Busan is situated in the far southeast of the Korean peninsula, and is its country’s second-largest city after Seoul. The self-governing metropolitan area has a population of four million, and it is improving its international economic and investment performance. As a growing shipping and retail center, Busan is now among the top 200 cities measured in the Global Urban Competitiveness Project. It appeared for the first time in the Asia-Pacific Cities of the Future report in 2011 due to its impressive strategy to attract foreign investment and its prospects as a global logistics center. Busan placed 18th in Asia in the Economist Intelligence Unit’s (EIU) 2012 global study on city competitiveness, ahead of Mumbai and Tianjin but behind neighbor Incheon. Busan is a respectable 76th in terms of cities hosting international conventions, alongside Montevideo and Moscow.9

Busan’s attractiveness to international populations is modest but improving; it places 92nd out of 221 world cities for quality of life, one of the most positively evaluated performances in Asia.10 The EIU assesses the city as above average for social and cultural character, but less strongly for global appeal, on account of the more regional character of its air connectivity and an underdeveloped higher education presence.11

2) Narrative – the city’s journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?
Busan first emerged as an international trading city after the Korean War by developing fairly low-value-added textiles and machinery industries. The city’s rise to the global level came when the first container terminal opened in 1975. Since then container traffic has grown at a rate of over 10 percent a year, and the industry came to serve the entire national hinterland as Korea’s trading capacity took off. In the 1990s, Busan catapulted to international attention due to exceptional port growth, to the extent that by 2003 it was the fourth-busiest port in the world, behind only Shanghai, Hong Kong, and Singapore. As such the city has become the major competitor for many Japanese port cities, offering much cheaper costs and a comparatively small bureaucracy.

Busan has been confronted with a number of challenges associated with its breakneck logistics development. As more and more competitors in the region emerge (including nearby Gwangyang) and industries relocate from pricier Korea to Vietnam and China, the city has had to find new ways of diversifying its economic base, especially through the upgrade of its information technology and biotechnology capabilities and the expansion of creative industries. Its metropolitan leadership has faced difficulties in asserting a new global identity in these or other fields because of the highly dominant role of Seoul in the national hierarchy. The city’s most talented finance and marketing graduates leave in large numbers for Seoul either before or after college.

Recently the city has focused on the marketing potential of international events – including the 2002 Asian Games, the FIFA World Cup, a 2010 G20 meeting, and a withdrawn bid for the 2020 Olympics – to sell its international image. These have been pursued alongside urban regeneration projects near to the port that aim to position the city as open to international cultural influences and as a modern convention hub. The city’s ambitious Mayor Nam-Sik Hur aims to have gained the status as a top 10 convention destination by 2020, using the platform of the city’s hotel infrastructure and the proximity of conference buildings to beachfront tourism assets.

3) **Elements of international and global orientation - In what ways is the city globally connected and relevant? What sort of trade patterns does it exhibit?**

Busan’s rise as a container port for both hinterland and transshipment traffic has meant that global shipping services firms have rushed to become based in the city, often as headquarters for the Northeast Asia region. Among global carriers 26 of the top 27 had a presence in Busan in 2002, supplementing the already considerable presence of national firms Hanjin and Hyundai. French, British, Danish, and Italian shipping companies have an established home in Busan, while more locally Taiwanese and Singaporean firms are also prominent.

Busan’s airport hosts only about six million passengers a year, compared to 33 million to Seoul’s major air hub. A key element of the city’s strategy is to establish itself as an air gateway to Korea and the Northeast Asia region. The airport has no direct intercontinental connections as yet, but regional visitor growth is being fueled by a growing lifestyle and beach reputation. Average annual growth in international visitors to Busan since 2001 has exceeded 5 percent, with a spike of demand from Chinese, Russian, and Southeast Asian travelers since 2008, boosted by the rise in luxury hotel provision. Japanese travelers are still the largest foreign visitor group. Meanwhile, the city has concluded several joint tourist agreements in recent years, including with Singapore, to encourage two-way recreational travel.

Busan’s major cultural connection to the world is its International Film Festival, running since 1996, and one of the first developed outside more traditional Asian strongholds. The festival is distinctive for its Asian regional identity, and it showcases films from not only from East Asia but also from India, Indonesia, Iran, and Malaysia. As such the festival, managed by local government and business sector leaders, has succeeded in becoming an arbiter of quality pan-Asian cinema and has boosted Busan’s reputation as a creative film, television, and graphic design hub. The festival reflects the effective fusion of visionary entrepreneurial film industry experts with local government leaders.
4) To what extent is the city’s international dimension inherited or intentional?

Busan’s international positioning first became possible because of inherited geography, auspicious historical events, and subsequent favorable reshaping of government. Its location made it a safe haven during the Korean War, after which it was made a self-governing metropolitan region. This propelled an era of fairly cohesive planning through which to manage the surge in population during the 1950s. A semi-autonomous governance environment motivated the creation of the Busan-Jinhae Economic Zone, which boosted the city’s capacity to attract international investment.

Busan’s port development occurred in the 1970s because the city benefited from excellent nautical conditions and a very low tidal range that favored its port over Incheon, which is much closer to Seoul. The city also possessed spatial advantages associated with its proximity to the north-south shipping lane linking Japan and Singapore via Hong Kong as well as its position on the great circle route across the Pacific Ocean. This enabled the city to grow rapidly as a transshipment traffic port. Regional importance was then aided by the Kobe earthquake, which forced many shipping lines to look for alternative options that later became permanent. Finally, the Chinese shipping boom in Qingdao, Shanghai, Tianjin, and Dalian has also placed Busan favorably in the global supply chain, as many North America- or Europe-bound ships leave these growth centers to be topped off in Busan’s deep port. The city has not simply rested on these advantages – it has intentionally upgraded its logistics capability, sea links, and now air connections.

Further liberalization of governance in the early 2000s has allowed Busan to develop its own responsive institutions to run its port and other commercial sectors. The city has supervisory capacity over talent, education, welfare, and administration services. For example, Busan’s metropolitan government invested close to $85 million in 2002 to develop and manage human capital to equip the city for its new knowledge specialties, after the city was selected as a model region by the Korean Ministry of Education and Human Resource Development. Busan’s globalizing framework is dependent on negotiating favorable terms to complement Seoul’s development trajectory.

After several decades of state-led or state-dependent development, intentional and responsive private-sector leadership is now central to driving Busan’s global linkages. Business groups were instrumental in the signing of the transnational Busan-Fukuoka cooperation agreement to enhance interregional knowledge exchange and economic partnership. The agreement resulted in a supra-regional economic zones being established in 2008.

---

1 Brookings analysis of Moody’s Analytics and Oxford Economics data.
2 Ibid.
3 Ibid.
4 Ibid.
5 Ibid.
7 The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (http://www.lboro.ac.uk/gawc/) publication of inter-city data.
8 Brookings analysis of Moody’s Analytics and Oxford Economics data.
10 "Quality of Living Survey," Mercer, 2011.
14 Antoine Frémont and César Ducruet, “The Emergence of a Mega-Port."


**Acknowledgements**

The authors would like to thank this case’s external reviewer: Kim Ki-hwan, Director of International Relations Division, Busan Metropolitan City.