

04

Policies and Incentives

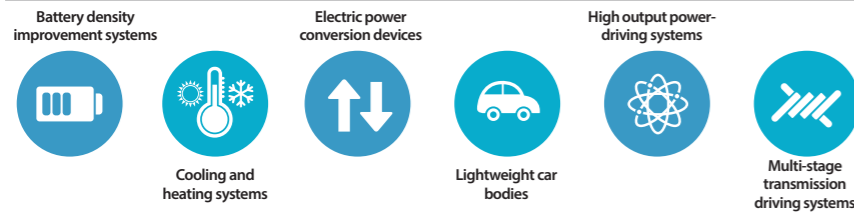
Support Policies for Parts and Materials Industry

The government will promote the development of new technologies in the parts and materials industry by 2025 to respond to the Fourth Industrial Revolution and improve the capabilities of auto parts makers in entering the global market.

Support Policies for Green Vehicle Industry

The government will make investments worth KRW 150 billion over the next five years to develop the six core parts essential to making electric and hydrogen-fuel vehicles.

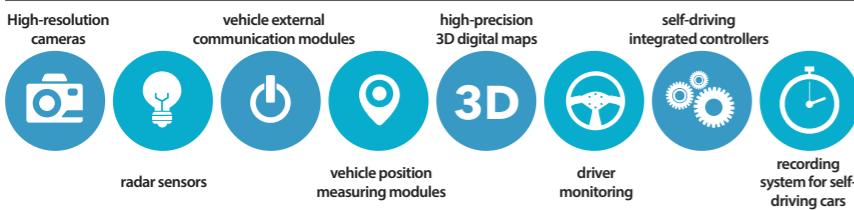
Six core parts technologies



Support Policies for Self-driving Car Industry

The Ministry of Trade, Industry and Energy plans to pour KRW 77.9 billion for the next five years to develop the eight core parts of self-driving car systems. Korea lacks technological competitiveness in this industry, and is highly dependent on imports.

Eight Core Parts



Success Case

Robert Bosch (Germany)

Robert Bosch Korea, a subsidiary company of the world's largest auto parts maker Bosch in Germany, has a production plant in Daejeon, headquarters and a research center in Yongin.

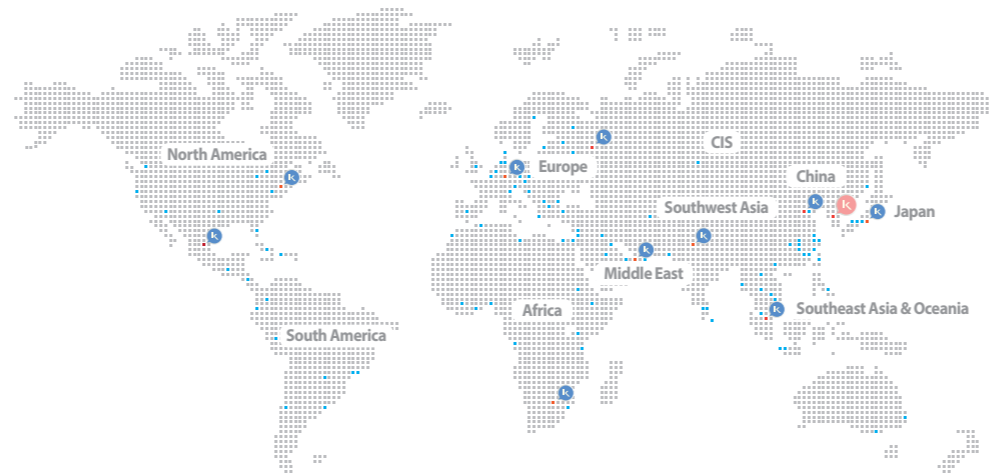
Robert Bosch Korea supplies a variety of products including fuel injection pumps to Korean finished automakers such as Hyundai, Kia, and GM Korea.

Robert Bosch Korea is aware of Korea's technological prowess and a strong heavy industry infrastructure. The company is slated to expand investments in the country, especially in the safety technology areas such as driver assistance system (DAS) and adaptive cruise control (ACC).

