Pets and People
For over 50 years, DoggyMan has been keeping people and their four-legged friends happy

Yuichi Hayashi Chief Operating Officer
DoggyMan H.A. Co., Ltd.
Greetings From KOTRA

Dear Readers,

I’m happy to greet you again through KOTRA Express. This year, we’ve seen significant changes throughout the world. The convergence of technologies has been blurring the lines among industries, as characterized by the Fourth Industrial Revolution. Since this term was first introduced by Klaus Schwab, founder and executive chairman of the World Economic Forum, governments and business leaders have increasingly focused on adopting the latest technologies to reap the economic benefits. The global economy is evolving into a new platform for innovation.

Against this backdrop, Korea has solid foundations to usher in the digital transformation. The country ranked first in added value, employment and patents in the ICT sector in the OECD Digital Economy Outlook 2017. It also boasts a premier talent pool with the world’s second-largest R&D investment ratio to GDP. Its extensive FTA network with 52 countries is another reason why the country is a promising investment destination.

On that note, the Korean government and KOTRA are sparing no effort to nurture emerging industries that will lead the Fourth Industrial Revolution. Earlier this year, the Restriction of Special Taxation Act was enacted to provide incentives for foreign direct investment in 37 specific areas of 11 new industries. These include future cars, artificial intelligence and next-generation software systems. Keeping up with this new trend, KOTRA has been stepping up efforts to promote investment in the relevant sectors.

Through its 127 business centers located in 86 countries, KOTRA will continue to serve as a platform for enhanced cooperation between global companies and Korea’s small and medium-sized enterprises. I genuinely hope that KOTRA Express will help you get a closer look at Korea’s exciting trade and investment environment.

Sincerely,

Jaehong Kim / President & CEO of KOTRA
From Oct. 12 to 13, the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA) hosted the 12th Job Fair for Foreign-invested Companies in Seoul.

Since 2006, the event has offered job opportunities targeting Korean youth and helped foreign-invested companies access Korea’s premier talent pool. This year’s career fair was comprised of recruitment seminars by participating companies, as well as resume-writing and interview coaching sessions for jobseekers. An estimated 14,000 jobseekers and 136 foreign companies participated in the two-day event. Included in the rosters were 31 companies from the Fortune Global 500, including Costco, 3M and Siemens.

KOTRA’s President and CEO Kim Jaehong noted that foreign-invested companies in Korea take up a big percentage of national employment. He added that KOTRA will continue to hold a number of job fairs throughout the country to help young Koreans find work in global firms.

The next job fair for foreign companies will take place on the sidelines of Invest Korea Week, which will be held in Seoul from Nov. 7 to 9.

Korea’s consumer goods were showcased in Johannesburg, South Africa for four days starting Oct. 19.

To appeal to Africa’s middle-class consumers, Korean firms in the cosmetics, fashion and food industries took part in the event hosted by KOTRA. Specifically, the event offered business meetings that gathered 31 Korean firms and 80 African buyers, including Spar, Woolworths and Foschini Group. There were also a variety of exhibitions and Korean gourmet pop-up stalls to appeal to visitors. Overall, the showcase helped Korean firms deepen the understanding of the African market as a promising export destination. On the sidelines was a promotional program held at the Sandton City Mall, Africa’s most prestigious shopping destination, and Korean cosmetics and Korean food were introduced to consumers.

“Africa’s consumer market is expected to reach USD 355.8 billion by 2017 and grow at an average annual rate of 10.3 percent” said Seunghee Lee, who is in charge of KOTRA’s Africa division. “Africa will be a great market for Korean companies in the future.”

On Oct. 21, Invest KOREA, the national investment promotion arm of KOTRA, hosted the 24th Get to Know Korea (GTKK) at Alpensia Olympic Park in PyeongChang.

The cultural event was attended by 54 people, including foreign correspondents from NHK and Xinhua, and members of foreign-invested companies like Solvay Korea and their families. Foreign public officials including the Honduras ambassador to Korea also took part in the event. The group toured major Olympic facilities and learned about the investment environment of Gangwon-do and Korea.

“Just like how the Olympics bolster national image, I hope this event also raises awareness of Korea as an attractive investment destination,” said Yong Kook Kim, head of Invest KOREA.

Invest KOREA has been holding the GTKK program every year so that members of Korea’s foreign business and press community, along with their families, can enjoy the country’s beautiful landscape and vibrant culture.

KOTRA USES SOFT POWER TO TARGET CHINESE CONSUMERS

From Oct. 18 to 29, KOTRA and the Consulate of the Republic of Korea in Qingdao hosted E-Commerce Week in Shandong, China.

In a bid to increase the presence of Korean companies in the Chinese cosmetics market, the event offered an informative forum on market entry, one-on-one marketing consultations and promotion sessions customized to the local market. The e-commerce forum provided participants with helpful information on export and customs regulations, as well as ways to resolve logistical challenges facing exporters.

“If we are to gain a dominant position in the highly competitive Chinese market, multifaceted strategies from information-sharing and marketing to CSR activities are essential,” said Gwang-young Chung, KOTRA’s regional director general for China. He added that these strategies should be tailored to each region and industry, and KOTRA will continue to support small and medium-sized companies along the way.

Meanwhile, China’s online cosmetics market made up 22 percent of the total last year, up from 14.5 percent in 2013.

KOREAN COMPANIES SEEK TO ENTER THE AFRICAN MARKET

KOTRA CONNECTS JOB SEEKERS WITH MAJOR FOREIGN-INVESTED COMPANIES

FOREIGN INVESTORS AND THEIR FAMILIES GET AN EXCLUSIVE TOUR OF OLYMPIC VENUE

KOTRA NEWS
President Moon Jae-in called for a transformation of South Korea’s defense industry to boost its exports, as well as for efforts to develop advanced systems to enhance the country’s independent defense capabilities.

