Forging Partnerships

As CEO of ANZ Korea and the Chairman of the Board at the Australian Chamber of Commerce, Chris Raciti offers valuable insight into the promising partnership between Korea and Australia.

Christopher Raciti
CEO, ANZ Korea
Chairman of the Board, Australian Chamber of Commerce
Greetings From KOTRA

Dear Readers,

Spring has finally arrived here in Korea, as can be seen by the yellow forsythia flowers in full bloom across the country. So far this year, the Korean government has signed FTAs with five Central American countries despite the aftermath of protectionist measures recently sweeping through the globe. Also, FTA negotiations with Israel, as well as China and Japan are underway as a part of the government’s efforts to create an increasingly free trade environment.

In line with these efforts, KOTRA’s plans in 2018 include helping Korean start-ups and SMEs strengthen cooperation with foreign companies, specifically by expanding business opportunities with global enterprises in new growth industries.

In particular, we are centered on building and operating the Invest Korea Market Place (IKMP), a platform designed to help discover and support new investment projects, which will ultimately lead to the revitalization of foreign investment activities and help attract more FDI. On top of this, we also plan to increase employment support projects to resolve recruitment-related issues faced by foreign companies as well as foreign-invested companies that have entered the Korean market.

Through our 127 overseas offices located throughout 86 countries, KOTRA is making a concerted effort to build a more stable foundation upon which Korean start-ups and SMEs can cooperate further with global corporations in the areas of trade and investment.

In the April issue, we will put a focus on start-ups as we introduce various policies and projects related to trade and investment. I would like to close by expressing my hope for the KOTRA Express to continue to be a meeting place for companies in Korea and across the globe.

Thank you.

Sincerely,

Yong Kook Kim
Head of Invest KOREA
Following the rapid growth of the Halal market which is based on a Muslim population of nearly two billion, KOTRA (Korea Trade-Investment Promotion Agency) hosted a strategy seminar to find effective ways in targeting the Halal markets in Southeast Asia and the Middle East. As such, the “2018 Briefing Session on Strategies for Entering Major Halal Markets” was held on March 22 at the Grand Hyatt Hotel in Seoul.

The session was participated by experts from Korea and local Southeast Asian markets to provide information on the current status and growth prospects of the Halal market as well as on how to establish effective entrance strategies.

Halal products are quickly making their entrance into categories of general consumer goods such as food, cosmetics, and medicine as well as various industries like distribution, tourism, fashion and cultural contents.

Korean companies garnered global attention with their innovation and ideas as they took part in Mobile World Congress (MWC), the world’s largest mobile exhibition.

The 2018 MWC took place from February 26 to March 1 in Barcelona, Spain, where KOTRA set up the Korean Hall consisting of various SMEs that showcased products boasting state-of-the-art technology in the areas of communications equipment, IoT, VR and mobile security. These “hidden champions” attracted much attention from overseas buyers, helping solidify Korea’s position as a leader in ushering in the 5G era.

Seon Seok-gi, Executive Vice President of KOTRA’s Customer Service Department, said “the MWC is a good platform for determining the latest trends and promoting the newest technology of the mobile industry which is at the center of the Fourth Industrial Revolution” and that “KOTRA would actively support the globalization of Korea’s SMEs by making concrete achievements through effective follow-up efforts.”

In an effort to expand economic cooperation with the India-ASEAN region, KOTRA hosted the “Korea-India Malaysia Business Partnership” in New Dehli, India and Kuala Lumpur, Malaysia.

As the first big project of the year, it aimed at diversifying the current export market which is G2 (China, U.S.) biased and at fulfilling the “New Southern Policy,” which has been established in India and ASEAN countries for Korean companies to seek new business opportunities.

India is the sixth largest economy in the world with a population of 1.3 billion and a steady 7% growth rate since 2014. Due to the recent increase in income levels as well as the Indian government’s “Make in India” initiative and eco-friendly policies, many Indian buyers have expressed interest in Korean companies across various sectors including consumer goods, manufacturing facilities, and environment.

Also, on February 28 and March 1, conferences were held in Indonesia and Kuala Lumpur, Malaysia, where 30 Korean and 124 local companies conducted one-on-one business consultations.

Lee Tae-sik, Acting President of KOTRA, said “there is a need for SMEs and consumer goods to expand into the Indian market that is currently concentrated on the manufacturing industry and conglomerates,” and that “KOTRA will do its best to get access to the rapidly growing Indian market through the five overseas offices located throughout India.”

On March 6, the Ministry of Trade, Industry and Energy (MOTIE) and KOTRA hosted the first “Korean Wave Contents PPL Conference” at KOTRA’s IKP building.

A seminar on the topic of “Overseas Marketing Strategies Using Product Placement (PPL)” was given by Kim Yeong-seong, Director of Star Collabo, to help boost understanding and utilization of PPL related to the Korean Wave.

Meanwhile, KOTRA will support companies conduct overseas marketing using PPL strategies at the upcoming “Korean Wave Expo” to be held in May in Moscow and in November in Singapore.

Kim Sang-muk, head of KOTRA’s Service Exports Promotion Center, said that “companies need to figure out how to best utilize their own contents” and that “KOTRA will further support them by helping develop marketing strategies for SME products that have gained awareness through PPL to find tangible sales routes.”
According to government data, exports of refined oil and petrochemical products by South Korean refiners hit a record high last year due to strong demand and higher oil prices.

