ONE-ON-ONE
with
JENNY CHU
Honorary Ambassador of Foreign Investment Promotion for Korea

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BUSINESS NEWS

Foreign Direct Investment

S&P keeps 'AA' rating on S. Korea despite virus woes

Standard & Poor's (S&P) Global Ratings said April 21 it will maintain its 'AA' long-term sovereign credit rating on South Korea due to the country's robust fundamentals.

The global ratings firm also kept the 'A-1+' short-term sovereign rating on Asia's fourth-biggest economy with a stable outlook.

"The COVID-19 outbreak will see the Korean economy contract for the first time since 1998, but we believe the sovereign's robust credit metrics can absorb this temporary shock," S&P said in a statement.

"The stable outlook reflects our expectation that Korea has the capacity to absorb the adverse effects of the COVID-19 pandemic and its economy will rebound in 2021," the global credit appraiser said.

This year, S&P predicted Korea's fiscal deficit to widen, due to stimulus measures, before returning to modest surpluses over the medium term.

"We would lower the ratings if we believe that geopolitical tensions related to North Korea will intensify to a point that they seriously affect Korea's economic, fiscal, or external performance," it said.

South Korea's overall financial system appears to be resilient: IMF

The International Monetary Fund (IMF) said Tuesday that South Korea's overall financial system appears resilient, but it warned of growing vulnerabilities.

The IMF said most parts of South Korea's banking system appear prudentially strong, but prospects for banks and insurers are dimming due to growth-related uncertainties, low interest rates, potentially disruptive financial technologies as well as adverse demographic shifts.

The program, a comprehensive and in-depth analysis of a country's financial sector, assessed the stability of financial systems of South Korea, the United States, Italy and nine other countries.

Trade & Commerce

S. Korea's COVID-19 test kit exports jump more than eight-fold in April from March

South Korean exports of coronavirus test kits soared more than eight-fold in April from the previous month as orders poured in from worldwide, customs data showed May 7.

According to the Korea Customs Service, exports of virus detection kits reached USD 201.23 million last month, compared with USD 24.10 million in March.

In terms of volume, such exports amounted to 178.6 tons last month, a 5.5-fold jump from March. The number of export destinations also increased rapidly, reaching 103 in April.

Brazil topped the list of buyers, importing USD 30.15 million worth of Korean test kits and representing 13.3 percent of the total. Brazil was followed by Italy with USD 22.46 million, India with USD 21.38 million, the United States with USD 7.94 million and Poland with USD 14.86 million.

S. Korea's exports of cosmetics to Russia jump ninefold since 2014: KITA

South Korea's exports of beauty products to Russia jumped nearly ninefold in 2019 from five years earlier on the back of the growing popularity of Korean pop culture, data showed April 22.

South Korea's exports of beauty products to Russia reached USD 137.3 million in 2019, up from USD 15.5 million posted in 2014, according to the data compiled by the Korea International Trade Association (KITA).

Asia's fourth-largest economy was the second-largest player in the Russian market for imported cosmetics products in 2019, while France was the leading country with exports of USD 329 million.

The association attributed the soaring demand for South Korean cosmetics in Russia to the booming popularity of Korean music and dramas.

Experts said the Korean Wave generated by K-pop and dramas could turn fans in foreign countries into consumers of Korean products.

Outbound shipments of cosmetics products by South Korea reached USD 6.6 billion last year, making the country the world's fifth-largest exporter of such goods, the association said.
South Korean carmakers enjoyed an increased market share in global markets in the first quarter as they preemptively responded to the coronavirus outbreak, a local car industry association said April 29.

Korean automakers’ global market share rose to 8.4 percent in the January-March quarter, up from 7.3 percent in the year-ago period, the Korea Automobile Manufacturers Association (KAMA) said in a statement.

"Korean carmakers were quick to respond to the COVID-19 outbreak and maintained a relatively high plant utilization rate in the first quarter compared to their global peers. They reported solid sales of their competitive sport utility vehicle models in the United States, Europe and India," a KAMA official said.

Kakao Corp., the operator of South Korea’s top mobile messenger KakaoTalk, said May 7 its first-quarter net profit jumped nearly four times from a year earlier on the back of robust growth of its e-commerce services based on its messenger platform.

Net profit reached KRW 79.9 billion (USD 65.4 million) in the January-March period on a consolidated basis, compared with KRW 17.6 billion a year earlier, the company said in a regulatory filing.

The company attributed the stellar performance to the robust growth of new services, such as payment and e-commerce, linked to its mobile messenger KakaoTalk.

Kakao said messaging through KakaoTalk surged following the COVID-19 pandemic, as more people stayed home and avoided face-to-face contact, leading to increased content usage and online shopping.

"More people used group calls and video calls mainly on the back of the social distancing campaign," Yeo Min-soo, co-CEO of Kakao, said in a conference call. "This trend continues through the second quarter.

President Moon Jae-in presented an ambitious vision on May 11 for South Korea to take the initiative in the post-coronavirus global economy on the basis of its prowess in the sectors of information and communication technology, and bio-health.

"We will use our relatively rapid stabilization of the COVID-19 outbreak and the transition to a new normal as a turning point for enhancing economic vitality," Moon said in a special address to mark the third anniversary of his inauguration and unveil his top priority policy tasks for his remaining two years in power.

"We will blaze a trail in the post-COVID-19 era with a pace-setting economy," he said.

He vowed full efforts to turn ongoing crises into opportunities in a bold and aggressive way.

Moon emphasized that what matters is the economy. He said the government will strive to turn South Korea into a globally leading "digital powerhouse" with innovative business ventures and startups serving as the main driving force.

On the envisioned Korean version of the New Deal, Moon said South Korea will focus on a "preemptive investment" for the future, designed to establish digital infrastructure and create many jobs.

