ONE-ON-ONE WITH SHAWN CHANG
New Head of Invest KOREA

KOREA & THE WORLD
KOREA AND SINGAPORE

KOREA NEWS
TRADE NEWS, GOVT & POLICY

SMES & ECONOMIC INDICATORS
TOY'S MYTH INC.
S. KOREA, UK SIGN MOU FOR EXPANDED TRADE PARTNERSHIP

The Korea Trade-Investment Promotion Agency (KOTRA) has reached an initial agreement with Britain to expand the two countries’ already-strong partnership.

KOTRA’s President and CEO, Kwon Pyung-oh, signed the memorandum of understanding (MOU) with Britain’s International Trade Secretary, Liam Fox, for a strategic partnership in bilateral investments, trade information exchanges, and joint overseas projects.

“Britain is the world’s fifth-biggest economy in terms of gross domestic product and is home to startups with advanced technologies. As Britain prepares for its exit from the European Union, it is looking at more collaboration with major trading partners, such as Korea,” Kwon said in the statement.

Trade volume between the two countries jumped 64 percent to USD 14.4 billion in 2017 from USD 8.79 billion in 2011. As of 2017, Korean investment in Britain reached USD 16.79 billion, while Britain’s investments in Korea stood at USD 2.22 billion.

PFIZER EXPRESSES INTEREST IN KOREA’S DRUG DEVELOPMENT CAPABILITIES

At its headquarters in Seoul on October 11, KOTRA co-organized the Pfizer R&D Strategies and Drug Development Workshop with Pfizer Pharmaceuticals Korea Ltd. Attended by around 70 representatives from Korean pharmaceutical companies, the workshop was held at the request of Dr. Michael Dolsten, Global President of Worldwide Research and Development and Medical at Pfizer Inc.

Dr. Dolsten, who oversees the R&D of the company, visited Korea with other R&D personnel to join the workshop. The event marked the first joint drug development program with Korean firms that was attended by the global supervisor.

Kwon Pyung-oh, President and CEO of KOTRA said, “The joint projects carried out with Novartis last year and Pfizer this year show that global pharmaceutical companies have high interest in carrying out joint R&D projects with Korean firms.”

KOTRA, ASEAN-KOREA CENTRE TAKE INITIATIVE TO PROPEL THE NEW SOUTHERN POLICY

On October 12, KOTRA signed an MOU with the ASEAN-Korea Centre, the only international organization dedicated to the ASEAN region, to expand economic cooperation between Korea and ASEAN member nations.

Under the MOU, the two parties agreed to build a mutual network between the organizations and related industries, and to promote economic cooperation between Korea and ASEAN countries through projects including trade and investment exhibitions, dispatching delegations, and seminars.

The MOU aims to identify an agenda for economic cooperation apart from a Korea-centric perspective and rather, from the aspect of ASEAN, to promote mutual cooperation in promising areas including startups, smart city and contents.

This, in turn, is expected to support the government’s New Southern Policy and help Korean businesses enter the ASEAN market.

KOTRA OPENS A RECRUITMENT WEBPAGE FOR FOREIGN-INVESTED COMPANIES

Invest KOREA has established the KOTRA Recruitment Webpage for Foreign-invested Enterprises (http://kotra.incruit.com), a recruitment support system on a well-known Korean job-search website with a large number of users.

The purpose of this webpage is to respond to the recruitment needs of foreign-invested companies and provide necessary support to hire qualified staff in a timely manner.

Currently, job seekers have limited information on the individual job openings of foreign-invested companies due to minimal means of exposure. Therefore, by uploading all job openings on the KOTRA Recruitment Webpage for Foreign-invested Enterprises as a single platform, more job seekers will be able to have access to information on vacancies.
As we are ushering in the Fourth Industrial Revolution, advanced technology is increasingly making its way into our day-to-day lives. Internet of Things (IoT) and ICT-based platforms are being utilized in common consumer goods ranging from refrigerators to cars, claiming to make our lives more convenient, efficient and safe. Going beyond the everyday appliances, a smart city is an entire urban area that uses information and communication technology to increase operational efficiency, share information with the general public and enhance the quality of government services as well as citizen welfare.

As a global IT powerhouse, South Korea has recognized the importance of developing smart city and has been tapping into its technology and forging partnerships with other advanced countries to maximize its smart city development capabilities. In July of this year, the Korea Trade-Investment Promotion Agency (KOTRA) and Enterprise Singapore (ESG) signed the Korea-Singapore Smart City Cooperation MOU to work together on the areas of smart city/infrastructure, consumer goods and e-commerce. Singapore is proactively utilizing its experience and knowledge on urban development and is currently working on various smart city projects in areas like transportation, water treatment and public data. The city-state ranked first in the Smart Cities Competitive Assessment report in 2017.

As a part of the follow-up efforts of the MOU agreement, KOTRA and ESG jointly hosted the Singapore-Korea Smart City Business Matching Seminar on October 15 at the Millennium Hilton in Seoul. The event was comprised of seminars detailing the current status of smart city in Korea and Singapore, as well as networking opportunities and one-on-one business consultations for companies from both countries. Along with officials from KOTRA and ESG, 41 Korean SMEs related to smart city solutions and 22 Singaporean smart city project owners, finance/consulting firms, as well as companies dealing with eco-friendly water treatment, home security and vision recognition were in attendance.

ESG Regional Director Tang Kok Min, who led the business delegation from Singapore, said, “Singaporean companies possess the capability to push projects forward and Korean companies possess state-of-the-art high level of technology. Therefore, I am anticipating the expansion of cooperation between companies from the two countries.”

