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State Management Experiences in the Development of Key Economic Regions in Japan, China, and the United States: Policy Implications for Vietnam

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Abstract
This article examines the state management of Key Economic Regions (KERs) through a comparative analysis of three prototypical models: Japan (Centralized Integrated Planning), China (Growth Poles and Institutional Piloting), and the United States (Autonomous Industrial Cluster Ecosystems). The study elucidates key regulatory instruments utilized in these three nations, specifically independent regional financial mechanisms, the legalization of planning, and the integration of knowledge infrastructure with industrial production. The research findings indicate that success in the development of KERs relies not only on investment incentives but also on the capacity to resolve local interest conflicts through state governance. Based on these findings, the paper proposes several policy recommendations for Vietnam.

Keywords: State Management, Key Economic Regions, Japan, China, United States

1. Introduction

In the global geoeconomic architecture of the 21st century, Key Economic Regions (KERs) have emerged as central entities determining national competitiveness. A KER is not merely a mechanical aggregation of provinces and cities but a highly diffusive economic ecosystem where economies of scale and integration advantages are maximized. However, the practical management of KERs worldwide faces several "regional paradoxes," such as the conflict between local parochial interests and the goal of optimizing resources for the entire region.

Japan, with the Tokyo Metropolitan Strategy; China, with its Mega-regions; and the United States, with its Megalopolis models, have established diverse governance standards, yet all share the common objective of dismantling administrative barriers to unleash economic resources. In Vietnam, although KERs play a vital role in GDP structure and the national budget, numerous "institutional bottlenecks"[1] continue to impede growth momentum. Issues such as fragmented governance ("silo mentalities"), redundancy in infrastructure investment, and a lack of benefit-sharing mechanisms prevent Vietnam's KERs from breaking through to become growth poles with regional influence. This article provides an in-depth analysis of effective state management mechanisms for KERs in three developed nations - ranging from establishing regional legal corridors to specific fiscal-financial tools. Through this analysis, the study proposes new policy lessons for Vietnam regarding state management of KERs.

2. State Management Experiences in the Development of Key Economic Regions in Japan, China, and the United States

2.1 The Experience of Japan

Japan is a leading nation in utilizing a rigorous legal system and integrated planning to control urbanization pressures while creating sustainable growth drivers within KERs. Regional governance in Japan does not rely on voluntary compromise but is based on the supremacy of planning and a mechanism for supreme national interest regulation.

The management system for KERs in Japan is built on a solid legal foundation with the enactment of the Capital Region Development Act (1956) and Comprehensive National Spatial Strategies. The core content focuses on the decentralization of

[1] Resolving Institutional and Governance Bottlenecks to Propel the Mekong Delta's "Take-off", *Kinh te & Do thi Newspaper*, *https://kinhtedothi.vn/go-diem-nghen-the-che-quan-tri-dua-dong-bang-song-cuu-long-cat-canh.html*

legal power and the reduction of wasteful competition. A distinctive feature of the Japanese model is the establishment of regional planning as a superior legal document. All prefectural and municipal plans must strictly comply with regional plans approved by the Central Government through the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT). This approach radically prevents "local protectionism." For instance, in the Tokyo Metropolitan Area, decisions regarding the location of deep-sea ports and international airports are based on the interests of the entire region rather than allowing provinces like Chiba or Kanagawa to engage in redundant infrastructure races. According to a 2021 OECD study on Japanese urban governance, centralized planning has helped Japan minimize logistics costs and optimize scarce land resources as effectively as anywhere in the world[2].

To operate an economic region as a unified entity, Japan has successfully resolved financial interest conflicts between wealthy and poor localities within the same region through the Local Allocation Tax (LAT) system. This signifies that Japan applies a targeted egalitarian fiscal regulation mechanism. A significant portion of the budget collected from ultra-wealthy central urban areas (such as the 23 wards of Tokyo) is reclaimed by the Central Government and reinvested in connectivity infrastructure in satellite provinces like Saitama, Ibaraki, or Chiba. This ensures that satellite areas are not left behind while simultaneously reducing population pressure on the urban core. The LAT system is not just a financial tool but the "institutional glue" that binds fragmented administrative units into an economic whole. According to data from the Ministry of Internal Affairs and Communications (MIC) of Japan, this system ensures that all residents within a KER enjoy equivalent levels of infrastructure and public services, regardless of administrative boundaries.