South Korea’s finance minister on May 4 raised the possibility of temporarily softening regulations for companies to boost investment as the nation seeks to minimize the economic fallout from the coronavirus pandemic.

Finance Minister Hong Nam-ki told a meeting with senior ministry officials that there is "the need to temporarily ease regulations that have become obstacles to corporate investment." Hong also urged ministry officials to draw up plans to revitalize private consumption.

Last week, the National Assembly approved a KRW 12.2 trillion (USD 10 billion) extra budget to fund emergency handouts for households to cope with the economic impact of the coronavirus outbreak.

South Korea has promised relief packages worth some KRW 240 trillion to ease the economic fallout from the virus.

To reinvigorate economic growth, the government has started reviewing measures to ease regulations in 10 industrial sectors, including artificial intelligence and mobility.

Source: www.investkorea.org, Yonhap News Agency, Pulse by Maeil Business News Korea
In the post COVID-19 era, South Korea is aiming to reshape its economy by converging new and old industries and creating new jobs through its version of the New Deal. On May 10, President Moon Jae-in envisioned the project, saying that the country will focus on a “preemptive investment” for the future, designed to establish infrastructure and create many jobs.

On the occasion of his third inauguration anniversary, President Moon detailed the Korean-style New Deal as quoted below, highlighting the country’s plans to further invigorate its future and digital industries and attract overseas investments.

[Excerpt from “Special Address by President Moon Jae-in to Mark Three Years in Office, May 10,” 2020]

“We will work to help the Republic of Korea emerge as a globally leading “digital powerhouse” with innovative business ventures and startups serving as the main driving force. We will create future growth engines by fostering three new growth industries—system semiconductors, biohealth and future cars—more vigorously.

The Republic of Korea has become the safest and most transparent production base in the world. Countries around the world have now begun to prefer innovative capabilities and safe investment destinations to cheap labor. This presents a golden opportunity for us. We will push ahead with bold strategies to attract high-tech industries and investments from overseas as well as to help Korean companies return from abroad. The Republic of Korea will become a “world factory of high-tech industries,” thereby changing the global industrial map.”

Source: The Republic of Korea Cheong Wa Dae Website (english.president.go.kr)
Invest Korea Market Place

Invest Korea Market Place (IKMP) is an online business matching platform available on Invest KOREA’s website with information on approximately 300 Korean companies seeking to partner with foreign investors. This month, KOTRA Express introduces some outstanding companies in Korea’s smart city industry.

### Company A

**Investment Requirement**
- **Amount**: USD 5 million
- **Patents and Certificates**: Automated sewing system; All patents are jointly owned and shared by BOGM and COEA

**Investment Structure**
- **Minority, JV, M&A**

**Financial Performance**
- **(Sales)** USD 0.87 million (in 2019)

**Investment Highlights**
According to Reebok, the global smart factory market will grow at an annual average rate of 9.3%, with its value reaching USD 205.4 billion in 2022 from USD 121 billion in 2016. Most of all, the size of the smart technologies market will grow six times larger within five years. TechNavio, a global research company in the United Kingdom, sees the large-scale introduction of automatic sewing machines for apparel and manufacturing as a major growth driver to the point that the global sewing machine market will grow at a compound annual growth rate of 4.28% between 2018 and 2022.

### Company B

**Investment Requirement**
- **Amount**: USD 3 million
- **Patents and Certificates**: Registration of 11 patents for an electric cart, a driving device, and others

**Investment Structure**
- **Minority, JV**

**Financial Performance**
- **(Sales)** USD 1.77 million (in 2017)

**Investment Highlights**
The scale of the domestic electric scooter market reached KRW 100 billion in 2017; the global electric scooter market size expanded to at least KRW 2 trillion. In this context, the demand for the electric scooter is expected to grow rapidly in case the law on it is enacted.
The company has five registered patents and six patent applications for its self-developed products in the domestic electric scooter market that features a high proportion of foreign products. It is growing as an R&D company in Korea by developing its unique and emotional designs that consider ergonomic characteristics and cutting-edge electronic control systems.

### Company C

**Investment Requirement**
- **Amount**: USD 10 million
- **Patents and Certificates**: Under registration of six patents including a patent for a system for security providing medical examination

**Investment Structure**
- **Minority**

**Financial Performance**
- **(Sales)** USD 1.77 million (in 2018)

**Investment Highlights**
The company helps users safely transfer, store, and manage the results of health checkups stored in different hospitals on their smartphones. Recently, as fewer people utilize mail as a tool to receive the results of health examinations, there is a growing demand for a solution designed to check the results with a smartphone at any time. The company provides a variety of content that can standardize data stored in different hospitals, store and make a comparative analysis via one app, describe details by item, and helps users manage their health more efficiently.

For more information, please visit the IKMP page on [www.investkorea.org](http://www.investkorea.org).
**Smart city industry outlook**

Being the key enabler for cost-saving and effective solution to persistently soaring urban problems, smart cities are expected to play a pivotal role in helping fight against climate change (EC, 2013) and to shape the future of technology in the upcoming fourth industrial revolution (Klaus Schwab, 2016).

A large body of research evidence supports the idea that ICT-based smart urbanization enables agencies to allocate resources wisely and to gently drive a positive change in individual’s behavior, believed to be part of efficient ways to solve challenges that cities of the future are facing. With great expectations of how smart cities can help build a better society, the global smart cities market size also has dramatically increased over the last decade.

Numerical data on the market size are updated by a number of research groups, and they all consistently say it’s very positive all around over the forecast period.