KOTRA’s Executive Vice President for Innovative Growth Kim Doo-young highlighted the importance of such cooperation, saying, “If Korean companies partner with Singaporean companies, it will help them make inroads into the global smart city market since many Singaporean companies have already entered various ASEAN countries.”
South Korea and France maintain an active trade and investment relationship, with exports at USD 2.33 billion and imports at USD 4.04 billion from January to August of this year. Total bilateral trade increased by 10.2 percent in 2018 compared to the previous year, from USD 5.78 billion to USD 6.37 billion. Moreover, Korea’s foreign direct investment (FDI) to France in 2017 was at USD 97 million, while France’s FDI to Korea reached USD 280 million mainly in the areas of science technology, finance/insurance, and wholesale/retail.

On October 15, KOTRA held the Korea-France Business Partnership event in Paris in conjunction with South Korean President Moon Jae-in’s state visit to France, the third largest market in Europe and the world’s sixth largest economy.

The event consisted of general meetings for consumer goods, machinery, and auto parts; K-beauty related meetings for cosmetics and beauty products; and a start-up summit with leaders of the tertiary industry, which involves the intellectual services: research, development and information.

84 Korean startups and SMEs seeking to enter the French market had 750 one-on-one meetings with 200 French and European buyers interested in cooperating with Korea. Notably, France’s L’Oréal, LVMH, Monoprix, Le Bon Marché; British drugstore brand, BOOTS; Swiss cosmetics distributor, Tanner, were in attendance.

The Korea-France Startup Summit, aimed at promoting cooperation between Korean and French startups as well as helping Korean start-ups enter the French and European markets, was co-hosted by the Korean Ministry of SMEs and Startups, the Small and Medium Business Corporation, the Korea Institute of Startup and Entrepreneurship, and the French Accelerator Creative Valley. Talks on innovation-driven growth, a Korea-France startup IR session, and one-on-one business meetings served as a platform for active exchanges between startups and related institutions of the two countries.

President and CEO of KOTRA Kwon Pyung-oh said, “I hope that the event held during President Moon’s state visit to France will spread the K-Wave phenomenon throughout France and Europe into the industries and policies in various sectors such as cosmetics, healthcare, ICT and startups,” He added, “KOTRA will make efforts to develop an ecosystem for mutual cooperation and shared growth by providing thorough follow-up support.”

By Grace Park
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KOTRA’s Events

NOVEMBER

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2018 Korea Week in Cuba
2018 Korea Brand & Entertainment Expo, Singapore
Daegu International Future Auto EXPO 2018

Invest Korea Week 2018

SINGAPORE FINTECH FESTIVAL

Date: November 12-16, 2018
Location: Singapore Expo (Hall 1 to 4)
Hosted: Monetary Authority of Singapore
Organizer: The Association of Banks in Singapore, SingEx, KOTRA, Gyeonggi Center for Creative Economy & Innovation, Kookmin University, National Information Society Agency
Industry: Global banking, venture capital, and fintech acceleration, startup
Main Programs: IR pitching sessions, startup exhibition booths, networking events with investors, visits by fintech related companies
Participation: 31,000 attendees from 60 countries
Website: https://fintechfestival.sg/
Contact: forihkim@kotra.or.kr (+82-2-3460-3286)

KOREA-EUROPE STARTUP SUMMIT

Date: November 20-21, 2018
Location: Frankfurt, Germany (HOLM)
Hosted: KOTRA
Organizer: KOTRA Frankfurt Office (Korea Business Center)
Industry: Startups in Internet of Things (IoT), artificial intelligence (AI), big data, fintech, blockchain, ICT & 5G, advanced materials, energy efficiency, digital healthcare & biomedical technology
Main Programs: Panel discussion, briefing & pitching sessions, 1:1 consultations, networking
Participation: Global companies (Heraeus, BASF, Merck, Bayer, Nokia, Ericsson, etc.), Corporate Venture Capitals (CVC), investors, accelerators, European startups
Contact: stshim@kotra.or.kr (+49-69-2429-9212)

INNOTECH KOREA 2018

Date: November 20-21, 2018
Location: Grand InterContinental Seoul Parnas
Hosted: KOTRA, Korea Development Bank
Industry: Innovative technology related to the parts & materials, services, consumer goods, and ICT industries
Main Programs:
- 11/20: Innovative Growth Forum (Session 1 - Challenges and Opportunities of the Digital Transformation, Session 2 - Changes in the Global Market and Entrance Strategies by Key Industry [Future Cars, Edutech, E-commerce, Smart City])
- 11/20-21: Export consultations between Korean companies and overseas buyers
Participation: 80 overseas buyers, 200 Korean companies
Contact: kjw941003@kotra.or.kr (+82-2-3460-7760)
The Latest on Korea’s Investment Environment

Merck signs deal with U.S. government on Samsung Bioepis biosimilar

Merck, a global health care company, has won a USD 117 million contract to supply the biosimilar Remflexis, developed by Samsung Bioepis Co., to the U.S. Department of Veterans Affairs, according to industry sources.

Under a 2013 deal, Merck is responsible for commercializing multiple biosimilar candidates in certain partnered territories, while Samsung Bioepis is responsible for preclinical and clinical development, process development and manufacturing, clinical trials and regulatory registration.

Remflexis -- a biosimilar of Janssen Biotech, Inc.’s blockbuster immunology medicine Remicade -- won approval from the U.S. Food and Drug Administration in April 2017.

In 2015, South Korea’s Ministry of Food and Drug Safety approved Remflexis for treatment for rheumatoid arthritis, ankylosing spondylitis, Crohn’s disease, ulcerative colitis, psoriatic arthritis and plaque psoriasis.