“We must widen our view to the world and form joint communities for defense cooperation with friendly nations,” the president said in congratulatory remarks marking the start of the Seoul International Aerospace and Defense Exhibition (ADEX) on Oct. 17.

The government will further strengthen its diplomatic efforts to help boost exports by the defense industry. I believe our government’s efforts will contribute to global peace while also strengthening the defense capabilities of friendly nations,” Moon said.

The president also underscored the country’s need to advance its defense systems.

“Currently, we need the power to make peace more than ever. To this end, we urgently need to secure enhanced capabilities for our own aerospace and defense industries,” he said.

Moon said efforts to enhance the competitiveness of the defense industry will also help improve the livelihood of the people.

On Oct. 14, the top financial policymakers of South Korea and the United States met on the sidelines of the Group of 20 Finance Ministers Meeting in Washington D.C.

Finance Minister Kim Dong-yeon and Treasury Secretary Steven Mnuchin discussed pending issues including North Korea, the bilateral free trade agreement (FTA) and the U.S. report on currency manipulation, according to Seoul officials.

They expressed concerns over Pyongyang’s nuclear and missile provocations and agreed to enhance policy coordination to cope with risks related to North Korea.

They also exchanged views on the ongoing talks to revise the terms of the Korea-U.S. FTA. Earlier this month, Seoul and Washington agreed to begin the process of amending the FTA at Washington’s request.

In their third meeting, Kim also stressed that South Korea does not intervene in foreign exchange markets.

Exports of South Korean seafood rose 10.9 percent in the first nine months of 2017 from a year earlier on strong demand for dried laver and tuna.

The country’s outbound shipments of fish, shellfish and seaweed were valued at USD 1.74 billion during the January-September period, up from USD 1.56 billion tallied a year ago, according to the Ministry of Oceans and Fisheries.

Seafood sales to Japan, the country’s largest seafood market, went up 10.2 percent on-year to USD 590 million in the nine month period, led by strong sales of dried laver, tuna and oysters.

China imported USD 290 million worth of South Korean seafood over the period, down 0.2 percent. Despite strong sales of Korean dried laver and cod, exports of squid and fish cake declined in the nation.

Exports of dried laver, in particular, skyrocketed 50.3 percent to USD 410 million in the first three quarters as China and Japan had a sluggish harvest and prices went up this year, the ministry said.

President Moon Jae-in called for a transformation of South Korea’s defense industry to boost its exports, as well as for efforts to develop advanced systems to enhance the country’s independent defense capabilities.

“We must widen our view to the world and form joint communities for defense cooperation with friendly nations,” the president said in congratulatory remarks marking the start of the Seoul International Aerospace and Defense Exhibition (ADEX) on Oct. 17.

“The government will further strengthen its diplomatic efforts to help boost exports by the defense industry. I believe our government’s efforts will contribute to global peace while also strengthening the defense capabilities of friendly nations,” Moon said.

The president also underscored the country’s need to advance its defense systems.

“Currently, we need the power to make peace more than ever. To this end, we urgently need to secure enhanced capabilities for our own aerospace and defense industries,” he said.

Moon said efforts to enhance the competitiveness of the defense industry will also help improve the livelihood of the people.

On Oct. 12, government officials announced that South Korea will complete an energy road map that shifts its reliance from coal and nuclear power toward natural gas and renewable energy to put more focus on public safety and technology innovation.

“We will change the energy paradigm toward safe and clean future energy, reflecting global trends and public demand,” Paik Un-gyu, minister of trade, industry and energy, said during a parliamentary audit. “We will gradually phase out the nuclear reactors and make coal-fired thermal power plants more eco-friendly.”

South Korea operates 24 nuclear reactors that generate about 30 percent of its electricity, while coal and renewable energy provide 37.5 percent and 6.7 percent, respectively, according to the ministry.

The ministry said the energy road map will raise the ratio of renewable energy to 20 percent by 2030 by increasing investment in research and development, and supporting related industries.

On Oct. 12, government officials announced that South Korea will complete an energy road map that shifts its reliance from coal and nuclear power toward natural gas and renewable energy to put more focus on public safety and technology innovation.

“We will change the energy paradigm toward safe and clean future energy, reflecting global trends and public demand,” Paik Un-gyu, minister of trade, industry and energy, said during a parliamentary audit. “We will gradually phase out the nuclear reactors and make coal-fired thermal power plants more eco-friendly.”

South Korea operates 24 nuclear reactors that generate about 30 percent of its electricity, while coal and renewable energy provide 37.5 percent and 6.7 percent, respectively, according to the ministry.

The ministry said the energy road map will raise the ratio of renewable energy to 20 percent by 2030 by increasing investment in research and development, and supporting related industries.
What happens when the central bank raises its base rate?

Ju-yeol Lee, the governor of the Bank of Korea, recently sent a strong message that the central bank might raise its base rate soon. At the Bank’s October monetary board meeting last week, he said that “the current economic conditions and inflation trend have been, to some degree, ripe to pare down an accommodative monetary stance.” Governor Lee mentioned that exports and domestic consumption are improving and inflation is nearing the central bank’s target of 2 percent. Despite the risks of China’s retaliation over THAAD deployment and further provocations from North Korea, he was confident about the Korean economy as facilities investment and consumption have been quite active, improving amid geopolitical challenges.

Of course Lee didn’t explicitly mention a rate hike like Federal Reserve Chairwomen Janet Yellen did several times this year. He only mentioned or hinted the ripeness of the environment to lessen the accommodative monetary policy. Also, he reiterated with some caution that more time is needed to assess whether the current economic situation is permanent or temporary. But this was a clear enough sign that the bank is serious about the rate hike. It is very clear that the bank’s conviction about changing the accommodative monetary policy rests on the belief of overall upturn in economic conditions. Indeed, the bank readjusted its outlook for economic growth for 2017 to 3 percent from 2.8 percent last July. In addition, the rate has been sitting idle for too long. The current rate of 1.25 percent stayed for as long as 16 months since June 2016—one of the two longest lapses in time since the bank adopted the rate policy in 1999. Therefore, it is not surprising that there was a dissenting vote among the board members, urging a quicker rate hike.