The KRIHS report estimates that nearly KRW 2 trillion was spent on U-City\(^1\) formed in 52 business districts for the period from 2003 through 2014, adding that vast majority of the finance went to ubiquitous digital interface and technologies embedded across the city infrastructure in the process of early stage smart city development.

The total amount of funding for public works alone, posted by Korea Online E-Procurement System, a B2G platform for which companies place bids, however, signifies that an estimated procurement value for smart city initiatives has been enormously on the rise from KRW 6.5 billion in 2018 to KRW 175 billion in the year 2019.

Specifically, KRIHS found that the government has started to inject greater amount of financial resources into building out the technology base, rolling out a diverse range of possible applications- installing digital interfaces in traditional city infrastructure or streamlining city operations through platform consolidation- in the pursuit of smart city initiatives.

### The birth of the smart city industry, the measurement of applications to be implemented in real urban settings

A broad range of business portfolios under the smart city initiatives have been underway over the past few years. The most radical transformation is probably a rapid transition into “smarter” models that are globally competent.

Smart cities, traditionally, used to be developed in the form of adding digital intelligence to existing urban systems. Nowadays, they are getting into a new phase of evolution; adopting a regulatory sandbox, an approach to potential relaxation of regulatory requirements that build in more testing and feedback through a safe innovation zone, forming private-public partnership, exploring the value of the living lab with civic engagement and developing operational metrics and criteria (goal attainment assessment model) by employing dozens of methodological tool kits so as to corroborate the potential impact of the newest technological applications to be implemented, while monitoring progress.

The process for business application assessment does not simply guided by the authorities or a few of agencies in charge of construction projects, but rather concentrates largely on whether new smart city models can well perform in accordance with the aforementioned evaluation categories, inspired by empirical solutions of the pan-Atlantic projects, US’ Smart City Challenge and EU’s Horizon 2020.

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1 U-city: Korea Ubiquitous City Association. An early model of digital- based smart cities developed in Korea.

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**INDUSTRY / MARKET FOCUS**

**Industrial Trends and Outlook of Smart City in Korea**

<table>
<thead>
<tr>
<th>Market research firm</th>
<th>Global smart cities market forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets and Markets (’19.1)</td>
<td>Global smart cities market: USD 308 billion (2018) → USD 617.2 billion (2023), (AAGR: 18.4%)</td>
</tr>
<tr>
<td>Navigant Research (’17.4)</td>
<td>Smart city services: USD 93.5 billion (2017) → USD 225.2 billion (2026)</td>
</tr>
<tr>
<td>Frost &amp; Sullivan (’17.10)</td>
<td>Global smart cities market: USD 2.1 trillion (2025)</td>
</tr>
</tbody>
</table>

Source: Smart city master plan, 3rd edition
With unique characteristics to embody verifiable outcomes in an open space in real-urban life settings, multiple factors must be taken into consideration at every step along the way for the examination process.

### Smart City Challenge to explore inspiring business innovation

Businesses in different fields finally got a chance to show their ideas brought to life in urban spaces for the first time in Korea.

Smart City Challenge, a project unheard of in Korea so far, empowered communities to innovate through private-public partnership, while establishing a baseline and measuring results of smart solutions to help citizens tackle urban issues and generate new business opportunities.

In its early stage, Smart City Challenge formed and helped six consortiums joining together for a shared purpose of testing and evaluating theoretical applications devised to solve persistent urban problems for ten months in pilot districts or living laboratories. The project challenged participants and selected two to three teams who survived at the competition, giving them grants used to put the innovative solutions into practice.

Along with 49 municipal governments, nearly 200 businesses, small or large (including top players such as Samsung Electronics, LG, SK, KT and Hyundai Motors) and a couple of universities formed 48 separate teams to join 2019 Smart City Challenge Korea.

These participants shared thoughts on various topics, ranging from transportation, environment, energy, safety, cultural tourism, social welfare programs, local economy, and healthcare services to community amenities. The selectees who’ve reached to the final stage were provided a KRW 1.5 billion sponsorship. The list below is the details of multiple applications the finalists have brought out.

<table>
<thead>
<tr>
<th>Evaluation Category</th>
<th>Description</th>
</tr>
</thead>
</table>
| Deregulation        | - Potential relaxation of regulatory requirements by allowing a safe innovation zone where new applications are tested  
                      - A regulatory sandbox |
| Civic participation | - Civic engagement from problem solving to public usage of new services |
| Governance          | - Smart city innovations made both by private actors with creative ideas and administrative body  
                      - A new business paradigm of ‘convergence’ which take place through horizontal governance, replacing traditional hierarchical leadership with collaborative work with different levels or boundaries of entities |
<p>| Goal attainment scaling | - Developing a monitoring system that works constantly and a guideline to clarify the target, in consideration of unforeseeable outcomes of new applications in real world settings |</p>
<table>
<thead>
<tr>
<th>Participants</th>
<th>Applications</th>
<th>Reference</th>
</tr>
</thead>
</table>
| Gwangju City, Glosfer, Jointree, XM, etc. | - Data-based mobile rewards platform designed for civic participation  
- Data based digital rewards platform  
- Community mapping with civic engagement  
- A tool to share video evidence of traffic mishaps captured by car security cameras  
- Trade area analysis | |
| Bucheon City, Kakao Mobility, Data Alliance, etc. | - Socio-economic models developed through local civic engagement  
- Local connection platforms to manage car/kick scooter sharing or E-hailing service, introduced by local venture firms | |
| Suwon City, Samsung Electronics, Samsung SDS, etc. | - Translating raw data collected throughout a city into mobile UX service  
- Data consolidation  
- Digital Twin  
- Voice-based mobile applications | |
| Changwon City, LG CNS, etc. | - Cloud-based energy & safety solutions currently adopted in industrial clusters  
- Energy consumption tracking  
- Smart power saving system  
- Smart fire detection/PM sensing solution | |
| Daejeon City, CNCITY Energy, JungdoUIT, etc. | - Solutions to old town slum upgrading  
: Car sharing space, fire prevention system, UAV test sites, PM sensing system etc. | |
| Incheon City, Hyundai Motors, etc. | - Demand-responsive transport (DRT) system  
- Mobile as a service (MaaS) platform | |
Three teams out of six have become the winner at the final open contest. The best ideas of 2019 Smart City Challenge Korea are listed below.

