Paving New Roads
As the trade commissioner of the Italian Trade Agency, Paola Bellusci is making an impact in both her home country and Korea

Paola Bellusci
Trade Commissioner
Italian Trade Agency, Seoul Office
Greetings From KOTRA

Dear Readers,

Invest KOREA (IK) has always been about working closely with foreign companies so that they can enjoy all the great things that Korea has to offer. But we’re also aware that the agency has room for growth. That’s why we recently held a workshop to strengthen our support system for foreign investors through the following ways:

First, our main objective is to provide a comprehensive platform that not only promotes foreign direct investment (FDI), but also creates jobs. As such, we’ll improve the current incentive system to help foreign firms employ promising Korean talent. We plan on attracting foreign capital in the high value-added service industry as well as greenfield investment in the manufacturing sector—all of which can foster job creation. In addition, we will conduct surveys of all foreign-invested companies in Korea about their employment plans so that we can provide different levels of assistance.

Some other measures that we are planning to focus on include transforming the domestic and overseas infrastructure for FDI promotional activities. We’ll digitalize IK’s domestic services and look for potential markets where we can open additional Korea Business Centers in charge of FDI promotion. And of course we’ll continue to host investor relations events all over the world. On that note, I’ll be heading to Singapore in March to meet with potential investors who are interested in Korea’s investment environment. Through such restructuring, IK will continue to strengthen key partnerships in the future.

Sincerely,

Yong Kook Kim
Head of Invest KOREA
From Jan. 9 to 12, the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea Electronics Association (KEA) jointly organized the Korean Pavilion at the Consumer Electronics Show 2018 in Las Vegas. The Pavilion housed 57 Korean startups and small and medium enterprises (SMEs) in the tech sector. Hosted by the Consumer Technology Association (CTA), CES annually showcases a broad range of products under the themes of smart city, cyber security, experience economy, jobs of the future and Generation Z. This year, the event convened 4,000 companies from 150 countries and 200,000 visitors, which is the largest number on record.

“KOTRA will help participating companies from exhibition to follow-up management so that they can strike export deals with global buyers,” said Ohsuk Kwon, director general of KOTRA’s Korea Business Center in Los Angeles who led the overall management of the Pavilion.

KOTRA predicted that Korea’s exports will continue to grow in the first quarter of this year. Its Export Leading Index for the first quarter of 2018 scored 58.5, exceeding the base value of 50. Although it is a 1.2-point decrease from the previous quarter, multiple figures indicate an upward trajectory of exports. For instance, Export Outlook Indices were above the base values in all of Korea’s export destinations. Their economic outlook indicators also reached the highest level since the third quarter in 2013. Three other supplementary indices (Korea’s price competitiveness, quality competitiveness and importers’ economic status) also picked up during the same period. Korea’s major export items will include semiconductors, flat panel displays (FPD), computers as well as promising consumer goods.

On Jan. 11, KOTRA published the reports on the European and Latin American medical devices markets. The new reports provide insights into market status and promising export items, which will help Korean firms target the two most prospective importers of medical technology.

As of 2016, Europe had the world’s second largest medical devices market, which was valued at USD 100.1 billion with a market share of 28 percent. Central and Eastern Europe, which are the most popular destinations for dental treatments, have a high demand for Korean dental devices. In particular, Hungary’s imports of Korean dental implant products increased by 182.6 percent for the last two years. In Italy and Austria, Korea’s ultrasonic diagnostic devices have a high market share.

The Latin American market stood at USD 12.2 billion and is likely to grow by 8.4 percent over the next five years. As of the third quarter of 2017, Korea’s exports of medical devices to Latin America rose by over 9 percent year-on-year to reach USD 100 million. During the same period, its exports to Argentina and Mexico grew by a whopping 50 percent and 20 percent, respectively.

“Korea is now the world’s ninth largest medical equipment exporter and is increasingly breaking into these two markets,” said Wonsok Yun, executive vice president for business information and trade affairs. He advised Korean firms to develop advanced medical devices that would meet the demand of aging demographics, such as ultrasonic diagnosis devices and dental equipment. “It is also crucial to have marketing strategies tailored to each country and sales channel,” he added.
South Korea’s exports to 52 countries with which it has free trade agreements jumped nearly 20 percent in 2017 compared with a year earlier, bolstering its overall shipments.

During the January-November period, deliveries of goods to FTA partner countries climbed 19.6 percent to USD 380.35 billion, accounting for 72.5 percent of the country’s exports valued at USD 524.8 billion, according to data from the Korea International Trade Association (KITA).

In the previous year, exports to the same trading partners accounted for 70.7 percent of total shipments worth USD 350.43 billion.

