One-on-one with Bernd Stenger

As a thirty-year veteran at Heraeus and the Honorary Ambassador of Foreign Investment Promotion for Korea, Bernd Stenger hopes to spur more active economic activity between Korea and Germany

Honorary Ambassador of Foreign Investment Promotion for Korea
Greetings From KOTRA

Dear Readers,

It’s hard to believe that 2017 has already come to an end! So much has happened last year, especially as geopolitical uncertainties posed a threat for many countries. But despite these challenges, Korea’s business environment was stronger than ever. The volume of foreign direct investment into Korea remained high and we expect this trend to continue in 2018. On this note, major foreign investment banks also upgraded their 2018 growth forecasts for the Korean economy on its strong exports.

To make sure that the country’s economy continues to grow, the Korean government will focus on implementing job-creation policies. As such, Invest KOREA’s Foreign Firm Employment Support Team will connect more promising Korean workers to foreign companies. We will also foster the growth of industries and talent dealing with the Fourth Industrial Revolution—a key driver of Korea’s economic growth. Our agency’s activities won’t just be limited to domestic activities, as I’ll be traveling throughout the world to meet companies and individuals that want to know more about the country’s business environment.

But we know that none of this is possible without your interest and contribution. I want to take a moment to thank you for continuing to make Korea an attractive investment destination. I hope to work more closely with our investors and establish new partnerships this year. If you have any suggestions on how we can better improve our business environment, feel free to contact Invest KOREA any time.

We hope that the new year will be full of joy and prosperity.

Sincerely,

Yong Kook Kim / Head of Invest KOREA
From Dec. 5 to 6, the Ministry of Trade, Industry and Energy (MOTIE) and KOTRA hosted the Global Art & Consumer Goods Collaboration Expo at COEX. The event sought to boost the exports of premium consumer goods created through collaboration between Korean SMEs and artists. It also aimed to generate jobs in the arts sector. More than 300 Korean firms and 170 buyers from 18 countries received export consultation at the event. The Korea Arts Management Service (KAMS) and several relevant organizations also took part to share their experience and expertise regarding art collaboration.

“Art collaboration is an effective marketing tool that improves brand image and adds value to consumer goods,” said Jaehong Kim, president and CEO of KOTRA. “It also creates jobs for artists.” Kim explained that KOTRA will continue to support art collaboration projects so that more Korean businesses and artists can successfully enter the global market.

On Dec.14, KOTRA hosted the Korea-China Economic & Trade Partnership event on the sidelines of President Moon Jae-in’s state visit to China. The event aimed to enhance economic cooperation between Korean and Chinese businesses and was attended by 174 Korean and 751 Chinese firms. A variety of programs were offered, including export consultation sessions and showcases for premier consumer goods. There were also booths that promoted Korean companies as well as their CSR activities.

“Startups are essential for Korea’s innovative growth, and they need to go global to gain competitiveness,” said Dooyoung Kim, executive vice president for strategic business. According to Kim, KOTRA will further serve as a global business platform for Korean startups by helping them join global startup conferences.

Slush is a non-profit event organized by a community of entrepreneurs, investors, students, and festival organizers. Located in Helsinki, it has grown into one of the leading events of its kind from a 300-person conference in 2008. Since 2015, Slush has also run events throughout the world, including Slush Tokyo, Slush Shanghai and Slush Singapore. In 2017, 1327 registered investors and 2500 startups participated.

Global Art & Consumer Goods Collaboration Expo connects companies with artists

Bangkok Export Incubator Center to help Korean companies break into Thai market

Korea-China Economic & Trade Partnership event hosted on sidelines of President’s visit to China

KOTRA launches Korea Pavilion at Slush 2017

KOTRA News
The South Korean economy is maintaining its current recovery pace on the back of strong overseas sales, although there are some downside risks, such as North Korea's provocations and ongoing trade issues, according to a government report.

"The South Korean economy is keeping its recovery pace, aided by robust exports in line with the improving global economy," the finance ministry said in its monthly economy assessment report. "For the time being, its recovery pace is expected to continue going forward," it said.

Production in the South Korean biotechnology sector increased 4.4 percent last year compared with the previous year, as medical equipment and services enjoyed greater demand abroad.

A total of 980 biotechnology healthcare companies produced biotech-based products and services worth KRW 8.87 trillion (USD 8.16 billion) in 2016, up 4.4 percent from a year earlier, according to the data compiled by the Ministry of Trade, Industry and Energy (MOTIE).

The data was based on a survey on 980 companies by the Korea Biotechnology Industry Organization and Seoul-based Hankook Research.

The ministry said medical equipment and biotech services were the best performing sectors, as local companies stepped up marketing efforts abroad.

Exports of biotech-based products came in at KRW 4.45 trillion (USD 4.07 billion) and imports amounted to KRW 1.46 trillion last year, making a trade surplus of KRW 2.98 trillion.

South Korea will engage in constant, pre-emptive, market-centered corporate restructuring going forward, breaking away from government-spearheaded responses to developments that have been the norm in the past.