<table>
<thead>
<tr>
<th>Consortium</th>
<th>Applications</th>
<th>Period</th>
</tr>
</thead>
</table>
| Bucheon Consortium | - Capacity of parking lots: 37% → 110%  
- Parking space: 19.46 m²/day  
- 21 new jobs in small town businesses | 2019.11~ 2020.02 (3 months) |
| Daejeon Consortium | - Occupancy rates of parking lots: 22% up  
- Parking revenue: 26% up  
- Smart fire prevention system  
- Cost effective PM sensors | 2019.11~ 2020.02 (3 months) |
| Incheon Consortium | - Demand-responsive transport (DRT) capacity: 24,399 passengers (399/day)  
- A system reducing average passenger waiting/transit time | 2019.12~ 2020.02 (2 months) |

Smart Cities Challenge has underscored what socio-economic returns to expect when measuring the impact of smart applications deployed in real world settings. It also substantiated what progress the initiatives have made while forging non-traditional partnerships that bring private, public and civic engagement together and how it transformed leadership hierarchy and regulatory regime.

Benefits sharing, a way to get smart city industry to take its stride

Pilot testing to evaluate the validity of applications could be the starting point for smart city initiatives. However, that does not mean the outcome itself can be a sufficient condition for innovation. Smart city applications should not only benefit a single community. They must be scalable and replicable throughout the world to make the initiatives real innovation.

With the benefits of the lessons learned, cities must go beyond experimental urban designing.

An aid package that helps spread the benefits obtained through the pilot programs to communities worldwide needs to be adopted, which appears to be a baby step towards early stage market formation and a growth driver of innovative services.

It must be recognized that many smart city applications succeeded only when they’re widely adopted. Authorities do not have to be the sole operator of the smart city initiatives simply to explore solutions. They could step in helping key actors amplify innovations they’ve generated in order to take the leadership role in the global market.

Unfortunately, most smart city projects in Korea have yet to reach a full pace, though a host of pilot testing programs turned out to be competitive enough to match similar projects conducted overseas in their scale and quality, due to insufficient government support so far. It’s not too late to be proactive. Above all, the government can keep close track of test results and have in depth discussions with all the entities engaged.

Constant efforts to keep discovering innovations making cities smarter, coupled with administrative assistance for the birth of the market are believed to be good ingredients that help smart city models in Korea prosperous in many cities around the world.

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Health Care Town Development Project

**Investment Highlights**

**Project Description**

Specialized global health care and medical tourism environments are provided within the region as a key project for Jeju Free International City to revitalize the medical services and medical tourism.

**Key Rationale**

**Breathtaking natural beauty:** UNESCO Triple Crown (World Natural Heritage, Global Geopark, and Biosphere Reserve); against the backdrop of Hallasan National Park, the project area overlooks the sea.

**Excellent accessibility and traffic system:** It is adjacent to infrastructures such as a port and an airport.

**Abundant tourism resources:** Multiple tourist attractions and amenities are located within the coastal areas in the vicinity of the project area.

**Project Overview**

**Geographic Location**

**Project Summary**

<table>
<thead>
<tr>
<th>Type</th>
<th>Medical tourism complex combining features: health and recreation, medical service, and research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>At least USD 350 million (possible consultation on investment in some sites based on the total remaining site)</td>
</tr>
<tr>
<td>Location</td>
<td>Donghong-dong and Topyeong-dong, Seogwipo-si, Jeju-do</td>
</tr>
<tr>
<td>Total Area</td>
<td>1,539,339 m²</td>
</tr>
<tr>
<td>Developer</td>
<td>Jeju Free International City Development Center (JDC)</td>
</tr>
</tbody>
</table>

**Investment Requirements**

<table>
<thead>
<tr>
<th>Amount</th>
<th>- At least USD 350 million (possible consultation on investment in some sites based on the total remaining site)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>- Medical service</td>
</tr>
<tr>
<td></td>
<td>- Development and operation of medical and nursing institutions</td>
</tr>
<tr>
<td></td>
<td>- Health care-related projects (those willing to invest in IT- and BT-based medical examinations and rehabilitation)</td>
</tr>
<tr>
<td>Region</td>
<td>- North America, Europe, Japan</td>
</tr>
</tbody>
</table>

### Key Project Facilities

<table>
<thead>
<tr>
<th>Division</th>
<th>Facility name</th>
<th>Site area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical, R&amp;D</td>
<td>Health-Care Center</td>
<td>15,737 m²</td>
</tr>
<tr>
<td></td>
<td>Special Hospital</td>
<td>63,354 m²</td>
</tr>
<tr>
<td></td>
<td>Medical Streets 1–6</td>
<td>40,991 m²</td>
</tr>
<tr>
<td>Medical, R&amp;D</td>
<td>Retirement Community</td>
<td>115,407 m²</td>
</tr>
<tr>
<td></td>
<td>Long-Term Care Town</td>
<td>87,426 m²</td>
</tr>
<tr>
<td>Sports</td>
<td>Rehabilitation Center</td>
<td>31,897 m²</td>
</tr>
</tbody>
</table>

### Geographic Location

- **Investor Undecided**
- **Investor Decided**

### Project Summary

#### Accessibility

**Excellent traffic and access systems**
- Airplane: It operates direct flights to 12 cities in Korea, 16 in China, and 3 in Japan.
- Ship: Jeju Ferry Passenger Terminal runs ships cruising to major cities in the region of the South Sea in Korea along with international cruise ships (8 overseas shipping companies). Seogwipo Cruise Terminal (Gangjeong Port), which was opened in June 2018, is expected to contribute to the increasing number of cruise visitors.
- Road: The road system, which connects Jeju-si with Seogwipo-si, allows each region to easily access selected sites. Accessibility via Sallok Road is excellent.