Gov’t approves KRW 1.1 tln in-kind investment for Saemangeum developer

The Cabinet approved a KRW 1.1 trillion (USD 972 million) in-kind investment for a state agency in charge of reclaimed land in the southwestern coastal area of Saemangeum to help facilitate infrastructure construction in the area, according to Seoul’s finance ministry.

The Moon Jae-in government has been advocating the development of the Saemangeum area, 280 kilometers south of Seoul, pledging a set of support measures such as an expanded budget for infrastructure construction.

To spur development in the area, the government has vowed to expand the state budget for building major roads linking it to other regions and to support the region’s efforts to host the 2023 World Scout Jamboree.

The Saemangeum area in North Jeolla Province spans 40,200 hectares and is home to the world’s longest seawall, which measures 33.9 kilometers. The seawall was completed in 2010 to attract businesses in a variety of fields, including agriculture and renewable energy.

FDI pledges to S. Korea hit record high through Q3

Government data showed that new foreign direct investment (FDI) pledged to South Korea in the first three quarters of the year reached an all-time high, in line with rising interest in the nation’s high-tech industries and startups in emerging sectors.

South Korea received USD 19.20 billion worth of FDI commitments from January to September, which represents a 41.4 percent spike from a year earlier, according to the Ministry of Trade, Industry and Energy.

The actual investment made by foreign companies over the period reached USD 11.70 billion, jumping 31.9 percent from the previous year, the ministry said.

By sector, the manufacturing industry drew in USD 8.38 billion worth of investment pledges as offshore investors sought joint venture partners in the electronics, machinery equipment and bio sectors. Service industries attracted USD 10.64 billion of new investment from abroad in emerging technology fields, such as e-commerce, cloud computing, mobile platforms and fintech.

Did You Know?

Consumers can now buy FRESH MEATS from a vending machine

The smart vending machine is integrated with IoT technology, which allows its operator to remotely monitor the product quality and expiry date, as well as the control through refrigerator temperature and humidity through a mobile app.

Consumers will be able to purchase different parts of Korean beef as well as Korean pork from the vending machine.

Sources: www.investkorea.org; Yonhap News Agency.
KOTRA’s Services

INVEST KOREA WEEK 2018

Every year, the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA) hold Invest Korea Week (IKW) as a part of efforts to attract foreign direct investment.

Since first being launched in 2006, Invest Korea Week (IKW) has established itself as the largest foreign investment attraction project in the country. The event includes IR sessions and business consultations for potential overseas investors, a job fair for foreign invested companies to find qualified local talent, as well as a three-day program for members of the foreign press. IKW brings together key government and industry players from all over the world to provide a platform for sharing insight on Korea’s business and investment environment.

Last year, over 2,000 participants were in attendance, including foreign investors, members of the local and international press, executives from Korean and foreign-invested companies, local government and free economic zone authorities, as well as representatives from relevant organizations.

This year’s IKW will be held from November 6 to 8 at the Grand InterContinental Seoul Parnas under the theme of “Collaborate and Innovate with Korea.”

Introducing Invest Korea Plaza

Invest Korea Plaza

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

IKP Offices for Lease

A. Office exclusively for foreign investors

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

B. Office for related organizations

- Organizations and administrative entities for attracting and supporting foreign investors

Qualifications for Occupancy

A. Long-term lease for foreign investors

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

B. Short-term lease for foreign investors

- For foreign investors conducting market research and business feasibility study to enter the Korean market
  - Required documents: IKP occupancy application form, a letter of recommendation by KOTRA’s KBC or documents certifying the planned business and market research
- Occupancy counseling is required as lease may not be permitted depending on the type and content of the business.
IKMP Intro

Invest KOREA Market Place (IKMP) is a project designed to help discover and support new investment projects for Korean SMEs, start-ups and local governments seeking foreign investment. Invest KOREA aims to use the IKMP platform to promote the globalization of Korean companies and institutions by utilizing KOTRA’s 36 overseas offices devoted to attracting foreign investment.

Every year in March, June and September, the project notice is available on KOTRA’s website at www.kotra.or.kr. Additionally, project information detailing investment opportunities in Korea is available on the Invest KOREA website at www.investkorea.org.

Investment Opportunities

Below are two Korean companies currently available to receive foreign investment. (some information remains confidential)

1. Finance Company: Artificial Intelligence Driven Financial Platform

Investment Highlights: The company provides various AI predictive models for financial institutions, from banks, insurance, credit card and asset management. It has partnered with a major Korean bank, providing AI predictive models ranging from product development, risk management, collection strategy to securitization. The company creates and provides new investable assets for wealth management in banks or investment banks, using a sophisticated AI cash flow predictive model based on deep learning algorithms.

Company Profile: The company was founded in February 2016 and has 10 employees as of 2017. It has filed three domestic patent applications for two technologies: one using computer systems and the other associated with machine learning algorithms and big data. It also plans to file two more patents related to deep learning LSTM.

Investment Requirements:
- Investment structure: Strategic investment
- Amount: USD 2 million in total
- Region: South Korea, Japan, China, Taiwan, Hong Kong, Southeast Asia, UK

2. Finance Company: Accounts Receivable Discount Platform

Investment Highlights: The company’s platform is constituted by a credit issuer, a holder and an investor. From assessing the genuineness of credit, the process of a third party credit transfer, the discount rate based on risk analysis and bond withdrawal, the platform carries out smooth transactions. Through this platform, SMEs can resolve capital requirement issues in a quick and cost-effective manner, while investors can manage funds at high interest rates for 45 to 60 days.