South Korean exports to China hit USD 128.3 billion in the first 11 months of this year, followed by the United States with USD 63.3 billion, Vietnam’s USD 43.7 billion and Australia with USD 19 billion.

Meanwhile, Korea’s imports from the 52 countries climbed 15.9 percent to USD 274.4 billion, accounting for 63 percent of its total imports worth USD 434.8 billion in the 11 month period, the latest data said.

South Korean exports of agricultural products and food increased 5.6 percent in 2017 on upbeat sales of fresh fruits and instant noodles, offsetting sluggish poultry sales in the wake of bird flu outbreaks.

South Korea exported USD 6.83 billion worth of agricultural products and food last year, up from USD 6.46 billion in 2016, the Ministry of Agriculture, Food and Rural Affairs said on Jan. 4.

Overseas sales of strawberries and ginseng rose 29 percent and 18.7 percent, respectively, on strong demand from Southeast Asian nations.

Exports of processed foods advanced 7 percent to USD 5.73 billion as sales of South Korean-made instant noodles jumped 31.2 percent to USD 3.08 billion.

Shipments to Japan, South Korea’s biggest food export market, gained 13.4 percent to USD 13.14 million, marking a turn back to growth for the first time in five years.

On Jan. 10, Prime Minister Lee Nak-yon pledged to expand state support for small and medium-sized enterprises (SMEs), including implementing financial assistance and deregulation for venture startups and ensuring level playing fields for SMEs and conglomerates.

Lee made the remark during a new year meeting with representatives of the SME industry, calling for SMEs to play a greater role in lifting South Korea’s economy in the era of the Fourth Industrial Revolution centered on new innovative technologies.

“The government will expand assistance to SMEs. In particular, we will provide active support for attempts to bring about new industries and new technologies. The government will create an ‘innovation venture fund’ with a goal of raising KRW 10 trillion (USD 9.34 billion) to help with risk-taking startups,” Lee said.

Lee vowed to ensure that the business environment is fair for SMEs and big businesses and to make sure that conglomerates known as chaebol won’t prey on smaller firms.

Lee acknowledged that raising the minimum wage increased the burden on businesses but asked for their understanding, saying that the government can no longer do nothing about low-income workers and the worsening income gap.

The South Korean government will assist local cosmetics makers in expanding their presence in the Association of Southeast Asian Nations (ASEAN) market.

The Ministry of Food and Drug Safety will expand education programs for local manufacturers, covering topics such as customs procedures and product registration, Minister Ryu Young-jin said.

The remarks were made during a meeting among Ryu, ministry officials and heads of leading cosmetics manufacturers on Jan. 10.
One of the hottest buzzwords in the global financial market right now is cryptocurrency—a digital asset, that is, an entity existing only in a digital world. A cryptocurrency is classified as a subset of digital currencies or virtual currencies, but its definition is not always clear or consistent.

On that note, Bitcoin first emerged in 2009 and is the forerunner among over 1,000 cryptocurrencies and numerous other cryptocurrencies have followed suit since the financial crisis. Bitcoin and similar currencies use a decentralized control system called a blockchain, which is totally different from conventional centralized electronic money or central banking systems. The decentralized control technology of cryptocurrencies is their most valuable asset, as it provides privacy, safety and credibility. Some even argue that cryptocurrency technology that Bitcoin demonstrated since 2009 is where the financial world is headed because it prevents central bank and government manipulation, as well as hacking, from taking place.

Despite all the novelty and merits of cryptocurrencies, however, the financial world is entirely perplexed and baffled by the recent frenzy that was created across world markets. Prices of cryptocurrencies have risen at alarming rate. In Korea, the price of Bitcoins surged from about USD 1,000 in Jan. 2, 2017 to more than USD 14,000—a 6 percent drop in less than a week. It created havoc in cryptocurrency markets and some have written more than 200,000 petitions to the Blue House asking not to shut down trades.

Such a reaction is understandable but it is not easy to understand the potential risks that exploding virtual currency markets would bring about to financial businesses. First of all, the price behavior of such currency has been too odd or abnormal to be regarded as natural investment behavior. Another risk is potential evasion of tax levy or prudential legal requirements. There is also strong possibility that illegal activities might be connected to cryptocurrency transactions. That’s why governments like China, Korea or the United States are regulating volatile and potentially dangerous cryptocurrency trades. But not all countries necessarily have to close down the cryptocurrency trade houses like China. Depending upon the maturity of investors and legal infrastructure, government regulations can take a different form.