#### Site Attraction

**Advantages**
- Jeju’s unique natural environment and specialized recreational infrastructure
- Application of the establishment of foreign medical institutions prescribed in the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City
- Utilization of geographic advantages and cultural similarities to attract tourists from different countries in Asia
- Provision of high reliability and policy support as a government-funded project
- Higher effect of attracting customers because of existing investors’ project operating plans
- Possible implementation of various project concepts such as health care + tourism, health care + research, health care + recreation, etc.

**Opportunities**
- Government’s policy to promote the medical industry
- Growing number of the population and income of Jeju-do and its visitors
- Possible connection to surrounding attractions
- Rapid growth expected by the promising health-care industry

#### Tourism Resources

**Major tourist attractions in the area**
- Jungmun Tourist Complex
- Seogwipo Arcade Shopping District
- Jeju International Convention Center (ICC)
- Jeju World Cup Stadium
- Hallasan National Park

**Major regional festivals**
- Seogwipo Chilsimni Festival (September)
- Boromwat Buckwheat Flower Festival (June)
- Saryoni Forest Eco-Healing Festival (May)
- Jeju Canola Flower Festival (April)

#### Government Support

**Tax exemption**
When investing no less than USD 20 million, support is provided based on the rate of foreign investment.
- 100% exemption of cooperate tax for three years; 50% exemption of cooperate tax for two years
- 100% exemption of acquisition, registration, and property tax for 10 years
Korea’s Stimulus Package for a Post-Covid Economy

The COVID-19 pandemic in Korea has shown a definite beam of hope as the number of new cases has drastically fallen from a few hundred a month ago to the single digits for a while. The way the Korean health administration and officials have handled the malaise got worldwide acclamation, and even the adamant US President Donald Trump praised the country’s effectiveness and thoroughness. Although it is not over yet and the potential future outbreak still lingers, Korean people as well as the authorities are beginning to consider gradually easing the tight rein of enforcing the social distancing and mandatory partial lockdown that has restrained for some time regular economic activities and social life.

A definite sense of optimism on one side, yet there is the other gloomy economic picture lurking in the corner as the statistics of the dark era of COVID-19 began to emerge on the surface. Indeed, the Bank of Korea statistics just released showed that the tentative first quarter GDP growth rate was −1.4% and the private consumption −6.7% over the last quarter. The manufacturing industry production fell from 1.6% in the last quarter of 2019 to −1.8% in the first quarter of 2020, and the retail and wholesale distribution industry fell from 1.4% to −6.5%, while entertainment and other service industry dropped from 0.1% to −6.2% in just one quarter. Remembering that these poor numbers are just a partial reflection of the real impact of COVID-19 which might have been deadlier in the forthcoming second quarter months, it is not surprising at all to hear the deputy prime minister warning against the more pessimistic outlook for coming quarters down the road.

Against this backdrop of apocalyptic economic forecasts, the Ministry of Finance and Economy has audaciously pledged a series of measures starting from March to fight against the gargantuan challenge that COVID-19 has posed on Korean economy. So far, since the outbreak early January this year, there has been a total of eight sets of drastic policies to counter the negative effects of the pandemic. The entire size of the means and finances is totaling over KRW 282 trillion, equivalent of USD 235 billion, making up approximately 16% of 2019 GDP. The nation has never witnessed such a grand-size package of policies in the past. Neither the IMF emergency measures in 1997 or the solutions for the 2008 financial crisis was not as big as the COVID-19 measures. It is relatively bigger than Japan’s JPY 56 trillion emergency measures which is about 10% of its GDP, or Singapore’s pledge of 11% of its GDP for emergency projects. Only Germany surpassed all other countries by allotting almost 30% of GDP for the emergency purposes.

The grand plan has multi-targets: first, encouraging employment; second, emergency funding to SMEs as well as the seven core industries such as automobile, airlines, transportation, retail, shipbuilding, machineries, electricity, and communication; third, stabilizing the financial markets; and finally, subsidizing household incomes.

To uphold employment, the measures encourage SMEs to avoid laying-off employees by providing more incentives for longer periods. The legitimate areas of support are extended to airport limousine service workers, duty-free shop workers, conference employees, and airport staff and engineers. Also, the plan tries to provide emergency subsidies to more than 1 million people such as freelancers and delivery servicemen not protected by the public unemployment insurance. Major core industries are also supported by providing funds for capital replenishment or short-term liquidity. There is a strong possibility that a few other labor intensive industries such as hotel or retail could be added to the aforementioned seven industries above.

However, it should be reminded that the biggest chunk of the financial resources is devoted to maintaining financial stability, especially in the stock and bond markets. Out of the total of USD 235 billion budget, USD 130 billion is allocated for the purpose of financial market stabilization. Among it, USD 42 billion is designed for direct capital markets intervention, and the rest is used to prevent insolvency due to liquidity shortage. It is the general recognition that once the capital markets are in jeopardy, the entire Korean economic system could crumble in a very short time as the sudden flight of foreign capital would entail extreme movements of the stock prices as well as the exchange rates, which could generate a vicious cycle of exchange depreciation and stock price free-fall. Therefore, a preemptive action by the authorities is crucial for a successful and effective prevention of any kind of economic and financial crisis.