Company Profile: The company was founded in April 2015, and has eight employees as of 2017. It has filed two patent applications in South Korea for a platform related to fund brokerage, and one international patent has been filed under the PCT.

Investment Requirements:
- Investment structure: Minority (Financial investment)
- Amount: USD 2-3 million
- Region: All available

For more details, please contact Seo Dong Hyun, Senior Investment Consultant of the New Industry Investment Promotion Team, at dhseo@kotra.or.kr.
KOTRA Express sat down with Mr. Chang to hear about the advantages of the Korean business environment, his vision for Invest KOREA, and what he’d like to accomplish during his term.

**What are your thoughts on serving as the new head of Invest KOREA?**

Attracting foreign investment that leads to the direct inflow of management components including technology and capital, is one of the most important means of economic growth of a country. On one hand, I am honored and pleased to have the opportunity to lead an agency dedicated to promoting investment, but on the other hand, I’m filled with a great sense of responsibility. I’ll do everything in my power to effectively fulfill the duties assigned to me.

Along with Korea, other Asian countries such as China, Japan and Vietnam are making various efforts to attract foreign investment. What are some of the unique strengths of the Korean market?

Korea has a geographical advantage, boasts the world’s third largest FTA network, and possesses innovative competitiveness.

Korea is located at the center of Northeast Asia, a region that makes up around 25 percent of global GDP. It neighbors 147 cities with populations of over one million. Korea also offers outstanding logistical infrastructure, such as Incheon International Airport which directly connects Korea to 196 cities in 54 countries, and Busan Port which sits at the center of the world’s key sea routes. Moreover, there’s great potential for Korea to expand to the Arctic routes and establish land routes throughout Eurasia.

An even greater advantage than Korea’s geographical location is its vast FTA network. Korea is the only member of the G20 to sign FTA agreements with the world’s three largest economies: the United States, China, and the European Union. These FTAs provide Korean businesses with access to the world’s major markets with zero or low tariffs.

Lastly, Korea is a country of innovation. It topped the Bloomberg Innovation Index for five consecutive years in recognition of its innovative capabilities. It is also the second largest investor in R&D. Korea is among the world’s top five and Asia’s number one for the number of researcher concentration and high-tech density. In fact, Korea is one of the most active countries for patents and holds the fourth largest number of patents in the world.

Such strengths have attracted more than half of the Fortune 500 companies to Korea and has placed the country in the top five of the World Bank’s Ease of Doing Business Index. The total amount of foreign investment to Korea increases by the year, which tells us that overseas companies are highly assessing the Korean market.

We are seeing changes in both
the internal and external environments of Korea. What are the changes that draw your attention? Also, do you have a specific area you’d like to focus on for attracting more investment?

In terms of the external environment, I am currently interested in the mega trend referred to as the Fourth Industrial Revolution. At the national level, I’d like to focus on creating jobs, which is a major task of our times.

We’re working to attract investment from businesses in cutting-edge sectors, including those related to the Fourth Industrial Revolution, to secure new growth engines for our industries. We will also identify the sectors that Korea is leading in or the areas with high potential, and enhance competitiveness in those areas by strengthening cooperation between Korean and foreign companies on supply chains and technology.

We also plan to prioritize attracting investment to industries with the highest potential for creating jobs. It’s important to actively attract investment in the high value-added service sector as well as conduct investment projects that will boost the creation of new jobs.

Do you have any future marketing strategies in mind for attracting more investment to Korea?

We’re looking to carry out strategic IR activities to attract foreign direct investment. We’ll also strengthen our support for foreign-invested companies by utilizing pull marketing strategies such as Invest Korea Market Place (IKMP).

While our IR activities will target all regions across the world, we’ll be taking a more strategic approach, selecting key industries by region and country, as well as conducting activities to attract pinpoint investment from target investors.

In addition, we plan to expand on other pull marketing strategies centered on investors’ needs. In other words, we plan to identify the investment needs of top global companies and arrange investment meetings between them and Korean tech firms. To this end, we established a digital hub for foreign investment called the Invest Korea Market Place (IKMP) which increases the exposure of Korea’s promising startups, SMEs, and mis-sized companies looking for investment to foreign investors.

Finally, we plan to expand support for foreign-invested companies already doing business in Korea. Providing follow-up care for existing foreign-invested companies is crucial, given that about half of foreign investment to Korea comes from additional investment made by existing investors. We will support foreign-invested companies in local recruitment processes and listen closely to their needs by organizing roundtables for foreign-invested companies by industry.

* As of 2017, additional investment accounted for 54 percent, new investment for 44 percent, and long-term loans for 2 percent of total investment.

What do you think is Invest KOREA’s role in the Korean economy from here on out?

Korea has attracted USD 20 billion worth of foreign investment for three consecutive years and attracted the largest amount ever of USD 22.94 billion last year. It’s now time for Invest KOREA to focus on qualitative, rather than quantitative growth to take on the role as a trustworthy partner.

Specifically, we need to be a reliable partner to Korean startups, SMEs, mid-sized companies as well as to foreign investors while supporting the globalization of companies. Also, as a partner to foreign-invested companies, we need to support their business activities in Korea such as their efforts to recruit qualified talent locally. As a bridge between FDI and the Korean people, we need to raise awareness on the importance of attracting foreign investment and make Korea a more business-friendly country.

My goal is to do all I can to ensure that Invest KOREA fulfills such pivotal roles, and contributes to the globalization of Korean companies as well as to national economic growth.

What’s your vision for Invest KOREA and do you have a particular goal you’d like to achieve during your term?