The immediate response in the market was a general rise in the market yields of the government bonds. The money multiplier—the ratio of bank savings to the base money—was 25 in 2000, but shrank to 16.3 in August 2017. A higher rate environment would also make financial industries more lucrative as it would allow a higher net interest margin. In addition, this environment would make financial industries more balanced by channeling funds from stock markets to other fields such as bonds, direct investments and various funds. Under an extremely low rate environment, security markets have been so overheated as to arouse a bubble-burst in the market. A higher rate would work for the balanced development of financial markets.

Now, considering the KRW 1.4 quadrillion (USD 1.25 trillion) in household debt burdens and the possible sluggish construction industry, the bank would like to postpone the rate hike. But then, the rate in Korea will fall short of the US rate. It would cause serious capital outflow from Korea, rendering a substantial exchange rate fluctuation. But the bank can’t let the rate be fixed indefinitely. Persistent capital outflow and following exchange rate volatility becomes even greater. A better solution would be to practice the ‘leaning with the wind’ policy; let the market follow where the global interest rates and exchange rates go. The market is always afraid lest the government properly readjusts in time. Now, the bank believes that the Korean economy is sound and strong enough. That means a rate hike is imminent, and almost all parties are ready to accept it.

By Professor Se Don Shin
Dean, Sookmyung Women’s University
seshin@sm.ac.kr

* The opinions expressed in his article are the author’s own and do not reflect the views of KOTRA
Back in June, President Moon Jae-in spoke at the National Assembly, stressing that the government will ambitiously push ‘J-nomics’. Under this plan, Moon stated that job creation was a requirement—and not a result—of growth. In this regard, he strongly vowed to increase the number of quality jobs for young people during his term in office.

With job creation being a top priority for the Moon administration, KOTRA’s 12th Job Fair for Foreign-invested Companies 2017 came at an especially important time. Held from October 12 to 13 in Seoul, an estimated 14,000 jobseekers and 136 foreign companies participated in the two-day event. Included in the rosters were 31 companies from the Fortune Global 500, including 3M and Siemens.

Since 2006, the Job Fair for Foreign-invested Companies has provided countless job opportunities for Korean youth and helped foreign-invested companies find premier talent in the country. This year’s opening ceremony was attended by labor and business leaders from the Presidential Committee on Jobs, the Federation of Korean Trade Unions and major foreign chambers of commerce.

“I was here last year to learn more about the companies I was interested in. I had a great chance to meet HR managers in person and hear about the companies, what they actually do and who they are looking for,” said Miee Kim from Agilent Technologies Korea. She joined the American analytical instrument firm this year, after weighing all her options last year. “Working in a Fortune 500 company is a satisfying experience, as it offers an open and rewarding environment with a range of employee benefits from language training to arts and entertainment discounts,” she explained, encouraging jobseekers to make the most out of the career fair.

The job fair offered a broad spectrum of programs including meetings with HR managers, recruitment seminars, special lectures for job seekers and resume writing and interview coaching sessions. One HR manager advised potential employees to convince employers with confidence, without overly worrying about their limited experience or language skills.

“We’re looking for energetic, passionate people who do what they love,” said Kiwi Chi, talent acquisitions coordinator for WeWork. Founded in 2010, the American company provides shared workspaces and services for entrepreneurs and innovators. Although still a relatively new company in Korea, WeWork hopes to expand its presence in the country by hiring talented Korean youth through the job fair.

“Foreign-invested companies already take up 6 percent of Korea’s national employment. They will continue to create decent jobs and contribute to our economy by hiring highly educated workforce,” said KOTRA’s President and CEO Jaehong Kim. He added that the job fair will provide invaluable opportunities for young and competent Koreans to work in global firms.
The Latest on Korea's Investment Environment

Renault to partner with S. Korean startups to advance mobile technology

Renault S.A. has partnered with a South Korean association so it can work with startups with advanced mobile technology expertise for the development of next-generation vehicles.

Before setting up an "open innovation office" in South Korea next month, the French carmaker signed a memorandum of understanding (MOU) with the K-ICT Born2Global Centre, an organization set up under the Ministry of Science and ICT to foster startups, Renault Samsung Motors Corp.

"Korea, with a high automotive sales rate compared to population and advanced information technologies and environments, is the ideal test bed market for new technologies before launching them at the global level," Renault Group Executive Director Stephen Marvin said in a statement.

Through the MOU with the K-Global startup center, Renault will be able to discover promising companies that can work with Renault while providing active support so that they can enter overseas markets following validation in the domestic market, he said.

Goldman Sachs invests USD 30 mln in S. Korean food firm

Global investment giant Goldman Sachs has invested USD 30 million in local bakery ingredients maker Sun-in Co., amid the rapid expansion of the country's dessert market.

Sun-in said the investment will be spent to improve its manufacturing and distribution facilities, as well as to develop technology to optimize ordering and delivery experiences for clients.

Founded in 1989, Sun-in is the largest bakery ingredients manufacturer and distributor in South Korea, according to the firm. It produces more than 1,000 products which are supplied to 2,000 customers, including major bakeries, cafes and restaurants.

The company posted KRW 84 billion won (USD 74 million) in revenue last year with an operating profit of KRW 12.9 billion. Sun-in said its sales grew at an annual average of 16 percent in the past decade.

Moody’s reaffirms S. Korea’s rating at AA- with stable outlook

Global credit rating agency Fitch Ratings reaffirmed South Korea’s sovereign credit rating at AA- with a stable outlook. It is the fifth straight year for the credit rating agency to keep Korea’s sovereign debt rating at AA-.

The agency pointed out the escalating tensions in the region weighing on ratings but also stated that “strains on the Korean peninsula are not new, and have followed a familiar pattern of rise-and-fall cycles in the past.”

