in an unbalanced manner, raising social costs. Instead of blaming the center alone, however, analysts warn that local areas in the midst of discussion about the flowering of self-administration have succumbed to a kind of egotism (*chiyok igijuui*, a term appearing often in the bulletins of the mid-1990s) that ill prepares them for dealing with their problems and with the challenges of globalization. Changes to address these concerns initiated under President Kim Young Sam have received a poor reception. Despite much planning for balanced regional development, a clear division of responsibility between the central and local governments, and the ascent of local administration, they failed to promote fairness, transparency, predictability, and market

principles. The same government intervention that distorted the development process even as it achieved "the most successful economic growth in the history of modern economic development" is seen as leaving businesses and local offices highly dependent on the central bureaucracy, and the country as a whole disturbingly mired in corruption (Jwon, 1997, pp. 7-8).

Privatization in Korea, as in China and Japan, is necessary, but faces serious hurdles. Hwang Yun-Won likened it to throwing firms to the jungle fighting global competition. While he agreed with the need to streamline the administrative state of an "almighty government driven Korea" into a facilitative state, he warned that a lack of trust compared to the U.S. or Japan makes this difficult. Although some progress was made from 1987 in privatizing banks, textbook companies, power companies, and tobacco and ginseng monopolies, industrial privatization poses more problems because local firms are deeply debt ridden. Moreover, in services where there is more reason for hope, including garbage collection, management of community facilities, and parking, he suggested that four negative factors operate. First, high-level officials, expecting plush retirement jobs in public owned corporations, and the local civil service fearing a loss of job security, sabotage such plans. Similar circumstances operate in China and Japan. Second, the Korean attitudes are those of a "low-trust society," exhibiting even more distrust to private than public companies. Such thinking is also typical of bureaucrats in China and Japan. Third, very severe corruption only seems to be fanned by a shift in control. In China, where Communist Party interference is common, the transition is no easier. Finally, continued underdevelopment of the private sector in Korea reduces the prospect that proper management will be found (Hwang, 1998b). Although Koreans were well aware in the 1990s that the global trend is to transfer public services away from central control, they found this a difficult challenge, as did their neighbors.

Often population dispersion through satellite cities is confused with genuine decentralization. Throughout East Asia we see a move away from denser concentrations inside the great cities toward suburbanization, but this is essentially one more means for reinforcing the dominance of the primate city. It has been accused of contributing further to traffic congestion and encouraging more people to rush from the provinces. An example is the debate about constructing 300,000 new housing units a year over a decade in the Seoul metropolitan area to address a serious housing shortage and continued disorderly development, as well as to boost the collapsing construction industry and limit rising unemployment (The Korea Herald, October 14, 2000). Such decentralization means more of the same, not a new

model.

When decentralization was pursued, it was pushed through hastily without reducing financial dependence on the capital and the central ministries. The results in Japan were tremendous waste. In South Korea, as in Japan, financial dependence on the central government accounts for most of local budgets. Reporting on the realities of decentralization has often been distorted. This is so in China where the political system often rewards reports of success. It also is the case in South Korea, where local governments fix their accounts, lying about the success of projects funded through central budgets (Jong-ang ilbo, 2000). Each province has recently initiated many projects intended to yield a profit. Instead of reporting the reality of few houses built in a housing project or cattle reared in a livestock project, local authorities, as in South Cholla where the most projects were started in 1999, often cook the books by ignoring personnel expenses and the initial investments. Such local autonomy based on central funds with inadequate inspections is no way to sustain decentralization.

In Korea trust for local governments is not high. For instance, one object of media protest is the spread of "love hotels" into residential communities around Seoul. Until the central government relaxed its control on zoning, this did not occur. Now that local governments are eager for easy sources of revenue or perhaps kickbacks from businesses that know that corrupt officials will ignore community opinion, these hotels have spread widely. Similar distrust can be found across much of China and Japan.

Assessing why Korea failed to reduce the size of its large central government, some conclude that it is due to the weakness of democratic controls. One observer argued that from 1993 to 1997 and before that in 1987, plans to reduce personnel and create "small government" not only were not realized, but they actually produced negative results. In a situation where modernization has been prodded by a powerful bureaucracy, to reduce central control invites increased abuse of government power, including at local levels (Park, 2000). Evidence from Russian decentralization without changing the local personnel or creating checks and balances in local areas certainly supports this argument. One may be tempted to argue, however, that China with its economic success through decentralization, and Japan with its deeper democratic institutions do not. In the case of China, the positive results to date may reflect a less advanced stage of modernization when an abundance of low-level resources were available. The next stage of development grafted to globalization may place new demands on political decentralization. As for Japan, it helps us to understand that the issue is not so much the acceptance of democracy but its variety. While Japan's democracy

is firmly rooted more than a half-century after the postwar constitution took affect, it shares with Korea what might be called a Confucian style of administrative guidance and weak local checks on the hierarchies of power extending from the center. There, too, local areas are steeped in dependency on the center and have seen their best talent leave. Japan also needs new social vigor before decentralization will improve local efficiency.