While the unprecedented size and opportune timing may be all right, the last-but-not-least important point deserves to be highlighted. All these policies are emergencies in nature, preventing economic meltdown. They don’t necessarily promise a brighter future. They need to embrace productive plans such as building dams, highways, hospitals or schools as in FDR’s New Deal. Preventing a disaster is definitely one thing, but building a completely new economy is another. For Korea’s version of the plan to be successful, the only missing piece is to have a series of productive investment plans. It is not strange at all to expect a next set of emergency policies to be directed to that target.

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* The opinions expressed in this article are the author’s own and do not reflect the views of KOTRA.
If any person who is not a national of the Republic of Korea under Article 2 Subparagraph 2 of the Immigration Act (hereafter “alien”) completed alien registration under Article 31 (1) of the same Act, can the alien create, manage and operate a private qualification as prescribed by Article 17 (1) of the Framework Act on Qualifications?

A.

In this case, the alien can create, manage and operate a private qualification.

Reasons

The Constitution of the Republic of Korea states that “the status of aliens shall be guaranteed as prescribed by international laws and treaties” (Article 6 (2)), and in accordance with this principle, many laws treat aliens as equally as Korean nationals. As a rule, in laws other than those related to basic rights recognized only to Korean nationals such as voting rights and political rights including the right to hold public office, it is interpreted that there are no restrictions on aliens unless there are explicit regulations imposing restrictions on them.

Also, Article 17 (1) of the Framework Act on Qualifications states that “any” corporation, organization or individual other than the State may create, manage and operate a private qualification in a sector other than those prescribed by its subparagraphs, and Article 23 (4) of the Enforcement Decree of the same Act stipulates that the minister of the competent ministry shall issue a registration certificate if the requested private qualification does not fall under the banned categories. In addition, Article 18 of the Act does not include aliens in persons disqualified as a private qualification manager, which means that aliens are not disqualified to become private qualification managers who can create, manage and operate private qualifications.

Moreover, by allowing everyone to create, manage and operate private qualifications and receive government accreditation on the qualifications, the purpose of the Framework Act on Qualifications is to ensure that private qualifications are invigorated and their credibility are enhanced, thereby improving the socio-economic status of people through promoting lifelong vocational competency (Article 1). In addition, the legislative objective of the Act is opening the qualification system to individuals so that persons with skills and talent in a particular field can be given an opportunity to succeed by practicing expertise in the field and ultimately contribute to the diversification of society and creation of an open system. Considering this, there is no reason to restrict an alien from creating a private qualification in accordance with the Framework Act on Qualifications.

Furthermore, the fact that the competent minister may manage and supervise the management and operation of private qualifications by private qualification managers regardless of whether they are domestic persons or aliens should be taken into account as well. For example, where a person who registers, manages and operates private qualifications in accordance with the Framework Act on Qualifications violates the Act, the competent minister may issue an order requiring the relevant private qualification manager to correct the relevant offense (Article 18-2), and may suspend the relevant qualification if the manager fails to comply with the corrective order (Article 18-3 (1) 3). And if necessary, the competent minister may provide instructions necessary for the guidance and supervision of registered qualification-related affairs under his/her jurisdiction, by requiring the registered qualification managers to report on their business or submit data, etc. (Article 18-5).
INTERVIEW

ONE-ON-ONE WITH JENNY CHU

Honorary Ambassador of Foreign Investment Promotion for Korea

Overcoming COVID-19: Korea’s Transparency and Innovation

KOTRA Express sits down with Jenny Chu, Honorary Ambassador of Foreign Investment Promotion for Korea, to hear more about her plans to promote Korea’s investment environment to U.S. investors and her aspirations for Korea-U.S. relations.

Jenny Chu grew up in Korea and moved to the United States in 1985, where she has built up her career experience in the finance industry. At the foundation of her passions was her desire to support her home country, as most of her family members still live in Korea. Based on her background as well as her extensive network and capabilities, she was appointed as Honorary Ambassador of Foreign Investment Promotion for Korea in 2019.

Chu joined Merrill Lynch in 2016 after working eight years as Managing Director at JP Morgan. She has worked in the financial services industry for more than 20 years, managing ultra-high net worth individuals and corporations to meet their wealth management needs.

Prior to joining JP Morgan, she was one of the opening members of UBS in Beverly Hills when the company launched its flagship store in 2000. There, Chu worked as First Vice President for 10 years, managing investment portfolios and cash management requirements.

KOTRA Express sat down with her to hear more about what Korea has to offer as an investment destination, and gain some insight into how the country is dealing with the COVID-19 pandemic.

What about Korea’s history, economy or culture appeals to you the most?

Korea is a very dynamic and fast-paced country. It encourages creativity and innovation and provides various avenues to foster smart, bright-minded talent.

How interested are companies from the U.S. in investing in Korea and what opportunities are they most interested in?

Investors are seeking to invest a little differently now than in the past. Specifically, investors may now be more attracted to Korea’s service sector rather than manufacturing, because the country’s services aren’t as developed as its manufacturing sector just yet. Also, investors may be more interested in M&A rather than establishing their own factories from scratch via Greenfield investment.

What advice would you give American investors and companies seeking to do business in Korea?

I would advise them to first and foremost, find local partners...
that are right for them. Also, there are plenty of sources that can help with the investment process such as Invest Korea, who can ensure they receive the proper information and decrease the risks of entering a foreign country for business.

**What sort of support do investors from the U.S. want from Korea?**

I believe that the role of government is crucial. Currently, it seems like more emphasis is placed on providing incentives for prospective investors, while investors actually prefer lower costs, minimal regulations, and better infrastructure. If Korea meets these conditions, I think it would be a big motivation for foreign companies to be willing to enter the Korean market, even without the incentives. Therefore, it’d be a wise choice for the government to focus on creating a good business environment first, then consider creating incentives for investment.