It predicted the Korean economy to keep up the strong growth pace with GDP growth potential of 2.7 percent for 2017, 2.8 percent for 2018 and 2.6 percent for 2019.

What’s Trending

A+E Networks launches channels in Korea, plans local content

On October 12, U.S. media group A+E Networks launched two of its TV channel brands in South Korea, aiming to produce original content tailored to the country and the greater Asian market.

History and Lifetime, part of the A+E Networks group, began programming on various cable operators, IPTVs and SkyLife, a local satellite TV network, at midnight, A+E Networks Korea said.

A+E Networks, a joint venture between Hearst Communications and Disney-ABC Television Group, last year purchased two local channels—FoodTV and TVIS—and acquired a strategic stake in South Korean entertainment production firm iHQ.

"Marrying great global story telling with locally relevant content, we thought that it was a unique opportunity for partnership," said Sean Cohan, president of international and digital media at A+E Networks during a press conference in Seoul on October 12.

Cohan added: "Expanding meaningfully in Korea right now felt like a natural extension or an evolution in our activities. It’s always been a great production market. It made a tremendous impact on the rest of the world."

For now, the two channels will air the network’s original content produced in-house by A+E Studios, such as the TV series “Vikings” and reality show “Pawn Stars,” but will soon present South Korean-made content as well.

"The Reader" on the History channel will feature local hip-hop stars reading and explaining the meaning of their music, while Lifetime’s "Idol Mom," to be produced together with S.M. Entertainment, will focus on mothers and their children striving to become K-pop idol stars.

Source: Yonhap

Did You Know?

According to the monthly trade statistics of the World Trade Organization (WTO) on September 19, Korea’s exports totaled USD 328 billion from January to July this year, up 16.3 percent from the same period of last year, recording the highest growth rate among exporting countries. Earlier, Korea’s export growth rate was the highest in the first quarter (14.7 percent) and the second quarter (16.8 percent).
Introduction
With population ageing and the declining birthrate, a growing number of Korean households are opting to own pets. As such, the domestic pet market is expected to expand from a scale of KRW 1.43 trillion (USD 1.27 billion) in 2014 to over KRW 6 trillion in 2020, and pet-related industries, too, will see a steep growth.

Also, while pet-related industries had previously been limited to the sales of pets, pet foods and healthcare, the pet industry is now being diversified, merging with a variety of other industries, such as pet grooming and insurance. As such synergy continues to grow, the industry is expected to account for a bigger chunk of the economy.

However, although the current Animal Protection Act deals with pets, the Act only focuses on the protection of animals, making it inadequate for cultivating and developing pet and pet-related industries. That is, compared to how fast they are growing in scale and importance, support policies and institutional assistance are still insufficient. There is an increasing need to nurture the pet industry through systematic and practical policies and legislative support.

Overview of Pet-related Industries
1) Current status of pet ownership in Korea
The demand for pets is rising in Korea as the number of one-person households continues to grow. According to a 2015 public opinion survey on animal protection, 21.8 percent of all households owned pets as of 2015, a 3.9 percent increase from 2012. From this, it is estimated that some 4.57 million households own pets. Cat owners raise an average of 1.74 cats, while dog owners raise an average of 1.28 dogs. Based on this estimate, there are about 5.12 million dogs and 1.89 million being raised as pets in Korea—a 16.6 percent and 63.7 percent increase, respectively, from 2012 figures.

2) Current status of Korea’s pet industry markets
Pet-related industries are estimated to have accounted for about KRW 894.75 billion (USD 794.54 million) in 2012. As the increasing demand in pets vitalizes related markets, the average annual spending for each household is on the rise. In particular, spending on pet-related products has been surging since 2010, despite the global recession. This is typical of the pet industry, which is affected little by changes in the economy.

Pet-related industries have been recording two-digit growth rates every year, and are expected to contribute to the creation of new markets and jobs. Pet-related markets are anticipated to continue on a steady path of growth and reach a scale of about KRW 6 trillion (USD 5.33 billion) by around 2020.

Traditional Pet-related Industries
Looking at the market trends in each sector, it is estimated that the pet food market was worth about KRW 150 billion (USD 133.2 million) USD in 2012, and about KRW 250 billion considering the retail value (including 40 percent margins). As consumers look for increasingly high-quality goods, the retail market for pet and pet-related products witnessed rapid growth in sales from KRW 168.7 billion in 2009 to KRW 267.4 billion in 2011, a 1.7-time increase in two years. Also, the relationship between the pet product retail industry and services industry is growing more complex as more shops sell products for pets as well as provide vet care and grooming services.

1) Pet food
Unlike feeds for industrial livestock, pet foods are seeing a growing trend of products targeting aging and obesity. In particular, as health care for pets continue to grow in importance, it is expected that the vaccination, medical treatment and diagnosis market will further develop and flourish.

2) Vet care
As of December 2014, there are some 4,000 vet clinics across Korea, a 40.5 percent jump from 2008, and of which 2,792 are for pets, 771 for industrial livestock and 416 for both. A total of 5,745 veterinarians work at such clinics. Recent vet clinics not only provide medical facilities.

3) Medical devices
The majority of medical device makers for pets in Korea are small enterprises that each produce a wide range of items on a modest scale. Recently, however, as the number of pets grow and interest mounts in veterinary medicine, veterinary medical device markets are starting to thrive with increasingly specialized and high-end products. Lately, various medical devices, even expensive, cutting-edge equipment designed for humans, are being used to treat animals. In 2002, there were merely 15 Korean companies making 11 types of devices, but the number of registered companies started to surge in 2007, and the number of items has exceeded 40 since 2008 and stayed over 60 every year since 2011. Since then, permission for manufacturing started to exceed those for imports. As of March 31, 2013, a total of 703 items were registered by 98 manufacturers and 74 importers. Of these items, registrations for 41 items at 18 companies were terminated, leaving the current number at 662 items at 154 companies.