"The government will reshape its corporate restructuring paradigm in a way that can prod existing companies to seek innovation and strengthen their competitiveness," Finance Minister Kim Dong-yeon said at an economy-related ministers meeting on Dec.8.

"A market-centered restructuring approach will be sought after, and the government will set up a fund to facilitate corporate restructuring," he said.

Under the plan, key economy-related agencies and private think tanks will regularly analyze major industrial sectors' business conditions, their competitiveness and risk factors, and based on the results draw up a set of plans, including schemes to revamp businesses.

Also, creditor banks will play a key role in pushing for corporate restructuring with the credit rating assessment of their corporate customers, and a KRW 1 trillion (USD 914 million) fund will be established to facilitate corporate restructuring supported 70,577 employees in 2015.

The second Pangyo Techno Valley will nestle on a 440,000-square-meter lot with its construction to be finished by 2022.

The government wants the new startups complex to create new value and jobs through innovation, instead of having employees competing against each other over existing jobs.

The number of companies operating at Pangyo Techno Valley reached 1,121 as of the end of 2015, up 119 firms or 11.9 percent on-year.
World Economic Forecast

Since late 2016, the global economy has been showing signs of investment-led recovery. As a result of the adjustments in facilities/equipment and production since 2010, the world’s overproduction has significantly gone down, while inventories have contracted. The recent rise in demand was caused by companies that have once again been investing in facilities/equipment and inventories, as product prices rise due to adjustments in supply. Investment in construction and corporate facilities has been leading the economic recovery. With asset prices rising fueled by the low interest rates of eased currency policies, housing construction in major countries are seeing increased activity. In the United States, investment in housing has somewhat slowed down in 2017 due to the trend of rising interest rates, but in the euro zone and in major countries such as Japan and China, investment in construction has played an important role in economic growth last year.

While many expect the world economy in 2018 to be better, there are also factors that will weaken the economy. With upstream and downstream economic factors coexisting, the economy is expected to maintain a basic growth rate similar to 2017. That the global economy hit bottom and is beginning to recover means economic circulation is taking place. The improving profitability of companies, and the resulting increase in investment will eventually bring about higher employment rates and wages, and lead consumption. The rise in consumption, in turn, could lead to the expansion of production, employment and investment, putting the economy into a virtuous circle. The problem of the current state of recovery is that consumption has only a minor influence on the economy. As wages fail to rise despite greater employment, the purchasing power of households is not strong, and this is a major factor restricting consumption. Next year, there seems to be some room for wages to go up. However, employment is expected to be unable to quickly rise, as it had this year.

Europe’s unemployment rate is still high, with room for additional employment expansion, but in the United States, where the unemployment rate has gone down to near 4 percent levels, and Japan, which is suffering from a labor shortage, it seems the lack of workers will restrict growth.

In terms of economic policies, one positive side is that fiscal expansion policies are to be expected. It is highly likely that the Trump administration’s plans to cut taxes and invest in infrastructure will pass through the legislative process, and take effect starting in 2018. In particular, the significantly lower corporate tax rates will act as a positive factor for corporate investments. However, except for the United States, other countries do not have plenty of room for fiscal expansion. It will be difficult for the euro zone to reach an agreement among the countries on fiscal expansion, and even Japan, which has set out for a large-scale supplementary budget in 2017, will find it difficult to further expand government spending.

In contrast, with regards to monetary policies, as the United States pushes forward with quantitative austerity measures and interest rate hikes, and as Europe also sets out to reduce quantitative easing, the global trend of austerity is expected to grow stronger. This trend is expected to have a negative effect on consumption, investment, and, in particular, real estate prices. This will thereby become a factor that restricts the upward trend of investment in construction. From an economic policy perspective, it seems the downward trend caused by monetary austerity will be greater than the upward trend fueled by fiscal expansion.

A look at the trends of each country also shows that developing countries will continue on their paths to growth, while advanced countries are expected to slow down. Of the major economies, Russia and Brazil have started to grow, and India is expected to maintain its upward economic trend, but the euro zone and Japan will peak before falling somewhat.

In summary, the global economic growth rate is expected to rise from 3.1 percent in 2016 to 3.6 percent in 2017, and maintain the 3.6 percent level this year as well. Neither does the economic out-
look seem bright from the perspective of companies. This is because the growth in demand has slowed down, the increase in investment this year is expected to raise the pressure of competition, and there are concerns that production costs will go up as higher interest rates lead to slightly higher wages.

**Korea’s Economic Forecast**

In Korea, the trend of investment-led growth that started in 2015 has continued throughout 2017. If earlier growth was led by construction investments, in 2017 investment in facilities have shown a higher rate of growth. And while recovery based on investment-led growth is a global trend, in the case of Korea, the growth was more heavily dependent on investments than in other countries. For the past two years, the contribution of investment on growth exceeded 50 percent, and is expected to approach 80 percent this year. In 2017 Korea is expected to return to 3 percent growth after a long interval.