**What would you like to accomplish during your time as Honorary Ambassador of Foreign Investment Promotion for Korea?**

Korea and the U.S. have been long-time friends and allies. The trade and investment environment are also incredibly active between the two countries. American investors, however, are still not as well aware of Korea’s capabilities and potential. Using my network and experience in the financial industry, I would like to bridge the gap between the two countries and introduce all of the opportunities in which they can collaborate.

**What are your views on Korea’s response to the COVID-19 pandemic?**

I think investors worldwide have been gaining valuable insight into Korea’s swift response measures and technological advancements to contain the COVID-19 outbreak. It was very wise for health officials in Korea to take aggressive actions against COVID-19 in the early onset of infections, while sharing detailed information on the cases confirmed, geographical patterns, and treatments in a rapid and transparent manner to the public.

**What are some lessons that others can take away from how Korea is handling the situation?**

Both the daily sharing of information on new cases and health authorities’ quarantine efforts to get the disease under control have been model examples for other countries to take away from this pandemic.

The Korean people have started to rely more on KCDC’s updates and are treating its transparent data as a reliable source to counteract the blow of the epidemic. This, in turn, has led to stronger social cohesion and cooperation to fight against the nationwide pandemic.

From what I understand, Korea has also put to work its superior medical technology to respond to the COVID-19 outbreak by rapid testing via real-time reverse transcription polymerase chain reaction (RT-PCR) and temporarily approving test medication for treatment.

**How do you think the current situation is affecting business activities?**

In terms of the economy, Korea has been pushing for diverse support measures to minimize the impact of the crisis on businesses and the market.

The Korean government has drawn up supplementary budgets to cope with the economic shock. Also, it’s committed to quickly informing international organizations, global investors, and credit rating agencies with accurate and up-to-date data regarding the Korean economy.

I believe that despite this global pandemic, Korea is best suited to handle COVID-19 and any other future threat. It boasts an attractive investment environment based on its solid manufacturing base, talented workforce, and high levels of market openness. This is also evidenced by statistics which demonstrate that Korea is attracting more FDI this year than last year. All in all, the country’s efforts, paired with transparency and innovation make Korea a safe and attractive place to invest both now and in the future.
Food Delivery Paradise
Transforming the Landscape of Food Delivery Services

*Food delivery in Korea has existed since the Joseon era, continuing to satisfy changing tastes with evolving menus and ordering methods. Now you can have any kind of food you can imagine delivered to your home, office or even to the Hangang River Park. Let’s learn about food delivery trends in Korea from Korea’s most popular food delivery app Baedal Minjok.*

**Old History of Food Delivery**

The history of food delivery in Korea goes back further than anyone can imagine. The earliest Korean delivery of food on record is naengmyun cold buckwheat noodles in soup in the Joseon era (1392-1910). In his book, the scholar Hwang Yun-seok (1729-1791) mentions that he ordered naengmyun for lunch with his colleagues on the day after the state examination. This was in July, 1768. It appears that naengmyun, a delicacy enjoyed in the royal court, had gained popularity among noblemen, leading to the introduction of a delivery service. In Lee Yu-won’s book, it is recorded that King Sunjo (r. 1800-1834) of Joseon ordered his servants to buy cold noodles and bring it back to the palace while moon-watching with his officials in the early years of his reign. In later times, food delivery expanded to various soups and noodles in the 1930s, and delivery became a common thing. Even an article describing a day in the life of a food deliveryman was published in the newspaper.

With the migration of Chinese people to Incheon in the 1900s, jjajangmyun noodles with a black bean paste sauce was born. It became one of the most popular foods among the general public in the 1950s. The 1970s, a period of rapid economic growth in Korea allowed Chinese restaurants to
open businesses on every corner of the street. However, the true golden age of food delivery began in the 1990s with the introduction of fried chicken and pizza franchises. The food delivery market grew exponentially from this point.

**Our Favorite Late Night Snack**

It’s not difficult to guess Koreans’ favorite delivery food. Fried chicken makes up 20 to 30% of all orders on the food delivery service app Baedalui Minjok. On days when major athletic matches are taking place, orders get backed up at even the tiniest neighborhood fried chicken stall. It is a rule of thumb that you should place an order a couple of hours ahead of the game if you want to enjoy a World Cup game with fried chicken. This beloved food is also the number one delivery item on traditional holidays. There was even a competition to find the best “chimmelier,” a portmanteau of chicken and sommelier.

Jjajangmyun and tangsuyuk sweet and sour pork that represented delivery food in the 2000s have now been pushed to second place. Traditional Korean food with soups, side dishes and rice comes next. These days, delivery apps serve every kind of food you can name, from handmade burgers to steak, pasta, raw fish and even coffee and desserts. You don’t even need to go to a BBQ place for grilled pork belly and side dishes when it’s delivered right to your doorstep.

**Food Delivery, Growing Even More**

Consumption behavior has also evolved from choosing food from an advertisement leaflet and ordering it over the phone to doing all this and paying at the same time on a smartphone. Although in-app payments only made up 10% of orders when the service was initially launched, this has risen to nearly 70% now. This reflects consumers’ preference for non-face to face transactions with the entire process carried out through a few taps on the smartphone screen.

The volume of the food delivery market in Korea is estimated at around KRW 15 trillion (about USD 13 million) per year. Delivery apps only account for 20 to 30% of total transactions. In 2017, Baedalui Minjok processed around KRW 3 trillion (USD 2.7 million) of transactions, which is expected to rise to KRW 4 trillion this year, with monthly active users nearing 8 million recently.