4) Medication
The domestic market for animal drugs is also continuing on an
upward trend for both domestic-made products and imported finished goods, while exports as well are seeing continued growth every year for both raw materials and finished goods.

Emerging Pet-related Industries

1) Insurance

The Korean pet insurance market is largely uncharted territory that has yet to be formed on a large scale. Several companies had attempted to provide insurance for pets in 2008, but ultimately gave up in 2010 due to the difficulty of setting standards for coverage and low profitability. Later, when the Companion Animal Registration System came into effect in 2013, several companies launched new insurance products for dogs. However, due to the lack of variety in insurance products, most pet owners still have little choice but to shoulder the burden of expensive veterinary care costs.

As veterinary care expenses continue to mount, the pet insurance market, too, is expected to set out on a new path of growth. It is likely that products covering congenital or genetic diseases, cancers and injuries will be developed, along with policy riders that cover regular checkups, death benefits, pregnancy complications and compensation for medical expenses. In addition, the rising demand for pets is also increasing the number of cases where owners have to compensate for any loss inflicted by their pets on another person (Civil Act Article 759-2), creating another growth factor for the pet insurance industry.

Compared to the United Kingdom, where 20 percent of pet owners have pet insurance, less than 0.1 percent of Korean pet owners can say the same, with only two companies offering pet insurance in the country. However, because medical expenses are higher for pets than for people, as there is no equivalent to the National Health Insurance system for pets, the pet insurance market has a high potential for growth. In the United Kingdom and Japan, pet insurance markets are growing at an average annual rate of over 17 percent, and have the highest growth potential among all pet-related industries.

2) Recreation

Markets for service businesses such as companion animal training schools, modeling agencies and grooming shops are expected to break down into more subdivisions and undergo further specialization. While the main purpose of pet grooming is currently for maintaining hygiene and cleanliness, greater importance will be placed on aesthetic factors in the future. In addition, various new businesses are expected to emerge, such as pet hotels and vacation packages for travelers with pets.

Plans and Policies to Expand Pet Industry Exports

1) Institutional reform

For the past 30 years, Korea’s pet food and product manufacturing market has achieved both significant internal and external growth. However, individual companies can only do so much in their efforts to enter foreign markets, making it crucial for the government to support the Korean pet industry as a whole through related policies. The massive Chinese market is a blue ocean when it comes to pet industries. While the number of pets owned in China is 20 to 30 times the scale of Korea, Chinese pet owners have relatively little trust in pet products or foods made in the country. Therefore, there seems to be sufficient opportunity for Korean companies to benefit from the Korean Wave and enter China’s pet industry market.

There are, however, also real obstacles to achieving that goal, including those regarding export customs. For instance, for a Korean company to export pet food to China, it has to go through a two-and-a-half-year customs process, and if there happens to be a change in the Chinese buyer, the company will have to repeat the process and wait for another two and a half years. Although the chances of having restrictions imposed are low, as long as companies go through the customs process and take the necessary precautions, there still remain practical difficulties of operation. If such matters could be improved through intergovernmental agreements, Korea’s pet industry can see an explosive surge in opportunities for entering foreign markets.

In the case of the United States, pet products are beneficiary items of the Korea-U.S. Free Trade Agreement, meaning Korean pet product companies have the opportunity of enjoying customs-free access to U.S. markets as long they can prepare the necessary documentation for proving the country of origin.

2) Establishing customized, industry-specific reforms

Around 70 to 80 percent of pet-related products in the U.S. market are characteristically supplied by Chinese, U.S. and Mexican companies. Of these, the more expensive products that require a higher level of technology to make are usually made in the U.S., Canada and Germany, while most of the cheaper accessories and clothes are made in China and Mexico. Although several Korea pet product design brands have entered the U.S., Korea still has a weak presence in the country.

Therefore, rather than engaging in a simple competition with China’s low-cost products, Korea has a greater chance if it targets premium U.S. markets, focusing on eco-friendly or organic pet foods and health products. Korean companies should also come up with differentiated products that combine innovative ideas with wi-fi or other new technologies.

Thus, as it is now easier for Korea’s small and medium companies to apply, enhance, and converge their current businesses that have suffered fierce competition, and switch over to the pet industry, it is time they try making inroads into the “super pet market” of the U.S. by merging differentiated technologies and ideas.

Source: An Analysis of Pet-related Industries and Their Course of Development (2016)
Ministry of Agriculture, Food and Rural Affairs
It all started with a dog named Sally. When Sally became ill and refused to eat, owner Akio Hayashi wondered what he could do to make his beloved canine companion feel better. Akio later gave her a piece of meat he bought for dinner, which the pooch happily devoured. That was the beginning of “Healthy Jerky”, a high-quality jerky for those who want only the best for their furry friends. But Akio didn’t stop there; in 1963, he founded Hayashi Seisakusho in Osaka and began to manufacture and sell high-quality pet products worldwide. The company later changed its name to DoggyMan H.A Co., Ltd., becoming one of Japan’s most popular manufacturers of pet food and supplies.

Akio’s son Yuichi Hayashi currently serves as DoggyMan’s chief operating officer and the duo are experts when it comes to keeping man’s best friend happy. Thanks to the company’s dedication to making the very best pet products, DoggyMan expanded its network overseas. Along with the Kansai Logistics Center (fittingly shaped like a giant dachshund), the company established offices in China, Taiwan, Vietnam and most recently Korea.

“We’ve been exporting our products to Korea since 1985, but we came to the country to gather and analyze the shifts in the industry because Korea is up to date with the latest trends,” says Yuichi. “We also wanted to spread awareness about our company in Korea because the pet-related industry is growing very quickly here.”

Last September, DoggyMan moved into the Invest Korea Plaza (IKP), Korea’s first business incubation center for foreign-invested companies. Thanks to KOTRA’s foreign investment promotion agency Invest KOREA, the company was able to quickly do business in the country. “Although it hasn’t been that long since we moved here, we’re really satisfied because the IKP building is incredibly clean and it’s great that we have access to information about Korea at any time,” he says.