Korea and cryptocurrencies

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*The opinions expressed in his article are the author’s own and do not reflect the views of KOTRA
On Jan. 9, the Korea Trade-Investment Promotion Agency (KOTRA) hosted the 2018 Global Market Entry Seminar at InterContinental COEX Seoul. In the midst of growing protectionism, China’s “new normal” of slower growth and diversifying export markets, the event helped domestic companies find ways to expand their business operations overseas.

In particular, KOTRA emphasized that Korean businesses need to closely monitor the renegotiation of the Korea-U.S. FTA and the expansion of the Korea-China FTA to include services and investment. The seminar speakers also pointed out that it is essential to expand market entry into emerging economies including ASEAN, India and Central and South America.

Managing G2-related risks

The 2018 Global Market Entry Seminar highlighted the importance of considering two factors in devising strategies to enter the American market: the renegotiation of the Korea-U.S. FTA and President Trump’s ‘America First’ policy. In particular, Korean firms learned that they can avert protectionist measures by establishing corporations or manufacturing plants in the United States and participating in strategic M&As. They also were advised to take preemptive responses to the steel-making and chemicals sectors where the U.S. government and businesses are joining hands to ratchet up anti-dumping measures.

Thanks to eased tensions over the THAAD deployment, meanwhile, Korea and China are expected to maintain amicable trade relations this year. However, multiple challenges need to be addressed, including China lowering its growth target to 6.5 percent and tougher environmental policies which will likely reduce Korea’s exports of intermediate goods such as semiconductor and electronic parts. Another challenge is China’s push for the Manufacturing 2025 plan, in a bid to boost domestic production of parts and components and enhance technological capacity. While rising domestic demand in China will create plenty of new market opportunities in the e-commerce, elderly care and environment industries, companies need to thoroughly examine risks regarding customs, certification and environmental compliance.

A diversifying market

ASEAN and India, which are at the center of Korea’s New Eastern Policy, are expected to achieve economic growth of 5.2 percent and 7.4 percent, respectively. Such a remarkable growth is attributed to rapid urbanization as well as the growth of middle-class families. While their value as an alternative market to the United States and China will grow even more in 2018, Korean companies have yet to fully utilize the Korea-ASEAN FTA. Against this backdrop, KOTRA advised Korean firms to take full advantage of the country’s FTA network and sharpen their price competitiveness.

Economic recovery is also expected to continue in Russia and the CIS region, which are the focus of Korea’s New Northern Policy. Korean firms planning to enter this market need to respond to increasing large-scale retail chains in the region and the growing online retail market. Businesses can expand their investment portfolio by leveraging investment incentives provided in Russia’s TASED (Territories of Advanced Social and Economic Development) and free ports and receive assistance from KOTRA’s Korean Investor Support Center in Vladivostok.
The Latest on Korea's Investment Environment

Hana Financial, China’s Cybernaut to set up USD 100 mln fund for startups

Hana Financial Investment Co., a subsidiary of Hana Financial Group Inc., said it has agreed with a unit of China’s Cybernaut Investment Group to set up a fund worth USD 100 million for global startups.

The two firms signed an agreement to launch the venture capital fund as early as June, Hana Financial Investment said on Jan. 17.

The fund will invest in startups in the fields of health care and medical businesses.

Lee Jin-kook, chief executive of Hana Financial Investment, said in a statement that the fund would also help local startups make inroads into the Chinese market.

Established in 2005, Cybernaut has about CNY 200 billion (USD 3.1 billion) of assets, according to the Chinese company’s website.

POSCO Indonesia plant posts profit after 4 years of operation

On Jan. 15, South Korean steelmaker POSCO said its steel plant in Indonesia turned a profit after four years of operation, with accumulated sales exceeding 10 million tons.

PT Krakatau POSCO, an integrated steel mill jointly set up by POSCO and Indonesia’s state-run steel firm Krakatau Steel, shifted to an operating profit of USD 12 million last year after posting losses in the previous three years.

POSCO, the world’s fifth-biggest steelmaker by output, invested a 70 percent stake in the joint venture, with the remaining 30 percent held by the Indonesian steelmaker.

PT Krakatau POSCO produces 3 million tons of steel per year and is the first steel mill built by POSCO outside the country. It is also the first integrated steel mill in Southeast Asia.

In the January-September period, POSCO reported a net profit of KRW 2.41 trillion (USD 2.28 billion), jumping from KRW 1.03 trillion a year earlier.

FDI pledges to S. Korea hit record high in 2017

New foreign direct investment (FDI) pledged to South Korea hit a record high last year on the back of interest in the advanced technology and manufacturing sectors despite military tensions with North Korea, the trade ministry said on Jan. 3.

South Korea received USD 22.94 billion worth of FDI commitments in 2017, rising 7.7 percent from a year earlier. The amount surpassed the USD 20 billion mark for three consecutive years.