Data compiled by the Ministry of Trade, Industry and Energy indicated that outbound shipments by companies such as SK Innovation Co., GS-Caltex Co., S-Oil Corp. and Hyundai Oilbank Co. reached 509 million barrels in 2017, up 4.4 percent from the previous year.

Last year, the amount of South Korean exports jumped 32.4 percent on-year to USD 35 billion, rising for the fourth consecutive year.

Sales of diesel soared 37.7 percent to 35.4 million barrels last year on sharp demand for ship fuel from Taiwan. Crude oil imports rose 3.7 percent on-year to 1.12 billion barrels in 2017, surpassing the previous all-time high. Inbound shipments of U.S. crude rose an astounding 448.2 percent to 13.43 million barrels. Imports of Kazakhstan crude also skyrocketed 516.3 percent to 26.5 million barrels last year as production began in Kashagan oil field in September 2016.

The Association of Southeast Asian Nations (ASEAN) became the second largest export market for South Korean agricultural and livestock products in 2017 as the nation's trade with China was affected by a diplomatic row. Last year, Chinese authorities implemented stricter quarantine measures and regulations on Korean products amid strained diplomatic ties over Seoul's deployment of THAAD, an American missile defense system. It was the first time that ASEAN ranked above China in terms of agro-livestock shipments.

According to the Korea Rural Economic Institute, South Korea exported USD 1.22 billion worth of agricultural and livestock products to ten ASEAN member states last year, up 9.9 percent from a year earlier. Strawberries, wheat, grapes, fresh ginseng and chicken were the main export items to the economic bloc.

Meanwhile, Japan was South Korea's biggest agro-livestock export market with USD 1.36 billion worth of shipments, while China came third at USD 1.1 billion.

The total exports of South Korean agriculture and livestock products gained 7.1 percent on-year to USD 7.15 million last year.

Over the next three years, the Korean government is seeking to invest more in the rail transport sector to help it take up a greater share of the nation's freight transport, according to the transportation ministry.

It also plans to introduce flexible freight rates to bolster the sector's competitive edge and is considering building a railroad logistics hub in Seoul to brace for a possible reunification of the two Koreas.

The rail transport development plan was finalized and unveiled by the Ministry of Land, Infrastructure and Transportation, calling for raising the portion of the railroad network to the nation's freight transport from the current five percent to 10 percent in 2021. According to the plan, the government will adopt a system of flexible freight rates in a bid to boost its competitive edge and offer a range of discounts to attract more cargo.

The government will also take a variety of measures to further develop the railroad logistics sector, including attracting more private investment.

South Korea's chief economic policy-maker said that the government will mobilize all of its tools to create more quality jobs, and vowed to provide full support for local companies as well.

In his speech, Finance Minister Kim Dong-yeon said “All policy tools, including budget and taxation, will be implemented to create jobs.” The minister added that policy measures will be redesigned to create jobs for the youth, while the government will help local companies in hiring more employees.

In January, President Moon Jae-in called for an all-out effort to create new quality jobs for young people, referring to the nation's high youth unemployment rate as a national disaster. Creating quality jobs, especially for the young, was one of Moon's key policy pledges put forth during the presidential elections. He has promised to add 810,000 new jobs in the public sector during his five-year term, which ends in May 2022.
The so-called geopolitical risk has been the most haunting hazard on the Korea peninsula for more than six decades since the end of the Korean War. It was notoriously difficult to substantiate it and had made many insiders and outsiders hesitate to devote themselves in economic engagements on the peninsula.

At first, there was the ideological confrontation between the North and South, then a severe military tug of war, finally followed by a nuclear threat when everything else did not work out favorably for the North. Indeed, this threat existing since the 1990s has been a prime hazard not just to South Korea but to the entire world. That is why the UN Security Council has warned and imposed numerous sanctions against provocations by the North for more than two decades. There was constant psychological as well as physical fear of attack by the North, which steered potential investors away from South Korea. Of course there had been periods of friendly denuclearization negotiations between the two Koreas, but in essence, they had been nothing more than a disguised break.

However, the dark and thick cloud of confrontation surrounding the peninsula for more than sixty years is finally beginning to clear. The South Korean government not only initiated a “summit talk” between the two Koreas but successfully mediated the arrangement of a meeting between the U.S. President and North Korea’s leader by utilizing the PyeongChang Winter Olympic Games. President Moon of South Korea will meet Chairman Kim Jong-un in late April this year, and then President Trump will have a face-to-face meeting with Mr. Kim at some point later on. It is uncertain what agendas will be brought to the table by each party let alone on how the results of these two historical meetings will come to be.

Of course, the three key players are yearning for quite disparate wishes. It is now very clear that the U.S. will want denuclearization under the CVID principle, referring to the complete, verifiable, irreversible dismantlement of nuclear arms. However, the North is very unlikely to denuclearize unless there is CVIG, or complete, verifiable, irreversible guarantee of the regime. Therefore, a crash of the two mutually contradictory principles of CVID and CVIG can be expected in the meeting between the U.S. and North Korea. While their stances are quite conflicting and centered on the issue of denuclearization, South Korea’s position, especially under President Moon’s government, is slightly different, as it seeks a peacefully unified and cooperating peninsula. It puts more emphasis on collaboration and communication between the two Koreas rather than on the military issues.