**Convenience Is the Key**

Demand for food delivery is largely influenced by weather: nobody wants to walk through the rain or extreme heat to get food at a restaurant. This is usually when orders hit the peak. Besides the weather, weekends are usually busier than weekdays. Of course more orders are placed during mealtimes, but nighttime orders, from 9 p.m. to midnight, also take up a large share. The most sought after late night foods include fried chicken, jokbal braised pigs’ feet and bossam boiled pork with napa cabbage for wrapping.

There are some interesting trends to note in food delivery in Korea. Single serving orders have been increasing in proportion to the growing number of single person households. Demands for more varieties of food other than fried chicken or jjajangmyun are also reflected in the wide selection of delivery food.

The introduction of food delivery apps has increased convenience even further than the traditional way of getting the food delivered over the phone, which was already considered convenient. These apps also collect and analyze data on consumer behavior to provide even better service. The food delivery apps never stop innovating the technology to make their service more easily accessible, introducing a new voice-order feature in late 2017, and in-store server robots in June this year. It’s not so far-fetched to assume that delivery robots will replace humans and change the landscape of the future food delivery system.

Source: “Food Delivery Paradise” by Jeon So-young at Woowa Brothers Corp., KOREA (Nov. 2018), Korean Culture and Information Service (KOCIS), Photographed by Studio Kenn
Amidst the widespread infection of COVID-19 around the world, a video conference between Korea and France was held on April 10 under the auspices of the Korean-French Chamber of Commerce and Industry. Introducing the current status of Korea’s response to COVID-19 and changes in the foreign direct investment (FDI) environment, about 400 participants, including the French Ambassador in Korea as well as French government officials, congressmen, companies and media, showed great interest in Korea’s quarantine system and response policies to minimize the negative impacts on trade and investment activities. Policies on intensive social distancing, extensive diagnosis and the transparent disclosure of information under the principle of openness and transparency implemented by the Korean government are now being recognized as exemplary measures by other countries.

On March 26, UNCTAD predicted that the total amount of global FDI would be reduced by 30-40% from 2020 to 2021 due to the worsening profitability of multinational companies because of COVID-19. Ultimately, it is expected that the extent of the reduction in FDI in the future will be determined by the duration of the pandemic as well as the direction and scale of policy packages for recovery.

Although COVID-19 is expected to have a significant impact on the Korean economy, Fitch Ratings, a global credit rating agency, announced on April 23 that Korea’s economic growth rate would be -1.2% in 2020, and predicted that it would be relatively less affected than other regions such as the U.S. with -5.6%, and the Eurozone with -7.0%. Moody’s, another major credit rating agency, also announced on April 6 that it will maintain Korea’s national credit rating and outlook at “Aa2” and “stable,” respectively. According to the agency’s credit opinion, it stated, “Although the spread of the pandemic is likely to affect South Korea’s trade, supply networks, investment, tourism and so on and some industries and financial institutions are already under pressure, its impact on the sovereign credit rating of South Korea will be limited.

In the first quarter of 2020, statistics showed that Korea’s inbound FDI reached $3.27 billion, a 3.2% increase from the same period last year. COVID-19 had a limited impact on FDI in Korea, as major investment projects were carried out without significant disruptions so far. However, concerns are growing as the situation is expected to be tough starting from the second quarter due to the spread of damage in major investors such as the U.S. and countries in the EU.

There are over 15,000 foreign-invested companies in Korea which make up a substantial part of the Korean economy. To provide a sustainable business environment for these foreign-invested companies, the Korean government and Invest KOREA will continue to provide support by creating a more favorable investment environment; expanding cooperation in high-tech industries; and improving efficiency on investment attraction activities.

In order to create an increasingly foreign investment-friendly environment, the government is making supplementary improvements such as revising the Foreign Investment Promotion Act and Cash Grant, and expanding communication with companies that are already invested in Korea and foreign chambers of commerce in Korea to establish a close cooperative channel. Recently, Invest KOREA, the Ministry of Trade, Industry and Energy and local governments have jointly organized the “COVID-19 Task Force Team (TFT) for foreign-invested companies” to support those being impacted by COVID-19. In an effort to resolve the companies’ difficulties, the TFT has been conducting a daily survey on about 630 foreign-invested companies in Korea to support their emergency business operations by putting in place disease prevention measures and assisting

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**SPECIAL CONTRIBUTION**

Korea’s Strategy for Attracting FDI amid Pandemic

Sang Hyun Chang
Head of Invest KOREA, Korea Trade-Investment Promotion Agency (KOTRA)

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Invest Korea Plaza (IKP)

Invest Korea Plaza (IKP) is Korea’s first facility dedicated to the incubation and investment of foreign investors. Each year, more than 40 foreign-invested companies rent out offices in the plaza and utilize IK’s one-stop service.

Foreign Investment Ombudsman

The Office of Foreign Investment Ombudsman is an organization established in 1999 to provide close aftercare support and grievance resolution services for foreign-invested companies, and is dedicated to resolving any difficulties that foreign-invested companies face while doing business in Korea.

One-Stop Service for Foreign Investors

The Inbound Investment Consulting Department not only assists foreign investors and foreign-invested companies in the investment review and implementation stage, but also offers customized services to help foreign investors and their families get comfortably settled in Korea.

Invest Korea Market Place (IKMP)

IKMP is a project aimed at discovering promising Korean SMEs seeking to attract foreign investment and matching them with foreign investors who have compatible needs. Projects looking for investment are posted on our website at www.investkorea.org.

Job Fair for Foreign-Invested Companies

IK organizes annual job fairs to help foreign-invested companies discover qualified local talent, and job seekers find employment through job consultations, on-site interviews, and more.
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