Korea’s economic recovery was heavily influenced by rising prices in the semiconductor and other electronic parts industries. Amid the expansion of demand for memories in preparation for the Fourth Industrial Revolution, the supply capacity has not increased due to the restructuring that took place in the semiconductor industry, causing prices of semiconductors—a major Korean export item—to surge. This led to a rise in exports and greater investment in facilities. The dominating view is that the semiconductor boom will last until the first half of this year, but the situation will become uncertain starting the second half, when China is expected to increase its supply. Also, being unable to shift the focus from particular items, such as semiconductors and IT devices, it seems the rise in facilities investment will slow down.

Exports, too, are expected to slow down in monetary terms. In 2017 Korean exports, based on customs data, increased by over 17 percent, showing the strongest growth in five years. Semiconductor exports, rising by over 50 percent due to the increase in unit prices, led exports in all sectors, while steel, refined oil and chemical exports also enjoyed a good year due to rising prices. This year, however, the synergistic effect of rising export prices is expected to mostly disappear. While there is room for semiconductor prices to rise further, steel, display and other items that saw an increase in global prices have already started to see their unit prices fall in the latter half of last year, and petroleum goods prices are also expected to stop rising. Moreover, the United States maintaining its protectionist stance and the recent trend of the strong won are expected to have a negative influence on Korea’s exports at different times.

Investment in construction, which led the Korean economy for the past three years, is expected to gradually lose its vitality. The surge in construction projects that began in 2015 led to the high growth rate for housing investments and they are near completion. In contrast, concerns about the oversupply of housing and the government’s supply control policies are causing a decline in the initiation of new construction projects. For a while, the number of housing units that started construction had remained significantly higher than the number of housing units that completed construction, but the trend has been reversed last year. Investment in civil engineering will also slow down. The government has decided to refrain from expanding new social overhead capital (SOC) construction projects and existing investment plans, and plans to significantly reduce next year’s SOC budget. In particular, with the budget for transportation infrastructure including roads, railways and air routes, having been cut by over KRW 4 trillion (USD 3.68 billion), new investments in related sectors are expected to decrease.

In line with global trends, Korea will also display signs of consumption-led growth this year. Until now, consumption has rapidly declined, causing a long period of lackluster consumption despite the rise in actual income. In 2016, the average scale of consumption dropped to a record low—even lower than during the 1997 financial crisis—so many expect there is little room for additional decline. Moreover, considering how consumer sentiment has started to recover last year, it appears that the propensity to consume will stop going down. Even the government’s income-led growth policies, which aim to expand fiscal spending, raise the minimum wage, increase public employment and lower real living expenses, focus on strengthening the consumption sector. Raising the minimum wage could have a negative effect on the production and investment of companies and independent businesses, but considering the effect of the expansion of fiscal spending, the income-led growth policies are expected to have a positive effect on the growth of the domestic economy in 2018.

However, considering the immense contribution of investments to growth, the rise in consumption will not be able to completely offset the effects of the investment slowdown. Unlike investment which widely fluctuates based on the state of the economy, consumption is characteristically inclined to change by small increments. As such, the economy is predicted to undergo a two percent growth—a rate slightly lower than that of 2017.

As growth slows, it seems prices will also be stabilized. As agricultural prices surged due to unusual weather conditions such as drought followed by heavy rain, the growth rate of consumer prices exceeded 2 percent, but recently fell to 1.3 percent. This year, while consumption-led growth will act as a factor that raises prices in the services sector, it is thought that the overall pressure on total demand will not be significant because of the slowdown in growth.

With the domestic economy growing at an increasingly slower pace and prices stabilizing, the base rate will be increased gradually. As the growth of household debt slows down due to the government’s micro-regulatory measures, it seems the Bank of Korea’s concerns on interest rate hikes will focus less on the its effect on reducing debt, and more on the quickly increasing interest burden on households. Upon raising the interest rate late last year, two more interest rate hikes are expected to take place this year. With the United States quickly raising interest rates, there is a growing possibility that the benchmark interest rates of the United States and Korea will be reversed. However, because Korea’s foreign exchange markets have improved their level of soundness, it seems there will not be a considerable outflow of funds in the short term.

By Lee Geun-tae
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As the world’s major economies struggle to get out of the prolonged slump, KOTRA has long been examining ways for Korea to strengthen its cooperation with emerging countries, mostly those in the Middle East, Africa and the ASEAN region. As such, the agency invited over 100 Korean companies to learn more about the latest market trends of these economies during Global Economic Cooperation Forum & Partnering. Held on Dec. 12 at the Lotte Hotel World in Seoul, the event explored ways for Korean small- and medium-enterprises to more actively engage with emerging markets.

“Although geopolitical uncertainties remain, today’s forum will enable promising Korean companies to expand their foothold in the Middle East, Africa and the ASEAN region,” said Yong Suk Kwon, regional president of KOTRA’s Middle East and North Africa branch. “The global business environment is expected to improve in 2018 and this forum will serve as an important event to spur much needed cooperation.”