At the end of the day, The U.S. government seems to identify trade issues with national security, and consequently, with military concerns. To the U.S., the North-South economic cooperation that the Moon administration is constantly aiming for cannot be detached from the military issue regarding defense of the peninsula. Indeed, confrontation between countries including the U.S., China, North Korea, Russia and Japan is the last thing that the Moon administration wants. In short, the entangled Gordian knots between the U.S. and the two Koreas are so complicated, intricate, and complex that it is too premature and precarious to predict what the outcome will be.

And yet, there are strong signals that a dawn of hope of a nuke-free peninsula is about to break. There are a number of signs to believe so. First, North Korea’s economic and social environment is directing its leadership towards an increasingly open attitude, especially toward the U.S. Additionally, economic sanctions have definitely been presenting perverse effects on lives of the North Korean people, bringing high inflation, frequent resource shortages, illegal smuggling and corruption. Mounting pressure and antagonism from the inside is very difficult to repel for such a young and western educated leader like Mr. Kim Jong-un. It is not clear whether the North will entirely dismantle nuclear arsenals to gain an economic lift, but this cannot be factored out completely. Second, for the first time in history, the U.S. President will have a face-to-face meeting with the North Korean leader. Perhaps as unpredictable as the two leaders are, nobody can outright dispel the possibility of an unbelievably positive result between the two. Even without dramatic outcomes, the meeting itself deserves much credit. Third, the tension-filled inter-Korean relations has dramatically improved under President Moon’s leadership. Of course there has been severe criticism about his efforts in bringing North Korea into the dialogues, but the meeting with Mr. Kim Jong-un, is regarded by many as the beginning of belated but true detente on the peninsula.

It may not be a chaotic reunification like Vietnam in 1975, nor as dramatic as Germany in 1990, but many have high hopes that we are one stop closer to a peaceful reunification of the peninsula due to the summit talks. Considering the complexities of the decades-long tension that exists between the U.S. and South Korea on one side and the North on the other, it is more than worthwhile to give the talks a chance and dream of the dawn of nuke-free peace on the peninsula.

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

* The opinions expressed in this article are the author’s own and do not reflect the view of KOTRA
As population ageing is projected to become the new normal, the medical equipment industry is among the core areas expected to lead Korea’s consumer goods exports, and is inevitably set to experience major growth in the future. Mr. Park Deok-ryul, an official of the Ministry of Trade, Industry and Energy (MOTIE) said, “Government agencies have been cooperating on the policy front to make domestic medical equipment a new driver of exports.”

Against this backdrop, MOTIE and KOTRA jointly hosted the annual 2018 Global Medical Equipment Plaza, the largest medical equipment export consultation event in Korea, and the 2018 UN Procurement Plaza, a project to support Korean medical equipment enter international public procurement markets on March 15 and 16 at COEX in Seoul.

Among the participants were 139 foreign buyers from 65 countries, 225 Korean companies, 15 ordering organizations from nine countries, and international organizations such as the UN and International Committee of the Red Cross (ICRC). The event was opened in conjunction with The 34th Korea International Medical and Hospital Equipment Show (KIMES), the largest exhibition held for Korean medical equipment to support the globalization of domestic medical and hospital equipment.

Foreign buyers invited to the event came from developed markets in Europe as well as emerging markets from countries in Africa, the Middle East and the Commonwealth of Independent States (CIS), with the intent of promoting diversity in medical equipment export markets.

The event’s briefing session opened with messages from officials at KOTRA, MOTIE and KIMES, and consisted of a keynote speech as well as informative talks by experts on topics regarding the health and medical environments in Croatia, Hungary, Serbia, Oman, Iraq, India and Sudan.

Mr. Brett Knappe, Vice President of Medtronic USA, the leading medical equipment manufacturing and distribution company in the world, delivered the keynote speech, outlining the development prospects of the medical equipment sector. He compared the past and present atmospheres of the market and emphasized the importance of new, innovative technology in the field of medicine. He said, “There are a number of new technologies being developed and applied to healthcare – things like big data, robotics, and stem cell therapies – that are putting tremendous pressure on the traditional technologies.”

Following the session were one-on-one business consultations and buyer visits to KIMES exhibition booths.
The Latest on Korea’s Investment Environment

Samsung Engineering wins USD 473 million plant order in UAE

Samsung Engineering Co., the construction unit of South Korea’s largest conglomerate, announced that it has won a USD 473 million order to build a power and water generation plant in the United Arab Emirates (UAE).

Samsung Engineering received the order from ADNOC Refining in Abu Dhabi and aims to complete work by 2023 at the Ruwais Industrial Complex, 240 kilometers west of Abu Dhabi City. According to a company statement, the plant will provide additional power and fresh water to the complex.

Samsung Engineering, which has already delivered six projects in the Ruwais complex, said it seeks to win more construction projects in the UAE as the country moves to boost its economy by investing in its plant infrastructure.

S. Korea to make decision on joining CPTPP in 2018

According to Seoul’s trade ministry, South Korea will decide whether to join a new Pacific trade pact this year after looking into its impact on the national economy and consulting with member states.

Last year, U.S. President Donald Trump opted out of the Trans-Pacific Partnership and the 11 remaining states signed a revamped deal entitled the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The agreement aimed at cutting tariffs on goods will enter into force after it is fully ratified by six of the 11 members, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

These countries represent 13.5 percent of global GDP, a total of USD 10 trillion.