Foreign investors promised USD 9.36 billion in the October-December period alone which is the largest quarterly number ever, mainly in the IT and petrochemical sectors.

The amount of actual investments made by foreign investors and companies jumped 20.9 percent on-year to USD 12.82 billion over the cited period, the ministry said.

Start-up companies in the mobile platform, big data and network solutions attracted money from abroad as more investors were looking for ways to step up collaboration with innovators in the era of the fourth industrial revolution.

Did You Know?

Lonely Planet, the largest travel guide publisher in the world, has ranked South Korea as their no. 2 country destination for 2018. Chile ranked as the top destination in the world with Portugal, Djibouti and New Zealand rounding out the top five.

Incheon International Airport Corp. (IIAC) held an event on Jan. 12 to celebrate the opening of a second passenger terminal at Incheon International Airport.

The second terminal at the Incheon airport began commercial operations on Jan. 18, with Korean Air Lines Co. making the first flight from the new terminal at 7:55 a.m. to Manila, the Ministry of Land, Infrastructure and Transport said in a statement.

The ceremony, attended by 1,000 people, was also held four weeks ahead of the 2018 PyeongChang Winter Olympic Games, which are slated for Feb. 9-25, to promote the expansion of the country’s main gateway to the world, the statement said.

Korean Air and three foreign full-service carriers—Delta Air Lines, Inc., Air France and KLM Royal Dutch Airlines—are also serving passengers in the second terminal.

IIAC invested KRW 4.93 trillion (USD 4.6 billion) from June 2009 to December 2017 to build the second terminal. In 2015, Korean Air and Asiana Airlines Inc. wanted to move to the second terminal from the existing first terminal.

The government asked them to submit their operating plans for the new terminal. Korean Air was selected over Asiana Airlines after an analysis of their plans.

The three foreign airlines were selected because they have business ties with the Korean flagship carrier through the SkyTeam airline alliance, an official said. The airlines share passenger transfer and code-share programs.

Asiana and 85 other airlines will use the first terminal.

The first terminal served 62 million passengers and handled 2.92 million tons of cargo in 2017. With the addition of the second terminal, the Incheon airport can handle a total of 72 million passengers and 5 million tons of cargo annually.
Korea’s parts industry includes general machinery parts, computer and office equipment parts, electric machinery parts, electronic parts (electronics, video, sound and communication device parts), precision equipment parts and transportation machinery parts. The material’s industry includes textile products, compound and chemical products, rubber and plastic products, non-metallic minerals, primary metals and fabricated metal products. The parts industry is growing more competitive as the innovation capacity of electronics and automotive parts becomes stronger. However, the competitiveness of the materials industry, excluding rubber product businesses, is failing to grow due to the lack of corporate investment in R&D. In particular, the steel industry, while experiencing moderate profitability despite China’s oversupply, is seeing its rate of sales against R&D investment fall, and this is an issue that needs to be improved.

Signs of recovery for the parts and materials industry

Korea’s parts and materials industry maintained an upward trend until 2011, but has since shown signs of fluctuation. Korea’s parts and materials output, after peaking at USD 659 trillion in 2014, went down for two consecutive years. Domestic demand reached KRW 551.4 trillion (USD 513 billion) in 2013, but fell to KRW 523.3 trillion by 2016. During the first nine months of 2017, parts and materials output increased by 0.65 percent from the same period the previous year. By item, non-metallic minerals, fabricated metal products, general machinery parts, computer and office equipment parts and transportation machinery parts saw a decrease in output, while the production of other items increased.

Parts and materials exports, after reaching USD 275.9 billion in 2014, fell for two consecutive years, and recorded USD 251.9 billion in 2016, while imports also declined for two years in a row to USD 158.2 billion in 2014. From January to September 2017, parts and materials output increased by 0.65 percent from the same period the previous year. By item, non-metallic minerals, fabricated metal products, general machinery parts, computer and office equipment parts and transportation machinery parts saw a decrease in output, while the production of other items increased.

By destination, as exports to China and the U.S. decreased, and those to ASEAN and E.U. countries increased, Korea has been lowering its concentration in a small number of countries. Exports to China as a proportion of Korea’s total exports decreased from 35.3 percent in 2015, to 32.8 percent in 2016, and reached 30.4 percent by September 2017. During the same period, exports to the U.S. rose from 10.2 percent to 10.6 percent and then dropped to 10.3 percent. In contrast, the figures for ASEAN countries kept rising from 14.4 percent to 16.5 percent and finally to 18 percent. As a result, the export concentration has continuously declined from 0.387 in 2015 to 0.371 in 2016, and to 0.353 in 2017.