To help Korean companies get a better understanding of foreign markets, Jeongmin Seo, a professor of international and area studies at Hanguk University of Foreign Studies, presented on the diversification trends of the Middle East and key areas of cooperation. Seo stated that the petro-chemical sector and the information and ICT industry were some of the areas that Korean businesses should focus on.

Energy-saving technology and equipment was also another area of cooperation. He stressed, however, that exporting products wasn’t enough to successfully enter the Middle Eastern market. “Companies shouldn’t just focus on exporting their products; they need to think more about how to transfer their technological prowess.”

Mohammed Alzaabi, director of trade promotion at the UAE Ministry of Economy, further explained the UAE’s vision over the next four years. “The global economy will witness significant economic changes in the coming years and the UAE Vision 2021 National Agenda will help us become one of the best countries in the world by 2021,” said Alzaabi. The UAE government hoped to do so by turning the region into an economic, touristic and commercial capital; promoting innovation and research; strengthening the regulatory framework for key sectors and encouraging high value-added sectors; and being among the best in the world in entrepreneurship through small and medium enterprises in the private sector. Alzaabi stated that by doing so, the country’s business environment will improve and foreign investment will increase, allowing the “UAE to be among the best in the world in ease of doing business, innovation, entrepreneurship and R&D indicators.”

Also invited to the forum was Levy Maduse, director of the United Nations Industrial Development Organization (UNIDO), who presented on UNIDO’s inclusive and sustainable industrial development program in the South African development community.

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Japan’s Hitachi establishes Hitachi Elevator Korea

On Dec. 4, Japan’s Hitachi Ltd. held a ceremony marking the launch of Hitachi Elevator Korea at Lotte Hotel in Sogong-dong, central Seoul. The company entered the Korean market in 1968 and installed elevators for the nation’s first high-rise building in 1984.

The Tokyo-based conglomerate established its Korean unit on expectations that the Korean elevator market would rapidly grow. An official from the company said Korea is the third biggest market for elevators after China and India, and the recent revision of the elevator safety regulation would further boost demands for elevators.

As part of efforts to broaden presence across the globe, Hitachi set up its overseas subsidiaries in the Philippines in 2011, Myanmar in 2015 and Cambodia and Vietnam in 2016. In April this year, it took over British elevator service provider Temple.

Katayama Tsuneaki, who had worked for Hitachi Building Systems for more than 40 years, was named chairman of Hitachi Elevator Korea and Song Seung-bong, who served at Thyssenkrupp Elevator Korea, was named chief executive officer and president.

Foreign IBs revise up Korea’s growth outlook

Major foreign investment banks (IBs) have forecast Asia’s fourth-largest economy to expand at an average rate of 2.9 percent next year.

The forecast, made at the end of last month, is slightly up from the median growth projection of 2.8 percent presented a month earlier. Of the nine foreign institutions, five have revised up South Korea’s 2019 growth predictions, with Barclays and Goldman Sachs offering the highest rate of 3.1 percent.

The IBs have also hiked their 2017 growth forecast for the economy to 3.1 percent from an earlier 3 percent, with Goldman Sachs and JP Morgan presenting the highest projection of 3.2 percent.

Germany’s Miele invests in Yujin Robot to become largest shareholder

Germany’s premium home appliances maker Miele Inc. is set to become the largest shareholder of Yujin Robot Co., a developer and supplier of various service robots in South Korea.

On Dec. 7, Miele said in a press release that it will inject EUR 40 million (USD 47.2 million) into Yujin Robot to buy new shares to be issued by the Korean robotics specialist to increase capital. Miele will invest KRW 8 billion (USD 7.3 million) through its holding company Imanto AG and the remaining KRW 46 billion through Shiman, a joint venture company founded by Imanto and Yujin Robot.

Yujin Robot has been producing Scout robot vacuum cleaner for Miele since the Korean developer of intelligence robots jointly developed the vacuum cleaner with the German premium consumer goods maker.

Did You Know?

South Korea’s economic growth ranked second among major advanced and emerging economies in the third quarter of the year on brisk exports and increased fiscal spending.

Asia’s fourth-largest economy expanded 1.4 percent in the July-September period from three months earlier, according to data from the Organization for Economic Cooperation and Development (OECD).

S. Korea aims to become global player in drone sector by 2030

South Korea unveiled a long-term plan on Dec. 7 to develop unmanned vehicles, such as first passenger drones, with an aim of emerging as a global leader in the sector by 2030.

Under the road map crafted and announced by the Ministry of Science and ICT, Seoul will concentrate efforts to boost the development of future-oriented drones, self-driving cars, unmanned ships and agricultural machines.

The ministry earlier designated the sector as one of the key strategic industries that is undergoing fast-paced transformation under the Fourth Industrial Revolution.

The long-term plan, which is subject to parliamentary endorsement, will allow South Korea to rank third in the industry with a market share of 10 percent by the target year.