As Yuichi notes, Korea’s pet-related industry is flourishing, with the economic slowdown having little impact on this sector. Thanks to the rising number of pet lovers, the domestic pet industry is valued at about KRW 1.81 trillion (USD 1.6 billion) as of 2015. This market is expected to hit almost KRW 6 trillion by 2020. Korea’s premium pet food market is also enjoying significant growth—the sales of high-quality pet treats alone rose by 56 percent from 2013 to 2015, according to Korean e-commerce firm Gmarket. In addition, more people are looking to buy...
pet food made from natural and organic ingredients.

When asked what he thought about the future of Korea’s pet industry, Yuichi says that the domestic market really started growing in 2010. “It’s not just the manufacturing, distribution and sales of pet supplies that have seen exponential growth; now, various pet services are also expanding in scope,” he says. “People in Korea see pets as part of their family and we’re making sure that we continue to make safe, high-quality products for our local customers.”

Along with companies like DoggyMan, the Korean government is doing its part to nurture the industry and address the growing number of pet owners. The provincial government in Gyeonggi-do, for example, plans to establish a pet theme park in the city of Yeoju and invest KRW 35 billion (USD 31.29 million) into this project. It also announced that it will build a pet adoption facility and even a training school for pet handlers. Ulsan City is also jumping on this bandwagon, having finished the construction design in April to build a pet cultural center in the region.

So what’s next for DoggyMan? For starters, the company is planning to work closely with promising Korean companies to develop new products that will be loved by hounds and humans alike. But most of all, DoggyMan’s main plan is to continue carrying out its mission—creating a world where pets and people can happily live together. And we all have Sally to thank for that.

By Esther Oh
Executive Consultant
Investment Public Relations Team
Korea Trade-Investment Promotion Agency (KOTRA)
estheroh@kotra.or.kr

---

**Upcoming KOTRA Events**

**Singapore Fintech Festival 2017**

KOTRA will help Korean startups join the Korean Pavilion at Singapore Fintech Festival 2017, which will be held from Nov. 14 to 16. Singapore’s largest international conference for startups was inaugurated last year and will convene 13,000 people in the financial technology industry this year. The event will be comprised of various networking events and conferences, including the Investor Summit, which aims to enhance access to funding for startups and improve the quality and quantity of fintech investment deals in Singapore.

KOTRA will provide various support for Korean participants by holding preliminary meetings, organizing the Korean Pavilion, creating a participant directory and offering networking opportunities. The agency aims to encourage more Korean fintech startups to make inroads into the ASEAN market.

**Global Bio & Pharma Plaza 2017**

From Nov. 27 to 28, Global Bio & Pharma Plaza (GBPP) will take place at the KINTEX Exhibition and Convention Center in Ilsan, South Korea. The plaza is in partnership with the Korean Pharmaceutical Manufacturers Association and their members, and is comprised of an afternoon conferences series followed by a welcoming banquet and seminar.

With the objective to boost exports in the pharmaceutical and biotechnology sectors, the event will also be comprised of a series of conferences on foreign market entry, one-on-one business meetings and a contract signing ceremony. The event is ideal for companies searching for new suppliers with competitive pricing and technology, and for companies seeking partnerships for joint R&D. A total of 130 Korean firms and 70 foreign buyers are expected to join the event.

**Slush 2017**

To help Korean startups enter the European market, KOTRA will organize the Korean Pavilion at Slush 2017 from Nov. 30 to Dec. 1. Numerous Korean startups in a variety of sectors from VR, AR, education, game design software and big data, will attend Europe’s leading startup event held in Helsinki, Finland. The programs will include a pitching competition, showcases and one-on-one business meetings with global buyers. KOTRA will also collaborate with Finnish experts in business incubation to provide Korean participants with mentoring services and pitch training workshops.

Slush, a non-profit event organized by a community of entrepreneurs, investors, students and music festival organizers, is the focal point for startups and tech talent to meet with top-tier international investors, executives and media.

**Global Partnering 2017**

KOTRA will hold Global Partnering (GP) Korea 2017 in Ilsan, South Korea from Nov. 28 to 29. GP Korea is an event that helps Korea’s small and medium enterprises enter the global value chain as a parts supplier to foreign companies. The event will be attended by 60 global companies and 250 Korean companies. Most notably, KOTRA hopes to foster R&D cooperation between foreign and domestic companies through various consultation meetings. A variety of other programs, including one-on-one business meetings, seminars on technological cooperation and site visits, will take place during the two-day event.
The Bitcoin has become a major buzzword around the world. When it first became into existence in January 2009, its price was nearly at zero. In February 2010, the value of one Bitcoin became one dollar as it took parity with the US dollar. After much fluctuation, it shot up to $1,290 per unit on Mar. 2, 2017. Since then, it has been rising rapidly, reaching $6180 on Oct. 21, 2017. Over the January 2009 to October 2017 period, the price of the Bitcoin has increased by more than 6,000 times.

In this situation many people may be tempted to invest in the Bitcoin but foreign investors cannot come to Korea for Bitcoin investment. According to Korea’s Foreign Investment Promotion Act, the means of payment for investment in Korea are confined to foreign currencies, capital goods, industrial property rights and real estate, among others.

It is useful to distinguish among virtual currency, digital currency and cryptocurrency. Virtual currency is a type of unregulated, digital money which is issued and usually controlled by its creators and accepted among the members of a specific virtual community. Digital currency is a form of virtual currency that is electronically created and stored. Some types of digital currencies are cryptocurrencies, but not all of them are. A cryptocurrency is a subset of digital currencies that uses cryptography for security so that it is extremely difficult to counterfeit.

Bitcoin is a cryptocurrency—a digital asset designed to work as a medium of exchange that uses cryptography to control its creation and management, rather than relying on central authorities. Besides Bitcoin, there are other cryptocurrencies and their market capitalization shares are 20 percent for Ethereum, 7.5 percent for Ripple and 2.4 percent for Litecoin. Among these, the Bitcoin takes the lion’s share with 40 percent.