Furthermore, in the first half of this year, Seoul will have talks on forging a trade pact with Mercosur, South America’s leading trading bloc composed of Brazil, Argentina, Paraguay and Uruguay. The bloc’s combined market covers more than 290 million people and accounts for USD 2.7 trillion, amounting to more than three-quarters of economic activity on the southern continent.

S. Korea and UAE agree to enhance cooperation in 4 key areas

During the sixth round of economic cooperation meetings between South Korea’s Finance Minister Kim Dong-yeon and his United Arab Emirates (UAE) counterpart Sultan Saeed Nasser Al Mansoori, the two countries agreed to cooperate closely in energy, infrastructure, the medical sector and the fourth industrial revolution.

The nations have been holding minister-level economic meetings to discuss strengthening bilateral cooperation in the energy, infrastructure and intellectual property sectors.

According to South Korea’s finance ministry, the partners agreed to further boost cooperation for oil field and renewable energy development, build up collaborative research on the fourth industrial revolution and exchange human resources. Additionally, they decided to share knowledge to foster smaller firms and startups in each of the areas, and further strengthen cooperation in the medical sector.

The resource-rich UAE was the second-biggest overseas construction market for South Korea in 2015 and its fifth-largest supplier of crude oil.

Did You Know?

According to the Ministry of SMEs and Startups, the number of newly established businesses rose 24.5 percent on year in January to surpass a 10,000 threshold for the first time.

Data showed that a total of 10,041 corporations were newly set up in January 2018 in the manufacturing, service, wholesale and retail business, construction and real estate sectors.

What’s Trending

Hyundai Heavy Industries to use robots in shipbuilding process

Hyundai Heavy Industries Co. has announced that it will be using robots to build ships for the first time in the industry to improve efficiency and cut costs.

In its shipyard located in Ulsan, about 414 kilometers southeast from Seoul, the company recently completed a year of testing a robotic system that automatically shapes a vessel’s 3-D curved surface.

According to the company, the unmanned system is based on the Internet of Things and automation technologies, and is equipped with a high-frequency inductive heating system and a multi-joint arm.

Through this system, productivity will be increased by three times in comparison to man-made work and improve the quality of the end product. It is expected that the robot will save company costs anywhere from KRW 100 billion to KRW 200 billion for the next 10 to 20 years depending on its lifespan.

The company is the world’s largest shipbuilder and leads the industry in robotic adoption for efficiency, work safety and cost reduction. Robots can substitute for skilled labor in welding, blasting, painting, heavy lifting and other tasks. Hyundai plans to continue adding more sophisticated technologies including artificial intelligence in the future.

Hyundai Heavy Industries builds ships for commercial and military purposes. It manufactures oil tankers, cargo and passenger vessels, and warships.

Hyundai Heavy also produces heavy industrial machineries, wind turbines, solar panels, electrical components for engines and power trains, and industrial vehicles, such as cranes and bulldozers.

Hyundai Heavy has designed and built robots and robotic systems for their automotive group for over 15 years and specializes in industrial welding robots.
There is one thing observers of the Korean start-up ecosystem like to point out. The United States has 99 “unicorns”—start-ups valued at USD 1 billion or more—and China has 42. Korea has only two. These two rare Korean companies joined the league of unicorns in 2014, and no additional entry by Korean companies has been made since then. The name of the city, “Seoul,” does not appear among the most advanced ecosystems featured on the Start-Up Ecosystem Rankings by Startup Genome, which annually assesses and ranks major cities around the world in terms of how favorable they are to start-ups. Nevertheless, signs are pointing to a brighter future ahead for the Korean start-up ecosystem.

**Increase in Start-ups**

The number of new start-ups has been rising rapidly in Korea. The number of start-ups that has received new venture capital investment was 688 in 2012 but quickly multiplied to 1,191 in 2016. The amount of investment in these enterprises almost doubled from KRW 1.23 trillion to KRW 2.16 trillion over the same period. The proportion of investment made in businesses in their earliest stage is also on the rise, from 30% in 2012 to 36.8% in 2016, with the amount of investment in early-stage enterprises also multiplying from KRW 269.6 billion to KRW 790.9 billion. As important as the outward growth of start-ups and the related investment market is the diversification of the start-ups launched. Thanks to the entrepreneurial support initiatives introduced by large corporations, such as C-Lab of Samsung Electronics and Idea Plant of LG Electronics, the number of in-company start-ups is also growing. Examples include Bagel Labs, which is famous for its smart measuring tapes, and WELT, which has launched a health-care belt. Start-ups founded by retirees like Encore Technologies are also emerging.

The value of start-ups is also growing in Korea. According to the Korean Venture Capital Association (KVCA), the average value of venture capital–invested enterprises managed to double from KRW 21.1 billion in 2012 to KRW 42.2 billion in 2016. The average of all start-ups as well as the average value of start-ups in specific industries have been growing, attesting to the success and growth of young businesses in Korea.

**Emergence of Fast-Growing Start-Ups**

In the meantime, the number of start-ups that have secured Series-A investment, by completing the development of their products and generating proven records of stable growth, is also on a rapid rise. According to Start-up Alliance, the number of Korean start-ups that has managed to receive Series-A investment multiplied from 80 or so in 2015 to more than 300 in 2017. The average amount of Series-A investment in Korea often exceeds KRW 1 billion. This means that a typical start-up that has attracted such investment is valued at KRW 5 billion at the least.