It might be argued that at least areas with greater economic assets on the frontline of regionalism should be trusted with local initiative. After all, the state has already boosted these areas and given them more infrastructure and opportunity. In Korea, the southeast coast has been extraordinarily favored as opposed to the southwest. In China, before decentralization spread under Deng Xiaoping's reforms, the Northeast was the chief beneficiary of socialist industrialization. While in Japan many areas have gained from the pork-barrel generosity of a much wealthier state, we might choose Hokkaido as a long-time favorite of state projects, and also the Hokuriku and Niigata areas along the Japanese Seacoast, where some of Japan's most powerful politicians made sure that their constituencies were well looked after. Indeed, these areas are precisely the frontlines of regionalism and have led in promoting ties with neighboring countries in Northeast Asia. Yet, they are also notoriously dependent on state preferences, seeking once more to be designated priority zones for funding and infrastructure. Not having succeeded this time, they now suffer from a strong sense of deprivation. Hokkaido's largest bank is bankrupt and the economy is reeling. Heilongjiang and Jilin were branded with the label the "Northeast phenomenon" as slow to show initiative and, as state-owned enterprises are privatized, in danger of mass unemployment. Southeast Kyongnam and Kyongbuk may suffer under the regime of Kim Dae Jung, who is accused of favoring the southwest from where he came, even if he was obliged in the WTO environment to terminate the promotion of grain production in Southwest Chonnam and Chonbuk. If one of these countries is to hit the jackpot with its own Silicon Valley, it is not likely to be with an area accustomed to state favoritism. Yet, areas left aside have seen a mass exodus of young and talented people and are even less prepared to lead in a new direction.

Direct moves to local power would be unlikely to work anywhere in Northeast Asia. In Russia they proved disastrous, encouraging corrupt local authoritarian regimes and stifling the embryonic elements of civil society. In North Korea, where centralization has reached its apogee, similar changes would be likely to produce a fiasco despite the initial benefits of allowing market forces such as in China in the 1980s. The move to recentralize power



under a presidential representative in Khabarovsk simultaneous with new centralization in Moscow would have offered a promising corrective had it not been for the blatant preference for political control over market encouragement. Even in China, where decentralization brought twenty years of economic dynamism, the need for centralization now exceeds that for more decentralization, although regional differences are enormous. In most of the country, local governments linked to corruption, smuggling, and monopolies are too entrenched to allow the center to merely lift its controls. Japan and South Korea, with the most mature civil societies, are not alone in being unprepared for a far-reaching transfer of power in the next years. Only long-term goals to be met in stages through different means than those debated in the 1990s hold out hope of overcoming the failure of decentralization to increase efficiency or boost regionalism.

## COMBINING DECENTRALIZATION WITH REGIONALISM AND GLOBALIZATION

As East Asian countries turn to urgent priorities in the present transition to globalization, they should not lose track of the importance of decentralization. Given the legacy of excess centralization from both premodern times and the Asian modernization model, a multi-stage process must be pursued if decentralization is to work. This process must proceed, not as a shortcut to winning the political support of existing local elites and bureaucracies, but as a well-considered means to long-term objectives of globalization, regionalism, and localism. The principal functional goals are: market economies able to operate in the environment of the WTO; fiscal responsibility to limit pork-barrel spending; open borders permitting integration with neighboring urban systems; balanced politics moving toward greater democratization; and local vitality to meet the increased social needs of aging societies and to spur new competitiveness. None of these objectives was a priority when states pursued decentralization in the 1990s.

If decentralization were to be pursued as it has been, it would reinforce vested interests and turn into a barrier to recovery efforts in Korea since the 1997 crisis, and in Japan after the downturn resumed in 2002. After all, it would not strengthen market forces or facilitate globalization and regionalism. In China, without a qualitatively new approach that loosens political control, powerful local interests would take advantage of decentralization to forestall the WTO transition. A different strategy is needed to ensure that local areas become more autonomous and market-oriented. This would bolster reform by widening its base. Adding a local component, reform can

appeal for new political support, invigorate more of the country, and stand a better chance of becoming sustainable. Indeed, decentralization should be considered a litmus test of whether reform is genuine and far-reaching and whether progress on regionalism will be limited to formal agreements at the center of each country or will involve the kind of broad integration associated with the EU and NAFTA. Its failure in the 1990s should not be a surprise. Its absence over the next decade, however, would be a warning sign that reform and regionalism in addition to globalization are not proceeding on a healthy track.

To achieve globalization means, among other things, to create global cities where international capital flows freely, multinational corporations establish headquarters, and heterogeneous communities are welcome. Planners in Tokyo, Seoul, and Beijing must prepare their cities to compete within Northeast Asia, while Shanghai and, further away, Hong Kong and Taipei will be vying for supremacy in the southern part of East Asia. Steps toward decentralization must not be at the expense of the globalization of these cities, but in conjunction with it. In the early 1990s, talk of glocalization to occur on the periphery missed the stranglehold of national primate cities at the center. It was premature. As premodern centralization and modernization were pressed from the top down, so too must countries steeped in centralization make changes at the top before they can be expected to change systematically at other levels. If China was the exception for a time, it had more to do with the fragility of its centralized system under the Cultural Revolution than its long-term capacity to escape fundamental change at the top.