The size of the global unmanned vehicle market came to USD 15 billion in 2015. It is expected to grow to USD 32.6 billion in 2016 and to USD 274.2 billion by 2013, the ministry added.

“Unmanned vehicles is the sector that needs to be focused on the most,” said Lee Jin-kyu, vice minister at the ministry, noting that the government is working closely with leaders from industry and academia to secure core technologies.

Currently, South Korea is said to rank seventh in the world in terms of drone technology, but it relies on a lot of imported core equipment. The key parts of autonomous cars, such as cameras and radar, are imported at present.

First, the ministry will inject KRW 12 billion (USD 11.16 million) into securing core technologies next year and another KRW 550 billion over the following 10 years.

The ministry also forecasts a total of 27,900 jobs will be created in the sector in 2022 and 92,000 by 2030.

Korea’s Q3 growth ranks among OECD

Source: Data from Organization for Economic Cooperation and Development (OECD)
The year 2017 was full of surprises, including an impeachment and dismissal of former President Park Geun-hye and the inauguration of a new president soon after. On May 9, Moon was elected as the 19th president of South Korea and was hurriedly sworn in to the office next day. Throughout his campaign, President Moon had unveiled a number of eye-opening promises including raising the minimum hourly wage to KRW 10,000 (USD 9.3) and setting the maximum number of work hours per week at 52—both of these changes were regarded as radical or premature by businesses.

Most policy plans President Moon had revealed in his office were geared to create jobs for the relatively less privileged like young women or newlyweds. But the most surprising and probably most controversial package in his job policy was the creation of jobs in the public office. Moon’s government in October pledged to create 174,000 jobs in the public sector by 2020. The number of new jobs increases to more than 800,000 if social workers and regularized employees are included.

Amid this somewhat unexpected political transition, the economic condition in 2017 was far better than what people had expected a year ago. Most analysts had expected economic growth last year to be no better than 2.7 percent. Some even anticipated a 2.4 percent growth. To the surprise of us all, the economy grew by 5.6 percent in 2017, as we all know, the 16.8 percent increase in equipment investment. It is not certain whether the semiconductor business boom in 2017 will continue on in 2018. Business analysts are divided about the future of the semiconductors business. But the boom in the IT industry made the transition of the Moon administration much smoother.

The Moon administration now steps into its second year with a number of challenges ahead. The IT industry boom of 2017 will lackluster in 2018, and the labor market will plunge into a tug of war between laborers and executives. Very high minimum wages will create a lot of layoffs and possibly close down marginal businesses. The market interest rates will rise following the US rate hikes, and this will make private consumption and investment more difficult. The rapid appreciation of the Korean won since September 2017 will speed up imports while slowing exports, rendering trade surpluses to shrink in 2018. And the amendment negotiations of the KORUS free trade agreement in 2018 will be as contentious as its initial inception negotiation in 2012. Because of these challenges, almost all research institutes expect that this year will be less bright than 2017.

But there are still positive aspects. First, political uncertainty has been removed. Unlike in 2017, a new president and a new government are beginning to regain their leadership and authority to direct national policies. Second, political and economic friction with China after THAAD deployment seems to have settled down after President Moon’s visit to China in December 2017. Third, the budgetary environment looks fine. Tax revenues from January through October turned out to be KRW 22 trillion (USD 20.44 billion) more than the schedule planed before. As the national debt is well below 40 percent of the GDP, there will be little budgetary constraint for the government to implement active growth policies in 2018. Fourth, every senior government official correctly realizes that Korea must push for innovation-driven growth to sustain growth and create new jobs. It is true that innovation by venture entrepreneurs and creative businessmen should pave new ways of economic growth for the future of Korea’s economy. As it has been emphasized before, however, the innovation of already existing firms and businesses is as important as that of start-ups.

Weighing all the challenges and positive aspects, the year 2018 may not be as bright as 2017 but almost equally worth endeavoring. The government should use national resources as efficiently as possible to achieve welfare and growth at the same time. It should try very hard not to waste tax money and must not teach but guide the private sectors, as long as innovation is concerned. Workers should learn how to coexist peacefully and harmoniously with businesses in a highly competitive environment world of very high wages. Government intervention in the labor market now being obsolete, laborers and business should find mutually beneficial ways of cooperation to survive fierce internal and external competition. Businesses should seek most innovative routes. Cooperation between the government, workers and business should be the new rule of the game. With the old government gone, it should not be replaced by the control of a different kind. Only efficient self-governance, innovation, and mutual cooperation should be the norm of this government. That’s what is expected about this government and why it’s worth endeavoring.

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* The opinions expressed in his article are the author’s own and do not reflect the views of KOTRA
Since 2011, Invest KOREA’s Honorary Ambassadors of Foreign Investment Promotion for Korea have been spreading the word about the advantages of doing business in Korea. Not only do these individuals possess vast knowledge of management and international investment, but they also have a strong business and government network in their respective countries.