The reason parts and materials exports surged in 2017 was the increase in both output and unit prices. Of the 12.5 percent rate of growth for exports during the first three quarters of 2017, unit prices accounted for 10.2 percentage points, while output volume contributed 2.3 percentage points. By item, despite the downturn

### Parts and Materials Trade Trends

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<thead>
<tr>
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<th>2016</th>
<th>2017</th>
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<tbody>
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<td>Exports</td>
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<tr>
<td>All industries</td>
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<tr>
<td>Parts</td>
<td>1,771</td>
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<tr>
<td>Materials</td>
<td>747</td>
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<td>Imports</td>
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<tr>
<td>All industries</td>
<td>4,062</td>
<td>3,549</td>
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<tr>
<td>Parts</td>
<td>985</td>
<td>793</td>
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<td>Materials</td>
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<tr>
<td>All industries</td>
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<tr>
<td>Parts</td>
<td>786</td>
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<tr>
<td>Materials</td>
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### Machinery Parts Export Trends

<table>
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<th></th>
<th>Transportation machinery</th>
<th>Electric machinery</th>
<th>General machinery</th>
<th>Precision equipment</th>
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<tr>
<td>Jan.-Sep. 2017</td>
<td>199</td>
<td>143</td>
<td>189</td>
<td>48</td>
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<tr>
<td>Jan.-Sep. 2017</td>
<td>208</td>
<td>186</td>
<td>174</td>
<td>41</td>
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<tr>
<td>Growth volume</td>
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<td>-42.9</td>
<td>15.5</td>
<td>6.6</td>
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<tr>
<td>Rate of growth</td>
<td>-4.6%</td>
<td>-23.1%</td>
<td>8.9%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

The reason parts and materials exports surged in 2017 was the increase in both output and unit prices. Of the 12.5 percent rate of growth for exports during the first three quarters of 2017, unit prices accounted for 10.2 percentage points, while output volume contributed 2.3 percentage points. By item, despite the downturn
in exports of several items, such as machinery and electric machinery parts, the majority of items including electronics parts and chemical products did well as actual exports took a favorable turn. For chemical products, the rise in exports was led by export unit prices, which were driven up by rising international oil prices, as well as by the greater output capacity at production facilities newly built and expanded across the country. For electronic parts, exports to all of the major destinations increased due to the rise in demand for semiconductors for servers and mobile devices, and the rise in unit prices for memory chips. However, auto parts exports continued to decline.

Rise in sales and rate of return
According to an analysis of the major parts and materials industries by the Bank of Korea, textiles, plastic products, non-metallic minerals, primary non-ferrous metals, vehicle bodies, trailers and parts industries saw an increase in sales, but in contrast, the sales of synthetic rubbers and plastic substances, rubber products, primary steel, and semiconductors and electronic parts decreased. While these industries all saw their total assets go up, the tangible assets of primary steel and primary non-ferrous metals industries declined. Meanwhile, the Korea Auto Industries Coop. Association (KAICA) found that auto parts sales rose by 3.7 percent in 2015 and by 0.8 percent in 2016.

In 2016, parts and materials industries experienced a rise in profitability, except for semiconductors and electronic parts, and vehicle bodies, trailers and parts industries. Cost saving efforts also continued in the parts and materials industries.

FDI slows down
The total reported amount of Korea’s inbound foreign direct investment (FDI) reached a record high of USD 22.94 billion in 2017. The reported number of FDI in the parts and materials industry as a share of all inbound FDI declined from 76.1 percent in 2010 to 66.0 percent in 2015, but rebounded to 67.8 percent in the first half of 2017. By sector, electric and electronics had the highest aggregate number of foreign-invested companies, followed by machinery/equipment, chemical engineering, transportation machinery and metals. The total reported amount of FDI in the parts and materials industry as a share of all inbound FDI went down from 79.4 percent in 2010 to 48.4 percent in the first half of 2017. assets of primary steel and primary non-ferrous metals industries declined. Meanwhile, the Korea Auto Industries Coop. Association (KAICA) found that auto parts sales rose by 3.7 percent in 2015 and by 0.8 percent in 2016.

In 2016, the chemical engineering sector topped the list of reported inbound FDI, followed by electric vehicles, transportation machinery and machinery/equipment sectors. By the first half of 2017, this order changed, with chemical engineering still at the top, but followed by transportation machinery, electric vehicles and machinery/equipment sectors, in that order. This is in contrast to the breakdown of green field investments in global parts and materials industries in 2016, where the list is topped by automotive and transportation equipment, chemical substances and chemical products, textiles, metals and metal products, rubber and plastic products and machinery/equipment.