KER governance in Japan encompasses more than physical infrastructure management; it involves the creation of knowledge ecosystems. The State plays a primary role in shaping specialized industrial clusters. The Chubu region is a prime example, consistently planned by the State to become the "Capital of Automobiles and Precision Engineering." Here, state management policy extends beyond tax incentives. The government coordinates with regional authorities to establish applied research institutes (such as AIST) and technical support centers situated directly adjacent to Toyota or Mitsubishi factories. The key to success is the tight linkage between the Regional Government (Policy Creation), Universities or Research Institutes (Knowledge Supply), and Enterprises (Production Execution). The State acts as a "Matchmaker," funding joint research projects between universities and enterprises in the region. This linkage creates a closed value chain from R&D to mass production and export logistics, helping Japan's KERs maintain a leading position amidst competition from emerging economies. In recent years, Japan has upgraded KER management through the Society 5.0 strategy. Economic regions are connected not only by highways or Shinkansen trains but also by synchronized digital data infrastructure. The State promotes "Smart City" models within KERs, where traffic, energy, and health data are shared across provincial administrative borders. This allows regional management to become more flexible, responding rapidly to economic fluctuations and natural disasters a critical feature in Japan's economic security governance.

2.2 The Experience of China

China's KER development model is evaluated by international researchers as one of the largest and most successful institutional experiments in modern economic history. China's state management of KERs is not merely spatial planning but a combination of centralized political power and robust economic autonomy.

China does not pursue fragmented development but concentrates resources in areas with geoeconomic advantages to create "Growth Poles." Viewed through François Perroux's growth pole theory, these poles create spillover effects that lead the development of neighboring regions. The most typical example is the strategy for Special Regions. This is a "unified" governance model that transcends administrative barriers and differing political institutions (One Country, Two Systems). The Central Government issued the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" in 2019, identifying it as a global innovation center and a direct counterweight to regions like San Francisco and Tokyo. To resolve interest conflicts among 11 cities (including the two Special Administrative Regions of Hong Kong and Macao and nine cities in Guangdong Province), China established a high-level Coordination Committee led directly by a Vice Premier. This committee has substantial power in approving cross-border infrastructure projects, such as the Hong Kong-Zhuhai-Macao Bridge, while coordinating capital flows and high-quality human resources. This mechanism allows for the perfect combination of three advantages: Hong Kong's financial capacity and international governance; Macao's entertainment and tourism services; and Shenzhen's high-tech manufacturing power.

One of the most unique points in China's state management is the creation of a "Local Competition" environment, the key to which is fiscal decentralization and institutional piloting. Regarding fiscal decentralization, according to the 1995 research by Montinola, Qian, and Weingast on economic federalism, China applies a budget retention mechanism[3]. KERs and Special Economic Zones (SEZs) are entitled to retain a very high proportion of revenue generated within their jurisdiction (CIT, VAT) to reinvest in core infrastructure such as smart ports and high-speed rail networks. Policy piloting involves the State granting KERs the power of "trial and error." New management models for land, capital markets, or digital transformation are often piloted in the Pudong area (Shanghai) or Shenzhen before being codified into national laws. This helps minimize policy risks at the national scale and stimulates the creativity of local governments.

In practice, despite granting significant economic autonomy, the central State of China maintains strict control through National Integrated Planning. China's cadre evaluation system has shifted from focusing solely on GDP to indicators of green development and core technology. In KERs like the Yangtze River Delta, the Central Government applies strict trans-provincial environmental standards.

[2] OECD (2021), *OECD Urban Policy Reviews: Japan 2021*.

[3] Montinola, G., Qian, Y., and Weingast, B. R. (1995), Federalism, Chinese Style: The Political Basis for Economic Success in China, Publication: World Politics, 48(1), pp. 50-81. Doi: https://doi.org/10.1353/wp.1995.0003

Localities in the region cannot attract investment by lowering environmental standards because regional planning clearly stipulates functional zoning defining which areas are ecological cores and which are manufacturing centers. Data from the National Bureau of Statistics (NBS) of China and the World Bank (2023) show that three KERs the Pearl River Delta, the Yangtze River Delta, and the Jing-Jin-Ji region occupy only about 4% of the land area but contribute nearly 45% of GDP and over 50% of foreign direct investment (FDI) nationwide. This convergence is the result of a state management strategy focused on minimizing inter-regional transaction costs through hard infrastructure and institutional synchronization (soft infrastructure[4]).

KER governance in China has currently moved into the stage of "Innovation Ecosystem Governance." The State invests in national laboratory clusters and science parks directly within key regions. For example, in the Jing-Jin-Ji region (Beijing-Tianjin-Hebei), policy focuses on decompressing Beijing's non-capital functions to the Xiong'an New Area. This is how the State uses administrative mandates combined with economic incentives to restructure space, addressing "urban disease" while creating a new technology hub. The Chinese State does not just build roads; they build "Regional Value Chains," where each city in the region assumes a specific stage: R&D, prototyping, mass production, or export logistics.