Today, the honorary ambassadors inform companies and the general public about Korea’s investment opportunities in eight countries, including Germany, France, the United States and Japan.

We recently sat down with Bernd Stenger, executive vice president of marketing and sales of Germany’s Heraeus’ electronic chemicals division. Appointed as an honorary ambassador this year, Stenger sees his appointment as a chance to bring Korea and Germany even closer together. Here’s what he wants to achieve during his term.

What would you like to accomplish during your time as an honorary ambassador?

I see this role as a chance to bring German companies and Korean companies together. German companies have a strong presence in Korea, but we can do more. I want to talk to German companies that are interested in doing business in Asia and tell them about the advantages of investing in Korea. It would also be great to talk to Korean companies that want to enter the German market and give them advice. It’s important for me to foster relations in both directions.

You’ve been doing business in Korea for many years. How has Korea changed over the last decade?

A big challenge that foreign companies faced up until the last decade or so was integrating Korea’s management style with the global management structure. At that time, Korean companies operated in a hierarchical way and it was difficult to get input from people aside from senior officials. Now, things are starting to change. I think the young people here are more open and liberal. They also have more exposure to countries outside of Korea at an early age. I’m always so impressed of the endurance and stamina of the Korean people and they’re always ready to get things done. You can always trust them and rely on them. I really appreciate the fact that people respect each other and I look forward to coming to Korea each time.

What kind of investment opportunities are German companies looking for? What are some areas that could be of interest to Korean companies?

German companies are interested in industries related to semiconductors, automotive electronics, mobile phones, displays and the Internet of Things. Meanwhile, many Korean companies are showing a growing interest in German engineering and manufacturing equipment. I think that the renewable energy sector, which includes wind energy and gas turbines, can also be a newly emerging opportunity for growth.
What is some advice you would give to German companies that want to carry out operations here?

First of all, you should be prepared because Korea’s very competitive. You also have to be competitive. You can’t come here with average solutions because Korean companies have high expectations.

Also, the management style is starting to change for the better; in the past, you had to know the right person to have a chance, but now, as long as you have a good product, you will be able to enter the market.

Korea is a great market for companies that want to do business not only here, but in other Asian countries like China. From my experience, Korean technology has a good reputation in China so the country could serve as an ideal gateway market.

My last advice would be to monitor Korea’s political and economic environment, but don’t be too confused by what you hear. Some people think that because of the North Korean situation, it would be risky to do business in South Korea. But don’t take this too seriously because when you’re actually in South Korea, you can see that the North Korea issue is not a threat. South Korea has a stable political and economic environment—both solid advantages of the country.

What can the Korean government do for foreign companies to make them feel more welcome?

I hope the government will continue to focus on programs that foster people’s foreign language skills so that they can better communicate with people of different cultures. I also hope that the government will inform companies early of any changes to regulations or policies so we can prepare in advance. And once the government implements these changes, it needs to make sure the policies are running smoothly and efficiently.

What are your future hopes for strengthened Korea-German relations?

The relationship between our countries is really strong and we have a lot of similarities historically. For example, Korea is divided and Germany was also once a divided country. A lot of my Korean colleagues are interested in how Germany was able to reunify successfully.

Korea and Germany have great relations now, but I think we need to constantly renew our commitment to each other. I would like to see Korea not lose interest in Germany and the European region. Good relationships are formed by the efforts of both sides and I will try to do my part to achieve this goal.

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Upcoming KOTRA Events

2018 Global Market Entry Seminar

The 19th Global Market Entry Seminars will be held on Jan. 9 at InterContinental COEX Seoul, and on Jan. 11 in Korea’s major cities including Busan. Hosted by the Ministry of Trade, Industry and Energy (MOTIE) and organized by KOTRA, the seminars will cover the prospects for the global economy as well as major issues in each region. Professor Byung-il Choi of Ewha Womans University will deliver the keynote speech on how Korean companies should respond to global trade issues. KOTRA’s regional director generals for 10 regions, including China, North America and Southeast Asia, will discuss strategies for global market entry. The event is expected to contribute to boosting exports in the upcoming year.

International Consumer Electronics Show 2018 (CES 2018)

The International Consumer Electronics Show (CES) 2018, the world’s largest exhibition for consumer electronics, will kick off on Jan. 9 at the Las Vegas Convention Center, USA. A total of 62 booths, including the two in charge of promotional activities, will be operated by 58 Korean firms at the Korean Pavilion. Major exhibiting items will include smart-home devices, small and medium-sized appliances, ICT and security devices, mobile devices, software, 3D printers and wearable accessories.

AEEDC Dubai 2018

From Feb. 6 to 8, KOTRA and the Korea Dental Industry Association (KDIA) will operate the Korean Pavilion at the UAE International Dental Conference & Arab Dental Exhibition (AEEDC Dubai). The three-day event is widely known among dental professionals and students in the Middle East region, as it provides informative and insightful programs, including exhibition and conferences. The event also presents valuable opportunities for visitors to take a look at the year’s industry trends. Now in its 22nd year, the event is the largest of its kind out of 10 international dental events held in the MENASA region, in terms of exhibition size and the number of participants. It also offers the best platform for global buyers and the dental fraternity to network and interact.