The emergence of fast-growing start-ups has also led to the rise of a number of start-ups drawing popular attention. These enterprises especially concentrate in providing information and communication technology (ICT) services in Korea. Viva Republica, a leading FinTech start-up, now occupies 95% of the simplified online money wiring service market in Korea with its application, Toss. It even managed to place 35th out of the 100 leading FinTech companies ranked by KPMG. As of February 2017, users had transferred more than KRW 3 trillion in cumulative total using the application. The Farmers, a start-up specializing in the delivery of fresh food ingredients and products, is better known by the brand name of its online service platform, Market Kurly. In just three years from its establishment, The Farmers generated KRW 35 billion in annual revenue in 2017, with its cash flows already turned into surpluses. According to Platum’s report on start-up investment patterns in 2017, all start-ups that have secured the greatest numbers of investment deals, the greatest amounts of investment, and the greatest investors were involved in ICT services.

There are, of course, fast-growing start-ups in other services and industries as well. Fast Five, a start-up that provides and manages co-working spaces, has extended its network of branch- es to 12 stores, mainly in and around Gangnam in Seoul, in just three years since its establishment in 2015. The company has already received more than KRW 20 billion in cumulative investment. Mesh Korea also deserves attention as an up-and-coming leader of logistics. With its Last Mile service, which delivers goods from warehouses or retail shops to consumers’ doorsteps, it has signed contracts with giants such as CJ Logistics, Shinsegae, Lotte Mart, Pizza Hut, Burger King, and KFC. Accordingly, the company saw its annual sales multiply by 3.5 times from KRW 5.5 billion in 2016 to KRW 19.7 billion in 2017 in just three quarters. It has also received more than KRW
Investors Reap Returns on Start-Ups

Investors have traditionally shied away from investing in Korean start-ups due to the lack of an active merger-and-acquisition (M&A) market in Korea. Still, progress is being made in the M&A market for start-up investors. Last year, 29 M&A deals involving start-ups were signed, showing a 32% increase from the 22 deals in 2016. More interesting than the outward growth of the number of M&A deals is the content of those deals. Large Korean corporations are increasingly acquiring start-ups. Naver, Korea’s most popular search engine, has acquired Company AI, a specialist in artificial intelligence, and Drama & Company, which provides Remember®, a business card management application. Samsung Electronics made headlines by acquiring Fluenty, the first-ever Korean start-up it has acquired. Industry experts expect that the number of M&A deals involving Korean start-ups will continue to rise this year.

IPOs by start-ups is also on the rise. Investors already expected IPOs by start-ups to increase when the special technology listing criteria were introduced in 2005, but much of the IPOs that have since followed involved biotech companies only. With the so-called “Tesla listing criteria” introduced recently to enable even start-ups generating deficits to offer their stocks to achieve greater growth, Café 24, a web host specializing in online retail malls, joined the KOSDAQ in February this year. A number of other start-ups, including Flitto and Hyperconnect, are also preparing to offer their stocks. The success of these enterprises will likely increase the number of other start-ups making similar attempts this year and afterward.

The Rise of Deep-Tech Start-Ups

Digital transformation is a major keyword to industrial transformations worldwide, led by the strides of 3-D printing, robotics, big data, Internet of Things (IoT), and AI technologies. Start-ups are at the forefront of the digital transformation. Mobileye, a company based in Israel, is a good example. With possession of cutting-edge advanced driver assistance system (ADAS) technologies that are in high demand today amid the rise of self-driving cars, Mobileye has signed partnerships with Intel and BMW to develop new vehicles. In terms of Korea, observers have been lamenting the lack of similar deep-tech start-ups in Korea. While deep-tech companies abroad often boast long histories, most deep-tech companies in Korea date back to 2010 and afterward.

Nonetheless, observers are speculating that more and more deep-tech start-ups will emerge in Korea, some of which will grow into world-class leaders. This is not only due to large corporations like Naver increasing investment in tech start-ups, but also because venture capital investors are turning their attention to these start-ups as well. In addition to the increasing number of deep-tech start-ups, existing enterprises are also making efforts to apply deep technology, with some already having begun to bear visible outcomes. Lunit, a specialist in AI, was named one of the 100 AI companies on CB Insights’ rankings. Luxrobo, which develops robots for learning, has recently been approached by a renowned global IT company with an offer of an M&A worth USD 100 million.

Start-ups specializing in blockchain-based services are also growing in number. MediBloc, a leading example in this regard, provides a blockchain-based system of medical data for patients, medical practitioners, and researchers. The company also managed to raise KRW 30 billion in funds through an initial coin offering (ICO) abroad last year. As it is critical for blockchain companies to establish and strengthen their own communities in their respective fields, companies like MediBloc are drawing much interest for their potential for growth.

Increasing Presence of Korean Start-ups in the Global Market

The dearth of networks between Korean start-ups and their counterparts abroad has also been criticized as another major problem of the Korean start-up ecosystem. More and more Korean start-ups, however, are poised to break out of this mold and expand their presence on the global market this year. The fast growth of start-ups has compelled them to expand their business opportunities outside the confines of Korea. The Korean government and investors are also emphasizing the importance of pioneering new markets abroad.

There is also a growing number of Korean start-ups that are established with global aspirations from the very beginning. Sendbird, which succeeded in attracting Series-A investments totaling USD 160 million from Silicon Valley investors in December 2017, is a good case in point. Kim Dong-shin, the company’s CEO, explained that he founded Sendbird in Silicon Valley because of the lessons he learned from his failed first start-up that was based in Korea. Althea, which is generating a K-beauty boom in Southeast Asia, has also opened its office in Malaysia. These companies defy the conventional model of businesses generating success on the domestic front first before launching internationally. According to Start-up Alliance’s opinion poll, the percentage of entrepreneurs favorably inclined to global expansion also increased dramatically from 31.3% in 2016 to 69.8% in 2017.