The need to strengthen innovation capacity
In Korea, the parts and materials industry’s investment in R&D as a percentage of sales is lower than that of advanced countries. Moreover, the R&D intensity of most parts industry sectors is declining, and in need of improvement. Such anemic investment caused the number of Korean companies listed as the top 2,500 global companies investing in R&D to go down from 80 in 2014 to 70 in 2016. Considering how Chinese parts and materials companies are expanding their investments in R&D and moving up in global ranking, Korean parts and material companies also need to expand in investment in R&D.

In particular, with the demand for parts and materials expected to be led by ICT and auto parts sectors, there needs to be greater efforts to reinforce the innovation capacity of these two fields, as they are the two pillars of the Korean manufacturing industry. If not, it is highly likely that Korea’s parts and materials industry will be stuck between advanced countries and China like a nut in a nutcracker.

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When Paola Bellusci first moved to Korea, she admits she didn’t know much about the country. Now, four years later, the trade commissioner of the Italian Trade Agency (ITA) says she has fallen in love with Korea and feels right at home. A native of Naples, Bellusci professes her deep passion for strengthening economic and cultural ties between the two countries. Most notably, her biggest goal during her term here in Seoul is to deepen knowledge and foster understanding between Koreans and Italians. Bellusci believes such an understanding will open up new roads of cooperation and translate into more fruitful business opportunities. Here’s what she had to say about Korea-Italy ties.

What is the ITA and what is its role here in Korea?
ITA was born in 1926 to help Italian companies enter overseas markets. It first focused on exporting agricultural products but soon evolved and now deals with trade promotion. We have 67 offices overseas and we opened up an office here in Seoul in 1979. In the Seoul office, we help Italian companies have access to market opportunities here in Korea, and vice versa. We also respond to inquiries that come from Korean companies and connect them with Italian businesses.

We are implementing a number of promotional programs funded by the government, which include trade shows, seminars and exhibitions. For example, we bring Italian fashion companies to Seoul twice a year and connect them to Korean buyers. We also invite more than 200 Korean companies to trade shows in Italy. In March, we’re launching a project with Galleria Department Store to promote Italian fashion.

What kinds of Italian companies are seeing popularity in Korea?
It may sound surprising since Italy is known mainly for fashion, food and luxury cars, but the machinery industry is the backbone of Italian exports. Another industry that is flourishing is the leather industry. There is a growing appreciation for Italian leather products coming from Korea. My personal interpretation of this phenomenon is that Korean consumers are growing tired of big name brands; they’re looking for something that’s more unique and high quality.

Why do you think Italian companies are attracted to the Korean market?
The size of the Korean market is appealing to Italian companies because Italy’s industrial system is mostly comprised of small and medium-enterprises so it’s a much better fit for them. Also, Koreans really appreciate products made in Italy because they have a very good eye for design.

Personally, I think Italian companies should come here and experience Korea because it’s a country that grows and develops every single day. Every day is different and you can actually witness firsthand the country’s progress. It’s so exciting.

Trade between Korea and Italy is quite active, but bilateral investment isn’t as strong. Why do you think this is?
I would like to see investment activity grow between Italy and Korea because
it’s rather low compared to trade. In 2016, there have been 13 cases of Italian investment to Korea, totaling USD 41 million; half of it was in manufacturing and the other half was in the service industry. From January to September 2017, Italian investments in Korea totaled USD 54 million. Meanwhile, bilateral trade between our countries stood at about USD 10 billion in 2014.

In the case of Italy, the average size of an Italian company is rather small so they lack the financial capacity to invest abroad. Of course, that’s not to say there aren’t significant Italian investments. One of the largest Italian groups called Eni opened a big plant with Lotte Chemical in Yeosu—this is the largest investment in Korea. There was another joint venture in 2015 between Italian makeup manufacturer Intercos and Korea’s Shinsegae. I hope that such joint ventures can take place more often in the future.

How big of a concern do you think North Korea is to Italian companies?

I think that some Italian companies are more concerned than they should be. This, of course, is not their fault because the Italian media has generally represented the issue in a way that is not very realistic. There were some instances where Italian companies have cancelled tourism and business trips to Korea and I find this to be very unfortunate because they missed opportunities to do great business with Korean companies. Not even for a fraction of a second have I felt unsafe or insecure living in South Korea. I want Italian companies to know that it’s always been business as usual and it’s very safe here.

What advice would you give Italian companies wanting to do business in Korea?

My suggestion to Italian companies is a very basic one—come and be present. They need to actually see and participate in shows and programs to establish a close relationship with Korean partners. I think that it’s important to plan business trips to Korea because Korean clients see this as commitment. Also, don’t underestimate the power and value of Korean small and medium-businesses because innovation starts with them.