This year’s AEEDC Dubai exhibition will feature a broad range of dental devices, machines, equipment, materials and pharmaceuticals. As a growing number of hospitals are planning to go digital, there is also rising demand for diagnostic imaging software and medical solutions. The Korean Pavilion will be composed of 73 booths including the two in charge of promotional activities. Since 2005, KOTRA’s overseas offices have provided satisfactory services with Korean participating companies. They have helped Korean firms find and meet proper business partners, and made it easier and more affordable for them to take part in exhibitions.
KOREA AND GERMANY: TRADE & INVESTMENT STATUS

Mr. Bernd Stenger, Honorary Ambassador of Foreign Investment Promotion for Korea, said in his interview that Korea and Germany have many similarities. And one major similarity is their dedication to excellence, especially in the automotive and technology sectors. As such, the two countries have been working closely for decades. Read on to find out more about the trade and investment status of Korea and Germany.

Korea’s Investment to Germany

Overview

A growing number of Korean small and medium-enterprises (SMEs) and individuals have chosen Germany as their investment destination for the last three years. The electronics, ICT, automobile, finance and medical equipment sectors previously attracted the majority of Korean capital. But more recently, emerging industries that adopt highly advanced technologies are gaining traction, including blood glucose meters, dental implants, dental diagnostic equipment and reagent kits and smart in-vehicle infotainment (IVI) systems. Korean investors are now interested in a broader range of items that include breathalyzers, microfiber products and artificial marbles. More and more Korean consulting firms are also making inroads into the German market. Active investments are being made either through acquisitions (M&A) or the establishment of research institutes.

Figures

From 1968 to Q1 2017, a total of 608 Korean firms invested in Germany through 1,611 reported investment projects worth USD 4.597 billion.

Korea’s Trade with Germany

Overview

Germany is Korea’s 14th largest export destination, following China, the United States, Vietnam, Hong Kong and Japan. Among the European Union, Germany is the second largest export market, next to the United Kingdom. Thanks to the Korea-EU FTA, Korea’s imports from Germany also have seen a steady rise, making the country the fourth largest importer of German goods and services in 2014. Germany remained Korea’s sixth largest import partner as of May 2017.

Korea’s Import and Export Status with Germany

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017.3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Growth Rate</td>
<td>Value</td>
<td>Growth Rate</td>
<td>Value</td>
</tr>
<tr>
<td>Export</td>
<td>7,908</td>
<td>5.3</td>
<td>7,571</td>
<td>-4.3</td>
<td>6,220</td>
</tr>
<tr>
<td>Import</td>
<td>19,336</td>
<td>9.6</td>
<td>21,299</td>
<td>10.2</td>
<td>20,957</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>-11,428</td>
<td>-13,728</td>
<td>-14,737</td>
<td>-12,474</td>
<td>-4,003</td>
</tr>
</tbody>
</table>

From 1968 to Q1 2017, a total of 608 Korean firms invested in Germany through 1,611 reported investment projects worth USD 4.597 billion.
Korea’s chemical industry has shown no signs of slowing down, as electronics that use chemical products continue to grow. As such, Korea quickly became the fifth largest market in the global chemical industry, ranking higher than countries like India and France. Local companies in Korea are also exerting their presence in the global market. In 2015, four Korean companies were ranked among the world’s top 50 chemical companies, including LG Chem, Lotte Chemical, SK Innovation and Hanhwa Chemical.

The total production of the chemical industry amounted to KRW 155.51 trillion (USD 141.46 billion) in 2014 and during the same period, the annual average export growth rate of petrochemicals reached 12.2 percent. Korea is also showing its strength in specialized chemicals. For example, SK Innovation is the second largest company in the global wet-type separation membrane market, which is a key material used in manufacturing rechargeable batteries.

There are various factors that contribute to the nation’s competitiveness. For one, highly educated human resources have played a pivotal role in securing the country’s foothold in the market. In addition, Korea has a solid R&D foundation for high-tech chemical materials, as it does not hesitate to invest in research clusters that provide a base for further development. On that note, the Sepung General Industrial Complex demonstrates Korea’s dedication to becoming a leader in fine chemicals.

Sepung General Industrial Complex

The Sepung General Industrial Complex is located in the city of Gwangyang in Jeolla-do. The complex is under construction within the Gwangyang Bay Area Free Economic Zone (GFEZ) and it is estimated to be completed by 2020. The complex, worth about KRW 545.8 billion (USD 502.14 million), is an enormous project that spans across 2.4 square meters. When completed, the complex will host numerous companies of various industries. The main targeted industries of this establishment includes functional chemical materials, primary metallic products and electric devices manufacturing.