Pursuit of regionalism likewise places new burdens on East Asian states. Within countries, the Japanese are on the right track when they point to the importance of boosting a small number of major cities to grow at the expense of other second-level administrative capitals and of the national capital. Of course, Japan must start by clearing up a mountain of bad debts before other goals can be addressed. The best way to counter the overwhelming dominance of one primate city is to promote a number of rivals just below the top. In China with its huge scale, this is already happening in parts of the country, and could be enhanced by creating better political conditions for regional autonomy. Another way to reconsider regionalism is to appreciate the abnormality of East Asia in comparison to Europe, where urban networks have been gradually linked across national boundaries for more than 500 years. It is time to welcome cities on the periphery of one country emerging as regional centers for what some call "natural economic territories." For instance, Sapporo is the obvious center for the huge territo-

ry of the Pacific coastal areas of the Russian Far East as well as Hokkaido. A new city of Tumen at the borders of Russia, China, and North Korea could emerge as a regional center. Busan, Fukuoka, and Kitakyushu will likewise need to draw closer. In an age of globalization, it is an anachronism for urban networks to remain as closed as they are in Northeast Asia by national borders.

In our era of advanced modernization, when population is no longer flowing from rural to urban and small city to big city, it is also essential that local cities and surrounding areas be revitalized. So far, Japan and Korea, as well as Russia have left their elderly and least educated people behind, while many with talent and aspirations have found a way to escape to the more cultural, prosperous, and opportunity-filled milieu of the big city. As those remaining age, states struggle with the challenge of meeting increased social welfare needs. Local democracy and vitality naturally loom as attractive options to solve this problem, but where will the government find the leadership and funds? An obvious answer is to support migration from abroad. So far, it is welcomed for brides in rural Japan and Korea and for manual labor performing the dirtiest jobs in the main industrial centers. Why not create special economic zones with more ambitious goals, targeting migrants who can develop the most advanced sectors of the new information economy? No doubt, many will come from China, and perhaps before long from North Korea. In the process, Northeast Asia would acquire what Southeast Asia has used as its engine of growth: a Chinese diaspora with informal networks capable of mobilizing capital and responding rapidly to market changes. Given the presence of Korean minorities in each of the other countries of the region, there is no reason that a Korean diaspora would not become active as well. South Korean companies already operate in nearby China and have tried to expand, albeit with disappointment, to Nakhodka and Vladivostok.

The challenge of decentralization is, above all, a matter of narrowing the human resource gap. The localities cannot close this gap as long as talented students are funneled overwhelmingly to the capital area for higher education. Ambitious young people see the cultural life of the capital and perhaps a few other places as their only magnet, and parents with educational aspirations for their children are desperate for the pronounced advantage that test preparation in the capital region provides. The talent gap keeps widening, as local areas become the repository of the aged, the workforce dependent on state protection, and those most cut off from globalization. In a period symbolized by the personal computer, localities should be prepared to find new means to decentralization (Ito Minoru, 2000), which must embrace

the information age and close the human resource gap. This places emphasis on venture capitalists hiring the products of a reformed educational system and on local initiatives in education, training people with creativity and analytical power (Ito Minoru, 2000; Ito Tsunatoshi, 2000). New types of educational exchanges with neighboring countries could set this process in motion. Start-up firms should draw the best talent irrespective of national boundaries. East Asia's passion for mobility to pursue educational opportunity can be turned to regional advantage through competition to attract and keep the best brains.

Globalization and WTO membership have an advantage over nationalism and protectionism as a stimulus to a more balanced distribution of power and city population. They offer a chance to set decentralization on a new track, one not based on idealism but on realism about what can be done with the excessive centralization inherited from premodern times, reinforced during the period of accelerated modernization, and still embedded after the past decade of adjustment produced little local dynamism. The best hope is to link decentralization to globalizing cities, regional cross-border networks, and local exchanges aimed at boosting heterogeneous educational and entrepreneurial groups. A shared commitment in China, Japan, and South Korea, with a chance for North Korea and Russia to join should they accept the stringent standards and transparency required, could provide an impetus for both national rejuvenation and regional integration.

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**GILBERT ROZMAN** is Musgrave Professor of Sociology at Princeton University. He has published on both comparisons of societies and bilateral relations and perceptions in Northeast Asia. Recent books include: *The East Asian Region: Confucian Tradition and Its Modern Adaptation* (editor, Princeton University Press, 1991); *Japan's Response to the Gorbachev Era, 1985-1991: A Rising Superpower Views a Declining One* (Princeton University Press, 1992); *Dismantling Communism: Common Causes and Regional Variations* (editor, Johns Hopkins University Press, 1992); *Russia and East Asia: The 21st Century Security Environment* (co-editor, Armonk, NY: M.E. Sharpe, 1999); and *Japan and Russia: The Tortuous Path to Normalization, 1949-1999* (editor, St. Martin's Press, 2000).