Regarding the skyrocketing price of Bitcoins, the central authorities are concerned about an increasing probability of speculative bubbles, thereby putting a lot of ordinary investors in a deep trouble. Many commercial banks like UBS say that a sharp rise in cryptocurrency valuations will lead to a speculative bubble and cryptocurrencies are unlikely to become mainstream currency.

By contrast, speculators are very interested in capturing high profits. There are key differences between investment and speculation. Investors expect profit from the change in the value of the asset, whereas speculators expect profit from the change in the price due to changes in demand and supply. If the speculative demand falls sharply, the price bubble bursts.

Investors tend to keep the asset for a longer time period, whereas speculators hold assets for a short term. An investor expects a modest rate of return, whereas a speculator expects higher profits. Becoming an investor or speculator depends on the investor’s attitude toward risk. There are three types of investors—risk loving, risk averting and risk neutral. So an investor with a risk-loving attitude is likely to be a speculator.

Bitcoin investment will exert different influences on the individual investor and on the overall economy. The individual investor aims at capturing the maximum profit from the market. But the central authorities and commercial banks worry about a financial crisis occurring when the cryptocurrency system suddenly collapses.

From the standpoint of the monetary authorities, however, Bitcoin or other cryptocurrency is a disturbing factor in the maintenance of a stable economy. If a large proportion of people engage in the speculative transaction of the Bitcoin and become victims of the bubble, the entire economy will be jeopardized.

In connection with the means of payment for investment in Korea, foreign investors cannot use the Bitcoin or other cryptocurrencies. Due to reasons stated above, it will take a while before the foreigners will be allowed to use the Bitcoin as a means of payment for their foreign investment.

Will the Bitcoin be a means of payment for foreign investment?

By Dr. Jeffrey I. Kim
Foreign Investment Ombudsman
jeffikim@kotra.or.kr

Who is the Ombudsman?
The Foreign Investment Ombudsman and his grievance resolution body collect and analyze information concerning problems facing foreign firms, request cooperation from relevant government agencies, propose new policies to improve the foreign investment promotion system and carry out other necessary tasks to assist foreign-invested companies in resolving their grievances.
If your love for Fido knows no bounds, you’re not alone. As more people in Korea own pets, the industry has recorded exponential growth. Even the World Future Society has labeled the pet industry as one of the ten promising industries of the future. Even in Korea, the pet industry has been showing double digit growth and it’s become a common sight to see Korean families spending time with their dogs.

Along with major companies like Samsung, Lotte and Pulmuone, local governments in Korea are also responding to the increasing demand. Numerous governments announced their plans to establish a pet-friendly environment within their districts. The Yeoju Pet Theme Park and Gyeongsang-do Pet Culture Center are the perfect examples of the newly forming industry clusters.

Yeoju Pet Theme park

Gyeonggi-do province announced its plans for constructing a pet theme park in the city of Yeoju, east of Seoul. The establishment will cover 165,200 square meters and when finished, it will be the country’s first and largest pet culture complex. The province hopes the complex will expand the interest and knowledge of pets, create jobs and rejuvenate the local economy. A bridge connecting Yeoju Premium Outlet and the theme park will be constructed to attract more visitors.

The resources required for the Yeoju Pet Theme Park will be provided by both the public and private sector. The local government will provide KRW 35.8 billion (USD 31.65 million) while private corporates will be investing a total of KRW 35 billion. The two sectors will be responsible for developing different areas of the complex.

The construction of Area 1, which is to be completed next July, is led by Gyeonggi-do. It will consist of an animal shelter to help more dogs get adopted. To prevent the abandonment of pets, an educational facility will be established to educate teenagers and potential pet owners. And to increase the professional workforce in the industry, Area 1 will invest in fostering pet experts.

Areas 2 and 3 will be developed by five companies including the hallyu giant, SM Entertainment. If Area 1 focused more on education, Areas 2 and 3 will focus on providing an opportunity for people and pets to connect with each other and to be able to rest. A “healing garden”, a pet park and a dog hotel will be built to accommodate visitors and their pets. There will also be a shopping mall selling pet-related products.

Yeoju and Gyeongsang-do aim to lead Korea’s pet industry

Gyeongsang-do Pet Culture Center

In Gyeongsang-do, located at the southern part of the Korean peninsula, the local government plans to establish a hub for the pet industry. The construction of a pet culture center is to begin later this year in Uiseong County which will cover 40,000 square meters of land. The county currently has various facilities, making it the most suitable place to establish a pet center. Already, there are sites where about 60 species of parrots are bred and a fish industrialization center responsible for the preservation and promotion of pet fish. By introducing a culture center consisting of pet products and playgrounds, the local government is hoping to collaborate with already existing facilities to spur development.

Another pet culture center will be built in the industrial powerhouse of Korea, Ulsan. Scheduled to start construction next year, this center will have stores, playgrounds, cafes and educational content related to pets. It is the city’s response to the increasing demand for petrelated facilities and also an attempt to provide a venue where pets and their owners can relax.
KOTRA’s Services

Invest Korea Week 2017

Hosted by the Ministry of Trade, Industry and Energy (MOTIE) and organized by the Korea Trade-Investment Promotion Agency (KOTRA), Invest Korea Week (IKW) is Korea’s largest international investment promotion event. Formerly known as Foreign Investment Week, IKW is committed to bridging foreign investors and Korean companies in finding business opportunities in Korea and beyond.

Last year, over 1,4000 attendees, including foreign investors, members of the foreign and local press, executives of Korean companies and local government officials, participated in the event.

This year’s IKW will allow participants to learn more about Korea’s exciting investment environment, attend various investment conferences and network with executives from foreign and domestic companies and high-level government officials. Participants can also take part in site visits to some of Korea’s most innovative companies. In a bid to help foreign companies find promising Korean talent, a job fair will also be held on the sidelines of IKW.