2.3 The Experience of the United States

Completely different from the centralized model of Japan or the state-directed approach of China, state management of KERs in the U.S. is based on the philosophy of "Deep Decentralization" and "Market-based Promotion." The U.S. emphasizes the role of the State not as a "controller" but as an "Ecosystem Architect," focusing on establishing legal institutions and investing in foundational factors to stimulate the self-activation of economic subjects.

In the U.S., KERs are often defined as Megalopolises or Metropolitan Statistical Areas (MSAs) that cut across the administrative boundaries of multiple counties and states. To resolve this fragmentation without establishing a cumbersome intermediate level of government, the U.S. Federal Government uses "financial leverage" through Metropolitan Planning Organizations (MPOs) with legal enforcement mechanisms and interest-based consensus. According to the 2025 Surface Transportation Act and subsequent laws, any urban area with a population over 50,000 wishing to receive federal funding for transportation infrastructure is required to establish an MPO. MPOs are not mandate-driven administrative agencies but policy forums. Here, representatives of counties and cities within the region are compelled to sit down and agree on a Long-range Regional Transportation Plan. Without consensus, federal capital flows are halted. This is a mechanism of "compulsory linkage based on direct economic interest," helping the infrastructure of KERs like the Washington D.C. Metropolitan Area or the New York Region maintain seamless connectivity despite being divided by hundreds of small administrative units.

The U.S. manages KERs by nurturing globally competitive industrial clusters. According to Michael Porter's theory (Harvard Business School), the success of a region depends on the interaction between four factors: firm strategy, demand conditions, related and supporting industries, and factor inputs (capital, knowledge[5]). Specifically, the focus is on investing in "Soft Infrastructure." The State (both Federal and State levels) does not dictate which region must do which industry, but they invest heavily in the "heart" of the regions, such as the Higher Education System and Basic Research. Silicon Valley developed around Stanford University; Route 128 (Boston) is linked with MIT and Harvard; the Research Triangle in North Carolina is tied to three major universities. The State plays the role of a "Midwife" through programs like Small Business Innovation Research (SBIR), where the U.S. government funds venture research at the embryonic stage. Additionally, strict intellectual property protection policies and flexible bankruptcy laws create a "risk-taking" environment, encouraging venture capital to flow into KERs in search of technology "unicorns."

The U.S. also applies the mechanism of "Competitive Federalism." Each state acts as a "laboratory" for economic policy. Specifically, states within the same KER often compete by streamlining administrative procedures or offering specific tax incentive packages to attract large corporations (as in the case of Amazon's second headquarters). However, the Federal Government regulates this competition through federal trade laws and environmental standards to ensure a "race to the bottom" does not occur. Furthermore, the U.S. strengthens digital infrastructure and modern science through the CHIPS and Science Act of 2022, which allocated hundreds of billions of dollars to build "Regional Technology Hubs" across the country. The goal is to disperse innovation capacity outside traditional centers, turning declining economic regions into new growth poles for semiconductors and clean energy.

However, state management in the U.S. also faces challenges regarding wealth disparity within KERs. The modern regional governance model in the U.S. is shifting toward "Inclusive Growth." Consequently, the U.S. government must always proactively support transit-oriented development projects to link affordable housing with employment centers through subway and bus rapid transit networks. The State uses zoning tools to encourage multi-functional complexes, helping to reduce living costs and increase labor productivity for the entire region.

2.4 General Assessment of State Management Experiences in Key Economic Region Development in Japan, China, and the United States

In the context of globalization and the rise of growth poles, state management of KERs is no longer merely a matter of budget allocation or technical infrastructure construction. Through the analysis of the three major economies Japan, China, and the U.S. three distinct governance philosophies emerge: Centralized Integrated Planning (Japan), Growth

[4] National Bureau of Statistics of China (NBS) (2024), Statistical Communiqué of the People's Republic of China on the 2023 National Economic and Social Development, https://www.stats.gov.cn/english/PressRelease/202402/t20240228_1947918.html

[5] Michael Porter (1990), The Competitive Advantage of Nations, https://correctphilippines.org/wp-content/uploads/2020/06/Competitive-Advantage-of-Nations.pdf

Poles and Institutional Piloting (China), and Autonomous Industrial Cluster Ecosystems (U.S.). Despite differences in political institutions and development levels, the experiences of these three nations converge on a core point: viewing the economic region as a "living entity" that requires cross-border administrative coordination mechanisms to optimize resources.

Japan's experience demonstrates the absolute "conductor" role of the Central Government in establishing legal corridors. The brightest spot in Japan is the legalization of planning. Here, regional planning is not a recommendation but a high-level legal instrument. The establishment of the Capital Region Development Act (1956) created a rigid "framework," forcing component localities (such as Chiba, Kanagawa) to relinquish parochial interests to serve the common goal of the entire Tokyo region.