If I have to choose one goal I want to achieve during my term, it would be attracting investment that will truly help the Korean economy. Apart from attracting more investment in the quantitative sense, I hope to inject steam into the Korean industrial ecosystem by attracting headquarters of global enterprises, companies with cutting-edge technologies, and businesses with high potential for job creation to Korea.

Do you have any last words for the readers of KOTRA Express?

It’s a pleasure to greet you all through this interview. Korea is a relatively small country, but the advantages of our business environment have garnered global attention. I’m certain that Korea will be an outstanding business partner to you.

Invest KOREA will continue to work tirelessly to support your efforts to expand to the Korean market. I ask for your interest and encouragement, and please don’t hesitate to contact us for any questions or information on doing business in Korea.

By Grace Park

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Economic Analysis

Make Korean Business Hire Again!

Still resonating across the battlefields of the mid-term election in the U.S. is one of the most attractive political slogans that President Trump has created, that is, “Make America Great Again!” A similar outcry deeply resonates in the minds of the people 10,000 miles away in South Korea: “Make Korea Hire Again!” Despite this, the Moon Jae-in administration has maintained an approval rate of over 60 percent for most its time in office, and has been focusing much efforts on creating new jobs. The meager job numbers for this year are more than enough to push the president and high-ranking officials in government to do more.

Job creation has been the prime goal for almost every government in office in the past. However, this goal is more important to the incumbent government than to any former ones as President Moon, in his historical inauguration speech declared that his administration is all for jobs. The creation of decent, quality jobs was one of the most important policy targets among the 100 policy agendas announced in the beginning of his term. President Moon’s first executive order was to form a presidential committee on job creation and to set up a job-statistics board in his office to conduct real-time monitoring of the job market. Looking at such moves at the executive level, nobody ever doubted nor doubts how serious and dedicated the president has been about the issue of job creation.

For almost a year and half, bureaucrats have typically been adamant in pointing out that demographic reasons, cyclical downturn or industrial restructuring has been the main culprit for dwindling employment numbers. During the last 18 months, they have initiated and implemented so-called comprehensive job creating policies. The job creation committee unveiled omnibus job creation policy packages in October of 2017, and the country’s Ministry of Economy and Finance announced a comprehensive job policy package in December of the same year. As the jobs for the younger generation were particularly necessary in early 2018, the ministry launched yet another audacious program in March to spur youth employment. Then it was followed by another round of job-policies in August of 2018. All of these policies absorbed more than 50 trillion won.

Why has the employment statistics fallen short of the administration’s expectations? Why has job creation been sluggish despite the budgetary injection of 50 trillion won? The answer seems simple to most economists, but not so much for the government officials. Surely, the demographic change involving the declining number of the population in their 30s and 40s has contributed, but the effect from this could not be more than 100,000 per year. Also, structural adjustment in the old smoke-stack industries such as shipbuilding, steel or automobile has probably reduced the labor force in the respective industries. Most economists agree that the new minimum wage and 52-hour work regulation policies have also contributed. Here, it is not argued that the new minimum wage law should be repealed or nullified. That is nearly impossible. It is not asked for the minimum wage law to be modified. That is almost impracticable. Rather, it is argued that the Korean economy needs to overcome new barriers to create more employment with higher wages.

In terms of economic jargon, the demand for labor curve should shift outward to make higher wages and more jobs possible at the same time. How would this work? The textbook answer is pretty straightforward: labor-productivity enhancing investment. This can be achieved either by the government or by the businesses. As labor productivity critically depends on the infra-structure of education and information, the government should invest more in infrastructure of technical education and training, especially in newer areas such as AI, bio, or drone. So, instead of allocating the budget toward venture projects, which have high risks of failure, the government should distribute more resources toward educating and training the labor force, which is likely to engrain knowledge within them throughout their entire lives. But more important is the role played by the businesses in creating new jobs. They have to be audacious, ambitious, and full of aspirations. The government must motivate them to have such aspirations and be encouraged.

The government must never forget that the businesses will ultimately be the ones to create decent jobs. The government should ask themselves what it can do for the businesses, not asking businesses to do things for the government. As President Trump has had to shout out “Make America Great Again,” President Moon may have to speak up and say, “Make Korean Businesses Hire Again.”

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*The opinions expressed in this article are the author’s own and do not reflect the views of KOTRA
A revised trade agreement calling for a 20-year extension of tariffs on Korean pickup trucks that can be sold in the United States will have a limited impact on the local auto industry, according to Seoul’s trade ministry.

Seoul and Washington have signed their amended free trade agreement (FTA), which includes delays in the elimination of 25 percent duties on Korean-made trucks until 2041. The duties were set to be phased out from 2019 to 2021.

In a report submitted to parliament, the Ministry of Trade, Industry and Energy (MOTIE) said the extension of tariffs would barely affect the Korean manufacturers, which presently do not export pickup trucks to the U.S. market.

If local companies produce half of all pickup trucks in American factories and ship half of them from South Korea, only 2,960 vehicles can be exported annually from 2021 to 2040 due to high import duties. The stiff duties will not affect vehicles made in American factories, it noted.

By product, outbound shipments of semiconductors surged 39.1 percent, with exports of petrochemical goods more than tripling.

Exports to China, the United States, the European Union and Vietnam shot up by 100 percent, 408 percent, 555 percent and 85.3 percent on-year, respectively, the data showed.

South Korea’s industry minister said the government’s renewable energy initiative is in line with inevitable global trends, stressing its role as a “new growth engine” for the national economy.

Rejecting lawmakers’ skepticism, Sung Yun-mo, minister of trade, industry and energy, advocated the government’s energy transformation roadmap, which aims to nearly triple the ratio of renewable energy to 20 percent by 2030.