Outlook of the Korean Start-up Ecosystem

With many of the issues that have plagued the Korean start-up ecosystem now being addressed and eliminated, Korean start-ups are expected to achieve a dramatic growth and transformation this year. Industry observers and insiders are presenting one rosy picture after another. Start-up Alliance’s opinion poll showed that start-up entrepreneurs gave a score of 63.9 to the atmosphere surrounding the Korean start-up ecosystem in 2017, which is far higher than the 54.8 they gave the previous year. Moreover, 48.3% of the participating entrepreneurs (more than double the 23.3% of entrepreneurs participating in the previous year’s survey) answered that they expected things to get even better in 2018. The year 2018 will mark the transformation of the Korean start-up ecosystem into one of the major pillars of the global economy.

By Gil S. Jo
Associate Research Fellow
Korea Institute of S&T Evaluation and Planning (KISTEP)
gilsoojo@kistep.re.kr

* The opinions expressed in this article are the author’s own and do not reflect the view of KOTRA
Chris Raciti grew up in Australia, and always had a strong interest in working in the Asian region. During high school, he studied abroad in Japan, and in university, he decided to start learning the Korean language and about the Korean society. Subsequently, he continued his studies at Korea University, which cemented a passion for building strong links between Australia and Korea. Professionally, he has worked in institutional banking for the last 16 years, initially in Australia, and then spent the past 12 years in Asia, working in Seoul, Singapore and Hong Kong. Now, he is back in Seoul as CEO of ANZ Korea and the Chairman of the Board at the Australian Chamber of Commerce. Taking on both roles, he is in the ideal position to tell us about the growing partnership between Korea and Australia.

Can you tell us about ANZ Korea and the services it offers to customers?

Established in 1978, ANZ Korea has a 40 year history in Korea, primarily providing services to large local corporates, multinationals and financial institutions. Our strategy revolves around facilitating capital and trade flows between Korea and the Asia Pacific region, including our home markets of Australia and New Zealand. Since our inception in 1978, our mission has been to be the best bank for those customers engaged in trade and capital flows between Korea and the Asia Pacific. ANZ Korea provides comprehensive banking products and services including markets, project and structured finance, corporate finance, and trade and supply chain finance, by understanding the global needs of Korean companies and combining cross-border capability and connectivity with industry insight to offer solutions for clients.

Why did ANZ establish a branch in Korea?

ANZ has a long history of facilitating international finance, primarily in the Asia Pacific region and Korea is a significant regional and global player in this respect. Korea plays an important part in our broader network proposition. Korean corporations play a leading role in a number of industries including technology, engineering and construction, shipbuilding, and increasingly in finance and funds management.

How is the Korean market different from other parts of the world and what strategies are unique to Korea?

Korean corporations are extremely integrated with the regional and global economy. Our strategy revolves around supporting and facilitating this connectivity by providing financial services and products...
that are supportive and relevant to this connectivity.

**How can Korea become a more ideal business environment for foreign companies like ANZ?**

Continued efforts by the Korean government and regulators to harmonize Korean regulations with regional and global established norms would be welcome.

**What is AusCham and how does it spur economic cooperation between Australia and Korea?**

AusCham in Korea is an institution dedicated to making it easier for Australians and Koreans to do business together. We are passionate about facilitating this corridor and working with other institutions including government and other chambers and business councils to achieve this. Our activities range from networking events, educational forums focused on making it easier to do business in Korea, and also contributing to the development of government policies.

Although trade volume between the two countries is high, Australian investment to Korea seems relatively lower. Why do you think that is?

Historically, two-way trade between Australia and Korea has been dominated by the export-import of raw commodities on one side and completed manufactured goods on the other. With the finalization of the FTA between Australia and Korea, we are seeing an increase in service sector opportunities and I believe that this will result in an increase in two-way investment in this area as well.

**What would you like to accomplish during your time as Director at AusCham and what are your hopes for the overall relations between Korea and Australia?**

I would like to contribute to the continuation of the proud history that AusCham already has in Korea. Although Korea is already Australia’s fourth largest trading partner, this relationship is overshadowed by other trading relationships, and does not receive the recognition that I think it deserves. Clearly, I would like to see this relationship grow and diversify, however, I would also like to see this relationship receive greater recognition in both countries. I would also like to see more Australians learning about Korea, its history and its language as a result of this.

By Grace Park
English Editor
Investment Public Relations Team
Korea Trade-Investment Promotion Agency (KOTRA)
gracepark@kotra.or.kr

**Upcoming KOTRA Events**

**Global Project Plaza**

The Korea Trade-Investment Promotion Agency (KOTRA) hosted the first Global Project Plaza (GPP) in 2008 as a global platform to promote cooperation between players within construction industries around the world. The annual event is designed to help overseas guests and Korean contractors build concrete business relationships and explore potential contract opportunities. Last year, 96 project owners representing 49 countries were in attendance, attracting approximately 400 Korean consultants, contractors and suppliers.

The 2018 Global Project Plaza will be held from April 17 to 19 at the COEX Intercontinental Hotel under the theme of “Smart World. Connected City.” This year’s event will focus on seeking out ways to secure new housing spaces and improve existing and ageing infrastructure amidst the rapid urbanization occurring among countries through various projects.