Introducing Korea’s SMEs

Every month, KOTRA Express introduces on Korean SME that seeks to expand its network by working with foreign partners. In the November issue, we take a look at one of Korea’s most promising pet supply companies.

At Drool Food Co., Ltd., honesty is the best policy—the company is all about being open and transparent with its products. As a maker of high-quality pet supplies, Drool Food is becoming quickly recognized for its premier dog and cat treats, as well as safe deodorant sprays. Most notably, pet treats are freeze-dried with no added preservatives or additives; even humans can eat them.

Drool Food is also known for pet treats made from biomos, a type of yeast that helps reduce diarrhea and prevents other digestion problems in pets. The company proudly boasts its innovative approach to providing the very best food products to pet owners, adding aloe—known to be excellent for cell regeneration—to its treats.

Operated by KOTRA, buyKOREA is Korea’s premier e-marketplace. If you want to find out more about the products mentioned above, please visit www.buyKOREA.org

Details

Date
November 7-9, 2017

Venue
Grand InterContinental Seoul Parnas

Participants
- Over 2,500 foreign investors
- Korean businesses
- HR managers of foreign businesses
- Job seekers and foreign journalists

Contact Info:

Drool Food Co., Ltd.
Address: No1306-2 Gangseo IT Valley 638-3, Deungchon-dong, Gangseo-gu, Seoul, South Korea
Tel: +82-(0)70-4823-8475
Fax: +82-(0)70-7523-8475
Website: www.DroolFood.co.kr
**Invest Korea Plaza**

Invest Korea Plaza (IKP) is the first business incubation complex in Korea for foreign investors. Designed to meet 21st century business needs, IKP offers furnished offices and conference facilities, in addition to on-site comprehensive services ranging from investment consultation provided by representatives of Invest KOREA and numerous government agencies.

**IKP Offices for Lease**

**A. Office exclusively for foreign investors**
- Long-term lease: Office lease by a foreign investor seeking to establish a domestic company in Korea
  - Lease period: Up to two years, on a yearly basis (lease can be extended after deliberation)
- Short-term lease: Short-term lease of an office by a foreign investor seeking to enter the Korean market
  - Lease period: Up to two months (lease cannot be extended)

**B. Office for related organizations**
- Organizations and administrative entities for attracting and supporting foreign investors

**Qualifications for Occupancy**

**A. Long-term lease for foreign investors**
- Companies that completed FDI notification: Companies with FDI of USD 300,000 or more that have completed foreign investment notification in accordance with the procedures prescribed by the Foreign Investment Promotion Act
  - Required documents: IKP occupancy application form, overview of company and business, FDI notification form
- Companies that plan to notify foreign investment:
  - Companies that are expected to notify FDI of USD 30,000 or more within six months of moving in
    - Required documents: IKP occupancy application form, overview of company and business, letter of recommendation by KOTRA’s KBC
  - Companies that have executed foreign investment: A foreign-invested company with notified subsequent FDI of USD 200,000 or more
    - Required documents: IKP occupancy application form, overview of company and business, FDI notification form

**B. Short-term lease for foreign investors**
- For foreign investors conducting market research and business feasibility study to enter the Korean market
  - Required documents: IKP occupancy application form, a letter of recommendation by KOTRA’s KBC or documents certifying the planned business and market research

*Occupancy counseling is required as lease may not be permitted depending on the type and content of the business.*

## Economic Indicators

**GDP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal (USD million)</th>
<th>PPP (USD million)</th>
<th>GDP Growth Rate (Y-o-Y) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,222,400</td>
<td>1,611,273</td>
<td>2.3</td>
</tr>
<tr>
<td>2013</td>
<td>1,305,400</td>
<td>1,644,777</td>
<td>2.9</td>
</tr>
<tr>
<td>2014</td>
<td>1,411,000</td>
<td>1,706,689</td>
<td>3.3</td>
</tr>
<tr>
<td>2015</td>
<td>1,382,400</td>
<td>1,749,804</td>
<td>2.8</td>
</tr>
<tr>
<td>2016</td>
<td>1,411,000</td>
<td>1,832,073</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, October 2017

**GDP Per Capita**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal</th>
<th>PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>27,811</td>
<td>35,211</td>
</tr>
<tr>
<td>2015</td>
<td>27,105</td>
<td>36,390</td>
</tr>
<tr>
<td>2016</td>
<td>27,534</td>
<td>37,740</td>
</tr>
<tr>
<td>2017</td>
<td>29,730</td>
<td>39,447</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund, October 2017

**Foreign Trade**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (USD million)</th>
<th>Imports (USD million)</th>
<th>Trade Balance (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>547,870</td>
<td>519,584</td>
<td>28,285</td>
</tr>
<tr>
<td>2013</td>
<td>559,632</td>
<td>515,586</td>
<td>44,047</td>
</tr>
<tr>
<td>2014</td>
<td>572,665</td>
<td>525,515</td>
<td>47,150</td>
</tr>
<tr>
<td>2015</td>
<td>526,757</td>
<td>436,499</td>
<td>90,258</td>
</tr>
<tr>
<td>2016</td>
<td>495,426</td>
<td>406,193</td>
<td>89,233</td>
</tr>
</tbody>
</table>

Source: Korea International Trade Association, October 2017

**KRW-USD Foreign Exchange Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>September 2017</th>
<th>August 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,126.9</td>
<td>50,835.0</td>
</tr>
<tr>
<td>2013</td>
<td>1,095.0</td>
<td>81,148.2</td>
</tr>
<tr>
<td>2014</td>
<td>1,053.2</td>
<td>84,373.0</td>
</tr>
<tr>
<td>2015</td>
<td>1,131.5</td>
<td>105,939.6</td>
</tr>
<tr>
<td>2016</td>
<td>1,160.5</td>
<td>98,677.4</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, October 2017