“We have to continue to move toward renewable energy considering the economic situation, public demand and the creation of new growth drivers,” Sung said in a parliamentary audit of the government, calling the energy roadmap “feasible.”

The government has announced a plan to spend KRW 110 trillion (USD 96.1 billion) by the target year to expand its energy capacity from renewable sources to 48.7 gigawatts.

South Korea and Mexico have agreed to further boost economic cooperation in fields such as fintech and work together to fight growing global trade protectionism, Seoul’s finance ministry said.

The agreement came at their first deputy prime minister-level meeting between Seoul’s finance minister, Kim Dong-yeon, who also serves as deputy prime minister, and his Mexican counterpart, Jose Antonio Gonzalez Anaya.

At the meeting, the two sides discussed ways to boost economic cooperation and enhance conditions facilitating greater bilateral trade. The two also agreed to work together to fight growing trade protectionism through cooperation at the G-20 Finance Ministers and the International Monetary Fund (IMF) meetings.

Mexico is South Korea’s second-largest trading partner in the American region after the U.S.

The economic chiefs also shared the view that the two sides should cooperate in the fintech industry, which is viewed as a future growth engine.
Korea began to develop smart cities at the national level in the early 2000s, which makes it one of the forerunners in the area. Since its inauguration, the current Moon Jae-in administration has launched various policy experiments to develop smart cities as spaces for innovation in the era of the Fourth Industrial Revolution.

Smart city projects in Korea have been developed in four major stages. Stage 1 involves various infrastructure projects that preceded the introduction of the concept of smart city. In Stage 2, Korea began to apply the concept to its urban spaces. In Stage 3, on the basis of the infrastructure developed in Stage 2, Korea began to provide interconnected services across different areas through integrative platforms. Lastly, Stage 4, which Korea is going through today, has seen unprecedented policy experiments to develop smart cities as solutions for urban problems and means of creating new innovative industries.

**Stage 1: Related Projects before Smart City Development**

Smart city development in Korea is based on the foundation created by various projects that preceded it. The liquefied natural gas (LNG) explosion at a subway construction site in Ahyeon-dong, Seoul, in 1994 and the gas explosion at a subway construction site in Daegu in 1995 increased the need for a national-level foundation for geographical information. After these incidents, the government developed a national geographic information system, followed by projects to build urban information systems to manage and use the information in the system. The introduction of ubiquitous computing in the early 2000s resulted in the spread of concepts that allowed for achieving efficient management of urban facilities by integrating physical facilities with urban information systems. Under these circumstances, the Korean government decided to build a national foundation for a ubiquitous Korea.

**Stage 2: Development of Smart City Infrastructure**

As mentioned above, in the early 2000s, Korea began to use the concept of ubiquitous computing in its policies. These policies were supported by many favorable conditions that presented themselves around that time. First, Korea had just completed its project for developing a nationwide ultra-speed information network, which offered the world’s fastest access to the Internet. Second, Korea had begun to plan “innovative cities” across the country, along with the “Second-Phase New Towns” in Dongtan in Hwaseong, Pangyo in Seongnam, Unjeong in Paju, and Gwanggyo in Suwon to distribute the population that is concentrated in the Seoul Capital Area (SCA) and pursue the balanced development of the nation. The nationwide spread of the high-speed information network and the development of the New Towns, which provided good opportunities to build new forms of cities, served as a foothold for the development of U-Cities, which constituted an early model for the Korean version of smart cities.

In 2008, Korea enacted the Act on the Construction, Etc. of Ubiquitous Cities (U-City Act) to build an institutional foundation for the planning, construction and operation of U-Cities. This Act spurred the development of U-Cities in the country. In particular, the U-City Act made it possible to use the profits from the development of the New Towns to build the U-City infrastructures defined by the Act, including integrated operation centers, local communication networks and transportation/security service facilities. Under this Act, the central government and the local governments were able to expand smart city infrastructures in the Second-Phase New Towns and other innovative cities in each area without committing their budgets. Between 2003 and 2014, Korea saw urban designing and infrastructure development based on smart city concepts in 52 development zones. Although specific numbers vary, around KRW 20 billion was invested in developing smart city infrastructures in each zone.

**Stage 3: Interconnection of Smart City Information and Systems**

Tying up smart city infrastructure development with New Town projects contributed to spreading smart cities in Korea and prompted local governments to realize the need for smart cities. However, when Korea’s population growth visibly slowed down around 2014, the government no longer felt the need for large-scale New Town projects. These changes warranted a change in the smart city infrastructure development model for the New Towns. As it was no longer possible to secure large amounts of financial resources, the Korean government adopted policies to interconnect and integrate existing smart city facilities to provide interconnected services. In particular, under the U-City Act, Korea developed the same types of infrastructures and services for all New Towns. As a result, rather than developing different services to accommodate the different needs of the respective cities, the Act focused on providing common transportation and security services for the cities. In other words, while the projects achieved the nationwide spread of transportation and security services, they lacked diversity of services offered in the cities.

Thus, the central government implemented a project aimed at distributing integrated platforms for the cities to secure a foundation for diverse services tailored to the needs of different cities and overcome the limitations of focusing on physical infrastructure development. This project made it possible to interconnect the systems and infrastructures across different areas, such as safety and transportation, and offer new types of services at lower costs. However, Korea had to overcome two nontechnical obstacles to bring the project to success. First, different services were managed by different entities. Second, the related regulations prohibited the use of facilities for unsanctioned purposes and made it im-

**Progress and Future Direction of Smart City Development in Korea**

14
possible for entities to share information out of privacy concerns. For this reason, the Korean government worked toward building a system of cooperation among different entities and reforming its regulations while pursuing technical efforts to build integrated urban platforms. These efforts created the foundation for interconnected services across different areas.