The event will commence on the 17th with the opening ceremony, project forum, project briefing session and a roundtable, and the 18th will be packed with 1:1 project consultations as well as equipment consultations. GPP will close on the 19th with industrial inspections and activities for guests to experience the Korean culture.

**Seoul Food 2018**

SEOUL FOOD is a KOTRA-organized international food exhibition that was launched in 1983 and has since become the fourth largest industry exhibition in Asia.

Last year, the event brought together 1,402 qualified overseas exhibitors and over 54,200 visitors from 39 countries. Among the different types of food presented, agricultural products (54.3%), bakery/confectionery (8%), wine/liquor/beverages (7.4%), and meat (7.4%) took up the majority of the products showcased by exhibitors. Visitors included food manufacturers, wholesale traders, distributors, franchises, and others.

This year, the event will be held from May 1 to 4 at KINTEX from 10:00am to 5:00pm. The venue is set to host 1,500 exhibitors, 3,000 booths and up to 55,000 visitors with numerous programs including business meetings with domestic buyers, The Culinary Challenge and The Global Food Trend Conference.

**The 13th Job Fair for Foreign-Invested Companies 2018**

Since 2006, KOTRA has annually hosted The Job Fair for Foreign-Invested Companies to provide Korean job-seekers high-quality jobs in foreign-invested companies, and opportunities for foreign-invested companies to hire qualified talent.

Last year, Fortune 500 enterprises such as 3M and Siemens, companies leading The Fourth Industrial Revolution like GSK and Tesla, as well as global corporations popular among young job-seekers including Schneider Electric and Nestle were in attendance.

In line with the new government’s policies on job creation, this year’s event would be the largest yet, gathering approximately 140 foreign-invested companies and World Champ enterprises. The 13th Job Fair for Foreign-Invested Companies 2018 will be held on June 14 and 15 at Seoul’s COEX.
The bilateral trade relationship between the two countries developed rapidly during the 1960s when the ROK pursued industrialization requiring large amounts of raw materials.

KAFTA

The Korea-Australia FTA (KAFTA) entered into force on December 12, 2014. As one of Australia’s most comprehensive trade agreements, KAFTA delivers significant improvements in market access and tariff liberalization for merchandise trade. Under KAFTA, Australian services providers receive the best treatment Korea has agreed with any trade partner. Investment commitments in the agreement protect and enhance investment in both directions.

Korea and Australia: Trade and Investment Status

In his interview, Christopher Raciti, CEO of ANZ Korea and the Chairman of the Board at the Australian Chamber of Commerce expressed that he would like to see the trade and investment relationship between Korea and Australia continue to grow, diversify and receive greater recognition. Let’s take a closer look at where this relationship currently stands.

01 KAFTA

Korea and Australia have a complimentary trade relationship, with Korea providing products such as automobiles, telecommunications equipment, computers, and refined petroleum, and with Australia exporting raw materials, manufactured products and food to Korea.

Korean exports to Australia were at USD 18 billion in 2017, a 194% increase from the previous year, while Australian imports to Korea were at USD 15.8 billion, a 32.2% increase from 2016, generating a trade surplus of USD 2.1 billion.

02 Korea-Australia Trade

The level of investment between the two nations is growing. Korean investment into Australia has grown from USD 4.9 billion in 2006 to USD 23.5 billion by the end of 2016, and this investment is starting to diversify into other sectors such as tourism.

Korea is the 16th largest destination for Australia’s foreign investment abroad. At the end of 2016, Australian investment into Korea was at USD 17.4 billion.

Import and Export

03 Korea-Australia Investment
In January 2018, the South Korean government vowed to launch a KRW 2.6 trillion (USD 2.45 billion) investment fund for start-ups. The government also pledged to reduce taxes on profits gained from stock options for start-ups. Additionally, broader financial support for these new businesses was promised recently as a part of the government plan to help reduce the youth unemployment rate. Drawing from recent news, it is not an exaggeration to say that the government is making all-out efforts toward the growth of start-ups. In hopes of becoming a leader of The Fourth Industrial Revolution, South Korea as well as other advanced nations are increasingly seeking to nurture start-ups as they are proving to be the next growth engine.

Though South Korea has the reputation of being one of the world’s most high-tech countries, it has had a subpar start-up ecosystem up until now. Most of the promising Korean start-ups were e-commerce based, with only two considered as “unicorns”, or start-ups valued at over USD 1 billion. This is a small number for such a technologically advanced country, especially in comparison to its neighbor, China, who hosts more than 50 unicorns. It was time for South Korea to take a more active role in diversifying and supporting its start-ups.

Better late than never, though, as positive changes are being made in the country with the government pledging financial and administrative support and as the nation’s vast technological resources and human resources continue to develop. Provinces are also making individual efforts to host and foster start-ups. Gyeonggi-do, a province surrounding Seoul, has emerged as an ideal location for those looking to start a business because it offers fairly affordable living costs while providing easy access to the nation’s capital at the same time.

Gyeonggi Content Agency is actively taking part in promoting the province as the nation’s leading start-up zone. One of its ventures is the Cultural Creation Hub, referred to as “G-Hub.” Since 2014, the Cultural Creation Hub enterprise has been expanding to four regions within Gyeonggi-do: Pangyo, Gwanggyo, Euijeongbu and Siheung. Not taking into account the Siheung hub, which just opened, the three hubs have generated over 270,000 visitors, 943 new businesses, 2,567 jobs, and have attracted KRW 29 billion of foreign investment for 43 start-ups.