Furthermore, Japan resolves the problem of local interest conflicts with a sharp financial tool: the Local Allocation Tax (LAT). This is a humane and strategic regulatory mechanism that takes resources from ultra-wealthy urban cores to reinvest in satellite infrastructure. This approach not only reduces population pressure on the center but also transforms the entire region into a unified market where every citizen enjoys equivalent public services. Japan proves that an economic region is only as strong as its weakest "links" when supported by a fair financial mechanism.

Unlike the stability of Japan, the Chinese model is disruptive and pragmatic. State management here focuses on creating "Growth Poles" with strong spillover power. The Greater Bay Area model (Guangdong-Hong Kong-Macao) is a testament to the ability to "unify" disparate institutions. China has skillfully utilized high-level coordination committees led directly by government leaders to dismantle administrative barriers, combining Hong Kong's financial strength with Shenzhen's manufacturing capacity.

The most unique point of China is the "Pilot and Trial-and-Error" mechanism. KERs are granted significant economic autonomy, allowing them to become "policy laboratories." Fiscal decentralization has stimulated fierce yet healthy competition among regions. However, this autonomy remains under the control of the Center through a strict KPI system, shifting from pure GDP to green development and core technology. China's experience teaches us that for a region to develop, the state must dare to decentralize power and accept risks in institutional experimentation.

The U.S. offers a completely different perspective, where the state acts as an "Ecosystem Architect" rather than a direct operator. In a deeply decentralized system, the U.S. does not use administrative mandates to force states to link. Instead, they use financial leverage (MPOs). If localities do not collaborate to create a unified regional transportation plan, federal capital flows are severed. This is a linkage based on direct and voluntary economic interest.

The U.S. focuses on managing "Soft Infrastructure" knowledge and venture capital. U.S. KERs like Silicon Valley or Boston were not formed from mere construction planning but from the convergence of prestigious universities and enterprises. U.S. policy focuses on intellectual property protection and investment in basic research, acting as a "midwife" for globally competitive clusters. Notably, the CHIPS and Science Act of 2022 shows that the U.S. is proactively restructuring economic space by investing in "Regional Technology Hubs" to ensure inclusivity.

3. Policy Lessons for Vietnam

Based on the theoretical and practical analysis of the three state management models for KERs in Japan, China, and the U.S., the article proposes the following lessons for Vietnam:

First: From Advisory Councils to Empowered Regional Authorities. Vietnam needs to end the model of regional coordination agencies that are merely formalistic. It is necessary to establish a Key Economic Region Management Board as a substantive administrative agency directly under the Government. This agency must have the power to: (1) Approve integrated regional planning; (2) Have a decisive voice in licensing FDI projects with inter-provincial impact; (3) Manage and coordinate regional-level public investment capital.

Second: Legalization of Regional Planning and the Supremacy of Economic Space. A Law on Key Economic Region Development should be enacted soon. In this law, regional planning must be established as a legal document superior to provincial planning. Provinces and cities within the KER must strictly comply with functional zoning (e.g., where the industrial core is, where the logistics zone is, where the green conservation zone is) to avoid the situation where every province builds identical infrastructure, wasting billions of dollars.

Third: Breakthroughs in Financial Mechanisms and Regional Budget Sharing**.** Learning from Japan, Vietnam needs to establish a Regional Development Fund. The capital for this fund should come from: (1) A percentage of corporate income tax and import-export tax from localities within the region; (2) Regional bonds; (3) Support from the central budget. This fund should only be used to invest in inter-provincial connectivity infrastructure and common environmental treatment projects for the entire region.

Fourth: Building Value Chains and Specialized Clusters. Instead of letting provinces freely attract investment, the State needs to orient specialization for each region. The Northern KER should focus on semiconductor and high-quality electronic supply chains (China model). The Southern KER should focus on international financial services and the digital economy (U.S. or Japan model). The State needs to support the formation of research institutes and human resource training specifically tailored to the cluster characteristics of that region.

Fifth: Data Systems and Smart Governance. A Shared Regional Data Center needs to be built. All information regarding land, environment, labor, and infrastructure must be digitized and shared publicly. This not only helps the state manage accurately but also helps businesses reduce transaction costs, increasing the attractiveness of the KER in the eyes of international investors.

4. Conclusion

State management of Key Economic Regions is not just an administrative task but the art of coordinating resources to create national synergy. Experiences from Japan, China, and the U.S. show that no land can develop strongly if it is divided by local parochial thinking. For Vietnam, elevating regional governance from "voluntary coordination" to "legally mandated linkage" is the key to unlocking the potential of economic engines. If the problem of regional institutions is resolved, KERs will not only contribute to GDP figures but will also become "institutional laboratories" and "technological engines" driving Vietnam toward becoming a developed nation sooner.

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