This period taught Korea a critical lesson that the interconnected and integrative management and operation of smart city infrastructures require governance and regulatory reforms, as well as technical developments.

**Stage 4: Interconnection of Smart City Information and Systems**

Faced with the smart city hype that swept through Korea and the world into the 2010s, the Korean government reviewed its smart city policies in their entirety. In particular, the emergence of the Fourth Industrial Revolution became a major policy issue that pushed the government to realign the goals of its smart city policies.

In 2017, the Korean government wholly revised the U-City Act into the Act on Promotion of the Smart City Industry, thereby creating a foundation for implementing policies that cover wider areas that encompass the promotion of the smart city industry, as well as the construction, management and operation of smart cities.

After the revision, the administration launched government-wide efforts to develop mid-to-long-term strategies for Korea’s smart cities. One of the key elements of these strategies is developing test beds for new technologies in urban spaces to improve the competitiveness of the new industries in the global market and provide smart city solutions tailored to urban issues in dilapidated areas. One of the features that separate the new policies from the existing ones is that they define goals tailored to the characteristics of different urban spaces, and pursue different strategies for different goals. In particular, the Korean government decided to commit its financial, institutional and technical capabilities for building test beds for advanced cities with global-level competitiveness in the form of National Pilot Cities. For these cities, which will be designated among undeveloped areas with favorable conditions for building advanced infrastructures, the government plans to adopt regulatory sandbox policies and special provisions that allow for the collection and use of data that are not readily available in other areas so that they can serve as grounds for regulation-free experiments with the new technologies of the Fourth Industrial Revolution era. The government has launched the development works for the Sejong 5-1 District and the Eco Delta City Area in Busan. The National Pilot Cities are expected to be at the forefront of Korea’s smart city innovation. As for addressing various urban problems, which constitutes another key objective of the country’s smart city policies, the central government is working toward providing assistance by offering tailored solutions for dilapidated areas suffering from urban problems. To this end, Korean policymakers are discussing new smart city strategies, such as “Living Lab” projects, which will depart from government-led efforts of the past through people engagement, early identification of urban problems and continued monitoring of the results achieved with the solutions. The Stage 4 projects are still in their infancy, which makes predicting their outcomes difficult. However, it is widely agreed that they represent a step forward from the existing government-led smart city policies in terms of defining and implementing the goals and strategies suitable for different spatial characteristics in different cities.

**Conclusion**

To this day, smart city development in Korea is progressing on a national level at a pace that is faster than many other countries. Based on these experiences, Korea currently pursues smart city policies that not only develop technical elements and infrastructures for smart cities but also pursue collaborative governance and regulatory reforms, promote innovation for creating new industries and differentiate policy instruments for different cities.

In addition, the Korean government pursues its smart city policies with a clear conviction that the success of these projects is hinged on the participation of residents and the development of smart cities that will provide meaningful benefits to the people.

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*The opinions expressed in this article are the author’s own and do not reflect the views of KOTRA*
Busan’s Eco-Delta City to Become a Smart Waterfront City

Busan Metropolitan City was designated along with Sejong Special Self-governing City as test beds for the realization of smart cities, which is a platform that embodies advanced technologies, and will act as a new growth engine for the economy. The project to establish test bed cities aims to demonstrate and combine new technologies related to the Fourth Industrial Revolution, create an ecosystem for innovative industries and propose a lead model for future smart cities.

The project will focus on actualizing smart city technologies such as autonomous vehicles, smart grid and virtual reality (VR) as well as welfare facilities using future technologies, including next-generation network, big data and artificial intelligence (AI), and promote the demonstration and commercialization of such technologies. Busan’s Eco-Delta City will encompass various smart city technologies based on the connectivity of a waterfront city and international logistics.

The project includes seven main contents: human-centered smart urban design; a city created by residents; a living lab network; an R&D Plug-in City; introduction of a regulatory sandbox; an open big data city; and experience-based innovative technologies.
First, human-centered smart urban design aims to create a city where humans coexist with nature, consensus is built among the people and technology is shared. Coexisting with nature means that residents will have easier access to waterfront areas and parks and have no problem in terms of mobility even without owning personal vehicles. A vibrant city, where people communicate and create bonds with one another, will be formed by connecting various spaces to enjoy culture and leisure activities via a smart road. Moreover, smart technologies, such as a smart water treatment system; technologies to mitigate the effects of fine dust; and smart transportation, logistics and energy will be applied to the city to foster future industries and create jobs.

Residents and experts will take part in the entire process of the project, from the planning stage to the move-in stage. The “Smart City First Street,” a platform for public participation, will be operated both online and offline.

A living lab is a community in which residents and users become the main agents of innovative activities. It will create an environment for citizen-led innovation and expand the city’s openness. Residents will also be empowered to solve various urban problems. The living lab network will promote cooperation between Sejong and Busan.

The project aims to build a flexible and sustainable R&D Plug-in City to support the demonstration and commercialization of R&D technologies and enable easy application of other advanced technologies. When R&D technology convergence and integration throughout government organizations are linked and applied to the test city, it is expected to maximize the synergy effect.

In regard to the regulatory sandbox, new smart city technologies and a sandbox for the establishment of a sustainable innovative ecosystem will be introduced. This is anticipated to foster new future industries and promote investment through regulatory reform.

The open big data city will be operated by introducing a “data market” system, which is a two-way data sharing platform that produces and shares data for private companies. When an individual or a company requests information, it will produce and supply customized data by providing infrastructure such as different kinds of sensors.