KOTRA WORLD WIDE

As Korea's Trade-Investment Promotion Agency, KOTRA has 127 overseas offices and 10 headquarters worldwide.

* Invest Korea(IK), Korea's national investment promotion agency, was established as part of KOTRA to support the foreign businesses in Korea.



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KOREA'S LEADING INDUSTRIES

AUTO PARTS



01

Korea's Auto Parts Industry

Status of Korea's Auto Parts Industry

The sales revenue of Korea's auto parts industry has grown by 5.9% annually since 2005, reaching USD 62.9 billion in 2015.

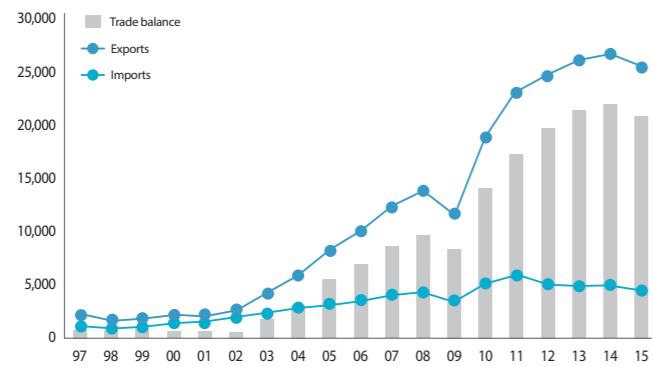
Korean Auto Parts Exports and Imports by Year (USD million, %)

Year	Sales Amount				Difference
	OEM	A/S	Export	Total	
2015	41,348	2,894	18,733	62,976	-3.7

Source: Korea Auto Industries Coop. Association (KAICA)

The industry has become an export-oriented market since the mid-2000s when its exports started to grow faster than sales revenues.

Export and Import Status of Korea's Auto Parts Industry (USD million)



Source: Korea International Trade Association (KITA)

Importance of the Auto Parts Industry

The auto parts industry plays a major role in the Korean economy representing 6.7% of the country's manufacturing output, 6.0% of added value, and 8.7% of employment.

Status of Korea's Automotive Industry (2014)

	Number of Companies	Employment (1,000 persons)	Production Amount (USD million)	Added Value (USD million)
Auto Parts Industry	4,554 6.6%	252,907 8.7%	90,201 6.7%	26,626 6.0%
Finished Car Industry	25 0.0%	85,426 2.9%	82,260 6.1%	26,303 6.0%

Source: Statistics Korea

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Competitiveness

The World's Fifth Largest Manufacturer

Korea is the world's fifth largest auto parts manufacturer, following China, Japan, the US and Germany. Its share in the global auto parts production rose from 2.6% in 2000 to 3.7% in 2005 and has remained at over 5% since 2010.

Annual Foreign Investment in Korea's Auto Parts Industry (case, USD thousands)

Industry	Classification	2009	2010	2011	2012	2013	2014	2015
Finished Cars	Investments	2	7	4	5	6	1	3
	Amount	417,352	373,301	3,694	889,391	799,563	10,000	186,000
Auto Parts	Investments	36	44	42	34	40	45	28
	Amount	88,481	2,079,611	188,890	254,056	274,941	142,157	50,998

Source: Ministry of Trade, Industry and Energy
Note: Based on notification

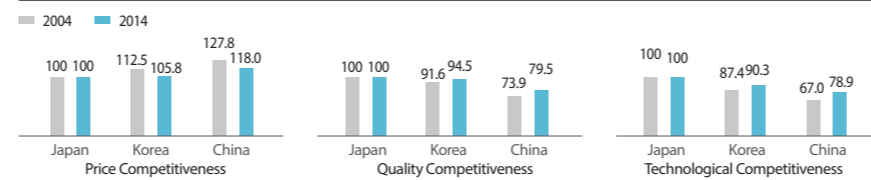
Auto parts exports also increased significantly. Its share in the global exports market surged from a mere 1.1% in 2000 to 5.2% in 2012 and 5.5% in 2015.