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Upcoming KOTRA Events

Global Bio & Medical Plaza
The Korea Trade-Investment Promotion Agency (KOTRA) will hold the Global Bio & Medical Plaza on March 15 at COEX in Seoul, Korea.
The Global Bio & Medical Plaza is the principal global platform for strengthening cooperation and trade between Korean and overseas companies in medical device industries. Held every year since 2008, the event is designed to develop a concrete business relationship and pursue potential contract opportunities between companies seeking to expand their partnerships.
Following last year, GBMP is again working with Korea International Medical & hospital Equipment Show (KIMES), an exhibition attended by 1,300 domestic and overseas manufacturers showcasing new technology and products.
The event will offer information on the latest Korean premium products and services through pre-scheduled one-on-one meetings, business consultations and presentations on the medical device industry.

Game Connection America
In a bid to connect global gaming companies with Korean small and medium-enterprises, KOTRA will host the Korea Pavilion during Game Connection America (GCA) 2018.
GCA which will take place from March 19 to 21 in San Francisco, is an international event where over 2,000 developers, publishers, distributors and service providers come to find new partners and clients.
16 promising Korean companies, 200 international game companies and 150 foreign buyers are expected to participate at the Korea Pavilion.
Game Connection began in 2001, when Pierre Carde, former Director of Lyon Game and now CEO of Connection Events, decided to set up a convention for the gaming industry with the objective of doing business.

Korea Service Market
To help Korean startups enter the global market in the service industry, the Ministry of Trade, Industry and Energy and KOTRA will hold Korea Service Market 2018 at COEX from April 24 to 25. The event will invite 300 domestic firms in the knowledge-based and cultural service sectors, as well as 150 foreign buyers.
Held since 2009, this year’s Korea Service Market offers consultation services for exporters, a forum on Korea-China FTA and a startup pitching event. The forum, most notably, will address changes in the Korea-China FTA in the service market and how companies can take full advantage of the trade deal when entering the Chinese market. There will also be a K-Service Startup Day, which connects Korea’s innovative startups with global ICT platform businesses.
The amount of Korea’s investment in Italy is relatively low, compared to its trade volume. In 2016, Korean companies made 13 investment pledges worth USD 12.36 million, and nine investment projects worth USD 9 million were actually implemented.

Currently, most Korean businesses enter the Italy market by establishing corporations and regional branches in the apparel, trading, automobile and electronics sectors. Since Expo Milano 2015, investments have been made in a broader range of industries to include facility management, business services and technical services.

Italy’s investment in Korea amounted to about USD 30 million in 2015 and USD 41 million in 2016. Korea accounts for 0.43 percent of the number of FDI pledges that Italy has made and 0.29 percent in terms of total amount.
Korea’s parts and materials sectors remain strong thanks to Gwangju and Yeongcheon City

Korea’s parts and materials industry is one of the core components of the country’s economy, as it boasts a high level of global competitiveness. Here are two regions in the country that are seeing rapid growth and increasing investments for R&D and manufacturing.

Gwangju Automobile Industrial Valley
At the center of Gwangju City’s efforts to become a powerhouse of eco-friendly vehicles lies the Gwangju Automobile Industrial Valley. The Valley is composed of the Bitgreen National Industrial Complex, the Jingok Industrial Complex and the High-tech District in Bukgu. Currently, a total of 42 companies like Hyundai Mobis are doing business in three auto parts clusters in the Jingok Industrial Complex. Each cluster is in charge of the modularization of auto parts and the production of auto parts for clean diesel vehicles as well as electric vehicles. R&D institutes are concentrated in the Chumdan District, including the Gwangju Institute of Science and Technology (GIST), Gwangju Technopark and the Gwangju regional branch of the Korea Electronics Technology Institute (KETI).

The Bitgreen National Industrial Complex will serve as a focal point of the Valley. The new complex will be as wide as 4.13 million square meters and will border both Gwangsan-gu, Gwangju and Hampyeong-gun, Jeollanam-do. The Korea Land & Housing Corporation was assigned as project manager and will create a complex exclusive to the automobile industry. The area will house the auto parts manufacturing cluster, the technological support center and the global business center. In particular, the technological support center will be equipped with 179 different kinds of testing equipment and facilities to help companies develop leading-edge technologies.