Lastly, experience-based innovative technologies will directly impact the experiences of residents in their day-to-day lives. This waterfront city will introduce smart water technologies, such as a smart water purification plant and water supply system, eco-filtering, LID and water recycling. It also aims to utilize more renewable energy through a Virtual Power Plant (VPP) service, hydrothermal energy, a Building Energy Management System (BEMS), fuel cell and a zero-energy house. The transportation infrastructure and consumer-centered transport services will offer smart trams, Cooperative-intelligent Transport Systems (C-ITS), a custom traffic signal control system and parking lots.

The smart city will also provide safety services related to crime prevention, disaster and environment by applying intelligent closed-circuit televisions; school zone safety; and integrated management systems for sink holes, fine dust and floods. Services related to medicine, housekeeping, education, culture and shopping will be provided. Some examples of this include smart garbage collection and smart gardens.

After residents have moved into the city, innovation will continue and residents will reap more benefits. Effective operation of the city will save time for the residents. The revitalization of the shared economy and economized urban resources will also lighten various burdens. Furthermore, the operation of an intelligent city will increase the safety and convenience of the city.

Source: Presidential Committee on the Fourth Industrial Revolution; Yonhap News Agency; National Assembly Research Service
Earlier this year, Korea and Singapore signed the Korea-Singapore Smart City Cooperation MOU to expand cooperation in the areas of smart city/infrastructure, consumer goods and e-commerce. On that note, let’s take a closer look at where the trade and investment relationship between the two countries currently stands.

**01 Korea-Singapore Free Trade Agreement (KSFTA)**

The KSFTA was signed on August 4, 2005 and entered into force on March 2, 2006 as Korea’s first free trade agreement with a fellow Asian country. The agreement can be considered as a prelude announcing Korea’s major pursuits of free trade with its neighboring countries in East Asia.

**03 Korea-Singapore Investment**

The KSFTA has boosted bilateral investment between the two countries. In 2017, Korean investment to Singapore reached USD 1.42 billion in declared amount, notably in the categories of wholesale/retail, finance/insurance, manufacturing and mining.

Singaporean investment to Korea stood at USD 1.79 billion in declared amount, mainly in the categories of manufacturing, real estate, finance/insurance and transportation/storage.

**02 Korea-Singapore Trade**

As of 2017, Singapore is Korea’s 9th largest trading partner in terms of exports, and 14th largest partner for imports. Meanwhile, Korea is Singapore’s 7th largest trading partner for exports, and 6th largest partner in terms of imports.

**Imports**

In 2017, Korean imports from Singapore stood at USD 8.9 billion, consisting mainly of manufacturing machinery, semiconductor devices, processors and controllers.

**Exports**

In 2017, Korean exports to Singapore reached USD 11.65 billion, primarily comprised of petroleum and asphalt, processors, controllers, tankers and cargo ships.

Sources: Korea International Trade Association (KITA); Export-Import Bank of Korea; Ministry of Trade, Industry and Energy (MORE)
Toy’s Myth Inc. is a technology firm specializing in the Internet of Things (IoT). The company utilizes its hardware, software, big data and artificial intelligence (AI) technologies as well as its vast amount of knowledge to develop cutting-edge IoT hardware and solutions.

The company creates devices like smart toys and smart scanners, which are all based on a self-developed platform called STARBUCK. STARBUCK is also combined with Intel Quark technology for a smart IoT gateway which enables faster, more reliable and accurate data collection and transmission. The gateway is being used by the company to further develop various services in the areas of shopping, logistics, transportation, environment, and more.

Additionally, Toy’s Myth develops solutions for smart city and smart schools, which are interlocked so that users can access converged services. The company also offers a “wi-fi positioning solution” and a “wireless streaming solution” to provide adaptive personalized services to users based on their location and behaviors.

**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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<tr>
<td>Nominal</td>
<td>1,305,400</td>
<td>1,411,000</td>
<td>1,382,400</td>
<td>1,414,700</td>
<td>1,530,200</td>
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<td>PPP</td>
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<td>GDP Growth Rate (Y-o-Y) (%)</td>
<td>2.9</td>
<td>3.3</td>
<td>2.8</td>
<td>2.9</td>
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Source: The Bank of Korea, October 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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<tr>
<td>Nominal</td>
<td>27,105</td>
<td>27,608</td>
<td>29,938</td>
<td>32,046</td>
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<tr>
<td>PPP</td>
<td>36,501</td>
<td>37,810</td>
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Source: International Monetary Fund, October 2018

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<th>Foreign Trade</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Jan.-Sep 2018</th>
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<td>Exports</td>
<td>559,632</td>
<td>572,665</td>
<td>526,757</td>
<td>495,426</td>
<td>573,694</td>
<td>450,310</td>
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<td>Imports</td>
<td>515,586</td>
<td>525,515</td>
<td>436,499</td>
<td>406,193</td>
<td>478,478</td>
<td>395,693</td>
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<td>Trade Balance</td>
<td>44,046</td>
<td>47,150</td>
<td>90,258</td>
<td>89,233</td>
<td>95,216</td>
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Source: Korea International Trade Association, October 2018

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<th>KRW-USD Foreign Exchange Rate</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<td></td>
<td>1,126.9</td>
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Source: The Bank of Korea, October 2018

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<td>50,835.0</td>
<td>81,148.2</td>
<td>84,373.0</td>
<td>105,939.6</td>
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Source: The Bank of Korea, October 2018
KOTRA Worldwide
- KOTRA has 126 oversea offices and 10 headquarters worldwide

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