Distinct Competitiveness on the Global Stage

Emerging auto manufacturers such as Mexico and India are scrambling to catch up with Korea in terms of total output. In response, Korea is strengthening its competitiveness through the modularization and sophistication new industry trends led by the introduction of green and smart vehicles.

Korea's auto parts industry has greater price competitiveness than Japan. Its quality competitiveness is also on the rise, narrowing the gap with advanced countries.

Comparison of Auto Parts: Korea, China, Japan's Competitiveness



Source: Korea Institute for Industrial Economics and Trade (KIET), Korea Automotive Parts Industry Promotion (KAP)

Korean Companies in the Global Top100

Five Korean companies* were included in the global top 100 auto parts makers in 2015 (based on sales amount). In particular, Hyundai Mobis ranked sixth with USD 26.3 billion, in sales.

* Hyundai Mobis (6th)
Hyundai Wia (29th)
Mando (45th)
Hyundai Powertech (50th)
Hyundai Dymos (65th)

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Industry Clusters

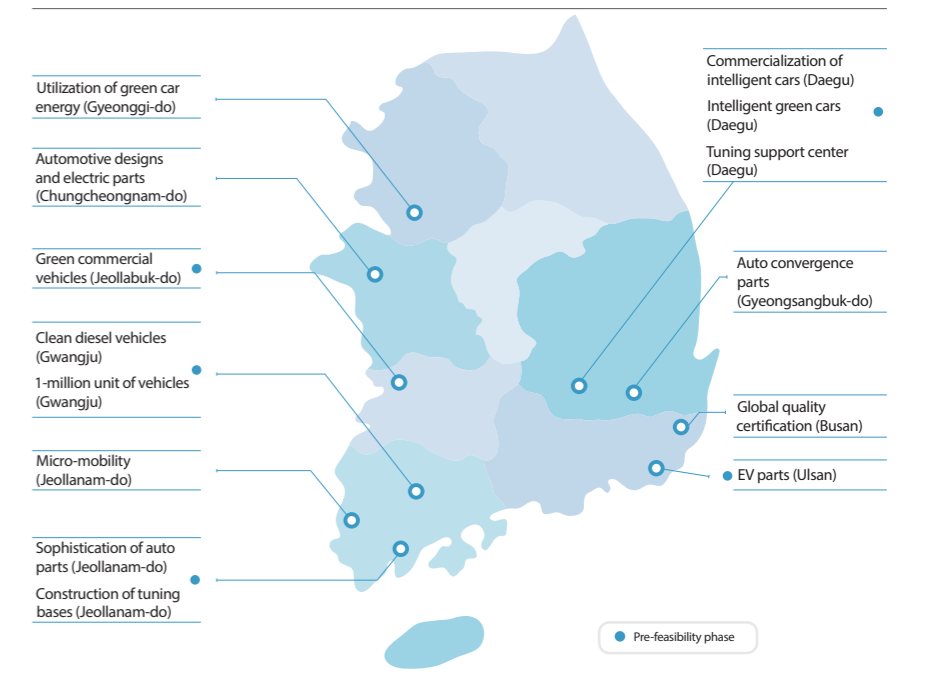
Auto Parts Innovation Clusters

In response to recent significant changes in automotive technologies, the Korean government is pushing forward with strategies to support the development of core auto parts and the commercialization of electric vehicles, hydrogen fuel cell vehicles, and self-driving vehicles. It is also accelerating efforts to promote investments in the auto sector by creating "auto parts innovation clusters" in each region.

The Korean government supports project based on academia-research cooperation tailored to regional conditions. By doing so, it aims to enhance each region's capacity for innovation and specialized industries.

- Chungcheongnam-do: Convenience systems and designs for green automobiles
- Gyeongsangbuk-do: Convergence parts utilizing materials
- Daegu: Intelligent auto parts
- Ulsan: Fuel cells, parts for green electric vehicles
- Busan: Niche markets such as for quality certification
- Jeollabuk-do: Parts for commercial green vehicles
- Jeollanam-do: High-end car-tuning parts in connection with F1 circuits
- Gwangju: Parts for clean diesel vehicles

Region-specific Support for Auto Parts R&D Projects



Source: Ministry of Trade, Industry and Energy