Pangyo

The first Cultural Creation Hub is located in Pangyo. Covering 4,254 square meters of land, the hub has generated approximately 500 new businesses and supported about 8,000 start-ups since 2014. It has 22 open spaces, which are provided to start-ups for the duration of six months to two years. The hub’s signature G-Start program is divided into five stages which businesses are to follow according to their varying levels of development. Stages A and B are mostly educational programs and mentoring sessions that help realize ideas and suitable for business. The following stages C, D and E consist of extensive programs that range from networking and financial support for growth to overseas expansion.

In addition to the Cultural Creation Hub, Pangyo opened Pangyo Techno Valley in 2011, which is often dubbed as Korea’s Silicon Valley. With more than 1,300 companies, the complex has been growing rapidly, with an annual economic output in 2016 estimated at KRW 77 trillion. To sustain this start-up momentum, the Second Pangyo Techno Valley is expected to finish construction by 2022. As a way to accommodate the estimated 1,200 startups, the center proposed the NRP (Next Reality Partners) Program, in this program consists of five stages similar to that of Pangyo. Meanwhile, Gwanggyo is seen as the next bio start-up hub. A bio start-up campus is to be completed this year, taking advantage of the fact that one-third of South Korea’s bio industry and 51% of the nation’s ICT companies are concentrated in Gyeonggi-do.

Gwanggyo

Gwanggyo, the location of the second Cultural Creation Hub, has been concentrating on fostering Virtual Reality (VR) and Augmented Reality (AR) start-ups. Since its establishment in 2016, it has supported over 370 start-ups and trained over 500 individuals. It proudly operates the NRP (Next Reality Partners) Program, in this program consists of five stages similar to that of Pangyo. Meanwhile, Gwanggyo is seen as the next bio start-up hub. A bio start-up campus is to be completed this year, taking advantage of the fact that one-third of South Korea’s bio industry and 51% of the nation’s ICT companies are concentrated in Gyeonggi-do.

Clearly, Gyeonggi-do is determined to create a stable and productive start-up ecosystem. Aside from creating thousands of new jobs for young workers, thus vitalizing the nation’s economy, the G-Hub, start-up campuses and Techno Valley will be the core engines for South Korea to emerge as a leader in The Fourth Industrial Revolution. With such support and excitement over start-ups, it is not far-fetched to say that Gyeonggi-do might be home to the next Korean unicorn.
In 2014, KOTRA’s Global Start-up Support Team, backed by the Ministry of Trade, Industry and Energy (MOTIE), launched a program to support domestic start-ups by connecting them to global enterprises based on their individual demands. In essence, the program links starting businesses generating new and innovative ideas with global corporations that have already established themselves in their respective industries.

Amidst global low growth trends as well as the rapidly changing technological environment, global enterprises are setting up Corporate Venture Capital (CVC) to mitigate risks of solely depending on internal R&D resources, and are instead pursuing a more open-form strategy to discover innovative technologies from external sources. According to CBInsights, in 2017 alone, global firms invested USD 31.2 billion into CVC, an 18% increase from the previous year, and expected to rise further in the years to come.

Meanwhile, domestic start-ups also benefit significantly from the name value, local networks, business strategies and affiliations of these global enterprises to jumpstart their businesses and make inroads into the global market. Support for young companies can come in various forms, such as cooperating with global firms on projects, establishing local branches, starting joint ventures and seeking M&As.

Other notable benefits expected from the program include the creation of high-quality jobs as start-up companies successfully enter foreign markets, and high-added value for the industry overall through boosted private investment in start-ups.

For 2018, KOTRA has organized consultations at different times throughout the year for hundreds of start-ups to meet with major global enterprises such as Bayer, Amazon, KDDI, Facebook, as well as the Korean Research-based Pharma Industry Association (KRPIA) covering industries ranging from healthcare to e-commerce to big data.

Through the program, KOTRA aims to link a total of 100 start-ups to global companies and help 100 more successfully enter foreign markets by 2022.
**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.

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**Economic Indicators**

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<tr>
<th>GDP</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>Nominal (USD million)</td>
<td>1,305,400</td>
<td>1,411,000</td>
<td>1,382,400</td>
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<td>PPP (USD million)</td>
<td>1,644,777</td>
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<td>GDP Growth Rate (Y-o-Y) (%)</td>
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Source: The Bank of Korea, March 2018

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<tr>
<th>GDP Per Capita</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Estimate)</th>
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<td>Nominal</td>
<td>27,105</td>
<td>27,534</td>
<td>29,730</td>
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<td>PPP</td>
<td>36,395</td>
<td>37,730</td>
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Source: International Monetary Fund, October 2017

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<td>Exports</td>
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<td>526,757</td>
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<td>Imports</td>
<td>515,586</td>
<td>525,515</td>
<td>436,499</td>
<td>406,193</td>
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Source: Korea International Trade Association, March 2018

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<th>KRW-USD Foreign Exchange Rate</th>
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<td></td>
<td>1,126.9</td>
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Source: The Bank of Korea, March 2018

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<td>50,835.0</td>
<td>81,148.2</td>
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<td>105,939.6</td>
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Source: The Bank of Korea, March 2018

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*Foreign Exchange Rate*