Spanning over 2 million square meters, the Hampyeong area will accommodate a cluster specializing in the production of finished cars and EVs, as well as residential and recreational facilities for workers. Companies armed with advanced and environmental-friendly technologies will be located in the cluster, mainly related to sectors like automotive lightweighting, high-efficiency motor parts, solar-applied automotive electronics and special-purpose vehicles. Gwangju City has been active in attracting foreign capital, officially requesting 27 global firms including Tesla, Mahindra and Hyundai Motor Group to make investments.

Yeongcheon City
Another region that is spearheading Korea’s part and materials industry is Yeongcheon. The city opened Boeing’s Avionics MRO Center for the first time in Korea and also built the Aviation Electronic Test Evaluation Center to deal with the test, evaluation, certification and R&D of parts and components for avionics.

Yeongcheon City also signed MOUs with four companies: SL Corporation, Joen Glass, SG Corporation and Kaon P&S. These companies will invest KRW 78 billion (USD 73.3 million) in the project to build the Gogyeong General Industrial Complex. The construction project has recently gained momentum and once completed, the complex will house companies specializing in auto and trailer parts, metalworking and metal processing, machinery and equipment. Located in Yongjeon-ri, Gogyeong-myeon, the new complex will border major industrial cities such as Daegu, Pohang, Gyeongsan and Gyeongju. This can be translated into enormous demand from upstream industries and immense potential to be a logistics hub. Officials said that a growing number of companies are showing interest in the complex, and about 78.13 percent of industrial sites have been purchased. Once completed, it is expected to attract KRW 700 billion of investment and create KRW 3.5 trillion in economic benefits to local community.

Furthermore, two out of eight industrial complexes in the city fall under the Daegu-Gyeongbuk Free Economic Zone (DGFEZ). These complexes include Yeongcheon Industry District and Yeongcheon High-tech Park. The Yeongcheon Industry District now houses 69 companies, and seven of them are foreign-invested businesses. Yeongcheon also received the highest ‘S’ rating at the foreign investors’ satisfaction survey by the KCCI (Korea Chamber of Commerce & Industry). The Yeongcheon High-tech Park is now under construction and will be completed by 2023. About KRW 222 billion (USD 208 million) will be poured into creating the cluster specializing in parts and components for avionics and smart vehicles.
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 February issue, we take a look at one of Korea’s most promising part and materials companies.

Daesung Hi-Tech Co., Ltd. has offered machinery parts for micron-level precision processing. In 1997, it began trading with Yamazaki Mazak Corporation, the world’s largest manufacturer of machine tools and manufacturing systems. Its technological competitiveness soon became widely known in the Japanese market, and Japan has been its major export destination for the last 20 years. Now the company is providing high-quality products for larger markets, including the United States, the United Kingdom, China and Singapore, all of which account for about 85 percent of the company’s total revenues. In 2017, it acquired the AS9001 certification, the ISO standard for the international aerospace industry.

Daesung Hi-Tech’s flagship products include machinery parts for precision processing, assembly units, automatic lathes, hobbing machines and tapping centers.

This year, it seeks to expand its market portfolio to go beyond machine tools and supply precision parts for a broader range of industries. It will also sharpen competitiveness in the areas of automatic lathes and tapping centers to boost revenues and drive further growth.

Contact Info:
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Fax: +82-(0)53-593-3663
Website: http://www.topdsht.com
Introducing 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. 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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<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>
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<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>1,872,132</td>
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<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>
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Source: The Bank of Korea, January 2018

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<thead>
<tr>
<th>GDP Per Capita</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Estimate)</th>
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<tbody>
<tr>
<td>Nominal</td>
<td>27,105</td>
<td>27,534</td>
<td>29,730</td>
<td>30,919</td>
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<tr>
<td>PPP</td>
<td>36,390</td>
<td>37,740</td>
<td>39,387</td>
<td>41,173</td>
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Source: International Monetary Fund, October 2017

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<td>Exports</td>
<td>547,870</td>
<td>559,632</td>
<td>572,665</td>
<td>526,757</td>
<td>495,426</td>
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<tr>
<td>Imports</td>
<td>519,584</td>
<td>515,586</td>
<td>525,515</td>
<td>436,499</td>
<td>406,193</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>
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Source: Korea International Trade Association, January 2018

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<td>December 2017</td>
<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>
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<tr>
<td>November 2017</td>
<td>1,129.0</td>
<td>1,095.0</td>
<td>1,053.2</td>
<td>1,131.5</td>
<td>1,160.5</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, January 2018

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<tbody>
<tr>
<td>December 2017</td>
<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>
</tr>
<tr>
<td>November 2017</td>
<td>52,071.0</td>
<td>81,148.2</td>
<td>84,373.0</td>
<td>105,939.6</td>
<td>98,677.4</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, January 2018
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KOTRA has 127 overseas offices and 10 headquarters worldwide

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