Those who move in to the Sepung Industrial Complex are provided with world-class infrastructure and logistics. To start off, the industrial complex is located near other industrial clusters such as the Pohang Iron and Steel Company (POSCO) in Gwangyang. This will allow businesses to cooperate and exchange materials and knowledge at a fast pace. Furthermore, the complex is 10 minutes away from Gwangyang International Port and 15 minutes away from Yeosu Airport. Well paved highways and railroads will connect the tenant companies to the capital area and other parts of the peninsula.

Recently, the Sepung complex has been declared as a foreign investment zone. By injecting KRW 24.6 billion (USD 22.63 million), the complex will provide space for foreign companies at a very affordable price. The zone covers 82,641 square meters of land within the complex and those who decide to move in to the area will enjoy tax benefits. All of the companies in the complex will be able to take advantage of the 75 percent reduction of both acquisition tax and property tax. For example, those who invest over USD 2 million in R&D will be provided with tax benefits such as a corporate income tax exemption for the next five years.

Ultimately, the Sepung General Industrial Complex aims to welcome industries that will eventually foster new growth engines and accelerate development in Korea. The cluster not only aims to attract foreign investment but seeks to cooperate and collaborate with foreign companies in order to develop together. For those related to the fine chemicals industry, Sepung General Industrial Complex may be the perfect start of your journey in Korea.

For more information, visit http://www.gfez.go.kr/menu.es?mid=a20205030100
KOTRA’s Services

Invest KOREA Market Place (IKMP)

To meet the rising demand for foreign investment in both public and private sectors, Invest KOREA (IK) launched Invest KOREA Market Place (IKMP) as a tool to facilitate global market entry and expand business networks. IKMP helps Korean startups and SMEs enter the global market by attracting foreign investment. It also promotes public development projects led by local governments and Free Economic Zones to foreign investors.

Within IKMP, there is a database of promising investment projects that are currently looking to receive foreign investment through M&A or equity investments. Through this collective database of domestic projects, it’s now even easier for overseas companies to work with Korean companies and local governments.

The entire IKMP process is now more organized, as IK is playing a more active role in searching for investment demand and planning investment promotion activities in a way that better reflects the needs of the market. Domestic companies and regional governments may submit information about their projects to IKMP three times a year (March, June and September). Furthermore, IK works together with external organizations, including banks and financial institutions, that have a list of companies that need foreign investment.

IK created a special consultant team to better respond to industry trends as well as significant changes in industrial structure. Composed of various experts from industries, universities and research institutes, the team screens and assesses investment projects that are eligible to be listed on IKMP. Selected investment projects (companies/projects that won the bidding process) are listed under the IKMP Menu on the IK website. By creating an open database on the website, investors from all around the world can easily find investment projects in Korea that seek foreign capitals.

For more information, please visit http://www.investkorea.org/en/news/InvestKoreaMarketPlace.do

Introducing Korea’s SMEs

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

C&L Corporation is an accredited materials and components company, and specializes in designing and manufacturing thermoelectric application products as well as other high temperature environment control systems.

C&L produces high quality thermoelectric application products and applies them to manufacture customized semiconductor testing equipments and animals and plants nurturing environment control systems. C&L also supplies cooling systems for high temperature environments, based on patent granted technology, to power plants where conventional air-conditioners cannot be applied.

With extensive experience in developing high temperature environment control technique, C&L is capable of providing optimum solutions to meet customer needs.

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Tel: + 82-32-818-0354
Fax: + 82-32-818-0323
Website: www.coolnlight.com

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
**Introducing Invest Korea Plaza**

**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**

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

Source: The Bank of Korea, December 2017

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

Source: International Monetary Fund, October 2017

<table>
<thead>
<tr>
<th>Foreign Trade</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>November 2017 (Unit: USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>547,870</td>
<td>559,632</td>
<td>572,665</td>
<td>526,757</td>
<td>495,426</td>
<td>524,797</td>
</tr>
<tr>
<td>Imports</td>
<td>519,584</td>
<td>515,586</td>
<td>525,515</td>
<td>436,499</td>
<td>406,193</td>
<td>434,809</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>28,285</td>
<td>44,047</td>
<td>47,150</td>
<td>90,258</td>
<td>89,233</td>
<td>89,988</td>
</tr>
</tbody>
</table>

Source: Korea International Trade Association, December 2017

<table>
<thead>
<tr>
<th>KRW-USD Foreign Exchange Rate</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>November 2017 (Unit: KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,126.9</td>
<td>1,095.0</td>
<td>1,053.2</td>
<td>1,131.5</td>
<td>1,160.5</td>
<td>1,105.04</td>
<td>1,105.04</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, December 2017

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<tbody>
<tr>
<td>50,835.0</td>
<td>81,148.2</td>
<td>84,373.0</td>
<td>105,939.6</td>
<td>98,677.4</td>
<td>5,715.5</td>
<td>5,715.5</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, December 2017
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KOTRA has 127 overseas offices and 10 headquarters worldwide.

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